

Financial Report
2017/18



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SECTION 1 : Narrative Report

INTRODUCTION

The Narrative Report provides an overview of the most significant matters reported in the Financial Report and highlights key aspects of the Council's financial and service performance, including details of performance for 2017/18, the financial outlook for 2018/19, 2019/20 and future years.

SUMMARY FINANCIAL PERFORMANCE AND YEAR END FINANCIAL POSITION FOR 2017/18

Revenue Spending 2017/18 - Budget Position

The Council prepared a four year financial strategy covering 2016/17 to 2019/20. This is the same period covered by the four year grant settlement provided by the Government. In relation to 2017/18 the financial strategy reflected a further reduction in the amount of Government funding received by the Council of £2.1 million, a reduction of 8%. This was the seventh successive annual reduction in Government funding.

The system operated up to 2010/11 by the Government for allocating funding to individual Local Authorities reflected the needs of each area and the ability to raise income locally from Council Tax. However, over the last seven years these factors have not been recognised to the same extent. As a result, over the last seven years the Authority has suffered disproportionate spending power cuts owing to Government funding reductions.

In addition to the Government grant cut which was made in 2017/18 and the further cuts announced for 2018/19 and 2019/20 the Council faced continuing inflation pressures and increased costs in relation to Looked after Children. To address the resulting budget deficit the Council allocated one off resources to provide a longer lead time to implement budget reductions over the period 2017/18 to 2018/19.

In line with the Government's current Council Tax policy the Council implemented an overall Council Tax increase of 4.9% for 2017/18, including the 3% Social Care precept. To mitigate the impact on low income households the Local Council Tax Support Scheme was maintained at 12% for the fourth successive year. The 2017/18 budget provided for an increase in the Hartlepool Living Wage to £8.04, compared to the national minimum wage of £7.55.

The Council's net 2017/18 General Fund budget, which is funded from Government Grant and Council Tax, was £120.526m, including expenditure funded from the Dedicated Schools Grant.

Revenue Spending 2017/18 - Outturn Position

In response to the ongoing financial challenges in future years the Council continued to carefully manage resources during 2017/18 and regular financial management reports were submitted to the Finance and Policy Committee. These reports anticipated a year end overspend for service based expenditure, including significantly higher costs of increased numbers of Looked after Children and the impact of court decisions regarding these cases. It was anticipated that these costs could be partly offset by an under spend on corporate budgets and the use of one-off resources. The final position was a net overspend of £0.109m (£0.124m forecast), which has been funded from the unearmarked General Fund Reserve, as summarised in the following table. The final outturn reflects the increasing financial pressures and risks facing the Council.

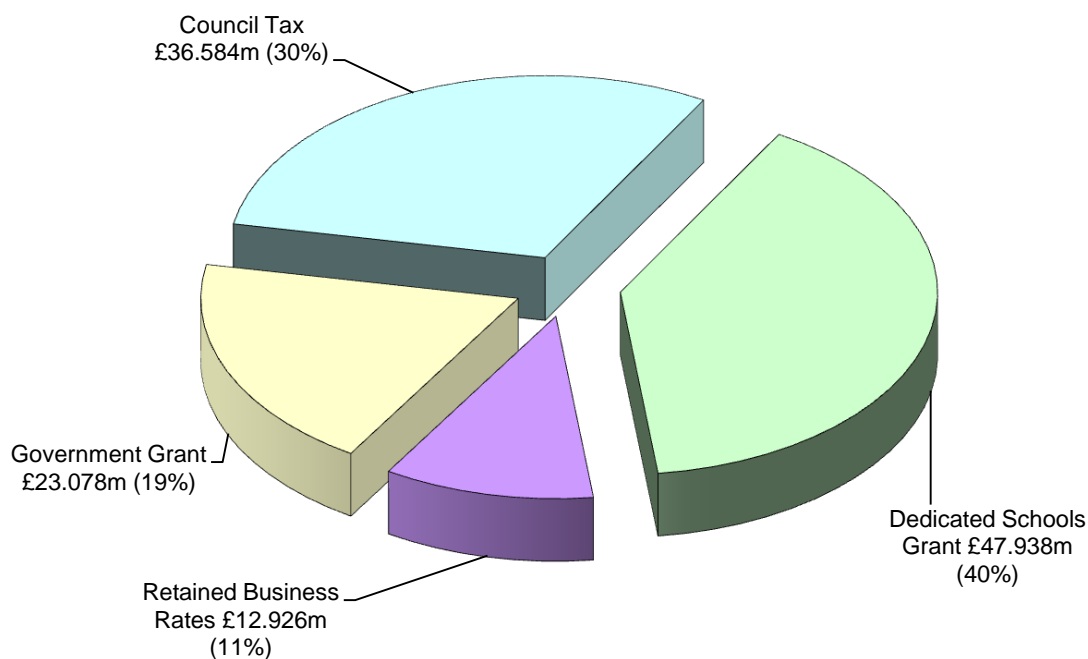
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The following table provides a summary of actual expenditure against the approved budget for 2017/18.

Summary of 2017/18 Financial Position

Description of Expenditure	2017/18 Approved Budget £000	2017/18 Actual Expenditure / (Income) £000	2017/18 Overspend / (Underspend) £000
<u>Departmental Expenditure</u>			
Child & Adult Department	45,984	47,964	1,980
Chief Executives Department	4,493	3,958	(535)
Public Health Department	1,076	1,295	219
Regeneration & Neighbourhoods Department	19,384	19,622	238
Dedicated Schools Grant Related Expenditure	47,938	47,938	-
Total Departmental Position	118,875	120,777	1,902
Looked After Children Reserve	-	(1,400)	(1,400)
Corporate Expenditure	1,651	1,258	(393)
Housing Revenue Account (HRA)	-	1	1
Net Movement on the General Fund & HRA	120,526	120,636	110
Contribution from HRA Reserve	-	(1)	(1)
Final Contribution from General Fund	120,526	120,635	109

The Council's budget of £120.526m was funded from the following sources:



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Capital Spending 2017/18 - Outturn Position

In 2017/18 the Council had a total Capital Programme of £38.856m and incurred expenditure totalling £14.545m. An analysis of this expenditure is shown below, together with an analysis of how it was financed.

	£000	%
Expenditure		
Highway Maintenance & Construction	2,507	17%
Housing Investment Programme	1,198	9%
Innovation and Skills Quarter	1,860	13%
School Improvements	2,873	20%
Sea Defences	1,665	11%
Seaton - Coastal Communities Fund	925	6%
Other Schemes	3,517	24%
Total Expenditure	14,545	100%
Capital Financing		
Capital Grant	8,993	62%
Capital Funding Reserves	2,272	15%
Borrowing	2,995	21%
Capital Receipts	285	2%
Total Capital Financing	14,545	100%

As at 31 March, 2018 the Council had rephased capital expenditure totalling £24.311m into 2018/19. This will be funded from the following rephased resources.

	£000
Capital Financing	
Government Grants	8,030
Borrowing	6,011
Capital Funding Reserves	10,270

Capital Receipts

The Council received gross receipts of £0.285m in 2017/18 from the sale of assets, all of which related to the disposal of land and buildings.

FINANCIAL OUTLOOK 2018/19 to 2020/21

The Council, alongside the majority of authorities, successfully applied to the Government for a four year grant settlement covering the period 2016/17 to 2019/20. This application was made on the basis that this would provide the best settlement possible within the current spending framework and certainty of funding levels for this period, albeit confirming annual Government funding cuts until 2019/20. The four year settlement will mean that by 2019/20 the Council will have faced nine years of funding cuts. Consequently, by 2019/20 funding received from the Government will be £44.2m less than the level provided in 2010/11, which equates to a cut of 57%.

To address the 2018/19 funding reduction the Council increased Council Tax by 4.9%, which included the use of the 2% Social Care precept introduced by the Government. This raised additional income of £1.8m. The balance of the 2018/19 budget deficit, £4.9m, was addressed from a combination of efficiency savings, use of reserves and housing growth. The use of reserves in 2018/19 is part of the Council's multi-year strategy for managing the impact of front loaded Government grant cuts and service pressures over a four year period. The Council had earmarked £8.366m of reserves to support the revenue budget over two years (2018/19 to 2019/20), which provides a longer lead time to reduce the budget. Without these resources budget cuts would have had to be implemented sooner.

The Council also approved proposals to reduce the budget deficit in 2019/20, including an indicative Council Tax increase and detailed savings proposals. Whilst these measures significantly reduce the 2019/20 budget deficit the Council still needs to make further savings in 2019/20, which total between £5.2m and £6m as detailed in the February Medium Term Financial Strategy. Detailed plans will be developed during 2018 to address the remaining 2019/20 deficit and to begin to develop a strategy for 2020/21 onwards.

The financial outlook for 2020/21 is uncertain as the Government intends making significant changes to the local government funding system, including increasing Business Rate retention from 50% to 75%, completion of a Fair Funding Review and a Green Paper for Adult Social Care. The Council will continue to review its financial strategy as more information becomes available.

SECTION 1 : Narrative Report

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. For a number of years the Council has internalised borrowing by netting down borrowing against investments. However interest rates have fallen to a historically low level, which the Council has taken advantage of to secure financing in relation to business cases. The Council has also used these historically low rates to reduce interest rate risk in relation to some existing capital expenditure previously temporarily funded by internalising borrowing.

The interest earned on Council investments remained low during 2017/18, this has been mitigated by low interest costs on the Council's borrowings.

PENSIONS

The Council has accounted for retirement benefits according to International Financial Reporting Standard (IFRS) IAS 19. In the accounts as at 31 March, 2018 there was a deficit on the Pensions Reserve of £124.837m (£117.899m in 2016/17). This was offset by a Pensions Liability of the same value. The net Pensions Liability has increased mainly owing to the yearly service costs being greater than the employer contributions received.

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 pensions 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 most recent Pension Fund Valuation set the employer's contribution rate for the period 2017/18 to 2019/20 and resulted in a phased increase from 14.2% to 15.5%. Provision for the additional cost has been made within the Council's budget plans.

Further information is included in Notes 51 and 52 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.

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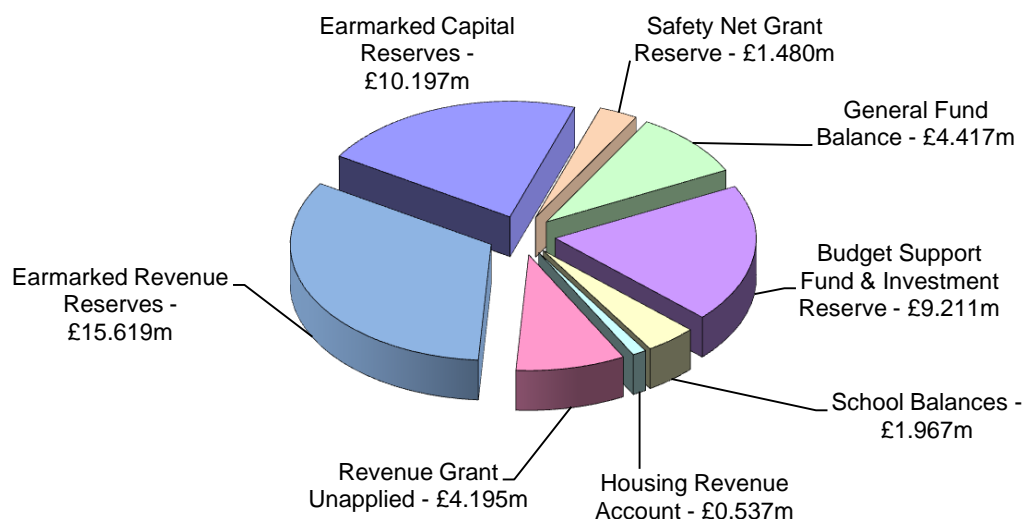
Balance Sheet

The Balance Sheet shows the value of the assets and liabilities at 31 March, 2018. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are classified 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, Heritage Assets, Revaluation Reserve and Capital Adjustment Account – the Council's total fixed assets have decreased by £2.283m which comprises expenditure on fixed assets, downward revaluations of existing assets, less depreciation and disposals.
- Short Term Debtors - totalled £21.507m as at 31 March, 2018 (£15.579m at 31 March, 2017). The increase primarily relates to an increase in Government grants due to the Council.
- Capital Grants Receipts in Advance - totalled £9.907m as at 31 March, 2018 (£4.642m at 31 March, 2017). This increase relates to an increase in Government grants paid to the Council in advance of expenditure being incurred.
- Other Long Term Liabilities - as at 31 March, 2018, were £125.017m (£118.188m at 31 March, 2017). The increase is mainly owing to the increase in net pension liabilities. There is a corresponding increase to the Pensions Reserve, which is included within Unusable Reserves in the balance sheet. Further detail of the movement in Unusable Reserves is provided in Note 36.
- At the 31 March, 2018 the Authority had reserves of £47.623m (£52.892m at 31 March, 2017). Full details of the Council's reserves are provided in Notes 28 to 36 and include the following key reserves:

Analysis of Reserves 31/03/18 - Total 47.623m



The Council reviews the level of one off resources and financial risk on an annual basis and the next review will be completed during Summer 2018.

SECTION 1 : Narrative Report

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.

Pooled Budgets - Better Care Fund

The Better Care Fund (BCF) has been established by the Government to support the introduction of a fully integrated health and social care system. Section 75 of the National Health Service Act 2006 gives powers to Local Authorities and Clinical Commissioning Groups (CCG) to establish and maintain pooled budgets to support the outcomes of the BCF. The Council has entered into a pooled budget arrangement with NHS Hartlepool and Stockton Clinical Commissioning Group. Further details are provided in Note 55.

