

FINANCIAL REPORT

2013 / 2014



CHRIS LITTLE
CHIEF FINANCE OFFICER
CORPORATE FINANCE

Hartlepool Borough Council

Hartlepool Borough Council - Financial Report 2013/2014

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SECTION 1 : Explanatory Foreword

INTRODUCTION

The Statement of Accounts presents the overall financial position for the year ended 31st March, 2014 and incorporates the financial statements and disclosure notes required by statute. The foreword provides an explanation of the Council's overall financial performance for 2013/14, details the year-end financial position for 2013/14, outlines the impact of the current economic climate on the Council's ongoing financial position and provides a guide to the most significant matters reported in the Statement of Accounts.

OVERALL FINANCIAL PERFORMANCE AND YEAR END FINANCIAL POSITION FOR 2013/14

Revenue Spending 2013/14 - Budget Position

The preparation of the 2013/14 budget was set against a background of Government proposals for reducing the national budget deficit and confirmation that the public sector, in particular local authorities, face a period of sustained and significant cuts in funding.

In addition, the 2013/14 budget needed to address the impact of the new Business Rates Retention system, which the Government stated was "the biggest shake up of Local Government finance in a generation and rewards Councils if they bring in jobs and businesses". From the Council's perspective these changes reduce Government grant funding and transfer additional financial risks to the Council. These issues were reflected in the budget plans for 2013/14.

The Council prepares a rolling three year financial strategy. This was based on the 2013/14 grant cuts announced by the Government and forecast grant cuts for 2014/15 and 2015/16. For 2013/14 the amount of Government funding was reduced by £5.34m, a reduction on the previous year of 11%. The amount of Government grant received by the Council in 2014/15 was 25% lower than it was in 2010/11 – a reduction of £16m.

The Council faced a range of budget pressures as a result of inflation, legislative changes, the increased costs of Looked after Children and reduced income as a result of the economic climate.

The Council faced a budget shortfall of almost £6m. The shortfall was partly addressed by implementing permanent budget savings of £3.7m. This included reductions in pay budgets of £1.2m, including deleting vacant posts which saved £0.7m, reductions in non pay budgets of £1.6m and increased income of £0.3m. The balance of the shortfall (£2.3m) was funded using reserves built up from managed underspends from previous years. The use of reserves did not provide a permanent solution and was designed to provide a longer lead time to identify and implement permanent cuts before the start of 2014/15.

The Council's net 2013/14 General Fund budget, which is funded from Government Grant and Council Tax, was £159.657m, including expenditure funded from the Dedicated Schools Grant.

Revenue Spending 2013/14 - Outturn Position

In response to the new financial risks facing the Council and the continuing impact of Government grants cuts in 2014/15 and future years, the Council managed the 2013/14 budget to achieve an underspend. The aim of this strategy was to set aside resources to support the revenue budget over the next few years and to fund specific risks and priorities, as the Council will not receive any financial support from the Government to address these issues.

An overall budget underspend was achieved through a combination of measures, including holding posts vacant, achieving planned 2014/15 savings earlier and savings in interest costs as a result of current interest rate structures. The 2013/14 outturn position also benefitted from a lower reduction in the core revenue grant as the financial impact of schools converting to academies was less than anticipated when the budget was set. This change did not impact on the funding available for schools which is funded from the specific "Dedicated Schools Grant". There was also a small benefit from reviewing reserves and releasing monies which were no longer needed for the original purposes.

The 2013/14 outturn strategy earmarked £3.398m of resources to support the budget over the period 2014/15 to 2016/17, which reduces the budgets cuts which need to be made in these years. Contributions were also made to specific reserves to manage the increased financial risks facing the Council and to fund one off priorities as detailed in the table overleaf. Further details of these reserves are provided in Notes 6 and 28.

After reflecting the above factors the final contribution to the General Fund Reserve at the end of 2013/14 was £1.115m, which includes £0.620m of Council resources earmarked to manage potential future reductions in Public Health funding and £0.495m to be referred to Council for a decision on how this amount should be used.

SECTION 1 : Explanatory Foreword

Summary of 2013/14 Financial Position

Description of Expenditure	2013/14 Approved Budget £000	2013/14 Actual Expenditure / (Income) £000	2013/14 Variance Adverse / (Favourable) £000
<u>Departmental Expenditure</u>			
Child & Adult Department	51,654	50,544	(1,110)
Chief Executives Department	4,812	3,548	(1,264)
Local Welfare Support Grant	0	(371)	(371)
Regeneration & Neighbourhoods Department	23,660	23,278	(382)
Public Health Department	1,400	991	(409)
Non Departmental Expenditure	12,323	9,100	(3,223)
Education Support Grant	0	(2,003)	(2,003)
Dedicated Schools Grant Related Expenditure	65,808	65,808	0
<u>Creation / (Use) of Reserves</u>			
Contribution to Budget Support Fund 2014/15 to 2016/17		3,398	3,398
Contribution to Business Rates Risk Reserve		900	900
Treasury Management Risk Reserve		870	870
Support for Local Council Tax Support Scheme		860	860
Business Rates Equalisation Reserve		750	750
Public Health Grant Reserve		500	500
Reserves Created to manage specific commitments/risks		2,484	2,484
Ring Fenced Grant Reserves		1,146	1,146
Planned Contribution from Reserves		(2,630)	(2,630)
Funding Released from Reserve Review		(631)	(631)
Final Contribution to General Fund	159,657	158,542	(1,115)

The Council's budget was funded from the following sources :

	£000	%
<u>Grant Funding</u>		
Dedicated Schools Grant	65,808	41%
Share of National Non-Domestic Pool	17,721	11%
Revenue Support Grant	37,412	23%
NNDR Top Up	7,168	5%
Total Grant Funding	128,109	80%
<u>Other Funding</u>		
Council tax (HBC Charge on Collection Fund)	30,810	19%
Surplus on Collection Fund (HBC Share)	738	1%
Total Other Funding	31,548	20%
Total Funding	159,657	100%

SECTION 1 : Explanatory Foreword

IMPACT OF THE CURRENT ECONOMIC CLIMATE ON THE COUNCIL'S ONGOING FINANCIAL POSITION

The Medium Term Financial Strategy was updated during 2013/14 to reflect the announcement of additional grant cuts by the Government for 2014/15 and 2015/16. For Hartlepool the 2014/15 grant cut is £5.984m, a reduction of 9.6% and for 2015/16 £8.213m, a reduction of 14.6%. These additional grant cuts mean that the Council's 2015/16 Government grant will be £30.578m lower than it was in 2010/11 – a cut of 39%.

The 2014/15 budget was approved in February 2014 and the cut in Government funding was addressed through a combination of budget cuts, use of one-off resources and freezing Council Tax, which meant the Council received the specific Council Tax grant from the Government.

Detailed proposals for addressing the impact of the 2015/16 Government grant cut will be developed during 2014/15 to enable a robust budget to be set. The cuts necessary to balance the 2015/16 budget will become increasingly difficult to achieve.

CAPITAL PROGRAMME

Capital Spending 2013/14 - Outturn Position

In 2013/14 the Council had a total Capital Programme of £43.901m and incurred expenditure totalling £23.590m. The remaining capital programme of £20.311m has been rephased to 2014/15. An analysis of this actual 2013/14 expenditure is shown below, together with an analysis of how this expenditure was financed.

	£000	%
<u>Expenditure</u>		
Housing Investment Programme	4,708	20%
School Improvements	4,616	19%
Highway Maintenance & Construction	4,018	17%
Sea Defences	3,203	14%
Replacement of Fleet Vehicles	1,069	5%
Other Schemes	5,976	25%
Total Expenditure	23,590	100%
<u>Capital Financing</u>		
Capital Grant	11,936	51%
Borrowing	6,269	27%
Other	3,612	15%
Capital Receipts	1,773	7%
Total Capital Financing	23,590	100%

As at 31st March, 2014, the Council had rephased capital expenditure totalling £20.311m into 2014/15. This will be funded from the following resources, which have also been rephased to 2014/15.

<u>Capital Financing</u>	£000
Government Grants	8,716
Borrowing	8,145
Capital Funding Reserves	3,450
	20,311

Capital Receipts

The Council received gross receipts of £1.789m in 2013/14 from the sale of assets. The net receipt after funding the cost of disposals was £1.755m. £1.773m related to the disposal of land and buildings and this funding is earmarked to fund one-off costs relating to Housing Market Renewal costs. £0.016m related to the sale of vehicles.

SECTION 1 : Explanatory Foreword

BORROWING FACILITIES AND INVESTMENT STRATEGY

The Council's arrangements for borrowing accord with the approved Treasury Management Strategy, which was drawn up to comply with the Code of Practice for Treasury Management in Local Authorities published by the Chartered Institute of Public Finance and Accountancy.

In accordance with this strategy the Council has taken a proactive approach to managing cash investments and debt. The Council continued to manage investment risk by using surplus cash to temporarily avoid further new long term borrowing other than for specific projects when the loans have been taken out and will be funded from specific income streams or budgets. This strategy reduced external cash investments during a period of market uncertainty and limited the Council's exposure to the risk of default.

The interest earned on Council investments remained low during 2013/14, this has been mitigated by low interest costs on the Council's borrowings.

PENSIONS

The Council has accounted for retirement benefits according to the revised International Financial Reporting Standard (IFRS) IAS 19. In the accounts as at 31st March, 2014, there was a deficit on the Pensions Reserve of £90.717m (£122.578m in 2012/13). This was offset by a Pensions Liability of the same value. The net pensions liability has reduced owing to actuarial assets gains and a reduction in expected liability obligations. The significant asset gains reflect higher than assumed investment returns thus increasing assets. The discount rate reduced from 4.4% to 4.3%, leading to a widening of the gap between assets and liabilities. Further information is included at Note 45 of the Financial Statements.

The Council is a member of the Teesside Pension Fund and the statutory arrangements for this scheme mean that the IAS19 deficit does not need to be made good by increased pension's contributions from the Council or employees. A separate Pension Fund valuation is carried out every three years to determine the Council's contribution rate. The last full valuation set the employer's contribution rate for the period 2014/15 to 2016/17.

Further information is included in the Notes 44 and 45 to the Statement of accounts.

STATEMENTS OF ACCOUNTS

A detailed analysis of the Council's financial position can be found in the Statements of Accounts. A brief explanation of the purpose and significant financial issues of each of the statements is given below:

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 unusable reserves (i.e. those which are accounting 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 for council tax setting. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement

This Statement shows the economic cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS), 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.

During 2013/14 the value of shares held by the Council in Durham Tees Valley Airport Limited decreased to £0.025m (£0.059m in 2012/13) to reflect the company's net worth in their latest accounts. This change has been reflected in the Comprehensive Income and Expenditure Statement.

SECTION 1 : Explanatory Foreword

Exceptional Items

Following the conversion of Catcote, Eldon Grove, Owton Manor and Stranton Schools to Academy Status the legal transfer of assets was actioned during 2013/14. This transfer resulted in the 'write out' of the value of these assets from the Council's accounts. This 'write-out' totalled £13.400m for 2013/14 and is disclosed separately in the Comprehensive Income and Expenditure Statement owing to the exceptional nature of these transactions.

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Council at 31st March. 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 are 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 are those that the Council is not able to use to provide services. This category of reserve 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".

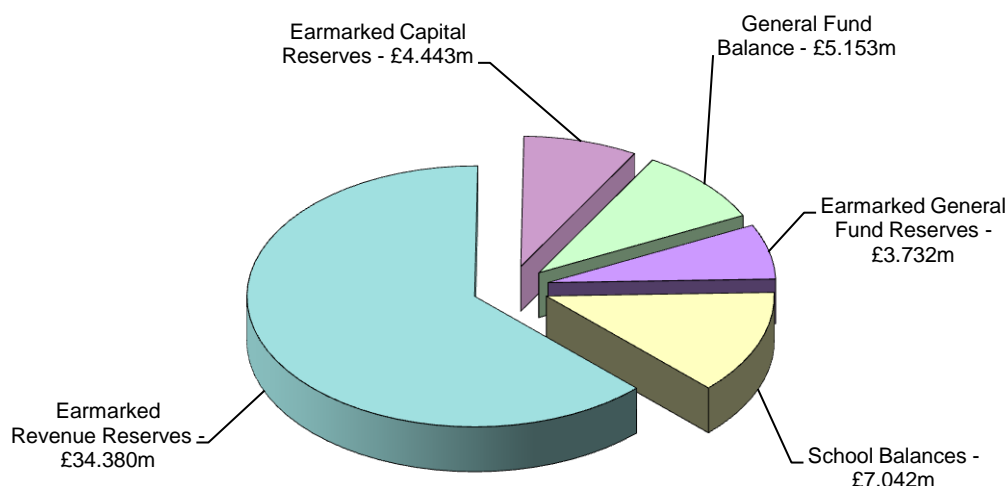
The major movements on the Balance Sheet are as follows:

- Property, Plant and Equipment, Investment Properties, Assets Held for Sale, Revaluation Reserve and Capital Adjustment Account – the Council's total fixed assets have decreased by £1.052m which comprises expenditure on fixed assets of £20.677m, upward revaluations of existing assets of £5.948m, less depreciation, downward revaluations and disposals of £27.677m.
- Short Term Debtors – as at 31st March, 2014, are £12.270m (£12.798m at 31st March, 2013). Decreases in debtor balances for Central Government Bodies and Other Local Authorities have been partly off-set by increases for NHS Bodies and Council Tax Payers. Following the introduction of the business rate retention scheme in 2013/14, NNDR payers are now included in Short Term Debtors.
- Cash and Cash Equivalents (Asset) - totalled £12.875m as at 31st March, 2014 (£10.245m at 31st March, 2013). The increase largely relates to greater use of highly liquid accounts classed as cash and cash equivalents and cashflows at year end.
- Cash and Cash Equivalents (Liability) - the bank over draft was £4.111m (£2.049m in 2012/13), this is mainly owing to the current Investment Strategy.
- Short Term Creditors – as at 31st March, 2014, are £19.721m (£19.961m at 31st March, 2013). Decreases in creditor balances for Other Local Authorities, Trade Creditors and General and Other Creditors have been partly off-set by increases for Central Government Bodies.
- Long Term Investments, plus current investments - totalled £27.587m as at 31st March, 2014 (£24.267m at 31st March, 2013). The increase is due to greater use of liquidity accounts.
- Other Long Term Liabilities - as at 31st March, 2014, were £90.762m (£122.734m at 31st March, 2013). The decrease is mainly owing to actuarial gains on the pension fund.
- Earmarked Reserves and General Fund Balances – as at 31st March, 2014, are £54.750m (£52.142m at 31st March, 2013). The net increase reflects a number of factors. Contributions have been made to specific reserves to manage risks and protect the Council's financial position. Looking to the future, the Council's reserves will fall significantly as these resources are committed for one-off expenditure commitments and supporting the revenue budgets in 2014/15 and beyond. Details of the movements on reserves and balances are provided in Note 6.

SECTION 1 : Explanatory Foreword

In summary reserves at 31st March, 2014, consist of five main components:

Analysis of Reserves 31/03/14 - Total £54.750m



- Earmarked - Capital Reserves - these reserves are earmarked for capital expenditure commitments repensed from 2013/14 to 2014/15.
- Earmarked - Revenue Reserves - these reserves are earmarked for specific risks and include the Insurance Fund (£4.023m), Strategic Risk Reserve (£2.028m), Strategic One-Off Costs (£7.629m) to support the budget from 2014/15, Strategic Change Reserves (£4.513m) and Ring Fenced Grants Reserve (£4.677m).
- School Balances - these reserves are earmarked for individual schools in accordance with the scheme for funding schools.
- Earmarked General Fund Reserves - this comprises the Budget Support Fund (£3.732m) which will be used to support the budget from 2014/15 to 2016/17.
- General Fund Balance - (£5.153m) this balance is earmarked for unforeseen commitments.

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.

Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

A revised version of IAS19 came into effect for accounting periods commencing on or after 1st January, 2013. The key change was that interest costs and expected return on assets items have been replaced by a single 'net interest' item calculated at the discount rate. In order to reflect this change the Council has restated prior year pension information for 2012/13. This is reflected in individual notes where appropriate and changes to primary statements are consolidated in note 47 Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors.

SECTION 1 : Explanatory Foreword

Supplementary Financial Statements

Collection Fund

The Collection Fund is a statutory fund, separate from the General Fund of the Council, which accounts independently for transactions relating to Council Tax, National Non Domestic Rates and residual Community Charges. The Fund is operated and reported on under the same accounting policies as Hartlepool Borough Council.

The total Council Tax for the year was £1,684.74 (£1,679.61 in 2012/13) for Band D properties, excluding parish precepts where these applied. This comprised £1,418.70 for the Council's own services, £198.28 for the Police and Crime Commissioner and £67.76 for the Cleveland Fire Authority. Each Authority determined its own tax and made a precept on the Collection Fund.

The Council Tax for the Council's services was determined on the basis of an equated number of 33,234 Band D properties. When setting the charge a 1.5% allowance for non-collection was made.

Further details on the income and expenditure of the Fund are shown in the Collection Fund notes.

	£000	%
Expenditure		
Hartlepool Council Precept	30,810	40%
Police and Crime Commissioner Precept	4,303	6%
Cleveland Fire Authority Precept	1,470	2%
Hartlepool Council Non Domestic Rates Precept	17,195	22%
Cleveland Fire Authority Non Domestic Rates Precept	351	0%
Central Government's Share Non Domestic Rates	17,498	23%
Other	5,237	7%
	76,864	100%
Income		
Council Tax	37,174	49%
NNDR from Rate Payers	29,766	39%
Transitional Protection Payment	9,260	12%
	76,200	100%
Net Deficit / (Surplus) in Year	664	

CHANGES IN COUNCIL RESPONSIBILITIES

The Government introduced significant changes to the Local Government Funding system from 1st April 2013, which affect all authorities, covering:

- the Re-localisation of Business Rates. Under this new system individual councils retain a proportion of Business Rates collected locally and benefit from a share of any growth in Business Rates. Conversely, individual councils have to manage the impact of reductions in Business Rates. This is an additional financial risk, particularly for Hartlepool as 17% of Business Rates income is paid by the Nuclear Power Station on the basis of the amount of electricity generated;
- replacement of the national Council Tax Benefit system with a system whereby individual Councils determine their own Local Council Tax Support (LCTS) schemes. Under the new arrangements the Government cut funding by 10% and required councils to protect low income pensioners from the impact of this change. This meant that the whole of the funding cut fell on working age households and meant this group faced a cut in support of 20%. For 2013/14 the Council was able to set a scheme which limited the cut in Council Tax support for working age households to 8.5% through a combination of a one-off Government grant and the allocation of the Council's own resources to offset the initial grant cut;

For 2014/15 the Council set a Local Council Tax scheme based on a 12% cut in support for working age households.

- transfer of Public Health functions to Local Authorities. These new responsibilities are funded from a ring fenced grant and Hartlepool was allocated £8.2m to fund these services in 2013/14. The Public Health grant funds health improvement, clinical commissioning and quality, drug and alcohol services. The Council has also integrated related services covering sports and recreation and public protection, to enhance the opportunities to improve health outcomes. These services remain funded from the Councils core revenue budget.

SECTION 1 : Explanatory Foreword

Governance Arrangements

The Council held a referendum in 2012. Hartlepool residents voted to replace the Directly Elected Mayor and Cabinet system with a Leader and committees of Councillors. The change commenced in May 2013.

ACCOUNTING POLICIES

The accounting policies adopted by the Council comply, except where specific reference is made, with the relevant recommended accounting practice.

The Council's policies are explained fully in the Statement of Accounting Policies. For the purpose of the Statement of Accounts, the Council's expenditure follows the standard classification recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the comparative figures for 2012/13 have been shown where appropriate.

INSPECTION OF ACCOUNTS

Members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection was advertised in the local press and in relation to the 2013/14 financial year the inspection period was 1st July, 2014 to 28th July, 2014.

Chris Little CPFA
Chief Finance Officer
Date: 25th September, 2014

The Chief Finance Officer, Chris Little signed the Explanatory Foreword on 25th September 2014 and this document is held by the Council. The signatures have not been reproduced in this electronic document.

SECTION 2 : Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council 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 Council, that officer is the Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets, and;
- approve the Statement of Accounts.

I confirm that the accounts set out in this document were approved by the Audit and Governance Committee at the meeting held on 25th September, 2014.

Councillor Raymond Martin-Wells
Chair of Audit and Governance Committee
Date: 25th September, 2014

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council'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 Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

Certification of the Accounts by the Chief Finance Officer

In accordance with the requirements of the Accounts and Audit Regulations 2011, I certify that Section 1 to 3 of the Financial Report 2013/14, which includes the Statement of Accounts, gives a true and fair view of the financial position of Hartlepool Borough Council at the accounting date and its income and expenditure for the year ended 31st March, 2014.

Chris Little CPFA
Chief Finance Officer
Date: 25th September, 2014

The Chair of the Audit and Governance Committee, Councillor Raymond Martin-Wells and the Chief Finance Officer, Chris Little signed the Statement of Responsibilities for the Statement of Accounts on 25th September 2014 and this document is held by the Council. The signatures have not been reproduced on this electronic document.

SECTION 3 : Statement of Accounts

Movement in Reserves Statement for the year ended 31 March 2014

	Restated General Fund Balance	Earmarked General Fund Reserves	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2012 carried forward	4,338	7,803	34,647	-	3,200	49,988	53,737	103,725
<u>Movement in reserves during 2012/13</u>								
Surplus or (deficit) on provision of services	(13,957)	-	-	-	-	(13,957)	-	(13,957)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	23,569	23,569
Total Comprehensive Income and Expenditure	(13,957)	-	-	-	-	(13,957)	23,569	9,612
Adjustments between accounting basis & funding basis under regulations (note 5)	20,750	-	(1,800)	-	(2,839)	16,111	(16,111)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	6,793	-	(1,800)	-	(2,839)	2,154	7,458	9,612
Transfers to/(from) Earmarked Reserves	(5,185)	2,567	2,618	-	-	-	-	-
Increase/(Decrease) in Year	1,608	2,567	818	-	(2,839)	2,154	7,458	9,612
Balance at 31 March 2013 carried forward	5,946	10,370	35,465	-	361	52,142	61,195	113,337
<u>Movement in reserves during 2013/14</u>								
Surplus or (deficit) on provision of services	(13,954)	-	-	-	-	(13,954)	-	(13,954)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	45,268	45,268
Total Comprehensive Income and Expenditure	(13,954)	-	-	-	-	(13,954)	45,268	31,314
Adjustments between accounting basis & funding basis under regulations (note 5)	20,167	-	(3,612)	16	(9)	16,562	(16,562)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	6,213	-	(3,612)	16	(9)	2,608	28,706	31,314
Transfers to/(from) Earmarked Reserves	(7,006)	404	6,602	-	-	-	-	-
Increase/(Decrease) in Year	(793)	404	2,990	16	(9)	2,608	28,706	31,314
Balance at 31 March 2014 carried forward	5,153	10,774	38,455	16	352	54,750	89,901	144,651

For detail on Usable and Unusable Reserves see Notes 28 and 29.

