

Statement of Accounts

For the year ended 31 March 2022



INTRODUCTION

This document contains the Statement of Accounts that the Council publishes in accordance with the Accounts and Audit Regulations 2015 (as amended).

CONTENTS	Page No
Narrative Report	1
Statement of Responsibilities; Signature of Approval	15
Movement in Reserves Statement	16
Comprehensive Income and Expenditure Statement	18
Balance Sheet	19
Cash Flow Statement	20
Notes to the Financial Statements	21
<i>Supplementary Financial Statements:</i>	
Movement on the Housing Revenue Account Statement	67
Housing Revenue Account Income and Expenditure Statement	68
Notes to the Housing Revenue Account	69
Collection Fund (England) Statement	72
Glossary of Terms	74
Independent Auditor's Report	78
Additional Information to the Accounts	
Appendix 1: Annual Governance Statement	

HARROGATE BOROUGH COUNCIL

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2022

The Harrogate District

Harrogate is a beautiful district in the county of North Yorkshire offering a superb quality of life. We have a strong local economy, low unemployment, unrivalled natural and built heritage, low levels of crime and excellent sporting and cultural opportunities. Key features of the district and the council include:



In a typical week, we:

Assist

4,900

people via email,
phone or online



Prevent

10 people

from becoming homeless



Complete **154** repairs in
the homes of our tenants



Welcome

3,770 visitors

to our tourist information centres
and information points

Collect



990 tonnes

of household waste

Process

980

benefit claims
and changes



Investigate **9** noise
complaints and...



...catch **2** stray dogs



Welcome

**1,370
visitors**

to our
museums and galleries
(virtually and in person)

Welcome

**14,000
people**

to our sport and
leisure facilities



Inspect

**10 food
premises**



Deal with

82

local search and
land charges
requests



Review and process

**35 planning
applications**

Our corporate priorities and values are:



Our values

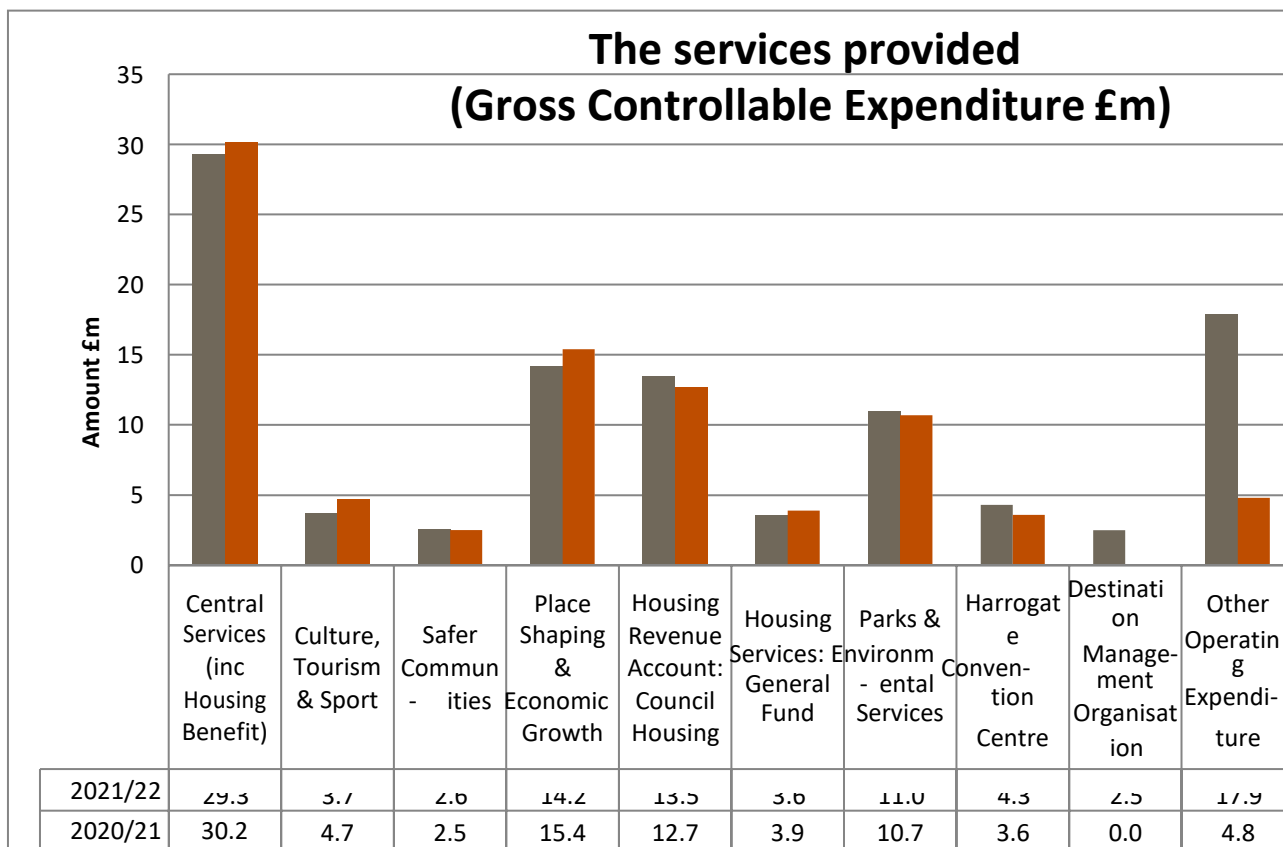
Our vision + our values + our behaviour = our responsibility

- *Delivering excellent customer service*
- *Taking responsibility*
- *Showing resilience*
- *Working together*
- *Leading by example*

HARROGATE BOROUGH COUNCIL

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2022

Local Government service delivery in the district is split between Harrogate Borough Council (HBC) and North Yorkshire County Council (NYCC). NYCC are responsible for services such as social care, education and highways. The services provided by HBC are:



Central Services includes expenditure on housing benefit (£17.7m in 2021/22 and £18.7m in 2020/21) as well as the Information Communication & Technology, Legal, Finance and Organisational Development & Improvement services. These are largely ‘back office’ functions and support the other services that the Council provides, although included within here are services such as Revenues & Welfare and Elections.

Culture, Tourism and Sport includes recreation and sport and, in 2020/21 only, museums and arts (these services moved to the new Destination Management Organisation service from 1 April 2021).

On 1 August 2021, the provision of recreation and sport transferred to Brimhams Active, a new company wholly-owned by the Council. The Council pays a management fee to the company to provide its leisure and recreation facilities, and charges the company for the services provided to it (finance, IT, legal etc). The ownership of the land and building assets used to provide the facilities remained with the council.

Safer Communities includes community safety including CCTV, licensing, food safety, environmental protection and car parking.

Place Shaping and Economic Growth includes forward planning, development control, building control, economic development and building maintenance. In 2020/21 and 2021/22, includes expenditure on Covid-related grants to businesses where there was a discretionary element to the award.

Housing Services: Council Housing includes expenditure and income in relation to the Council’s own housing stock, which is charged to a separate ring-fenced account called the Housing Revenue Account (HRA).

Housing Services: General Fund includes housing services provided to non-Council tenants, such as homelessness, housing advice and housing improvement grants.

Parks and Environmental Services includes open spaces, waste collection, recycling, cemeteries and crematoria, street cleansing and pest control.

Harrogate Convention Centre includes services provided by the Convention Centre.

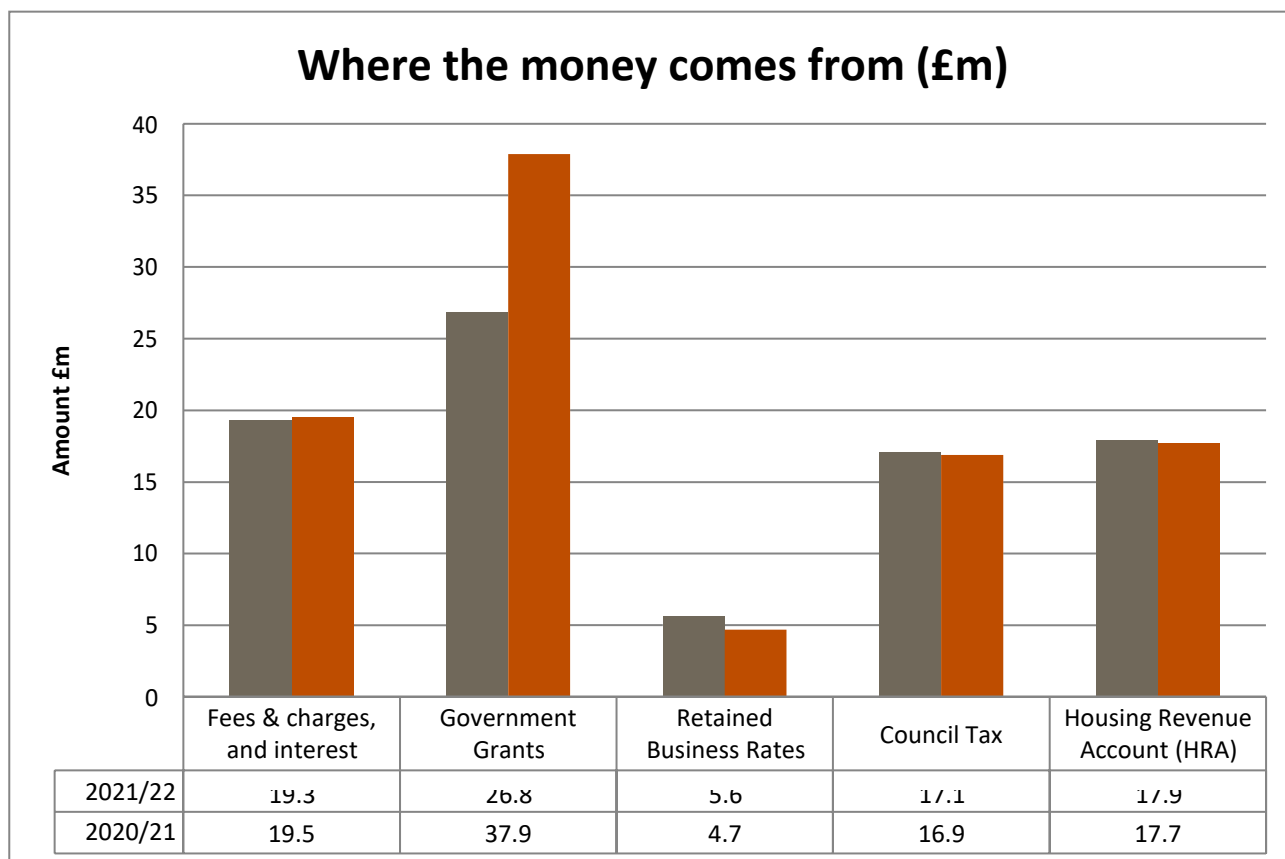
HARROGATE BOROUGH COUNCIL

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2022

Destination Management Organisation, from 1 April 2021, includes Museums, Arts, Events and Place Marketing

Other Operating Expenditure includes interest costs (including for the HRA), precept payments to Parishes and the contribution to the Government's Housing Capital Receipts Pool.

Funding comes from the following sources:



The table shows the importance of government grants, despite their general continued reduction. That said, a significant amount of the grant figure (£17.7m in 2021/22 and £18.7m in 2020/21) relates to Housing Benefit grant. In 2020/21 the figure is much higher due to the various Covid-related grants that the Council received, some to be retained by the Council and others to be distributed to businesses to support them during the pandemic. Some similar grants were received in 2021/22 but the totals were much lower.

In 2021/22 no Revenue Support Grant was received by the Council (£0 received in 2020/21).

New Homes Bonus grant totalled £1.7m in 2021/22 and £1.7m in 2020/21 and is a key element of funding, but one that is not guaranteed beyond 2022/23.

In 2021/22, the Council was part of a 'standard' 50% retention Leeds City Region pool, having been part of a combined North & West Yorkshire pool in 2020/21.

It will be important to maximise the opportunities for generating sales income in order to mitigate against future funding cuts and to keep council tax as low as possible.

HARROGATE BOROUGH COUNCIL

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2022

The **General Fund** budget for 2021/22 and a comparison with actual performance are set out below:

	Net Controllable Budget £000	Outturn £000	COVID Variance £000	Other Variance £000
Economy, Environment & Housing:				
Housing & Property	1,841	1,624	+71	-288
Parks & Environmental Services	4,079	3,313	+112	-878
Sport & Leisure	2,871	2,566	+1	-306
Place Shaping and Economic Growth	5,503	5,870	+274	+93
Corporate Affairs:				
Safer Communities	-794	-984	-118	-72
Finance	2,423	2,300	+281	-404
Legal & Governance	2,256	2,085	-12	-159
ICT	3,037	2,904	+15	-148
Organisational Development & Improvement	2,092	1,879	-33	-180
Harrogate Convention Centre :				
Harrogate Convention centre	426	-421	-998	+151
Destination Marketing Organisation	1,057	+946	+12	-123
Treasury Management & Other Corporate Items	-3,765	-3,143	+395	+227
Total Net GF Expenditure	21,026	18,939	0	-2,087
Funding	-21,026	-21,026	0	0
Net Position	0	-2,087	0	-2,087

The Council underspent by £2,087k in 2021/22. This compares to outturn being in line with budget in 2020/21 and an overspend of £327k in 2019/20. The Council had budgeted for an estimated impact from the continuing COVID-19 pandemic in 2021/22 and hence any variances shown as being pandemic-related are against that budgeted impact. Overall, the impact in terms of income and expenditure was £395k less than budgeted, in addition to which Government grant support was £279k more than budgeted and as a result the Council used £674k less of its reserves than was originally budgeted and there was a net nil overall impact from these variances.

Salary savings across the Council, net of associated costs such as the use of temporary staff and including a senior management pay & grading review, account for £1,748k of the £2,087k underspend. As a result of buoyant market for recycled waste materials, the Parks & Environmental Service generated £474k more income than budgeted. In the Place-Shaping & Economic Growth Service the volume of major planning applications was low and this resulted in a shortfall in planning income of £286k. There was however an increase of £49k in income from land charges and savings of £76k in building management costs such as repairs & maintenance and utilities, in this service. The Council was able to set aside a provision of £250k towards additional costs that may be incurred as we prepare for the transition to one North Yorkshire Council from 1 April 2023.

HARROGATE BOROUGH COUNCIL

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2022

The **Housing Revenue Account** budget for 2021/22 and a comparison with actual performance are set out below:

	Net budget	Outturn	Variance
	£'000	£'000	£'000
Expenditure	31,920	30,505	-1,415
Income	-18,328	-18,363	-35
Net Expenditure	13,592	12,142	-1,450
Working Balance:			
Brought forward	26,340	28,281	1,941
Carried forward	12,748	16,139	3,391

Expenditure was £1.4m lower than budget, primarily because the contribution to capital expenditure was reduced by £1.5m, largely due to a reduction in the planned programme due to staffing shortages and the postponement of some works in light of the planned upcoming decarbonisation retrofit programme.

Income was largely in line with budget, with only small variances.

The HRA working balance carried forward is £16.1m. The large reduction compared to the opening balance is largely due to the budgeted voluntary set-aside of £15m in the year in order to repay a portion of the debt that was taken out when the HRA became self-financing in 2011/12. Were it not for this expenditure, the HRA would have achieved a surplus within the year of £2.588m.

Capital

In 2021/22 the Council spent £20.3m on capital projects compared with the original overall budget of £20.5m. Of this total, Housing capital spending for 2021/22 was £4.9m compared to a budget of £9.6m, a net reduction of £4.7m. Planned maintenance and improvements works continued to be heavily affected by the Covid-19 pandemic and expenditure reduced by £2.0m. House building schemes were similarly affected, with costs reduced by £1.6m. Works on unadopted roads were delayed again this financial year, which resulted in the £0.5m budget remaining unspent and carrying forward into 2022/23. Budget of £1.2m for newly built social housing purchases has also been carried forward to the next financial year as the contractor was unable to complete on all houses before year-end. This was partly offset by increased spend on open market house purchases for social rent, totalling £0.6m, which were approved after the original budget-setting for the year.

Capital spending on non-housing schemes was £15.4m, compared to an original budget of £10.9m. This variance is largely explained by £5.9m of unspent budget being brought forward from 2020/21. The Covid-19 pandemic had a significant impact on major projects and, as a result, projects were delayed and continued in 2021/22. The major areas of expenditure in 2021/22 included the Ripon Leisure Centre and Swimming Pool (£4.9m), the Hydro (£2.0m), Knaresborough Pool (£1.5m), works redeveloping properties in Knaresborough High Street (£1.0m), Disabled Facilities Grants (£1.0m) and IT hardware and software (£1.0m).

Capital receipts from asset sales during the year totalled £2.1m, all of which related to Council dwelling sales within the HRA. Of these receipts, £0.8m was paid over to the Government in line with the pooling requirements.

HARROGATE BOROUGH COUNCIL

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2022

Financial performance and the Covid-19 pandemic

The financial performance in the year was once again encouraging, despite the ongoing impact of the Covid-19 pandemic. Excluding the £15m that was voluntarily set aside to reduce its level of debt, the HRA achieved a surplus of £2.6m, which is in line with previous years. The General Fund achieved a saving against budget of £2.1m, as detailed above, despite the impact of the Covid-19 pandemic, although a large proportion of this was due to salary savings that, at least in part, reflect the increasing difficulty in recruiting staff.

The Government continued to provide significant financial support to businesses in response to the Covid-19 pandemic. A summary of the schemes operating in 2021/22 is shown below – these grants are not included with the Council's accounts as it is deemed that we are simply passporting these grants on from central government to businesses.

Scheme	Amount of grant paid out
Restart	£13,281k
Omicron Hospitality and Leisure	£2,118k
Local Restrictions Support Grant (LRSB) (Closed) Addendum 5 Nov – 1 Dec 2020	71k
LRSB (Closed) 2 Dec 2020 – 4 Jan 2021	£6k
LRSB (Closed) Addendum 5 Jan 2021 onwards	£359k
Test and Trace	£425k
Closed Business Lockdown Payments	£295k

The Government also provided some funding for businesses that were not eligible for the main schemes. The Council had some discretion over these grant schemes and these are therefore included in the Council's accounts, within the Place Shaping and Economic Growth (PSEG) service. These schemes are summarised below:

Scheme	Amount of grant paid out
LRSB (Open)	£27k

As at 31 March 2022, a further £142k of grant had been received but not paid out. It is anticipated that the unspent funds will be repaid to the Government and the balance has therefore been included as a creditor on the balance sheet.

The Government also recognised that some other businesses would be severely impacted and gave an allocation of 'Additional Restrictions Grant' to local authorities to distribute to businesses in line with a locally-determined policy. There was also a discretionary element of test and trace grant received. The spending on these grants is again included within the PSEG service within the Council's income and expenditure statement. The amounts paid out in 2021/22 were as follows:

Scheme	Amount of grant paid out
Additional Restrictions Grant	£2,856k
Additional Restrictions Grant – business support	£360k
Test & Trace	£416k

In terms of the financial impact upon the Council itself, by far the largest impact has been in terms of lost income, primarily from the Harrogate Convention Centre, leisure sites and car parking. To support local authorities in this regard, the Government continued to provide compensation for 75% of lost income (after a 'disregard' of 5% of budgeted income) for the first three months of 2021/22.

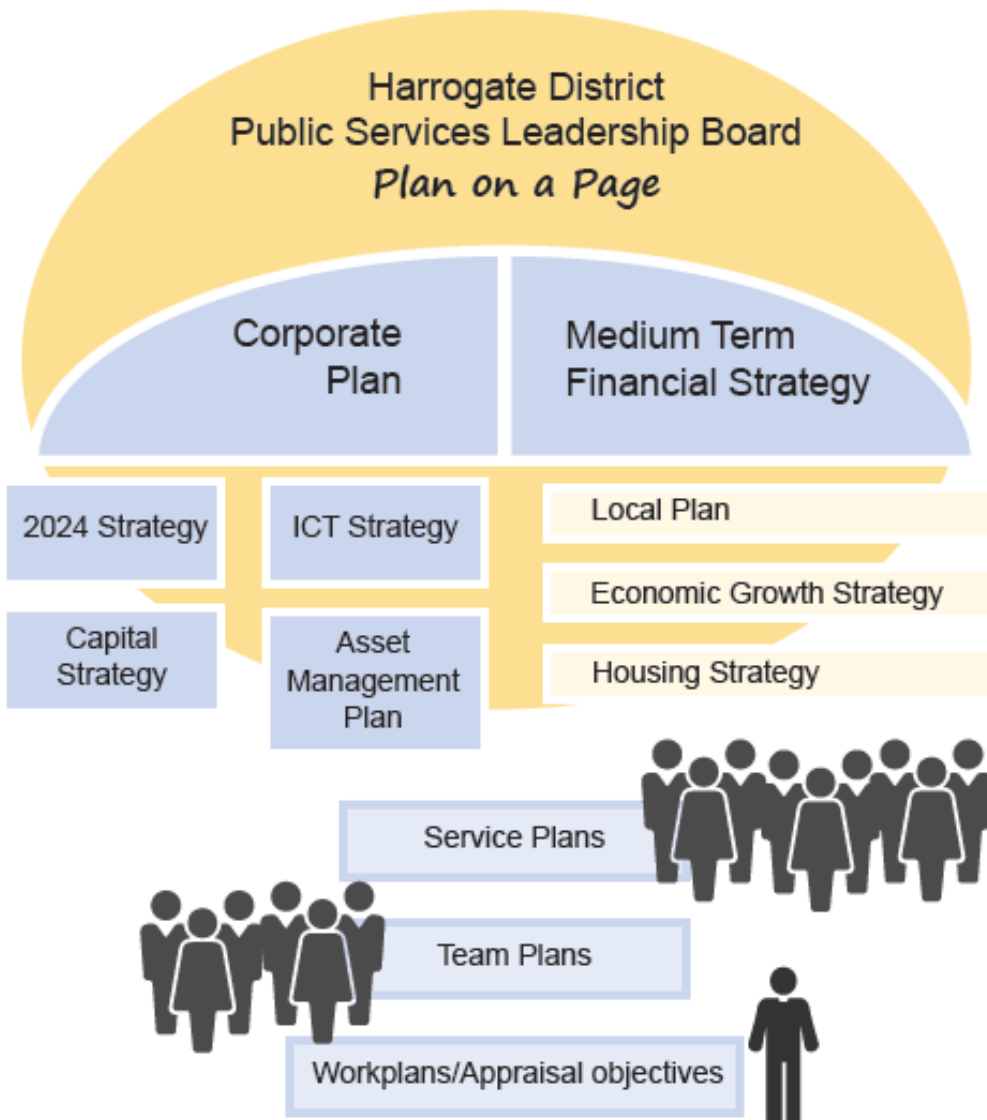
NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2022

On 3 February 2022, the Government announced a new support package to help households with rising energy bill costs. One element of that package – the Council Tax Energy Rebate scheme – was to be administered by local authorities.

The scheme commenced on 1 April 2022 and the Government provided local authorities with the necessary funding prior to this date. As this funding, which totalled £7.6m for the council, was received in the 2021/22 financial year it was held on the council’s balance sheet as a creditor as at 31 March 2022.

The Medium Term Financial Strategy (MTFS) was updated over the summer of 2021 and sets out the latest position in terms of the upcoming financial challenges and risks, together with the latest proposals as to how to overcome them. The MTFS is just one element of the strategic planning process, which is set out below:

How our **STRATEGIES AND PLANS** fit together



HARROGATE BOROUGH COUNCIL

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2022

In 2018/19 the Council adopted an updated transformation programme – the 2024 programme. The programme has made a number of significant achievements in the past three years, including:

- Completion of a new civic centre and successful relocation of 500 staff and customer facing services
- Achieving projected income in excess of £2.5m through the commercialism agenda
- Development of an award winning website
- Over 77,000 online accounts set up by customers
- Roll out of a leadership and management programme to increase skills and effectiveness of senior managers
- Embedding of new standards of behaviour and staff recognition programmes

The *2024 Programme* is addressing the challenges and opportunities now facing the Council, including:

Challenges:

- **Funding** – there is significant uncertainty over future funding levels, with a Fair Funding Review theoretically due to implement new baseline funding allocations for local authorities, although the timescales for implementation of this remain unclear
- **Ageing workforce** – the Council must address how it will retain knowledge and experience as a significant proportion of the workforce approaches retirement age
- **Technological change** – ensuring that the council has the capacity to invest in and implement infrastructure change, in order to operate efficiently and to meet customer needs

More widely, the district faces key challenges including:

- **Ageing population** – the number of people aged over 65 is forecast to increase by 49% by 2035
- **Economic growth** – the district is forecast to grow more slowly than the wider Leeds City Region over the next five years
- **Transport** – ongoing issues with road and rail connectivity and traffic congestion
- **Housing** - high cost of renting and purchasing housing, with a limited supply of affordable housing

Opportunities:

- **Income generation** – commercial opportunities, including the Turkish Baths and Convention Centre
- **Alternative service delivery models** – to maximise commercial opportunities
- **Digitisation** – improved and quicker communications with customers

Local Government Reorganisation (LGR) will also have a major impact on the Council in the immediate future. In July 2021, having consulted upon two potential options for reorganising local government across North Yorkshire, the Government announced that from 1 April 2023 North Yorkshire County Council will combine with all of the districts in the county to form a single unitary authority; Harrogate Borough Council will therefore cease to exist from this date (the City of York Council will remain separate and unchanged). There is a significant amount of work to do both prior to and following the ‘vesting day’ of 1 April 2023 in order to ensure that services continue to operate seamlessly and, subsequently, the opportunities of operating as a single authority are fully realised. There is likely to be a short-term cost of implementing the new authority before, ultimately, ongoing savings are achieved through operating as a single entity.