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 and National Non Domestic Rates. The Fund is operated and reported on under the same accounting policies as Hartlepool Borough Council.

The total Council Tax for the year was £1,833.86 (£1,756.09 in 2016/17) for Band D properties, excluding parish precepts where these applied. This comprised £1,546.26 for the Council's own services, £214.54 for the Police and Crime Commissioner and £73.06 for 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 33,579 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	36,473	51%
Police and Crime Commissioner Precept	5,057	7%
Cleveland Fire Authority Precept	1,722	2%
Central Government's Share Non Domestic Rates	14,859	20%
Hartlepool Council Non Domestic Rates Precept	14,681	20%
Cleveland Fire Authority Non Domestic Rates Precept	300	1%
Other	(481)	(1)%
	72,611	100%
Income		
Council Tax	43,515	59%
NNDR from Rate Payers	32,148	44%
Transitional Protection Refund	(2,266)	(3)%
	73,397	100%
Net Deficit / (Surplus) in Year	(786)	

Housing Revenue Account

Where Local Authorities hold Council Dwellings that number above the threshold set by Central Government they are required to maintain a separate Housing Revenue Account (HRA). In 2016/17 the Council's housing stock rose above this threshold and a HRA was introduced. The HRA shows the in-year economic cost of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and Government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

In 2017/18 £0.001m was transferred from the HRA reserve after adjustments between accounting basis and funding basis under statute.

SECTION 1 : Narrative Report

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.

FINANCIAL AND SERVICE PERFORMANCE - DELIVERY OF ECONOMY, EFFICIENCY & EFFECTIVENESS

The Council recognises that the delivery of economy, efficiency and effectiveness are a combination of strong financial and service performance. As detailed in previous sections the Council set a balanced budget for 2017/18 and this included implementing a detailed savings plan which makes a significant contribution towards delivering services which are economical, efficient and effective.

The Council managed cash resources effectively by ensuring that all income was received promptly and payments were made when due. These arrangements are underpinned by a robust Treasury Management strategy which provides the framework for managing borrowing decisions and temporary investment of surplus cash. There are no concerns regarding the level of debtors at 31 March, 2018 as the amounts due to the Authority mainly relate to Government grants and payments due from local authorities which will be received in 2018/19.

In addition to delivering on the financial targets the Authority also delivered strong service performance, as detailed in the following paragraphs. The Authority's 2017/18 Financial and Service performance demonstrates continued delivery of economy, efficiency and effectiveness in a challenging financial environment.

The Council Plan sets out the Council's overall service planning arrangements. It addresses the key priorities and issues facing the Council and is prepared in parallel with the Council's annual Budget and Medium Term Financial Strategy. The Council Plan is agreed annually by Full Council and contains;

- an action plan setting out how the Council proposes to deliver the priority outcomes,
- Performance Indicators (PIs) which are then used to monitor progress throughout the year and at year end, this includes both targeted and monitored PIs, and
- the key risks that could prevent the Council from delivering the priority outcomes.

In 2017/18 the Council Plan had 222 actions (124 in 2016/17). Progress against the Council Plan is reported quarterly to the Senior Leadership Team and Finance and Policy Committee. At the end of quarter 4 the following progress was reported for 2016/17 and 2017/18:

2016/17		Actions	2017/18	
101	81%	Completed	142	64%
5	4%	On track	49	22%
5	4%	Progress acceptable	11	5%
13	11%	Not completed	20	9%
124	100%		222	100%

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2016/17		2017/18
	Key Finance Indicators	
95.40%	Percentage of Council tax collected in year	95.70%
98.40%	Percentage of Business Rates collected in year	98.90%
93.07%	Percentage of invoices paid in 30 days	97.17%
90.37%	Percentage of invoices paid to local suppliers in 10 days	95.65%
19.85 days	Average time to process new Housing Benefit/Council Tax Benefit claims	20.7 days
	Long-Term Council Tax Collection Rates	
99.30%	Council Tax collected after 5 years	99.44%
99.50%	Business Rates collected after 5 years	99.59%

The Council's activities, key services and outcomes are detailed in the Council Plan 2017-20 ([https://www.hartlepool.gov.uk/info/20004/council_and_democracy/693/council_plan_2017 - 2020](https://www.hartlepool.gov.uk/info/20004/council_and_democracy/693/council_plan_2017_-_2020)). The Council Plan sets out the Council's overall service planning arrangements, addresses the key priorities and issues facing the Council and is prepared in parallel with the Council's annual budget and Medium Term Financial Strategy. The Council Plan is reviewed and agreed annually by Full Council. The Council Plan identifies 6 key strategic priorities, these are:

- Growing our economy, jobs and skills.
- Regenerating our town.
- Developing and promoting Hartlepool as a great place to live.
- Developing new services for people and communities.
- Building better beginnings and better futures for our children and young people.
- Providing effective leadership based upon innovation and efficiency.

INSPECTION OF ACCOUNTS

Members of the public have a statutory right to inspect the accounts before the audit is completed, question the auditor and make objections at audit. The availability of the accounts for inspection was advertised on the Council's website and in relation to the 2017/18 financial year the inspection period is 1 June, 2018 to 12 July, 2018.



Chris Little CPFA
Director of Finance and Policy
Date: 25 July, 2018

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 Director of Finance and Policy;
- 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 25 July, 2018.



Councillor Brenda Loynes
Chair of Audit and Governance Committee
Date: 25 July, 2018

The Director of Finance and Policy's Responsibilities

The Director of Finance and Policy 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 Director of Finance and Policy 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 Director of Finance and Policy 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 Director of Finance and Policy

In accordance with the requirements of the Accounts and Audit Regulations 2015, I certify that Section 1 to 3 of the Financial Report 2017/18, 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 31 March, 2018.



Chris Little CPFA
Director of Finance and Policy
Date: 25 July, 2018

SECTION 3 : Statement of Accounts

Movement in Reserves Statement for the year ended 31 March 2018

	Unearmarked General Fund Balance	School, Budget Support and Investment Reserves	Earmarked Revenue & Capital Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2016 carried forward	4,753	9,697	67,539	-	-	-	321	82,310	44,980	127,290
<u>Movement in reserves during 2016/17</u>										
Surplus or (deficit) on provision of services	(23,009)	-	-	(3,038)	-	-	-	(26,047)	-	(26,047)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	20,166	20,166
Total Comprehensive Income and Expenditure	(23,009)	-	-	(3,038)	-	-	-	(26,047)	20,166	(5,881)
Adjustments between accounting basis & funding basis under regulations (note 5)	(6,539)	-	-	3,046	147	-	(25)	(3,371)	3,371	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(29,548)	-	-	8	147	-	(25)	(29,418)	23,537	(5,881)
Transfers to/(from) Earmarked Reserves	29,321	7,969	(37,820)	530	-	-	-	-	-	-
Increase/(Decrease) in Year	(227)	7,969	(37,820)	538	147	-	(25)	(29,418)	23,537	(5,881)
Balance at 31 March 2017 carried forward	4,526	17,666	29,719	538	147	-	296	52,892	68,517	121,409
<u>Movement in reserves during 2017/18</u>										
Surplus or (deficit) on provision of services	(15,855)	-	-	(969)	-	-	-	(16,824)	-	(16,824)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	2,051	2,051
Total Comprehensive Income and Expenditure	(15,855)	-	-	(969)	-	-	-	(16,824)	2,051	(14,773)
Adjustments between accounting basis & funding basis under regulations (note 5)	10,648	-	-	969	214	-	(276)	11,555	(11,555)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(5,207)	-	-	-	214	0	(276)	(5,269)	(9,504)	(14,773)
Transfers to/(from) Earmarked Reserves	5,098	(6,488)	1,391	(1)	-	-	-	-	-	-
Increase/(Decrease) in Year	(109)	(6,488)	1,391	(1)	214	-	(276)	(5,269)	(9,504)	(14,773)
Balance at 31 March 2018 carried forward	4,417	11,178	31,110	537	361	0	20	47,623	59,015	106,638

For detail on Usable and Unusable Reserves see Notes 28 to 36

SECTION 3 : Statement of Accounts

Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

2016/17			2017/18				
£000s Expenditure	£000s Income	£000s Net		£000s Expenditure	£000s Income	£000s Net	Note
140,459	(81,596)	58,863	Continuing operations:	145,848	(88,264)	57,584	7
54,955	(49,726)	5,229	Child and Adult Services	47,041	(41,730)	5,311	7
11,217	(11,190)	27	Chief Executives	10,312	(11,054)	(742)	7
52,227	(25,134)	27,093	Public Health	51,454	(25,386)	26,068	7
9,124	(2,893)	6,231	Regeneration and Neighbourhood Services	7,755	(2,537)	5,218	7
3,771	(1,028)	2,743	Corporate	1,723	(1,075)	648	7
			HRA				
271,753	(171,567)	100,186	Cost of Services	264,133	(170,046)	94,087	
1,753	(587)	1,166	Other Operating Expenditure	952	(514)	438	8
8,876	-	8,876	Transfer of School Assets (see Note (a) below)	43	-	43	8
17,375	(13,366)	4,009	Financing and Investment Income and Expenditure	19,071	(12,161)	6,910	9
-	(88,190)	(88,190)	Taxation and Non-Specific Grant Income	-	(84,654)	(84,654)	10
299,757	(273,710)	26,047	(Surplus) / Deficit on Provision of Services	284,199	(267,375)	16,824	
		(5,279)	(Surplus) / Deficit on Revaluation of Property, Plant and Equipment				315 36 Table 1
		(14,887)	Remeasurement of net defined benefit liability / (asset)				(2,366) 36 Table 4
		(20,166)	Other Comprehensive Income and Expenditure			(2,051)	
		5,881	Total Comprehensive Income and Expenditure			14,773	

Note (a) - In 2017/18 Holy Trinity Church of England Primary School and St Aidan's Church of England Memorial Primary School converted to Academy Status. As a consequence school fields owned by the Council relating to these schools were transferred to the Academies and 'written out' of the Council's accounts. This totalled £0.043m for 2017/18. Following the conversion of Jesmond Gardens and Brougham Primary School to Academy Status in 2016/17 these assets were 'written out' of the Council's accounts. This 'write-out' totalled £8.876m for 2016/17 and is disclosed separately in the Comprehensive Income and Expenditure Statement owing to the exceptional nature of these transactions.

SECTION 3 : Statement of Accounts

Balance Sheet as at 31 March 2018

31 March 2017 £000s		31 March 2018 £000s	Note
255,473	Property, Plant and Equipment	256,486	14
14,947	Heritage Assets	15,066	17
17,616	Investment Property	14,201	16
197	Long Term Investments	197	18
2,697	Long Term Debtors	2,570	19
290,930	Long Term Assets	288,520	
40,067	Short Term Investments	37,083	44
268	Inventories	233	20
15,579	Short Term Debtors	21,507	21
6,578	Cash and Cash Equivalents	4,460	22
62,492	Current Assets	63,283	
(1,115)	Bank Overdraft	-	22
(1,939)	Provisions	(2,757)	25
(4,815)	Short Term Borrowing	(4,927)	44
(18,363)	Short Term Creditors	(19,954)	24
(4,642)	Capital Grants Receipts in Advance	(9,907)	27
(381)	Revenue Grant Receipts in Advance	(1,344)	27
(31,255)	Current Liabilities	(38,889)	
(1,139)	Provisions	(1,291)	25
(81,429)	Long Term Borrowing	(79,968)	44
(118,188)	Other Long Term Liabilities	(125,017)	26
(200,756)	Long Term Liabilities	(206,276)	
121,411	Net Assets:	106,638	
4,526	Unearmarked General Fund Reserve	4,417	28
15,227	Budget Support Fund & Investment Reserves	9,211	29
2,439	Schools Balances	1,967	30
538	Housing Revenue Account Reserve	537	31
-	Revenue Grant Unapplied	4,195	32
22,910	Earmarked Revenue Reserves	15,619	33
6,295	Earmarked Capital Reserves	10,197	34
957	Business Rates Safety Net Grant Reserve	1,480	35
68,519	Unusable Reserves	59,015	36
121,411	Total Reserves:	106,638	

SECTION 3 : Statement of Accounts

Statement Of Cash Flows For The Year Ended 31 March 2018

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.

2016/17 £000s		2017/18 £000s	Note
(26,047)	Net Surplus / (Deficit) on the Provision of Services	(16,824)	
16,915	Adjustments to Net Surplus / (Deficit) on the Provision of Services for Non-cash Movements	21,025	47
(10,203)	Adjustments for items included in the Net Surplus / (Deficit) on the Provision of Services that are Investing and Financing Activities	(8,987)	48
(19,335)	Net Cash (Outflow) / Inflow from Operating Activities	(4,786)	
2,785	Investing Activities	4,032	49
17,088	Financing Activities	(249)	50
538	Net Increase / (Decrease) in Cash and Cash Equivalents	(1,003)	
4,925	Cash and Cash Equivalents at the beginning of the reporting period	5,463	
5,463	Cash and Cash Equivalents at the end of the reporting period	4,460	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 2017/18 financial year and its position at the year-end of 31 March, 2018. The Council is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2015 and to comply with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, 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 activity 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.

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 £5,000 have only been accrued at the discretion of individual departments. All amounts in excess of £5,000 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, 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.

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 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.

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

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 Kier 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 Child and Adult 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.