SECTION 3 : Statement of Accounts

Comprehensive Income and Expenditure Statement for the year ended 31 March 2014

Restated 2012/13			2013/14			Note	
£000s Expenditure	£000s Income	£000s Net		£000s Expenditure	£000s Income		£000s Net
17,034	(15,531)	1,503	Continuing operations:	3,183	(1,924)	1,259	
13,719	(2,528)	11,191	Central Services to the Public	10,718	(2,419)	8,299	
12,791	(2,632)	10,159	Cultural and Related Services	13,342	(2,235)	11,107	
4,570	(1,505)	3,065	Environmental and Regulatory Services	3,886	(1,899)	1,987	
127,470	(93,403)	34,067	Planning Services	110,523	(82,816)	27,707	
13,337	(3,779)	9,558	Education and Children’s Services	14,987	(5,364)	9,623	
54,253	(51,169)	3,084	Highways and Transport Services	56,363	(51,115)	5,248	
48,242	(20,127)	28,115	Other Housing Services	46,327	(15,511)	30,816	
-	-	-	Adult Social Care	6,866	(8,355)	(1,489)	
3,406	(310)	3,096	Public Health	2,257	(99)	2,158	
870	(21)	849	Corporate and Democratic Core	1,312	-	1,312	
295,692	(191,005)	104,687	Non Distributed Costs	269,764	(171,737)	98,027	
144	(953)	(808)	Cost of Services	3,368	(2,003)	1,365	8
11,004	-	11,004	Other Operating Expenditure	13,400	-	13,400	8
22,046	(14,589)	7,457	Transfer of School Assets (see Note (a) below)	22,258	(15,494)	6,764	9
-	(108,383)	(108,383)	Financing and Investment Income and Expenditure	-	(105,602)	(105,602)	10
328,886	(314,930)	13,957	Taxation and Non-Specific Grant Income	308,790	(294,836)	13,954	7
		(1,886)	(Surplus) / Deficit on Provision of Services				
		(60)	(Surplus) / Deficit on Revaluation of Property, Plant and Equipment			(5,906)	29 Table 1
		(21,623)	(Surplus) / Deficit on Revaluation of Available for Sale Financial Assets			34	29 Table 2
		(23,569)	Remeasurement of net defined benefit liability / (asset)			(39,396)	29 Table 4
			Other Comprehensive Income and Expenditure			(45,268)	
		(9,612)	Total Comprehensive Income and Expenditure			(31,314)	

Note (a) - Following the conversion of Catcote, Eldon Grove, Owton Manor and Stranton Schools to Academy Status the legal transfer of assets was actioned during 2013/14. This transfer resulted in the need to 'write out' the value of these assets from the Council's accounts. This 'write-out' totalled £13.400m for 2013/14 and is disclosed separately in the Comprehensive Income and Expenditure Statement owing to the exceptional nature of these transactions.

A revised version of IAS19 came into effect for accounting periods commencing on or after 1st January, 2013. The disclosures provided in the Financial Report have, therefore, been calculated under the revised IAS19. Prior year figures have been restated accordingly where appropriate.

SECTION 3 : Statement of Accounts

Balance Sheet as at 31 March 2014

1 April 2013 £000s		31 March 2014 £000s	Note
241,232	Property, Plant and Equipment	241,761	14
14,652	Heritage Assets	14,652	17
15,094	Investment Property	17,953	16
256	Long Term Investments	222	18
253	Long Term Debtors	246	19
<u>271,487</u>	Long Term Assets	<u>274,834</u>	
24,011	Short Term Investments	27,365	37
719	Inventories	743	20
12,798	Short Term Debtors	12,270	21
10,245	Cash and Cash Equivalents	12,875	22
4,520	Assets Held for Sale	80	23
<u>52,293</u>	Current Assets	<u>53,333</u>	
(2,049)	Cash and Cash Equivalents	(4,111)	22
(361)	Provisions	(2,630)	25
(520)	Short Term Borrowing	(557)	37
(19,961)	Short Term Creditors	(19,721)	24
(8,593)	Capital Grants Receipts in Advance	(7,526)	27
(1,634)	Revenue Grant Receipts in Advance	(1,696)	27
<u>(33,118)</u>	Current Liabilities	<u>(36,241)</u>	
(1,350)	Provisions	(1,274)	25
(50,879)	Long Term Borrowing	(54,399)	37
(122,734)	Other Long Term Liabilities	(90,762)	26
(2,360)	Capital Grant Receipts in Advance	(838)	27
<u>(177,323)</u>	Long Term Liabilities	<u>(147,273)</u>	
<u>113,339</u>	Net Assets:	<u>144,653</u>	
5,946	Unearmarked General Fund Balances	5,153	28
2,169	Earmarked General Fund reserves	3,732	28
8,201	Schools Balances	7,042	28
31,636	Earmarked Revenue Reserves	34,380	28
4,190	Earmarked Capital Reserves	4,443	28
61,197	Unusable Reserves	89,903	29
<u>113,339</u>	Total Reserves:	<u>144,653</u>	

SECTION 3 : Statement of Accounts

Statement Of Cash Flows For The Year Ended 31 March 2014

Restated 2012/13 £000s		2013/14 £000s	Note
13,957	Net (Surplus) / Deficit on the Provision of Services	13,954	
(33,060)	Adjustments to Net (Surplus) / Deficit on the Provision of Services for Non-cash Movements	(36,779)	39
12,232	Adjustments for items included in the Net (Surplus) / Deficit on the Provision of Services that are Investing and Financing Activities	13,716	40
(6,871)	Net Cash Outflow from Operating Activities	(9,109)	
8,458	Investing Activities	13,278	42
(1,524)	Financing Activities	(4,738)	43
63	Net (Increase) / Decrease in Cash and Cash Equivalents	(569)	
8,258	Cash and Cash Equivalents at the beginning of the reporting period	8,195	
8,195	Cash and Cash Equivalents at the end of the reporting period	8,764	22

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31st March, 2014. The Council is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2011 and to comply with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

The Statements reflect the requirements of general accounting principals and concepts of:

Relevance - the financial statements provide information about the Council's performance and position that is useful to the users of the accounts to assess the stewardship of public funds and for making economic decisions.

Reliability - the financial information faithfully represents the substance of the transactions, the activities underlying them and other events that have taken place, are free from deliberate or systematic bias and material error and have been prudently prepared.

Comparability - the information has been prepared consistently and with adequate disclosures so that it can be compared with prior years and other Local Authorities.

Understandability - the statements have been prepared to ensure they are as easy to understand as possible.

Materiality - the statements disclose items of a certain size and nature such that they provide a fair presentation of the financial position and transactions of the Council.

Faithful Representation - the financial statements faithfully represent economic phenomena in words and numbers. They have been prepared on the basis that they are complete, neutral and free from error.

Accruals - other than the cash flow statement, the financial statements report transactions that have been recorded in the accounting period for which the goods and services were received or supplied rather than in which the cash was received or paid.

Going Concern - the financial statements have been prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

Legality - where the accounting principles and specific legislation requirements are in conflict, the financial statements have been prepared to reflect legislative requirements.

The accounting policies are the principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the Council. Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed, this has been disclosed separately.

Where estimating techniques are required to enable the accounting practices adopted to be applied, then the techniques which have been used are, in the Council's view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, if practicable the effect on the results for the current period is separately disclosed.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

There are no transactions that require the Council to split the Other Comprehensive Income and Expenditure line in the Comprehensive Income and Expenditure Statement into two groups, as per IAS 1 Presentation of Financial Statements.

In accordance with the requirements of the 2013/14 Code, the financial statements do not include the measurement and disclosure requirements of IFRS13 Fair Value Measurement.

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

2. 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:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Employee's costs are charged to the accounts of the period in which the employees worked which includes 12 monthly payments.
- Supplies and services 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 stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as Works in Progress on the Balance Sheet.
- Where income and expenditure has 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 it is doubtful that debts will be settled the debtor balance is written down and a charge made to revenue for the income that might not be collected.
- Where payments are made or received in advance of a service being provided or received, a payment or receipt in advance is recognised as a debtor or creditor in the Balance Sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless it relates to capital receipts or capital expenditure.
- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- General revenue debtors and creditors of less than £1,000 have only been accrued at the discretion of individual departments. All amounts in excess of £1,000 have been accrued.

3. Cash and Cash Equivalents

Cash and cash equivalents is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

5. Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. Charges to Revenue for Non-current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service; and
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 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 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 made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. 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.

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

Termination Costs

Termination costs 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. They are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those costs or when the Council recognises costs for a restructuring.

Where termination costs 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 or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination costs and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Council are members of three separate pension schemes:

- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- the NHS Pensions Scheme, administered by the NHS Business Services Authority.
- the Local Government Pensions Scheme, administered by Mouchel in partnership with Middlesbrough Council.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees whilst working for the Council.

The arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year; the Public Health line is charged with the employer's contributions payable to NHS Pensions in the year.

The Local Government Pension Scheme

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

The liabilities of the Teesside Pension Fund 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 projected earnings for current employees.

The assets of the Teesside 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.

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

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 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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- **net interest on the defined benefit 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 benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements, comprising:-

- **the return on plan assets** – excluding amounts included in net interest on the net defined benefit 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 - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Teesside 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 or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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 (including teachers) 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.

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

8. Events After the Balance Sheet Date

Events after the Balance Sheet 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; and
- 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 unless it related to conditions or events that were in existence at the balance sheet date.

9. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as either Capital or Revenue Grant Receipts in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

10. Interests in Companies and Other Entities

Under Local Government Reorganisation the Council was allocated 2.47% of the shares in Durham Tees Valley Airport Limited, which has reduced to 1.08% upon the sale of the airport to Peel Investments (DVTA) LTD, and 16.5% of the former County Council's shareholding in SITA Team Valley Limited.

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

11. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using a weighted average costing formula.

Items with a residual value have been disposed of at maximum benefit to the Council. The Chief Finance Officer is advised of obsolete stock prior to disposal for items in excess of £500 in value. Items having no residual value have been disposed of by being either:-

- Advertised internally
- Donated to charitable organisations
- Scrapped (within legislative parameters)
- Specialist removal.

Obsolete or damaged stock has been written off, otherwise an allowance has been made for obsolescence.

Work in Progress on uncompleted jobs is valued at cost, including an allocation of overheads.

12. Investment Property

Investment properties are those that are used solely to earn rental income and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value (i.e. market value), based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are reviewed annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements 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.

13. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

14. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core – costs relating to the Council's status as a multi functional, democratic organisation.

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in CIPFA Service Reporting Code of Practice 2013/14 and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

The cost of support services is fully allocated to services, or to the Best Value expenditure category of Corporate and Democratic Core. The basis of allocation used for the main costs of management and administration are outlined below:

- Central Departmental & Technical Staff - actual time spent by staff, or unit charge based upon cost.
- Democratic Processes - direct charge to Corporate and Democratic Core.
- Administrative Buildings - area occupied.

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

15. Property, Plant and Equipment

Property, Plant and Equipment are valued on a five-year rolling programme, although material changes to asset values will be adjusted in the interim period as they occur. The current asset values are based upon certificates issued by the Council's Property Management Division. The valuations are prepared in accordance with the Statements and UK Practice Statements contained in the RICS Appraisal and Valuation Standards. The next valuation must be completed as at 1st April, 2018. From 1st April, 2007, increases in asset valuations are credited to the Revaluation Reserve.

The asset valuations have been prepared using the following assumptions:

- The Council has good marketable title, free from any onerous or restrictive covenants.
- There are no hazardous substances or latent defects in the properties and there is no contamination present.
- Details of tenure, planning consents and other relevant information are assumed to be correct.
- That properties and their value are unaffected by any matters that would be revealed by a local search, replies to usual enquiries or by any statutory notice.
- It is assumed that the present use is lawful and that there are no adverse conditions attached. It is further assumed that there are no adverse planning proposals in existence that may affect the property in the future.
- No allowance has been made for any taxation, acquisition, realisation or disposal costs or other expenses.
- No soil surveys have been carried out or services tested.

Not all properties were specifically inspected for the purposes of asset valuations. This was neither practicable, nor considered by the Valuer to be necessary, for the purpose of the valuation. However, regular inspections are made by officers of the Property Section of all the Council's property assets. As allowable under the Code depreciated historical cost is used as a proxy for some non-property assets that have short useful lives and/or low values.

Where a non current asset is included in the Balance Sheet at current value, the increase over the previous carrying amount at which that asset was included in the Balance Sheet immediately prior to the latest revaluation is credited to a revaluation account, except to the extent that it reverses a revaluation loss on the same asset previously recognised in the Comprehensive Income and Expenditure Statement, when the revaluation gain is recognised in the Comprehensive Income and Expenditure Statement.

Where an item of Property, Plant or Equipment is acquired under a finance lease, at the inception of the lease the amount to be recorded both as an asset and as a liability would be the present value of the minimum lease payments derived by discounting them at the interest rate implicit in the lease.

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

Measurement

Assets are initially measured at cost, comprising:

- the purchase price; and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- community assets and assets under construction – historical cost
- infrastructure – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains 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.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation has been charged using the straight line method on the closing balances over the assets estimated useful life.

The useful lives of assets are estimated on a realistic basis and are reviewed regularly and, where necessary, revised. Where the useful life of an item of Property, Plant or Equipment is revised, the carrying amount of the item is depreciated over the revised remaining useful life. Depreciation is not charged in the year of acquisition but is charged in the year of disposal.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, or has a significantly different useful life, the components are recognised separately and depreciated based on the components useful economic life.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale but remain in property, plant and equipment. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

The written-off value of disposals is not a charge against Council Tax, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

16. Heritage Assets

Heritage Assets are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Council's history and local area. The items in the Museum Exhibit and Art Collection and the Civic Collection are held on the Balance Sheet at insurance value, and will be reviewed every five years. The assets within these collections are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions will be recognised at cost until the collection is revalued by the external valuer. Donations will only be recognised where the value is deemed to exceed £10,000, and will be valued by the external valuer.

The Council has an Acquisitions and Disposals Policy in place which sets out the acquisition, preservation, management and disposal of Heritage Assets. This is available to view on the Council's website.

The Council does not consider that reliable cost of valuation information can be obtained for many of the items held under the Sculptures, Monuments and War Memorial category. This is because of the diverse nature of the assets held and lack of comparable market values.

The Council does not purchase Heritage Assets.

17. Provisions and Contingent Liabilities

Provisions

Provisions are made where an event has taken place that 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. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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 expenditure 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. Estimated settlements are reviewed at the end of each financial year – where it becomes less than 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.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments and are disclosed as Contingent Liabilities.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

18. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

19. 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 a non-current asset 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 in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

20. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

21. Financial Instruments

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 was originally recognised. For existing borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

For Public Works Loans Board (PWLB) loans, the fair value of each loan has been determined by information supplied by the PWLB. For market loans, the redemption rules of the PWLB have been used to approximate the fair value of loans held. The comparator market rates prevailing have been taken from indicative investment rates at each Balance Sheet date.

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

Financial assets

Financial assets are classified into two types:

- Loans and receivables 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 most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

- Available for Sale assets 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. Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Available for Sale assets are maintained in the Balance Sheet at fair value. Values are based on the value of equity shares and the net worth of the company. Changes in fair value are balanced by an entry in the Available for Sale Reserve.

Debtors are included within loans and receivables. The Council recognises that debts are not always paid and makes provision for impairment of bad debts. Bad debt impairment is calculated using a percentage based on known historic collection rates. This is applied to current outstanding debt.

SECTION 3 : Statement of Accounts

Note 1: Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 includes amendments as a result of IAS 32 Financial Instruments: Presentation (Offsetting Financial Assets and Liabilities). The change refers to amended application guidance for offsetting financial assets and liabilities and at present the Council does not meet this criteria and is of the view that the change in the standards would not apply.

New and amended standards in relation to Group Accounts have been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and apply from 1 April, 2014. The standards are IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures (as amended in 2011). The standards determine how the Council accounts for Group Accounts and the objective is to disclose information that enables users of the financial statements to evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The Council is of the view that the changes introduced by the new or amended standards do not change the Council's disclosure in relation to Group Accounts; the Council does not produce Group Accounts as the current interests are not considered material.

As a result of the Annual Improvements to IFRS 2009-2011 Cycle, the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 includes amendments to the presentation of the financial statements. The Council will incorporate these amendments, if applicable, into the 2014/15 Statement of Accounts.

Note 2: Critical Judgements in applying Accounting Policies

In applying the accounting policies, 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 beyond 2016/17. However, the Council has determined that 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.
- The Council has an external contract for the provision of its ICT service. This contract has been classed as an embedded lease and under IAS 37 was brought onto the Balance Sheet in 2009/10 as a finance lease. The contract was renewed in October, 2013 for a period of seven years.
 - The Council has undertaken a review of all schools in Hartlepool and their accounting treatment. There are 38 schools in Hartlepool;
 - 12 are Voluntary Aided (VA) Schools owned and accounted for by the Roman Catholic Diocese of Hexham and Newcastle or the Church of England Diocese of Durham.
 - 1 Voluntary Controlled (VC) School which is owned and accounted for by the Church of England Diocese of Durham.
 - 2 foundation Schools which are owned by the School Governing Bodies.
 - 18 Community Schools owned by the Council.
 - 5 Academy Schools which the Council have transferred to the Academy under a 125 year lease.

School Type	Land & Buildings	School Playing Field	Equipment
Voluntary Aided	Off	On	Off
Voluntary Controlled	Off	On	On
Foundation	Off	Off	Off
Community	On	On	On
Academy	Off	Off	Off

The income and expenditure of all schools, excluding Academies who produce their own statutory accounts, is included in the Councils Comprehensive Income and Expenditure Statement.

SECTION 3 : Statement of Accounts

Note 3: 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 in the Council's Balance Sheet at 31 March, 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.078m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effect on the net pensions liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption would result in a decrease in liability of £7.997m. However, the Assumptions interact in complex ways. During 2013/14, the Authority's Actuaries advised that the net pension liability for funded LGPS benefits had decreased by £47.853m as a result of estimates being corrected as a result of experience, increased by £18.083m attributable to updating of demographic assumptions and decreased by £9.372m attributable to updating financial assumptions. Actual pension rates are determined on an actuarial basis every 3 years. The latest valuation has determined the employer's contribution for 3 years from 2014/15. A 0.1% increase in this rate would increase the Authority's revenue budget requirement for pension costs by £0.007m.
Income Shortfalls	Owing to the current economic downturn the Council continues to face income shortfalls in relation to car park income, shopping centre income and land charges.	The Council has determined that the income shortfalls will continue in future years and has therefore included a pressure of £0.461m in the 2014/15 Medium Term Financial Strategy. An Income Risk Reserve of £0.500m has also been created to further manage this risk.
Arrears	At 31st March, 2014, the Council had a balance of £10.925m on general, Council Tax Payers, NNDR Payers and trade debtors. A review of these balances suggested that an impairment of doubtful debts of £3.979m was appropriate. However in the current climate it is not certain that such an allowance would be sufficient.	If the bad debt provision increased by 1% this would result in an additional charge of £0.038m.
Localisation of Business Rates	The level of Business Rates retained by the Council and the implementation of the 'safety net' threshold.	The Council has to manage potential annual Business Rates shortfalls of up to £1.9m before receiving any 'safety net' payment from the Government. The Council has set aside a reserve of £1.9m to help manage this risk.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

SECTION 3 : Statement of Accounts

Note 4: Events after the Balance Sheet Date

Non Adjusting Event After the Reporting Period

A Voluntary Aided Secondary School became an Academy on 1 May, 2014. The school playing field with a value of £0.310m, is reflected in the Council's Balance Sheet as at 31 March, 2014. Our judgement in respect of this school is that where we retain legal ownership and title we also retain the balance of risks and rewards. Therefore, this asset remains on the Council's Balance Sheet as at 31 March, 2014 and will transfer in 2014/15.

Seaton Carew Nursery School will be demolished in August, 2014. The provision of the nursery school places will be delivered from the newly built Holy Trinity School. The value of this asset is £0.308m on the Council's Balance Sheet.

SECTION 3 : Statement of Accounts

Note 5: Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are 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.

2013/14	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance £000s	Earmarked General Fund Reserves £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	
Adjustments primarily involving the Capital Adjustment Account:						
<u>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement</u>						
Charges for Depreciation and Impairment of Non-current Assets	(10,102)	-	-	-	-	10,102
Charges for Revaluation losses on Property Plant and Equipment	(1,085)					1,085
Movements in the Market Value of Investment Properties	194	-	-	-	-	(194)
Capital Grants and Contributions	11,892	-	-	-	-	(11,892)
Write out Finance Leases	-			-	-	-
Direct Revenue Funding	-		3,612	-	-	(3,612)
Revenue Expenditure Funded from Capital Under Statute	(2,968)	-	-	-	-	2,968
Amounts of Non-current Assets written off on Disposal or Sale as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement	(16,643)	-	-	-	-	16,643
<u>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement</u>						-
Provision for the Financing of Capital Investment (MRP)	4,630	-	-	-	-	(4,630)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital Grants and Contributions Unapplied Credited to the Comprehensive Income & Expenditure Statement	35	-	-	-	(35)	-
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	-	44	(44)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of Cash Sale Proceeds Credited as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement	1,789	-	-	(1,789)	-	-
Use of the Capital Receipts Reserve to finance new Capital Expenditure	-	-	-	1,773	-	(1,773)
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(1)	-	-	1	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of Deferred Sale Proceeds credited as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement	-		-	(1)	-	1

SECTION 3 : Statement of Accounts

Note 5: Adjustments between Accounting Basis and Funding Basis under Regulations

2013/14	General Fund Balance £000s	Earmarked General Fund Reserves £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(16,563)	-	-	-	-	16,563
Employer's Pension Contributions and Direct Payments to Pensioners payable in year	9,028	-	-	-	-	(9,028)
Adjustments Primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income and non-domestic rating income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non-domestic rating Income calculated for the year in accordance with statutory requirements	(453)	-	-	-	-	453
Adjustments primarily involving the Accumulated Absences Adjustment Account:						
Amount by which Officer Remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	80	-	-	-	-	(80)
Total Adjustments	(20,167)	-	3,612	(16)	9	16,562

Usable Reserves						
Restated 2012/13	General Fund Balance £000s	Earmarked General Fund Reserves £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Capital Adjustment Account:						
<u>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement</u>						
Charges for Depreciation and Impairment of Non-current Assets	(14,949)	-	-	-	-	14,949
Charges for Revaluation losses on Property Plant and Equipment	(598)	-	-	-	-	598
Movements in the Market Value of Investment Properties	(151)	-	-	-	-	151
Capital Grants and Contributions	11,445	-	-	-	-	(11,445)
Write out Finance Leases	-	-	-	-	-	-
Direct Revenue Funding	-	-	2,009	-	-	(2,009)
Revenue Expenditure Funded from Capital Under Statute	(1,986)	-	(209)	-	-	2,195
Amounts of Non-current Assets written off on Disposal or Sale as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement	(11,018)	-	-	-	-	11,018

SECTION 3 : Statement of Accounts

Note 5: Adjustments between Accounting Basis and Funding Basis under Regulations

Restated 2012/13	General Fund Balance £000s	Earmarked General Fund Reserves £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
<i>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement</i>						-
Provision for the Financing of Capital Investment (MRP)	4,686	-	-	-	-	(4,686)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital Grants and Contributions Unapplied Credited to the Comprehensive Income & Expenditure Statement	-	-	-	-	-	-
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	-	2,840	(2,840)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of Cash Sale Proceeds Credited as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement	787	-	-	(787)	-	-
Use of the Capital Receipts Reserve to finance new Capital Expenditure	-	-	-	787	-	(787)
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(1)	-	-	1	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of Deferred Sale Proceeds credited as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement	-	-	-	(1)	-	1
Adjustments primarily involving the Unequal Pay Back Pay Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirement	648	-	-	-	-	(648)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(18,838)	-	-	-	-	18,838
Employer's Pension Contributions and Direct Payments to Pensioners payable in year	8,727	-	-	-	-	(8,727)

SECTION 3 : Statement of Accounts

Note 5: Adjustments between Accounting Basis and Funding Basis under Regulations

Restated 2012/13	General Fund Balance £000s	Earmarked General Fund Reserves £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments Primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	599	-	-	-	-	(599)
Adjustments primarily involving the Accumulated Absences Adjustment Account:						
Amount by which Officer Remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	(101)	-	-	-	-	101
Total Adjustments	(20,750)	-	1,800	-	2,840	16,110

SECTION 3 : Statement of Accounts

Note 6: Transfers to/(from) Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14. Further details are provided in Note 28.