Financial and Service Performance

In planning to meet these challenges and to take advantage of these opportunities, the Council recognises that the integration of financial and service performance is key. Each year, in order to present a balanced budget, each service has to critically review its spending and service delivery in order to make budgetary savings whilst continuing to provide services of the same or improved standard, meaning that there is an on-going commitment to increasing the economy, efficiency and effectiveness across all service areas.

HARROGATE BOROUGH COUNCIL

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2022

The Council's service planning arrangements are integrated with its financial management arrangements. A strategic approach is taken to service and financial planning during the Performance Clinic process in which the budgets and performance of each service are scrutinised by Management Board. Integrated finance and performance monitoring reports are taken to Management Board on a monthly basis and go forward to Cabinet each quarter. In 2018/19, additional quarterly Management Board performance and finance meetings were introduced to allow for detailed discussions on any areas of concern in order to identify further support required by services.

The Council produces an annual delivery plan to deliver its Corporate Plan – the actions and performance indicators in the annual delivery plan can change on an annual basis in order to ensure we are focusing on our priority areas. Throughout 2021/22 we have continued to face many difficulties in delivering against our corporate plan, these included Coronavirus Pandemic restrictions and the on-going impacts that these have caused both internally and to the district. It also includes the energy and resources that have had to be shared to responding to Covid, delivering our corporate plan and planning and delivering Local Government Reorganisation (LGR).

Despite these challenges, we have managed to deliver some key successes in 2021/22, these include, amongst others:

- Establishing Destination Harrogate
- Launching Brimham's Active
- Significant contributions to Local Government Reorganisation
- Administering £17,972,572.95 across 8 different grant schemes and a further £360,150.00 provided under additional restrictions grant to support businesses through covid
- Opening of the new Jack Laugher Leisure and Wellness centre in Ripon.
- We have signed contracts for the Hydro and Knaresborough Pool
- We have, again, exceeded affordable housing targets

Quarter 4 has been delivered against a context of 'living with Covid', which has seen high levels of infection rate in the district. This has resulted in some of our frontline services being put under pressure when staff, who are unable to work from home, contracted the virus and needed to isolate.

After another challenging year Management Board are very pleased with the performance of the Council. We have accomplished many impressive achievements, including, but not limited to, those set out above. Considering that this has been achieved against a back drop of increased turnover and vacancies shows the level and commitment from Team Harrogate, Management Board placed on record their thanks to officers.

Management Board have raised concerns about the performance of corporate complaints and are therefore pleased that we are starting to see an upturn in performance in this area. We will continue to monitor performance in this area.

The corporate delivery plan actions have performed well with 92% being on target or completed. Indicators have also performed well and 69% are on target and 59% showing a short-term improving trend.

Key outcomes achieved in 2021/22 were (note that green text indicates areas that are on target, whilst amber text indicates areas of concern):

- **Develop a strong local economy;** *The Destination Management Organisation was launched* with the Events Strategy approved by Cabinet. *Local Government Reorganisation work has progressed* with Harrogate Borough Council officers playing a proactive role both in the Programme Management Office and providing expertise in individual work streams. *The Integrated Workplace Management System project timeline for Phase 1 has slipped by two months and the Leisure Management System by one month.*

HARROGATE BOROUGH COUNCIL

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2022

- **A sustainable Environment;** *Management Board endorsed an updated draft Carbon Reduction Strategy* on 28 March for sign off via the cabinet Member in April. *Indicators referring to Household waste recycled or reused and tonnages of household waste not sent for reuse, recycling or composting have both performed better than target in Q4.* A contract to deliver the first phase of the electric vehicle charge points has been awarded *with implementation of charge points due to start in Spring 2022.* *Cumulative percentage of household waste sent for re-use, recycling or composting is off target and performing worse than both last quarter and the same quarter last year.*
- **Supporting our Communities;** We have *completed 6 new homes in Q4* – three Fairfax Avenue units and three Valley Road units. We *exceeded our annual target for the number of affordable homes* by 104 homes (354 against a target of 250). The service continues to *deal with the impact of Covid on daily life including on health and wellbeing, finances and on the economic side.* The *average time taken to re-let local authority housing has been off target all year, but had its worst quarter in Q4;* 4.65 days worse than target and worse than Q4 last year. The *average length of stay for households living in temporary accommodation is currently within target, but performance is deteriorating and has seen quarter on quarter worsening since Q1.* Q4 is however, better than the same period last year and the same as Q3.
- **Excellent Public Service;** The *community response to the coronavirus pandemic is well established and has become business as usual.* In addition to this, *significant progress has been made to the Leisure Investment Strategy,* with planning approvals being secured for both the Hydro and Knaresborough Leisure Facility and Cabinet giving final sign off for both schemes to commence. However, *Implementation of the People Strategy continues to be slightly off track due to a lack of resources.*

More detail regarding the Council's performance during the year can be found in the Council's Corporate Performance Report 2021/22, which can be found here:

<https://democracy.harrogate.gov.uk/ieListDocuments.aspx?CId=137&MId=3113&Ver=4>

Planned Future Developments in Service Delivery

The Council is continuing to pursue its comprehensive programme of innovation and business transformation, designed to reduce costs, improve services, drive cultural change and place the customer at the heart of everything that we do. The *2024 Programme* is focusing on four areas of activity:

- Sustainable Harrogate – using our assets and powers to support economic growth and the provision of affordable housing
- Destination Harrogate – promoting Harrogate as an events destination in order to support the visitor economy
- Digital Harrogate – improving our communications through the use of digital and social media; and harnessing digital technology advances to improve access to services, reduce isolation and improve the effectiveness of the Council
- Commercial Harrogate – making the best use of resources by pursuing commercial opportunities and making efficiencies

Our approach to transformation enables the Council to continue to improve its services whilst ensuring that the financial footing of the Council remains solid.

Further information

The following documents are all available on our website (www.harrogate.gov.uk):

District Profile – sets out the context for our plans, detailing information about our district and residents.

Corporate Plan and Delivery Plan – the Corporate Plan sets out our ambitions, corporate priorities and values. Each year we publish our Delivery Plan alongside the Corporate Plan, which details what we will do, what our targets are and how we will measure these.

Medium Term Financial Strategy – sets out how we plan to manage our finances and how we can more closely align resource to the priorities set out in our key strategic planning documents.

2024 Programme – is our integrated transformation and organisational development strategy, setting out our ambition for the Council.

HARROGATE BOROUGH COUNCIL

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2022

The Financial Statements

The Council's Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2022. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, which in turn is underpinned by International Financial Reporting Standards.

The **Core Statements** are:

- the **Statement of Responsibilities for the Statement of Accounts** – which explains both the Council's and Head of Finance's responsibilities in respect of the Statement of Accounts.
- the **Movement in Reserves Statement** – this Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.
- the **Comprehensive Income and Expenditure Statement** – this Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- the **Balance Sheet** – the Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves consists of those that the Council is not able to use to provide services. This includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- the **Cash Flow Statement** – the Cash Flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- the **Notes to the Financial Statements** – the notes to the accounts disclose the information required by the CIPFA Accounting Code of Practice on Local Authority Accounting that is not presented elsewhere in the financial statements and which is relevant to the understanding of them.

HARROGATE BOROUGH COUNCIL

NARRATIVE REPORT: FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2022

The **Supplementary Financial Statements** are:

- the **Movement on the Housing Revenue Account (HRA) Statement** – which shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the HRA Balance for the year.
- the **Housing Revenue Account Income and Expenditure Statement** – this Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.
- the **Collection Fund (England) Statement** – this is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Supporting Statements

- the **Annual Governance Statement (Appendix 1)** which explains how the Council maintains an effective system of internal financial control.

Further Information

Further information about the accounts is available from the Corporate Finance team at Finance, Harrogate Borough Council, PO Box 787, Harrogate HG1 9RW, telephone (01423) 500600 or email corporate.finance@harrogate.gov.uk.

In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised on the Council's website.

HARROGATE BOROUGH COUNCIL

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code.

The Head of Finance has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Statement by the Head of Finance

I certify that this Statement of Accounts presents a true and fair view of the financial position of Harrogate Borough Council at 31 March 2022 and its income and expenditure for the year then ended.

..... 6 December 2024

Gary Fielding, Corporate Director Resources

APPROVAL BY CHAIR OF AUDIT & GOVERNANCE COMMITTEE

This Statement of Accounts was approved by a resolution of the Audit Committee.

..... 6 December 2024

Councillor C Lunn, Chair of Audit Committee

HARROGATE BOROUGH COUNCIL

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

	Capital Receipts Reserve £'000	HRA Major Repairs Reserve £'000	Earmarked GF Reserves £'000 Note 7	Capital Grants Unapplied £'000	General Fund Balance £'000	Housing Revenue Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000 Note 16	Total Reserves £'000
Balance at 31 March 2021	4,731	0	44,818	4,353	2,500	28,281	84,683	258,006	342,689
Movement in Reserves during 2021/22									
Total Comprehensive Income and Expenditure	0	0	0	0	-3,789	2,092	-1,697	48,640	46,943
Adjustments between accounting basis and funding basis under regulations:									
Depreciation, impairment and revaluation losses of non-current assets	0	0	0	0	11,296	5,303	16,599	-16,599	0
Amortisation of intangible assets	0	0	0	0	225	0	225	-225	0
Transfer of amount equivalent to depreciation from HRA to MRR	0	4,769	0	0	0	-4,769	0	0	0
Movements in the fair value of investment properties	0	0	0	0	-587	0	-587	587	0
Capital grants and contributions credited to the CI&E Statement	0	0	0	4,829	-4,829	0	0	0	0
Net gain or loss on sale or derecognition of non-current assets	2,142	0	0	0	24	-707	1,459	-1,459	0
Transfer to/from Deferred Capital Receipts	10	0	0	0	14	0	24	-24	0
Amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under pension scheme regulations	0	0	0	0	250	939	1,189	-1,189	0
Amount by which Council Tax/NDR Income taken to CI&E is different to amount taken to GF in accordance with regulations	0	0	0	0	-6,913	0	-6,913	6,913	0
Amount by which short term accumulated absences charged to CI&E is different to amount taken to GF in accordance with regulations	0	0	0	0	-57	0	-57	57	0
Movement in fair value of pooled investment funds	0	0	0	0	-848	0	-848	848	0
Statutory Provision for repayment of Principal	0	0	0	0	-741	-15,000	-15,741	15,741	0
Capital expenditure charged to the General Fund/HRA Balances	0	0	0	0	-4,886	0	-4,886	4,886	0
Transfer from Capital Receipts Reserve equal to amount payable to Housing Receipts Pool	-855	0	0	0	855	0	0	0	0
Usable Reserves used to Finance Capital Expenditure	-688	-3,345	0	-2,120	0	0	-6,153	6,153	0
Net Increase/Decrease(-) before transfers to Earmarked Reserve	609	1,424	0	2,709	-9,986	-12,142	-17,386	64,329	46,943
Transfers to/from(-) Earmarked Reserves	0	0	-12,073	0	12,073	0	0	0	0
Increase /Decrease(-) in year	609	1,424	-12,073	2,709	2,087	-12,142	-17,386	64,329	46,943
Balance at 31 March 2022 carried forward	5,340	1,424	32,745	7,062	4,587	16,139	67,297	322,335	389,632

HARROGATE BOROUGH COUNCIL

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

	Capital Receipts Reserve £'000	HRA Major Repairs Reserve £'000	Earmarked GF Reserves £'000 Note 7	Capital Grants Unapplied £'000	General Fund Balance £'000	Housing Revenue Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000 Note 16	Total Reserves £'000
Balance at 31 March 2020	7,979	1,338	24,926	3,314	2,302	25,253	65,112	268,128	333,240
Movement in Reserves during 2020/21									
Total Comprehensive Income and Expenditure	0	0	0	0	-885	3,462	2,577	6,872	9,449
Adjustments between accounting basis and funding basis under regulations:									
Depreciation, impairment and revaluation losses of non-current assets	0	0	0	0	4,566	4,788	9,354	-9,354	0
Amortisation of intangible assets	0	0	0	0	95	0	95	-95	0
Transfer of amount equivalent to depreciation from HRA to MRR	0	4,676	0	0	0	-4,676	0	0	0
Movements in the fair value of investment properties	0	0	0	0	1,174	0	1,174	-1,174	0
Capital grants and contributions credited to the CI&E Statement	0	0	0	2,869	-2,869	0	0	0	0
Net gain or loss on sale or derecognition of non-current assets	2,608	0	0	0	-191	-571	1,846	-1,846	0
Transfer to/from Deferred Capital Receipts	0	0	0	0	10	0	10	-10	0
Amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under pension scheme regulations	0	0	0	0	4,916	519	5,435	-5,435	0
Amount by which Council Tax/NDR Income taken to CI&E is different to amount taken to GF in accordance with regulations	0	0	0	0	13,934	0	13,934	-13,934	0
Amount by which short term accumulated absences charged to CI&E is different to amount taken to GF in accordance with regulations	0	0	0	0	7	0	7	-7	0
Movement in fair value of pooled investment funds	0	0	0	0	99	0	99	-99	0
Statutory Provision for repayment of Principal	0	0	0	0	-754	0	-754	754	0
Capital expenditure charged to the General Fund/HRA Balances	0	0	0	0	-790	-495	-1,285	1,285	0
Transfer from Capital Receipts Reserve equal to amount payable to Housing Receipts Pool	-792	0	0	0	792	0	0	0	0
Usable Reserves used to Finance Capital Expenditure	-5,064	-6,014	0	-1,830	0	0	-12,908	12,908	0
Net Increase/Decrease(-) before transfers to Earmarked Reserve	-3,248	-1,338	0	1,039	20,104	3,028	19,571	-10,122	9,449
Transfers to/from(-) Earmarked Reserves	0	0	19,892	0	-19,892	0	0	0	0
Increase/Decrease(-) in year	-3,248	-1,338	19,892	1,039	212	3,028	19,571	-10,122	9,449
Balance at 31 March 2021 carried forward	4,731	0	44,818	4,353	2,514	28,281	84,683	258,006	342,689

HARROGATE BOROUGH COUNCIL

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

	2021/22	2021/22	2021/22	2020/21	2020/21	2020/21
	Expenditure	Income	Net Cost	Expenditure	Income	Net Cost
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Housing General Fund</i>	4,132	-2,011	2,121	4,097	-2,038	2,059
<i>Parks & Environmental Services</i>	15,004	-7,807	7,197	13,623	-6,455	7,168
<i>Safer Communities</i>	3,431	-4,119	-688	2,960	-1,968	992
<i>Finance</i>	22,329	-19,447	2,882	23,276	-20,345	2,931
<i>Legal & Governance</i>	3,808	-602	3,206	3,176	-192	2,984
<i>Information, Communications & Technology</i>	3,363	0	3,363	3,051	-12	3,039
<i>Organisational Development & Improvement</i>	2,233	-16	2,217	2,108	-12	2,096
<i>Culture, Tourism & Sport</i>	12,689	-1,489	11,200	6,384	-709	5,675
<i>Destination Management Organisation</i>	2,284	-342	1,942			
<i>Place Shaping & Economic Growth</i>	15,146	-6,543	8,603	16,371	-11,693	4,678
<i>Harrogate Convention Centre</i>	4,679	-3,978	701	3,874	-3,079	795
<i>Corporate</i>	-6,831	-316	-7,147	605	-270	335
<i>Housing Revenue Account</i>	14,947	-17,888	-2,941	13,300	-17,728	-4,428
Cost of Services	97,214	-64,558	32,656	92,826	-64,501	28,325
Other Operating Expenditure						
Parish Precepts	1,162	0	1,162	1,131	0	1,131
Contribution to Housing Pooled Capital Receipts	855	0	855	792	0	792
Gain(-) or loss on disposal of Non-current assets	0	-745	-745	0	-769	-769
Other Capital Receipts	0	0	0	0	-13	-13
Financing & Investment Income & Expenditure						
External Interest Payments (note 11b)	1,583	0	1,583	1,587	0	1,587
Net Interest on the Net Defined Benefit Liability (Asset) (note 26)	637	0	637	790	0	790
External Interest Income (note 11b)	0	-381	-381	0	-459	-459
Movement in fair value of financial assets (note 11)	-848	0	-848	35	0	99
Investment Property I&E and changes in fair value (note 10)	-587	-106	-693	1,174	-181	993
Taxation and Non Specific Grant Income						
Income from Council Tax	0	-17,325	-17,325	0	-16,568	-16,568
Capital Grant Income (note 21)	0	-4,829	-4,829	0	-2,869	-2,869
Other Non-ringfenced Government Grants (note 21)	0	-14,795	-14,795	0	-27,935	-27,935
Non-Domestic Rates Income and Expenditure	23,468	-19,048	4,420	23,219	-10,901	12,318
Surplus(-) or Deficit on the Provision of Services	123,484	-121,787	1,697	121,619	-124,196	-2,577
Surplus(-) or Deficit on the Revaluation of Non-current Assets			-27,446			-2,345
Remeasurements pension assets/liabilities (note 26)			-21,194			-4,527
Other Comprehensive Income & Expenditure			-48,640			-6,872
Total Comprehensive Income & Expenditure			-46,943			-9,449

HARROGATE BOROUGH COUNCIL

BALANCE SHEET AS AT 31 MARCH 2022

	Note	2022 £'000	2021 £'000
Property, Plant & Equipment	8		
Council Dwellings		269,716	244,925
Other Land & Buildings		94,829	85,176
Vehicles, Plant & Equipment		8,299	8,865
Infrastructure Assets		1,064	1,056
Community Assets		2,170	2,161
Surplus Assets		717	92
Assets Under Construction		<u>2,461</u>	<u>10,658</u>
		379,256	352,933
Heritage Assets	9	43,795	42,789
Investment Property	10	2,305	1,717
Intangible Assets		1,178	947
Long Term Debtors	11	1,983	1,507
Long Term Investments	11	<u>5,713</u>	<u>4,866</u>
Long Term Assets		434,230	404,759
Short Term Investments	11	15,006	34,005
Assets Held for Sale	12	762	353
Inventories		222	225
Short Term Debtors	13	12,588	27,078
Cash & Cash Equivalents			
Cash In Hand/At Bank	11	9,810	2,918
Cash Equivalents	11	<u>17,321</u>	<u>5,400</u>
Current Assets		55,709	69,979
Bank overdraft	11	0	0
Short Term Borrowing	11	-23	-15,027
Short Term Creditors	14	-19,041	-10,405
Provisions	15	-2,169	-2,335
Grants Receipts in Advance (Revenue)	21	-21,737	-24,432
Grants Receipts In Advance (Capital)	21	<u>-650</u>	<u>-2,963</u>
Current Liabilities		-43,620	-55,162
Long Term Borrowing	11	-38,056	-38,061
Provisions	15	-1,472	-1,662
Other Long Term Liabilities – Pensions Liability	26	<u>-17,159</u>	<u>-37,164</u>
Long Term Liabilities		-56,687	-76,887
Net Assets		<u>389,632</u>	<u>342,689</u>
Usable Reserves			
Usable Capital Receipts Reserve		5,340	4,731
Major Repairs Reserve		1,424	0
General Fund Earmarked Reserves	7	32,745	44,818
Capital Grants Unapplied Account		7,062	4,353
Working Balances:			
General Fund		4,587	2,500
HRA		16,139	28,281
Unusable Reserves			
Revaluation Reserve	16	96,726	70,428
Capital Adjustment Account	16	248,805	238,573
Deferred Capital Receipts	16	483	507
Pensions Reserve	16	-17,159	-37,164
Accumulated Absences Adjustment Account	16	-443	-501
Collection Fund Adjustment Account	16	-6,790	-13,703
Pooled Investment Funds Adjustment Account	16	<u>713</u>	<u>-134</u>
Total Reserves		<u>389,632</u>	<u>342,689</u>

HARROGATE BOROUGH COUNCIL
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

	2021/22 £'000	2020/21 £'000
Operating Activities		
Net surplus(-) or deficit on the provision of services excluding interest transactions:	496	-3,705
External Interest paid	1,583	1,587
External Interest received	<u>-382</u>	<u>-459</u>
Net surplus(-) or deficit on the provision of services	1,697	-2,577
Adjust net surplus(-) or deficit for non-cash movements:		
Depreciation and amortisation	-4,574	-4,692
Impairment and revaluations	-6,894	-1,254
Movement in fair value of pooled investment funds	848	-99
Increase(-)/decrease in impairment for bad debts	-25	-296
Increase(-)/decrease in other provisions	355	1,442
Increase(-)/decrease in creditors	-5,133	-20,505
Increase/decrease(-) in debtors	-631	3563
Increase/decrease(-) in inventories	-4	-11
Pension Liability – contributions more/less(-) than IAS19 Costs	-1,189	-5,435
Carrying amount of non-current assets sold or derecognised	-1,458	-1,846
Increase(-)/decrease in Major Repairs Reserve (MRR)	-1,424	1338
Adjust net surplus(-) or deficit for investing activity items:		
Less purchase of property, plant and equipment from MRR	-3,345	-6,014
Proceeds from the sale of non-current assets	2,142	2,608
Less Capital Grants credited to CI&ES	4,829	2,869
Less other Capital Receipts	<u>-46</u>	<u>-136</u>
Net Cash Flows from Operating Activities	-14,852	-31,045
Investing Activities		
Purchase of property, plant & equipment and intangible assets	17,998	20,158
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-2,132	-2,609
Capital grants received	-2,808	-5,493
Purchase of/proceeds from(-) long-term investments	500	125
Proceeds from(-)/purchase of short term deposits	<u>-18,999</u>	<u>2,872</u>
Net Cash Flows from Investing Activities	-5,441	15,053
Financing Activities		
Repayments of long & short term borrowing	15,010	5
Change in net debtors for Council Tax and NDR income	<u>-13,530</u>	<u>22,063</u>
Net Cash Flows from Financing Activities	1,480	22,068
Net Increase(-)/Decrease in Cash & Cash Equivalents	-18,813	6,077
Cash & Cash Equivalents at the beginning of the reporting period		
Bank overdraft	0	0
Cash at Bank/in hand	-2,918	-281
Cash Equivalents*	<u>-5,400</u>	<u>-14,114</u>
	-8,318	-14,395
Cash & Cash Equivalents at the end of the reporting period		
Bank overdraft	0	0
Cash at Bank/in hand	-9,810	-2,918
Cash Equivalents*	<u>-17,321</u>	<u>-5,400</u>
	-27,131	-8,318

* Short Term Investments that mature within one month of date of acquisition
Credit cash balances are depicted as negative amounts

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1. Accounting Policies

i. General Principles

The Accounts have been prepared in accordance with the 2021/22 Code of Practice on Local Authority Accounting issued in June 2021 by the Chartered Institute of Public Finance and Accountancy (CIPFA), based on International Financial Reporting Standards. The Accounts have been prepared under the historical cost convention modified to account for the revaluation of non-current assets. All the figures presented are rounded to varying levels of precision and this is made clear in each case.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Council has adopted a policy of cash equivalents being short term investments which mature within one month of their acquisition.

iv. Contingent Assets and Liabilities

Contingent assets and liabilities are not recognised within the financial statements. Contingent assets are disclosed by way of a note to the accounts if the inflow of economic benefits or service potential is probable.

Contingent liabilities are disclosed by way of a note to the accounts if there are possible obligations that may require payment or a transfer of economic benefits.

v. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within twelve months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the relevant service or, where applicable, to Non Distributed Costs within the Corporate line in the Comprehensive Income and Expenditure Statement, at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, transfers are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end.

Retirement Benefits

In line with the CIPFA Accounting Code, the Council has adopted the full accounting requirements of IAS19 (Retirement Benefits). The disclosures required under IAS19 are set out in the notes to the Financial Statements, note 26.

Employees of the Council are members of the Local Government Pensions Scheme, administered by North Yorkshire County Council (NYCC). The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the NYCC pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees
- Liabilities are discounted to their value at current price, using a discount rate of 2.7% (based on the indicative rate of return on AA-rated corporate bonds)
- The assets of the NYCC pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value
- The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs within the Corporate line on the statement

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

- net interest cost on the net defined liability (asset) i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined liability (asset) during the period as a result of contribution and benefit payments

Remeasurements comprising:

- the return on plan assets – excluding amounts included in the net interest on the net defined liability (asset) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions – debited to the Comprehensive Income and Expenditure Statement – charged to the Pensions Reserve as other Comprehensive Income and Expenditure
- contributions paid to the NYCC pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities: not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement there are transfers to and from the Pensions Reserve to the General Fund Balance to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

vi. Events after the Reporting Date

Events after the Reporting Date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

vii. Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

was originally recognised. This means that for all the Council's borrowings the amount presented in the Balance Sheet is the outstanding principal plus accrued interest repayable and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

viii. Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Council holds financial assets measured at:

- amortised cost
- fair value through profit and loss (FVPL)

Financial assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. For financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal plus accrued interest receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year according to the loan agreement.

Expected Credit Loss Model:

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial assets measured at fair value through profit and loss

Financial assets measured at fair value through profit or loss are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Fair value is measured in accordance with the Council's Fair Value Measurements policy (see xxv below).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council has chosen to apply statutory provisions for mitigating the impact of fair value movements on Pooled Investment Funds as directed in the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2018 [SI 2018/1207]. This allows (where relevant criteria are met) for fair value gains and losses on Pooled Investment Funds to be reversed to an account established solely for the purpose of recognising fair value gains and losses – the Pooled Investment Funds Adjustment Account.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

This statutory provision applies from 1 April 2018 until 31 March 2023.

ix. Grants and Contributions

Grants and Contributions relating to capital and revenue expenditure are accounted for on an accruals basis. They are recognised in the Comprehensive Income and Expenditure Statement as income in the period in which the conditions of the grant have been complied with and there is reasonable assurance that the grant or contribution will be received. Specific service revenue grants are shown in the relevant service line, general revenue grants and capital grants are shown in the Non Specific Grant Income lines.