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 and apportioned based on direct departmental pension 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.

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

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.

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 department 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.

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

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 SUEZ Recycling and Recovery Tees Valley Limited (formerly SITA Tees Valley Limited).

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 Director of Finance and Policy 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).

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.

Summary of Significant Accounting Policies

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. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

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. 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.

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

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.

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 current 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 – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Surplus and Investment assets - fair value, determined using the basis of market value (FV-MV)
- All other assets – current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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.

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

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 department 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 department line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant department 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 current value less costs to sell. Where there is a subsequent decrease to current value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in current 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.

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

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.

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.

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 department 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.

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

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.

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

18. Financial Guarantees

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments and are disclosed in the Financial Guarantees note.

19. 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.

20. 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.

21. 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.

22. 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.

SECTION 3 : Statement of Accounts

Summary of Significant Accounting Policies

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.

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.

23. Fair Value Measurements

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

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing an asset or liability, assuming that market participants act in their economic best interest.

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

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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 requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2018/19 Code.

- IFRS 9 Financial Instruments. This introduces changes to the classification and measurement of financial assets and a new 'expected credit loss' model for impairing financial assets. The adoption of this standard is not expected to have a material impact on the Council's financial statements.
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers. This introduces new requirements for the recognition of revenue. However it is not expected that this standard will have a material impact on the Council's financial statements.
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses. This applies to deferred tax assets related to debt instruments measured at fair value. The Council does not have such debt instruments. Therefore this will have no impact on the Council's financial statements.
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative. This will potentially require some additional analysis of Cash Flows from Financing Activities in future years. However if the standard had applied in 2017/18 there would be no additional disclosure.
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets. The impact of IFRS 16 is not yet estimable due to the standard being introduced in 2019/20 and detailed guidance not yet being available.

The Code requires implementation from 1 April 2018 and therefore there is no impact on the 2017/18 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 2018/19. 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;
 - Nine 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.
 - One Voluntary Controlled (VC) School which is owned and accounted for by the Church of England Diocese of Durham.
 - One foundation School which is owned by the School Governing Body.
 - Fourteen Community Schools owned by the Council.
 - Thirteen Academy Schools which the Council have transferred to the Academies under 125 year leases.

Below is an analysis of the accounting treatment for the Schools within the Authority, indicating whether the asset is held on or off the Balance Sheet:

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 Council's 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, 2018 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 £0.070m 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 £10.056m, however, the assumptions interact in complex ways. During 2017/18, the Authority's actuaries advised that the net pension liability for funded LGPS benefits had increased by £2.823m as a result of estimates being corrected as a result of experience and reduced by £0.470m 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 2017/18. A 0.1% increase in this rate would increase the Authority's revenue budget requirement for pension costs by £8,000.
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 created an Income Risk Reserve of £0.400m.
Arrears	At 31 March, 2018, the Council had a balance of £15.289m on general, Council Tax Payers, NNDR Payers and Trade debtors. A review of these balances suggested that an impairment of doubtful debts of £4.991m was appropriate. However in the current climate it is not certain that such an allowance would be sufficient.	If bad debt provision was made for an additional 1% of outstanding debt this would result in an additional charge of £0.153m.

SECTION 3 : Statement of Accounts

Note 3: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 £2.740m before receiving any 'safety net' grant from the Government. The Council has set aside a reserve of £2.439m 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.

Note 4: Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance and Policy on 25th July, 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March, 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

In May 2018 the Council contracted Anderson & Garland Ltd to review its portfolio of Works of Art. This resulted in a £3.777m increase in the value of these Heritage Assets.

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.

2017/18	Usable Reserves							
	Unearmarked General Fund Balance £000s	School, Budget Support and Investment Reserves £000s	Earmarked Revenue & Capital Reserves £000s	Housing Revenue Account £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Capital Adjustment Account:								
<i>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement</i>								
Charges for Depreciation and Impairment of Non-current Assets	10,161	-	-	154	-	-	-	(10,315)
Charges for Revaluation losses on Property Plant and Equipment	340	-	-	1,036	-	-	-	(1,376)
Movements in the Market Value of Investment Properties	2,158	-	-	-	-	-	-	(2,158)
Capital Grants and Contributions	(8,714)	-	-	-	-	-	12	8,702
Direct Revenue Funding	(2,235)	-	-	-	-	-	-	2,235
Revenue Expenditure Funded from Capital Under Statute	2,010	-	-	-	-	-	-	(2,010)
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	654	-	-	-	-	-	-	(654)
<i>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement</i>								
Provision for the Financing of Capital Investment (MRP)	(2,349)	-	-	-	-	-	-	2,349
Adjustments primarily involving the Capital Grants Unapplied Account:								
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	(288)	288
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	(285)	-	-	-	-	285	-	-
Use of Capital Receipts Reserve to finance new capital expenditure						(285)		285
Adjustments primarily involving the major Repairs Reserve:								
Transfer to Major Repairs Reserve	-	-	-	(252)	252	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	-	(38)	-	-	38

SECTION 3 : Statement of Accounts

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

2017/18	Unearmarked General Fund Balance £000s	School, Budget Support and Investment Reserves £000s	Earmarked Revenue & Capital Reserves £000s	Housing Revenue Account £000s	Major Repairs Reserve £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	17,059	-	-	52	-	-	-	(17,111)
Employer's Pension Contributions and Direct Payments to Pensioners payable in year	(7,786)	-	-	(21)	-	-	-	7,807
Adjustments Primarily involving the Collection Fund Adjustment Account:								
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax and income calculated for the year in accordance with statutory requirements	(447)	-	-	-	-	-	-	447
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	82	-	-	-	-	-	-	(82)
Total Adjustments	10,648	-	-	969	214	-	(276)	(11,555)

Usable Reserves

2016/17	Unearmarked General Fund Balance £000s	School, Budget Support and Investment Reserves £000s	Earmarked Revenue & Capital Reserves £000s	Housing Revenue Account £000s	Major Repairs Reserve £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	10,609	-	-	179	-	-	-	(10,788)
Charges for Revaluation losses on Property Plant and Equipment	3,781	-	-	3,024	-	-	-	(6,805)
Movements in the Market Value of Investment Properties	(2,277)	-	-	-	-	-	-	2,277
Capital Grants and Contributions	(9,775)	-	-	-	-	-	-	9,775
Write out Finance Lease								-
Direct Revenue Funding	(2,335)	-	-	-	-	-	-	2,335
Revenue Expenditure Funded from Capital Under Statute	1,767	-	-	-	-	-	-	(1,767)
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	10,302	-	-	-	-	-	-	(10,302)
<u>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement</u>								
Provision for the Financing of Capital Investment (MRP)	(5,409)							5,409

SECTION 3 : Statement of Accounts

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

2016/17	Unearmarked General Fund Balance £000s	School, Budget Support and Investment Reserves £000s	Earmarked Revenue & Capital Reserves £000s	Housing Revenue Account £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	-	-	-	-	-	-	(25)	25
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	(426)	-	-	-	-	426	-	-
Use of the Capital Receipts Reserve to finance new Capital Expenditure	-	-	-	-	-	(312)	-	312
Repay Borrowing	-	-	-	-	-	(114)	-	114
Adjustments primarily involving the major Repairs Reserve:								
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	(179)	179	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	-	(32)	-	-	32
Adjustments primarily involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	15,677	-	-	44	-	-	-	(15,721)
Employer's Pension Contributions and Direct Payments to Pensioners payable in year	(8,181)	-	-	(21)	-	-	-	8,202
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	(20,387)	-	-	-	-	-	-	20,387
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	114	-	-	-	-	-	-	(114)
Total Adjustments	(6,540)	-	-	3,047	147	-	(25)	3,371

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 2017/18. Further details are provided in Note 28 to 35.

	Balance at 31 March 2016	Transfer Between Reserves	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31 March 2017	Transfer Between Reserves	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Unearmarked General Fund Balance									
General Fund Balance	4,753	-	(227)	-	4,526	-	(109)	-	4,417
	4,753	-	(227)	-	4,526	-	(109)	-	4,417
Budget Support & Investment Reserves									
2017/18 MTFS Investment Reserve	-	3,802	-	860	4,662	-	(3,817)	-	845
Business Rates Risk Reserve	-	5,370	(1,221)	-	4,149	-	(1,911)	201	2,439
Budget Support Fund 2016/17 to 2018/19	5,781	-	(4,176)	1,000	2,605	-	-	-	2,605
Adult Social Care Reserve	-	2,381	(95)	7	2,293	(1,051)	-	910	2,152
Looked After Children Reserve	-	973	-	-	973	1,051	(854)	-	1,170
Children's Social Care & Early Intervention Reserves	-	720	(175)	-	545	-	(545)	-	-
	5,781	13,246	(5,667)	1,867	15,227	-	(7,127)	1,111	9,211
School Balances									
Balances held by schools under a scheme of delegation	2,711	-	(4,117)	2,598	1,192	-	(3,478)	3,287	1,001
Strategic Change & Ring Fenced Grants Reserves - Held in Trust for Schools	935	-	(314)	476	1,097	-	(933)	553	717
Other Fund School Balances	270	-	(270)	150	150	-	(150)	249	249
	3,916	-	(4,701)	3,224	2,439	-	(4,561)	4,089	1,967
Housing Revenue Account Balance									
HRA Balance	-	530	-	8	538	-	(1)	-	537
	-	530	-	8	538	-	(1)	-	537
Revenue Grants Unapplied									
Revenue Grants Unapplied	-	-	-	-	-	3,982	(571)	784	4,195
	-	-	-	-	-	3,982	(571)	784	4,195
Earmarked Revenue Reserves									
Insurance Fund	4,302	-	(76)	204	4,430	-	(7)	45	4,468
Strategic One Off Costs	5,875	-	(1,172)	-	4,703	-	(1,380)	-	3,323
Public Health Grant Reserve	2,405	(1,000)	(652)	613	1,366	-	(657)	697	1,406
Strategic Change Reserves	3,779	(2,007)	(391)	515	1,896	(746)	(253)	310	1,207
Capital Risk Strategy Reserve	901	-	-	-	901	-	-	-	901
Treasury Management Risk Reserve	804	-	(9)	-	795	-	-	-	795
Lotteries Reserve	425	-	(17)	10	418	-	(17)	10	411
School Attainment Reserve	389	-	(169)	-	220	156	(78)	104	402
Income Risk Reserve	500	-	(100)	-	400	-	-	-	400
Supporting Family Poverty	500	-	(155)	-	345	161	(168)	20	358
Regeneration Projects	400	-	(76)	-	324	-	-	-	324
Support for Local Council Tax Support Scheme	2,920	(2,620)	-	-	300	-	-	-	300
Royal Navy Museum Reserve	520	-	(59)	-	461	-	(166)	-	295
Trading Account Reserves	334	-	(89)	-	245	-	-	-	245
Better Care Fund Reserve	220	-	-	-	220	-	-	-	220
Tees Education & Skills Reserve - Held in Trust	578	-	(148)	-	430	-	(213)	-	217
Education Commission Reserve	414	-	(150)	-	264	-	(146)	-	118
Museums Acquisition	84	-	-	3	87	-	(19)	2	70
Funding for Modern Apprentices	90	-	(12)	-	78	-	(30)	-	48
Members Ward Budget Reserve	48	-	-	7	55	-	(14)	-	41
Concessionary Fare	38	-	-	-	38	-	-	-	38
Environmental Apprenticeships Scheme	25	-	(25)	60	60	-	(43)	-	17
Works in Default Empty Homes	15	-	-	-	15	-	-	-	15
Strategic Change Ring Fenced Grants Reserve	5,952	(1,910)	(1,486)	1,022	3,578	(3,578)	-	-	-
Strategic Risk Reserve	1,028	-	-	-	1,028	55	(1,083)	-	-
Environmental Enhancement Projects	196	-	(48)	-	148	-	(148)	-	-
Protection Costs Reserve	750	-	(683)	-	67	-	(67)	-	-
Community Centre Reserve	30	-	-	-	30	(30)	-	-	-
NDC Fund	8	-	-	-	8	-	(8)	-	-
Business Rates Risk Reserve	5,370	(5,370)	-	-	-	-	-	-	-
Children's Social Care & Early Intervention Reserve	720	(720)	-	-	-	-	-	-	-
Building / Development Control Income Shortfall	123	-	(123)	-	-	-	-	-	-
Pay Costs Reserve	100	(100)	-	-	-	-	-	-	-
Living Wage Reserve	49	(49)	-	-	-	-	-	-	-
	39,892	(13,776)	(5,640)	2,434	22,910	(3,982)	(4,497)	1,188	15,619
Earmarked Capital Reserves									
Capital Funding Reserve	6,196	-	(2,874)	2,530	5,852	-	(2,531)	6,495	9,816
Capital Receipts Unapplied	-	-	(426)	426	-	-	(285)	285	-
HRA Major Repairs Reserve	-	-	(32)	179	147	-	(37)	251	361
Capital Grants Unapplied	321	-	(25)	-	296	-	(288)	12	20
	6,517	-	(3,357)	3,135	6,295	-	(3,141)	7,043	10,197
Safety Grant Reserve									
Business Rates Safety Net Grant Reserve	21,451	-	(20,501)	7	957	-	-	523	1,480
	21,451	-	(20,501)	7	957	-	-	523	1,480

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Note 7: Expenditure and Funding Analysis