	Balance at 1 April 2012	Transfer Between Reserves	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013	Transfer Between Reserves	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<u>Unearmarked General Fund Balance</u>									
General Fund Balance	4,338	-	(100)	1,708	5,946	-	(1,908)	1,115	5,153
	4,338		(100)	1,708	5,946	-	(1,908)	1,115	5,153
<u>Earmarked General Fund Reserves</u>									
Budget Support Fund	871	-	(670)	1,850	2,051	(500)	(1,217)	3,398	3,732
Strategic Change Reserve	145	(45)	-	-	100	-	(100)	-	-
LPSA Reward	18	-	-	-	18	-	(18)	-	-
	1,034	(45)	(670)	1,850	2,169	(500)	(1,335)	3,398	3,732
<u>School Balances</u>									
Balances held by schools under a scheme of delegation	6,768	-	(6,771)	5,611	5,608	-	(5,634)	4,878	4,852
Strategic Change & Ring Fenced Grants Reserves - Held in Trust for Schools	-	1,781	(629)	1,021	2,173	-	(963)	837	2,047
Other Fund School Balances	-	387	(174)	207	420	-	(426)	149	143
	6,768	2,168	(7,574)	6,839	8,201	-	(7,023)	5,864	7,042
<u>Earmarked Revenue Reserves</u>									
Strategic One Off Costs	8,562	-	(1,685)	2,530	9,407	-	(1,778)	-	7,629
Ring Fenced Grants Reserves	3,062	(262)	(855)	2,030	3,975	-	(446)	1,148	4,677
Strategic Change Reserves	4,730	(926)	(984)	737	3,557	(99)	(441)	1,496	4,513
Insurance Fund	4,628	(238)	(680)	224	3,934	-	(11)	100	4,023
Support for Local Council Tax Support Scheme	1,197	-	-	-	1,197	-	-	860	2,057
Strategic Risk Reserve	2,678	(500)	-	-	2,178	-	(150)	-	2,028
Business Rates Risk Reserve	-	-	-	1,000	1,000	-	-	900	1,900
Children's Social Care & Early Intervention Reserve	454	-	(14)	1,240	1,680	-	(841)	160	999
Treasury Management Risk Reserve	-	-	-	-	-	-	-	870	870
Business Rates Equalisation Reserve	-	-	-	-	-	-	-	750	750
Capital Risk Strategy Reserve	-	-	-	-	-	99	-	402	501
Public Health Grant Reserve	-	-	-	-	-	-	-	500	500
Income Risk Reserve	-	-	-	-	-	500	-	-	500
Lotteries Reserve	426	-	(16)	17	427	-	(2)	17	442
Regeneration Projects	-	-	-	-	-	400	-	-	400
Support 12/13 Loss of Council Tax Freeze Grant	727	-	-	-	727	-	(348)	-	379
Academies Reserve	-	-	-	1,148	1,148	(400)	(397)	12	363
Pension Actuarial Reserve	122	-	-	110	232	-	-	80	312
Trading Account Reserves	285	-	-	-	285	-	-	-	285
Building / Development Control Income Shortfall	260	-	(120)	-	140	-	(136)	200	204
Members Ward Budget Reserve	182	-	(93)	105	194	-	(215)	207	186
Supporting Family Poverty	319	-	(10)	-	309	-	(160)	-	149
Carbon Reduction Commitment	230	-	(65)	-	165	-	(75)	47	137
Business Transformation	209	-	(45)	-	164	-	(29)	-	135
School Attainment Reserve	-	-	-	200	200	-	(105)	-	95
Museums Acquisition	69	-	-	3	72	-	-	4	76
WW1 Commemoration Reserve	-	-	-	-	-	-	-	60	60
Funding for Modern Apprentices	50	-	-	-	50	-	-	-	50
Living Wage Reserve	-	-	-	-	-	-	-	49	49
Concessionary Fare	60	-	(22)	-	38	-	-	-	38
Environmental Apprenticeships Scheme	-	-	-	-	-	-	-	34	34
Works in Default Empty Homes	50	-	-	-	50	-	(31)	-	19
Public Relations Reserve	-	-	-	-	-	-	-	10	10
NDC Fund	8	-	-	-	8	-	-	-	8
Public Inquiry Reserve	-	-	-	20	20	-	(17)	-	3
Future Project Investigation Costs	250	-	-	-	250	-	(250)	-	-
Property Reserve	-	-	-	107	107	-	(107)	-	-
ICT Contract Reserve	-	-	-	75	75	-	(75)	-	-
Seaton Carew Youth Club	30	-	-	-	30	-	(30)	-	-
Mayoral Referendum Reserve	70	-	(52)	-	18	-	(18)	-	-
Strategic Change & Ring Fenced Grants Reserves - Held in Trust for Schools	1,781	(1,781)	-	-	-	-	-	-	-
Other Fund School Balances	387	(387)	-	-	-	-	-	-	-
Building Schools for the Future	364	(137)	(227)	-	-	-	-	-	-
Holiday Pay Reserve	43	(43)	-	-	-	-	-	-	-
Strategic Change Reserve	-	2,280	(2,280)	-	-	-	-	-	-
	31,233	(1,994)	(7,148)	9,546	31,636	500	(5,662)	7,906	34,380
Total Revenue Reserves	43,373	129	(15,492)	19,943	47,952	-	(15,928)	18,283	50,307
<u>Earmarked Capital Reserves</u>									
Capital Funding Reserve	3,414	(129)	(2,201)	2,745	3,829	-	(3,836)	4,082	4,075
Capital Grants Unapplied	3,201	-	(2,840)	-	361	-	(44)	35	352
Capital Receipts Unapplied	-	-	(788)	788	-	-	(1,773)	1,789	16
	6,615	(129)	(5,829)	3,533	4,190	-	(5,653)	5,906	4,443
Total Useable Reserves	49,988	(0)	(21,321)	23,476	52,142	-	(21,581)	24,189	54,750

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Note 7: Amounts Reported for Segmental Reporting

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Finance and Policy Committee on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

The income and expenditure of the Council's directorates recorded in the budget reports for the year is as follows:

Income and Expenditure 2013/14	Child and Adult Services	Chief Executives	Public Health	Regeneration & Neighbourhoods	Corporate	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, Charges & Other Service Income	(23,707)	(8,973)	(1,981)	(38,218)	(14,879)	(87,758)
Government Grants	(13,600)	(49,881)	(8,537)	(3,016)	(4,705)	(79,739)
Total Income	(37,307)	(58,854)	(10,518)	(41,234)	(19,584)	(167,497)
Employee Expenses	41,733	8,155	3,360	21,956	1,899	77,103
Other Operating Expenses	108,041	49,837	8,569	33,262	26,061	225,770
Support Service Recharges	8,533	3,310	80	12,103	255	24,281
Total Expenditure	158,307	61,302	12,009	67,321	28,215	327,154
Net Expenditure	121,000	2,448	1,491	26,087	8,631	159,657

Income and Expenditure 2012/13	Child and Adult Services	Chief Executives	Public Health	Regeneration & Neighbourhoods	Corporate	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, Charges & Other Service Income	(28,088)	(10,165)	-	(31,699)	(8,821)	(78,772)
Government Grants	(22,210)	(61,534)	-	(1,754)	(2,527)	(88,025)
Total Income	(50,297)	(71,699)	-	(33,453)	(11,348)	(166,797)
Employee Expenses	56,505	8,416	-	16,669	1,324	82,914
Other Operating Expenses	111,914	61,656	-	28,432	20,394	222,395
Support Service Recharges	6,527	5,088	-	10,864	297	22,776
Total Expenditure	174,947	75,159	-	55,965	22,015	328,085
Net Expenditure	124,649	3,460	-	22,512	10,666	161,288

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	Restated 2012/13 £000s	2013/14 £000s
Net Expenditure in the Directorate Analysis	161,288	159,657
Amounts Not Reported in the Directorate Analysis	(45,464)	(43,156)
In Directorate Analysis not in Comprehensive Income & Expenditure Statement	(11,137)	(18,474)
Cost of Services in Comprehensive Income & Expenditure Statement	104,687	98,027

SECTION 3 : Statement of Accounts

Note 7: Amounts Reported for Segmental Reporting

Amounts Reported for Resource Allocation Decisions

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14	Directorate Analysis	Amounts not Reported in the Directorate Analysis	In Directorate Analysis not in CI&ES	Cost of Service - Continuing Operations	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, Charges & Other Service Income	(87,758)	(2,787)	57,134	(33,411)	(2,437)	(35,848)
Interest and Investment Income	-	-	-	-	(15,060)	(15,060)
Income from Council Tax	-	-	-	-	(31,199)	(31,199)
Government Grants and Contributions	(79,739)	(67,239)	8,652	(138,326)	(74,403)	(212,729)
Total Income	(167,497)	(70,026)	65,786	(171,737)	(123,099)	(294,836)
Employee Expenses	77,103	11,286	(9,028)	79,361	20,065	99,426
Other Operating Expenses	225,770	4,357	(72,896)	157,231	215	157,446
Support Service Recharges	24,281	-	(2,336)	21,945	-	21,945
Interest Payments	-	-	-	-	2,173	2,173
Precepts and Levies	-	-	-	-	124	124
Depreciation, Amortisation and Impairment	-	11,187	-	11,187	(194)	10,993
Disposal of Non-current Assets	-	40	-	40	16,643	16,683
Total Expenditure	327,154	26,870	(84,260)	269,764	39,026	308,790
(Surplus) / Deficit on the Provision of Services	159,657	(43,156)	(18,474)	98,027	(84,073)	13,954

Restated 2012/13	Directorate Analysis	Amounts not Reported in the Directorate Analysis	In Directorate Analysis not in CI&ES	Cost of Service - Continuing Operations	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, Charges & Other Service Income	(78,772)	(915)	37,105	(42,582)	(1,707)	(44,289)
Interest and Investment Income	-	-	-	-	(13,834)	(13,834)
Income from Council Tax	-	-	-	-	(40,364)	(40,364)
Government Grants and Contributions	(88,025)	(74,884)	14,486	(148,423)	(68,019)	(216,442)
Total Income	(166,797)	(75,799)	51,591	(191,005)	(123,924)	(314,929)
Employee Expenses	82,914	13,036	(8,727)	87,223	19,509	106,732
Other Operating Expenses	222,395	1,702	(53,985)	170,112	195	170,307
Support Service Recharges	22,776	-	(16)	22,760	16	22,776
Interest Payments	-	-	-	-	2,175	2,175
Precepts and Levies	-	-	-	-	128	128
Depreciation, Amortisation and Impairment	-	15,547	-	15,547	151	15,698
Disposal of Non-current Assets	-	50	-	50	11,020	11,070
Total Expenditure	328,085	30,335	(62,728)	295,692	33,194	328,886
(Surplus) / Deficit on the Provision of Services	161,288	(45,464)	(11,137)	104,687	(90,730)	13,957

The "Amounts not reported in the Directorate Analysis", amounts includes depreciation, impairment and IAS 19 pension adjustments. The management accounts concentrate on managing cash expenditure. These technical adjustments do not have an impact on the Council's bottom line.

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Note 8: Other Operating Expenditure

This note provides a breakdown of the various components included within the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement.

2012/13 £000s		2013/14 £000s	
128	Parish Council Precepts and Levies	124	
1	Payments to the Government Housing Capital Receipts Pool	1	
(165)	Receipts from Sale of Former Council Houses	(215)	
11,004	Loss resulting from Transfer of School Assets	13,400	
(772)	(Gain) or loss on the disposal of non-current assets	1,455	
10,196		14,765	

Note 9: Financing and Investment Income and Expenditure

This note provides a breakdown of the various components included within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

Restated 2012/13 £000s		2013/14 £000s	Note
2,111	Interest payable and similar charges on borrowing	2,138	37
64	Finance Lease Interest payable	35	37
5,904	Remeasurement of the Net Defined Benefit Liability	5,197	45
(229)	Interest Receivable and Similar Income	(192)	37
(544)	Net (Gain) / Loss on Investment Properties	(220)	16
151	Changes in fair values of Investment Properties	(194)	16
7,457		6,764	

Note 10: Taxation and Non-Specific Grant Income

Taxation and Non-Specific Grant Income comprises the following:

2012/13 £000s		2013/14 £000s	Note
40,364	Council Tax Income	31,199	
47,556	NNDR Distribution	17,140	
10,209	Non-ring Fenced Government Grants	46,763	
10,254	Capital Grants and Contributions	10,500	
108,383		105,602	27

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Note 11 - Councillor's Allowances & Expenses - Additional Disclosure

The Council has decided to provide this additional note to provide a detailed breakdown of the Basic Allowance and Special Responsibility Allowances (SRAs) paid to individual Councillors for 2013/14, together with other expenses and costs allocated to individual Councillors.

This detailed disclosure exceeds the minimum legal requirements specified by the Government in "Statutory Instrument 2003 Number 1021 – The Local Authorities (Councillors Allowances) (England) Regulations 2003" which requires local authorities to publish details of the amounts paid to individual Councillors for each financial year for the following categories:

- Basic Allowance and Special Responsibility Allowances;
- Dependent Carers Allowance;
- Travelling and Subsistence Allowance; and
- Co-optees Allowances.

The Council paid no Dependent Carers Allowances or Co-optees Allowances in 2013/14 or 2012/13.

The detailed arrangements for paying the Basic Allowance, SRAs and other expenses are defined by specific rules in the Council's constitution. The key components of these rules are described below:

Basic and Special Responsibility Allowances

The value of the Basic and SRAs paid by the Council are based on recommendations made by the Independent Remuneration Panel.

General and General Subsistence

This covers expenses claimed by Councillors for travel and subsistence within a 35 mile radius of Hartlepool in respect of approved duties as a Councillor. In some instances this includes the travel expenses claimed by individual Councillors in their role representing the Council on regional organisations.

Conference Travel and Conference Fees

The Council has an approved list of conferences which specific Councillors are authorised to attend. The conferences and travel arrangements are booked by officers of the Council on behalf of the Councillor(s) attending the conference. The costs of the conference fee and travel arrangements are then recorded against the individual Councillor who attended the event.

Conference Subsistence

This covers the cost of overnight hotel accommodation and expenses claimed by Councillors for 'out of pocket expenses' whilst staying away from Hartlepool where meals are not provided for in the overall conference fees. The allowances claimable are based on approved national subsistence rates.

Telephone Expenses

Councillors can be reimbursed for the cost of line and telephone rental. Councillors are also eligible to claim for installing a telephone line if a line is not already connected. Councillors cannot claim for the cost of telephone calls.

Taxation, National Insurance and Pensionable Status of Allowances

Individual Councillors pay income tax and national insurance on all allowances payable to them. These allowances are not pensionable. When a Councillor loses office all allowances stop with immediate effect and no payments are made for the loss of office.

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Note 11: Councillor's Allowances & Expenses

Details of the amounts paid to each Member of the Council are published annually. The total amount paid to Members in respect of basic, special responsibility and travel and subsistence allowances was £277,116.12 (2012/13: £335,731.62). The annual cost of Basic and Special Responsibility Allowances has reduced in 2013/14 by £129,000 compared to 2011/12. This is as a result of the reduction in the number of Councillors from 47 to 33 in May 2012 and the implementation of new governance arrangements in May 2013. An analysis of the allowance payments for 2013/14 is detailed below.

Member	Basic Allowance	Special Responsibility Allowance	General Travel	General Subsistence	Conference Travel	Conference Fees	Conference Subsistence	Telephone Expenses	Total 2013/14
	£	£	£	£	£	£	£	£	£
Ainslie J	5,825.03	-	372.38	-	-	-	-	-	6,197.41
Akers-Belcher C	5,825.03	16,347.58	167.80	18.40	-	2,595.00	1,486.85	-	26,440.66
Akers-Belcher S J	5,825.03	5,712.39	38.51	-	107.10	2,100.00	669.00	-	14,452.03
Atkinson K	5,825.03	-	-	-	-	-	-	-	5,825.03
Barclay A (16.08.13-31.03.14)	3,664.14	-	-	-	-	-	-	-	3,664.14
Beck P	5,825.03	-	39.15	-	350.00	-	120.00	134.91	6,469.09
Brash J	5,825.03	-	-	-	-	-	-	-	5,825.03
Cook R W	5,825.03	5,825.03	-	-	-	-	-	-	11,650.06
Cranney K H	5,825.03	3,495.09	-	-	-	-	-	-	9,320.12
Dawkins K	5,825.03	591.90	-	-	-	-	-	-	6,416.93
Drummond S (01.04.13-05.05.13)	558.09	5,625.96	-	-	-	-	-	-	6,184.05
Fisher K	5,825.03	3,683.32	232.80	-	-	-	-	187.02	9,928.17
Fleet M	5,825.03	338.32	-	-	-	-	-	-	6,163.35
Gibbon S	5,825.03	-	-	-	-	-	-	-	5,825.03
Griffin S	5,825.03	-	-	-	-	-	-	-	5,825.03
Hall G G	5,825.03	338.32	-	-	-	-	-	-	6,163.35
Hargreaves P	5,825.03	-	-	-	-	-	-	139.05	5,964.08
Hill C F (01.04.13-02.02.14)	5,417.90	-	-	-	-	-	-	-	5,417.90
Jackson P	5,825.03	5,261.32	-	-	-	-	-	-	11,086.35
James M A	5,825.03	563.71	-	-	-	50.00	-	-	6,438.74
Lauderdale J	5,825.03	563.71	-	-	-	-	-	-	6,388.74
Lilley A E	5,825.03	2,405.16	-	-	-	-	-	-	8,230.19
Lilley G	5,825.03	498.04	-	-	-	-	-	-	6,323.07
Loynes B	5,825.03	-	-	-	-	-	-	-	5,825.03
Martin-Wells R	5,825.03	3,495.09	-	-	-	-	-	-	9,320.12
Morris G	5,825.03	338.32	-	-	-	-	-	-	6,163.35
Payne R W	5,825.03	5,261.32	-	-	-	-	-	-	11,086.35
Richardson C	5,825.03	5,599.64	-	-	-	-	-	-	11,424.67
Robinson J	5,825.03	-	-	-	-	-	-	-	5,825.03
Shields L	5,825.03	-	-	-	-	-	-	-	5,825.03
Simmons C	5,825.03	5,261.32	11.00	-	61.00	50.00	-	-	11,208.35
Sirs K	5,825.03	-	149.99	-	-	750.00	240.00	-	6,965.02
Tempest S	5,825.03	3,495.09	-	-	-	-	-	-	9,320.12
Thompson P	5,825.03	563.71	-	-	-	-	-	-	6,388.74
Wilcox A (01.04.13-05.07.13)	1,565.76	-	-	-	-	-	-	-	1,565.76
Total 2013/14	191,781.82	75,264.34	1,011.63	18.40	518.10	5,545.00	2,515.85	460.98	277,116.12
Totals 2012/13	205,507.20	122,536.65	941.92	-	410.31	4,200.00	1,440.00	695.54	335,731.62

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Note 11: Councillor's Allowances & Expenses

The following Councillors were the Council's appointed representatives on Cleveland Fire Authority and River Tees Port Health Authority and received a separate allowance for this additional responsibility which was funded from the Fire or Port Health Authorities budgets, as detailed below. Unless indicated these appointments were for the period 1 April, 2013 to 31 March, 2014. Further details of these allowances can be obtained from the Fire or Port Health Authorities.

Cleveland Fire Authority					
Councillor	Basic Allowances £	Special Responsibility Allowances	Travel, Subsistence or Conference Allowances £	Total £	Period of Office
Akers-Belcher S J	1,791.74	-	-	1,791.74	07/06/13 to 31/03/14
James M	402.23	-	-	402.23	01/04/13 to 06/06/13
Martin-Wells R	2,193.96	-	-	2,193.96	01/04/13 to 31/03/14
Payne R	2,193.96	8,775.96	1,498.98	12,468.90	01/04/13 to 31/03/14
Richardson C	2,193.96	-	13.90	2,207.86	01/04/13 to 31/03/14
River Tees Port Health Authority					
Councillor	Basic and Special Responsibility Allowances £	Special Responsibility Allowances	Travel, Subsistence or Conference Allowances £	Total £	Period of Office
Tempest S	-	210.00	-	210.00	02/06/12 to 01/06/13

Annual Allowance for Vice Chair of River Tees Port Health Authority is £1,255 for the period 02/06/12 to 01/06/13, the figure above relates to the period 01/04/13 to 01/06/13.

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Note 12 - Officers' Remuneration

In accordance with the requirements of the Accounts and Audit Regulations 2011 the Council is required to disclose details of remuneration for Senior Employees and those earning more than £50,000. Senior Employees are defined as the Chief Executive, statutory Chief Officers and all other senior managers reporting directly to the Chief Executive. Details of the remuneration for these officers is provided below.

During 2012/13 the Council undertook a review of the senior management structure and these proposals were approved by full Council on 11 April, 2013. These changes were phased in during 2013/14 and in 2014/15 will provide a full year saving of around £330,000 arising from the restructuring of responsibilities and a reduction of 3.5 senior management posts. In addition, reduced salaries for the Chief Executive and two Directors posts were approved during 2013/14 and provided a full year saving of £72,000 in 2013/14.

Senior Officers with a salary of £150,000 or more per year

The Council had no senior officers with a salary of £150,000 or more per year during 2013/14. The highest paid officer was the Chief Executive, Dave Stubbs, whose salary grade is £140,000 to £150,000 per year. Mr Stubbs was appointed in November 2012 on a annual salary of £140,000 and annual increments of £2,000 are subject to delivering the Council's budget, achieving the Council Plan and producing a satisfactory Annual Governance Statement.

The Chief Executive is the senior officer who leads and takes responsibility for the work of the 3,132 (3,389 in 2012/13) full-time equivalent employees, including schools, and runs the Local Authority on a day to day basis. The role of Chief Executive is a full time appointment.

Permanent post holders are selected on merit, against objective criteria, following public advertisement. They are appointed by the whole Council.

As Head of Paid Service, the Chief Executive works closely with elected Councillors to deliver the following:

Leadership: working with elected Councillors to ensure strong and visible leadership and direction, encouraging and enabling managers to motivate and inspire their teams

Strategic Direction: ensuring all staff understand and adhere to the strategic aims of the organisation and follow the direction set by the elected Councillors.

Policy Advice: acting as the principal policy adviser to the elected Members of the Council to lead the development of workable strategies which will deliver the political objectives set by Members.

Partnerships: leading and developing strong partnerships across the local community to achieve improved outcomes and better public services for local people.

Operational Management: overseeing financial and performance management, risk management, people management and change management within the Council.

Details of the Chief Executive's Remuneration is shown in the following tables:-

2013/14 - TABLE A

Post holder information (Post title and name)	Salary	Pension Contributions (Note g)	Total Remuneration including Pension Contributions 2013/14	Note
	£	£	£	
Chief Executive				
Dave Stubbs	140,833	-	140,833	
Total	140,833	-	140,833	a

2012/13 - TABLE B

Post holder information (Post title and name)	Salary	Pension Contributions (Note g)	Total Remuneration including Pension Contributions 2012/13	
	£	£	£	
Chief Executive				
Nicola Bailey (Apr 12 - Oct 12)	92,167	12,437	104,604	
Dave Stubbs (Nov 12 - Mar 13)	58,333	-	58,333	
Total	150,500	12,437	162,937	a

There were no employer pension contributions in respect of the Chief Executive as he ceased to be a member of the pension scheme on 1 April, 2012. The Chief Executive's pension will be calculated on the basis of his salary and accrued service as at that date. In 2013/14 this saved the Council £0.023m (£0.010m in 2012/13).