Where a revenue grant is received in advance of the related expenditure the money is transferred to an earmarked reserve to reflect the expenditure commitment in future years.

Where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, the grant or contribution is transferred to the Capital Grants Unapplied Account to reflect its status as a capital resource available to finance expenditure. This transfer is reported in the Movement in Reserves Statement. Where the expenditure to be financed has been incurred at the balance sheet date the grant is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account. This transfer is also reported in the Movement in Reserves Statement.

Where a capital grant or contribution has a condition that the Council has not satisfied at the balance sheet date, the grant or contribution is credited to Capital Grants Receipts in Advance on the Balance Sheet. Once the condition has been met the grant is transferred and recognised as income in the Comprehensive Income and Expenditure Statement.

x. Heritage Assets

The Council has four main collections of heritage assets that are held primarily for the purpose of preserving them in trust for future generations because of their cultural, environmental or historical associations. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets, as detailed below. The Council's collections of heritage assets are accounted for as follows:

- **Museums and Art Exhibits:**

Museum and Art Collections are reported on the Balance Sheet at insurance valuations, which are based on market values assessed by expert external valuers in 2006 and 2007, reviewed and updated annually by the Curator of Arts to include donations and purchases since this date at valuation or cost.

Sculptures included in this category are also reported at insurance valuations assessed by the Curator of Art in 1996 with more recent acquisitions being included at cost or valuation.

Acquisitions are normally purchases either at auction or from private collections and are funded using grants and contributions received for this purpose. These items, irrespective of value, are included in capital expenditure and recognised initially at cost on the Balance Sheet. Donations and bequests are few; where they do occur, they are recognised at valuation on the Balance Sheet, with a corresponding credit to the Donated Assets Account, or Comprehensive Income and Expenditure Statement once any conditions of the donation are met.

There is a strong presumption against the disposal of any items in the Museum & Art Collections but where a disposal does occur then the proceeds of such items are treated as capital receipts in the same way as Property, Plant & Equipment disposals but are to be applied for the benefit of the collections. This would normally mean that they would be used for the purchase of further acquisitions.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Full details of the Council's Acquisition and Disposal Policy for Museum and Art Collections can be found on the Council's website www.harrogate.gov.uk in the Collection Development Policy.

These items are deemed to have indeterminate lives and high residual values, and depreciation is therefore not charged.

- **Civic Regalia:**

The Council's Civic Regalia – including the Mayor's and Mayoress' chains, badges of office, items of jewellery and mace – are included on the Council's Balance Sheet at their insurance valuation (replacement cost), as assessed by external experts in 2020/21. These items are used on a frequent basis outside of safe storage at public events so the insurance value is updated as regularly as possible. The number of valuations that can be carried out each year is restricted due to the costs involved.

The civic regalia category also includes a large number of trophies, bowls and other trinkets, many of which are made of silver and have been presented to the Council over the years to commemorate special occasions. Due to the large volume and diverse nature of these items, these items are not regularly valued due to the cost not being commensurate with the benefit attained. However, an up to date insurance valuation was commissioned in 2020/21.

The Council recognises these assets on the Balance Sheet at their insurance valuation, which is the expert valuation figure obtained in 2020/21.

The items included on the Balance Sheet are deemed to have indeterminate lives and high residual values, and depreciation is therefore not charged.

Acquisitions and donations are rare. Where they do occur, acquisitions are initially recognised at cost. Donations are not normally valued unless there are exceptional items that are likely to be of high value, in which case they would be valued by external specialists and recognised on the Balance Sheet, with a corresponding entry in the Donated Assets Account if there are conditions outstanding or in the Comprehensive Income and Expenditure Statement where there are no outstanding conditions.

- **Memorials and Monuments:**

The Council holds a small but diverse range of memorials and monuments. These are reported on the Balance Sheet at their insurance valuations, which are based on the estimated rebuilding costs that are reviewed and updated annually. These assets are considered to have indeterminate useful lives and depreciation is therefore not charged.

Acquisitions and disposals are not expected in this category.

- **Buildings:**

The Council holds one building that is classified as a heritage asset, namely the Royal Hall in Harrogate. Although historic cost information is available regarding the refurbishment that took place between 2006 and 2008, this cost relates only to aspects of the structure and interior of the building and not to the building as a whole. The asset is therefore held on the Balance Sheet at its insurance valuation which is based on the rebuilding cost as assessed by the Assets Manager. This valuation is reviewed annually. Depreciation is not charged on the Royal Hall as it is deemed to have an indeterminate useful life.

Acquisitions and disposals are not expected in this category.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

xi. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the authority.

Intangible assets are valued initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life (usually 3-5 years) to the relevant services line(s) in the Comprehensive Income and Expenditure Statement on a straight line basis. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xii. Inventories

Inventories are included on the Balance Sheet at the lower of actual cost or net realisable value.

xiii. Investment Property

Investment Property is property (land and/or buildings) held solely to earn rental income or for capital appreciation or both. The Council's property portfolio is reviewed annually to identify any additional assets which meet these criteria.

Investment Properties are initially recognised at cost, but are subject to valuation at fair value at the end of each accounting period. When an asset is transferred to this category it is re-valued to fair value on transfer and any gain is recognised in the Revaluation Reserve. A loss is recognised in the Revaluation Reserve up to the balance on the Reserve and then to the Comprehensive Income and Expenditure Statement. Any balance on the Revaluation Reserve is frozen until the asset is derecognised.

Subsequent revaluation gains or losses on Investment Property are included in the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement in addition to the rental income and any direct expenditure.

Depreciation is not charged on Investment Property.

xiv. Operating Leases

Assets utilised under operating leases are not shown on the Balance Sheet. The rentals payable are charged evenly to revenue and disclosed in the notes to the Financial Statements together with outstanding commitments at 31 March.

Council Assets rented out under operating leases are recorded as non-current assets and the rental income credited evenly to revenue over the period of the lease. The rental income is shown in the notes to the Financial Statements.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

xv. Costs of Support Services

The costs of overheads and support services are included in the Comprehensive Income and Expenditure Statement (CIES) against the service within which they are managed and monitored, although the Housing Revenue Account includes its share of support charges and the costs are netted off the expenditure of the appropriate recharging service.

xvi. Property, Plant and Equipment

All expenditure on the acquisition, creation or enhancement of non-current assets is capitalised on an accruals basis (subject to the application of a deminimis of £10,000 for land and buildings, £5,000 for equipment and £0 for heritage assets for schemes to be included on the Council's capital programme). Property, Plant and Equipment assets are included in the Balance Sheet at current value. For land and buildings this is market value in existing use (or depreciated replacement cost, if there is no market based evidence of current value). Council dwellings are included on the basis of existing use value for social housing. For non-property assets that have short useful lives or low value (or both), depreciated historical cost basis is used as a proxy for current value.

Assets under Construction, Infrastructure Assets and Community Assets are included at historic cost. The current asset values used in the accounts are certified by the Council's internal valuers under a five year rolling programme of revaluations. Subsequent additions are included in the accounts at the cost of acquisition.

The increases in valuations arising on the revaluation of Property, Plant and Equipment at current value are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally gains may be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation or impairment loss previously charged to a service revenue account.

An impairment or revaluation loss on a previously revalued asset is initially recognised in the Revaluation Reserve up to the balance on the Reserve in relation to that asset, any remaining loss being recognised in the Comprehensive Income and Expenditure Statement.

Property, Plant and Equipment are depreciated over their useful economic lives, except where any provision for depreciation would not be material. Depreciation is calculated using the straight line method for buildings, generally over a period between one and forty years. Depreciation on small items of plant and equipment, along with infrastructure assets, is calculated on a straight line basis over periods ranging from four to twenty years and the reducing balance method is used for vehicles at 30% per annum. Assets in the course of construction are depreciated from the point at which the asset is brought into use. Council dwellings are depreciated on a straight line basis over forty years.

The Council is not required to raise Council Tax to cover depreciation, revaluation or impairment losses. However it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirements (equal to an amount calculated on a prudent basis determined by the Council in accordance with Statutory guidance). Depreciation, revaluation and impairment losses are therefore replaced by revenue provision in the General Fund Balance on the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account.

Componentisation

When expenditure over £400k is incurred on a component of a building, the component is reviewed by the Council's valuers to assess whether the asset life of the component is significantly different to the life of the rest of the building. If it is considered to be materially different, the component will be recorded separately in the asset register for the purposes of calculating depreciation charges for the building.

When carrying out the rolling programme of building revaluations, the Council's valuers review all buildings with an asset value over £1m for significant components representing at least 20% of the overall original building cost, subject to a deminimis of £400k and with an asset life materially different to that of the rest of

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

the building. If any are identified they are included in the year end revaluation report and separated out on the asset register. These components are then taken into account in the calculation of the total depreciation charges to services for the building in the following year.

For some buildings (e.g. swimming pools), the valuer may define a component as a group of items which have similar significantly shorter lives than the rest of the building and collectively represent over 20% of the original cost of the building, subject to the £400k de minimis.

Assets Held For Sale

These are assets that have been declared surplus to the Council's operational requirements, are being actively marketed and have an estimated sale date within twelve months of the balance sheet date. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Assets Held for Sale are included on the Balance Sheet at the lower of the carrying amount or the fair value of the asset less the costs to sell the asset.

Impairment or revaluation losses on initial classification or subsequent write down to fair value are charged directly to the Comprehensive Income and Expenditure Statement even if the asset has been previously revalued. Any balance on the Revaluation Reserve remains until the asset is sold.

Assets Held for Sale are not subject to depreciation.

Disposals

When an asset is disposed of, the value of the asset on the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. The receipt from the disposal is also credited to the same line in the Comprehensive Income and Expenditure Statement and netted off against the balance sheet value to show the net gain or loss on disposal of the fixed asset.

Amounts in excess of £10,000 must be treated as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government.

Capital receipts are transferred to the Usable Capital Receipts Reserve (to fund future capital investment and the payment to the Government) and the balance sheet value of the assets sold is transferred to the Capital Adjustment Account. The net amount is shown as a transfer of the gain or loss on sale of non-current assets on the General Fund Balance in the Movement in Reserves Statement to neutralise the effect of recognising the gain or loss on disposal of fixed assets in the Comprehensive Income and Expenditure Statement surplus or deficit.

Any revaluation gains in the Revaluation Reserve relating to the asset sold are transferred to the Capital Adjustment Account.

xvii. Provisions

Provisions are made where an event has taken place which gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the amount required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Provisions are reviewed at the end of each financial year and where it has become less probable that a transfer of economic benefits will now be required, or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

xviii. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the Movement on Reserves Statement.

When expenditure to be financed from a reserve is incurred, it is charged to an appropriate service to score against the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance in the Movement in Reserves Statement so there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, collection fund, retirement and employee benefits and do not represent usable resources for the Council. These reserves and the movements on them in the year are explained in more detail in note 16 to the Financial Statements.

ix. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged to the General Fund Balance so there is no impact on the level of Council Tax.

xx. Value Added Tax (VAT)

The Council is VAT registered. The VAT that the Council pays on purchases of goods and services (input tax) and VAT that the Council collects on income from the supply of goods and services (output tax) are collected in a separate VAT Account. VAT collected on income must be paid to Her Majesty's Revenues and Customs (HMRC) whilst the VAT paid is recoverable from HMRC in the majority of cases.

The Council completes a monthly VAT return to HMRC and depending on the net position each month either the Council makes a payment to HMRC or HMRC makes a repayment to the Council.

Where VAT is not recoverable it is charged to the appropriate service in the Comprehensive Income and Expenditure statement.

When HMRC makes a refund of VAT collected in prior years due to a change in VAT regulations, the refunded VAT is credited to the appropriate service in the Comprehensive Income and Expenditure Statement in the year it is received. Any interest paid on the refunded VAT balance is credited to External Interest Income in the Comprehensive Income and Expenditure Statement.

At the year-end any balance due to or from HMRC is included as a creditor or debtor on the Council's Balance Sheet.

xxi. Internal Interest

External interest receipts and payments are collected centrally and shown in the Comprehensive Income and Expenditure Statement as Financing and Investment Income and Expenditure. The Housing Revenue Account is credited and debited with internal interest, being a share of these interest receipts and payments in accordance with the formulae set out in the Item 8 Credit and Item 8 Debit (General) Determination issued by the Government each year in exercise of its powers under the Local Government and Housing Act 1989.

xxii. Borrowing Costs

Borrowing costs are interest and other costs that are incurred in connection with the borrowing of funds. The Council has adopted a policy of recognising these costs as an expense in the period in which they are incurred.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

xxiii. Exceptional items and prior year adjustments

Any material exceptional items are included within the cost of the relevant individual service or, if a degree of prominence is necessary in order to give a fair presentation of the accounts, separately identified on the face of the revenue account. Details of any such exceptional items are given in the explanatory notes.

Material prior period adjustments arising from changes in accounting policies or from the correction of material errors have been accounted for by restating the comparative figures in the financial statements and notes, along with the cumulative effect on reserves. Any effect of material prior period adjustments is disclosed separately as a note to the accounts.

xxiv. Collection Fund

The Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR). The Statutory Collection Fund (England) Statement is included as a supplementary statement in the accounts.

In its capacity as billing authority the Council acts as an agent. It collects and distributes NDR on behalf of the Government, North Yorkshire County Council (NYCC) and North Yorkshire Fire and Rescue Authority (NYFRA), and Council Tax on behalf of NYCC, North Yorkshire Police and Crime Commissioner (NYPCC) and NYFRA.

NDR accrued income for the year and Non-Domestic Ratepayers debtors, creditors, impairment allowance for doubtful debts and provision for appeals are shared between the Government, NYCC, NYFRA and the Council.

Council Tax accrued income for the year and Council Taxpayers debtors, creditors and impairment allowance for doubtful debts at 31 March are shared between the major preceptors and the Council based on their percentage share of the total demands/precepts for the following year.

Collection Fund debtors are reviewed collectively at the balance sheet date by debt type and provision is made for impairment based on the historical evidence of default in each category. The Council's share of the Collection Fund debtors shown on the Balance Sheet is net of this bad debt provision.

In accordance with the current accounting code of practice the Council's Comprehensive Income and Expenditure Statement includes its share of accrued NDR and Council Tax Income. Where this amount is more or less than the amount to be credited to the General Fund under statute, there is an adjusting transfer in the Movement in Reserves Statement, between the General Fund Balance and the Collection Fund Adjustment Account. This account holds the Council's share of the Collection Fund Surplus or Deficit at 31 March.

The Council's Balance Sheet includes the net creditor/debtor position with the Government and other local authorities for taxes collected on their behalf and not yet paid to them or taxes paid to them but not yet collected from taxpayers.

xxv. Fair Value

The Council measures some of its non-financial assets, such as surplus assets and investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming that market participants act in their economic best interest).

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

xxvi. Going Concern

The accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future. Although Local Government Reorganisation is due to take effect in North Yorkshire from 1 April 2023, the functions of the Council will transfer to the new unitary authority.

2. Accounting Standards Issued but not yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code. The accounting standards that will result in amendments to the 2022/23 Code include:

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
 - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
 - IAS 37 (Onerous contracts) – clarifies the intention of the standard
 - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
 - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

None of these are expected to have a material impact on the Council's accounts.

3. Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items on the Council's Balance Sheet at 31 March 2022 for which there are significant risks of material adjustment in the forthcoming financial year are shown in the table overleaf:

	Uncertainties	Effect if Actual Results Differ from Assumptions
Valuations of property, plant and equipment	Judgements are made by valuers when valuing property.	Discussed in more detail below.
(a) Other property, plant and equipment	Judgements are made by valuers when valuing property. A wide range of variables are involved and some, such as building costs, can be volatile. Properties such as the Harrogate Convention Centre are particularly open to variation as there is a significant amount of subjectivity involved in the valuers coming to their conclusions.	The balance sheet values of the non-current assets (£91,762k) could change. A 1% change in the net book value of other land and buildings would amount to £0.9m. Under current accounting rules, any revaluation gain or loss has no impact on the General Fund or HRA Balances.
Business Rates	Since the introduction of the Business Rates Retention Scheme from 1 April 2013, Local Authorities have become liable for a proportion of the cost of successful appeals against business rates charged to businesses. A provision has therefore been recognised for an estimate of the amount that businesses have been overcharged up to 31 March 2022. The estimate has been calculated in two parts. Firstly, in relation to the 2010 rating list, by using the Valuation Office ratings list of appeals and historical analysis of successful appeals. Secondly, in relation to the 2017 rating list, by using the allowance included within the business rates multiplier for appeals and multiplying it by the rateable value, and then adjusting for the amendments that have so far been made to valuations.	There are a number of variables that can affect the calculated level of provision. For example, a 1% increase in the historic reduction in RV of all successful appeals would result in the provision relating to the 2010 list increasing by £28k. The Council's share of the provision is 40% in 2021/22 and totals £3,000k.
Pensions Liability	Estimation of the net liability to pay pension depends on a number of complex factors. Actuaries make judgements in relation to factors such as the rate of inflation, the rate of increase in salaries, and mortality rates.	The effects on the net pension liability (£17,159k as at 31 March 2022) of changes in individual assumptions can be measured – for example, a 0.1% increase in the rate of increase in salaries assumption would increase the pension liability by £0.65m. However, changes are complex because the different assumptions interact. Under current accounting rules, a change in the pension liability does not impact upon the net cost of the General Fund or HRA Balances.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

5. Events after the Reporting Period

All events between the balance sheet date and the date the accounts were authorised for issue by the Head of Finance of 4 December 2022 have been considered and there are no post reporting period events to disclose.

6. Adjustments between Accounting and Funding Basis under Regulations

The adjustments made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practices to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure are set out on the face of the Movement in Reserves Statement. A description of the reserves that these adjustments are made against is set out below:

General Fund Balance - The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. However, the balance is not available to be applied to fund HRA services.

Housing Revenue Account Balance - The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve - The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Usable Capital Receipts Reserve - This reserve holds the capital receipts that have been set aside from the disposal of non-current assets. The use of these receipts is restricted by statute to fund new capital expenditure or to be set aside to finance historical capital expenditure.

Capital Grants Unapplied Account - This reserve holds the balance of capital grants received and credited to the Comprehensive Income and Expenditure Statement but not yet used to finance capital schemes. The balance is restricted by grant terms as to capital expenditure against which it can be applied and/or the financial year in which this can take place.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

7. Movements in General Fund Earmarked Reserves

	1 April 2021	Transfers In 2021/22	Transfers Out 2021/22	31 March 2022
	£'000	£'000	£'000	£'000
Council Investment Reserve (see i below)	16,501	8,568	-8,420	16,649
Service Reserves (ii)	2,792	1,569	-990	3,371
Insurance Reserve (iii)	392	202	-129	465
Corporate Projects & Innovate Reserves (iv)	345	21	-162	204
COVID Grants Reserve (v)	1,460	0	-1,460	0
Council Tax/Housing Benefit Reserve (vi)	655	524	-348	831
Budget Transition Fund (vii)	4,805	1,299	-5,209	895
Business Rate Retention Reserve (viii)	14,691	6,928	-14,027	7,592
Other Earmarked Reserves (ix)	<u>3,177</u>	<u>522</u>	<u>-961</u>	<u>2,738</u>
Total 2021/22	<u>44,818</u>	<u>19,633</u>	<u>-31,706</u>	<u>32,745</u>

	1 April 2020	Transfers In 2020/21	Transfers Out 2020/21	31 March 2021
	£'000	£'000	£'000	£'000
Council Investment Reserve	15,292	3,729	-2,520	16,501
Service Reserves	2,886	1,040	-1,134	2,792
Insurance Reserve	356	190	-154	392
Corporate Projects Reserve	400	5	-60	345
Innovate Reserve	0	1,460	0	1,460
Council Tax/Housing Benefit Reserve	184	560	-89	655
Budget Transition Fund	2,790	2,015	0	4,805
Business Rates Retention Reserve	412	14,683	-404	14,691
Other Earmarked Reserves	<u>2,606</u>	<u>834</u>	<u>-263</u>	<u>3,177</u>
Total 2020/21	<u>24,926</u>	<u>24,516</u>	<u>-4,624</u>	<u>44,818</u>

i) The Council Investment Reserve is used to pool capital and investment resources across the Council.

ii) Service Reserves are built up from annual savings and are available to fund investment in services.

iii) The Insurance Reserve is held to meet any future self-insurance liabilities.

iv) The Corporate Projects and Innovate Reserves have been set up to fund any future costs that may arise from corporate restructuring reviews and the introduction of improved working arrangements.

v) The COVID grants reserve was established in 2020/21 to hold unspent grant funding where the council had some discretion over its use. This funding was all spent in 2021/22

vi) The Council Tax/Housing Benefit Reserve is used to fund initiatives within the Revenues, Welfare & Customer Services function, including support for channel shift, as well as smoothing the budgetary effects of annual variations in the Benefits Subsidy that the Council receives.

vii) The Budget Transition Fund is used to smooth out the sharp changes that are required to the Council's budget in some years due to reductions in funding and one-off expenditures.

viii) The Business Rate Retention Reserve is used to smooth the impact of business rate deficits. In-year savings are set aside to fund the associated future deficits. The balance has been unusually high at 31 March 2021 and 31 March 2022 due to grants being received to fund the COVID-related reliefs in 2020/21 and 2021/22; the balance has been used to fund the associated deficit on the collection fund in 2021/22 and will be similarly used in 2022/23.

ix) Other earmarked reserves are established for services across the Council to support specific work areas.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

8. Property, Plant & Equipment (PP&E)

a) Movement on Balances 2021/22

	Property, Plant and Equipment							
	Council Dwellings	Other Land & Building	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PP&E
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
1 April 2021	244,925	87,836	21,873	4,479	2,161	92	10,658	372,024
Additions	4,732	9,725	1,948	273	9	0	2,031	18,718
Revaluation Increases/decreases (-) to RR*	27,002	191	-116	0	0	267	0	27,344
Revaluation Increases/decreases (-) to SDPS**	-5,676	-8,832	-490	0	0	0	0	-14,998
Derecognition – Disposals	-1,462	0	-958	0	0	0	0	-2,420
Derecognition – Other	0	0	0	0	0	0	0	0
Reclassifications	195	8,106	0	0	0	358	-10,228	-1,569
31 March 2022	269,716	97,026	22,257	4,752	2,170	717	2,461	399,099
Depreciation and Impairment								
1 April 2021	0	-2,661	-13,008	-3,423	0	0	0	-19,092
Depreciation Charge to SDPS**	-4,612	-2,190	-2,050	-265	0	0	0	-9,118
Depreciation charge written out on revaluation	4,578	2,440	0	0	0	0	0	7,183
Impairment Losses/reversal to RR*	0	0	0	0	0	0	0	0
Impairment Losses/reversal to SDPS**	0	0	0	0	0	0	0	0
Derecognition – Disposals	27	0	934	0	0	0	0	961
Derecognition – Other	0	0	0	0	0	0	0	0
Reclassifications	7	214	0	0	0	0	0	221
31 March 2022	0	-2,197	-13,959	-3,688	0	0	0	-19,844
Net Book Value at 31 March 2022	269,716	94,829	8,298	1,064	2,170	717	2,461	379,255
Net Book Value at 31 March 2021	244,925	85,175	8,865	1,056	2,161	92	10,658	352,932

*RR = Revaluation Reserve

**SDPS = Surplus or Deficit on the Provision of Services

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

b) Movement on Balances 2020/21

	Property, Plant and Equipment							
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PP&E
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
1 April 2020	240,402	87,624	19,236	4,133	2,161	142	5,819	359,517
Additions	8,605	302	3,026	346	0	0	6,638	18,917
Revaluation Increases/decreases (-) to RR**	94	1068	0	0	0	0	0	1,162
Revaluation Increases/decreases (-) to SDPS***	-4,488	-1,067	0	0	0	0	0	-5,555
Derecognition – Disposals	-1,487	-51	-389	0	0	0	0	-1,927
Derecognition – Other	0	0	0	0	0	0	0	0
Reclassifications	1,799	-40	0	0	0	-50	-1,799	-90
31 March 2021	244,925	87,836	21,873	4,479	2,161	92	10,658	372,024
Depreciation and Impairment								
1 April 2020	0	-1,450	-11,056	-3,183	0	0	0	-15,689
Depreciation Charge to SDPS***	-4,508	-2,206	-2,319	-240	0	0	0	-9,273
Depreciation charge written out on revaluation	4,480	994	0	0	0	0	0	5,474
Impairment Losses/reversal to RR**	0	0	0	0	0	0	0	0
Impairment Losses/reversal to SDPS***	0	0	0	0	0	0	0	0
Derecognition – Disposals	28	1	367	0	0	0	0	396
Derecognition – Other	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0
31 March 2020	0	-2,661	-13,008	-3,423	0	0	0	-19,092
Net Book Value at 31 March 2021	244,925	85,175	8,865	1,056	2,161	92	10,658	352,932
Net Book Value at 31 March 2020	240,402	86,174	8,180	950	2,161	142	5,819	343,828

* RR = Revaluation Reserve

** SDPS = Surplus or Deficit on the Provision of Services

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

c) Depreciation

For more information on depreciation methods and rates see Accounting Policy note 1(xvi).

d) Capital Commitments

The Council has authorised expenditure in 2022/23 of £52.5m (plus expenditure carried forward from 2021/22 of £11.3m) (£20.6m authorised in 2021/22 as at 31 March 2021 plus £5.5m carried forward). At 31 March 2022 some elements of this were contractually committed (£2.5m for Ripon Pool & Leisure Centre, £0.3m for replacement cremators at Stonefall Cemetery, £0.1m for computer equipment, £0.2m for vehicle purchases and £0.3m of various small commitments at 31 March 2021).

e) Effects of changes in Estimates

There were no material charges in the 2021/22 accounts resulting from changes in estimates for Property Plant and Equipment.

f) Revaluations

During the year all Council dwellings and approximately one fifth of other Council properties were revalued in accordance with the capital accounting rules, as part of the Council's five year rolling programme of valuations. All assets were reviewed for evidence of impairment at 31 March. The effective date for these revaluations was 31 March 2022, and the basis of all valuations is explained in Accounting Policy note 1(xvi).