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

2016/17			2017/18		
Net Expenditure Chargeable to the General Fund	Adjustments Between the General Fund and the Comprehensive Income and Expenditure Statement	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA	Adjustments Between the General Fund and the Comprehensive Income and Expenditure Statement	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000s	£000s	£000s	£000s	£000s	£000s
47,999	10,864	58,863	47,964	9,620	57,584
		Child and Adult Services			
3,845	1,384	5,229	3,958	1,353	5,311
1,301	(1,274)	27	1,295	(2,037)	(742)
19,853	7,240	27,093	19,622	6,446	26,068
		Regeneration and Neighbourhood			
6,510	(279)	6,231	1,258	3,960	5,218
(8)	2,751	2,743	1	647	648
		HRA			
47,946	(47,946)	-	47,938	(47,938)	-
(2,374)	2,374	-	(1,400)	1,400	-
		Schools			
		Transfers to/From Earmarked Reserves			
125,072	(24,886)	100,186	120,636	(26,549)	94,087
		Net Cost of Services			
(124,818)	50,679	(74,139)	(120,526)	43,263	(77,263)
		Other Income and Expenditure			
254	25,793	26,047	110	16,714	16,824
		(Surplus) or Deficit			
4,753		Opening General Fund & HRA Balance	5,064		
(262)		Less/Plus Surplus or (Deficit) on General Fund Balance in Year	(109)		
35		Transfer Between Earmarked & General Fund Reserves	-		
8		Less/Plus Surplus or (Deficit) on HRA Balance in Year	(1)		
530		Transfer Between Earmarked & HRA Reserves	-		
5,064		Closing General Fund & HRA Balance at 31 March	4,954		

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Note 7A: Note to the Expenditure and Funding Analysis

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	2017/18		Total Adjustments
			Other Statutory Differences (Note 3)	Other Non-Statutory Difference (Note 4)	
	£000s	£000s	£000s	£000s	£000s
Child and Adult Services	5,368	3,386	80	786	9,620
Chief Executives	127	816	-	410	1,353
Public Health	97	355	-	(2,489)	(2,037)
Regeneration and Neighbourhood Services	5,699	1,865	1	(1,119)	6,446
Corporate	(2,883)	10	-	6,833	3,960
HRA	1,036	20	-	(409)	647
Schools	-	-	-	(47,938)	(47,938)
Transfer To/from Earmarked Reserves	-	-	-	1,400	1,400
Net Cost of Services	9,444	6,452	81	(42,526)	(26,549)
Other Income and Expenditure from the Expenditure and Funding Analysis	(4,432)	2,850	(447)	45,292	43,263
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	5,012	9,302	(366)	2,766	16,714

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	2016/17		Total Adjustments
			Other Statutory Differences (Note 3)	Other Non-Statutory Difference (Note 4)	
	£000s	£000s	£000s	£000s	£000s
Child and Adult Services	6,330	1,667	(138)	3,005	10,864
Chief Executives	127	432	(64)	889	1,384
Public Health	408	193	122	(1,997)	(1,274)
Regeneration and Neighbourhood Services	6,511	1,089	194	(554)	7,240
Corporate	(4,145)	7	-	3,859	(279)
HRA	3,024	11	-	(284)	2,751
Schools	-	-	-	(47,946)	(47,946)
Transfer To/from Earmarked Reserves	-	-	-	2,374	2,374
Net Cost of Services	12,255	3,399	114	(40,654)	(24,886)
Other Income and Expenditure from the Expenditure and Funding Analysis	(2,996)	4,120	(20,387)	69,942	50,679
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	9,259	7,519	(20,273)	29,288	25,793

Note 1 This is the net change for the removal of depreciation and impairment and other capital costs from services and the addition of other operating costs and capital grants received.

Note 2 This is the net change for the removal of employer pension contributions made by the authority as allowed by statute and the replacement with current and past service costs.

Note 3 This is the net change in relation to statutory adjustments for accumulated absences and in relation to the Collection Fund.

Note 4 This is the net change in relation to non-statutory adjustments for amounts included in the management accounts but not in the Comprehensive Income and Expenditure Statement.

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Note 7B: Expenditure and Income Analysed by Nature

The Council's income and expenditure is analysed as follows:

2016/17		2017/18
£000	Expenditure/Income	£000
	Expenditure	
93,962	Employee Benefits Expenses	96,445
154,595	Other Services Expenses	148,595
22,417	Support Service Recharges	21,527
15,315	Depreciation, Impairment, Revaluation Losses	13,850
3,031	Interest Payments	2,981
135	Precepts and Levies	140
10,302	Gain/Loss on the disposal of assets	661
299,757	Total Expenditure	284,199
	Income	
(46,172)	Fees Charges and Other Service Income	(46,810)
(13,366)	Interest and Investment Income	(12,161)
(51,042)	Income from Council Tax and Non Domestic Rates	(49,957)
(163,130)	Government Grants and Contributions	(158,447)
(273,710)	Total Income	(267,375)
26,047	Surplus or deficit on the provision of services	16,824

Note 7C: Segmental Income

Income received on a segmental basis is analysed below.

2016/17			2017/18	
Fees & Charges	Interest & Investment Income		Fees & Charges	Interest & Investment Income
£000	£000		£000	£000
(22,271)	-	Child and Adult Services	(22,549)	-
(3,758)	(21)	Chief Executives	(3,698)	(18)
(2,254)	-	Public Health	(2,327)	-
(37,641)	(229)	Regeneration and Neighbourhood Services	(34,434)	(255)
(5,626)	(567)	Corporate	(4,076)	(702)
(1,028)	(8)	HRA	(1,074)	(16)
(72,578)	(825)		(68,158)	(991)

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Note 8: Other Operating Expenditure and Transfer of School Assets

This note provides a breakdown of the various components included within the Other Operating Expenditure and Transfer of School Assets lines of the Comprehensive Income and Expenditure Statement.

2016/17		2017/18
£000s		£000s
135	Parish council precepts and levies	140
(161)	Receipts from Sale of Former Council Houses	(229)
8,876	Loss resulting from Transfer of School Assets	43
1,192	(Gain) or loss on the disposal of non-current assets	527
10,042		481

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.

2016/17		2017/18	Note
£000s		£000s	
3,004	Interest payable and similar charges on borrowing	2,960	44
27	Finance lease Interest payable	21	44
4,121	Pensions Interest Cost & Expected Return on Pensions Assets	2,850	52
(373)	Interest Receivable and Similar Income	(314)	44
(493)	Net (Gain) / Loss on Investment Properties	(765)	16
(2,277)	Changes in fair values of investment properties	2,158	16
4,009		6,910	

Note 10: Taxation and Non-Specific Grant Income

Taxation and Non-Specific Grant Income comprises the following:

2016/17		2017/18	Note
£000s		£000s	
34,182	Council Tax Income	36,735	
16,860	NNDR Distribution	13,222	
7	NNDR Safety Net Grant	523	
28,664	Non-ring Fenced Government Grants	26,991	
8,477	Capital Grants and Contributions	7,183	
88,190		84,654	27

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Note 11 - Councillor's Allowances & Expenses

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 2017/18.

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 2017/18 or 2016/17.

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 Special Responsibility Allowances (SRAs) paid by the Council are based on recommendations made by the Independent Remuneration Panel (IRP).

On 22nd June 2017 Council considered a report from the IRP detailing recommendations in relation to the Basic Allowance and Special Responsibility Allowances payable from 1st April 2017. The IRP had reviewed the allowances paid by the twelve North East Councils, including Hartlepool, and recommended increasing Hartlepool's Basic Allowance to £7,792. The IRP report to Council indicated that the adoption of this proposal would still result in Hartlepool having the second lowest Basic Allowance in the Tees Valley and the third lowest in the North East, as summarised in the following table:

Summary of Basic Allowances paid by North East Councils 2017/18

Authority	Basic Allowance £
Durham	13,300
Northumberland	13,029
Gateshead	10,446
North Tyneside	9,759
Redcar and Cleveland	9,550
Stockton	9,300
Newcastle	8,775
Sunderland	8,369
Darlington	8,027
Hartlepool	7,792
South Tyneside	7,289
Middlesbrough	6,130

The IRP also recommended that Special Responsibility Allowances should continue to be set as multiples of the Basic Allowance and recommended percentages for each of the positions carrying a Special Responsibility Allowance. An individual Member can only receive one Special Responsibility Allowance. Finally the IRP recommended that separate payments for telephone expenses and travel/subsistence within the borough should be removed, although travel and subsistence outside of its borough continues to be reimbursed. The recommendations of the IRP were approved by Council. A number of Members determined that they did not wish to receive the increased Basic Allowance and opted to claim a lower amount.

SECTION 3 : Statement of Accounts

Note 11: Councillor's Allowances & Expenses

Table 1 - Councillor's Allowances & Expenses

Councillor	Basic Allowance	Special Responsibility Allowance	General Travel	General Subsistence	Telephone Expenses	Total 2017/18
	£	£	£	£	£	£
Akers-Belcher C	7,792	23,376	799	121	-	32,088
Akers-Belcher S J	7,792	1,131	-	-	-	8,923
Barclay A	7,792	-	-	-	-	7,792
Beck P	7,792	6,619	-	-	-	14,411
Belcher S	7,792	-	-	-	-	7,792
Black J	5,953	889	-	-	-	6,842
Buchan B	7,792	-	-	-	-	7,792
Clark A	7,792	7,792	79	-	-	15,663
Cook R W	7,792	7,792	-	-	-	15,584
Cranney K H	7,792	7,792	128	153	-	15,865
Fleming T	5,953	-	-	-	-	5,953
Hall G G	7,792	-	-	-	-	7,792
Hamilton L	7,792	-	-	-	-	7,792
Harrison B	5,953	-	-	-	-	5,953
Hind T	7,792	-	-	-	-	7,792
Hunter D	5,953	5,089	-	-	-	11,042
James M A	6,013	873	-	-	-	6,886
Lauderdale J	7,792	-	-	-	-	7,792
Lawton P (01.04.17 - 25.09.17)	2,894	-	-	-	-	2,894
Lindridge J	7,792	-	-	-	-	7,792
Loynes B	7,792	4,675	-	-	-	12,467
Martin-Wells R	7,792	7,792	-	-	-	15,584
McLaughlin M (08.05.17 - 31.03.18)	5,393	-	-	-	-	5,393
Moore S	5,953	-	-	-	-	5,953
Morris G	7,792	-	-	-	-	7,792
Richardson C	6,013	-	-	-	-	6,013
Riddle D	5,825	-	-	-	-	5,825
Robinson J	7,792	-	-	-	-	7,792
Sirs K	7,792	-	-	-	-	7,792
Smith L (23.10.17 - 31.03.18)	2,699	-	-	-	-	2,699
Springer G A	7,792	-	-	-	-	7,792
Tennant J	5,953	1,880	-	-	-	7,833
Thomas S	6,013	6,013	30	-	-	12,056
Thompson P (01.04.17 - 04.09.17)	2,492	-	-	-	-	2,492
Trueman K (20.11.17 - 31.03.18)	2,835	-	-	-	-	2,835
Total 2017/18	231,735	81,713	1,036	274	-	314,758
Totals 2016/17	195,074	72,143	801	291	460	268,769
Totals 2015/16	195,908	72,167	1,199	-	1,254	270,528

SECTION 3 : Statement of Accounts

Note 11: Councillor's Allowances & Expenses

Table 2 - Costs associated with Council Approved Conferences

The Council has an approved list of conferences which specific Councillors are authorised to attend as representatives of the Council, covering the following conferences:

- National Association of Councils
- Local Government Association

The conferences and travel/accommodation arrangements are booked by officers of the Council on behalf of the Councillor(s) attending the conference. The costs are paid directly by the Council and are not based on claims submitted by individual Councillors. The costs paid by the Council for conference fees, travel and accommodation are then recorded against the individual Councillor who attended the event.

Conference Subsistence relates to 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.

The total amount paid by the Council on costs associated with Council Conferences was £12,307 (£12,226 in 2016/17). An analysis of the payments is detailed below.

Councillor	Conference Travel £	Conference Fees £	Conference Accommodation £	Total 2017/18 £
Akers-Belcher C	234	2,295	1,135	3,664
Akers-Belcher S J	-	1,945	1,015	2,960
Clark A	80	1,105	519	1,704
Cook R W	85	350	120	555
Cranney K H	81	602	212	895
James M A	31	350	120	501
Moore S	-	245	-	245
Sirs K	-	570	273	843
Truman K	-	700	240	940
Totals for 2017/18	511	8,162	3,634	12,307
Totals for 2016/17	1,169	7,876	3,181	12,226
Totals for 2015/16	508	8,140	3,913	12,561

Table 3 - The Council's appointed representatives on Cleveland Fire Authority

The following Councillors were the Council's appointed representatives on Cleveland Fire Authority and received a separate allowance for this additional responsibility which was funded from the Fire Authority budget, as detailed below. Further details of these allowances can be obtained from the Fire Authority.

Cleveland Fire Authority		
Councillor	Basic Allowances £	Period of Office
Cook R W	2,194	01.04.17 - 31.03.18
James M	2,194	01.04.17 - 31.03.18
Martin-Wells R	2,194	01.04.17 - 31.03.18
	6,582	

The Council's appointed representatives on River Tees Port Authority

Councillor S Thomas was Vice-Chair of River Tees Port Health Authority until 02/06/17. An amount of £212 was paid to Councillor S Thomas for the period 01/04/17 - 02/06/17.

Note 12 - Officers' Remuneration

In accordance with the requirements of the Accounts and Audit Regulations (England) 2015 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 are provided below.

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 2017/18. The highest paid officer was the Chief Executive.