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Note 12 - Officers' Remuneration

Note: (a) - Prior to the retirement of the former Chief Executive on 31st August, 2011 the substantive annual salary for this position was £158,000 to £168,000. Following the retirement of the former Chief Executive temporary arrangements were put in place whereby Nicola Bailey, the Director of Child and Adult Services, was appointed as Acting Chief Executive until she left the Council in October 2012. She was paid a fixed annual salary of £158,000 for the duration of this appointment. Dave Stubbs was appointed as the permanent Chief Executive (previously the Director of Regeneration & Neighbourhoods) from November 2012 on a annual salary of £140,000 to £150,000. Annual increments of £2,000 are subject to delivering the Council's budget, achieving the Council Plan and producing a satisfactory Annual Governance Statement.

Senior Officers reporting directly to the Chief Executive

During 2013/14 financial year there were six officers, including three departmental Directors, reporting directly to the Chief Executive and remuneration details for these posts are shown below.

Director of Child and Adult - responsible for a gross annual revenue budget (excluding schools) of £92m and managing 575 full-time equivalent employees (excluding schools) who provide a diverse range of services, education and early years related services, services for vulnerable children and families including looking after children at risk, child and adult protection services, young offenders, children's fostering and adoption services, caring for older people, people with mental health issues and people with physical or learning disabilities.

Director of Regeneration and Neighbourhoods - responsible for a gross annual revenue budget of £51m and managing 729 full-time equivalent employees who provide a diverse range of services, including planning and building control, economic development and regeneration, community safety, refuse collection, street cleansing, highways maintenance, car parks, libraries, culture and leisure services.

Director of Public Health - responsible for a gross annual revenue budget of £12m and managing 90 full-time equivalent employees who provide a diverse range of services including substance misuse, drug prevention, school nursing, sexual health, smoking cessation, Consumer Services and sport and recreation.

2013/14 - TABLE C

Post Holder Information (Post Title)	Salary	Pension Contributions (Note g)	Total Remuneration including Pension Contributions 2013/14	Note
	£	£	£	
Director of Child & Adult	49,086	8,050	57,136	
Backfill of Director of Child & Adult	20,689	-	20,689	
Total Director of Child & Adult	69,775	8,050	77,825	<i>a</i>
Director of Regeneration & Neighbourhoods	100,656	16,508	117,164	<i>b</i>
Director of Public Health	81,481	11,407	92,888	<i>c</i>
Chief Finance Officer	84,044	13,783	97,827	<i>d</i>
Chief Solicitor	84,980	13,857	98,837	<i>e</i>
Assistant Chief Executive	81,062	13,294	94,356	<i>f</i>
	501,998	76,899	578,897	

SECTION 3 : Statement of Accounts

Note 12 - Officers' Remuneration

2012/13 - TABLE D

Post Holder Information (Post Title)	Salary	Pension Contributions (Note g)	Total Remuneration including Pension Contributions 2012/13	Note
	£	£	£	
Director of Child & Adult	-	-	-	
Backfill of Director of Child & Adult	44,167	-	44,167	
Total Director of Child & Adult	44,167	-	44,167	a
Director of Regeneration & Neighbourhoods - (Apr 12 - Nov 12)	75,833	-	75,833	
Director of Regeneration & Neighbourhoods - (Dec 12 - Mar 13)	33,223	5,450	38,673	
Total Director of Regeneration & Neighbourhoods	109,056	5,450	114,506	b
Chief Finance Officer	78,786	12,897	91,683	d
Chief Solicitor	96,989	15,718	112,707	e
Assistant Chief Executive	81,062	13,294	94,356	f
Chief Customer & Workforce Services Officer (Apr 12 - Jun 12)	19,644	3,323	22,967	
	429,704	50,682	480,386	

Notes

(a) The Director of Child and Adult Services post remained vacant for the whole of 2012/13 and part of 2013/14. The following backfill arrangements were in place for this period:

- Backfill of the Director of Child and Adult Services functions and statutory duties shared on an equal 50% basis by two Assistant Directors in the Child and Adult Services Department.
- Backfill a specific element (10% of existing duties) of the Assistant Directors' roles by an officer.

The additional payments for these temporary arrangements were the minimum legal payments and were fixed for the duration of the arrangement. For clarity no salary increments were paid and the temporary payments were not pensionable. These arrangements are a departure from the Council's normal employment arrangements and reflect the specific arrangements of these temporary arrangements.

The new Director of Child and Adult Services commenced in the role on 21 October, 2013 on a salary of £110,000. The salary scale for the Director of Child and Adult Services for 2013/14 was £100,000 to £110,000. Appointment was made at the top of the grade to reflect the experience of the new director who had held a similar role in another authority.

(b) The salary scale for the Director of Regeneration & Neighbourhoods for 2013/14 was £100,000 to £110,000 (2012/13 £120,000 to £130,000). The current postholder's salary was incrementally increased from £100,000 to £102,000 in December, 2013, in line with agreed contractual arrangements.

(c) The Director of Public Health joined the authority on 1 April, 2013 under TUPE transfer on a salary of £81,481. The postholder's NHS terms and conditions of employment will apply for a period of three years from TUPE transfer. During this period the post is not subject to an incremental salary scale and will remain on a fixed salary of £81,481.

(d) The salary scale for the Chief Finance Officer's post was reassessed during 2013/14 to reflect increases in the responsibilities of this post implemented from the 1 November, 2011. As a result of this review the salary scale for this post was assessed as £70,254 to £81,062 (previously £64,850 to £75,658). The salary payment for 2013/14 includes arrears of £3,828 covering the period 1 November, 2011 to 31 March, 2013. The Chief Finance Officer's salary includes a payment of £3,432 in 2013/14 (£3,432 in 2012/13) in respect of this post holder also acting as Deputy Treasurer to Cleveland Fire Authority. This cost is paid for by the Fire Authority.

(e) The salary scale for the Chief Solicitor's post for 2013/14 was £70,254 to £81,062. This salary scale has remained unchanged since 1st April 2008. The current postholder was at the top of this salary scale throughout 2013/14. The Chief Solicitor's salary includes a payment of £3,432 (£3,432 in 2012/13) in respect of this post holder also acting as Legal Officer to Cleveland Fire Authority. This cost is paid for by the Fire Authority. The post holder also received £486 in 2013/14 (£14,356 in 2012/13) as the Council's designated Returning Officer for elections.

(f) The salary scale for the Assistant Chief Executive's post for 2013/14 was £70,254 to £81,062. This salary scale has remained unchanged since 1 April, 2008. The current postholder was at the top of this salary scale throughout 2013/14.

(g) The pension contributions included in the Remuneration Disclosure Tables only relate to the Council's contribution to the pension scheme. In addition, the employee contributes a percentage of their salary to the scheme, for salaries below £87,100 this is up to 7.2% for salaries above £87,100 this is 7.5%.

No expense allowances were paid to Council Officers during 2013/14.

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Note 12 - Officer's Remuneration

Employees with a salary of £50,000 or more

In accordance with the Accounts and Audit Regulations 2011, the number of employees including school employees employed by the Council whose remuneration was £50,000 or greater is detailed in the table below in bands of £5,000. This table excludes details of senior officers set out in the tables overleaf. The bandings have been used since 2002/03 and are not indexed and therefore do not make any adjustment for inflationary increases each year. If the starting banding had been indexed for cost of living increases for local authority employees then it would be £60,600.

'Remuneration' is measured as gross pay (before deduction of employees' pension contributions), plus compensation for loss of office and any other payments receivable on the termination of employment in line with guidance.

The salary bandings for non-school employee Chief Officers earning above £50,000 have remained unchanged since 1 April, 2008 as no cost of living pay awards have been implemented. For other non-school employees earning below £50,000 a 1% cost of living pay award was implemented on 1 April, 2013. Pay grades had previously been unchanged since 1 April, 2009.

TABLE E - NON-SCHOOLS EMPLOYEES

2012/13 No. of Non-School Employees			Remuneration Band (£)	2013/14 No. of Non-School Employees		
<i>Non School</i>	<i>Left in Year</i>	<i>Total</i>		<i>Non School</i>	<i>Left in Year</i>	<i>Total</i>
6	4	10	50,000 to 54,999	7	1	8
2	3	5	55,000 to 59,999	2	-	2
5	2	7	60,000 to 64,999	4	-	4
1	1	2	65,000 to 69,999	-	1	1
1	-	1	70,000 to 74,999	2	-	2
1	-	1	75,000 to 79,999	1	-	1
1	-	1	80,000 to 84,999	2	-	2
1	1	2	85,000 to 89,999	-	1	1
1	1	2	90,000 to 94,999	-	1	1
-	-	-	95,000 to 99,999	-	-	-
-	-	-	100,000 to 104,999	-	-	-
-	1	1	105,000 to 109,999	-	-	-
-	-	-	110,000 to 114,999	-	-	-
-	-	-	115,000 to 119,999	-	-	-
-	-	-	120,000 to 124,999	-	-	-
-	1	1	125,000 to 129,999	-	-	-
19	14	33		18	4	22

TABLE F - SCHOOL EMPLOYEES

2012/13 No. of School Employees			Remuneration Band (£)	2013/14 No. of School Employees		
<i>School</i>	<i>Left in Year</i>	<i>Total</i>		<i>School</i>	<i>Left in Year</i>	<i>Total</i>
10	-	10	50,000 to 54,999	9	-	9
11	1	12	55,000 to 59,999	5	-	5
3	1	4	60,000 to 64,999	3	-	3
4	1	5	65,000 to 69,999	4	-	4
1	-	1	70,000 to 74,999	2	-	2
-	-	-	75,000 to 79,999	-	-	-
-	-	-	80,000 to 84,999	-	-	-
-	-	-	85,000 to 89,999	-	-	-
-	-	-	90,000 to 94,999	-	-	-
-	-	-	95,000 to 99,999	-	-	-
1	-	1	100,000 to 104,999	-	-	-
30	3	33		23	-	23

The remuneration for school employees is determined by each individual Governing Body in accordance with national pay guidelines. Foundation and Voluntary Aided school employees are excluded from the Table as the Governing Body and not the Council are the employer.

During 2013/2014 five schools were granted Academy Status and their employees are excluded from the 2013/14 figures shown in the above table.

SECTION 3 : Statement of Accounts

Note 13: Termination Costs

In response to cuts in Government grants in 2011/12, 2012/13 and 2013/14 the Council has had to make significant reductions in ongoing expenditure. The Council has mitigated the impact on staff by managing vacancies and redeploying staff where possible. However, as staff costs make up the largest single element of the Council's budget it has not been possible to avoid reductions in staffing levels. Therefore, in 2013/14 a total of 81 employees (59 in 2012/13) either took voluntary redundancy or were made compulsorily redundant. The 2013/14 costs of this involved payments of £0.837m (£0.512m in 2012/13) to employees in the form of redundancy payments and £0.675m (£0.318m in 2012/13) to the pension fund in respect of retirement benefits. The Council also incurred other costs of £0.006m (£0.025m in 2012/13). These payments incorporate schools and further details are provided in Note 44.

The Council calculates redundancy pay based on the actual salary paid to individual employees, with a maximum redundancy payment not exceeding 30 weeks pay with no enhancements. We understand that the Council's redundancy payments are lower than all other North East Councils who either pay more than 30 weeks pay, or make enhanced payments. Retirement cost are based on national arrangements applying to all Local Government Pension schemes.

For non-schools employees the Council adopts robust arrangements for approving both compulsory and voluntary redundancies / early retirements and only approves applications where there is a permanent budget saving and the one-off redundancy / early retirement costs have a pay back period of 3.05 years or less. In 2013/14 the average pay back period was 12 months (10 months in 2012/13). In 2013/14 this has enabled the authority to achieve permanent salary savings of £1.243m (£0.867m in 2012/13).

The following tables provide details by band and of the number and total cost of the compulsory and voluntary redundancies for non-school and school employees.

TABLE G - NON-SCHOOLS EMPLOYEES

2012/13					2013/14			
No of compulsory redundancies	No of voluntary redundancies	Total no of redundancies by band	Total cost of redundancies by band £	Remuneration Band (£)	No of compulsory redundancies	No of voluntary redundancies	Total no of redundancies by band	Total cost of redundancies by band £
20	21	41	335,235	0 to 20,000	29	31	60	396,675
2	3	5	142,530	20,001 to 40,000	1	8	9	241,362
-	3	3	156,481	40,001 to 60,000	-	4	4	190,837
-	1	1	70,229	60,001 to 80,000	-	4	4	278,009
-	1	1	87,421	80,001 to 100,000	-	-	-	-
-	-	-	-	100,001 to 120,000	-	2	2	223,126
-	-	-	-	120,001 to 140,000	-	-	-	-
-	-	-	-	140,001 to 160,000	-	-	-	-
-	-	-	-	160,001 to 180,000	-	-	-	-
-	-	-	-	180,001 to 200,000	-	1	1	186,377
22	29	51	791,896		30	50	80	1,516,386

TABLE H - SCHOOLS EMPLOYEES

2012/13					2013/14			
No of compulsory redundancies	No of voluntary redundancies	Total no of redundancies by band	Total cost of redundancies by band £	Remuneration Band (£)	No of compulsory redundancies	No of voluntary redundancies	Total no of redundancies by band	Total cost of redundancies by band £
8	-	8	63,084	0 to 20,000	1	-	1	1,735
8	-	8	63,084		1	-	1	1,735

Decisions in relation to school employees are made by individual School Governing Bodies and not by the Council. Foundation and Voluntary Aided school employees are excluded from Table H as the Governing Body and not the Council are the employer.

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Note 14: Non Current Assets - Property, Plant & Equipment

This note shows the movements in the value of non current assets (Property, Plant and Equipment) during 2013/14.

Movements in 2013/14

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation								
As at 1 April 2013	4,583	147,808	26,637	98,667	6,936	5,544	11,592	301,767
Adjustment for Impairment 2012/13	-	(3,283)	-	-	-	(667)	-	(3,950)
Additions	677	1,967	3,144	1,497	280	454	11,084	19,103
Accumulated Depreciation Written Off to Gross Carrying Amount	(29)	(3,029)	-	-	-	(65)	-	(3,123)
Accumulated Impairment Written Off to Gross Carrying Amount	-	(2,437)	-	-	-	(793)	-	(3,230)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	243	6,140	498	-	(1,243)	310	-	5,948
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(1,387)	(403)	-	-	11	694	-	(1,085)
Derecognition-Disposals	-	(13,328)	(2,498)	-	(366)	(155)	(211)	(16,558)
Reclassified (to)/from Held for Sale	-	-	-	-	1,250	675	-	1,925
Reclassified (to)/from Investment Property	34	(1,275)	-	-	(41)	8	-	(1,274)
Other movements in Cost or Valuation	1,467	1,020	107	1,317	(1,271)	1,318	(3,958)	-
At 31 March 2014	5,588	133,180	27,888	101,481	5,556	7,323	18,507	299,523

Accumulated Depreciation and Impairment

As at 1 April 2013	(45)	(8,434)	(12,743)	(38,643)	-	(670)	-	(60,535)
Adjustment for Impairment 2012/13	-	3,283	-	-	-	667	-	3,950
Depreciation Charge	(65)	(2,959)	(2,881)	(3,030)	-	(90)	-	(9,025)
Accumulated Depreciation Written Off to Gross Carrying Amount	29	2,947	-	-	-	105	-	3,081
Accumulated Impairment Written Off to Gross Carrying Amount	-	2,136	-	-	-	17	-	2,153
Derecognition - Disposals	-	387	2,191	-	-	-	-	2,578
Reclassified (to)/from Investment Property	-	35	-	-	-	-	-	35
Other movements in Depreciation and Impairment	-	34	-	-	-	(33)	-	1
At 31 March 2014	(81)	(2,571)	(13,433)	(41,673)	-	(4)	-	(57,762)

Net Book Value

At 31 March 2014	5,507	130,609	14,455	59,808	5,556	7,319	18,507	241,761
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Nature of Asset Holding

Owned	5,507	130,609	14,399	59,808	5,556	7,319	18,507	241,705
Finance Lease	-	-	56	-	-	-	-	56
Total	5,507	130,609	14,455	59,808	5,556	7,319	18,507	241,761

SECTION 3 : Statement of Accounts

Note 14: Non Current Assets - Property, Plant & Equipment

Movements in 2012/13

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation								
As at 1 April 2012	4,430	161,966	22,374	96,100	7,079	1,861	4,534	298,344
Additions	-	2,213	4,549	1,022	568	496	10,170	19,018
Accumulated Depreciation & Impairment written off to Gross Carrying Amount	(28)	(3,900)	-	(12)	-	(35)	-	(3,975)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	(28)	55	-	-	462	1,397	-	1,886
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	209	(796)	-	(68)	(384)	441	-	(598)
Derecognition-Disposals	-	(11,174)	(338)	-	-	-	-	(11,512)
Reclassified (to)/from Held for Sale	-	-	-	-	-	(675)	-	(675)
Reclassified (to)/from Investment Property	-	493	-	-	(101)	(1,113)	-	(721)
Other movement in Cost or Valuation	-	(1,049)	52	1,625	(688)	3,172	(3,112)	-
At 31 March 2013	4,583	147,808	26,637	98,667	6,936	5,544	11,592	301,767
Accumulated Depreciation and Impairment								
At 1 April 2012	(8)	(3,884)	(10,525)	(35,626)	-	(20)	-	(50,063)
Depreciation Charge	(65)	(3,331)	(2,479)	(3,029)	-	(18)	-	(8,922)
Accumulated Depreciation Written Off to Gross Carrying Amount	28	3,900	-	12	-	35	-	3,975
Impairment Losses recognised in the Surplus/Deficit on the Provision of Services	-	(5,360)	-	-	-	(667)	-	(6,027)
Derecognition - disposals	-	241	261	-	-	-	-	502
At 31 March 2013	(45)	(8,434)	(12,743)	(38,643)	-	(670)	-	(60,535)
Net Book Value								
At 31 March 2013	4,538	139,374	13,894	60,024	6,936	4,874	11,592	241,232
Nature of Asset Holding								
Owned	4,538	139,374	13,887	60,024	6,936	4,874	11,592	241,225
Finance Lease	-	-	7	-	-	-	-	7
Total	4,538	139,374	13,894	60,024	6,936	4,874	11,592	241,232

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings - 50 years.
- Other Land and Buildings - straight-line allocation over the useful life of the property as estimated by the valuer, between 25 and 40 years.
- Vehicles, Plant, Furniture & Equipment - straight-line allocation over the useful life of the asset, up to 15 years.
- Infrastructure - between 15 and 100 years.

SECTION 3 : Statement of Accounts

Note 14: Non Current Assets - Property, Plant & Equipment

Revenue Expenditure Funded from Capital Under Statute

The net cost of Revenue Expenditure Funded from Capital Under Statute is charged to the Comprehensive Income and Expenditure Account. An amount of £2.968m (£2.195m in 2012/13) has been charged to Services. These amounts were fully financed from capital resources, which in the case of earmarked reserves have been shown as a reconciling item within Note 5 (Adjustments between Accounting Basis and Funding Basis under Regulations) £1.360m (£0.209m in 2012/13), and in the case of case of capital grants and prudential borrowing (general fund) £1.608m (£1.986m in 2012/13).

Capital Commitments

As at 31 March, 2014, the Council had rephased capital expenditure totalling £20.311m into 2014/2015, of which £8.716m will be funded from grant, £8.145m will be funded by prudential borrowing and the remaining £3.450m will be funded from the Council's own resources. The comparable rephased capital expenditure at 31 March, 2013 was £22.737m. The Council has entered into a number of contracts for which capital monies are committed.

The major commitments are:

Scheme	Total Project Budget	Expenditure over Years to 31 March 14	Commitment
	£000s	£000s	£000s
Building Schools for the Future - ICT	6,774	4,229	2,545
Empty Property Purchasing Scheme	5,840	3,709	2,131
Education Capital Funding	1,024	-	1,024

SECTION 3 : Statement of Accounts

Note 15: Non Current Assets - Property, Plant & Equipment - Revaluations

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally and valuations are based on certificates issued by the Council's Estates Manager, Mr D Clarke, a member of the Royal Institute of Chartered Surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost.

The significant assumptions applied in estimating the fair values unless otherwise noted in the valuation reports are:

- Properties are in good condition and repair.
- Properties are freehold and with vacant possession.
- Properties will continue to be used by the Council into the foreseeable future.
- Properties do not contravene planning and other statutory matters.

The following statement shows the progress of the Council's rolling programme for the revaluation of non current assets and property, plant and equipment, excluding Community Assets (£5.556m), Heritage Assets (£14.652m), Infrastructure Assets (£59.808m) and Property, Plant and Equipment under construction (£18.507m). The basis for the valuation is set out in the Statement of Accounting Policies.

	Operational Assets				
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	Total
	£000s	£000s	£000s	£000s	£000s
Valued at Historical Cost	-	-	14,455	-	14,455
Valued at fair value as at:					
<u>Current Year</u>					
2013/2014	2,115	118,724	-	5,564	126,403
2012/2013	1,512	3,934	-	1,003	6,449
2011/2012	1,809	3,038	-	2	4,849
2010/2011	-	1,647	-	750	2,397
2009/2010	71	3,266	-	-	3,337
Total	5,507	130,609	14,455	7,319	157,890

Custodian Authority Assets

The Balance Sheet excludes assets held by the Council in its capacity as Custodian Authority. These assets were last revalued in 2009/10 at £0.007m. The interest on these assets were passed to the Council following the abolition of Cleveland County Council on 1 April 1996. These assets are held on behalf of the four unitary authorities pending their disposal. The sale proceeds will be distributed to the four unitary authorities in accordance with an agreed basis.

SECTION 3 : Statement of Accounts

Note 16: Non Current Assets - Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2012/13 £000s		2013/14 £000s
(755)	Rental income from Investment Property	(434)
211	Direct operating expenses arising from investment property	214
(544)	Net (gain)/loss	(220)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repair, maintain or enhance these assets.

The following table summarises the movement in the fair value of investment properties over the year.

The Council leases a number of properties where it also acts as a lessor. These properties are classed as investment properties.

2012/13 £000s		2013/14 £000s
14,532	Balance at the start of the year	15,094
	<u>Additions:</u>	
-	Acquisitions	1,564
-	Subsequent expenditure	10
(7)	Disposals	(148)
(151)	Net Gains/(Losses) from Fair Value Adjustments	194
	<u>Transfers</u>	
720	(To)/from Property, Plant & Equipment	1,239
15,094	Balance at the end of the year	17,953

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Note 17: Non Current Assets - Heritage Assets

Reconciliation of the carrying value of Heritage Assets held by the Council:

2012/13	Museum Exhibits & Art Collection	Civic Collection	Sculptures, Monuments & War Memorials	Total
Cost or Valuation	£000s	£000s	£000s	£000s
At 1 April 2012	13,128	354	1,170	14,652
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
At 31 March 2013	13,128	354	1,170	14,652

2013/14	Museum Exhibits & Art Collection	Civic Collection	Sculptures, Monuments & War Memorials	Total
Cost or Valuation	£000s	£000s	£000s	£000s
At 1 April 2013	13,128	354	1,170	14,652
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
At 31 March 2014	13,128	354	1,170	14,652

Museum Exhibits & The Art Collection

The Council's Museum Service possesses a fine collection of historical objects, information and artworks. These are displayed within the Museum of Hartlepool, the Hartlepool Art Gallery and selected buildings such as the Civic Centre and Borough Buildings, either as part of the permanent historical displays or as changing exhibitions. When not on display they are held in a secure storage.

The collections are used as a valuable reference collection for researching the history and cultural identity of the town.

Hartlepool has an impressive and important collection of over 1,000 pieces of fine art. The collection is mainly Victorian and Edwardian in period, largely as a result of the founding collection by Sir William Gray. With few exceptions, most subsequent collecting has been work of artists living or working at least part of their lives in the Hartlepool area.

The Council also holds collections relating to Hartlepool's maritime heritage and social history. These include ship models, photographs, company records, ephemera and equipment. This also contains around 35,000 plans for the building of approximately 300 ships including the Wingfield Castle.