Most of the properties were valued by internal valuers; Glenn Levison BSc (Hons) MRICS, Emma Guy BSc (Hons) MRICS, Lisa Corby BSc (Hons) MRICS, Andrew Whelan BSc (Hons) MRICS, and James Bean BSc (Hons) FRGS. The following properties were valued by external valuers: Council dwellings and other HRA properties by Align Property Partners; Mercer Gallery, Pump Room Museum, Ripon Police Museum, Ripon Bus Station, Jack Laughter Leisure and Wellness Centre, Victoria Gardens Shopping Centre and Stonefall Cremators by Sanderson Weatherall; Harrogate Theatre by Feather Smailes Scales; Harrogate Convention Centre and Turkish Baths by CBRE.

The following table shows the progress of the Council's rolling programme for the revaluation of non-current assets:

	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets
	£'000	£'000	£'000	£'000
Valued at Historic Cost	0	0	6,196	1,064
Valued at current value in:				
2017/18	0	26,711	0	0
2018/19	0	2,667	820	0
2019/20	0	22,654	47	0
2020/21	0	6,337	0	0
2021/22	269,716	36,460	1,235	0
Total	269,716	94,829	8,298	1,064

	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equipment
	£'000	£'000	£'000	£'000
Valued at Historic Cost	2,170	0	2,461	11,891
Valued at current value in:				
2017/18	0	0	0	26,711
2018/19	0	0	0	3,488
2019/20	0	0	0	22,701
2020/21	0	0	0	6,337
2021/22	0	717	0	308,128
Total	2,170	717	2,461	379,256

The revaluation of Council Dwellings to reflect the current housing market resulted in a total revaluation increase of £27,269k.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

9. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets held by the Council. The four categories of Heritage Assets below are all shown on the Balance Sheet at their insurance valuations.

	Museums & Art Exhibits £'000	Civic Regalia £'000	Memorials & Monuments £'000	Buildings Royal Hall £'000	Total £'000
1 April 2021	8,720	554	2,156	31,359	42,789
Additions	0	0	0	0	0
Donations	0	0	0	0	0
Derecognition – other	0	0	0	0	0
Revaluation Increases/ decreases (-) to RR*	0	0	65	941	1,006
31 March 2022	8,720	554	2,221	32,300	43,795
*RR – Revaluation Reserve					
1 April 2020	8,620	411	2,093	30,446	41,570
Additions	100	0	0	0	100
Donations	0	0	0	0	0
Derecognition – other	0	0	0	0	0
Revaluation Increases/ decreases (-) to RR*	0	143	63	913	1,119
31 March 2021	8,720	554	2,156	31,359	42,789

*RR – Revaluation Reserve

Museums and Art Exhibits

For Museums and Art Exhibits, the insurance valuations shown are based on the market values assessed by external expert valuers in 2006 (items of Russian jewellery valued by Wartski of London) and 2007 (Fine art, ceramics, jewellery, Egyptology and Greek, Roman & South American collections valued by Tennants Fine Art Auctioneers). These insurance valuations have been updated in 2021/22 by the Curator of Art for acquisitions since that date, purchases being at cost, and donations at valuation, and the movements are shown as additions in the year. The collection is being externally revalued during the course of 2021/22 and 2022/23.

Within Museums and Art exhibits there are a number of sub-categories of heritage assets. The fine art collection consists of 2,500 works and accounts for the majority of the museums and arts collection's valuation.

A significant collection of foreign antiquities is held, with the Egyptology collection forming the majority of it, together with a collection of Greek, Roman and South American pieces.

There is also a collection of decorative and applied arts, consisting of ceramics, glass, silver and jewellery, and a collection of British archaeological material, together with a social history collection that covers a range of materials relating to domestic, community and working life in the Harrogate district, mainly dating from the 19th and 20th centuries.

The Council's Museums and Arts service cares for and promotes the above collections, which span the areas of Human History with 20,000 objects and Fine Art with 2,500 objects. All collections are stored in a purpose built secure storage and they are displayed principally at three sites; the Mercer Gallery, the Royal Pump Room Museum and Knaresborough Castle. Items are also loaned out to other museums and galleries in the UK and occasionally overseas.

The Council is committed to making the collections as intellectually and physically accessible as possible, not only to residents in its District but also in the wider north of England region and, where appropriate, nationally and internationally. For example, there are both permanent and temporary themed displays at

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

the sites above, as well as education programmes for young people and the opportunity for supervised private individual academic study.

In addition to the above collections, the Council holds nine sculptures that have been included in the Museum and Art Exhibits category.

The Museums and Arts service maintain inventory books with hand written entries for each item as they have come into the collection, giving each item an accession number. They also maintain a computerised catalogue of all collections called the MODES system.

Civic Regalia

These items are included on the Council's Balance Sheet at their insurance valuation, being the cost of replacement assessed by external specialists, Ogden of Harrogate and Tennants Auctioneers, in 2020/21.

The collection includes items such as the Mayor's and Mayoress' chains and their badges of office, together with a number of trophies, bowls and other trinkets, many of which are made of silver and have been presented to the Council over the years to commemorate special occasions.

The majority of the civic regalia collection is kept in secure storage, although items are sometimes displayed at the Council's museums. The Mayor and Mayoress use their chains of office for public engagements.

The Mayor's secretary maintains an inventory of all the items presented to the Council and the valuation schedules for the Civic Regalia.

Memorials and Monuments

Memorials and monuments are included on the Balance Sheet at their insurance valuation. This insurance valuation for the estimated cost of replacement is provided by the Council's Assets Manager and is based on rebuilding costs, which are reviewed annually.

The Council is responsible for twelve memorials and monuments, including the clock tower on North Road in Ripon, the Queen Victoria monument in Harrogate town centre and the obelisk in Ripon Market Place.

The increase in valuation in 2021/22 reflects an inflationary increase in the assessment of the rebuilding cost of all the memorials and monuments.

The monuments and memorials are all located in community open spaces across the district and are accessible to the public. The items are recorded in the property schedules maintained for insurance purposes.

Buildings

The Royal Hall, Harrogate, is the only building held by the Council in the Heritage Asset category. It was originally built in 1903 and was fully restored between 2006 and 2008 with the assistance of grants from the Heritage Lottery Fund and the Royal Hall Restoration Trust. It is a unique local asset and is an important Grade II listed building. It is held on the Balance Sheet at its insurance valuation, being the estimated cost of replacement based on an assessment carried out by the Council's Asset Manager. This valuation is reviewed annually.

The building is recorded in the property schedules maintained for insurance purposes.

In accordance with the conditions of the Heritage Lottery Grant, the Royal Hall is open to the public by way of regular entertainment events, as well as public open days, and group tours can also be arranged.

The Council has a number of other heritage buildings e.g. Pump Room Museum, Mercer Gallery and Knaresborough House, but in accordance with the accounting code of practice these are treated as operational assets. They are included in the Property, Plant and Equipment Category on the Balance Sheet at current value and are not included as Heritage Assets.

The Council does not possess any intangible heritage assets.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

10. Investment Property

The Council received rental income of £106k from investment property in 2021/22 (£181k in 2020/21), whilst direct operating expenses amounted to £0k (£0k in 2020/21). As part of the asset revaluation process in 2021/22 the Council's internal valuers have reviewed all of the investment properties and are not aware of any material restrictions on the realisability of investment property or the remittance of income and proceeds on disposal.

A reconciliation of the carrying amounts of investment property at the beginning and end of 2020/21 and 2021/22 is set out below:

	31 March 2022	31 March 2021
Fair Value	£'000	£'000
1 April	1,717	3,091
Net gains or losses(-) from fair value adjustments	588	-1,174
Reclassifications	0	-200
31 March	<u>2,305</u>	<u>1,717</u>

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2022 and 2021 are as follows:

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2022
<i>Recurring fair value measurements using:</i>	£'000	£'000	£'000	£'000
Shopping Centre	0	1,500	0	1,500
Secondary Industrial Land	<u>0</u>	<u>0</u>	<u>805</u>	<u>805</u>
Total	0	1,500	805	2,305

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2021 Comparative Figures:

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2021
<i>Recurring fair value measurements using:</i>	£'000	£'000	£'000	£'000
Shopping Centre	0	925	0	925
Secondary Industrial Land	<u>0</u>	<u>0</u>	<u>792</u>	<u>792</u>
Total	0	925	792	1,717

There were no transfers between Levels 1, 2 and 3 during the year.

Valuation Techniques used to determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The shopping centre has been valued using an investment method of valuation using an initial yield. When valuing the asset, regard has been made to comparable investments with characteristics similar, but not identical, to the subject property.

Significant Unobservable Inputs – Level 3

The secondary industrial land has been valued using an investment method of valuation, with an initial yield applied to the income stream. However, due to the nature and location of these assets there is no evidence of disposals of similar properties and little quantitative information to consider, and therefore the valuer has relied upon other information and appropriate assumptions. For this reason, these assets are categorised as Level 3 in the fair value hierarchy as the valuation method uses significant unobservable inputs to determine the fair value (and there is no reasonably available information that indicates that market participants would use different assumptions).

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the shopping centre is its current use. The secondary industrial land is currently leased out and generate income, but there is the potential that their value could increase if they were reviewed and planning permission sought for development.

Valuation Process for Investment Properties

The fair value of the Council's investment property is measured annually at each reporting date. The valuations are carried out by both internal and external valuers, in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards. The Council's valuations experts work closely with finance officers regarding all valuation matters.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

11. Financial Instruments

a) Categories for Financial Instruments

The following categories of financial instruments are carried on the Balance Sheet:

Financial Assets	Non-current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
Fair value through profit & loss	5,713	4,866	0	0	0	0	0	0
Amortised Cost:								
Principal	0	0	1,983	1,507	15,000	34,000	9,186	24,937
Investment accrued interest	0	0	0	0	6	5	0	0
Cash & cash equivalents	0	0	0	0	27,131	8,318	0	0
Total Financial Assets	5,713	4,866	1,983	1,507	42,137	42,323	9,186	24,937

Financial Liabilities	Non-current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
Amortised Cost								
Principal	38,055	38,061	0	0	7	15,006	13,162	6,006
Loans accrued interest	0	0	0	0	16	21	0	0
Total Financial Liabilities	38,055	38,061	0	0	23	15,027	13,162	6,006

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

b) Income, Expense, Gains and Losses

Interest income of £88k (£191k 2020/21) on financial assets at amortised cost and interest expense of £1,583k (£1,587k 2020/21) on financial liabilities at amortised cost are included in the surplus or deficit on the provision of services for the year, giving a net expense of £1,495k in the year (£1,396k net expense in 2020/21).

Interest income of £190k (£196k 2020/21) on financial assets at fair value through profit and loss was also included in the surplus or deficit on the provision of services for the year. A revaluation gain of £847k (loss of £99k 2020/21) was charged to the surplus or deficit on provision of services in the year but, as dictated by statutory provision, was reversed out through the Movement in Reserves Statement so as to not impact on the General Fund balance.

£98k (£67k 2020/21) of interest payments were received from Bracewell Housing, the Council's wholly-owned company, on the loans made to the company. Additionally, £6k (£5k 2020/21) of interest was received in relation to historic NNDR and Council Tax payments made to us following bankruptcy claims.

c) Fair Value of Financial Assets and Liabilities

	31 March			
	Carrying Amount 2022 £'000	Fair Value 2022 £'000	Carrying Amount 2021 £'000	Fair Value 2021 £'000
Financial Liabilities at amortised cost				
PWLB loans	-	<u>38,078</u>	<u>53,088</u>	<u>60,088</u>
Total	38,078	43,895	53,088	60,088
Financial assets at amortised cost	42,137	42,137	42,323	42,323
Financial assets at fair value through profit and loss	5,713	5,713	4,866	4,866
Total	47,850	47,850	47,189	47,189

Financial Liabilities consists of Public Works Loan Board (PWLB) loans. The fair value of PWLB loans is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender agreed to early repayment of the loan. The fair value has been assessed by calculating the present value of the remaining cash flows by reference to the PWLB 'premature repayment' set of rates in force at the balance sheet date.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £38,078k would be valued at £43,895. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early redemption of £5,429k for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £43,507k.

In 2021/22 the fair value of financial assets at amortised cost is equal to the carrying amount because all of the Council's investments have less than twelve months to maturity and therefore the carrying amount is assumed to approximate to fair value.

The financial assets at fair value through profit and loss are investments in property funds. The input level in the fair value hierarchy is at level 2, with valuations based on comparable investments with characteristics similar, but not identical, to the subject properties.

See note 28 for further information regarding financial instruments.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

12. Assets Held for Sale

	31 March 2022 £'000	31 March 2021 £'000
Balance outstanding at start of year	353	316
Assets newly qualified as held for sale:		
Property, Plant & Equipment	1,348	290
Revaluation increases/decreases(-)	-939	63
Assets sold	<u>0</u>	<u>-316</u>
Balance outstanding at year-end	762	353

13. Debtors

Debtors have been reviewed collectively for impairment, based on historical loss experience at 31 March in the following categories shown in the table. Other Entities and Individual Debtors are reviewed individually by age analysis of the debtor system balance. The estimated impairment allowance for doubtful debts required has been charged to net cost of services in the Comprehensive Income and Expenditure Statement.

	31 March	
	2022 £'000	2021 £'000
Central Government Bodies	4,115	17,510
NHS	0	516
Other Local Authorities	2,563	5,593
Other entities and individuals	2,739	1,505
<i>Impairment Allowance</i>	<u>-232</u>	<u>-187</u>
	2,507	1,318
Payments in Advance	<u>1,649</u>	<u>648</u>
Total Customer Debtors	<u>10,834</u>	<u>25,585</u>
NDR/Council Taxpayers	3,157	3,082
<i>Impairment Allowance</i>	<u>-1,710</u>	<u>-1,708</u>
	1,447	1,374
Housing Rents	511	333
<i>Impairment Allowance</i>	<u>-204</u>	<u>-214</u>
	307	119
Total Statutory Debtors	<u>1,754</u>	<u>1,493</u>
Net Debtors	12,588	27,078
Total Impairment Allowance	-2,146	-2,109

We allowed an extra amount for impairment of customer debts at 31 March 2021 and 31 March 2022 than we normally would do because of the uncertainty surrounding the impact of the covid-19 pandemic on businesses and individuals.

14. Creditors

	31 March	
	2022 £'000	2021 £'000
Central Government Bodies	-994	-921
Other Local Authorities	-4,666	-2,587
Housing Rents	-239	-236
NDR/Council Taxpayers	-54	-20
Other entities and individuals	-7,502	-2,498
Receipts in Advance (Non-Grant Income)	<u>-5,586</u>	<u>-4,143</u>
Total	<u>-19,041</u>	<u>-10,405</u>

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

15. Provisions

Current Liabilities:

	1 April 2021	Additional Provision In Year	Used In Year	Released In Year	31 March 2022
	£'000	£'000	£'000	£'000	£'000
NNDR Appeals	-1,785	-334	322	101	-1,696
Insurance Liabilities	-264	-18	119	102	-61
Redundancy Provision	-17	-147	0	17	-147
Other	-269	-15	0	18	-266
Total 2021/22	-2,335	-514	441	238	-2,170
Total 2020/21	-3,319	-491	664	811	-2,335

Long Term Liabilities:

	1 April 2021	Additional Provision In Year	Used In Year	Released In Year	31 March 2022
	£'000	£'000	£'000	£'000	£'000
NNDR Appeals	-1,372	-257	247	78	-1,304
Energy Bill Provision	-290	-80	202	0	-168
Total 2021/22	-1,662	-337	449	78	-1,472
Total 2020/21	-2,120	-323	292	489	-1,662

Under the Business Rate Retention Scheme introduced on 1 April 2013, the Council has to make provision against its estimated liability for possible successful appeals against non-domestic rate (NDR) bills issued in 2021/22 and prior years. Payment from the provision will depend on the final settlement of these appeals by the Valuation Office and the time taken to settle appeals can vary significantly.

The Council is self-insured up to £50,000 per claim for public liability and employer's liability claims. Any claims beyond these levels are met by insurers. The level of provision made is adequate to meet the Council's estimated known liabilities under its self-insurance arrangements for all outstanding claims. Claims can take a number of years to resolve with, on average, annual settlements of around £150,000 being made. The value of outstanding claims is assessed by the Council's professional advisors and provided in full. The insurance provision also includes the estimated liability under the scheme of arrangement with the Council's former insurer Municipal Mutual Insurance (MMI) for claims relating to pre-1993 policies.

The provision for Energy Bills relates to a number of outstanding invoices from utility companies for gas and electricity used at a number of sites, partly in relation to 2016/17 and 2017/18 and partly 2020/21. The settlement date will depend on the receipt of outstanding invoices from Energy Companies.

The Redundancy Provision holds the liabilities arising from redundancies that have been negotiated in 2021/22 but will be paid in 2022/23.

Included within 'Other Provisions' is a provision for some disputed contract costs. The settlement date will depend upon when the dispute is resolved, though it is hoped that this will be in 2022/23.

No reimbursement is currently expected in relation to any of these provisions.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

16. Total Movement on Unusable Reserves

	1 April 2021	Gains/ Losses(-) in year	Transfers Between Reserves	31 March 2022
	£'000	£'000	£'000	£'000
Revaluation Reserve (see i below)	70,428	27,446	-1,148	96,726
Capital Adjustment Account (ii)	238,573	0	10,232	248,805
Deferred Capital Receipts (iii)	507	0	-24	483
Pension Reserve (iv)	-37,164	21,194	-1,189	-17,159
Accumulated Absences Adjustment Account (v)	-501	0	58	-443
Collection Fund Adjustment Account (vi)	-13,703	0	6,913	-6,790
Pooled Investment Funds Adjustment Account (vii)	-134	847	0	713
Total 2021/22	258,006	49,487	14,842	322,335
	1 April 2020	Gains/ Losses(-) in year	Transfers Between Reserves	31 March 2021
	£'000	£'000	£'000	£'000
Revaluation Reserve (i)	69,259	2,345	-1,176	70,428
Capital Adjustment Account (ii)	234,919	0	3,654	238,573
Deferred Capital Receipts (iii)	517	0	-10	507
Pension Reserve (iv)	-36,256	4,527	-5,435	-37,164
Accumulated Absences Adjustment Account (v)	-508	0	7	-501
Collection Fund Adjustment Account (vi)	232	0	-13,935	-13,703
Pooled Investment Funds Adjustment Account (vii)	-35	-99	0	-134
Total 2020/21	268,128	6,773	-16,895	258,006

i) Revaluation Reserve

The Revaluation Reserve contains revaluation gains made by the Council arising from increases in the value of its Property, Plant and Equipment recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

	31 March 2022	31 March 2021
	£'000	£'000
Balance at 1 April	70,428	69,259
Upward Revaluation of Assets	32,431	2,884
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-4,985	-539
Surplus or Deficit on revaluation of non-current assets not charged to the Surplus/Deficit on the Provision of Services	27,446	2,345
Difference between fair value depreciation and historical cost depreciation	-1,148	-1,176
Accumulated gains on assets sold	0	0
Amount written off to Capital Adjustment Account	-1,148	-1,176
Balance at 31 March	96,726	70,428

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

ii) Capital Adjustment Account

The Capital Adjustment Account is used to absorb the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account is used to hold accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account is also used to hold revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. It is not available to support spending.

	31 March 2022 £'000	31 March 2021 £'000
Balance at 1 April	238,573	234,919
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement (CI&ES):		
Charges for the depreciation, amortisation and impairment of non-current assets	-9,343	-9,368
Revaluation losses on Property, Plant & Equipment	-9,073	-114
Reversal Revaluation Losses on Property, Plant & Equipment	1,591	33
Movement in the market value of Investment Property	588	-1,174
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal	-1,458	-1,846
Capital Financing Applied in year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	688	5,064
Use of Major Repairs Reserve to finance new capital expenditure	3,345	6,014
Capital Grants and Contributions credited to the CI&ES that have been applied to capital financing	2,119	1,830
Statutory and Voluntary Provision for the repayment of Principal	15,742	754
Capital expenditure charged against General Fund and HRA balances	4,885	1,285
Adjusting amounts written out of the Revaluation Reserve	1,148	1,176
Balance at 31 March	<u>248,805</u>	<u>238,573</u>

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

iii) Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets or on making improvement loans to home owners repayable when their house is sold, for which cash settlements have yet to take place. These items form Long Term Debtors.

Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Usable Capital Receipts Reserve (or where the capital receipt is less than the £10,000 de minimis under legislation, to the Housing Capital Reserve).

	31 March 2022	31 March 2021
	£'000	£'000
Balance at 1 April	507	517
New Deferred Receipts in year credited to CI&ES	0	13
Transfer to Usable Receipts reserve/GF Balance upon receipt of cash	-24	-23
Balance at 31 March	483	507

iv) Pensions Reserve

The Pensions Reserve is used to absorb the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	31 March 2022	31 March 2021
	£'000	£'000
Balance at 1 April	-37,164	-36,256
Remeasurement gains or losses (-) on pensions assets and liabilities	21,194	4,527
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the Provision of Services in the CI&ES	-4,435	-9,286
Employer's Pension Contributions payable in the year	3,246	3,851
Balance at 31 March	-17,159	-37,164

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

v) Accumulated Absences Adjustment Account

The Accumulated Absences Adjustment Account is used to absorb the differences that would normally be charged to the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is reversed by transfers to or from the Account.

	31 March 2022 £'000	31 March 2021 £'000
Balance at 1 April	-501	-508
Reversal of accrual made at the end of the preceding year	501	508
Amounts accrued at the end of the current year	-443	-501
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different to remuneration chargeable in the year in accordance with statutory requirements	58	7
Balance at 31 March	-443	-501

vi) Collection Fund Adjustment Account

The Collection Fund Adjustment Account is used to account for the differences from the recognition of council tax and non-domestic rates (NDR) income in the Comprehensive Income and Expenditure Statement as it falls due from tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	31 March 2022 £'000	31 March 2021 £'000
Balance at 1 April	-13,703	232
Amount by which the Council Tax Income credited to the CI&ES on an accruals basis is different to Council Tax Income calculated for the year in accordance with statutory requirements	201	-200
Amount by which the NDR Income credited to the CI&ES on an accruals basis is different to the NDR income calculated for the year in accordance with statutory requirements	6,712	-13,735
Balance at 31 March	-6,790	-13,703

vii) Pooled Investment Funds Adjustment Account

The Pooled Investment Funds Adjustment Account is used solely for the purpose of recognising fair value gains and losses on the Council's pooled investment funds under statutory provisions.