The Chief Executive is the senior officer who leads and takes responsibility for the work of the 2,612 (2,631 in 2016/17) 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.

Senior Officers reporting directly to the Chief Executive

During 2017/18 Council implemented a revised senior management structure. Remuneration details for these posts are shown below:

Director of Children's and Joint Commissioning Services - responsible for a gross annual revenue budget (excluding schools) of £53m and managing 402 full-time equivalent employees (excluding schools) who provide a diverse range of services, including public health, education and early years related services, services for vulnerable children and families including looking after children at risk, child protection services, young offenders, children's fostering and adoption services.

Director of Adults and Community Based Services - responsible for a gross annual revenue budget of £60m and managing 354 full-time equivalent employees who provide a diverse range of services, including adult protection services, caring for older people, people with mental health issues, people with physical or learning disabilities, libraries and sport and recreation.

Director of Regeneration and Neighbourhoods - responsible for a gross annual revenue budget of £52m and managing 655 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 and cultural services.

Director of Finance & Policy - responsible for a gross annual revenue budget of £48m and managing 196 full-time equivalent employees who provide a diverse range of services including Council tax setting and collection, Business Rates, Benefits, HR, Corporate IT, Corporate Finance and Corporate Strategy.

SECTION 3 : Statement of Accounts

Note 12 - Officers' Remuneration

2017/18 - TABLE A

Post holder information (Post title and name)	Salary	Compensation for Loss of Office	Pension Contributions	Invoices paid relating to Interim Staffing Arrangements	Total Remuneration including Pension Contributions 2017/18	Note
	£	£	£	£	£	
Chief Executive	146,609	-	22,276	-	168,885	1
Director of Child & Adult (April - August 17)	43,864	-	6,667	-	50,531	2
Director of Children's and Joint Commissioning Services (September 17 - March 18)	61,886	-	9,407	-	71,293	2
Total Director of Children's and Joint Commissioning Services	105,750	-	16,074	-	121,824	
Director of Adults and Community Based Services (September 17 - March 18)	59,518	-	9,045	-	68,563	2
Director of Regeneration & Neighbourhoods	110,912	-	16,848	-	127,760	2
Director of Finance and Policy	102,520	-	15,583	-	118,103	2
Interim Director of Public Health	-	-	-	149,250	149,250	3
Chief Solicitor	93,663	63,451	88,359	-	245,473	4
	618,972	63,451	168,185	149,250	999,858	

2016/17 - TABLE B

Post Holder Information (Post Title)	Salary	Compensation for Loss of Office	Pension Contributions	Invoices paid relating to Interim Staffing Arrangements	Total Remuneration including Pension Contributions 2016/17
	£	£	£	£	£
Chief Executive	143,083	-	20,318	-	163,401
Director of Child & Adult	102,683	-	14,581	-	117,264
Director of Regeneration & Neighbourhoods	107,636	-	15,297	-	122,933
Director of Public Health	75,786	-	10,837	-	86,623
Chief Finance Officer (April - December 16)	62,633	-	8,894	-	71,527
Director of Finance & Policy (January - March 17)	25,250	-	3,586	-	28,836
Total Director of Finance & Policy	87,883	-	12,480	-	100,363
Chief Solicitor	97,446	-	12,861	-	110,307
Assistant Chief Executive	79,754	-	8,894	-	88,648
	694,271	-	95,268	-	789,539

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Note 12 - Officers' Remuneration

Notes to Table A

(1) The salary scale for the Chief Executive for 2017/18 is £142,814 to £153,015. The post holder's salary was incrementally increased from £144,854 to £146,894 in June 2017.

(2) The salary scale for the Director posts for 2017/18 is £102,010 to £112,211. Post holder's are appointed at the bottom of the payscale and receive annual increments until they reach the top of the payscale.

(3) Represents total cost to the Council, not just salary equivalent.

(4) The salary scale for the Chief Solicitor's post during 2017/18 is £78,722 to £84,345. The Chief Solicitor's salary includes a payment of £3,432 (£3,432 in 2016/17) 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 £5,886 in 2017/18 (£10,504 in 2016/17) as the Council's designated Returning Officer for elections. The post holder left the Authority on 31st March 2018, and the financial cost is shown under the headings 'compensation for loss of office' and with 'pension contributions'.

Employees with a salary of £50,000 or more

In accordance with the Accounts and Audit Regulations (England) 2015, 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 previous tables. 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 Council employees then it would be £62,400. As a result the number of employees requiring disclosure has increased, although there has been no increase in the number of managerial posts.

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 the Code guidance.

TABLE C - NON-SCHOOLS EMPLOYEES

2016/17 No. of Non-School Employees			Remuneration Band (£)	2017/18 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>
7	-	7	50,000 to 54,999	16	-	16
4	2	6	55,000 to 59,999	3	-	3
2	-	2	60,000 to 64,999	2	-	2
1	-	1	65,000 to 69,999	3	-	3
-	-	-	70,000 to 74,999	3	-	3
2	3	5	75,000 to 79,999	-	-	-
1	-	1	80,000 to 84,999	2	-	2
-	-	-	85,000 to 129,999	-	-	-
-	-	-	130,000 to 169,999	-	-	-
-	-	-	170,000 to 174,999	-	1	1
17	5	22		29	1	30

TABLE D - SCHOOL EMPLOYEES

2016/17 No. of School Employees			Remuneration Band (£)	2017/18 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>
3	-	3	50,000 to 54,999	6	-	6
4	1	5	55,000 to 59,999	3	-	3
6	-	6	60,000 to 64,999	1	-	1
6	-	6	65,000 to 69,999	9	-	9
1	-	1	70,000 to 74,999	1	-	1
20	1	21		20	-	20

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Note 13: Termination Costs

In 2017/18 a total of 69 employees (59 in 2016/17) either took voluntary redundancy or were made compulsorily redundant. The 2017/18 costs of this involved payments of £0.643m (£0.553m in 2016/17) to employees in the form of redundancy payments and £0.634m (£0.680m in 2016/17) to the pension fund in respect of retirement benefits. The Council also incurred other costs of £0.001m (£0.002m in 2016/17). These payments incorporate schools and further details are provided in Note 51.

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. Retirement costs 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 2017/18 the average pay back period was 13 months (13 months in 2016/17). In 2017/18 this has enabled the authority to achieve permanent salary savings of £1.137m (£1.102m in 2016/17).

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

TABLE E - NON-SCHOOLS EMPLOYEES

2016/17				Remuneration Band (£)	2017/18			
No of compulsory redundancies	No of voluntary redundancies	Total no of redundancies by band	Total cost of redundancies by band £		No of compulsory redundancies	No of voluntary redundancies	Total no of redundancies by band	Total cost of redundancies by band £
1	36	37	247,810	0 to 20,000	6	31	37	168,177
-	2	2	50,342	20,001 to 40,000	2	7	9	240,909
-	5	5	246,645	40,001 to 60,000	-	3	3	136,768
-	1	1	65,149	60,001 to 80,000	1	1	2	137,936
-	1	1	89,442	80,001 to 100,000	-	1	1	88,846
-	-	-	-	100,001 to 120,000	-	3	3	331,622
-	1	1	120,628	120,001 to 140,000	-	1	1	138,468
-	1	1	151,517	140,001 to 160,000	-	-	-	-
-	-	-	-	160,001 to 180,000	-	-	-	-
-	1	1	197,412	180,001 to 200,000	-	-	-	-
1	48	49	1,168,945		9	47	56	1,242,726

TABLE F - SCHOOLS EMPLOYEES

2016/17				Remuneration Band (£)	2017/18			
No of compulsory redundancies	No of voluntary redundancies	Total no of redundancies by band	Total cost of redundancies by band £		No of compulsory redundancies	No of voluntary redundancies	Total no of redundancies by band	Total cost of redundancies by band £
2	8	10	64,310	0 to 20,000	8	5	13	34,693
2	8	10	64,310		8	5	13	34,693

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 F as the Governing Body, 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 2017/18.

Movements in 2017/18

	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 2017	6,473	146,092	33,850	124,537	5,700	7,010	9,788	333,450
Additions	1,003	1,963	982	1,818	44	137	6,466	12,413
Accumulated Depreciation Written Off to Gross Carrying Amount	(3)	(3,948)	-	-	-	(22)	-	(3,973)
Accumulated Impairment Written Off to Gross Carrying Amount		(205)	-	-	-	-	-	(205)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	94	(2,330)	-	-	-	1,921	-	(315)
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(1,036)	(901)	-	-	(110)	671	-	(1,376)
Derecognition-Disposals	-	(387)	(230)	-	-	(215)	-	(832)
Reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Reclassified (to)/from Investment Property	-	(475)	-	-	-	1,592	-	1,117
Other movements in Cost or Valuation	377	725	9	139	(14)	235	(1,470)	1
At 31 March 2018	6,908	140,534	34,611	126,494	5,620	11,329	14,784	340,280
Accumulated Depreciation and Impairment								
As at 1 April 2017	-	(3,747)	(21,672)	(52,558)	-	-	-	(77,977)
Depreciation Charge	(113)	(2,078)	(2,763)	(4,171)	-	(19)	-	(9,144)
Depreciation written out to the Revaluation Reserve	(44)	(825)	(99)	-	-	(8)	-	(976)
Accumulated Depreciation Written Off to Gross Carrying Amount	3	3,948	-	-	-	22	-	3,973
Accumulated Impairment Written Out to Gross Carrying Amount	-	10	-	-	-	-	-	10
Derecognition - Disposals	-	35	230	-	-	3	-	268
Reclassified (to) / from Investment Property	-	54	-	-	-	-	-	54
Other movements in Depreciation and Impairment	-	3	-	-	-	(5)	-	(2)
At 31 March 2018	(154)	(2,600)	(24,304)	(56,729)	-	(7)	-	(83,794)
Net Book Value								
At 31 March 2018	6,754	137,934	10,307	69,765	5,620	11,322	14,784	256,486
Nature of Asset Holding								
Owned	6,754	137,934	9,892	69,765	5,620	11,322	14,784	256,071
Finance Lease			415					415
Total	6,754	137,934	10,307	69,765	5,620	11,322	14,784	256,486

SECTION 3 : Statement of Accounts

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

Movements in 2016/17

	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 2016	8,579	147,542	33,436	119,681	5,653	7,838	7,710	330,439
Additions	1,190	5,930	1,978	2,911	76	-	6,099	18,184
Accumulated Depreciation Written Off to Gross Carrying Amount	(347)	(1,408)	-	-	-	(54)	-	(1,809)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	(170)	4,704	-	-	-	745	-	5,279
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(3,024)	(2,605)	-	-	-	(1,176)	-	(6,805)
Derecognition-Disposals	-	(9,385)	(1,564)	-	-	(1,100)	-	(12,049)
Reclassified (to)/from Held for Sale	120	-	-	-	-	-	-	120
Reclassified (to)/from Investment Property	-	100	-	-	(10)	-	-	90
Other movements in Cost or Valuation	125	1,214	-	1,945	(19)	757	(4,021)	1
At 31 March 2017	6,473	146,092	33,850	124,537	5,700	7,010	9,788	333,450
Accumulated Depreciation and Impairment								
As at 1 April 2016	(168)	(2,827)	(19,444)	(48,584)	-	-	-	(71,023)
Depreciation Charge	(146)	(2,122)	(3,387)	(3,974)	-	(15)	-	(9,644)
Depreciation written out to the Revaluation Reserve	(33)	(819)	(100)	-	-	-	-	(952)
Accumulated Depreciation Written Off to Gross Carrying Amount	347	1,408	-	-	-	54	-	1,809
Derecognition - Disposals	-	564	1,259	-	-	9	-	1,832
Other movements in Depreciation and Impairment	-	49	-	-	-	(48)	-	1
At 31 March 2017	-	(3,747)	(21,672)	(52,558)	-	-	-	(77,977)
Net Book Value								
At 31 March 2017	6,473	142,345	12,178	71,979	5,700	7,010	9,788	255,473
Nature of Asset Holding								
Owned	6,473	142,345	11,706	71,979	5,700	7,010	9,788	255,001
Finance Lease	-	-	472	-	-	-	-	472
Total	6,473	142,345	12,178	71,979	5,700	7,010	9,788	255,473

SECTION 3 : Statement of Accounts

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

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.

Revenue Expenditure Funded from Capital Under Statute

The cost of Revenue Expenditure Funded from Capital Under Statute is charged to the Comprehensive Income and Expenditure Account. An amount of £2.010m (£1.768m in 2016/17) has been charged to Services and is shown as a reconciling item within Note 5 (Adjustments between Accounting Basis and Funding Basis under Regulations). This was financed by corporate resources of £0.477m (£0.339m in 2016/17), capital grants of £1.532m (£1.323m in 2016/17) and prudential borrowing of £0.001m (£0.106m in 2016/17).

Capital Commitments

As at 31 March, 2018, the Council had rephased capital expenditure totalling £24.311m into 2018/2019, of which £8.030m will be funded from grant, £6.011m will be funded by prudential borrowing and the remaining £10.270m will be funded from the Council's own resources. The comparable rephased capital expenditure at 31 March, 2017 was £14.956m. The Council has entered into a number of contracts for which capital monies are committed.

