

**Board Meeting
20 December 2022
Consideration of the Going Concern Principle**

Agenda Item Number:		8.2
Presented for:	Decision/Approval	
Report of:	Managing 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 2021/22 Financial Statement on a Going Concern basis.		

Harrogate Integrated Facilities Board Meeting

20 December 2022

Consideration of the Going Concern principle

Managing 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 xxxxxxxxxxxx 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 2022 is £ xxxxxxxxxxxx.
- 2.2 The capital schemes commissioned by HIF's parent entity HDFT which HIF undertakes are funded via loan funding between the two organisations. To date HIF have maintained repayments on these loans and the outstanding balance of these loans as at the 30 November 2022 is £ xxxxxxxxxxxx.
- 2.3 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 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.
- 2.4 For the latest operating period ending 31 March 2022, the company made a loss £ xxxxxxxxxxxx. However, this loss was because of having accounted for a valuation of land and buildings as at 31 March 2022, which triggered an impairment expense of £ xxxxxxxxxxxx, without which the company would have made a surplus in the period. It is worth noting that in terms of Going Concern consideration that impairments of this type are non-cash expenses.
- 2.5 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 2023.

3.0 Recommendation

- 3.1 The Board is asked consider and approve the appropriateness of having prepared the 2021/22 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 2022 to December 2023.