	31 March 2022 £'000	31 March 2021 £'000
Balance at 1 April	-134	-35
Changes in the fair value of pooled investment funds	847	-99
Balance at 31 March	713	-134

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

17. Expenditure and Funding Analysis and Segmental Income

a) Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated from decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2021/22	Net Expenditure chargeable to the General Fund and HRA balances	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Housing General Fund	1,624	15	482	0	2,121
Parks & Environmental Services	3,191	2,023	1,983	0	7,197
Safer Communities	-1,480	311	481	0	-688
Finance	1,663	212	1,007	0	2,882
Legal & Governance	2,828	21	357	0	3,206
Information, Communications & Technology	2,292	792	279	0	3,363
Organisational Development & Improvement	1,749	21	447	0	2,217
Culture, Tourism & Sport	2,202	8,784	214	0	11,200
Destination Management Organisation	2,127	-345	160	0	1,942
Place Shaping and Economic Growth	7,618	-303	1,288	0	8,603
Harrogate Convention Centre	312	-45	434	0	701
Corporate	395	35	-7,519	-58	-7,147
Housing Revenue Account (HRA)	<u>-4,415</u>	<u>535</u>	<u>939</u>	<u>0</u>	<u>-2,941</u>
Net Cost of Services	20,106	12,056	552	-58	32,656
Other Income & Expenditure	2,022	-25,858	637	-7,760	-30,959
Transfers to/from(-) Earmarked Reserves	<u>-12,073</u>	<u>0</u>	<u>0</u>	<u>12,073</u>	<u>0</u>
Surplus(-) or Deficit	10,055	-13,802	1,189	4,255	1,697
Opening General Fund & HRA Balances at 31 March 2021	-30,780				
Surplus(-)/Deficit on General Fund and HRA Balances in year	10,055				
Closing General Fund & HRA Balances at 31 March 2022*	-20,725				

* For a split of this balance between General Fund and HRA, see the Movement in Reserves Statement

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2020/21	Net Expenditure chargeable to the General Fund and HRA balances	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Housing General Fund	1,769	27	263	0	2,059
Parks & Environmental Services	4,211	1,815	1,142	0	7,168
Safer Communities	423	316	252	0	991
Finance	2,277	97	557	0	2,931
Legal & Governance	2,743	41	200	0	2,984
Information, Communications & Technology	2,237	650	152	0	3,039
Organisational Development & Improvement	1,799	44	253	0	2,096
Culture, Tourism & Sport	3,978	1,263	434	0	5,675
Place Shaping and Economic Growth	3,713	328	637	0	4,678
Harrogate Convention Centre	517	40	239	0	796
Corporate	306	40	-3	-7	336
Housing Revenue Account (HRA)	-5,059	112	519	0	-4,428
Net Cost of Services	18,914	4,773	4,645	-7	28,325
Other Income & Expenditure	-42,032	-3,694	790	14,033	-30,903
Transfers to/from(-) Earmarked Reserves	<u>19,893</u>	<u>0</u>	<u>0</u>	<u>-19,893</u>	<u>0</u>
Surplus(-) or Deficit	-3,225	1,079	5,435	-5,866	-2,577
Opening General Fund & HRA Balances at 31 March 2020	-27,555				
Surplus(-)/Deficit on General Fund and HRA Balances in year	-3,225				
Closing General Fund & HRA Balances at 31 March 2021**	-30,780				

* For a split of this balance between General Fund and HRA, see the Movement in Reserves Statement

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

i) Adjustments for Capital Purposes:

This column adds in depreciation and impairment and revaluation gains and losses in the services lines, and for Other Income and Expenditure:

- Adjusts for capital disposals with a transfer of income on disposal of those assets and the amounts written off for those assets
- Removes the charges for capital financing – i.e. Minimum Revenue Provision and voluntary set aside to repay debt, as these are not chargeable under generally accepted accounting practices
- Adds the contribution to Housing Pooled Capital Receipts
- Adds in revaluation gains or losses for Investment Properties
- Adds the transfer from deferred capital receipts for repaid housing improvement loans
- Adds capital grant income for grants that are receivable in the year without conditions or for which conditions were satisfied in the year

ii) Net Change for the Pensions Adjustments:

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension-related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and their replacement with current service costs and past service costs
- For Other Income and Expenditure, the net interest on the defined benefit liability is charged to the CIES

ii) Other Differences:

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:

- For services this represents the adjustment for accumulated absences
- For Other Income and Expenditure, the difference between what is chargeable under statutory regulations for council tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund
- Transfers between Earmarked Reserves and the General Fund Working Balance are also adjusted for in this column

b) Segmental Income

Revenue received from external customers is analysed on a segmental basis below:

	2021/22	2020/21
	£'000	£'000
Services		
Housing General Fund	-143	-371
Parks & Environmental Services	-5,687	-4,982
Safer Communities	-3,611	-1,889
Finance	-446	357
Legal & Governance	-79	-46
Information, Communications & Technology	-0	-3
Organisational Development & Improvement	-5	-6
Culture, Tourism & Sport	-1,458	-602
Destination Management Organisation	-327	0
Place Shaping and Economic Growth	-3,124	-3,055
Harrogate Convention Centre	-3,978	-3,074
Corporate	-29	-3
Housing Revenue Account (including rents)	-17,565	-17,432
Total	-36,452	-31,106

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

18. Members' Allowances and Expenses

Allowances paid in the year amounted to £355,000 in aggregate (£346,000 2020/21).

This comprised:

	2021/22	2020/21
	£'000	£'000
Basic Allowances	234	231
Special Responsibility Allowances	99	100
Mayoral Allowance	19	14
Members' Car & Other Allowances	3	1
Expenses	0	0
	<u>355</u>	<u>346</u>

19. Employees' earnings

a) The numbers of employees (excluding senior officers - see note c) whose remuneration (excluding pension contributions) was £50,000 or more in the year were as follows:

Remuneration Band	2021/22	2020/21
	Number of Employees	Number of Employees
£50,000 - £54,999	9	8
£55,000 - £59,999	3	1
£60,000 - £64,999	1	6
£65,000 - £69,999	7	1
£70,000 - £74,999	0	0
£75,000 - £79,999	0	0
	<u>20</u>	<u>16</u>

b) The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

a. Exit Package cost band (including special payments)	b. Number of compulsory redundancies		c. Number of other departures agreed		d. Total number of exit packages by cost band [(b) + (c)]		e. Total cost of exit packages in each band £'000	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Value								
£0 - £20,000	1	0	11	1	12	1	100	15
£20,001 - £40,000	0	0	1	0	1	0	35	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	1	0	1	0	87	0
Total	1	0	13	1	14	1	222	15

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

c) Senior Officers whose remuneration was £50,000 or more

	Salary, Including Fees & Allowances	Benefits in Kind e.g. car allowance	Compensation for Loss of Office	Employers Pension Contribution	Total Remuneration including Pension Contributions
2021/22	£	£	£	£	£
Chief Executive (see note 1)	132,175	5	0	0	132,180
Director, Harrogate Convention Centre	106,070	0	0	15,486	121,556
Director of Economy & Culture	98,866	0	0	14,434	113,300
Director of Corporate Affairs	101,393	24	0	14,803	116,220
Head of Finance	68,851	11	0	10,052	78,914

Note 1: The Chief Executive's salary for 2021/22 includes Acting Returning Officer Fees of £10,769.

	Salary, Including Fees & Allowances	Benefits in Kind e.g. car allowance	Compensation for Loss of Office	Employers Pension Contribution	Total Remuneration including Pension Contributions
2020/21	£	£	£	£	£
Chief Executive	118,447	58	0	0	118,505
Director, Harrogate Convention Centre	104,502	0	0	17,034	121,536
Director of Economy & Culture (see note 1)	97,143	4	0	15,834	112,981
Director of Corporate Affairs (see note 1)	99,618	0	0	16,238	115,856
Head of Finance	66,763	0	0	10,883	77,646

Note 1: The Director of Community post was vacant throughout 2020/21, with the duties of the post being covered on an interim basis by the Directors of Economy & Culture and Corporate Affairs. Included within the salary figures shown above are honoraria payments of £4,923 to the Director of Economy & Culture and £7,385 to the Director of Corporate Affairs.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

20. External Audit Costs

	2021/22	2020/21
	£'000	£'000
The following amounts were payable to external auditors in the year:		
Fees for external audit services (Mazars LLP)	39	39
Additional fee variations for external audit services (Mazars LLP)	0	23
Fees for assurance work on housing benefits subsidy return (KPMG)	27	25
Fees for agreement of other returns and work (Mazars LLP)	<u>3</u>	<u>8</u>
	69	95

The table above shows currently agreed fees. However, further fees may be added if additional work is needed.

21. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2021/22:

	2021/22	2020/21
	£'000	£'000
Credited to Taxation and Non Specific Grant Income:		
Government Capital Grants		
Department for Levelling Up, Housing & Communities (Housing Grants)	0	48
Public Sector Decarbonisation Grant	2,422	0
Homes England (Housing Grants)	11	1,117
Other Capital Grants		
Developers Section 106 and other contributions (Housing & Play Areas)	2,396	1,604
Donated arts exhibits	<u>0</u>	<u>100</u>
	4,829	2,869
Other Government non-ringfenced grants		
New Homes Bonus Grant	1,670	1,717
Business Rate Relief Grants	10,511	17,702
Covid sales, fees & charges income loss compensation grant	1,260	5,938
Local Authority Covid Grant funding	640	1,891
Local Tax Income Guarantee grant	0	411
Rural Services Delivery Grant	252	240
Local Council Tax Support Grant	232	0
Lower Tier Services Grant	159	0
Other Small Grants – Council Tax Annex Grant etc	<u>71</u>	<u>36</u>
	14,795	27,935
Credited to Services:		
Capital Grants to Finance Revenue Expenditure Funded by Capital under Statute		
Government Grants		
Department for Levelling Up, Housing & Communities (Housing Grants)	<u>1,010</u>	<u>777</u>
	1,010	777
Specific Revenue Grants		
Government Grants		
Housing Rent Allowances (Department for Work and Pensions – DWP)	11,867	12,465
Housing Rent Rebates (DWP)	5,628	5,999
Administration and various one-off grants (DWP)	539	327
Department for Levelling Up, Housing & Communities:		
Covid-related business grants	517	2,240
Housing, Planning & Finance	573	1,023
Dept for Business, Energy and Industrial Strategy – Covid-related grants	2,385	5,470
Natural England (AONB, Planning Services)	562	189
Other Grants (DOE, DHSC, DEFRA, English Heritage, Cabinet Office)	<u>306</u>	<u>134</u>
	22,377	27,847
Non-Government Grants		
NYCC (Housing and Cultural Services)	15	399
Other Grants (Housing, Community Safety, Planning and Cultural Services)	<u>0</u>	<u>108</u>
	15	507
Total Grants and Contributions	<u>43,026</u>	<u>59,935</u>

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

In 2021/22, in addition to the above, £22,387k of grant income was held as receipts in advance. £10,617k of this was Business Rates grants; this relates to grants to compensate for the additional COVID-related reliefs that were granted in 2021/22. The grants paid included the shares of central government and the other preceptors, in order to support the Council's cashflow position. In 2022/23, the non-Council shares must be repaid and will then be replaced with central government and the preceptors paying their share of the accumulated deficit on the collection fund. £3,044k relates to COVID grants from the Government (Local Restrictions Support Grants etc) where the Council has not spent its full allocation and there will be a reconciliation exercise in 2022/23 and the Council will owe the unspent balances back to central government. £7,577k is for Council Tax Rebate grants which are payable in 2022/23, £650k is Land Release Fund grant, £305k relates to various homelessness grants and 33k relates to a domestic abuse grant. Finally, £160k was Benefits Subsidy grant from DWP. In 2020/21, £27,395k of grant income was held as receipts in advance. £18,462k of this was Business Rates grants relating to 2021/22, paid early by MHCLG in light of the cash flow issues that the covid-19 pandemic was causing some local authorities. £5,834k related to unspent COVID grants, £2,422k was Public Sector Decarbonisation Scheme grants from the Department for Business, Energy and Industrial Strategy and £540k was Land Release Fund grant. £137k was Benefits Subsidy grant from the DWP

22. Related Party Transactions

Related party transactions are those involving Councillors, senior officers, precepting local authorities and Central Government. They are described here apart from those appearing elsewhere in these accounts.

Central Government exerts significant influence through legislation and funding. Details of the grants received from Central Government can be found in note 21 and on the face of the CIES.

North Yorkshire County Council (NYCC) also exerts its influence through the provision of grants for various purposes (see note 21). In addition, the Council provides the following services on an agency basis to NYCC; the Council collected £2,424k of on-street parking income in 2021/22 (£1,369k 2020/21) and after deduction of related costs of £909k (£861k 2020/21), the balance of £1,515k (£553k 2020/21) was paid to NYCC in four quarterly instalments. NYCC were charged £109k (£100k 2020/21) for Grounds Maintenance works and paid £41k (£40k 2020/21) towards Housing Services lifelines and sheltered housing costs under the Supporting People Scheme. NYCC also paid £27k towards Community Safety expenditure (£27k 2020/21). NYCC paid £44k (£86k 2020/21) for routine rentals for schools under Joint Use Agreements for Sport and Leisure Activities, and £11k for footway lighting, parish lighting and associated consultancy fees (£57k 2020/21).

The North Yorkshire Police, Fire and Crime Commissioner paid £30k (£27k 2021/22) towards Community Safety expenditure.

Payments totalling £33k (£58k 2020/21) were paid to Parish and Town Councils towards the cost of Grounds & Cemeteries Maintenance, Community Projects, and Christmas Lighting. Income of £20k (£38k 2020/21) was received for rental and caretaking services of recreation areas and properties leased to Parish and Town Councils.

During 2021/22, a number of Members held directorships at organisations with which the Council had transactions. In total, the Council made payments totalling £145k (£62k 2020/21) to such organisations and received payments totalling £103k (£20k 2020/21). One of the Council's directors is also a board member of the Harrogate Business Improvement District (BID). The Council bills for and collects the BID levies payable by businesses within the area covered by the BID and received a fee of £15k for doing so (£15k 2020/21).

There were no advances (£13k 2019/20) for car loans made to chief officers in the year under their conditions of service. Repayments of car loans were £4.4k (£4.3k 2020/21), leaving a balance of £3.3k (£7.7k 2021) at the year-end. Other transactions with these related parties are not listed individually, as their values are not regarded as material to a fair understanding of the accounts. This is on the basis of individual questionnaires returned by all senior officers and councillors. There were 3 former councillors for 2021/22.

In 2021/22, the Council loaned £500k to Bracewell Homes Ltd, its wholly-owned company (£125k 2020/21). The Council received £98k of interest from Bracewell Homes on this loan in the year (£67k 2020/21), as well as £40k (£25k 2020/21) to cover the time spent by Council staff working on behalf of Bracewell Homes. As at 31 March 2022, the total value of loans from the Council to Bracewell Homes was £1,500k (£1,000k 2020/21). The company reported a net profit after tax of £1,939k in 2021/22 (705k 2020/21) and had net assets of £2,774k as at 31 March 2022 (£835k 2020/21).

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

On 1 August 2021, the provision for leisure and recreation services transferred to Brimhams Active, a company wholly-owned by the council. In the 2021/22 financial year, the council paid £1,868k to Brimhams Active by way of management fee for the provision of those services, and charged £899k to the company for the provision of support services (Finance, IT, Legal, HR etc)

23. Capital Expenditure and Capital Financing

	2021/22			2020/21
	General Fund £'000	Housing Revenue Account £'000	Total £'000	Total £'000
Opening Capital Financing Requirement	29,549	61,189	90,738	85,892
Capital Expenditure				
Property, Plant & Equipment	13,457	4,893	18,350	18,917
Heritage Assets	0	0	0	100
Loan to wholly-owned company	500	0	500	125
Intangible Assets	456	0	456	651
Revenue Expenditure Funded from Capital under Statute (included in the surplus on the CIES)	1,010	0	1,010	790
	<u>15,423</u>	<u>4,893</u>	<u>20,316</u>	20,583
Sources of Finance				
Capital Receipts	-0	-688	-688	-5,064
Grants and Contributions	-2,269	-860	-3,129	-2,607
Revenue	-4,885	0	-4,885	-1,298
Major Repairs Reserve	0	-3,345	-3,345	-6,014
	<u>-7,154</u>	<u>-4,893</u>	<u>-12,047</u>	-14,983
Minimum Revenue Provision/set aside receipts	<u>-742</u>	<u>-15,000</u>	<u>-15,742</u>	<u>-754</u>
Closing Capital Financing Requirement	<u>37,076</u>	<u>46,189</u>	<u>83,265</u>	90,738
Explanation of movement in year				
Borrowing - internal	8,269	0	8,269	5,600
Statutory/Voluntary Revenue set aside	<u>-742</u>	<u>-15,000</u>	<u>-15,742</u>	<u>-754</u>
Increase / Decrease (-) in Capital Financing Requirement	<u>7,527</u>	<u>-15,000</u>	<u>-7,473</u>	4,846
Items of Capital Expenditure			2021/22 £'000	2020/21 £'000
Ripon Pool and Leisure Centre			4,922	5,581
Improvements to Council Dwellings – inc new build and purchases			4,893	9,522
Hydro redevelopment			2,031	0
Knaresborough Pool construction			1,500	0
78-82a High Street, Knaresborough			1,037	139
Private Sector Housing Grants/Loans			1,010	790
Computer Investment – hardware and software			966	987
Vehicles and Plant			936	1,379
Harrogate Convention Centre			733	18
Digital Incubator at Springfield House			625	22
Loan to wholly-owned housing company			500	125
Open Space & Community Facilities			272	288
Play area refurbishments			227	59
Phoenix Workshops extension			204	124
Stonefall Cremators			152	1,310
Other schemes			308	239
			<u>20,316</u>	<u>20,583</u>

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

24. Operating Leasing Payments and Commitments

Council as Lessee:

Operating Leases (for land and buildings)

i) Leasing rentals paid to lessors in the year were:

	2021/22	2020/21
	£'000	£'000
Minimum lease payments	89	99
Contingent rents	16	9
	<u>105</u>	<u>108</u>

ii) The minimum lease payments for land and buildings due under non-cancellable leases in future years are:

	31 March	31 March
	2022	2021
	£'000	£'000
Not later than one year	58	71
Later than one year and not later than five years	63	57
Later than five years	35	42
	<u>156</u>	<u>170</u>

Council as Lessor:

The Council leases out property and equipment under operating leases mainly for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres
- For economic development purposes to provide suitable affordable accommodation for local businesses
- To provide investment income

i) Minimum lease payments received from lessees in the year were £1,071k (£854k in 2020/21).

ii) The minimum lease payments receivable under non-cancellable leases in future years are:

	31 March	31 March
	2022	2021
	£'000	£'000
Not later than one year	622	597
Later than one year and not later than five years	941	962
Later than five years	10,490	12,152
	<u>12,053</u>	<u>13,711</u>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22 £98k of contingent rents were receivable (£311k in 2020/21).

25. Termination Benefits

During 2021/22, 14 exit packages were agreed (1 in 2020/21), with an associated liability of £222k (£15k 2020/21) - see note 19(b) for the number of exit packages and total cost per band. The payments were mainly due to staff within the Destination Management Organisation and Harrogate Convention Centre. Of the £222k (£15k 2020/21) payable, £68k was paid out during 2021/22 (£15k 2020/21), with a provision being created for the remaining £154k to be made in 2022/23 (£0k provided for in 2020/21 to be paid in 2021/22). Of the total payable, £111k related to pension costs (£0k 2020/21).

26. Defined Benefit Pension Schemes

a) Participation in Pensions Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme (LGPS), administered locally by North Yorkshire County Council (NYCC) – this is a funded defined benefit scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due

The North Yorkshire pension scheme is operated under the regulatory framework for the LGPS and the governance of the scheme is the responsibility of the Pension Fund Committee of NYCC. Policy is determined in accordance with Pensions Fund Regulations. The investment managers of the fund are appointed by the committee, which takes advice from the Corporate Director – Strategic Resources and the fund’s investment advisers.

The principal risks to the Council of the scheme are the longevity assumptions, structural changes to the scheme (i.e. large scale withdrawals), changes to inflation, bond yields and the performance of equity investments held by the scheme.

b) Transactions Relating to Retirement Benefits

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

	2021/22	2020/21
	£'000	£'000
Comprehensive Income & Expenditure Statement		
<i>Cost of Services:</i>		
<i>Service cost comprising:</i>		
• Current Service Cost	11,298	8,486
• Past Service Cost	19	10
• Gain(-)/loss from settlements	-7,519	0
<i>Financing & Investment Income & Expenditure:</i>		
Net interest expense	637	790
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	<u>4,435</u>	<u>9,286</u>
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:</i>		
Remeasurement of the net defined benefit liability comprising:		
• Return on plan assets (excluding the amount included in the net interest expense)	703	59,982
• Experience gain/loss(-)	-1,403	3,317
• Gain/loss(-) due to changes in demographic assumptions	3,627	0
• Gain/loss(-) due to changes in financial assumptions	18,267	-58,772
	<u>21,194</u>	<u>4,527</u>
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	<u>25,629</u>	<u>13,813</u>

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

b) Transactions Relating to Retirement Benefits (continued)

Movement in Reserves Statement	2021/22 £'000	2020/21 £'000
Reversal of net charges made to the Surplus or Deficit on the Provision of Services	-4,435	-9,286
<i>Actual amount charged against the General Fund Balance and HRA Balance for pensions in the year:</i>		
Employers' contributions payable to the scheme	<u>3,246</u>	<u>3,851</u>
Amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under pension scheme regulations	<u>-1,189</u>	<u>-5,435</u>

c) Local Government Pension Scheme Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of the defined benefit plan is as follows:

	31 March 2022 £'000	31 March 2021 £'000
Present value of the defined benefit obligation	-325,062	-350,189
Fair value of plan assets	<u>307,903</u>	<u>313,025</u>
Net liability arising from defined benefit obligation*	<u>-17,159</u>	<u>-37,164</u>

* Net liability at 31 March 2022 would be -£22,419k in group accounts if Brimhams Active liability were included

d) Reconciliation of the Movements in the Fair Value of Scheme Assets

	31 March 2022 £'000	31 March 2021 £'000
Opening fair value of scheme assets at 1 April	313,025	250,009
Interest on plan assets	5,841	5,721
Remeasurement gain/loss(-):		
• Return on plan assets, exc. amount included in net interest expense	703	59,982
Employer contributions	3,246	3,851
Member contributions	1,409	1,490
Benefits/transfers paid	-10,101	-8,028
Settlements	<u>-6,220</u>	<u>0</u>
Closing fair value of scheme assets at 31 March	<u>307,903</u>	<u>313,025</u>

e) Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	31 March 2022 £'000	31 March 2021 £'000
Opening balance at 1 April	350,189	286,265
Current service cost	11,298	8,486
Interest cost	6,478	6,511
Member contributions	1,409	1,490
Remeasurement gains(-) and losses:		
• Experience gain(-)/loss	1,403	-3,317
• Gain(-)/loss due to changes in demographic assumptions	-3,627	0
• Gain(-)/loss due to changes in financial assumptions	-18,267	58,772
Past service cost loss/gain(-) on curtailments	19	10
Benefits/transfers paid	-10,101	-8,028
Settlements	<u>-13,739</u>	<u>0</u>
Closing balance at 31 March	<u>325,062</u>	<u>350,189</u>

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

f) Local Government Pension Scheme assets comprised:

	Quoted Price in Active Market Y/N	Fair Value of Scheme Asset 31 March			
		2022 %	2022 £'000	2021 %	2021 £'000
Equities	Y	55.5	170,886	57.8	180,928
Property	Y	7.5	23,093	6.1	19,095
Government Bonds	Y	16.9	52,036	16.2	50,701
Corporate Bonds	Y	7.7	23,708	2.1	6,574
Cash	Y	1.1	3,387	3.3	10,330
Other	Y	3.9	12,008	8.1	25,355
Other	N	<u>7.4</u>	<u>22,785</u>	<u>6.4</u>	<u>20,033</u>
Total		100.0	307,903	100.0	313,025

g) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The NYCC fund liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2019.

	2021/22	2020/21
The significant assumptions used by the actuary have been:		
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men:	21.8 yrs	21.9 yrs
Women:	23.8 yrs	24.0 yrs
Longevity at 65 for future pensioners		
Men:	23.5 yrs	23.6 yrs
Women:	25.7 yrs	25.8 yrs
Rate of Inflation CPI	3.00%	2.70%
Rate of increase in salaries	4.25%	3.95%
Rate of increase in pensions	3.00%	2.70%
Rate for discounting scheme liabilities	2.70%	2.10%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set in the table above. The sensitivity analysis below has been determined based on example changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions on longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the scheme £'000
Longevity (increase by 1 year)	11,377
Rate of increase in pensions (increase by 0.1% per annum)	5,851
Rate of increase in salaries (increase by 0.1% per annum)	650
Rate for discounting scheme liabilities (increase by 0.1% per annum)	-6,501

h) Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years; for Harrogate Borough Council, funding is currently at 100%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2022.

The scheme takes into account changes to the value of pension liabilities on a defined benefits basis, due to the enactment of the Public Service Pensions Act 2013. LGPS benefits in relation to service up to 31 March 2014 are determined on a final salary basis. Benefits accrued from 1 April 2014 are determined on a career average revalued earnings basis.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2023 is £2.95m (year to 31 March 2022 £3.57m).

The weighted average duration of the defined benefit obligation for scheme members is 20.4 years (20.4 years 2020/21).

i) Investment Strategy

The Pension Fund Committee of North Yorkshire County Council has determined the investment strategy, which is aimed at growing the Fund's assets to meet benefit obligations when they fall due. As required by the regulations, the suitability of various classes of investments has been considered including assessing the benefit of asset class diversification. The Fund is primarily invested in equities (55.5% of scheme assets) and fixed income (16.9%), with investments also in property and alternatives. This strategy is reviewed periodically, dependent on changes to market conditions and the solvency position of the Fund.

27. Contingent Assets and Contingent Liabilities

There are no contingent assets or liabilities as at 31 March 2022.

28. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Procedures for risk management on treasury management are set out in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code plus investment guidance issued under the Act. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

a) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

The prime objective of treasury management activities is the security of the principal sums it invests. This is achieved through the Council's Annual Investment Strategy, which will ensure that its counterparty list and limits reflect a prudent attitude towards organisations with whom funds may be deposited. Deposits are not made with banks and financial institutions unless they achieve a minimum level of credit worthiness. This is based on credit ratings from all three rating agencies, Fitch, Moody's and Standard & Poor's, as the core element, plus credit watches and credit outlooks from credit rating agencies and Credit Default Swap spreads, to give early warning of likely changes in credit ratings.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions and the age of the debts.

	Amount at 31 March 2022 £'000	Historical Experience of Default %	Adjusted for Market Conditions at 31 March %	Estimated Maximum Exposure to Default and Uncollectability £'000	Estimated Maximum Exposure 31 March 2021 £'000
Deposits with Banks and Financial Institutions	44,904	0.0	0.0	0	0
Customers:					
Government and Local Authorities	6,679	0.0	0.0	0	0
Other	2,507	3.9	4.9	120	70
				<u>120</u>	<u>70</u>

No credit limits were exceeded during the reporting period by banks and financial institutions and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for customers, such that £1.7m of the £9.2m balance is past its due date for payment. This amount can be analysed by age as follows:

	31 March 2022 £'000	31 March 2021 £'000
Less than three months	1,313	1,420
Three to six months	44	133
Six months to one year	80	256
More than one year	233	76
	<u>1,670</u>	<u>1,885</u>

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Amounts arising from expected credit loss

All of the Council's financial assets have been assessed as Stage 1 at both 31 March 2021 and 31 March 2022, which means that there has been no significant increase in their credit risk. The 12-month expected credit loss for these assets has been assessed as nil. Impairment allowances for losses in relation to receivables due from customers are shown within the debtors note (note 13). The Council calculates allowances based on estimated default rates in combination with specific adjustments for individual debts when appropriate. We allowed an extra amount for customer bad debts at 31 March 2021 and 31 March 2022 than we normally would because of the ongoing uncertainty surrounding the impact of the covid-19 pandemic on businesses. There is a rebuttable presumption in IFRS 9 that aged debt older than 30 days should be impaired. We have reviewed the aged debt older than 30 days, as disclosed above, and are satisfied that our existing impairment allowance adequately provides for this.

b) Liquidity Risk

The level of short term deposits held by the Council mean that it does not currently require any additional long term borrowings and is in a position to meet the repayments due on its long term loans.