The major commitments are:

Scheme	Total Project Budget £000s	Expenditure over Years to 31 March 18 £000s	Commitment £000s
Innovation and Skills Quarter	8,749	2,398	6,351
Empty Property Purchasing Scheme - Phase 2	4,697	3,566	1,131

Surplus Assets - Fair Value Disclosures

Details of the authority's surplus assets and information about the fair value hierarchy at 31 March, 2018 are as follows:

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March 2018
	£000s	£000s	£000s	£000s
Recurring fair value measurements using:				
Surplus Assets	-	8,851	2,471	11,322
Total	-	8,851	2,471	11,322

There were two transfers between Levels 2 and 3 during the year. This is because a greater degree of valuer judgement was employed in the current valuations, owing to a reduction in comparable properties. However, there were no other transfers between Levels 1, 2 and 3 during the year.

Significant Observable inputs – Level 2

The surplus assets within this input level are mainly measured using sales and valuations of comparable properties to establish market values. Market Conditions are such that there are similar properties that are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy. Assets with development potential are measured to reflect potential development value.

Significant Unobservable Inputs – Level 3

The surplus assets within this input level are measured as in Level 2. However, they are categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements and there is no reasonably available information that indicates that market participants would use different assumptions.

Change in Valuation Method

There has been no change in the valuation method from 2016/17. In 2017/18 the estimation of the fair value of the Council's Surplus Assets is based on Fair Value Market Value.

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 current value is revalued at least every five years. Valuations were carried out internally and valuations are based on certificates issued by the Council's Strategic Asset Manager, Mr T Wynn, 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 current 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 (£5.620m), Heritage Assets (£15.066m), Infrastructure Assets (£69.765m) and Property, Plant and Equipment under construction (£14.784m). 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	-	-	10,307	-	10,307
Valued at current value as at:					
<u>Current Year</u>					
2017/2018	2,277	73,528		6,943	82,748
2016/2017	4,477	24,657	-	4,331	33,465
2015/2016	-	21,305	-	48	21,353
2014/2015	-	7,026	-	-	7,026
2013/2014	-	11,418	-	-	11,418
Total	6,754	137,934	10,307	11,322	166,317

Alternative Valuation Model

Council Dwellings are measured at current value - social housing, Other Land and Buildings are measured at current value and Surplus Assets are measured at fair value. If the Council had chosen to measure the value of these assets under the cost model, their carrying amount as at 31 March, 2018 would have been:

	£000s
Council Dwellings	1,898
Other Land & Buildings	54,213
Surplus Assets	3,679

SECTION 3 : Statement of Accounts

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

Revaluation Reserve Balance

The following is an analysis of the Revaluation Reserve by asset type.

2016/17 £000s		2017/18 £000s
1,311	Council Dwellings	1,361
44,116	Other Land & Buildings	40,804
199	Vehicles, Plant and Equipment	100
7	Community Assets	7
4,438	Surplus Assets	6,198
593	Investment Properties	597
4,843	Heritage Assets	4,843
55,507		53,910

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:

2016/17 £000s		2017/18 £000s
(590)	Rental income from investment property	(809)
97	Direct operating expenses arising from investment property	44
(493)	Net (gain)/loss	(765)

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 carry out repairs, maintenance or enhancement.

The Council leases a number of properties where it also acts as a lessor. These properties are classed as investment properties. The following table summarises the movement in the fair value of investment properties over the year:

2016/17 £000s		2017/18 £000s
15,664	Balance at the start of the year	17,616
42	Additions: Subsequent expenditure	4
(85)	Disposals	(90)
(192)	Impairment	-
2,277	Net Gains/(Losses) from fair value adjustments	(2,158)
(90)	Transfers: (To)/from Property, Plant & Equipment	(1,171)
17,616	Balance at the end of the year	14,201

SECTION 3 : Statement of Accounts

Note 16: Non Current Assets - Investment Property

Investment Property - Fair Value Disclosures

Details of the authority's investment properties and information about the fair value hierarchy at 31 March, 2018 are as follows:

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March 2018
<i>Recurring fair value measurements using:</i>	£000s	£000s	£000s	£000s
Office Units	-	1,921	3	1,924
Commercial Units	-	10,701	1,576	12,277
Total	-	12,622	1,579	14,201

There were four transfers between Levels 2 and 3 during the year and 2 from Level 3 to 2. This is because a greater degree of valuer judgement was employed in the current valuations, owing to a reduction or increase in the comparable properties.

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

Significant Observable Inputs - Level 2

The office and commercial units located in the local authority area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the authority's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy level, bad debt levels and maintenance costs. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy. In the remaining cases the properties are measured directly to capital values by reference to their potential development value.

Significant Unobservable Inputs - Level 3

The valuation for office and commercial units within this input level are measured as above. However, they are categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements and there is no reasonably available information that indicates that market participants would use different assumptions.

Highest and Best Use of Investment Properties

In all cases, the Council's investment properties have been valued on the basis of market value. In many cases the current value of the property is the 'highest and best', most valuable use of the site. However, in some cases such as development sites, the current use is not the 'highest and best' use but the valuations reflect the potential to realise the value through sale or development.

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Note 17: Non Current Assets - Heritage Assets

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

2017/18	Museum Exhibits & Art Collection	Civic Collection	Sculptures, Monuments & War Memorials	Total
Cost or Valuation				
	£000s	£000s	£000s	£000s
At 1 April 2017	13,363	354	1,230	14,947
Additions	10	-	109	119
At 31 March 2018	13,373	354	1,339	15,066

2016/17	Museum Exhibits & Art Collection	Civic Collection	Sculptures, Monuments & War Memorials	Total
Cost or Valuation				
	£000s	£000s	£000s	£000s
At 1 April 2016	13,363	354	1,230	14,947
At 31 March 2017	13,363	354	1,230	14,947

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 secure storage. During 2017/18, the Council purchased the Jones brothers' collection of World War 1 medals, at cost of £10,000.

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 the work of artists living or working at least part of their lives in the Hartlepool area. There were no donations in 2017/18.

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.

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. The collection will be revalued as at 1st April 2018 and any revised valuations will be reflected in the 2018/19 accounts.

SECTION 3 : Statement of Accounts

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 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. The collection will be revalued as at 1st April 2018 and any revised valuations will be reflected in the 2018/19 accounts.

Sculptures, Monuments, War Memorials & Archaeology

The Council has recorded 11 Public Works of Art, nine Sculptures and six War Memorials which are considered to principally contribute to knowledge and culture. Two new Sculptures were added in 2017/18 which are part of Seaton Carew Masterplan Scheme, which includes the installation of public art works. The two additions are the Waves Sculpture attached to a stone plinth within Seaton Carew and the Boy and Bicycles located at the transport interchange on Church Street

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.

Note 18: Long Term Investments

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

2016/17 £000s		2017/18 £000s
-	Durham and Tees Valley Airport Limited	-
197	SUEZ Recycling and Recovery Tees Valley Limited (formerly SITA Tees Valley Limited)	197
197		197

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 have no value (nil in 2016/17).

The Council has 196,845 £1 preference shares in SUEZ Recycling and Recovery Tees Valley Limited (formerly SITA Tees Valley Limited).

These assets are held on the balance sheet at Fair Value, further details in relation to the valuation of these assets is disclosed in Note 44 Financial Instruments.

Further details of the Council's long term investments are included in Note 37 Related Party Transactions.

SECTION 3 : Statement of Accounts

Note 19: Long Term Debtors

This note sets out the value of Long Term Debtors held by the Council at 31 March, 2018.

2016/17 £000s		2017/18 £000s
6	Housing Advances	6
77	Trincomalee Loan and Advances	77
57	Car Loans to Employees	67
604	NDC Trust Loan	596
1,500	CCAD Loan	1,396
453	Other	428
2,697		2,570

On 25th June 2015 Full Council agreed to loan the Cleveland College of Art & Design (CCAD) £1.5m as part of the development of the Skills Quarter. The loan is over a period of 20 years to be reviewed in March, 2020 (3 years after the commencement of the loan), at which point the college will seek to refinance with a bank or continue with the loan if this is not possible.

Note 20: Inventories

This note sets out the value of inventories held by the Council at 31 March, 2018.

2016/17 £000s		2017/18 £000s
447	Balance at 1 April	268
2,312	Purchases	2,191
(2,487)	Recognised as an expense in year	(2,221)
(11)	Written off balances	(14)
7	Written back balances	9
268	Balance at 31 March	233

Note 21: Short Term Debtors

This note sets out amounts owed to the Council as at 31 March, 2018.

2016/17 £000s		2017/18 £000s
4,246	Central Government Bodies	8,250
810	Other Local Authorities	1,046
163	NHS Bodies	190
	Bodies external to general government:	-
3,314	General and Other Debtors	3,827
1,387	Payments in Advance	1,723
3,168	Council Tax Payers	4,210
500	NNDR Payers	381
1,991	Trade Debtors	1,880
15,579		21,507

SECTION 3 : Statement of Accounts

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.

2016/17 £000s		2017/18 £000s
	Assets	
72	Bank and Imprests	4,406
6,506	Liquidity Investment Accounts	54
6,578		4,460
	Liabilities	
(1,115)	Bank Overdraft	-
5,463		4,460

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.

2016/17 £000s		2017/18 £000s
120	Balance outstanding at start of year	-
	Assets declassified as Held for Sale:	
(120)	Property, Plant and Equipment	-
-	Balance outstanding at year-end	-

Note 24: Short Term Creditors

This note sets out amounts owed by the Council as at 31 March, 2018.

2016/17 £000s		2017/18 £000s
4,529	Central Government Bodies	5,849
1,178	Other Local Authorities	2,361
357	NHS Bodies	411
	Bodies external to General Government:	
5,846	General and Other Creditors	6,047
2,923	Trade Creditors	1,918
1,476	Employee Absences	1,557
707	Income in Advance	858
626	Council Tax Payers	626
721	NNDR Payers	327
18,363		19,954

SECTION 3 : Statement of Accounts

Note 25: Provisions

Total provisions at 31 March, 2018, were £4.048m (£3.078m in 2016/17), as detailed below.

Current Liabilities

		2017/18			Total
		Litigation (Note 1)	Rating Appeals (Note 2)	MMI Insurance (Note 3)	
2016/17					
£000s		£000s	£000s	£000s	£000s
2,864	Balance at 1 April	738	1,049	152	1,939
501	Additional provisions made in year	-	1,563	5	1,568
(1,150)	Amounts used in year	(198)	(267)	(5)	(470)
(236)	Transfer in Year	-	-	(152)	(152)
(40)	Unused amounts reversed in year	(128)	-	-	(128)
1,939	Balance at 31 March	412	2,345	-	2,757

Long Term Liabilities

		2017/18			Total
		Custodian Authority Property Charges (Note 4)	Contaminated Land (Note 5)	MMI Insurance (Note 3)	
2016/17					
£000s		£000s	£000s	£000s	£000s
1,230	Balance at 1 April	97	634	408	1,139
(91)	Transfers in Year	-	-	152	152
1,139	Balance at 31 March	97	634	560	1,291

Note 1 - Litigation - the litigation provision has been created to cover planning appeals and other potential legal cost liabilities. The provision is based on a prudent estimate of the likely costs. However, the timing of these payments is uncertain.

Note 2 - 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. These costs were previously met by Central Government.

Note 3 - 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 rundown 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. From April 2016, the Creditors Committee set a levy rate of 25% (previously 15%) based on a percentage share of the liabilities outstanding. Therefore the Council has recognised a £0.560m provision in the accounts for these liabilities.

Note 4 - 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.

Note 5 - 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.

SECTION 3 : Statement of Accounts

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 42 Finance Leases. The finance lease liability has decreased as a result of repayments of the lease principal, there were no additions during the year. The net pensions liability has increased owing to greater returns on assets and investments. See Note 52 for further information.

2016/17 £000s		2017/18 £000s	Note
289	Finance lease liability	180	42
117,899	Net Pensions liability	124,837	36
118,188		125,017	

Note 27: Grant Income & Taxation

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 2017/18.

2016/17 £000s		2017/18 £000s
18,206	Revenue Support Grant	13,786
34,182	Council Tax Income	36,735
7	NNDR Safety-Net Grant	523
16,860	NNDR Redistribution	13,222
7,510	NNDR - Top-Up	9,829
2,339	New Homes Bonus Grant	1,958
609	Business Rates Relief	1,418
3,748	Capital - Environment Agency	749
2,230	Capital - Tees Valley Combined Authority / Local Transport Plan	3,907
736	Capital - Other DfE Grants	964
407	Capital - Homes & Communities Agency	418
54	Capital - Devolved Formula Capital Grant	39
557	Capital - Building Schools for the Future	3
745	Other Capital Grants & Contributions	1,103
88,190	Total	84,654

SECTION 3 : Statement of Accounts

Note 27: Grant Income & Taxation

Credited to Services

2016/17 £000s		2017/18 £000s
47,946	Dedicated Schools Grant	47,938
46,187	Housing Benefit Subsidy	37,689
9,222	Public Health Grant	8,995
6,699	Better Care Fund	6,819
1,564	Youth Employment Initiative (Department for Work & Pensions)	5,002
2,978	Other Grants	4,362
4,072	Pupil Premium	3,921
-	Improved Better Care Fund (iBCF)	2,708
1,741	Other Department for Education Grants	2,123
1,485	Education Funding Agency/ Skills Funding Agency	1,065
605	Department for Work & Pensions	855
811	Housing Benefit and Council Tax Benefit Administration	704
641	Independent Living Fund	620
551	Ministry of Housing, Communities & Local Government - Troubled Families	535
882	Education Services Grant	232
109	Department of Health Grants	182
419	European Social Fund	-
70	Environment Agency	-
125,982	Total	123,750

Current Liabilities

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 :-

Grant Receipts in Advance (Capital Grants)

2016/17 £000s		2017/18 £000s
149	Environment Agency	87
725	Tees Valley Combined Authority / Local Transport Plan	2,697
1,721	Other Department for Education Grants	4,585
53	Building Schools for the Future	49
53	Department for Transport	53
1,941	Other Capital Grants & Contributions	2,436
4,642	Total	9,907

Grant Receipts in Advance (Revenue Grants)

2016/17 £000s		2017/18 £000s
79	Education Funding Agency/ Skills Funding Agency	136
-	Tees Valley Combined Authority	255
-	Other DfE	461
302	Other Grants	492
381	Total	1,344

SECTION 3 : Statement of Accounts

Note 28: Unearmarked General Fund Reserve

The General Fund Balance of £4.417m held at 31 March, 2018 is held to meet unforeseen commitments not funded from Earmarked Reserves. Any use of this reserve will need to be repaid to ensure the Council can continue to manage unforeseen commitments.