Almost all of the plans relate to ships built by Gray's shipyard from 1927 to the yards closure in 1961. When the shipyard closed, the plans were still of importance and often bought by other ship builders. In the mid 1980s many of the plans were returned to Hartlepool and now feature in the collection. A hugely informative collection is that preserved by Robert Wood, a local historian which contains over 40,000 examples of 19th century and early 20th century ephemera, manuscript material and posters from the Hartlepool printing firm owned by John Procter. The collection reflects the social aspects of life as well as the industry in the town.

Civic Collection

The Civic collection includes the Civic Regalia, ceremonial silverware, and a number of decorative artefacts. During 2011/12 the collection was valued at £0.354m by External Valuers. In addition the Books of Remembrance have been included within the Civic Collection and are held at Historic Cost.

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Note 17: Non Current Assets - Heritage Assets

Valuation of the Collections

Although there is no requirement to have Heritage assets externally valued, during 2011/12 the External Valuers Anderson & Garland Ltd carried out an insurance based valuation of the assets. Museum exhibits and Works of Art were valued at £13.128m and £0.354m for the Civic Collection, compared to previous valuations of £8.417m and £0.350m respectively.

Sculptures, Monuments, War Memorials & Archaeology

The Council has recorded 11 Public Works of Art, 7 Sculptures, 5 War Memorials which are considered to principally contribute to knowledge and culture. Where these assets are already recognised in Community Assets they have been transferred at historic cost.

Policy and Management

The Council has an Acquisitions & Disposals Policy in place which sets out the acquisition, preservation, management and disposal of Heritage Assets. This is available on request.

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Note 18: Long Term Investments

This note details the carrying values of the Council's investments.

2012/13 £000s		2013/14 £000s
59	Durham and Tees Valley Airport Limited	25
197	SITA Tees Valley Limited	197
256		222

Under Local Government Reorganisation the Council was allocated 2.47% of the shares in Durham Tees Valley Airport Limited, which has reduced to 1.08% upon the sale of the airport to Peel Investments (DVTA) LTD. The shares are valued at £0.025m (£0.059m in 2012/13); this is determined by the net worth of the company, as disclosed in the company's latest accounts.

Further details of the Council's long term investments are included in Note 30 'Related Party Transactions'.

Note 19: Long Term Debtors

This note sets out the value of Long Term Debtors held by the Council at 31 March, 2014.

2012/13 £000s		2013/14 £000s
14	Housing Advances	13
77	Trincomalee Loan and Advances	77
118	Car Loans to Employees	108
44	Other	48
253		246

Note 20: Inventories

This note sets out the value of inventories held by the Council at 31 March, 2014.

2012/13 £000s		2013/14 £000s
637	Balance at 1 April	719
2,942	Purchases	2,616
(2,853)	Recognised as an expense in year	(2,591)
(7)	Written off balances	(1)
719	Balance at 31 March	743

SECTION 3 : Statement of Accounts

Note 21: Short Term Debtors

This note sets out amounts owed to the Council as at 31 March, 2014.

2012/13 £000s		2013/14		
		Gross Debtor	Impairment of Bad Debts	Net Debtor
		£000s	£000s	£000s
3,173	Central Government Bodies	2,697	-	2,697
1,810	Other Local Authorities	355	-	355
332	NHS Bodies	818	-	818
	Bodies external to general government:			
3,516	General and Other Debtors	4,926	(1,404)	3,522
1,334	Payments in Advance	1,454	-	1,454
1,317	Council Tax Payers	3,582	(1,829)	1,753
-	NNDR Payers	705	(379)	326
1,316	Trade Debtors	1,712	(367)	1,345
12,798		16,249	(3,979)	12,270

The decrease in Central Government Bodies relates mainly to the timing of the March VAT claim and outstanding grant. The decrease in Other Local Authorities relates mainly to preceptor adjustments in the collection fund, and a balance owed by other Local Authorities for building cleaning. The increase in NHS Bodies relates to the Hartlepool & Stockton Clinical Commissioning Group. The increase in Council Tax Payers relates to preceptor adjustments. Following the introduction of the business rate retention scheme in 2013/14, NNDR payers are now included in Short Term Debtors.

Note 22: Cash and Cash Equivalents

This note sets out details of the Council's cash in hand and instant access investment accounts in addition to the overdraft included in the Liabilities section of the balance sheet.

2012/13 £000s		2013/14 £000s
	Assets	
78	Bank and Imprests	75
10,166	Liquidity Investment Accounts	12,800
10,244		12,875
	Liabilities	
(2,049)	Bank Overdraft	(4,111)
8,195		8,764

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Note 23: Assets Held for Sale (Less than one year)

This note shows the movement of items of property, plant or equipment, or groups of assets and liabilities whose carrying amount is to be recovered principally through a sale rather than its continued use by the Council.

2012/13 £000s		2013/14 £000s
3,845	Balance outstanding at start of year	4,520
	Assets newly classified as Held for Sale:	
675	Property, Plant and Equipment	-
	Assets declassified as Held for Sale:	
-	Property, Plant and Equipment	(1,925)
-	Assets sold	(2,515)
<u>4,520</u>	Balance outstanding at year-end	<u>80</u>

Note 24: Short Term Creditors

This note sets out amounts owed by the Council as at 31 March, 2014.

2012/13 £000s		2013/14 £000s
2,579	Central Government Bodies	4,935
1,426	Other Local Authorities	1,372
184	NHS Bodies	296
	Bodies external to General Government:	
8,411	General and Other Creditors	6,372
4,198	Trade Creditors	2,880
2,186	Employee Absences	2,105
977	Income in Advance	959
-	Council Tax Payers	538
-	NNDR Payers	264
<u>19,961</u>		<u>19,721</u>

Prepayments from Council Tax Payers and NNDR Payers have been disclosed separately for 2013/14; they are included within General and Other Creditors in the 2012/13 comparative figures.

SECTION 3 : Statement of Accounts

Note 25: Provisions

Total provisions at 31 March, 2014, were £3.904m (£1.711m in 2012/2013), as detailed below.

Current Liabilities

		2013/14				
		Litigation	Land Charges	Rating Appeals	MMI Insurance	Total
2012/13						
£000s		£000s	£000s	£000s	£000s	£000s
1,177	Balance at 1 April	241	-	-	120	361
280	Additional provisions made in year	350	-	1,942	-	2,292
(168)	Amounts used in year	-	(3)	-	(98)	(101)
(76)	Amounts transferred (to) / from long term provisions	-	76	-	2	78
(852)	Unused amounts reversed in year	-	-	-	-	-
361	Balance at 31 March	591	73	1,942	24	2,630

Long Term Liabilities

		2013/14				
		Custodian Authority Property Charges	Land Charges	Contaminated Land	MMI Insurance	Total
2012/13						
£000s		£000s	£000s	£000s	£000s	£000s
745	Balance at 1 April	97	76	634	543	1,350
1,177	Additional provisions made in year	-	-	-	-	-
76	Amounts transferred (to) / from short term provisions	-	(76)	-	-	(76)
(648)	Unused amounts reversed in year	-	-	-	-	-
1,350	Balance at 31 March	97	-	634	543	1,274

Custodian Authority Property Charges - this provision is earmarked to meet the Council's share of the costs of the Custodian Authority properties inherited from the former Cleveland County Council.

Litigation - the litigation provision has been created to cover potential legal cost liabilities. The provision is based on a prudent estimate of the likely costs. However, the timing of these payments is uncertain.

Rating Appeals - following the implementation of the Business Rates Retention Scheme, this provision is earmarked to fund backdated appeals as a result of Rateable Value changes and represents 49% of the total appeals. These costs were previously met by Central Government. It is expected that these appeals will be settled during 2014/15.

In September, 1992 Municipal Mutual Insurance (MMI), the Council's former insurers, ceased accepting new business. MMI and its policyholders, including local authorities, have established a Scheme of Arrangement for the orderly run down of the company. MMI do not have enough assets to meet the claims and liabilities currently outstanding. The Scheme of Arrangement provides that, if there is a likelihood of a shortfall, MMI can reclaim from the major policyholders part of the claims paid from 1 October, 1992. The Scheme of Arrangement under section 899 of the Companies Act 2006 was triggered in November, 2012. In February, 2013 the Creditors Committee set a levy rate of 15% based on a percentage share of the liabilities outstanding. Therefore the Council has recognised a £0.567m provision in the accounts for these liabilities.

Land Charges - this provision has been created to cover refunds of land charges following the revocation of personal search fees on the local land charge register. It is expected that this will be settled during 2014/15.

Contaminated Land - in accordance with the Environmental Protection Act 1990, a provision for the Council's obligations arising from decontamination costs of areas of contaminated land where there is a significant possibility of causing significant harm to human health.

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Note 26: Other Long Term Liabilities

The Finance lease liability relates to the outstanding principal on the Council's finance leases. Further details are included in Note 35 - Finance Leases.

2012/13 £000s		2013/14 £000s	Note
154	Finance lease liability	45	35
2	Section 106	-	
122,578	Net Pensions liability	90,717	29
122,734		90,762	

The finance lease liability has reduced as a result of repayment of principal.

The net pensions liability has reduced owing to Actuarial asset gains and a reduction in expected liability obligations. The significant asset gains reflect higher than assumed investment returns. See Note 45 for further information.

Note 27: Grant Income - Credited to Taxation and Non Specific Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14.

2012/13 £000s		2013/14 £000s
922	Revenue Support Grant	37,412
40,364	Council Tax Income	31,199
-	Council Tax - Transition Grant	264
47,556	NNDR Redistribution	17,140
-	NNDR - Top-Up	7,168
993	Council Tax Freeze Grant	408
7,192	Early Intervention Grant	-
395	Local Support Services Grant	112
706	New Homes Bonus Grant	1,399
167	Capital - Devolved Formula Capital Grant	62
2,106	Capital - Building Schools for the Future	1,025
1,495	Capital - Other DfE Grants	950
-	Capital - Housing Market Renewal	35
1,347	Capital - Homes & Communities Agency	1,369
5,140	Other Capital Grants & Contributions	7,059
108,383	Total	105,602

SECTION 3 : Statement of Accounts

Note 27: Grant Income - Credited to Services

2012/13 £000s		2013/14 £000s
73,045	Dedicated Schools Grant	65,808
47,210	Housing Benefit Subsidy	47,290
13,027	Council Tax Benefit Subsidy	-
26	Building Schools for the Future	278
3,669	Education Funding Agency/ Skills Funding Agency	3,521
2,377	Other Grants	2,346
2,221	Department of Health Grants	148
-	Education Services Grant	1,708
3,213	Pupil Premium	4,225
1,178	Housing Benefit and Council Tax Benefit Administration	1,065
-	Local Council Tax New Burdens	101
-	Small Business Rates	446
-	Public Health Grant	8,255
1,911	Other Department for Education Grants	1,453
459	Department for Work & Pensions	1,632
87	Environment Agency	50
148,423	Total	138,326

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned if the conditions are not met. The balances at the year-end are as follows :-

Current Liabilities

Grant Receipts in Advance (Capital Grants)

2012/13 £000s		2013/14 £000s
1,750	Department for Transport	651
1,684	Building Schools for the Future	1,704
3,366	Other Capital Grants & Contributions	3,625
1,625	Other Department for Education Grants	1,491
168	Homes & Communities Agency	55
8,593	Total	7,526

Grant Receipts in Advance (Revenue Grants)

2012/13 £000s		2013/14 £000s
855	Education Funding Agency/ Skills Funding Agency	932
455	Department for Work & Pensions	-
324	Other Grants	192
-	Department for Communities & Local Government	572
1,634	Total	1,696

Long-Term Liabilities

Grant Receipts in Advance (Capital Grants)

2012/13 £000s		2013/14 £000s
2,160	Building Schools for the Future	838
200	Other Capital Grants & Contributions	-
2,360	Total	838

SECTION 3 : Statement of Accounts

Note 28: Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 5 and 6 and are summarised below.

2012/13 £000s		2013/14 £000s	Note
	<u>Unearmarked General Fund Balance</u>		
5,946	General Fund Balance	5,153	1
5,946		5,153	
	<u>Earmarked General Fund Reserves</u>		
2,051	Budget Support Fund 2014/15 to 2016/17	3,732	2
100	Strategic Change Reserve	-	3
18	LPSA Reward	-	4
2,169		3,732	
	<u>School Balances</u>		
5,608	Balances held by schools under a scheme of delegation	4,852	5
2,173	School Strategic Change & Ring Fenced Grants Reserves	2,047	6
420	Other Fund School Balances	143	7
8,201		7,042	
	<u>Earmarked Revenue Reserves</u>		
9,407	Strategic One Off Costs	7,629	8
3,975	Strategic Change Ring Fenced Grants Reserves	4,677	9
3,557	Strategic Change Reserves	4,513	10
3,934	Insurance Fund	4,023	11
1,197	Support for Local Council Tax Support Scheme	2,057	12
2,178	Strategic Risk Reserve	2,028	13
1,000	Business Rates Risk Reserve	1,900	14
1,680	Children's Social Care & Early Intervention Reserve	999	15
-	Treasury Management Risk reserve	870	16
-	Business Rates Equalisation Reserve	750	17
-	Capital Risk Strategy Reserve	501	18
-	Public Health Grant Reserve	500	19
-	Income Risk Reserve	500	20
427	Lotteries Reserve	442	21
-	Regeneration Projects	400	22
727	Support 2012/13 Loss of Council Tax Freeze Grant	379	23
1,148	Academies Reserve	363	24
232	Pension Actuarial Reserve	312	25
285	Trading Account Reserves	285	26
140	Building / Development Control Income Shortfall	204	27
194	Members Ward Budget Reserve	186	28
309	Supporting Family Poverty	149	29
165	Carbon Reduction Commitment	137	30
164	Business Transformation	135	31
200	School Attainment Reserve	95	32
72	Museums Acquisition	76	33
-	WW1 Commemoration Reserve	60	34
50	Funding for Modern Apprentices	50	35
-	Living Wage Reserve	49	36
38	Concessionary Fares	38	37
-	Environmental Apprenticeships Scheme	34	38
50	Works in Default Empty Homes	19	39
-	Public Relations Reserve	10	40
8	NDC Fund	8	41
20	Public Inquiry Reserve	3	42
75	ICT Contract Reserve	-	43
30	Seaton Carew Youth Club	-	44
107	Property Reserve	-	45
18	Mayoral Referendum Reserve	-	46
250	Future Project Investigation Costs	-	47
31,636		34,380	
	<u>Earmarked Capital Reserves</u>		
3,829	Capital Funding Reserve	4,075	48
361	Capital Grants Unapplied	352	49
-	Capital Receipts Unapplied	16	50
4,190		4,443	
52,142	<u>Total Reserves</u>	54,750	

SECTION 3 : Statement of Accounts

Note 28: Usable Reserves

Notes to Usable Reserves

The Councils reserves have been established as part of the Medium Term Financial Strategy (MTFS) to manage the significant financial risks and one off commitments arising from continued cuts in ongoing Government grants. The following notes explain the purpose of individual reserves.

Unearmarked General Fund Balance

- 1 The General Fund Balance of £5.153m held at 31st March 2014 includes £0.620m earmarked as part of the MTFS approved by Council on the 6 February, 2014 to manage the potential risk of a reduction in Public Health funding in 2016/17. The General Fund Balance also included £0.215m received from Housing Hartlepool arising from the sale of former Council Houses and £0.198m from Government Capitalisation Grant redistribution. A report to Council on 3 July, 2014 approved the creation of two specific reserves; Social Housing Development Reserve and a Budget Support Fund 2015/16. The remaining uncommitted General Fund balance of £4.039m is held to meet unforeseen commitments not funded from Earmarked Reserves.

	£000s
Uncommitted General Fund Balance	4,038
Public Health Funding Risk Reserve	620
Budget Support Fund 2015/16	280
Social Housing Development Reserve	215
	<hr/> 5,153 <hr/>

Earmarked General Fund Reserves

- 2 This reserve has been established to support the budget between 2014/15 to 2016/17.
- 3 This reserve was established to enable departments to meet one-off costs that may arise from strategic changes to improve services, or reduce costs, without affecting the level of services in the year. It was agreed that this reserve was no longer required and was therefore released as part of the reserve review and transferred to the Budget Support Fund.
- 4 This reserve was created using monies received from the Government following the Council's successful achievement of LPSA Targets. It was agreed that this reserve was no longer required and was therefore released as part of the reserve review and transferred into the Budget Support Fund.

School Balances

- 5 School reserves have reduced as schools have utilised their reserves to assist with lower increases in revenue funding, contributions to planned capital works and transfer of reserves to those Schools which converted to Academy Status during 2013/14. Further details are available from the Child & Adult Services Department. The net balance of £4.852m consists of individual school balances of £4.867m less loans to schools of £0.015m.
- 6 These risk reserves are held in trust for Schools to manage specific commitments and one-off risks.
- 7 School balances generated from other funding.

Earmarked Revenue Reserves

- 8 This reserve was created to cover one-off strategic financial issues including redundancy, early retirement costs and capital investment requirements over the period of the MTFS.
- 9 Ring-Fenced Grants Reserve are grants received which are ring fenced for specific commitments in 2014/15 in accordance with grant conditions.
- 10 Strategic Change Reserves have been established to enable departments to meet one-off costs that may arise from strategic changes to improve services, or reduce costs, without affecting the level of services in the year.
- 11 This reserve provides for all payments that fall within policy excesses or relate to self-insured risks, the reserve currently covers the estimated value of unpaid outstanding claims.
- 12 This reserve was created to partly mitigate the impact of the change to the Council Tax Benefit regime and the resulting cut in Government Grant. It is planned to use this reserve in 2014/15 and 2015/16.
- 13 This risk reserve is set aside to manage one-off risks in relation to Equal Pay/Equal Value claims.
- 14 This reserve has been established to address the financial risk of the impact of the Business rates being localised in April 2013 and the implementation of the 'safety net' arrangements. Under these arrangements the Council will only receive 'safety net' grant for shortfalls above £1.7m. This is a significant risk to the Council owing to the potential loss of Business rates income from unplanned shut downs at the Power Station.
- 15 This reserve was created from underspends against previous years Early Intervention Grant to support longer term funding changes for Early Intervention Services and Children's Social Care. The reserve will be utilised over the period of the MTFS with usage to be determined based on future need and impact of budget reductions.
- 16 This reserve was created as part of the 2013/14 MTFS to manage the risk of interest rates increasing and to ensure permanent saving built into the MTFS can be achieved if interest rates increase. This was approved by Council 14 February, 2013.

SECTION 3 : Statement of Accounts

Note 28: Usable Reserves

- 17 This reserve was created to fund Business Rates Risks. Of this, £0.250m covers the unbudgeted 2013/14 deficit on the 2013/14 Business Rates Collection Fund, £0.500m will cover the forecast reduction in Business Rates retained by the Council as a result of forecast successful appeals.
- 18 This reserve was created to manage capital receipts risks, including the Jacksons Landing project. This reserve was approved by Council as part of the MTFS on 6 February, 2014.
- 19 This reserve was created from an in-year underspend against the ring-fenced Public Health Grant. In accordance with the grant conditions a ring-fenced reserve has been created to support public health services in 2015/16.
- 20 This reserve was created as part of the 2013/14 MTFS approved by Council 4 February, 2013 and is earmarked to offset in year income shortfalls. This reserve had previously been included in the Budget Support Fund.
- 21 The Lotteries Reserve, which consists of the proceeds of the Civic Lottery and donations received, is an earmarked reserve and the investment income generated is used for grants and donations to local organisations.
- 22 This reserve was created from one-off funding to support Regeneration Priorities.
- 23 This reserve was partly used in 2013/14. The balance of this reserve will be used in 2014/15.
- 24 This reserve has been established to manage the impact of schools becoming academies in 2013/14 and future years. It is planned to use the balance of this reserve in 2014/15.
- 25 Reserve to manage the pension costs over 3 years.
- 26 This reserve is earmarked to manage future financial risks in Trading Operations.
- 27 The level of income is being affected by the continued weakness in the economy and this reserve has been created to cover this shortfall in income in the short term.
- 28 This reserve is to be used by Members to support minor issues within their Wards.
- 29 This reserve was created to Support Family Poverty in the town. Part of the reserve (£0.160m) was used in 2013/14 to partly mitigate the impact of the cut in grant paid towards the Local Council Tax Support Scheme.
- 30 This reserve has been established to meet Carbon Reduction Commitment liability.
- 31 An amount set aside to fund one off Business Transformation costs which will provide savings towards the MTFS.
- 32 This reserve was created towards improving School Attainment. Members will approve detailed business cases.
- 33 The Museums Acquisition Reserve was set up to put monies aside for the acquisition of items for the Museum.
- 34 This reserve was created to fund costs in relation to this event and will be only be used if sponsorship for this event cannot be achieved.
- 35 This amount was previously set aside to provide re-training of staff on the redeployment register. Council agreed on the 17 October, 2013 to use this reserve to provide Modern Apprenticeships. This amount will be used over the period of the MTFS.
- 36 This reserve was created to fund the 2014/15 cost of introducing the Hartlepool Living Wage.
- 37 This reserve is to cover the tri-annual cost of replacing Concessionary Fare passes.
- 38 This reserve was recommended by the Regeneration Services Committee on the 26 September, 2013 to continue the initiative in 2014/15. This reserve was approved by Council 6 February, 2014 as part of the MTFS.
- 39 This reserve has been created to provide a cash back fund for the completion of housing works in default.
- 40 This reserve was created to part fund a post in the Public Relations Section. This reserve was approved by Council on 6 February, 2014 as part of the MTFS.
- 41 This reserve had been created to fund any outstanding expenditure on New Deals for Communities.
- 42 This reserve was created to fund the Public Inquiry approved by Council.
- 43 This reserve was created to fund one off costs of professional support for the ICT contract renewal which provided significant ongoing savings in 2013/14 and future years.
- 44 An amount set aside to temporarily keep the Seaton Youth Centre open for 12 months to provide time to find alternative provision as part of the overall master plan for Seaton.
- 45 This reserve was created to fund one off costs of achieving ongoing accommodation savings as part of the MTFS.
- 46 An amount set aside to cover the costs of a one-off mayoral referendum.
- 47 This reserve has been established to investigate the future benefits of projects agreed by the Finance and Policy Committee. This reserve was offered up as part of the reserve review and transferred to the Budget Support Fund.
- 48 The Capital Funding Reserve is earmarked to finance specific expenditure rephased to 2013/14.
- 49 These are capital grants that will be used to finance capital expenditure in future years.
- 50 These are capital receipts that will be used to finance capital expenditure in future years.

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Note 29: Unusable Reserves

The Unusable Reserves are shown below.

2012/13 £000s		2013/14 £000s	Table
37,192	Revaluation Reserve	37,610	1
257	Available for Sale Financial Instruments Reserve	223	2
147,764	Capital Adjustment Account	144,599	3
(122,578)	Pensions Reserve	(90,717)	4
8	Deferred Capital Receipts Reserve	7	5
740	Collection Fund Adjustment Account	287	6
(2,186)	Accumulated Absences Account	(2,106)	7
61,197		89,903	

Table 1 - Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. 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.

The Reserve contains only revaluation gains accumulated since 1 April, 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2012/13 £000s			2013/14 £000s
38,203	Balance at 1 April		37,192
6,722	Upward revaluation of assets	9,287	
(4,835)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,381)	
1,887	Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		5,906
(557)	Difference between fair value depreciation and historical cost depreciation	(497)	
(2,341)	Accumulated gains/(losses) on assets sold or scrapped	(4,991)	
(2,898)	Amount written off to the Capital Adjustment Account		(5,488)
37,192	Balance at 31 March		37,610

Table 2 -Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are :

- revalued downwards or impaired and the gains are lost; or
- disposed of and the gains are realised.