The Council has ready access to borrowings from the Public Works Loan Board and would be able to take up this option whenever rates are favourable. When new borrowings are required the Council must ensure that a significant proportion of the borrowings are not undertaken at a time of unfavourable interest rates.

	31 March 2022	31 March 2021
	£'000	£'000
The maturity analysis of financial liabilities is:		
Less than one year	24	15,027
1 - 2 years	7	6
2 - 5 years	15,026	24
5 - 10 years	15,048	15,054
10 - 15 years	7,973	22,977
	<u>38,078</u>	<u>53,088</u>

c) Market Risk

Interest Rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance £ for £.

The Council has a number of strategies for managing interest rate risk. The policy is to aim to keep the proportion of interest paid on borrowing, which is at variable rates, at a maximum of 25%. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

HARROGATE BOROUGH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

In 2021/22 all borrowings and investments were at fixed rates. If interest rates had been 1% higher with all other variables held constant, the financial effect at 31 March 2022, would be:

	31 March £'000
Decrease in fair value of fixed rate investment assets (no impact on CI&ES Statement)	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on CI&ES Statement)	3,159

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

d) Price Risk

The Council does not invest in equity shares and has no exposure to loss arising from movements in the prices of shares.

e) Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

29. Expenditure and Income Analysed by Nature

	2021/22 £'000	2020/21 £'000
Expenditure/Income		
Expenditure		
Employee expenses	27,721	34,151
Other service expenses	51,889	48,445
Support Service recharges	780	782
Depreciation, amortisation, revaluation losses and impairments	15,389	9,548
Interest and investment payments	2,220	3,551
Precepts and levies (inc Business Rates tariff)	24,630	24,350
Payments to Housing capital receipts pool	855	792
Loss on disposal of non-current assets	0	0
Total Expenditure	123,484	121,619
Income		
Fees, charges and other service income	-41,170	-34,549
Income from Council Tax and Business Rates	-36,373	-27,469
Government grants and contributions	-40,591	-59,052
Non-Government capital grants	-2,421	-1,704
Interest and investment income	-487	-640
Gain on disposal of non-current assets	-745	-769
Other capital receipts	0	-13
Total Income	-121,787	-124,196
Surplus(-) or Deficit on Provision of Services	1,697	-2,577

HARROGATE BOROUGH COUNCIL

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

		31 March 2022	31 March 2021
		£'000	£'000
Note	HRA Balance brought forward	-28,281	-25,253
	Surplus (-) or Deficit in the year on HRA Income & Expenditure Statement	-2,092	-3,462
	Adjustments between accounting basis and funding basis under regulations		
	Gain or Loss (-) on sale of HRA non-current assets	708	571
	HRA share of contributions to or from (-) the Pensions Reserve	-939	-520
	Capital Expenditure funded by the HRA	0	495
	Transfer to Major Repairs Reserve	4,769	4,676
	Transfers to/from (-) the Capital Adjustment Account:		
2	Depreciation, impairments and revaluation losses	-5,303	-4,788
3	Voluntary set aside – repayment of debt	15,000	0
	Net increase (-) or decrease before transfers to or from Reserves	12,143	-3,028
	Increase (-) or decrease in the year on the HRA	12,143	-3,028
	HRA Balance carried forward	-16,138	-28,281

HARROGATE BOROUGH COUNCIL

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH
2022

	2021/22	2020/21
	£'000	£'000
Note Expenditure		
Repairs and maintenance	5,430	4,540
Supervision and management	4,082	3,822
2 Depreciation and impairments of non-current assets	5,303	4,788
Debt Management Costs	34	32
Total Expenditure	14,849	13,182
Income		
Dwelling Rents (gross)	-16,543	-16,497
Non-dwelling rents (gross)	-170	-167
Charges for services and facilities	-858	-778
Contributions towards expenditure	-317	-286
Total Income	-17,888	-17,728
Net Cost/Surplus (-) of HRA Services included in the Whole Authority Comprehensive Income and Expenditure Statement	-3,039	-4,546
HRA share of Corporate Costs	98	118
Net Cost/Surplus (-) of HRA Services	-2,941	-4,428
HRA share of the other operating income and expenditure included in the Whole Authority Comprehensive Income and Expenditure Statement		
Gain (-) or loss on sale HRA non-current assets	-717	-571
3 Interest payable	1,592	1,610
3 Investment Income	-26	-73
Surplus (-) or Deficit for the year on HRA services	-2,092	-3,462

HARROGATE BOROUGH COUNCIL

NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2022

1. General

The Housing Revenue Account is kept in accordance with the financial regime introduced in the Local Government and Housing Act 1989. The account for 2021/22 is presented in accordance with the Accounting Code of Practice.

The Movement on the HRA Statement incorporates the surplus or deficit on the Income and Expenditure Statement and effectively meets the statutory requirement to include the Housing Revenue Account as a single statement in the Statement of Accounts.

2. Depreciation, Impairments and Revaluation Losses

	2021/22	2020/21
	£'000	£'000
Council Dwellings:		
Depreciation	4,611	4,508
Revaluation losses	747	8
Reversal Prior Year Revaluation Losses	-18	0
Other Land and Buildings:		
Depreciation	108	119
Revaluation losses	0	105
Reversal Prior Year Revaluation Losses	-194	-1
Vehicles, Plant & Equipment		
Depreciation	41	41
Infrastructure Assets		
Depreciation	8	8
	5,303	4,788

During 2021/22, the valuation of the Council's housing stock was revised in line with the latest market values. This led to a £27,269k net increase in the valuation, which was credited to the revaluation reserve.

3. Capital Asset Charges Accounting Adjustment

HRA paid interest charges in 2021/22 in accordance with the Item 8 Credit and Item 8 Debit (General) Determination 2012 (as amended). Interest paid is related to the HRA Capital Financing Requirement (CFR) which represents the HRA share of the Council's borrowing for capital expenditure.

	2021/22	2020/21
	£'000	£'000
Interest on loans included in the HRA CFR	1,582	1,588
Interest on unfinanced HRA CFR	10	22
Total	1,592	1,610

From 1 April 2012 all of the Council's external loans were earmarked as either for General Fund or HRA and interest paid on each loan is charged accordingly. Where HRA has not borrowed externally to finance its CFR in full, it pays interest to the General Fund on the part which is being financed from internal balances. The interest rate charged to HRA on the unfinanced CFR is the average rate of interest on the Council's approved investments in the year (0.12% for 2021/22 and 0.28% in 2020/21).

HARROGATE BOROUGH COUNCIL

NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2022

In accordance with the same determination, HRA received the following interest credits:

Investment Income	2021/22	2020/21
	£'000	£'000
Average notional cash balance in year including Major Repairs Reserve	21,827	26,571
Average interest rate on approved investments	0.12%	0.28%
Interest on Notional Cash Balance	<u>-26</u>	<u>-73</u>

In 2021/22, £15m was set aside to repay the third of the loans taken out to fund the self-financing payment made to Government in 2011/12. No equivalent payments were made in 2020/21.

4. Council House Rent Arrears

For the financial year 2021/22 rent arrears from Council house tenants (both current and former) represented 1.74% of the total Council house rent income due (1.69% in 2020/21). This comprised 1.01% for current tenants (0.96% in 2020/21) and 0.73% for former tenants (0.73% in 2020/21). The arrears figures are as follows:

	2021/22	2020/21
	£'000	£'000
Arrears at 31 March:		
- current tenants	164	156
- former tenants	120	120
	<u>284</u>	<u>276</u>
Impairment of Debtors Allowance	<u>204</u>	<u>214</u>

5. Housing Stock

The Council was responsible for managing 3,893 dwellings as at 31 March 2022. The stock was made up as follows:

	31 March	31 March
	2022	2021
Houses	1,312	1,312
Flats, Bedsits and Maisonettes	1,805	1,802
Bungalows	677	674
Hostel Places	57	43
Shared Ownership*	<u>42</u>	<u>42</u>
	<u>3,893</u>	<u>3,873</u>

*This is the total number of properties in which the Council holds an equity stake – the retained proportion of each property will vary.

The changes in the general housing stock can be summarised as follows:

	2021/22	2020/21
Stock at 1 April	3,873	3,863
Sales to Council Tenants	-18	-20
Additions to council dwelling stock	24	30
Additions to Hostel Places	<u>14</u>	<u>0</u>
	<u>3,893</u>	<u>3,873</u>

HARROGATE BOROUGH COUNCIL

NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2022

6. Balance sheet values

	31 March 2022	1 April 2021
	£'000	£'000
Council Dwellings	269,970	244,925
Other Land and Buildings	4,214	4,066
Vehicles, Plant and Equipment	617	658
Infrastructure Assets	96	104
Surplus Assets	376	0
Assets Under Construction	961	995
	<u>276,234</u>	<u>250,748</u>

The balance sheet value of dwellings at 1 April 2021 is £245m on a tenanted valuation (£240m 1 April 2020). The vacant possession value of dwellings at 1 April 2021 is £586m (£579m 1 April 2020). These two values show the economic cost of providing council housing at less than market rents.

7. Capital Expenditure Analysis

	2021/22	2020/21
	£'000	£'000
HRA Capital Expenditure		
Planned maintenance and improvements	1,899	1,906
Purchase of properties to add to council dwelling stock	1,501	6,165
Construction of new dwellings	1,493	1,451
	<u>4,893</u>	<u>9,522</u>
HRA Capital Funding		
Major repairs reserve	-3,345	-6,014
Capital Contributions and Grants	-860	-1,452
HRA revenue funding	0	-495
HRA capital receipts	-688	-1,561
	<u>-4,893</u>	<u>-9,522</u>

8. Capital Receipts Analysis

	2021/22	2020/21
	£'000	£'000
Sale of council dwellings	-2,142	-1,958
Payment to national pool	855	792
Sale of shares in shared ownership properties	0	-124
Balance of usable receipts available to finance capital expenditure	<u>-1,287</u>	<u>-1,290</u>

HARROGATE BOROUGH COUNCIL

THE COLLECTION FUND (ENGLAND) STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

		2021/22		2020/21
		£'000	£'000	£'000
Income				
Council Tax collectable – Note 1		-131,446		-124,692
Transfers to(-)/from General Fund:	Council Tax benefits	214		512
	Transitional Protection	2	-131,230	1
Non-Domestic Rates (NDR) collectable – Note 2			-47,112	-28,395
Total Income			-178,342	-152,574
Expenditure				
Council Tax Precepts and Demands:	North Yorkshire County Council	90,286		86,482
	North Yorkshire Police & Crime Commissioner	17,344		16,857
	North Yorkshire Fire and Rescue Authority	4,744		4,611
	Harrogate Borough Council	17,217	129,591	16,729
NDR Share Payments:	Central Government	31,553		31,281
	North Yorkshire County Council	5,680		5,630
	North Yorkshire Fire and Rescue Authority	631		626
	Harrogate Borough Council	25,243	63,107	25,025
NDR charges/receipts (-)	Cost of collection allowance	279		280
	Renewable Energy Payment to NYCC	228		228
	Transitional Protection Payments	147	654	109
Uncollectable Amounts:	Council Tax Allowance for Impairment	442		407
	Council Tax written off	360	802	303
	NDR Allowance for Impairment	-140		1,148
	NDR Allowance for Appeals	-393		-173
	NDR written off	86	-447	272
Council Tax surplus/deficit(-) re prior year to/from(-):	NYCC, NYPCC & NYFRA		-597	248
	HBC		-92	39
NDR surplus/deficit(-) re prior year to/from(-):	Central Government, NYCC & NYFRA		-20,310	-272
	HBC		-13,193	-678
Total Expenditure			159,515	189,152
Surplus(-)/Deficit for the year – Council Tax			-1,526	1,497
Surplus(-)/Deficit for the year – NDR			-17,301	35,081
Total Surplus(-)/Deficit for the year			-18,827	36,578
Fund Surplus(-)/Deficit at start of year – Council Tax			1,233	-264
Fund Surplus(-)/Deficit at start of year – NDR			34,366	-715
Total Fund Surplus(-)/Deficit at start of year			35,599	-979
Fund Surplus(-)/Deficit at end of year – Council Tax (Note 3)			-293	1,233
Fund Surplus(-)/Deficit at end of year – NDR (Note 4)			17,065	34,366
Total Fund Surplus(-)/Deficit at end of year			16,772	35,599

HARROGATE BOROUGH COUNCIL

THE COLLECTION FUND (ENGLAND) STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

Note 1 Council Tax 2021/22

The Council's Taxbase (the estimated number of chargeable dwellings in each Band, adjusted for discounts and converted to an equivalent number of Band D dwellings) was calculated as follows:

Valuation Band	Chargeable dwellings	Ratio to Band D	Band D Equivalents
A- (inc disabled relief)	28	5/9	16
A	5,046	6/9	3,363
B	10,437	7/9	8,118
C	13,753	8/9	12,225
D	9,620	9/9	9,620
E	9,662	11/9	11,809
F	6,120	13/9	8,841
G	5,385	15/9	8,975
H	622	18/9	1,243
Total	60,673		64,210
Adjustment for collection rate, banding appeals, contributions in lieu etc.			-225
Council Taxbase			63,985

The average Band D Council Tax of £2,007.17 (£1,947.85 in 2020/21) was set by dividing the total of Precepts and Demands on the Collection Fund by the Council Taxbase shown above (63,428 in 2020/21). The Council Tax for dwellings in other Valuation Bands is the appropriate Ratio of the Band D tax.

Council Tax collectable includes £947k (£946k in 2020/21) of Government contributions in lieu of Council Tax for Ministry of Defence properties.

Note 2 Non Domestic Rates 2021/22

Non-domestic rates are collected on an agency basis and shares of the amount collectable are distributed in accordance with Business Rate Retention legislation, the shares for 2021/22 and 2020/21 being: 50% to Central Government, 40% to HBC, 9% to NYCC and 1% to NYFRA.

The non-domestic rate was set by the Government at 51.2p for the year (51.2p 2020/21), and the total non-domestic rateable value at the end of the year was £163,857,451 (£163,964,830 2020/21). The gross rates thus payable for the year were abated by reliefs for empty property, charitable occupiers, rating appeals and transition, to give the net amount collectable shown above.

Note 3 Movement on the Fund Balance – Council Tax

Each Authority's share of the movement on the Fund Balance in the year, a surplus of £1,526k (£1,497k deficit 2020/21) is: NYCC £1,067k (£1,041k deficit 2020/21), NYPCC £204k (£201k deficit 2020/21), NYFRA £55k (£55k deficit 2020/21) and HBC £200k (£200k deficit 2020/21).

This amount is added to the Council Tax Demand for the year and any prior year surplus/deficit to give the Council Tax Income figure on an accruals basis shown in the Comprehensive Income and Expenditure Statement.

Note 4 Movement on the Fund Balance - NDR

Each Authority's share of the movement on the Fund Balance in the year, a surplus of £17,301k (£35,081k deficit 2020/21) is: Central Government £9,067k (£17,898k deficit 2020/21), NYCC £1,349k (£3,098k deficit 2020/21), NYFRA £173k (£351k deficit 2020/21) and HBC £6,712k (£13,734 deficit 2020/21).

This amount is added to the NDR Share for the year less the tariff and levy payments to the Leeds City Region Business Rates Pool (North and West Yorkshire pool in 2020/21) to give the retained Non-domestic Rate Income figure on an accruals basis shown in the Comprehensive Income and Expenditure Statement.

HARROGATE BOROUGH COUNCIL

GLOSSARY OF TERMS FOR THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2022

Accounting Policies

Principles, rules and procedures selected and followed by the management of an organisation in preparing and reporting the financial statements.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

Amortisation

The allocation of the value of an intangible asset (less any expected residual value) over its useful life.

Capital Expenditure

Expenditure on the acquisition of a non-current asset or expenditure which enhances, rather than simply maintaining, an existing non-current asset.

Capital Receipts

The proceeds from the sale of non-current assets in excess of £10,000. These are then available to fund future capital investment.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Collection Fund

The account into which Council Taxes and Non-Domestic Rates are paid, for distribution to preceptors, the Council's General Fund, and Central Government.

Community Assets

Assets that an authority intends to hold in perpetuity, that have no determinable useful life and which may have restrictions on their disposal.

Contingent Asset

A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority.

Contingent Rent

The portion of a lease payment that is not fixed in amount but is based on the future amount of a factor that changes other than with the passage of time – for example, percentage of future sales, future inflation rates.

Contingent Liability

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority,

or:

a present obligation that arises from past events but is not recognised because:

- a) it is not probable that an outflow of resources will be required to settle the obligation, or
- b) the amount of the obligation cannot be measured with sufficient reliability.

HARROGATE BOROUGH COUNCIL

GLOSSARY OF TERMS FOR THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2022

Creditors

Amounts owed by the Council at year end for which payment has not yet been made.

Current Assets

Current Assets are cash and items that can be readily converted into cash.

Current Liabilities

Current Liabilities are amounts that are due for payment by the Council within the near future.

Current Service Cost (Pensions)

The increase in the value of the pension scheme's future pension liabilities arising from the employees' membership of the pension scheme in the year.

Debtors

Amounts owed to the Council at the year end, where services have been delivered but payment has not been received.

Depreciation

The allocation of the value of an asset (less any expected residual value) over its useful life.

Earmarked Reserves

Earmarked reserves are balances set aside for specific purposes. For each reserve, the purpose, usage and procedures for transactions need to be clearly defined.

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial Instruments

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Examples include loans and investments.

General Fund (GF)

The account that includes expenditure and income associated with all Council services, apart from the Council's own housing stock (see Housing Revenue Account).

Heritage Assets

Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Examples include museum and art collections, civic regalia and historic buildings and monuments.

Historical Cost

The amount of money originally paid for an asset.

HMRC

Her Majesty's Revenues and Customs.

Housing Revenue Account (HRA)

This account includes the expenditure and income associated with the Council's own housing stock. Under statute, these costs and income must be accounted for separately from the rest of the Council's operations.

HARROGATE BOROUGH COUNCIL

GLOSSARY OF TERMS FOR THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2022

IFRS

International Financial Reporting Standards. These are guidelines and rules set by the International Accounting Standards Boards (IASB) that organisations follow when compiling financial statements. The Council does this by virtue of complying with CIPFA's Code of Practice on Local Authority Accounting, which is based on IFRS.

Impairment

The reduction in value of a non-current asset through physical damage, dilapidation or obsolescence.

Infrastructure Assets

Inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Examples include roads, footpaths and bridges.

Intangible Asset

An identifiable non-monetary asset without physical substance. An example would be computer software.

Minimum Revenue Provision (MRP)

The amount that the Council has calculated to be the prudent amount that it must charge to its revenue account in the year to repay debt, as required by statute.

Non-Domestic Rates (NNDR)

Otherwise known as business rates, these are collected from businesses by the Council. The Council was part of the Leeds City Region Business Rates Pool in 2021/22. Shares of the income were paid over to Central Government (50%), North Yorkshire County Council (9%) and North Yorkshire Fire and Rescue Authority (1%), with 40% being retained by the Council.

Net Book Value

The amount at which non-current assets are included in the balance sheet. This will be their historical cost or current valuation, less any depreciation that has been charged.

Non-current Assets

Assets such as buildings and vehicles, the benefits of which will be realised over a period of greater than one year.

Operating Lease

Under this type of lease, the risks and rewards of ownership of the leased goods remain with the lessor (the organisation leasing out the goods).

Past Service Cost (Pensions)

The change in the obligation for employee service in prior periods, arising as a result of changes to plan arrangements in the current period. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Precept/Preceptors

A precept is the amount that each non-billing authority (County Council, Police and Crime Commissioner, Fire & Rescue Authority, Parish Councils) asks the Council to collect from taxpayers on its behalf. The County Council etc are known as preceptors.

Provision

A liability of uncertain timing or amount.

HARROGATE BOROUGH COUNCIL

GLOSSARY OF TERMS FOR THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2022

Prudential Borrowing

The Council's borrowing for capital purposes must conform to the Prudential Code, a set of rules governing Local Authority borrowing in the UK which (among other things) requires that borrowing is affordable and prudent.

PWLB

The Public Works Loan Board – a government body that lends money to public sector organisations.

Remeasurements of Pension Assets and Liabilities

The changes in the pension fund surplus or deficit that arise because a) actual events have not coincided with the assumptions made by the actuaries when they last valued the pension fund and/or b) the actuaries have updated the assumptions they've made since the previous valuation of the fund.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure that may be funded from capital resources but that does not result in an asset on the Council's balance sheet.

Revenue Support Grant (RSG)

A general grant paid by Central Government towards the cost of providing local authority services in the area.

Useful Life

The period for which an asset is expected to be available for use.

Independent auditor's report to the Members of North Yorkshire Council as successor body of Harrogate Borough Council

Report on the audit of the financial statements

Disclaimer of opinion on the financial statements

We were appointed to audit the financial statements of Harrogate Borough Council ("the Council") for the year ended 31 March 2022, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

We do not express an opinion on the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the financial statements and auditor's opinion for the year ended 31 March 2022, by 13 December 2024 ('the backstop date').

The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements as there has been insufficient time to perform all necessary audit procedures.

Responsibilities of the Corporate Director of Resources for the financial statements

As explained more fully in the Statement of the Corporate Director of Resources' Responsibilities, the Corporate Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Corporate Director of Resources is also responsible for such internal control as the Corporate Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Corporate Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Code Update and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Corporate Director of Resources is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient

HARROGATE BOROUGH COUNCIL

sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council.

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our view we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weakness in the Council's arrangements for the year ended 31 March 2022.

Significant weakness in arrangements	Recommendation
<p>Weakness in arrangements for financial reporting (governance)</p> <p>The District Council did not produce and publish draft financial statements according to the statutory reporting timetable.</p> <p>There were also significant delays in responses being provided to audit queries.</p> <p>These matters are evidence that the Council did not have proper governance arrangements for ensuring effective processes and systems were in place to support its financial reporting requirements.</p>	<p>Harrogate Borough Council demised on 31 March 2023 as a result of local government reorganisation.</p> <p>Accordingly, we have not made a recommendation for Harrogate Borough Council.</p>

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency, and effectiveness in the use of resources

HARROGATE BOROUGH COUNCIL

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

We are also required by the Code of Audit Practice, to give an opinion on whether other information published together with the audited financial statements, is consistent with the financial statements. Because of the matter described in the Basis for Disclaimer of Opinion section we do not express an opinion on the financial statements. We also do not express an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

Use of the audit report

This report is made solely to the Members of North Yorkshire Council as successor body to Harrogate Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of Harrogate Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

[James Collins \(Dec 9, 2024 19:17 GMT\)](#)

James Collins
Key Audit Partner
For and on behalf of Forvis Mazars
LLP The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

APPENDIX 1

ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE STATEMENT 2021/22

Introduction - Covid19 Pandemic

Throughout 2021/22 the Covid19 Pandemic was still having a significant impact and this is reflected in the consideration of governance issues throughout the Annual Governance Statement (AGS).

The introduction of the CIPFA Financial Management Code 2019 (FM Code) during 2021/22

CIPFA (Chartered Institute of Public Finance and Accountancy) introduced a Financial Management Code in October 2019. The intention is that the Code helps to create a culture of strong financial management to help address the financial pressures that Councils are facing and that a self-regulation approach will prevent any other Local Authorities 'failing'. This will then avoid any need for any external control or reductions in current powers. The first full year for compliance is 2021/22 with 2020/21 having been a 'shadow' year for the implementation of the FM Code.

The AGS annual review for 2021/22 includes an assessment that has been undertaken during the year of the extent to which the organisation's financial management arrangements comply with the FM Code. Compliance with the Code is proportionate to the circumstances of the Council and demonstrates a direction of travel. The council's approach is detailed in **Paragraph 94**.

1. Corporate Governance

Harrogate Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Corporate governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. The governance arrangements in place at Harrogate Borough Council comprise of the following:

- a) The Code of Corporate Governance
- b) The Governance Framework

This statement explains how the authority has complied with the governance arrangements for 2021/22 and also meets the requirements of the Accounts and Audit (England) Regulations 2015, regulation 6(b), which requires all relevant bodies to prepare an Annual Governance Statement. The statement is presented to the Audit and Governance Committee in conjunction with the Statement of Accounts and is signed by the Leader and Chief Executive.

a) Code of Corporate Governance

The Council is committed to the principles of effective corporate governance and has adopted a Code of Corporate Governance which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework Delivering Good Governance in Local Government (2016). It is made up of seven core principles:

- A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
- D. Determining the interventions necessary to optimize the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

The Council's Code of Corporate Governance was considered and agreed by Management Board and the Audit and Governance Committee in April 2021.

b) The Governance Framework

The governance framework explains how the Council complies with the Local Code of Corporate Governance (LCCG) that has been in place at Harrogate Borough Council for the year ended 31st March 2022 and up to the date of approval of the annual Statement of Accounts. It comprises the systems, processes, culture and values, by which the Council is directed and controlled. It includes the activities through which it accounts to, engages with and leads the community and enables the Council to monitor the achievement of its strategic objectives and to consider whether they have led to the delivery of appropriate, cost-effective services.