2016/17		2017/18
£000s		£000s
4,526	General Fund Balance	4,417
4,526		4,417

Note 29: Budget Support & Investment Reserves

This note sets out the Budget Support & Investment Reserves balances at 31 March, 2018

2016/17		2017/18	Note
£000s		£000s	
2,293	Adult Social Care Reserves	2,152	1
2,605	Budget Support Fund 2016/17 to 2018/19	2,605	2
4,149	Business Rates Risk Reserve	2,439	3
4,662	2017/18 MTFS Investment Reserve	845	4
973	Looked After Children Reserves	1,170	5
545	Children's Social Care & Early Intervention Reserves	-	6
15,227		9,211	

- 1 This reserve will provide support over the period of the MTFS to fund increasing demographic and historic budget pressures within Adult Social Care. The reserve will also fund one-off pump priming and transitional costs of implementing alternative service delivery options.
- 2 This reserve has been established to support the budget between 2016/17 to 2018/19.
- 3 This reserve has been established to address the financial impact of the Business rates being relocalised 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 £2.7m. Following the decision of the Valuation Office Agency to reduce the rateable value of the Hartlepool Nuclear Power Station, this reserve is committed to partly offset the income loss over the period 2016/17 to 2018/19.
- 4 This reserve will be used to fund the five year capital plan including works at the Borough Hall, Church Square, Seaton Waterfront and building condition issues.
- 5 This reserve is to fund the increasing demand and costs of Looked After Children.
- 6 This reserve was fully used in 2017/18 to contribute towards the overspend arising from increasing demand and costs of Looked After Children.

Note 30: School Balances

This note sets out the Schools Reserves at 31 March, 2018

2016/17		2017/18	Note
£000s		£000s	
	School Balances		
1,192	Balances held by schools under a scheme of delegation	1,001	1
1,097	School Strategic Change & Ring Fenced Grants Reserves	717	2
150	Other Fund School Balances	249	3
2,439		1,967	

- 1 Schools have utilised their reserves to assist with decreases in Dedicated Schools Grant and to fund planned capital works. Further details are available from the Child & Adult Services Department. The net balance consists of individual school balances less loans to schools of £0.003m (£0.006m in 2016/17).
- 2 These risk reserves are held in trust for Schools to manage specific commitments and one-off risks.
- 3 School balances generated from other funding.

SECTION 3 : Statement of Accounts

Note 31: Housing Revenue Account Reserve

This is a Ringfenced reserve accumulated from surpluses in previous years and is held to fund pressures of the Housing Revenue Account such as government rent cuts, Right to Buy sales and increasing repairs costs.

2016/17		2017/18
£000s		£000s
<u>538</u>	HRA Balance	<u>537</u>
538		537

Note 32: Revenue Grant Unapplied

Revenue Grants unapplied are grants received for specific commitments in 2017/18 or future years in accordance with grant conditions.

2016/17		2017/18
£000s		£000s
<u>-</u>	Revenue Grant Unapplied	<u>4,195</u>
-		4,195

Note 33: Earmarked Revenue Reserves

This note sets out the balances held in Earmarked Revenue Reserves as at 31 March, 2018

2016/17		2017/18	Note
£000s		£000s	
4,430	Insurance Fund	4,468	1
4,703	Strategic One Off Costs	3,323	2
1,366	Public Health Grant Reserve	1,406	3
1,896	Strategic Change Reserves	1,207	4
901	Capital Risk Strategy Reserve	901	5
795	Treasury Management Risk Reserve	795	6
418	Lotteries Reserve	411	7
220	School Attainment Reserve	402	8
400	Income Risk Reserve	400	9
345	Supporting Family Poverty	358	10
324	Regeneration Projects	324	11
300	Support for Local Council Tax Support Scheme	300	12
461	Royal Navy Museum Reserve	295	13
245	Trading Account Reserves	245	14
220	Better Care Fund Reserve	220	15
430	Tees Education & Skills Reserve	217	16
264	Education Commission Reserve	118	17
87	Museums Acquisition	70	18
78	Funding for Modern Apprentices	48	19
55	Members Ward Budget Reserve	41	20
38	Concessionary Fares	38	21
60	Environmental Apprenticeships Scheme	17	22
15	Works in Default Empty Homes	15	23
3,578	Strategic Change Ring Fenced Grants Reserves	-	24
1,028	Strategic Risk Reserve	-	25
148	Environmental Enhancement Projects	-	26
67	Protection Costs Reserve	-	27
30	Community Centre Reserve	-	28
8	NDC Fund	-	29
22,910		15,619	

Note 33: Earmarked Revenue Reserves

- 1 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.
- 2 This reserve was created to cover one-off strategic financial issues including redundancy and early retirement costs over the period of the MTFS.
- 3 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 future years.
- 4 Strategic Change Reserves have been established to enable departments to meet one-off costs that will arise from strategic changes to improve services, or reduce costs, without affecting the level of services in the year.
- 5 This reserve was created to manage potential capital receipt risks.
- 6 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 14th February, 2013.
- 7 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.
- 8 This reserve was created towards improving School Attainment.
- 9 This reserve was created as part of the 2013/14 MTFS approved by Council 4th February, 2013 and is earmarked to offset in year income shortfalls.
- 10 This reserve was created to Support Family Poverty over the period of the MTFS.
- 11 This reserve was created from one-off funding to support Regeneration Priorities.
- 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.
- 13 This reserve was created to fund the contributions required to support the Hartlepool Maritime Experience and developments with the National Museum of the Royal Navy (NMRN).
- 14 This reserve is earmarked to manage future financial risks on Trading Operations.
- 15 This reserve was created as a contingency to support the Adult Social Care budgets in future years arising from the impact of the Better Care Fund.
- 16 This reserve was created from pooled resources from the local authorities of Hartlepool, Middlesbrough, Stockton and Redcar & Cleveland, to enable a collaborated approach to tackle the root cause of underperformance and deliver a first class education and skills system.
- 17 This reserve was created to identify and address key priorities to support sustainable educational improvement across the town.
- 18 The Museums Acquisition Reserve was set up from external donations for the acquisition of items for the Museum.
- 19 This amount was previously set to provide re-training of staff on the redeployment register. Council agreed on the 17th October, 2013 to use this reserve to provide Modern Apprenticeships. This amount will be used over the period of the MTFS.
- 20 This reserve is to be used by Members to support minor issues within their Wards.
- 21 This reserve is to cover the tri-annual cost of replacing Concessionary Fare passes.
- 22 This reserve was created to fund costs over more than one financial year in relation to Apprentices.
- 23 This reserve has been created to provide a cash backed fund for the completion of housing works in default.
- 24 Strategic Change Ring Fenced Grants are grants received for specific commitments in 2016/17 or future years in accordance with grant conditions.
- 25 This risk reserve was set aside to manage one-off risks in relation to Equal Pay/Equal Value claims.
- 26 This reserve was created to fund Environmental Improvements & initiatives across the town.
- 27 Created to fund protection costs arising from implementation of changes to Terms and Conditions.
- 28 This reserve was created to retain community centres in 2015/16 to provide a longer lead time to develop alternative funding/operational arrangements.
- 29 This reserve had been created to fund any outstanding expenditure on New Deals for Communities.

SECTION 3 : Statement of Accounts

Note 34: Earmarked Capital Reserves

This note sets out the balances held in Earmarked Capital Reserves as at 31 March, 2018

2016/17		2017/18	Note
<u>£000s</u>		<u>£000s</u>	
5,852	Capital Funding Reserve	9,816	1
147	HRA Major Repairs Reserve	361	2
296	Capital Grants Unapplied	20	3
<u>6,295</u>		<u>10,197</u>	

- 1 The Capital Funding Reserve is earmarked to finance capital expenditure rephased to 2018/19.
- 2 This reserve is Ringfenced to the HRA and can only be used to fund major repairs or repayments of borrowing.
- 3 These are capital grants that will be used to finance capital expenditure in future years.

Note 35: Business Rates Safety Net Grant Reserves

This reserve was set up to reflect the timing difference between the Safety Net Grant in 2015/16 and Business Rates repayments being made in 2016/17, 2017/18 and 2018/19.

2016/17		2017/18
<u>£000s</u>		<u>£000s</u>
957	Business Rates Safety Net Grant Reserve	1,480
<u>957</u>		<u>1,480</u>

SECTION 3 : Statement of Accounts

Note 36: Unusable Reserves

The Unusable Reserves are shown below.

2016/17 £000s		2017/18 £000s	Table
55,507	Revaluation Reserve	53,910	1
197	Available for Sale Financial Instruments Reserve	197	2
133,219	Capital Adjustment Account	131,885	3
(117,899)	Pensions Reserve	(124,837)	4
366	Deferred Capital Receipts Reserve	366	5
(1,396)	Collection Fund Adjustment Account	(949)	6
(1,475)	Accumulated Absences Account	(1,557)	7
68,519		59,015	

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.

2016/17 £000s		2017/18 £000s
54,217	Balance at 1 April	55,507
9,972	Upward revaluation of assets	7,201
(4,693)	Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	(7,516)
-	Impairment losses not charged to the Surplus/Deficit on the Provision of Services	-
5,279	Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(315)
(955)	Difference between fair value depreciation and historical cost depreciation	(976)
(3,034)	Accumulated gains/(losses) on assets sold or scrapped	(306)
(3,989)	Amount written off to the Capital Adjustment Account	(1,282)
55,507	Balance at 31 March	53,910

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.

2016/17 £000s		2017/18 £000s
197	Balance at 1 April	197
-	Upward/(downward) revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-
197	Balance at 31 March	197

Note 36: 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 1st 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.

2016/17 £000s		2017/18 £000s
138,613	Balance at 1 April	133,219
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(10,788)	- Charges for depreciation and impairment of non-current assets	(10,315)
(6,805)	- Revaluation losses on Property, Plant and Equipment	(1,376)
(1,767)	- Revenue expenditure funded from capital under statute	(2,010)
(10,302)	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	(654)
(29,662)		(14,355)
3,989	Adjusting amounts written out of the Revaluation Reserve	1,282
(25,673)	Net written out amount of the cost of non-current assets consumed in the year	(13,073)
	Capital financing applied in the year:	
312	- Use of the Capital Receipts Reserve to finance new capital expenditure	285
32	- Use of the Major Repairs Reserve to finance new capital expenditure	38
114	- Use of the Capital Receipts Reserve to repay prudential borrowing	-
9,775	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	8,702
25	- Application of grants to capital financing from the Capital Grants Unapplied Account	288
5,409	- Statutory provision for the financing of capital investment charged against the General Fund	2,349
2,335	- Direct revenue funding credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,235
18,002		13,897
2,277	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,158)
133,219	Balance at 31 March	131,885

Note 36: 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.

2016/17 £000s		2017/18 £000s
(125,267)	Balance at 1 April	(117,899)
14,887	Remeasurement of defined liability on pensions assets and liabilities	2,366
(15,721)	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	(17,111)
8,202	Employer's pensions contributions and direct payments to pensioners payable in the year	7,807
(117,899)	Balance at 31 March	(124,837)

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.

2016/17 £000s		2017/18 £000s
366	Balance at 1 April	366
-	Transfers in Year	-
366	Balance at 31 March	366

SECTION 3 : Statement of Accounts

Note 36: 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.

2016/17 £000s		2017/18 £000s
(21,783)	Balance at 1 April	(1,396)
20,387	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	447
(1,396)	Balance at 31 March	(949)

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, 2018. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2016/17 £000s		2017/18 £000s
(1,361)	Balance at 1 April	(1,475)
1,361	Settlement or cancellation of accrual made at the end of the preceding year	1,475
(1,475)	Amounts accrued at the end of the current year	(1,557)
(114)	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	(82)
(1,475)	Balance at 31 March	(1,557)

Note 37: 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 including grant receipts outstanding at 31 March, 2018 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 2017/18 is shown in Note 11.

The Council pays grants and/or makes contractual payments to voluntary organisations/charities where an individual Councillor(s) may sit on the management board. In addition, as required by the Health and Social Care Act 2012 the Council has entered into a contract with Healthwatch Hartlepool for a value of £129,056. Two of our elected Members are employed by Healthwatch Hartlepool, however, they were not involved in any decisions in relation to this funding. 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 grants 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. During 2017/18 the Chief Solicitor was a director of the Cleveland Fire Brigade Risk Management Services Community Interest Company. This was a non-remunerated position.

Note 37: Related Party Transactions

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

In 2017/18 the Council provided various support services, predominantly in relation to financial and legal services, to Cleveland Fire Authority for which it received income of £0.217m (£0.233m in 2016/17). In particular, the Director of Finance and Policy holds the position of Treasurer and during 2017/18 the Council's Chief Solicitor held the position of Legal Advisor up until 31st March 2018.