2012/13 £000s			2013/14 £000s
197	Balance at 1 April		257
60	Upward/(downward) revaluation of investments not charged to the Surplus/Deficit on the Provision of Services		(34)
257	Balance at 31 March		223

SECTION 3 : Statement of Accounts

Note 29: Unusable Reserves

Table 3 -Capital Adjustment Account

The Capital Adjustment Account absorbs 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 contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April, 2007, the date that the Revaluation Reserve was created to hold such gains. Note 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012/13 £000s		2013/14 £000s
152,009	Balance at 1 April	147,764
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(14,949)	- Charges for depreciation and impairment of non-current assets	(10,102)
(598)	- Revaluation losses on Property, Plant and Equipment	(1,085)
(2,195)	- Revenue expenditure funded from capital under statute	(2,968)
(11,018)	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(16,643)
(28,760)		(30,798)
2,898	Adjusting amounts written out of the Revaluation Reserve	5,488
(25,862)	Net written out amount of the cost of non-current assets consumed in the year	(25,310)
	Capital financing applied in the year:	
787	- Use of the Capital Receipts Reserve to finance new capital expenditure	1,773
11,445	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	11,892
2,841	- Application of grants to capital financing from the Capital Grants Unapplied Account	44
4,686	- Statutory provision for the financing of capital investment charged against the General Fund	4,630
2,009	- Direct revenue funding credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,612
21,768		21,951
(151)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	194
147,764	Balance at 31 March	144,599

SECTION 3 : Statement of Accounts

Note 29: Unusable Reserves

Table 4 - Pensions Reserve

The Pensions Reserve absorbs 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 pension funds or eventually pays and pensions for which it is directly responsible. 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.

Restated 2012/13 £000s		2013/14 £000s
(134,089)	Balance at 1 April	(122,578)
21,623	Remeasurement of defined liability on pensions assets and liabilities	39,396
(18,839)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(16,563)
8,727	Employer's pensions contributions and direct payments to pensioners payable in the year	9,028
(122,578)	Balance at 31 March	(90,717)

Table 5 - Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. 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 Capital Receipts Reserve.

2012/13 £000s		2013/14 £000s
9	Balance at 1 April	8
(1)	Transfer to the Capital Receipts Reserve upon receipt of cash	(1)
8	Balance at 31 March	7

SECTION 3 : Statement of Accounts

Note 29: Unusable Reserves

Table 6 - Collection Fund Adjustment Account

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

2012/13 £000s		2013/14 £000s
141	Balance at 1 April	740
599	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(453)
740	Balance at 31 March	287

Table 7 - Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on 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 neutralised by transfers to or from the Account.

There has been a marginal decrease in the accrual made for accumulated absences between 31 March, 2013 and 31 March, 2014, owing to staff carrying forward less annual leave than in the previous year.

2012/13 £000s		2013/14 £000s
(2,084)	Balance at 1 April	(2,186)
2,084	Settlement or cancellation of accrual made at the end of the preceding year	2,186
(2,186)	Amounts accrued at the end of the current year	(2,106)
(102)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	80
(2,186)	Balance at 31 March	(2,106)

SECTION 3 : Statement of Accounts

Note 30: Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 7 on reporting for resources allocation decisions. Grant receipts outstanding at 31st March, 2014 are shown in Note 27.

Members

Members of the Council have direct control over the Council's Financial and Operating Policies. The total of Members' allowances paid in 2013/14 is shown in Note 11.

The Council pays grants and/or makes contractual payments to voluntary organisations where an individual Councillor(s) may sit on the voluntary organisation's management board e.g. Hartlepool Carers and Hartlepool Voluntary Development Agency. In 2011/12 the Council let a contract for the provision of the Navigation Service and the SAILS and Handy Person Service to Who Cares North East. Two of our elected Members were Board Members of this company. The contract continued until September, 2013 then transferred to Hartlepool Voluntary Development Agency from October, 2013 onwards. These interests are recorded in the declaration of interests completed by individual members. Details of these interests are recorded in the Register of Members' Interest, open to public inspection at the Civic Centre during office hours.

These payments are either funded from the Council's own resources, or specific grant secured by the Council. In many cases funding is allocated by officers under delegated budget management responsibility. Where the final funding decision is made by Councillors, which would either be individual policy committees or Council, this decision would be made on the basis of an officer report at a formal Committee / Council meeting. These reports, meetings and minutes are open to the public.

Officers

Members of the Corporate Management Team are required to provide an annual declaration of interest and to keep this under review during the year. All declarations have been reviewed. Only one declaration requires disclosing. The Chief Solicitor is a director of the Cleveland Fire Brigade Risk Management Services Community Interest Company. This is a non remunerated position.

SECTION 3 : Statement of Accounts

Note 30: Related Party Transactions

Other Public Bodies (subject to common control by central government)

The Council provides various support services, predominantly in relation to financial and legal services, to Cleveland Fire Authority for which it received income of £0.188m (£0.178m in 2012/13). In particular, the Council's Chief Solicitor holds the position of Legal Advisor and the Chief Finance Officer holds the position of Deputy Treasurer (see Note 12 for further details).

The Council continues to provide a range of support services to Housing Hartlepool including Fleet Maintenance and Building Cleaning. The income from these services amounted to £0.432m (£0.429m in 2012/13) which represented the cost of the service provided. In addition, Housing Hartlepool manage domestic properties on the Council's behalf for which the Council paid Housing Hartlepool a management fee of £48,000 (£41,000 in 2012/13).

The Council provides a range of Support Services to Hartlepool Academies, including Property Services, ICT, Building Cleaning and School Catering. The income from the services amounted to £0.855m.

Other

The Council holds minority shares in Durham Tees Valley Airport Ltd and SITA Tees Valley Ltd.

The value of shares held by the Council in Durham Tees Valley Airport Limited (formerly Teesside International Airport) is £0.025m based on a shareholding of 1.08%. The value has been determined with reference to the net worth of the company, which is £2.344m as per their latest accounts for the financial year ending 31st March, 2013. The shareholding was valued at £0.059m in 2012/13.

Issues of note include a loss on the Profit and Loss Account of £3.873m (previous year profit of £6.690m) and a net asset position of £2.344m (previous year £5.510m). Further information and copies of their accounts are available from their Registered Office – Liverpool John Lennon Airport, Liverpool, L24 1YD.

In addition, the Council holds shares in SITA Tees Valley Limited, (formerly Cleveland Waste Management) with a value of £0.197m, equating to 16.5% of a £1.194m preference shareholding in the company. SITA Tees Valley Limited have produced accounts for the financial year to 31 December, 2013, that includes a profit on the Profit and Loss Account of £2.257m (previous year loss of £2.052m) and a net asset position of £34.195m (previous year £31.938m). Further information on their accounts is available from the Registered Office, SITA House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES. The partner of one of our members is a Director of SITA, this has been properly disclosed in the Register of Member interests.

The Council has not produced group accounts on the grounds of materiality.

SECTION 3 : Statement of Accounts

Note 31: Trading Operations

Following the abolition of Compulsory Competitive Tendering, the Council is no longer required to maintain statutory DSO trading accounts. The Council previously determined to maintain separate trading accounts for these operations. The (surplus)/deficit of each trading account is contained within the appropriate service of the net cost of services and totals £0.092m deficit in 2013/14 (£0.030m deficit in 2012/13).

2012/13 (Surplus) / Deficit £000s	Internal Trading Operations	Expenditure £000s	2013/14 Income £000s	(Surplus) / Deficit £000s
37	Catering	371	(234)	137
150	Building Maintenance	4,300	(4,337)	(37)
43	Highways Works	2,554	(2,628)	(74)
(196)	Integrated Transport Unit (ITU)	4,189	(4,130)	59
(13)	Building Cleaning	2,262	(2,254)	8
9	School Catering	3,286	(3,287)	(1)
-	Community Housing	459	(459)	-
30		17,421	(17,329)	92

Catering - provision of catering at Council venues, including the Wingfield Castle and Central Library. A number of venues have been closed in 2013/14 and this is reflected in the deficit reported.

Building Maintenance - repairs and maintenance to all Council buildings. Capital works and school works are subject to competitive tendering.

Highways Works - works to roads and gullies within the Borough.

Integrated Transport Unit (ITU) - all vehicles for provision of Council Services e.g. Refuse Vehicles. Also, provides vehicle MOTs and servicing to members of the public.

Building Cleaning - cleaning of all Council buildings. Some external work which was subject to competitive tendering e.g. Vela Group or in the case of Schools Buy Back Arrangements.

School Catering - provision of school meals to schools within the Borough. This is subject to a Buy Back Arrangement.

Community Housing - relates to the newly built community housing which is managed by Housing Hartlepool. The Secretary of State granted the Council an exclusion under section 80B of the Local Government and Housing Act from operating a Housing Revenue Account (HRA). Further information is shown in Note 30 - Related Party Transactions.

The above figures have been presented on a total cost basis and include charges for capital such as notional interest and repayments of principal to reflect the actual cost of running the services which are used as the basis for charges to service users.

SECTION 3 : Statement of Accounts

Note 32: External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

2012/13 £000s		2013/14 £000s
144	Fees payable in respect of external audit services carried out by the appointed auditor for the year	145
(13)	Rebate on previous years Audit Fee	(16)
34	Fees payable for the certification of grant claims and returns for the year	14
165		143

In April 2014 there was a rebate of £0.016m against the 2012/13 audit fee.

Note 33: Dedicated Schools Grant

The Council's expenditure on schools is primarily funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). During the 2013/14 financial year, 3 primary schools, 1 secondary school and 1 special secondary school converted to academy status. Therefore, an element of DSG was recouped by the Department to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2013. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2013/14 are as follows: -

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
DSG figure as issued by the Department in July 2013 (This does not include the Early Years January 2014 adjustment)			74,825
Academy figure recouped for 2013/14			(9,017)
Total DSG after Academy recoupment for 2013/14			65,808
Brought Forward from 2012/13			1,875
Carry Forward to 2014/15 agreed in advance			-
Agreed Initial Budget Distribution in 2013/14	10,135	57,548	67,683
In Year Adjustments	(2,328)	2,395	67
Final Budget Distribution for 2013/14	7,807	59,943	67,750
Less Actual Central Expenditure	(6,439)		(6,439)
Less Actual Individual Schools Budget Deployed to Schools		(59,572)	(59,572)
Plus Local authority contribution for 2013/14	-	-	-
Surplus Carried forward to 2014/15	1,368	371	1,739

The £0.371m surplus carried forward in respect of the Individual Schools Budget relates to revaluation savings of business rates from prior years. The impact of Business Rates on schools are budget neutral resulting in the schools budgets being reduced accordingly.

SECTION 3 : Statement of Accounts

Note 34: Operating Leases

The Council has acquired a number of administrative buildings and its fleet of vehicles by entering into operating leases, with typical lives of five years for vehicles and eight years for property. The future minimum lease payments due under non-cancellable leases in future years are:

Council as lessee

2012/13 £000s	Future minimum lease payments due	2013/14 £000s
365	Not later than one year	281
428	Later than one year & not later than five years	389
1,076	Later than five years	791
1,869		1,461

Council as lessor

2012/13 £000s	Future minimum lease payments receivable	2013/14 £000s
225	Not later than one year	146
183	Later than one year & not later than five years	194
887	Later than five years	896
1,295		1,236

The Council leases out property and equipment under operating leases 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.

The Council has sub-let some of the office accommodation held under these operating leases. At 31 March, 2014 the minimum payments expected to be received under non-cancellable sub-leases was £0.031m (£0.067m as at 31 March, 2013). Where appropriate the value of these leases are shown in the Investment Property note.

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2012/13 £000s		2013/14 £000s
	Payments recognised as an expense	
252	Minimum lease payments	438
(79)	Sub-lease payments	(171)
173	Total	267

SECTION 3 : Statement of Accounts

Note 35: Finance Leases

The Council has acquired its IT and telecommunications equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

Council as lessee

2012/13 £000s		2013/14 £000s
	Value of Assets held under Finance Leases	
7	Vehicles, plant & equipment	56
7	Total	56

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest and finance costs that will be payable in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:-

2012/13 £000s		2013/14 £000s
	Future minimum lease payments due	
189	Current	13
-	Non-current	45
-	Finance costs payable in the future	6
189	Total minimum lease payments	64

The minimum lease payments and finance lease liabilities will be payable over the following periods:

2012/13			2013/14	
Minimum Lease Payments £000s	Finance Lease Liabilities £000s		Minimum Lease Payments £000s	Finance Lease Liabilities £000s
189	154	Payable:	13	11
-	-	No later than one year	51	45
189	154	Later than one year & not later than five years	64	56
		Total		

SECTION 3 : Statement of Accounts

Note 36: Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2012/13 £000s		2013/14 £000s
91,097	Brought Forward Opening Capital Financing Requirement	90,542
	Capital investment	
19,018	Property, Plant and Equipment	19,103
-	Investment Properties	1,574
2,195	Revenue Expenditure Funded from Capital under Statute	2,968
	Sources of Finance	
(787)	Capital receipts	(1,773)
(14,286)	Government Grants and Other Contributions	(11,936)
	<u>Sums set aside from revenue:</u>	
(2,009)	Direct Revenue Contributions	(3,612)
(4,686)	Minimum Revenue Position (MRP)	(4,630)
90,542	Closing Capital Financing Requirement	92,236
	Explanation of movements in year	
-	Assets acquired under Finance Lease	56
379	Increase in borrowing supported by government financial assistance	203
3,752	Increase in borrowing unsupported by government financial assistance	6,066
(4,686)	Minimum Revenue Provision (MRP)	(4,630)
(555)	Increase/(decrease) in Capital Financing Requirement	1,695

SECTION 3 : Statement of Accounts

Note 37: Financial Instruments

Categories of Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

31 March 2013			31 March 2014	
Long Term	Current		Long Term	Current
£000s	£000s		£000s	£000s
		Investments		
-	24,000	Loans and receivables - principal Amount	-	27,350
-	10,166	Liquidity Accounts included in Cash Equivalents	-	12,800
-	11	Accrued Interest	-	15
-	34,177	Loans and receivables at Amortised Cost	-	40,165
256	-	Available-for-sale financial assets *	222	-
256	34,177	Total Investments	222	40,165

* Includes Tees Valley Airport Shares which are valued at £0.025m in 2013/14 (£0.059m in 2012/13).

The carrying value of the Council's investment with Durham Tees Valley Airport (Note 18) has been determined from the Council's 1.08% shareholding and the net worth of the company as per the latest audited accounts.

		Debtors		
-	6,278	Loans and receivables (Trade Debtors and General and Other Debtors)	-	6,638
-	6,278	Total debtors	-	6,638

		Borrowings		
50,879	98	Financial liabilities Principal Amount	54,399	108
-	422	Accrued Interest**	-	449
50,879	520	Financial liabilities at amortised cost	54,399	557
50,879	520	Total Borrowings	54,399	557

**As required accrued interest relating to long term borrowing is disclosed within the short term borrowing figure on the balance sheet.

		Other Long Term Liabilities		
-	154	Finance lease liabilities	-	45
-	154	Total Other Long Term Liabilities	-	45

		Creditors		
-	12,609	Financial liabilities carried at contract amount (Trade Creditors and General and Other Creditors)	-	9,252
-	12,609	Total Creditors	-	9,252

SECTION 3 : Statement of Accounts

Note 37: Financial Instruments

Income, Expense, Gains and Losses

This note comprises details of income, expenses and revaluation losses that relate specifically to financial instruments. Interest expense and interest income and are included along with other non financial instrument related income and expenditure within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. During 2013/14 there were no reclassifications or derognitions of Financial Instruments.

	2013/14				
	Financial Liabilities measured at amortised cost	Finance Lease Payments	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total
	£000s	£000s	£000s	£000s	£000s
Interest expense	2,138	35	-	-	2,173
Interest income	-	-	(192)	-	(192)
(Gain) / Loss on revaluation	-	-	-	34	34
Net (gain)/loss for the year	2,138	35	(192)	34	2,015

	2012/13				
	Financial Liabilities measured at amortised cost	Finance Lease Payments	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total
	£000s	£000s	£000s	£000s	£000s
Interest expense	2,111	64	-	-	2,175
Interest income	-	-	(229)	-	(229)
(Gain) / Loss on revaluation	-	-	-	(59)	(59)
Net (gain)/loss for the year	2,111	64	(229)	(59)	1,887

SECTION 3 : Statement of Accounts

Note 37: Financial Instruments

Fair Values of Assets and Liabilities

Financial liabilities (i.e. loans and long-term creditors) and financial assets (i.e. receivables and long-term debtors) are carried in the Balance Sheet at amortised cost; this is known as the carrying value. Their fair value represents the breakage costs of early redemption based on market parameters applying at the balance sheet date. The difference between the two represents the potential profit or loss of disposal of the debt or investment at the balance sheet date.

Fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March, 2014 of 0.71% to 3.41% for loans from the Public Works Loan Board and 1.37% to 4.41% for other loans receivable and payable, based on the Public Works Loan Board premature repayment rates for equivalent loans at that date,
- no early repayment or impairment is recognised,
- where an instrument will mature in the next 12 months the carrying amount is assumed to approximate fair value,
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

31 March 2013				31 March 2014	
Carrying Amount	Fair Value			Carrying Amount	Fair Value
£000s	£000s			£000s	£000s
Financial Liabilities					
45,383	44,147	Market Loans		45,383	41,571
6,016	8,152	Public Works Loan Board		8,010	9,846
-	-	Non-Market Loans*		1,563	1,531
12,609	12,609	Trade Creditors and General and Other Creditors		9,252	9,252

* The non-market loan relates to a 0% two year loan from Tees Valley Unlimited to purchase Jackson's Landing. It is envisaged that this loan will be repaid from the sale proceeds from the redevelopment of this site. To manage the potential risk that this redevelopment is not complete before the loan repayment date, the Council has earmarked one-off resources of £0.501m at 31 March, 2014. On 28 March, 2014, Finance and Policy Committee agreed to allocate further one-off monies from the disposal of the Council's claw back interest in The Domes at Seaton Carew to substantially fund the repayment of this loan, should this be necessary.

The fair value of market loans is lower than the carrying amount because the Council has a portfolio of market loans where the interest rate payable is lower than the prevailing rates at the balance sheet date. The fair value for PWLB loans is greater than the carrying value as the rate of interest payable on these loans is greater than the current market rates.

31 March 2013				31 March 2014	
Carrying Amount	Fair Value			Carrying Amount	Fair Value
£000s	£000s			£000s	£000s
Loans and receivables					
34,177	34,177	Money market loans maturing within 1 year		40,165	40,165
6,278	6,278	Trade Debtors and General and Other Debtors		6,638	6,638

The fair value of the assets is equal to the carrying amount because the Council's portfolio of investments only includes short term fixed deposits and instant access liquidity accounts where the current value is considered to be representative of fair value as at the balance sheet date.

SECTION 3 : Statement of Accounts

Note 38: Nature and Extent of Risks Arising from Financial Instruments

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

- 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.
- 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.
- re-financing risk - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - the Council's overall borrowing;
 - its maximum and minimum exposures to the maturity structure of its debt;
 - its maximum and minimum exposures to fixed and variable rates;
 - its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 14 February, 2013 and is available on the Council website. The key issues within the strategy were:

- the Authorised Limit for the 2013/14 was set at £118m. This is the maximum limit of external borrowings or other long term liabilities;
- the Operational Boundary was expected to be £108m. This is the expected level of debt and other long term liabilities during the year.
- the maximum amounts of gross fixed interest rate exposure for borrowing and investments was set at £108m and £60m respectively.
- the maximum amount of gross variable interest rate exposure for borrowing and investments was set at £78m and £30m respectively.

These items are reported with the annual Treasury Management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Councillors.

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria. The Council now operates a very restricted counterparty list which is actively managed to reflect continued developments in the banking and financial sector.

SECTION 3 : Statement of Accounts

Note 38: Nature and Extent of Risks Arising from Financial Instruments

The Investment Strategy for 2013/14 was approved by Full Council on the 14 February, 2013 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £15.802m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, however there was no evidence at the 31 March, 2014 that this was likely to crystallise.

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

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and collectability over the last three financial years, adjusted to reflect current market conditions.

Estimated maximum exposure at 31 March 2013 £000s		Amount at 31 March 2014 £000s	Historical experience of default %	Adjustment for market conditions at 31 March 2014 %	Estimated maximum exposure to default at 31 March 2014 £000s
1,148	Trade Debtors & General and Other Debtors	6,638	10.89%	-	723
<u>1,148</u>					<u>723</u>

The historical experience of default is calculated with reference to the outstanding debt balance, rather than as a percentage of income generated in the year.

The Council does not generally allow credit for customers, such that £1.076m of the £6.638m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31 March 2013 £000s		31 March 2014 £000s
244	Less than three months	542
163	Three to six months	141
154	Six months to one year	88
317	More than one year	305
<u>878</u>		<u>1,076</u>

SECTION 3 : Statement of Accounts

Note 38: Nature and Extent of Risks Arising from Financial Instruments

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the maturity structure of its fixed rate borrowing during specified periods. The limits have been set to enable maximum flexibility as experience has shown it is possible to move from 100% long term borrowing to 100% short term borrowing and then back to 100% long term borrowing over a period of two years. Therefore the lower limit was set to nil and the upper limit to £108m, equal to the operational boundary.

The maturity structure of financial liabilities (borrowing and finance leases) at the year end was as follows:

31 March 2013 £000s		31 March 2014 £000s
252	Less than one year	164
201	Between one and five years	2,113
313	Between five and ten years	742
312	Between ten and fifteen years	875
355	Between fifteen and twenty years	635
394	Between twenty and twenty-five years	459
378	Between twenty-five and thirty years	483
461	Between thirty and thirty-five years	592
563	Between thirty-five and forty years	725
2,092	Between forty and forty-five years	2,270
45,810	More than forty-five years	45,505
<u>51,131</u>		<u>54,563</u>

All trade and other payables are due to be paid in less than one year.

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 Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services 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 Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

SECTION 3 : Statement of Accounts

Note 38: Nature and Extent of Risks Arising from Financial Instruments

A large proportion of the Council's long term borrowing (£45m) is held in the form of LOBO (Lender Option Borrower Option) loans from the money markets. These loans are subject to periodic "calls" from the lender. Where the lender decides to "call" a loan, they increase the interest rate of the loan and the Council then has the opportunity to accept the increased rate or to repay the loan. In accordance with the Code of Practice, the Council's LOBOs are included in the maturity analysis according to the end date of the loan rather than when the next call date falls.

The Council's view is that the risk of these loans being called is very low and there is therefore minimum refinancing risk owing to low current market rates. The Council manages this risk through the Treasury Management Strategy.

The view of the Chief Finance Officer is that limits on fixed and variable rates of borrowings are unhelpful and could lead to unnecessary higher cost of borrowing. Previous experience has shown that it is possible to move from a position of predominantly fixed rate borrowing to variable rate borrowing and then back to fixed rate borrowing over a period of two years. The intention is to move to fixed rate borrowing when rates are at an appropriate level and may require the use of variable rate borrowing in the interim. The Council has maximised the use of its balances to defer borrowing and avoid the risk of default on investments.

According to this assessment strategy, at 31 March, 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000s
Increase in interest payable on borrowings	550
Increase in interest receivable on variable rate investments	(402)
Impact on Surplus or Deficit on the Provision of Services	148
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(8,804)

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

Price Risk

The Council does not invest in equity shares and is consequently not exposed to losses arising from movements in the prices of the shares.

Foreign Exchange Risk

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

Collateral Risk

During the reporting period the Council held no collateral as security and is therefore not exposed to losses arising from this risk.