A significant part of the framework is the system of internal control. This is designed to manage risk to an acceptable level as it cannot eliminate all risk of failure to achieve policies, aims and objectives. The system of internal control is based on an agreed risk management framework designed to identify, assess, prioritise and manage risks to the achievement of the Council's policies, aims and objectives.

The Council's Governance Framework has been reviewed and agreed regularly. The Covid19 pandemic delayed the latest planned review and it is considered that due to the LGR transition to North Yorkshire Council the current Framework will not be updated before April 2023.

1. Review of Effectiveness

The Council must conduct, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Chief Officers/Service Managers who have responsibility for the development and maintenance of the governance environment, reports from a number of individual officers with specific responsibilities, including the Section 151/Chief Financial Officer, the Monitoring Officer, the Head of Internal Audit, and by the Council's external auditors.

This statement assesses compliance with the arrangements detailed in the Governance Framework to meet the principles set out in our LCCG. Any improvement actions are summarised in the Governance Improvement Action Plan 2021/22 (at the end of this document) and will be available in the Final AGS 2021/22.

Significant Governance Issues

The review of the governance framework reflected in the Annual Governance Statement will report any significant governance issues identified. There is no definition for these issues and they include those that would seriously prejudice or prevent achievement of a principal objective of the authority or something that has attracted public interest. The Council has taken the view that significant governance issues should also include those potential issues that could impact the following year for example where there is impending new legislation or something that is being established. The Annual Governance Statement will also set out how any significant issues from the previous years' statement have been resolved.

Principle A:

Behaving with Integrity, Demonstrating Strong Commitment to Ethical Values and Respecting the Rule of Law

Sub-Principles

- (I). **Behaving with Integrity**
- (II). **Demonstrating Strong Commitment to Ethical Value**

REVIEW OF EVIDENCE TO DEMONSTRATE COMPLIANCE

1. **Member Code of Conduct** – A report from the Head of Legal and Governance summarising Standards Complaints and Investigations 2021/22 was considered by General Purposes Committee on 16 June 2022 (Item 6), 13 complaints were received, 7 related to Harrogate Borough Councillors with the other 6 being complaints against Parish Councillors. In summary there were 11 cases where the Monitoring Officer and Independent Person considered they did not merit formal investigation and 1 case which was not within the remit of the code of conduct as it did not relate to alleged conduct as a councillor. There was 1 case which was referred for investigation and proceeded to a Panel Hearing. The Committee noted the complaints and the outcomes of the investigations.
2. **Customer Complaints** – There were 195 formal complaints in 2021/22 compared to 176 in 2020/21, an increase of 11%.
 - The target for responding to stage one complaints within 10 working days was 80%. There was an improvement action in 2021/22 to review performance in dealing with stage one complaints. In 2021/22 63% of stage one complaints received a response within 10 working days, an improvement from 52% in 2020/21. There is an improvement action to review performance in dealing with stage one complaints again in 2022/23.
 - There were a total of 36 stage 2 complaints received a reduction of 1 compared to 2020/21. The target for responding to stage two complaints within 25 working days was 80% - 91% of stage 2 complaints received a response within 25 working days, an improvement from 81% in 2020/21 and exceeding the target.
3. **Local Government and Social Care Ombudsman (LG&SCO) and Housing Ombudsman** – The annual summary of complaint statistics from the Local Government and Social Care Ombudsman for the year ending 31 March 2022 was received on 20 July 2022. The following is a summary of the complaint statistics:
 - There were two investigations between 1 April 2021 and 31 March 2022
 - One decision was upheld (50% of complaints) based on the two investigations. This compares to an average of 51% in similar organisations
 - There were no recommendations due for compliance in this period
 - In 100% of upheld cases it was found that the council had provided a satisfactory remedy before the complaint reached the Ombudsman. This compares with an average of 20% in similar organisation.
4. **Member Training Awareness** – A report from the Head of Legal and Governance summarising Year 5 of the Member Learning and Development

Strategy was considered by General Purposes Committee on 17 March 2022 (Item 7). The 2021-22 year was largely dominated by Covid-19 lockdown and the majority of training and briefing sessions were held remotely in accordance with the decision made by GP in March 2021. Committee specific training was provided for the Planning Committee, The Audit and Governance Committee and the Overview and Scrutiny Commission. Briefings were also held on a variety of topics and there were several specific briefings on the Local Government Reorganisation. Year 5 will continue to cover mandatory training for Members but will also cover a few new topics including issues arising from the closing down of HBC and reorganisation into the new authority.

5. **Officer Training Awareness** - For the provision of officer Induction/other training see **Principle E - Developing the Entity's Capacity, Including the Capability of its Leadership and the Individuals Within It**
6. **Members Declaration of Interests** – Member declarations of interest were reported and recorded at all Committee meetings in 2021/22 including Council where Members were reminded to update the register at every meeting. A Member Briefing was held on 14 June about the changes to the Code of Conduct as a result of the adoption of the Local Government Association's (LGA) Model Code of Conduct with local amendments, this particularly related to Member declarations of interest.
7. **Partnerships** – Stage 1 of the internal partnership audit was updated in March 2022 to feed into an LGR data request. Stage 2 (the partnership significance assessment) was due to be undertaken as an improvement action in 2021/22. This was not initiated due to officers dealing with Local Government Reorganisation.

Sub-Principles

(III). Respecting the Rule of Law

REVIEW OF EVIDENCE TO DEMONSTRATE COMPLIANCE

8. **The Constitution** - The Constitution was reviewed and updated as appropriate in 2021/22. Changes/Updates to the Officer scheme of delegation responsibilities were confirmed by April 2022.
9. **Cabinet Member/Committee membership and responsibilities** - were reviewed and agreed at the Council meeting on 28 April 2021.
10. **Contract Procedure Rules (CPR)** were reviewed and amended with agreement on 9 December 2020. A best value process was introduced which allowed service areas to carry out a procurement process up to the value of £25,000. The restricted procurement process was also increased from £10,000 - £50,000 to £25,000 - £75,000. This meant that the council can still continue to meet the transparency and SME agenda set out by the cabinet office, and successfully ensured that the procurement process is less convoluted for lower value contracts. This also gave direct responsibility to individual officers and service areas for lower value, less complex requirements, and made it simpler for them to procure whilst still achieving value for money. The feedback from service areas in relation to this remains positive. The CPR were updated in January 2022 to reflect the new UK thresholds since the country is no longer part of the EU and thresholds were put in place on 01 January 2022. The Green papers for the new UK legislation are still pending and are expected to come into force sometime in 2023. The CPR's will be amended to reflect any updates that need to happen as a result of these changes. Due to local Government reorganisation the CPR's are currently being drafted and expect to come into force as the new Council from 01 April 2023. Harrogate Borough Council procurement have an active role within the Procurement work stream and are feeding back relevant information to the wider service areas.
11. **Public Sector Equality Duty Public Sector Equality Duty** - An annual report was considered by Management Board in January 2022 to demonstrate compliance against the Public Sector Equality Duty. The report provided case studies against the protected characteristics and actions that have been carried out throughout the year corporately and at a service level and was accepted by Management Board. The refreshed 4 year strategy and objectives for 2020-2024 were agreed by Management Board, Cabinet and Council on the 4th March 2020. Work commenced in January 2022 as part of LGR to identify the new equality objectives that will be in place for the 1st April 2023 as part of the new authority.
12. **Compliance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)/Anti-Fraud and Corruption strategy** – Work continued in 2021/22 to embed fraud awareness within services. There is an improvement action in 2022/23 to roll out fraud training provided by Veritau across the council.
13. **Whistleblowing Policy** – In 2021/22 there were no Whistleblowing incidents investigated by the Internal Audit and fraud team.
14. **Disciplinary Policy and Procedure** - In 2021/22 the following cases were dealt with through the Disciplinary Policy and Procedures:

Grievances – 5 in total

- 1 that was heard at stage 1 and concluded – partly upheld
- 1 currently being investigated at stage 1
- 1 that was heard at stage 1 – not upheld, Stage 2 – upheld

- 1 that has been heard at stage 1 – not upheld – currently being managed at stage 2
- 1 that has been heard at stages 1-3 – not upheld at any stage

Disciplinary Cases – 11 in total

- 5 management instructions issued
- 1 investigation resulting in no further action
- 1 investigation underway at the moment
- 2 resulting in written warning
- 1 resulting in final written warning
- 1 resulting in dismissal for gross misconduct

Attendance Management

- The team have been supporting managers with 54 absence cases (mainly long term absence)
- 9 stage 1 warnings have been issued
- 11 stage 2 warnings have been issued
- 1 Ill health retirement
- 5 members of staff have resigned/decided to retire whilst absent

15. Reports for Decision – In 2021/2022 all reports for decision (by Management Board and Cabinet) were checked for equalities compliance on a fortnightly basis. There were no decision reports held and revisited as part of this process as all reports, which had equality implications, were sent to the Engagement Officer to review before being submitted. Equality Impact Assessments were published alongside the related decision reports. 15 EIAs were completed and checked

16. Provision of staff awareness training for relevant legislation see **Principle E - Developing the Entity's Capacity, Including the Capability of its Leadership and the Individuals within It.**

Wholly Owned Limited Companies:

1. Bracewell Homes

17. Bracewell Homes has been operating throughout 2021/22. The nature of its business is the buying and selling of own real estate, the renting and operation of Housing Association real estate and other letting and operation of own or leased real estate. One Director left the Board in March 2021 and was replaced by the Director of Economy, Environment & Housing. There are currently 3 Directors with Legal, Finance and Housing representation at each Board meeting.

18. The company accounts for the year ending March 2021 were filed on 15 October 2021.

19. Meetings - There were 3 Shareholder Committee meetings held in 2021/22 (12 May 2021, 13 September 2021 and 7 March 2022)

20. Overview – There was an improvement action to provide a summary overview of arrangements and performance for 2021/22 and this will be included in the final AGS 2021/22.

2. *Brimhams Active*

21. *The arrangements for the creation of a company to run the Council's sport and leisure facilities and services* – Cabinet agreed in principle to progress the creation of a company to run its sport and leisure facilities and services [on 16 December 2019](#).

22. *Brimhams Active Limited* was incorporated on 28 October 2020 and the transfer of the agreed services and staff to the company took place on 1st August 2021. The nature of business is detailed as “Activities of other membership organisations not elsewhere classified”. There are 11 current Directors.

23. The accounting period was extended from 31 October 2021 to 31 March 2022 on 30 November 2021. The company accounts for the year ending March 2022 were filed on 25 July 2022.

24. *Meetings* – There were 4 Board meetings held in 2021/22 5 August 2021, 21 October 2021, 30 November 2021 and 20 January 2022. The following were reviewed:

- Finance/accounts
- Health and Safety
- Leisure Management System
- Membership Structures and pricing
- Business Plan
- Risk Management
- Local Government Reorganisation
- Company/Board policies

25. *Overview* – Brimhams Active performed well during 2021/ 22 with a progressive trend of income growth and managed costs in the year immediately following the Covid-19 pandemic shut down. This trend led to a year end break even position after reviewing the Council £688K originally committed by the Council to underwrite progressive business recovery following the pandemic which was not required. The most significant income gain was Turkish Baths admissions which achieved £250K over budget. Across the board, there were significant savings in salary of £567K. This was mainly due to operation with a reduced establishment owing to employee recruitment and retention challenges. These challenges were reflected nationwide and strategies were developed to overcome them. The delayed opening date of the new Jack Laugher Leisure and Wellness Centre, coupled with the mid-year relaunch of the learn to swim programme served to help mitigate employee shortages. Measures were also adopted to reduce facility opening hours at off peak times to mitigate employee shortages, whilst also minimising income loss.

Senior Managers Assurance

All managers (including statutory officers) confirmed that they were able to fulfil their responsibilities and that arrangements were in place to meet **Principle A** within their service areas. There were some continuous improvement actions identified regarding the performance for dealing with stage one customer complaints, end of year performance summaries for Bracewell Homes and Brimham Active, Stage 2 of the partnership audit and further embedding/reporting fraud risks.

Overall
Assessment

There are no significant governance issues and it is considered that the Council is undertaking the arrangements to meet this

	<i>principle satisfactorily as set out in the Local Code of Corporate Governance.</i>
Improvement Actions	<i>To be confirmed in Final Annual Governance Statement 2021/22</i>

Principle B:

Ensuring Openness and Comprehensive Stakeholder Engagement

Sub-Principles

- (I). Openness**
- (II). Effectively Engaging with Institutional Stakeholders, Including Individual Citizens and Service Users**

REVIEW OF EVIDENCE TO DEMONSTRATE COMPLIANCE

26. *The Corporate Plan 2018-2024* was published and the Corporate Delivery Plan was available on the website

27. *Full Council* met eight times in 2021/22, one scheduled meeting was cancelled due to the Coronavirus pandemic and all of them were remote meetings. It considered and approved the non-delegated minutes of Cabinet, the Audit and Governance Committee, General Purposes Committee, Human Resources Committee and the Licensing Committee. It considered/agreed the following:

- Harrogate Convention Centre
- The publication of the Local Pay Policy 2021/22
- The Budget 2022/23 and 2023/24 Indicative Budget

28. *There were 13 Cabinet meetings* held in 2021/22. All decision records were publicly available and the Forward Plan of Key Decisions was updated and published on the Council website.

29. *Remote Meetings* - Legislation facilitating remote meetings as a result of the Covid pandemic ended on 6 May 2021. This unique situation had required new technology solutions, procedure rules and protocols to be introduced in 2020/21. The developments included a live streaming capability to YouTube for all public meetings that is still being used after legislation ended. Face to Face meetings re-commenced on 10 May 2021.

30. *Freedom of Information (FOI) Requests* - There were 803 Freedom of Information Requests in 2021/22, of which 186 were requests under Environmental Information Regulations (EIR) 2004. This is a reduction from 2021/21 where there were 822 FOI requests of which 196 were EIR. There were 45 requests that were dealt with outside the 20 working day deadline or have no recorded response against them. The Council met the Information Commissioner's Office (ICO) target for compliance within the 20 working day deadline of 90% (actual – 94%)

31. *Internal Reviews* - There were 18 requests for internal reviews, 6 FOI reviews and 12 EIR reviews.

- 32. Subject Access Requests** – There were 180 Subject Access Requests (SAR) received. The nature and complexity of these requests is continuing to change, we are increasingly receiving “All service area” requests which means that the volume of data returned by service areas can be considerable, all of which has to be checked and unless consent is given by any third parties for the data to be released, it must be redacted before it can be released. The process can be very time consuming and labour intensive. There is a response time of one month from receipt of the request, this can be extended by an additional 2 months if the request is complex.
- 33. Data Governance** – In 2020/21 the team looked at the ICO’s [self-assessment toolkit](#) to assess FOI performance and process improvements. Work continued in 2021/22 to identify patterns/reasons for responses to FOI’s outside the 20 working days guidance.
- 34. The Public Service Leadership Board (PSLB)** - Due to the pandemic the Board did not meet formally in 2021/22 although members continued to receive updates and information. The Covid-19 Community Recovery plan was the main delivery plan for the Board.
- 35. The ‘My Neighbourhood Project’** - There are 151 partners now involved in the My Neighbourhood project. During 2021 the project groups have not met as locality groups but there has been a focus on contributing to the delivery of the community Covid recovery action plan. The partners continued to receive updates and shared news, information and guidance through the regular e-newsletters covering various thematic areas such as digital inclusion, health and wellbeing and financial inclusion. Ripon sights and sounds was held for the first time in 2 years in March 2022 bringing people together to share support information and to celebrate what Ripon has to offer.
- 36. [THE LOCAL LOTTO](#)** for the Harrogate District was launched in 2018/19 as a fundraising opportunity for local voluntary and community sector groups across the Harrogate District which also enables lottery players to support local good causes. Governance arrangements were established and Gatherwell Limited was appointed to manage the back office function of THE LOCAL LOTTO for the Harrogate District. An annual report was provided to Cabinet in December 2021. On a monthly basis Councillors are informed of current performance via an update bulletin. Supporters of THE LOCAL LOTTO also receive regular updates on performance and information about when THE LOCAL FUND small grants scheme goes live for applications. Case studies and performance information are provided on the news page of the LOTTO website so supporters can see how their money is being used
- 37. [THE LOCAL FUND](#)** for the Harrogate District. A £200k lump sum donation into the Fund was agreed at cabinet in 2020 and the funds were transferred in July 2021 and placed in an endowment to be used as match funding to generate additional donations. A formal funding agreement was agreed and put in place for the donation to the Fund that is managed by Two Ridings Community Foundation. An annual dashboard on THE LOCAL FUND was presented to Cabinet on December 2021.
- 38. Three year VCS Strategic funding arrangements** were introduced from 1 April 2019. An agreed process was undertaken in 2018/19 so that organisations could plan financially in advance of any changes. In light of LGR it was agreed by the cabinet member to roll forward the existing arrangements for a further 2 years. The SLA’s will then be reviewed in the first year of the new authority. A six month review

is conducted as well as an annual review prior to the funding being released for the new financial year.

39. Consultation/Engagement – In 2021/2022 there were 22 external consultation projects and 17 internal consultations supported by the Partnerships and Engagement Team, the District Panel was surveyed formally twice. All reports and associated decisions were reported on the Have Your Say area of the website with links to associated Equality Impact Assessments.

40. The District Panel – The District Panel currently has 797 members from across the Harrogate District. Work has been done to review existing panel members’ demographic detail, to review their willingness to participate and to see who could receive surveys online instead of paper copies. Representation across the district has also been reviewed in terms of profile and geography in order to kick start a recruitment campaign in the future.

41. Public participation – Across all committees (excluding Planning) three questions were put forward by members of the public, none were rejected. This was lower than 2020/21 when there were seven public questions. All of the questions were at meetings of the Council. There were also two petitions submitted to Council, these were:

- 6 October 2021 – the petition concerned protecting the green space of Fysche Hall field, park and trees in Knaresborough.
- 6 October 2021 – the petition concerned an Asset of community value Nomination for part of the Henry Jenkins public house site in Kirkby Malzeard

42. Exempt Meetings - In 2021/22 there were a number of committee meetings held in exempt/part exempt session to deal with items where members of the public were excluded. It is acknowledged across all Committees that there will be consideration of items that contain exempt information however, although the report/information may be exempt the consideration and debate is held in open session as much as possible. There were 51 exempt items that could have been dealt with in exempt session however 40 (78%) were considered in public. There were therefore 11 items that were considered in exempt session with the significant majority (10) being at HR Committee.

Committee	Number of Meetings	Total Number of Items with Exempt Information	Total Number of Exempt Sessions
Cabinet	13	25	0
Council	7	0	0
A&G	6	8	0
GP	7	1	1
HR	12	11	10
Licensing	4	0	0
O&S	13	6	0
Urgency	1	0	0

43. Call-In of Key Decisions – In 2021/22 there were no key decisions called in.

44. General Exception to Requirement to give Notice in the Forward Plan - In accordance with Paragraph 14 of the Access to Information Procedure Rules (General Exception to Requirement to give Notice in the Forward Plan) the following Key Decisions were excluded from the Forward Plan in 2021/22:

- [Knaresborough BID – 15/09/2021](#)
- [COVID-19 additional relief funding – 01/03/2022](#)
- Kirkby Malzeard Church Wall Repair

45. Urgent Decisions – In 2021/22 there was no urgent decisions taken where the Call-In procedures did not apply.

Senior Managers Assurance

All managers confirmed that they were able to fulfil their responsibilities and that arrangements were in place to meet **Principle B** within their service areas. There were no continuous improvement actions identified.

Overall Assessment	<i>There are no significant governance issues and it is considered that the Council is undertaking the arrangements to meet this principle satisfactorily as set out in the Local Code of Corporate Governance.</i>
Improvement Actions	<i>To be confirmed in Final Annual Governance Statement 2021/22</i>

Principle C:

Defining outcomes in terms of sustainable economic, social, and environmental benefits

Principle D:

Determining the Interventions Necessary to Optimise the Achievement of the Intended Outcomes

Sub-Principles

- (I). Defining outcomes
- (II). Sustainable economic, social and environmental benefits
- (III). Determining Interventions
- (IV). Planning Interventions
- (V). Optimising Achievement of Intended Outcomes

REVIEW OF EVIDENCE TO DEMONSTRATE COMPLIANCE

46. The 2021/2022 Corporate Delivery Plan – Year-end performance report was considered by Cabinet on 22nd June 2022. Progress against the plan was also reported quarterly to Management Board, Overview and Scrutiny Commission and Cabinet.

47. The 2020/21 Year end Finance and Performance Report was considered by Cabinet on 21st July 2021. The outturn position on General Fund revenue spending

was also reported together with relevant 2020/21 Service Plan performance and the use of savings.

- 48. The Overview and Scrutiny Commission** - considered General Fund Revenue Monitoring and quarterly Delivery Plan Performance throughout the year. The Medium Term Financial Strategy (MTFS) 2022/23 to 2026/27 was considered by the Overview and Scrutiny Commission on 6 September and 27 September 2021. It was approved by Council in October 2021.
- 49. Service Budgets and the 2022/23 Draft Budget and 2023/24 Indicative Budget** – These were considered by the Overview and Scrutiny Commission on 10 January 2022 (Informal Meeting) and 17 January 2022, Cabinet on 5 January 2022 and 2 February 2022 with agreement by Council on 9 February 2022
- 50. The 2024 Programme** covers four key streams of work that continue to be monitored by the Place Board and the Transformation Board. Both boards include senior council officer and councillors and are chaired by the Chief Executive. Progress of projects is monitored against pre-agreed plans for each project and the benefits monitored. Deviations from the agreed project plan needs to be explained to the Board and any revisions to the project plans agreed.
- 51. The Performance Management Improvement Framework** continues as approved by Management Board on 17 December 2018, incorporating both Business Process Improvement and Value for Money. The Framework defined the consideration of Value for Money as:
- **Economy** – spending less
 - **Efficiency** – spending well
 - **Effectiveness** – spending wisely
 - **Engagement** – spending to reflect priorities
- 52. Value for Money** - Benchmarking data has been further embedded into performance clinics. LG Inform reports are used to provide comparisons to CIPFA and district Council neighbours.
- 53. Service plans/service improvement plans** were developed by Heads of Service with support from representatives from Business Intelligence and Performance, Organisational and People Development, and Finance. The support from these services helped to identify any risks linked to performance, people or finance. Identified risks were considered by Management Board at performance clinics and discussed with the Scrutiny, Governance and Risk Manager.
- 54. Emergency Planning (EP) Team** - In 2021/22 the EP team continued to support the Council's response to the Covid crisis maintaining a business-as-usual approach as far as possible. This included information sharing with multi-agency partners, assisting staff LFD workplace testing and supporting the Council through Step 2, Step 3, Step 4, Plan B, and the eventual end, of Covid-19 restrictions. They attended Safety Advisory Groups and sit on the internal Safer Communities Events Group, providing oversight and giving advice to organisers on the safe-running of events within the district. In accordance with the council's responsibilities under the Civil Contingencies Act 2004 the team updated internal business continuity plans and exercises, assisted local communities to develop and maintain local response plans, and coordinated the HBC response to incidents within the district. They have maintained an active and role within the North Yorkshire Local Resilience Forum

(NYLRF) working with partners to update and develop incident response plans, supported the continued response to the COVID-19 pandemic, assisted in the response to large-scale incidents, and facilitated multi-agency training exercises and seminars. Following the relaxation of Covid restrictions the team started a programme of BC plan reviews to include lessons learned from the pandemic together with day-to-day operations, other work has included:

- Response and support to communities during surface water and river flood events, protecting residential properties from flooding
- Supported HBC response to the death of HRH Prince Philip
- Support to local residents during utilities outages, both during periods of very cold weather
- Attendance at multi-agency meetings designed to provide a unified and consistent approach to fuel shortages, weather warnings, and the ever-present and ever-changing nature of covid-19.
- Delivery of table-top HBC exercises associated post-exercise debrief reports
- Supported delivery of a top-management seminar
- Continued to warn and inform using social media to share risk information with the public
- Assisted with development of LRF plans, including Power-Outage Plan, Evacuation and Shelter Plan, and Strategic Flood Plan
- Attendance, advice and on-site direction at the Harrogate Remembrance Sunday service
- Community engagement with Tockwith, Green Hammerton, Masham and Boroughbridge including community plans, sandbag supplies and presentations

55. Social Value is integrated into working practices and not recorded separately however it is now included within the corporate annual report. The Council Project Initiation Document includes a social value element with links to the Social Value Charter and there is ongoing work with Project Leads to identify and quantify social value within projects. Social value has also been drafted into the LACC business specification and possible measures identified. Social value actions and measures are currently being developed as part of three major capital refurbishment and redevelopment projects, namely Knaresborough Pool, the Hydro and the HCC project. Plans have been drafted by the contractors in March 2022 and are due to be finalised in due course as part of the contracts awarded

Senior Managers Assurance

All managers confirmed that they were able to fulfil their responsibilities and that arrangements were in place to meet **Principles C and D** within their service areas.

Overall Assessment

There are no significant governance issues and it is considered that the Council is undertaking the arrangements to meet this principle satisfactorily as set out in the Local Code of Corporate Governance.

Improvement Actions

To be confirmed in Final Annual Governance Statement 2021/22

Principle E:

Developing the Entity's Capacity, Including the Capability of its Leadership and the Individuals Within It

Sub-Principles

- (I). **Developing the Entity's Capacity**
- (II). **Developing the Capability of the Entity's Leadership and Other Individuals**

REVIEW OF EVIDENCE TO DEMONSTRATE COMPLIANCE

56. Member Training -The 2021-22 year was largely dominated by the Covid-19 lockdown, the majority of training and briefing sessions were held remotely in accordance with the decision made by GP. Briefings were held on a variety of topics and there were several specific briefings on the Local Government Reorganisation.

