

**Board Meeting
21 December 2021
Consideration of the Going Concern Principle**

Agenda Item Number:	12.1.1	
Presented for:	Decision/Approval.	
Report of:	Group Finance Director	
Author (s):	Head of Financial Accounts	
Report History:	NONE.	
Publication Under Freedom of Information Act:	This paper can be made available under the Freedom of Information Act 2000 if requested.	
Links to HIF's Objectives		
Deliver an efficient and effective service offering to Harrogate and District Foundation Trust		√
Create strong sustainable partnerships		
Develop sustainable organisational systems		
Develop and maintain a strong, efficient and agile workforce		
Strengthen the local community through collaboration		

Recommendation:

The Board is asked to consider and approve the appropriateness of having prepared the 2020/21 Accounts on a Going Concern basis.

Harrogate Integrated Facilities Board Meeting

21 December 2021

Consideration of the Going Concern principle

Group Finance Director

1.0 Executive Summary

1.1 The going concern assumption is a fundamental principle in the preparation of financial statements. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. Accordingly, unless the going concern assumption is inappropriate in the circumstances of the entity, assets and liabilities are recorded on the basis that the entity will be able to realise its assets, discharge its liabilities, and obtain refinancing (if necessary) in the normal course of business. The assessment of an entity's ability to continue as a going concern is the responsibility of the entity's management.

2.0 Background

2.1 HIF commenced trading on the 1 March 2018 and was funded initially by HDFT via a 50/50 split of equity and debt totalling xxxxxxxxxxxx. To date HIF have maintained repayments on the xxxxxxxxxxxx working capital facility element of the funding and the balance of this facility as at the 30 November 2021 is xxxxxxxxxxxx

2.2 During the companies first operating period (ending 31 March 2019) HIF made a profit after corporation tax of xxxxxxxxxxxx. During the operating period ending the 31 March 2020 the company made a loss xxxxxxxxxxxx. For the latest operating period ending 31 March 2021 the company made a loss xxxxxxxxxxxx. However the losses were attributable to the implementation of International Financial Reporting Standard (IFRS) 16 – Leases. The implementation of this standard required the company to recognise the lease with HDFT as “on balance sheet” as a Finance Lease as opposed to an operating lease. Finance leases recognise the inherent interest of a lease in a front loaded way as opposed to an operating lease which is charged to operating expenditure equally over the length of the lease.

2.3 To support the assessment of the going concern assumption it is appropriate for management to take into account all available information about the future, including but not limited to, the thirteen month cash flow forecast included with this paper for the period ending 31 December 2022.

3.0 Recommendation

3.1 The Board is asked consider and approve the appropriateness of having prepared the 2020/21 Accounts on a going concern basis.

4.0 Supporting Information

4.1 The following paper(s) make up this report:

- 13 Month cash flow forecast for the period December 2021 to December 2022.