SECTION 3 : Statement of Accounts

Note 39: Cash Flow Statement - Adjustments for non-cash movements

Restated 2012/13 £000s		2013/14 £000s
(8,922)	Depreciation	(9,025)
(6,625)	Impairment and Downward Valuations	(2,162)
(151)	(Downward) / Upward Valuation of Investment Property	194
211	(Increase) / Decrease in Provisions	(2,193)
(105)	(Increase) / Decrease in Creditors	485
3,580	Increase / (Decrease) in Debtors	76
82	Increase / (Decrease) in Inventories	24
(10,112)	Pension Liability	(7,535)
(11,018)	Carrying amount of Non-Current Assets Sold	(16,643)
<u>(33,060)</u>		<u>(36,779)</u>

Note 40: Cash Flow Statement - Adjustments for Investing and Financing Activities

2012/13 £000s		2013/14 £000s
11,445	Capital Grants credited to surplus or deficit on the provision of services	11,927
787	Proceeds from the Sale of Property, Plant and Equipment and Investment Property	1,789
<u>12,232</u>		<u>13,716</u>

Note 41: Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2012/13 £000s		2013/14 £000s
(253)	Interest Received	(188)
2,180	Interest Paid	2,147

Note 42: Cash Flow Statement - Investing Activities

2012/13 £000s		2013/14 £000s
20,286	Purchase of Property, Plant and Equipment and Investment Property	22,277
-	Purchase of Short-term and Long-term Investments	3,350
15	Other Payments for Investing Activities	5
(787)	Proceeds from the sale of property, plant and equipment, investment property	(1,789)
(1,000)	Proceeds from Short-term and Long-term Investments	-
(10,056)	Other Receipts from Investing Activities	(10,565)
<u>8,458</u>	Net Cash Flows from Investing Activities	<u>13,278</u>

SECTION 3 : Statement of Accounts

Note 43: Cash Flow Statement - Financing Activities

2012/13 £000s		2013/14 £000s
(1,723)	Cash receipts of short-term and long-term borrowing	(3,628)
-	Council Tax and NNDR adjustment	(1,362)
126	Cash payments for the reduction of the outstanding liabilities relating to finance leases	154
73	Repayments of short and long-term borrowing	98
(1,524)	Net cash flows from financing activities	(4,738)

Note 44: Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

This is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating employers' contribution rate paid by local authorities. The last formal actuarial valuation was completed in 2004. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future Scheme terms are developed as part of the reforms to public service pension provision. Consequently, the member contribution rates for 2013/14 were set by the Secretary of State.

The scheme has in excess of 3,700 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March, 2014 the Council's own contributions equate to approximately 0.08%.

The Council's contribution to the Teacher's Pension Scheme in 2013/14 amounted to £3.88m (£4.613m in 2012/2013) which represented 14.1% of pensionable pay (14.1% in 2012/2013). The reduction in 2013/14 is owing to 5 schools converting to Academy status. Academies are responsible for their own pension arrangements. There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £3.5m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These benefits are fully accrued in the Pensions Liability relating to the Local Government Pension Scheme.

The Council is not liable to the scheme for any other entities obligations under the plan.

Public Health employees employed by the Council are members of the NHS Pensions Scheme, administered by the NHS Business Services Authority. The Scheme provides employees with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

This is a defined benefit scheme. Although the scheme is unfunded, it is subject to a full actuarial valuation. The latest valuation was undertaken as at 31 March, 2012 and determined current contribution rates for employers and scheme members. The scheme has in excess of 9,000 employing bodies and it is not possible for the Council to identify a share of underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the NHS Pension Scheme during the year ending 31 March, 2014 the Council's own contributions equate to approximately 0.0005%.

The Council's contribution to the NHS Pension Scheme in 2013/14 amounted to £0.04m (Nil in 2012/2013) which represented 14.0% of pensionable pay (14.0% in 2012/2013). There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £0.04m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the NHS scheme. These benefits are fully accrued in the Pensions Liability relating to the Local Government Pension Scheme.

The Council is not liable to the scheme for any other entities obligations under the plan.

SECTION 3 : Statement of Accounts

Note 45: Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, 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 and to disclose them at the time that employees earn their future entitlement.

The Council participates in The Local Government Pension Scheme, administered locally by Middlesbrough Council – this is a funded defined benefit final salary 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.

The Pension Scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of the Pensions and Investments Panel. This panel has plenary powers to make decisions without reference to Middlesbrough Council and acts in a similar manner to the Board of Trustees of a private sector pension fund. Policy is determined in accordance with the Pension Fund Regulations.

The Panel consists of representatives from the councils in the former Cleveland County area as well as representatives from the Trades Unions.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	Restated 2012/13 £000s	2013/14 £000s	Restated 2012/13 £000s	2013/14 £000s	Restated 2012/13 £000s	2013/14 £000s
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Current Service cost	12,819	11,267	-	-	12,819	11,267
Past Service Costs (inc. curtailments)	116	99	-	-	116	99
Financing and Investment Income and Expenditure:						
Remeasurement of the Net Defined Liability	5,335	4,657	569	540	5,904	5,197
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	18,270	16,023	569	540	18,839	16,563
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:						
Remeasurement of the net defined benefit liability:						
Return on plan assets (excluding amount in net interest expense)	(31,134)	(1,484)	-	-	(31,134)	(1,484)
Actuarial (gains) and losses arising from changes in financial assumptions	9,760	(9,372)	276	3	10,036	(9,369)
Actuarial (gains) and losses arising from changes in demographic assumptions	-	18,083	-	1,273	-	19,356
Actuarial (gains) and losses owing to liability experience	(490)	(47,853)	(35)	(46)	(525)	(47,899)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(3,594)	(24,603)	810	1,770	(2,784)	(22,833)

SECTION 3 : Statement of Accounts

Note 45: Defined Benefit Pension Schemes

Movement in Reserves Statement

Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code

(18,270)	(16,023)	(569)	(540)	(18,839)	(16,563)
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Actual amount charged against the General Fund Balance for pensions in the year:

Employers' contribution payable to scheme

7,806	8,112
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7,806	8,112
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Retirement Benefits payable to pensioners

921	916
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921	916
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Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	Restated 2012/13 £000s	2013/14 £000s	Restated 2012/13 £000s	2013/14 £000s	Restated 2012/13 £000s	2013/14 £000s
Fair value of plan assets	(339,349)	(352,593)	-	-	(339,349)	(352,593)
Present value of the defined benefit obligation	(449,210)	(429,739)	(12,717)	(13,571)	(461,927)	(443,310)
Net liability arising from defined	(109,861)	(77,146)	(12,717)	(13,571)	(122,578)	(90,717)

Reconciliation of Movements in the Fair Value of Scheme (Plan) Assets

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	Restated 2012/13 £000s	2013/14 £000s	Restated 2012/13 £000s	2013/14 £000s	Restated 2012/13 £000s	2013/14 £000s
Opening fair value of assets	(296,885)	(339,349)	-	-	(296,885)	(339,349)
Interest Income on assets	(13,605)	(14,868)	-	-	(13,605)	(14,868)
Remeasurement gains/(losses):						
Return on plan assets (excl amount in net interest)	(31,134)	(1,484)	-	-	(31,134)	(1,484)
Contributions by the employer	(7,806)	(8,112)	(921)	(916)	(8,727)	(9,028)
Contributions by participants	(3,027)	(2,945)	-	-	(3,027)	(2,945)
Net benefits paid out	13,108	14,165	921	916	14,029	15,081
Closing fair value of assets	(339,349)	(352,593)	-	-	(339,349)	(352,593)

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	Restated 2012/13 £000s	2013/14 £000s	Restated 2012/13 £000s	2013/14 £000s	Restated 2012/13 £000s	2013/14 £000s
Opening balance at 1 April	(418,146)	(449,210)	(12,828)	(12,717)	(430,974)	(461,927)
Current Service Cost	(12,819)	(11,267)	-	-	(12,819)	(11,267)
Interest Cost	(18,940)	(19,525)	(569)	(540)	(19,509)	(20,065)
Contributions from scheme participants	(3,027)	(2,945)	-	-	(3,027)	(2,945)
Remeasurement gains/(losses):						
Actuarial gains and (losses) on liabilities - financial assumptions	(9,760)	9,372	(276)	(3)	(10,036)	9,369
Actuarial gains and (losses) on liabilities - demographic assumptions	-	(18,083)	-	(1,273)	-	(19,356)
Actuarial gains and (losses) on liabilities - experience	490	47,853	35	46	525	47,899
Past Service Costs (inc. curtailments)	(116)	(99)	-	-	(116)	(99)
Benefits paid	13,108	14,165	921	916	14,029	15,081
	(449,210)	(429,739)	(12,717)	(13,571)	(461,927)	(443,310)

SECTION 3 : Statement of Accounts

Note 45: Defined Benefit Pension Schemes

Local Government Pension Scheme Assets

The Local Government Pension Scheme's assets comprised:

	Restated 2012/13 £'000	Quoted 2013/14 £'000	Unquoted 2013/14 £'000	2013/14 £000s
Equity investments	262,657	278,901	6,699	285,600
Property	17,985	2,468	15,867	18,335
Government Bonds	24,433	6,699	-	6,699
Corporate Bonds	6,787	16,219	-	16,219
Cash	17,646	18,335	-	18,335
Other Investments	9,841	6,347	1,058	7,405
	339,349	328,969	23,624	352,593

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. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March, 2013.

Principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	Restated 2012/13	2013/14	Restated 2012/13	2013/14
Long-term expected rate of return on assets in the scheme:				
Equities	7.8%	7.6%	-	-
Property	7.3%	6.9%	-	-
Government Bonds	2.8%	3.4%	-	-
Corporate Bonds	3.8%	4.0%	-	-
Cash	0.9%	0.9%	-	-
Other	7.8%	7.6%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	19.2	22.9	19.2	22.9
Women	23.2	25.4	23.2	25.4
Longevity at 65 for future pensioners:				
Men	21.1	25.1	-	-
Women	25.1	27.7	-	-
Other assumptions:				
Rate of inflation - RPI	3.4%	3.4%	3.4%	3.4%
Rate of inflation - CPI	2.5%	2.4%	2.5%	2.4%
Rate of general increase in salaries	4.4%	3.9%	0.0%	0.0%
Rate of increase in pensions - deferred and pensions in payment	2.5%	2.4%	2.5%	2.4%
Rate for discounting scheme liabilities	4.4%	4.3%	4.4%	4.3%

Sensitivity Analysis

SECTION 3 : Statement of Accounts

Note 45: Defined Benefit Pension Schemes

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.

The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant.

The assumptions in 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, ie. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

LGPS Funded Benefits Only	Impact on Defined Benefit Obligation in the Scheme	
	Increase in Assumption £000s	Decrease in Assumption £000s
Adjustment to Discount rate (+/- 0.1%)	10,404	11,048
Adjustment to Salary increase rate (+/- 0.1%)	10,722	10,722
Adjustment to Pension increase rate (+/- 0.1%)	11,059	10,393
Adjustment to Longevity (decrease/increase 1 year)	11,038	10,404

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 current funding level of the scheme is 101%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March, 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March, 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipated to pay £8.271m expected contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 18 years in 2013/14 (18 years in 2012/13).

SECTION 3 : Statement of Accounts

Note 46: Contingent Liabilities

These refer to either: a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or; a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

In 2013/14 the contingent liabilities are as follows:

- In 1989 the Council gave a loan guarantee of £3m to North Housing Association (now Home Housing Association) for sums borrowed on the money markets that would come into operation should the housing association default on the loan terms. Provision is included in the agreement for any such payments to be secured on North Housing Association property. It is anticipated that this guarantee will exist until the loan is repaid in 2049.
- A guarantee given to the Middleborough Pension Scheme for the staff transferred to Housing Hartlepool in 2004 in the event that Housing Hartlepool had financial difficulties. This liability reduces each year.
- The Council is responsible for the Claxton Site which is a closed landfill. There is a possible obligation arising relating to de-contamination of the site; it is not possible at this stage to quantify the potential liability or when the works may be required. The site is regularly tested to ensure compliance with the Environment Protection Act 1990.

SECTION 3 : Statement of Accounts

Note 47 : Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

A revised version of IAS19 came into effect for the accounting periods commencing on or after 1 January, 2013. The key change was the interest cost and expected return on assets items have been replaced by a single 'net interest' item calculated at the discount rate.

In order to reflect this amendment the Council has restated the prior year information for 2012/13. The following are the relevant extracted lines from the Comprehensive Income and Expenditure Statement. The Comprehensive Income and Expenditure Statement, with appropriate restatement for 2012/13, can be found on page 11 of these financial statements.

Comprehensive Income and Expenditure Statement

	Original 2012/13 Expenditure £000s	Restated 2012/13 Expenditure £000s	Amount of Restatement 2012/13 £000s
Continuing operations:			
Central Services to the Public	17,026	17,034	8
Cultural and Related Services	13,690	13,719	29
Environmental and Regulatory Services	12,741	12,791	50
Planning Services	4,553	4,570	17
Education and Children's Services	127,177	127,470	293
Highways and Transport Services	13,320	13,337	17
Other Housing Services	54,239	54,253	14
Adult Social Care	48,179	48,242	63
Corporate and Democratic Core	3,402	3,406	4
Non Distributed Costs	870	870	-
Cost of Services	295,197	295,692	495
Other Operating Expenditure	144	144	-
Transfer of School Assets	11,004	11,004	-
Financing and Investment Expenditure	22,398	22,046	(352)
(Surplus) / Deficit on Provision of Services	328,743	328,886	143

	Original 2012/13 Income £000s	Restated 2012/13 Income £000s	Amount of Restatement 2012/13 £000s
Cost of Services	(191,005)	(191,005)	-
Other Operating Income	(953)	(953)	-
Financing and Investment Income	(17,700)	(14,589)	3,111
Taxation and Non-Specific Grant Income	(108,383)	(108,383)	-
(Surplus) / Deficit on Provision of Services	(318,040)	(314,929)	3,111

Remeasurement of net defined benefit liability / (asset)	(18,369)	(21,623)	(3,254)
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Balance Sheet

The Prior Period Adjustment did not impact on the Balance Sheet for 2012/13.

The following restatement was also required for the Movement in Reserves Statement for General Fund and Unusable Reserves. The restated relevant lines prior period Movement in Reserves Statement is provided at page 10 of these financial statements.

Movement in Reserves Statement

	Original General Fund Balance £000s	Restated General Fund Balance £000s	Amount of Restatement General Fund Balance £000s	Original Unusable Reserves £000s	Restated Unusable Reserves £000s	Amount of Restatement Unusable Reserves £000s	Original Total Reserves £000s	Restated Total Reserves £000s	Amount of Restatement Total Reserves £000s
<u>Movement in reserves during 2012/13</u>									
Surplus or (deficit) on provision of services	(10,703)	(13,957)	3,254	-	-	-	(10,703)	(13,957)	3,254
Other Comprehensive Income and Expenditure	-	-	-	20,315	23,569	(3,254)	20,315	23,569	(3,254)
Total Comprehensive Income and Expenditure	(10,703)	(13,957)	3,254	20,315	23,569	(3,254)	9,612	9,612	-
Adjustments between accounting basis & funding basis under regulations (note 5)	17,496	20,751	(3,255)	(12,857)	(16,111)	3,254	-	-	-

The following have been restated as a consequence of the amendment to the pension figures:-

Statement of Cash Flows

Note 5: Adjustments between Accounting Basis and Funding Basis under Regulations

Note 7: Amounts Reported for Segmental Reporting

Note 9: Financing and Investment Income and Expenditure

Note 29: Unusable Reserves

Note 39: Cash Flow Statement - Adjustments for non-cash movements

Note 45: Defined Benefit Pension Schemes

SECTION 3 : Statement of Accounts

THE COLLECTION FUND

The Collection Fund 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.

2012/2013 £000		2013/2014 £000	Notes
	<u>INCOME</u>		
	Council Tax :		
(35,093)	Billed to tax payers	(37,174)	
(12,958)	Council Tax Benefits transferred from General Fund	-	
(48,051)		(37,174)	1
	Non Domestic Rates :		
(27,589)	Income Collectable from Business Ratepayers	(29,766)	2
-	Transitional Protection Payment	(9,260)	
(154)	Reduced Provision for Non-Payment of NNDR	-	
(27,743)		(39,026)	
(75,794)	TOTAL INCOME	(76,200)	
	<u>EXPENDITURE</u>		
	Council Tax :		
39,750	Precepts Hartlepool Borough Council	30,810	
5,444	Police & Crime Commissioner	4,303	
1,862	Cleveland Fire Authority	1,470	
268	Increased Provision for Non-Payment of Council Tax	129	
47,324		36,712	
	Non Domestic Rates :		
	Payment of Non Domestic Rates to Preceptors		
-	Hartlepool Borough Council	17,195	
-	Cleveland Fire Authority	351	
27,619	Payment of Non Domestic Rates to Central Government	17,498	
124	Cost of Collection Allowance	125	
-	Increased Provision for Non-Payment of NNDR	97	
-	Provision for Non Domestic Rating Appeals	3,964	
-	Enterprise Zone Relief	48	
27,743		39,278	
	Contributions for previous years estimated		
	Collection Fund Surplus/(Deficit) - Council Tax		
14	Hartlepool Borough Council	738	
2	Police & Crime Commissioner	101	
1	Cleveland Fire Authority	35	
17		874	
75,084	TOTAL EXPENDITURE	76,864	
(710)	NET TOTAL	664	
	<u>Movement on Fund Balances</u>		
	Council Tax:		
(710)	(Surplus)/Deficit for the year	412	
(166)	(Surplus)/Deficit brought forward	(876)	
(876)	(Surplus)/Deficit carried forward	(464)	
	Non Domestic Rates:		
-	(Surplus)/Deficit for the year	252	
-	(Surplus)/Deficit brought forward	-	
-	(Surplus)/Deficit carried forward	252	

SECTION 3 : Statement of Accounts

NOTES TO THE COLLECTION FUND

Note 1 - Council Tax

Council Tax income comes from a charge made on residential properties. The income is used to support the Council's General Fund revenue expenditure, as detailed in the Comprehensive Income and Expenditure Statement. It is also used to finance Hartlepool's share of the Police & Crime Commissioner's and Fire Authority's expenditure, through precepts made on the Council's Collection Fund. The level of Council Tax in any year is determined by estimating the income required by the Council and the Police and Fire Authorities, and dividing this by the Council Tax base, which comprises residential properties banded by value and charged accordingly.

To allow for comparison between years and authorities the tax base is expressed as the number of Band D properties in the district, which is calculated by multiplying the number of properties in a band by an appropriate weighting, ranging from 6/9 to 18/9.

There were 33,234 Band D equivalents in 2013/14 (32,936 for 2012/13) and the basic amount of council tax for a Band D property was £1,684.74 (£1,679.61 in 2012/13).

Set out in the table below are the Band D weightings, property numbers and income from each band level.

Band	Weighting to Band D	No. of properties in each band	Equivalent no. of Band D Properties	Hartlepool BC demand per property (Ex Parishes) £	Police & Crime Commissioner demand per property £	Fire Authority demand per property £	Total demand per property £	Total Income per band £000's
A	6/9	24,291	16,194	945.80	132.19	45.17	1,123.16	27,283
B	7/9	6,995	5,441	1,103.43	154.22	52.70	1,310.35	9,166
C	8/9	5,755	5,116	1,261.07	176.25	60.23	1,497.55	8,618
D	9/9	2,981	2,981	1,418.70	198.28	67.76	1,684.74	5,022
E	11/9	1,491	1,822	1,733.97	242.34	82.82	2,059.13	3,070
F	13/9	594	858	2,049.23	286.41	97.88	2,433.52	1,446
G	15/9	425	708	2,364.50	330.47	112.93	2,807.90	1,193
H	18/9	57	114	2,837.40	396.56	135.52	3,369.48	192
TOTALS		42,589	33,234					55,990

The income of £37,174,000 for 2013/14 (£48,051,000 for 2012/13) is receivable from the following sources :

2012/2013 £000		2013/2014 £000
55,286	Opening Liability	55,990
349	Net increase/(decrease) in liability	53
(100)	Disabled Relief	(96)
(5,267)	Discounts	(5,585)
(2,103)	Exemptions	(898)
(114)	Write Offs	(122)
-	Council Tax Support Scheme	(12,168)
48,051		37,174

Note 2 - Non Domestic Rates

National Non Domestic Rates (NNDR) is organised on a national basis. The Government specifies two amounts: the Small Business Non Domestic Rate Multiplier, which was 46.2p in 2013/14 (45.0p in 2012/13), and; the Non Domestic Rate Multiplier, which was 47.1p in 2013/14 (45.8p in 2012/13). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The total non-domestic rateable value at the year end was £97,290,169.

2012/2013 £000		2013/2014 £000
(44,551)	Gross Rates payable	(45,002)
5,828	Mandatory Reliefs	5,720
10,423	Transitional Relief	9,260
80	Discretionary Reliefs set against NNDR pool	-
627	Write Offs	256
4	Interest on Refunds of Overpayments	-
(27,589)		(29,766)

SECTION 3 : Statement of Accounts

MEMORANDUM NOTES - TRUST FUNDS

During 2013/14 the Council has acted as trustee for eleven Educational Trust Funds that were inherited from Cleveland County Council. Only two of these are active and are used to provide funds for the following purposes:

- Music awards; and
- Pursuit of Education awards.

The Council also acts as a trustee of the Doughty Fund that was set up following a bequest from Colonel Henry Doughty. This is available to support any charitable objects within the Hartlepool area.

All of the Trust Funds administered by the Council fall below the threshold set by the Charities Act 1996 and therefore no longer require an Audit Certificate.

The balances held by the Council on behalf of various Trust Funds are as follows:-

	Balance at 1st April 2013 £000	Income £000	Expenditure £000	Balance at 31st March 2014 £000
Preston Simpson & Sterndale Scholarship in Music	64	7	(6)	65
Education Trust Funds	122	4	(5)	121
Doughty Fund	5	-	-	5
	191	11	(11)	191

The Preston Simpson & Sterndale Scholarship in Music Fund consisted of a cash investment of £64,635 with Hartlepool Borough Council as at 31st March, 2014. The Trust also held two separate external investments valued respectively at £108,470 as at 5th April, 2014 (£94,887 as at 5th April, 2013) and £17,037 as at 31st March, 2014 (£16,674 as at 31st March, 2013).

External investments for the above Trust Funds are not shown in the Council's Accounts.

As at 31st March, 2014, the Doughty Fund consisted wholly of a cash balance investment with the Council.

SECTION 4 : Annual Governance Statement

Scope Of Responsibility

Hartlepool Borough Council is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards,
- Public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council 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.

In discharging these overall responsibilities, Hartlepool Borough Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at www.hartlepool.gov.uk or can be obtained from the Council's Contact Centre. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, Regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically. The Governance Framework has been in place at the Council for the year ended 31st March, 2014 and up to the date of approval of the statement of accounts.

In order to facilitate the completion of the Statement, an officer working group has been formed and a programme of work developed. To ensure that the Statement has been given sufficient corporate priority and profile, the working group included both the Chief Finance Officer and the Assistant Chief Executive. As part of the process regular updates have been given to the Performance and Risk Management Group and Corporate Management Team.

SECTION 4 : Annual Governance Statement

Significant Governance Issues Update from 2012/13 Statement

Progress has been made over the course of 2013/14 to address weaknesses in the system of governance identified as part of the 2012/13 process. The table below identifies action that has been taken to mitigate the areas of concern raised.