57. Training Events - In total there were 18 separate types of training event offered and all were delivered internally. The fourth year feedback from the Member Learning and Development Strategy was reported to General Purposes Committee on 17 March 2022. The programme for year five of the Strategy was also approved.

58. Employee Appraisals – The appraisal cycle runs from December to the end March each year with a target of 90% of employees receiving an annual appraisal within this timescale. The figure for 2021/22 was 72% that was lower than 2020/21 (when the figure was 79%) however additional time was allocated due to Covid19. There was an improvement action to review the completion of appraisals in 2021/22 and this will be undertaken again in 2022/23.

59. Appraisal Reviews. As part of the performance reviews employees continue to receive regular 1-2-1 with their managers.

60. Employee training (Corporate) – The delivery model for this training was changed from face to face training to online due to COVID-19 restrictions. The following training/training programmes have been provided in 2021/2022:

- a. **Corporate induction for new starters** – The attendance target is currently set at 60%. 35 starters out of 84 new starters attended induction within the first 6 months from their employment start date (42% completion rate). However, in total 58 employees attended corporate induction during the reporting period. This includes HBC and Brimhams Active employees. The COVID restrictions are no longer in place, therefore there are face to face sessions scheduled alongside online sessions in 2022/23.
- b. **Coaching & Mentoring** –HBC continues to support the use of coaching for staff. The council has a pool of 31 trained coaches, fourteen of these also coach in other organisations via the Yorkshire Accord scheme. This offers coaches a chance to develop and widen

their base of knowledge and experience. In 2021/22 the coaches provided coaching for participants in the Accelerate Leadership programme, SOLACE Emerging Leaders apprenticeship programme, Yorkshire Accord Coaching and Mentoring programme alongside our internal coaching scheme. To ensure the pool of coaches remained supported and continued to develop their coaching skills they were provided with on-line CPD sessions, How Supervision Can Help You as a Coach, Career Coaching, Helping Coachees to Deal with Change and Supervision. In total there were 56 coaching relationships established (see below):

Scheme	Number of coaching relationships
Through Yorkshire Accord	19
Through Accelerate Leadership Programme	28
Through Solace Emerging Leaders apprenticeship programme	5
Coaching applications through internal coaching scheme	4

c. Apprenticeships – In 2021/22 a total of 44 apprentices started or continued their apprenticeship, including those in Brimhams Active. We continued to work with services to promote the benefits of apprenticeship training to the service and to individuals. The council continued to promote apprenticeship success stories, took part in the national apprenticeship week and set up an “Apprenticeship café”, with informal peer-to-peer support groups.

- There were 21 members of staff in 2021/22 that started their apprenticeship training, this was a 100% increase compared to last year’s figures. The figure includes existing employees, who took an apprenticeship as a development route and new starters to the organisation
- 6 apprentices completed their programme at various times during 2021/22
- 6 apprentices withdrew from the programme
- 5 apprentices transferred to Brimhams Active and continued their apprenticeship.

a. Accelerate Management Excellence Programme – In 2021/22 there were two cohorts of the Accelerate leadership programme with 28 staff completing it. A further 18 places will be offered for the next cohort which is due to commence in 2022.

b. Corporate training programme – During 2021/22 there were 12 courses delivered with a total of 45 members of staff attending.

61. Mandatory E-Learning – There has been a significant amount of work undertaken to address the completion of mandatory courses. This work has included the identification and agreement of mandatory courses and actions to manage and report completion. There was an improvement action in 2021/22 to review the completion of mandatory courses and the following actions were undertaken:

- All managers were notified of the revised matrix of mandatory courses
- The training page on the intranet was updated
- The corporate induction checklist was updated
- 1-2-1 form and appraisals forms were updated to include reference to mandatory training
- Completion of courses by new starters continued to be monitored quarterly and reminders sent to employees and their managers with a date for completion
- Tailored Data Protection training materials developed for employees who do not have access to HBC network or e-learning is not a suitable training method

62. Mandatory E-Learning Completion – In 2021/22 there was an improvement in all mandatory e-learning completion rates (where applicable) and the following course completion rates were achieved:

- **MYLO Data Protection essentials** – 65% this was higher than the previous year (58%)
- **MYLO ICT User Policy** – 91% for new starters compared to 81% the previous year
- **MYLO Introduction to Freedom of Information Act** - 74% for new starters compared to 70% the previous year
- **MYLO Cyber Security in the Workplace** – 28%. This module was only released in January 2022. The completion rate is low as it also includes all new starters from 1 April 2021, when the module was not available.
- **MYLO Safe Use of DSE** – 17%. This module was re-designed and released in September 2021. Only those new starters, who spend more than 50% of their time using DSE are expected to complete it.

63. Health and Well Being – In 2021/22 health and wellbeing continued to be prominent with the aim to provide managers and all staff with as much support as possible to respond to the unique challenges of the Covid-19 pandemic. The People Strategy was approved and work started on developing a wellbeing strategy. The strategy demonstrates the council's commitment to employee wellbeing leading up to local government reorganisation (LGR). The wellbeing action plan was also created and will be implemented in 2022/23. Other key activities included:

- Amendments to 1-2-1 and appraisal forms, highlighting the importance of "How are you conversations"/wellbeing check ins
- Promotion and development of the HBC Wellbeing Champions network with new champions signed up and trained
- Delivering an annual plan of wellbeing campaigns to all staff
- Regular reminders to all staff of the resources available including how to access the councils Employee Assistance Programme service
- Sourcing new provider to deliver wellbeing training to champions, employees and managers

64. Monthly Policy Briefings to Management resumed following a hiatus due to extra work responding to the pandemic and capacity in the Business Intelligence & Performance team. Written briefings to members are now delivered verbally over Teams and focussed on the upcoming local government reorganisation

Senior Managers Assurance

All managers confirmed that they were able to fulfil their responsibilities and that arrangements were in place to meet **Principle E** within their service areas.

Overall Assessment	There are no significant governance issues and it is considered that the Council is undertaking the arrangements to meet this principle satisfactorily as set out in the Local Code of Corporate Governance.
Improvement Actions	To be confirmed in Final Annual Governance Statement 2021/22

Principle F:

Managing risks and performance through robust internal control and strong public financial management

Sub-Principle

(I). Managing Risk

REVIEW OF EVIDENCE TO DEMONSTRATE COMPLIANCE

65. Consideration of Risk/Registers - All decision reports to Management Board and Cabinet/Cabinet Members included the consideration of risks. The Strategic Risk Register was considered by Management Board throughout 2021/22, by the Audit and Governance Committee on 22 November and 20 June 2022 and by Risk Owners In March 2022. The Strategic Risk Register 2022/23 was reviewed and refreshed by Management Board on 20 June 2022 and by the Audit and Governance Committee on 20 June 2022.

66. Operational Risk Management - Heads of Service are responsible for operational risk management within their services and to confirm that adequate arrangements are in place annually in the Governance Assurance Statements. The arrangements for operational risk management was an improvement action in 2021/22. In advance of the council’s transition to LGR risk management arrangements are being reviewed across the county including the coordination of existing operational risk registers. The risk management approach for HBC to facilitate this transition was reviewed at Management Board on 20 June 2022 and work will continue to progress in 2022/23 and be reported to Management Board.

67. Response to Covid19 and Risk Management – The Council activated its Incident Management Plan when the Covid19 pandemic commenced. The pandemic was a strategic risk and all risks were identified assessed and managed throughout 2019/20 and 2020/21 as part of the incident and risk

management process. In 2021/22 Covid 19 was still a strategic risk with decreased impact and increased service based risk management.

68. Risk Management Framework/Policy – There was an improvement action in 2021/22 to review progress on the Risk Management Framework/Policy as it had been delayed previously. A Risk Management Framework/Strategy/Policy Update 2022-2024 was agreed by Management Board and the Audit and Governance Committee on 20 June 2022.

69. Covid19 Significant Governance Issue – The Council's response to and recovery from Covid 19 were considered to be significant governance issues that required inclusion in the Annual Governance Statement 2020/21 as the impacts were significant and would affect all parts of the Council, residents and businesses for a number of years. Where relevant the impacts of Covid19 have been detailed in the AGS 2021/22 and it is considered that the Council's response to and recovery from Covid 19 are still significant governance issues that require inclusion in the Annual Governance Statement 2021/22.

70. Devolution and Re-Organisation – In the Annual Governance Statement 2019/20 and 2020/21 the potential for a Devolution deal involving the transfer of power and funding from national to local government and potentially the creation of a directly elected Mayor was identified as a significant governance issue. The Government had also indicated that they wished to see local government reorganisation in North Yorkshire and York and to align devolution to the implementation of new unitary council structures, re-organisation was therefore also identified as a significant governance issue.

1. Devolution – In February 2022 the government published the 'Levelling Up White Paper' with a commitment to negotiate a Mayoral Combined Authority Deal for York & North Yorkshire. The constituent authorities agreed to proceed to a public consultation that runs from 21 October 2022 closing on 16 December 2022. The consultation provides the opportunity for residents to inform the priorities for the proposed devolution deal for York and North Yorkshire, and how it will be implemented.

2. Re-Organisation – On 21 July 2021 the Secretary of State announced his decision to implement the proposal for a single unitary council for the whole of the current administrative county of North Yorkshire, and not to implement the proposal for two unitary councils for the area. The following has taken place:

- The North Yorkshire (Structural Changes) Order 2022 was laid before Parliament early in 2022
- Elections took place in May 2022 for the future unitary council
- The new council (North Yorkshire Council) assumes the full range of local authority responsibilities on 1 April 2023
- Predecessor councils (including Harrogate) will be abolished

3. In 2021/22 in advance of the final SCO the Leaders or designated representatives of all eight councils in North Yorkshire met as an interim Executive Board. The Board managed the significant change programme until the SCO formalised governance arrangements.

- A set of joint working principles were agreed together with a list of “must dos” for the new organisation. These “must dos” were delivered through a number of work streams in the change programme managed by the Board.
- HBC agreed representatives on each work stream and work has progressed since July 2021. There have been monthly live updates to all staff (with question and answer sessions) and briefings for Members
- There is a strategic risk associated with Local Government Reorganisation that has been managed in 2021/22. The impacts include:
 - Staff capacity
 - Workforce stability and loss of key staff
 - Loss of local knowledge
 - Potential service disruption

71. Significant Governance Issue 2021/22 – Due to the work required, potential changes to governance arrangements and other significant implications to the Council (as detailed above) it is considered that devolution and local government re-organisation are significant governance issues that require inclusion in the Annual Governance Statement 2021/22.

Sub-Principle

- (II). **Managing Performance**
- (III). **Robust Internal Control**

REVIEW OF EVIDENCE TO DEMONSTRATE COMPLIANCE

72. Service delivery and progress are detailed in **Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes**

73. The Overview and Scrutiny Commission met 13 times in 2021/22 and considered issues/items that met its full Terms of Reference including, Statutory Crime and Disorder Responsibilities, Holding the Executive to Account, Budget and Policy Framework, Pre-Decision, Scrutiny of Council Performance and Public Requests. There was one informal meeting and two special meetings held where the Commission hosted attendance by the Police Fire and Crime Commissioner and the Director of Public Health on behalf of the Council, all Councillors were invited to attend. An annual report detailing work undertaken for the two years 2019/20 and 2020/21 was agreed by the Commission on 7 June 2021.

74. The Forward Plan was considered at all Overview and Scrutiny Commission meetings and items agreed for Pre-Decision Scrutiny with Cabinet. Requests from members of the public were also considered at each meeting.

75. Internal Audit - Undertook the full range of roles/responsibilities for Internal Audit in Local Government. In summary for 2021/22:

- I. Regular meetings were held with the Chief Executive, the Head of Finance (the Council's S151 officer), Management Board and the Audit and Governance Committee and the Council's external auditors, Mazars LLP
- II. Joint work/training with the Scrutiny, Governance and Risk Manager was undertaken to support the development of Risk-Based Auditing, MK Insight and the identification of key risks including COVID19
- III. Risk-based audit plans were developed and agreed in consultation with senior management
- IV. The Audit Plan 2021/22 was delivered and progress reported to Management Board and at each Audit and Governance Committee Meeting. The Audit Plan 2021/22 was presented to the Audit and Governance Committee on 29 April 2021.
- V. Dedicated time in the IA work plan was provided to support the Covid Business Grant schemes. It was considered that this did not adversely affect the overall Audit annual opinion.

76. Health and Safety – There were no amendments to the Corporate Health and Safety policy in 2021/22 and work in 2021/22 was dominated by the Coronavirus pandemic. The team has been helping sites comply with government "Covid secure" guidelines to allow re-opening. We have successfully passed 3 HSE inspections (1 at Claro Road – 2 telephone checks at the Civic centre) without any enforcement action

77. Lone working – There were 200 lone worker safety devices purchased in September 2021. The role out of the devices continued during the Covid pandemic and 165 units are now live. It is noted that due to the rapid change over of staff, in house maintenance has proved challenging to implement and this will be monitored in 2022/23.

78. The number of Health and Safety incidents reported on Trent was 192 with public/sporting incidents accounting for the majority of these.

- **The reported time lost for accidents/incidents** was 2647 hours at a cost of £28,819 with 47 separate incidents reported (employees only). The council is currently developing a new package using 'Planon' software to improve reporting/analysis.
- **There were 10 reports of Verbal Abuse and Violent behaviour** from customers (no injuries)
- **Occupational health and counselling support** – The council moved the contract for Occupational Health support from Harrogate Hospital/Insight to NYCC/Health Assured. Health surveillance resumed in early 2022 all parks staff and some of the waste and recycling team have been completed. The programme is currently being developed to complete outstanding checks and to encompass future years.
- **Health Assured support** service use was in line with expectations

79. The Audit and Governance Committee met 5 times in 2021/22 and considered reports/issues that covered its full Terms of Reference. A two year Annual Report was considered by the Committee on 22 November 2021 and

reported to Full Council in February 2022 with a review of effectiveness in progress. Mazars LLP are the external auditor for the Council and attended/reported at every Audit and Governance Committee meeting in 2021/22. Appropriate training and support was provided to the Committee in 2021/22.

80. CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government 2010 - In 2021/22 the Council met the requirements set out in the CIPFA Statement on the Role of the CFO in Local Government (2010) and no officer or member raised any case where financial matters had been compromised as a result of the CFO's other management responsibilities (Principal 1 of 5). Arrangements are in place for the Head of Finance to report directly to the Chief Executive as required

Review of the Effectiveness of Internal Audit and Compliance with the Public Sector Internal Audit Standards

81. Review of Internal Audit - Under the Accounts and Audit (England) Regulations 2015, a local authority is required at least once every five years to carry out a review of the effectiveness of its internal audit. The 'Public Sector Internal Audit Standards' (PSIAS) require the Council to comply with the 2015 regulations. CIPFA have provided guidance on the PSIAS in the form of an Application Note: when combined the two documents constitute 'proper practice' as set out in the 2015 regulations

82. Significant Governance Issue 2019/20 and 2020/21 (The Internal Audit compliance with the PSIAS QAIP standard) – The external review of the Council's Internal Audit service by the Council's external auditor was received in December 2020. The review found one significant weakness in that there was a lack of a formal quality assurance and improvement programme (QAIP) and therefore the Internal Audit service did not fully comply with the PSIAS QAIP standard. It was therefore identified as a significant governance issue in the AGS 2020/21. The following progress has been reported in 2021/22:

- A report outlining progress made on the Action Plan relating to the external review of compliance with the PSIAS was considered by Management Board in December 2021 and by the Audit and Governance Committee in January 2022. The update included the approval of the formal quality assurance and improvement programme (QAIP). There was due to be a self-review of conformance with the Public Sector Internal Audit Standards (PSIAS) using CIPFA's checklist for assessing compliance with PSIAS undertaken in 2022/23. This is a significant piece of work that given the transition to North Yorkshire Council and the transfer of Internal Audit to Veritau and would not be beneficial to progress in 2022/23.
- The Internal Audit service now complies fully with the PSIAS QAIP standard and it is therefore not considered a significant governance issue for inclusion in the AGS 2021/22.

83. Annual Internal Audit Opinion - The PSIAS requires the "chief audit executive" or equivalent to submit an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion/report must conclude on the overall adequacy

and effectiveness of the organisation's framework of governance, risk management and control and incorporate the opinion, a summary of the work that supports the opinion; and a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme. The Internal Audit Annual report 2021/22 was reported to the Audit and Governance Committee on 12 September 2022 where the Internal Audit Opinion was considered. This is reported in **Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability (Paragraph 92)**

Sub-Principle

(IV). Managing Data

REVIEW OF EVIDENCE TO DEMONSTRATE COMPLIANCE

84. Data Breaches - There were 61 data breaches recorded in 2021/22 one of which was reported to the ICO. The Council encourages the reporting of all potential data breaches and they are all investigated to meet ICO reporting timescales. Any Officer can report a breach and advice is immediately available if there is any uncertainty. The majority of data breaches can be attributed to human error and any learning points from breach investigations are cascaded back to the services. Data breaches included e-mails sent to the incorrect recipient, letters sent to the incorrect address, personal information not redacted before planning applications published on Public Access and Council tax bills sent to old or obsolete addresses. An Information Governance forum took place every 6 weeks whereby Data Protection and Governance issues were highlighted and discussed with representatives from all services.

85. Subject Access Requests - There were 180 Subject Access Requests recorded in 2021/22. Following the same pattern as 2020/21, the complexity and volume of the information within the requests has continued to increase. The information held and provided by services can be significant, all of which must be reviewed and redacted before release.

86. Data Protection - Information audits across the Council have been reviewed and will be reviewed again in 2021/22. The Council has a Data Protection Policy and Data Breach Policy and Procedure and these will both be reviewed in 2021/22. All Officers that have not completed relevant Data protection training in the last 12 months will required to take the training again. – *This wording will be agreed in the final AGS 2021/22.*

87. The Covid19 Pandemic – Due to the increased home working arrangements as a result of the pandemic it was recognised that there was an increased risk from data breaches. Appropriate guidance was developed and additional advice and support provided for all staff. A number of privacy statements across the Council were also reviewed to take in to account the sharing of data with various organisations.

Senior Managers Assurance

All managers confirmed that they were able to fulfil their responsibilities and that arrangements were in place to meet **Principle F** within their service areas. There were some continuous improvement actions identified regarding risk management.

Overall Assessment	<p>There are two significant governance issues identified that require inclusion in the Annual Governance Statement 2021/22:</p> <ul style="list-style-type: none"> • The Council's response to and recovery from COVID19 • Devolution and re-organisation
Improvement Actions	<i>To be confirmed in Final Annual Governance Statement 2021/22</i>
<p>Principle G:</p> <p>Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p>	
<p>Sub-Principle</p> <p>(I). Implementing good practice in transparency (II). Implementing good practice in reporting</p>	
<p>REVIEW OF EVIDENCE TO DEMONSTRATE COMPLIANCE</p>	
<p>88. <i>The Senior Managers Pay Scales</i> and the Annual Pay Policy statement were published. See also Principle B – Ensuring openness and comprehensive stakeholder engagement</p> <p>89. See also Principle D – Determining the Interventions Necessary to Optimise the Achievement of the Intended Outcomes</p> <p>90. <i>Compliance with Principles</i> - The assessment of the extent to which the Council has complied with the principles contained in the Framework in 2021/22 is contained in this statement and reported to Management Board, and the Audit and Governance Committee.</p>	
<p>Sub-Principle</p> <p>(III) Assurance and effective accountability</p>	
<p>REVIEW OF EVIDENCE TO DEMONSTRATE COMPLIANCE</p>	
<p>91. See also Principle F - Managing risks and performance through robust internal control and strong public financial management</p> <p>92. <i>Internal Audit Overall Opinion</i> - The Internal Audit opinion is that, based on audit work undertaken in 2021/22, the Council's framework of governance, risk management and internal control is satisfactory and operating effectively in practice</p> <p>93. <i>Code of Practice on Managing the Risk of Fraud and Corruption</i> - Where an organisation is making a statement in an Annual Governance Statement about adherence to the Code of Practice on Managing the Risk of Fraud and Corruption they should assess their level of conformance with it. A statement has therefore been agreed for approval in Section 3 of this Statement.</p>	

94. Compliance with the Financial Management Code – A further high-level assessment has been undertaken in 2021/22 and no areas of concern have been highlighted. CIPFA have advised that a proportionate approach to adherence with the code is encouraged. As such, there has not been a drive to further strengthen any areas of compliance, in light of the impending move to the new North Yorkshire Council from 1 April 2023.

95. Governance Assurance by Management Board/Heads of Service:

(I). All Directors (Management Board) and Heads of Service signed Assurance Statements to confirm arrangements to comply with the Code of Corporate Governance, this included all Statutory Officers. Reference has been made to these assurance arrangements in the Annual Governance Statement for each Principle. It was confirmed that in 2021/22 regular management meetings were held to review key elements of the governance arrangements within their services including integrated service improvement planning, financial management, performance management, risk management and health and safety

(II). Assurance was confirmed by all Directors/Heads of Service about arrangements in the following areas:

- **Controls to ensure compliance-** legal/the Council's constitution/corporate objectives/policies
- **Reporting Arrangements** - Members/senior management
- **Decisions made with due regard to** - Finance/legal/insurance/health and safety/other risk implications
- **Effective Service Management/Business Planning-** Stakeholder involvement/customer feedback with resources devoted to Council/service-related objectives and priorities
- **Customer Service Standards**
- **Performance management processes/ Financial Planning/ Budgetary Control**
- **Fraud awareness**
- **Management/staffing structures** – Defined/adequate competence and number to deliver the service
- **Standards of Conduct** – Standards in place to deter, prevent, detect, and therefore reduce the risk, of fraud, financial impropriety and corruption and sanctions applied
- **Financial and Contract Procedure Rules** – Staff familiarity
- **Value for Money** - Demonstration in the use of resources
- **Partnership Arrangements-** Clearly defined and adequately monitored
- **ICT Systems Used** - Security/Fitness for purpose/Business continuity
- **Inspection/other/audit reports** - Timely consideration/ Recommendations implemented
- **Risk management/Business continuity planning** – Processes, Maintenance of risk registers and business continuity plans
- **Data protection/Information Governance/Freedom of Information management**
- **Due consideration of risks/Financial controls** when proposing savings e.g. restructuring, efficiency reviews, etc.

	<p>96. Assurance Framework – Work on the development of an assurance framework did not take place in 2021/22 and due to ongoing support required for LGR. It has been agreed that this work will not now be progressed before April 2023.</p> <p>97. Governance Improvement Action Plan – As part of the annual review of the Council’s governance arrangements a Governance Improvement Action Plan is developed and reviewed. Progress on the 2020/21 plan was reported to Management Board as well as the Improvement Plan for 2021/22.</p>
Overall Assessment	<p>There are no significant governance issues and it is considered that the Council is undertaking the arrangements to meet this principle satisfactorily as set out in the Local Code of Corporate Governance.</p>
Improvement Actions	<p>To be confirmed in Final Annual Governance Statement 2021/22</p>

2. Significant Issues Brought Forward from the Annual Governance Statement 2020/2021

- 98.** There were three significant governance issues identified from the AGS 2020/21 for action and monitoring in 2021/2022 these were:
- (I). Covid19 Significant Governance Issue 2020/21 (Paragraph 69) -**
Throughout the AGS 2020/21 the impacts of the Covid19 pandemic were identified where applicable. These impacts are significant and will affect all parts of the Council, residents and businesses for a number of years. It was therefore considered that the Council’s response to and recovery from Covid 19 were still significant governance issues that required inclusion in the Annual Governance Statement 2020/21.
 - (II). Devolution and Re-Organisation (Paragraphs 70) -** Due to the work required, potential changes to governance arrangements and other significant implications to the Council it was considered that devolution and re-organisation were significant governance issues that required inclusion in the Annual Governance Statement 2019/20. It was considered that these were still on-going major issues that required inclusion in the Annual Governance Statement 2020/21. **Progress on these issues in 2021/22 was reported in paragraph 70.**
 - (III).** There was also one Significant Governance issue highlighted that was the **Internal Audit compliance with the PSIAS QAIP standard (paragraph 82).**– The external review of the Council’s Internal Audit service by the Council’s external auditor was received in December 2020. The review found one significant weakness in that there was a lack of a formal quality assurance and improvement programme (QAIP) and therefore the Internal Audit service did not fully comply with the PSIAS QAIP standard. The outcomes of the review had not been considered by Management Board or the Audit and Governance Committee (at the time) however it was a significant Governance issue that required to be included in the Annual Governance Statement

2019/20. It was therefore identified in the AGS 2019/20 with the caveat that it would be included as a significant governance issue in the AGS 2020/21, ***progress in 2021/22 was reported in paragraph 82.***

3. Significant Governance Issues 2021/22

99. As a result of the review of the effectiveness of the governance framework there are two significant governance issues that have been identified in the AGS 2020/21 for action and monitoring in 2021/2022:

- (I). ***Covid19 (Paragraph 69)*** The Council's response to and recovery from Covid19 are significant governance issues that require inclusion in the Annual Governance Statement 2021/22
- (II). ***Devolution and Re-Organisation (Paragraph 71)***- Due to the work required, potential changes to governance arrangements and other significant implications to the Council (as detailed) it is considered that devolution and local government re-organisation are significant governance issues that require inclusion in the Annual Governance Statement 2021/22.

4. APPROVAL

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Leader of the Council	Date	Chief Executive	Date
Councillor Carl Les		Richard Flinton	