Issue Raised	Action Undertaken
Delivery of Peer Review Action Plan.	The action plan following on from the review was completed during the last year. This included the independent enquiry undertaken by a party external to the Council that was reported to both a public meeting and Council. All aspects of the Peer review have been completed.
Delivery of Medium Term Financial Strategy.	Revised Savings Programme encompassing key required programme elements at a corporate and department level. Strategic multi-year approach to financial management has been implemented. Members' seminars and staff communication strategy in conjunction with budget monitoring and defunding budgets at decision point process have been implemented. Project planning and management reporting to Finance and Policy Committee and Corporate Management Team (CMT) have all been implemented.
Delivery of Council Plan.	The Council Plan has been largely delivered and is reported to Members via Finance and Policy Committee on a quarterly basis. The revised plan for 2014/15 has been developed based on the priorities established and in the light of the revised Medium Term Financial Strategy and will be the subject of the same approval processes and monitoring. It has been agreed by Finance and Policy Committee that separate performance agreements are not required for the Chief Executive and Directors but that these should be based on the delivery of the Council Plan, the Medium Term Financial Strategy and the issues raised in this Annual Governance Statement.
Welfare Reform Act.	Review of financial consequences of proposals undertaken, including approval of updated Local Council Tax Support Scheme. Update reports provided to Finance and Policy Committee and CMT.
Health and Social Care Act, re transfer of some Public Health responsibilities to the LA.	Review of statutory requirements in place. Regular update reports to Finance and Policy Committee, CMT and on known issues insuring clarity of Local Authority responsibilities. Liaison undertaken with all relevant parties to shape future delivery proposals and procurement strategy agreed.
New Governance Arrangements.	Training was implemented for all Members and appropriate officers in advance of the implementation of the new governance arrangements with ongoing support provided as part of the establishment of the new system. A review of the new governance arrangements has been undertaken by the Monitoring Officer and has been the subject of a public Council Working Group meeting. A report will be considered by Council in April in terms of any further changes required in light of the experiences of the last year.

SECTION 4 : Annual Governance Statement

The Governance Framework

The key elements of the Council's Governance Framework are as follows:

Hartlepool Borough Council has adopted a constitution, which sets out how the Council operates, how decisions are made, the procedures that are followed to ensure that these decisions are efficient and transparent, and sets out the terms of reference for the Committee structure. The constitution was developed in accordance with the Local Government Act 2000 and it sets out the delegated responsibilities to key officers such as the Monitoring Officer and Section 151 Officer. An officer working group supported the governance working group in developing proposals for the new constitution in line with the outcome of the Mayoral referendum. The new constitution was agreed on 6th March, 2013 with training delivered for officers and members in respect of the requirements and expectations.

Effective procedures to identify, evaluate, communicate, implement, comply with and monitor legislative change exist and are used. Workforce Services policies identify suitable recruitment methods and ensure appropriate job descriptions exist for legal staff. Induction training is arranged by Customer and Workforce Services for all staff; departments have responsibility to provide induction training specific to their departmental needs. Legal Division procedures exist for monitoring new legislation, advising relevant departments and members where appropriate. Legal personnel participate in training events.

Committee terms of reference are included in the constitution. A procedure is in place to ensure that all Committee agendas, minutes and supporting material are available to all staff on the Council's Intranet, and to the public on the Council's internet site.

The Constitution contains financial and contract procedure rules, and a code of conduct for Members, which have been formally approved. Financial procedure rules have been updated and agreed by Council and contract procedure rules have also been updated to take into account new procurement procedures. The Constitution is available to all employees on the intranet and to the public on the Internet. A register of gifts and hospitality is maintained for Members and Officers.

The Authority has a Treasury Management Strategy that was approved by Audit and Governance Committee on 12th December, 2013 and referred to Council for approval on 6th February, 2014. The approved Treasury Management Strategy includes the Investment and Borrowing strategies in compliance with revised CIPFA Prudential Code, CIPFA Treasury Management Code of Practice and DCLG guidance. The Audit and Governance Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies before making any necessary recommendations to Council. The Chief Finance Officer reports to the Audit and Governance Committee how the Council's financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The full range of Member committees regularly meet to review specific policy areas, to consider plans, reports and progress of the Council.

Workforce Services has drawn up policies to ensure suitably qualified employees are employed in key areas, and supporting terms and conditions of employment for all employees cover all aspects of good employment. Induction courses for key new officers and all new members incorporate suitable training on corporate governance issues according to responsibilities and there is a general staff awareness programme in place.

A Health and Safety Policy has been approved and published and a Communication Strategy implemented to ensure general awareness.

The Council and the Hartlepool Partnership adopted their Community Strategy in 2008 following an extensive consultation process. Public priorities were established and these are a key element of the budget setting process. The Council's corporate plan, departmental plans and performance management arrangements are based around an Outcome Framework which has been developed with partners over a number of years. This integration has enhanced management and political accountability. The Council produces an annual Council Plan that incorporates the four departmental plans. This will avoid the duplication of reporting that has sometimes happened in previous years and demonstrates how strategic in nature departmental plans have become over the last few years.

CMT has defined what it considers to be its significant partnerships and an assurance framework has been developed to ensure that adequate governance arrangements are in place that are proportional to the responsibilities and risks of each partnership. The Council has an ongoing programme of monitoring and reviewing arrangements in place in respect of the operation of its key partnerships. A framework of reporting by exception to Corporate Management Team operates and Internal Audit provides annual audit coverage of partnership arrangements. The Audit and Governance Committee has highlighted partnerships as a key area of interest and the Council's control framework will be developed further and the committee regularly updated on progress.

SECTION 4 : Annual Governance Statement

All departments produce departmental and service plans using a corporate framework to ensure that they reflect the agreed corporate outcomes. The Council's Outcome Framework is reviewed annually and agreed by Finance and Policy Committee, most recently on 18th October, 2013. Departments also complete extensive consultation with service users, forums, partners and the Viewpoint panel.

The feedback from these exercises is used to link service and departmental objectives to both the planning process for service delivery and to the corporate outcomes. In order to further embed the process of risk management, control identification and the production of the AGS into the culture and management processes at the Council, risks to meeting departmental outcomes and the controls to mitigate those risks are recorded as part of the corporate service planning process at a departmental level. This has brought together service planning, risk management and control identification which has enabled a much more focussed and joined up approach to the use of management information and the production of the AGS. Progress against the Corporate Plan and departmental plans is reported to CMT and relevant policy committees on a quarterly basis.

A corporate performance management framework approved by CMT and Cabinet is operating across the Council. The framework sets out the process and timetable for reporting on performance. A Data Quality Framework is in place with Internal Audit conducting a targeted annual review of PIs. The Council's Performance Management system (Covalent) includes information relating to departmental and officer responsibility for the collation of data, target setting and addressing performance issues. Covalent also includes action plans, risks and performance indicators enabling clearer links between corporate, departmental and service planning outcomes, actions, risks and PIs.

Key performance indicators are identified in the corporate and departmental plans. These indicators are monitored throughout the year and quarterly reports are presented to Members on the delivery of performance targets.

Key policies such as the Corporate Complaints Procedure, Proceeds of Crime (Money Laundering), Whistle Blowing Policy and Counter Fraud and Corruption Policy have been developed and approved for use across the whole Authority. The policies are available to employees via the intranet. Reports are made to portfolio holders every six months summarising, for example, the complaints dealt with and the outcome.

The Council is a member of the IPF Better Governance Forum, the National Anti Fraud Network and also takes part in regular National Fraud Initiative reviews and the North East Fraud Forum. Fraud Awareness assessments took place during 2012-13 using the CIPFA Red Book 2 - Managing the Risk of Fraud - Actions to Counter Fraud and Corruption as a basis for good practice, and the FRED1 (Fraud Risk Evaluation Diagnostic) assessment tool as a means to assess the Council's awareness of fraud. The Red Book 2 was produced by CIPFA Better Governance Forum Counter Fraud Advisory Panel after consultation with fraud practitioners. As it is aligned to the approach by the National Fraud Authority its use as good practice is recommended by organisations such as ALARM. The Audit Commission publication Protecting the Public Purse 2013 is being used to review practices undertaken at the Council.

The Council agreed the Risk Management Framework and Guidance Document on 23rd August 2013. At this point the structure of the risk registers was changed and a specific risk tolerance level to help prioritise risk activity was introduced. Risks on the accepted risk register are reported to elected Members on an annual basis and they are monitored more regularly within departments. A small number of risks are on the actively managed risks register and these are the risks that the department/responsible officer plan to take further action/increase control measures to help reduce the likelihood or impact. These risks are reported to elected Members quarterly through the service planning process.

The Framework and Guidance Document is available to all staff via the intranet. Key staff have undergone appropriate training and departmental risk champions lead on communicating the revised process to all relevant staff in their departments.

There is corporate support at senior management level for development of Risk Management with risk assessment procedures published and training given to officers. Regular risk introduction/refresher sessions are offered as and when individual departments/teams require them.

The Finance and Policy Committee Chair is Hartlepool Borough Council's risk 'champion'. Each department also has a risk co-ordinator. Risks and control measures relating to corporate and departmental plans are analysed within the quarterly departmental reports to help ensure that risk and performance reporting are linked. Both corporate and departmental plans are considered as part of the preparation of the Annual Governance Statement.

SECTION 4 : Annual Governance Statement

The Council's Performance and Risk Management system (Covalent) holds the actively managed and accepted risk registers. Risk registers are also maintained for significant projects, such as the ICT re-procurement. Officers that manage risks are notified that risks need to be reviewed and progress is monitored on a quarterly basis through the service planning process. Departments may use a central funding pot for risk management to assist in the financing of risk mitigation.

The Council has long-standing, nationally and regionally recognised emergency planning arrangements through the Cleveland Emergency Planning Unit (EPU). The Council's Emergency Management Response Team (EMRT) meets monthly and exercises at least every six months.

Departmental business continuity plans have been developed and specific property and flu pandemic plans are in place. ICT resilience is assisted through remote access to E-mail, calendars and the UPS system. Arrangements were further strengthened in Autumn 2009 when a Disaster Recovery Solution was implemented with Northgate and Housing Hartlepool to facilitate the speedy recovery of key systems, in particular those relating to adult and children's care such as Carefirst and ICS.

Flu pandemic planning has identified critical services particularly in respect of vulnerable people, with alternative service provision arrangements identified as part of that process. Considerable work was undertaken in preparing for potential flu pandemic and an Influenza Pandemic Plan has been approved. A future workstream is to integrate the Influenza Pandemic Plan into the new corporate Business Continuity Plan and associated database framework.

The Corporate Business Continuity Group meets monthly and includes lead officers from all departments and the Hartlepool Emergency Planning officer. A revised Business Continuity Plan (BCP) is being developed and a corporate business continuity ICT database has been implemented to record supporting BCP data. New levels of priority/definitions for service restoration have been defined. Population of the new database is complete and a work programme is underway to identify and document new formal decant arrangements for the delivery of priority services in the event of a disruption. Building on previous test exercises of the existing BCP, training exercises on the new plan were scheduled for 2012/13 to ensure the robustness of the plan, aid familiarity by officers and test communication protocols.

The Equality Act 2010 came into force on 1st October, 2010 and brings together over 116 separate pieces of legislation into one single Act. Combined, they make up a new Act that will provide a legal framework to protect the rights of individuals and advance equality of opportunity for all. The Act covers the nine protected characteristics – age, disability, gender reassignment, marriage/civil partnership, pregnancy/maternity, race, religion/belief, gender and sexual orientation.

The Public Sector Equality Duty (PSED) is supported by "specific duties" to assist public bodies to achieve the aims of the general duty. Under the specific duties, the Council must:

- Publish equalities information to demonstrate its compliance with the Equality Duty by the 31st January, 2012 and then annually after that; and
- Develop and publish equality objectives by 6th April, 2012 and then every four years.

In order to demonstrate our compliance with the above requirements, we have compiled two equality reports 'Equality Information 2012' and 'Workforce Equalities Information 2012' to demonstrate the progress that the Council has made to date. We are aware that there are gaps in our data and are working to provide more information in an accessible format. On that basis both reports will be regularly updated.

Equality issues must influence the decisions reached by public bodies - in how they act as employers; how they develop, evaluate and review policy; how they design, deliver and evaluate services, and how they commission and procure from others. We do this by undertaking Impact Assessments which are an integral part of our decision-making process.

Internal Audit reports on a regular basis to the Audit and Governance Committee on the effectiveness of the organisation's system of internal control. Recommendations for improvement are also made and reported on. Internal Audit's performance is measured against standards agreed by management and Members. Internal Audit reporting arrangements have been formalised and strengthened as part of the review of financial procedure rules.

Other review bodies external to the Authority also make regular reports on efficiency, effectiveness and compliance with regulations. Ofsted has rated the Council's children's services as "performing well". Most childcare providers and schools are rated "good" or "outstanding" and none are "inadequate". The Care Quality Commission has rated the Council's adult social care as excellent. The Council achieved full corporate Investors in People status in August 2008 and Hartlepool Connect has achieved the Customer Service Excellence standard.

SECTION 4 : Annual Governance Statement

Review of Effectiveness

The Council has responsibility for conducting, 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 executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Audit and Governance's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

- Corporate Management Team agreed process for the review of the internal control environment. The risk inherent in meeting departmental objectives and the controls to mitigate those risks are recorded as part of the corporate service planning process at a departmental level. This has brought together risk management, control identification and the process for compiling the evidence needed to produce the AGS. This enables managers to provide documented evidence regarding the controls within their service units as part of the service planning process. The controls in place are designed to negate the identified and recorded risks of not achieving service, departmental or corporate objectives. In order to ensure adequate controls are in place the procedures, processes and management arrangements in place to mitigate identified risks and the officers responsible for them are also documented. Gaps in controls can be addressed as part of the regular reviews of departmental risks and control measures.
- Chief Finance Officer – The CFO carries out a review of the effectiveness of the system of internal audit and reports the findings to the Audit and Governance Committee. The CFO reports to the Audit and Governance Committee how the Council's financial arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- Internal Audit – the Council has the responsibility for maintaining and reviewing the system of internal control and reviewing annually Internal Audit. In practice, the Council, and its External Auditors, takes assurance from the work of Internal Audit. In fulfilling this responsibility:
 - Internal Audit operates in accordance with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 and is reviewing its procedures in line with Public Sector Internal Audit Standards (PSIAS).
 - Internal Audit reports to the Section 151 Officer and Audit and Governance Committee.
 - The Head of Audit and Governance provides an independent opinion on the adequacy and effectiveness of the system of internal control, quarterly update reports and an annual internal audit performance report to the Audit and Governance Committee.
 - Internal Audit plans are formulated from an approved risk assessment package.
- External Audit – in their annual audit letter, comment on their overall assessment of the Council. It draws on the findings and conclusions from the audit of the Council.
- Other review and assurance mechanisms: for example, Department of Education, Care Quality Commission, Ofsted, Audit Commission, HMI Probation, Investors in People and Service Excellence.

The Authority's Business Continuity Group meets quarterly and co-ordinates the Business Continuity Strategy. The group has undertaken testing of the plan within departments.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit & Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

SECTION 4 : Annual Governance Statement

Significant Governance Issues

The following significant governance issues have been identified:

No	Issue	Action	Timescale	Responsible Officer
1	Delivery of Medium Term Financial Strategy, the sustainability of services and level of performance.	Revised Savings Programme encompassing key required programme elements at a corporate and department level. Strategic multi year approach to financial management implemented. Member's seminars and staff communication strategy. Budget monitoring and defunding budgets at decision point process. Project planning and management reporting to Finance and Policy Committee and CMT. Enhanced financial management and reporting as identified in peer review.	2014/15	CMT
2	Delivery of Council Plan.	The development and agreement of a revised Council Plan taking into account the integration of health responsibilities and the impact of the financial challenges facing the Council, with regular performance reporting to CMT and Members.	2014/15	CMT
3	Welfare Reform Act.	Continued review of financial consequences of proposals, including further update of Local Council Tax Support Scheme. Removal of welfare support scheme. Update reports to Finance and Policy Committee and CMT.	2014/15	CMT

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Hartlepool Borough Council:

Dave Stubbs
Chief Executive

Raymond Martin-Wells
Chair of Audit and Governance Committee

The Chief Executive, Dave Stubbs and the Chair of the Audit and Governance Committee, Councillor Raymond Martin-Wells signed the Annual Governance Statement on 25th September 2014 and this document is held by the Council. The Signatures have not been reproduced in this electronic document.

SECTION 5 : Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARTLEPOOL BOROUGH COUNCIL

Opinion on the Council's Financial Statements

We have audited the financial statements of Hartlepool Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. 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 2013/14.

This report is made solely to the members of Hartlepool Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Finance Officer and Auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In my opinion the financial statements :

- give a true and fair view of the financial position of Hartlepool Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Opinion on Other Matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

SECTION 5 : Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARTLEPOOL BOROUGH COUNCIL

Matters on which We Report by Exception

I report to you if ;

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Council and the Auditor

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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place 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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

SECTION 5 : Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARTLEPOOL BOROUGH COUNCIL

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that, in all significant respects, Hartlepool Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

Mark Kirkham,
Director and Engagement Lead
For and on behalf of Mazars LLP
The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

Date:

Mark Kirkham, Director, signed the Independent Auditor's report on 30th September 2014 and this document is held by the Council. The Auditor's signature has not been reproduced in this electronic document in line with Mazars' guidance restricting the electronic reproduction of the Auditor's signatures.

SECTION 6 : Glossary of Terms

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- recognising;
- selecting measurement bases for; and
- presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the Income and Expenditure Account or Balance Sheet it is to be presented.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses); or
- the actuarial assumptions have changed.

CAPITAL EXPENDITURE

Expenditure on the acquisition of an asset or expenditure that adds to and not merely maintains the value of an existing asset.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

The Chartered Institute of Public Finance and Accounting (CIPFA) Code sets out the accounting concepts and accounting principles which underpin the statement of accounts.

COMMUNITY ASSETS

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

CONSISTENCY

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

SECTION 6 : Glossary of Terms

CONSTRUCTIVE OBLIGATION

An obligation that derives from an Authority's actions where:

- a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the Authority has indicated to other parties that it will accept certain responsibilities; and
- b) as a result, the Authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

CONTINGENT LIABILITY

A contingent liability is either:

- a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control or;
- b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CREDITORS

Amounts owed by the Authority for work done, goods received or services rendered within the accounting period but for which payment was not made at the balance sheet date.

CURRENT ASSETS

Assets which can be expected to be consumed or realised during the next accounting period, e.g. debtors and stocks.

CURRENT LIABILITIES

Amounts which will become payable or could be called in within the next accounting period e.g. creditors, cash overdrawn.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefit scheme's liabilities expected to rise from employee service in the current period.

SECTION 6 : Glossary of Terms

CURTAILMENT

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- a) termination of employee's services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
- b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify for only reduced benefits.

DEBTORS

Amounts due to the Authority for works done, goods received or services rendered before the end of the accounting period, but for which payments have not been received by the end of that accounting period.

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEPRECIATION

The measure of the cost or revalued amount of the benefits of the asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of an asset whether arising from use or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

DISCRETIONARY BENEFITS

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996.

SECTION 6 : Glossary of Terms

ESTIMATION TECHNIQUES

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains losses and changes to reserves.

Estimation techniques implemented the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- a) Methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of property, plant and equipment consumed in a period
- b) Difference methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

Material items that derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RATE OF RETURN ON PENSION ASSETS

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FINANCE LEASE

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

FINANCIAL INSTRUMENT

A legally enforceable agreement between two or more parties, expressing a contractual right or a right to the payment of money. Typical examples include investments, loans, trade creditors and trade debtors.

SECTION 6 : Glossary of Terms

GOING CONCERN

The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

GOVERNMENT GRANTS

Assistance by Government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

HERITAGE ASSETS

Assets preserved in trust for future generations because of their cultural, environmental or historical associations. It applies to assets held and maintained by the Authority principally for the contribution of knowledge and culture.

IMPAIRMENT

A reduction in the value of Property, Plant and Equipment below its carrying amount on the Balance Sheet.

INFRASTRUCTURE ASSETS

These assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTANGIBLE ASSETS

Expenditure which may properly be capitalised, but which does not result in an asset with substance. Examples of this type of expenditure are software and other licences, patents and trademarks and artistic originals.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period is the present value of the scheme liabilities because the benefits are one period closer to settlement.

INTERNATIONAL ACCOUNTING STANDARDS (IAS)

These standards are developed by the International Accounting Standards Board and regulate the preparation and presentation of financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

These standards are developed by the International Accounting Standards Board and regulate the preparation and presentation of financial statements. The Companies Act 1985 requires compliance to these Standards or disclosures in the notes if there are any material departures from those Standards.

SECTION 6 : Glossary of Terms

INVENTORIES

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Inventories comprises the following categories:

- goods or other assets purchased for resale;
- consumable stores;
- raw materials and components purchased for incorporation into products for sale;
- products and services in intermediate stages of completion;
- long term contract balances; and
- finished goods.

INVESTMENT PROPERTIES

Interest in land and/or buildings:

- a) in respect of which construction work and development have been completed; and
- b) which is held for its investment potential, any rental income being negotiated at arm's length.

INVESTMENTS (PENSIONS FUND)

The investments of the Pensions Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of Pension Scheme assets associated with their underlying obligations.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

LONG TERM CONTRACTS

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long term contracts if they are sufficiently material to the activity of the period.

MINIMUM REVENUE PROVISION (MRP)

The statutory minimum amount that authorities must set aside each year as provision for debt repayment based on the Capital Financing Requirement.

NET BOOK VALUE

The amount at which assets are included in the Balance Sheet, that is their historical cost of current value less the cumulative amounts provided for depreciation.

SECTION 6 : Glossary of Terms

NET CURRENT REPLACEMENT COST

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, that is the cost of its replacement or of the nearest equivalent asset adjusted to reflect the current condition of the existing asset.

NET DEBT

The Authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

NET REALISABLE VALUE

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NON-CURRENT ASSET

Assets that yield benefits to the Authority, and the services it provides, for a period of more than one year.

NON-DISTRIBUTED COST

These are overheads for which no user of the Authority benefits and should not be apportioned to services.

NON-OPERATIONAL ASSETS

Assets held by a local authority but not used or consumed in the delivery of services or for the service or strategic objectives of the Authority. Examples of non-operational assets include investment properties and assets that are surplus to requirements, pending their sale. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the Authority and the rental income is negotiated at arm's length.

OPERATING LEASES

A lease other than a finance lease.

OPERATIONAL ASSETS

Assets held and occupied, used or consumed by the Local Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the Authority.

PAST SERVICE COST

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

SECTION 6 : Glossary of Terms

PRIOR PERIOD ADJUSTMENTS

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of material errors. A material error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROJECTED UNIT METHOD

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- b) the accrued benefits for members in service of the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

PROPERTY, PLANT & EQUIPMENT

This covers all assets with physical substance that are for use in the production or supply of goods and services, for rental to others, or for administrative purpose, and expected to be used during more than one period.

PROVISION

Funds set aside to cover potential liabilities or losses which are likely or certain to be incurred at a future date but where the exact amount and timing of the liability or loss is currently not known.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:

- Central Government;
- Local Authorities and other bodies precepting or levying demands on the Council Tax;
- its subsidiary and associated companies;
- its joint ventures and joint venture partners;
- its Councillors;
- its Chief Officers; and
- its Pension Fund.

SECTION 6 : Glossary of Terms

Examples of related parties of a pension fund include its:

- administering Authority and its related parties;
- scheduled bodies and their related parties; and
- Trustees and Advisors.

These lists are not intended to be comprehensive

For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the Pension Fund;
- the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- the provision of services to a related party, including the provision of pension fund administration services;
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, Rents and payment of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the Authority, but also in relation to its related party.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

SECTION 6 : Glossary of Terms

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- an employer's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Revenue expenditure funded by capital under statute. This is expenditure that can be properly capitalised, but which does not result in an asset for the Authority. Expenditure is therefore written off to revenue.

SCHEME LIABILITIES

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

SERVICE REPORTING CODE OF PRACTICE

A Chartered Institute of Public Finance and Accountancy (CIPFA) guide to accounting for local government services which provides a consistent and comparable calculation of the total costs of services.

SETTLEMENT

An irrecoverable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- the purchase of an irrecoverable annuity contract sufficient to cover vested benefits; and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

USEFUL LIFE

The period over which the Authority will derive benefits from the use of an asset.

SECTION 6 : Glossary of Terms

FURTHER INFORMATION

Copies of this document can also be provided on audiotape or in large print, Braille and ethnic minority languages on request. We can also be contacted via Ttypetalk and enquiries in any language can be dealt with in person or on the telephone using Language Line instant translation service.

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