The Council continues to provide a range of support services to Thirteen Group (formerly Housing Hartlepool) such as Legionella Management. The income from these services amounted to £0.153m (£0.319m in 2016/17) which represented the cost of the service provided.

The Council receives income from 'Right to Buy' receipts in relation to the sale of former council dwellings under the terms of the Large Scale Voluntary Transfer (LSVT) of its council housing stock to Thirteen Group in 2004. This income amounted to £0.229m (£0.161m in 2016/17).

The Council provides a range of Support Services to Hartlepool Academies, including Property Services, Building Cleaning and School Catering. The income from the services amounted to £2.115m (£2.619m in 2016/17).

From 1st June 2016 the Council commenced delivery of 'The Children's Hub' on behalf of Hartlepool and Stockton on Tees Councils. The Children's Hub is an integrated single point of access across North Tees providing multi-agency triage and assessment of enquiries about children. Other integrated partners within The Children's Hub include Cleveland Police, Harbour, North Tees and Hartlepool NHS Trust and CAMHS. Stockton Council contributed £0.565m, (£0.410m in 2016/17 - part year) towards the cost of this service.

Other

The Council holds minority shares in Durham Tees Valley Airport Ltd and SUEZ Recycling and Recovery Tees Valley Limited (formerly SITA Tees Valley Limited).

The value of shares held by the Council in Durham Tees Valley Airport Limited (formerly Teesside International Airport) is nil based on a shareholding of 1.08%. The value has been determined with reference to the net worth of the company, which is valued at nil for the financial year ending 31 March, 2017. The shareholding was valued at nil in the previous financial year.

Issues of note include a deficit on the Profit and Loss Account of £2.408 (previous year loss of £2.589m) and a net Liability position of £9.324m (previous year net liability position of £7.057m). 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 SUEZ Recycling and Recovery Tees Valley Limited (formerly SITA Tees Valley Limited) with a value of £0.197m, equating to 3.3% of a £5.964m 0% redeemable preference shareholding in the company. SUEZ Recycling and Recovery Tees Valley Limited have produced accounts for the financial year to 31 December, 2016, that includes a loss on the Profit and Loss Account of £0.269m (£1.821m profit in 2015) and a net asset position of £48.019m (£48.288m in 2015). Further information on their accounts is available from the Registered Office, SUEZ House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES. One of our Members and their partner are Directors of SUEZ, 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 38: Trading Operations

The Council previously determined to maintain separate trading accounts for trading operations. The (surplus)/deficit of each trading account is contained within the Regeneration and Neighbourhood Services departments net cost of services and totals £0.454m surplus in 2017/18 (£0.518m surplus in 2016/17).

2016/17 (Surplus) / Deficit £000s	Internal Trading Operations	Expenditure £000s	2017/18 Income £000s	(Surplus) / Deficit £000s
26	Catering	72	(68)	4
(232)	Building Maintenance	3,323	(3,476)	(153)
(13)	Highways Works	1,800	(1,869)	(69)
15	Passenger Transport	1,008	(1,024)	(16)
(179)	Fleet & Garage	2,934	(3,241)	(307)
(4)	Building Cleaning	2,127	(2,098)	29
(157)	School Catering	3,365	(3,365)	-
26	Garden Centre	172	(114)	58
(518)		14,801	(15,255)	(454)

Catering - provision of catering at the Council's Centre for Excellence in Teaching and Learning (CETL) venue and some Council events.

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

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

Passenger Transport provides transport services to Schools, social care clients and external customers.

Fleet & Garage provide all vehicles for provision of Council Services e.g. Refuse Vehicles and undertake external work in relation to MOTs, servicing and repairs to members of the public and businesses in the area. The surplus generated represents a temporary saving on borrowing costs following a change in policy to keep vehicles for longer periods. The recurring saving resulting from increasing the asset lives has been factored into future charges to clients.

Building Cleaning - cleaning of all Council buildings. Some external work which was subject to competitive tendering 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. The outturn includes a contribution to capital of £0.156m in 2017/18 to fund future investment in school kitchens.

Garden Centre - This facility closed in March 2018.

The above figures 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 39: 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:

2016/17 £000s		2017/18 £000s
110	Fees payable in respect of external audit services carried out by the appointed auditor for the year	109
16	Fees payable for the certification of grant claims and returns for the year	13
126		122

This reflects the actual costs incurred. A one-off refund from Public Sector Audit Appointments (PSAA) of £0.016m was received in December 2017 and is not reflected above.

Note 40: Dedicated Schools Grant

The Council's expenditure on schools is primarily funded by grant monies provided by the Education Funding Agency (EFA), the Dedicated Schools Grant (DSG). The EFA recouped the funding for all existing and new academies in the Borough. 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 2017. 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 2017/18 are as follows: -

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2017/18 before Academy recoupment			79,133
Academy figure recouped for 2017/18			31,101
Total DSG after academy recoupment for 2017/18			48,032
Plus: Brought Forward from 2016/17			990
Less: Carry forward to 2018/19 agreed in advance			-
Agreed Initial Budget Distribution in 2017/18	15,646	33,376	49,022
In Year Adjustments	(4,166)	4,166	-
Final Budget Distribution for 2017/18	11,480	37,542	49,022
Less: Actual Central Expenditure	(11,119)		(11,119)
Less Actual Individual Schools Budget Deployed to Schools		(37,312)	(37,312)
Plus Local authority contribution for 2017/18	-	-	-
Carried forward to 2018/19	361	230	591

SECTION 3 : Statement of Accounts

Note 41: 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

2016/17 £000s	Future minimum lease payments due	2017/18 £000s
253	Not later than one year	252
441	Later than one year & not later than five years	397
135	Later than five years	75
<u>829</u>		<u>724</u>

Council as lessor

2016/17 £000s	Future minimum lease payments receivable	2017/18 £000s
435	Not later than one year	465
1,014	Later than one year & not later than five years	817
907	Later than five years	832
<u>2,356</u>		<u>2,114</u>

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, 2018 the minimum payments expected to be received under non-cancellable sub-leases was £0.030m (£0.030m as at 31 March, 2017). Where appropriate the value of these leases are shown in Note 16.

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

2016/17 £000s		2017/18 £000s
	Payments recognised as an expense	
253	Minimum lease payments	273
(159)	Sub-lease payments	(181)
<u>94</u>	Total	<u>92</u>

SECTION 3 : Statement of Accounts

Note 42: 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

2016/17 £000s		2017/18 £000s
	Value of Assets held under Finance Leases	
472	Vehicles, Plant & Equipment	415
472	Total	415

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:-

2016/17 £000s		2017/18 £000s
	Future minimum lease payments due	
125	Current	109
289	Non-current	180
48	Finance costs payable in the future	27
462	Total minimum lease payments	316

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

2016/17			2017/18	
Minimum Lease Payments £000s	Finance Lease Liabilities £000s		Minimum Lease Payments £000s	Finance Lease Liabilities £000s
146	125	Payable:	123	109
316	289	Not later than one year	193	180
		Later than one year & not later than five years		
462	414	Total	316	289

SECTION 3 : Statement of Accounts

Note 43: 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.

2016/17 £000s		2017/18 £000s
97,600	Brought Forward Opening Capital Financing Requirement	101,455
	Capital investment	
18,184	Property, Plant and Equipment	12,413
42	Investment Properties	4
-	Heritage Assets	119
1,768	Revenue Expenditure Funded from Capital under Statute	2,010
1,864	Long Term Debtors	(112)
	Sources of Finance	
(312)	Capital receipts	(285)
(114)	Application of Capital Receipts to Repay Borrowing	-
(32)	Major Repairs Reserve	(38)
(9,801)	Government Grants and Other Contributions	(8,990)
	<u>Sums set aside from revenue:</u>	
(2,335)	Direct Revenue Contributions	(2,235)
(5,409)	Minimum Revenue Position (MRP)	(2,349)
101,455	Closing Capital Financing Requirement	101,992
	Explanation of movements in year	
(114)	Application of Capital Receipts to Repay Borrowing	-
-	Repayments by Long Term Debtors	(112)
9,378	Increase in borrowing unsupported by government financial assistance	2,998
(5,409)	Minimum Revenue Provision (MRP)	(2,349)
3,855	Increase/(decrease) in Capital Financing Requirement	537

SECTION 3 : Statement of Accounts

Note 44: 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 2017			31 March 2018	
Long Term £000s	Current £000s		Long Term £000s	Current £000s
		Investments		
-	40,067	Loans and receivables - Principal Amount	-	37,083
-	6,506	Liquidity Accounts included in Cash Equivalents	-	54
-	46,573	Loans and receivables at Amortised Cost	-	37,137
197	-	Available-for-sale financial assets *	197	-
197	46,573	Total Investments	197	37,137
		Debtors		
-	7,632	Loans and receivables (Trade Debtors and General and Other Debtors)	-	7,677
-	7,632	Total debtors	-	7,677
		Borrowings		
81,429	4,815	Financial liabilities at amortised cost **	79,968	4,927
81,429	4,815	Total Borrowings	79,968	4,927
		Other Long Term Liabilities		
288	-	Finance lease liabilities	180	-
288	-	Total Other Long Term Liabilities	180	-
		Creditors		
-	8,769	Financial liabilities carried at contract amount (Trade Creditors and General and Other Creditors)	-	7,965
-	8,769	Total Creditors	-	7,965

* Includes Tees Valley Airport Shares which are valued at zero in 2017/18 (zero in 2016/17). 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.

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

SECTION 3 : Statement of Accounts

Note 44: 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, interest income and gains or losses on revaluations 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 2017/18 there were no reclassifications or derecognitions of Financial Instruments.

2017/18			
Financial Liabilities measured at amortised cost	Finance Lease Payments	Financial Assets: Loans and receivables	Total
£000s	£000s	£000s	£000s
Interest expense	2,960	21	-
Interest income	-	-	(314)
Net (gain)/loss for the year	2,960	21	(314)
			2,667

2016/17			
Financial Liabilities measured at amortised cost	Finance Lease Payments	Financial Assets: Loans and receivables	Total
£000s	£000s	£000s	£000s
Interest expense	3,004	27	-
Interest income	-	-	(373)
Net (gain)/loss for the year	3,004	27	(373)
			2,658

SECTION 3 : Statement of Accounts

Note 44: Financial Instruments

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Except for financial assets carried at fair value, all other financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. However disclosure of their fair value is required and is set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Input to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the "fair value hierarchy," as follows:

- Level 1 - Unadjusted quoted market prices for identical assets or liabilities;
- Level 2 - Inputs other than quoted market prices that are either directly or indirectly observable;
- Level 3 - Unobservable inputs.

The fair value of the below assets and liabilities has been assessed by calculating the present value of the cash flows that will take place over the remaining life of the instruments (Level 2 in the fair value hierarchy), using the following assumptions:

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under the PWLB debt redemption procedures;
- For non-PWLB loans payable, premature market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- 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 2017			31 March 2018		
Carrying	Fair		Carrying	Fair	
Amount	Value		Amount	Value	
£000s	£000s		£000s	£000s	
Financial Liabilities					
45,377	92,298	Market Loans	45,377	92,324	
38,707	50,427	Public Works Loan Board	37,355	48,319	
2,160	2,161	Non-Market Loans	2,163	2,158	
8,769	8,769	Trade Creditors and General and Other Creditors	7,965	7,965	
288	288	Long Term Finance Lease Liability	180	180	
95,301	153,943		93,040	150,946	
31 March 2017			31 March 2018		
Carrying	Fair		Carrying	Fair	
Amount	Value		Amount	Value	
£000s	£000s		£000s	£000s	
Financial Assets					
46,573	46,573	Money market loans < 1 year	37,137	37,137	
7,632	7,632	Short term debtors	7,677	7,677	
54,205	54,205		44,814	44,814	

SECTION 3 : Statement of Accounts

Note 44: Financial Instruments

The fair value of Public Works Loan Board (PWLB) loans of £48.319m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value is calculated by applying the PWLB redemption interest rates, which are lower than the borrowing interest rates. The fair value therefore measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates, taken to be these lower redemption interest rates. However, it should be noted that the borrowing interest rates on the debt drawn equated to the prevailing borrowing, as opposed to redemption rates at the Balance Sheet date.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £37.355m would be valued at £42.793m. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans would be the outstanding loan debt and accrued interest of £37.355m plus a penalty charge of £10.964m totalling £48.319m.

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional loss (based on economic conditions at 31 March, 2018) arising from a commitment to pay interest to lenders above current market rates.

Short term trade debtors and trade creditors are carried at cost as this is a fair approximation of their value.

The Fair Values of Financial Assets and Financial Liabilities Measured at Fair Value

Some of the authority's financial assets are measured in the balance sheet at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	Fair Value	
			31 March 2017	31 March 2018
			£000s	£000s
Available for sale - Level 3 Equity shareholdings in Durham Tees Valley Ltd		Based on company's net worth (see below)	-	-
Available for sale - Level 3 Equity shareholdings in Suez Recycling & Recovery Tees Valley Limited (formerly SITA Tees Valley Ltd)		Face value (see below)	197	197
			<u>197</u>	<u>197</u>

Equity shareholdings in Durham Tees Valley Airport Ltd

The Council's shareholding in Durham Tees Valley Airport Ltd - the shares in this company are not traded in an active market and the fair value has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on an analysis of the assets and liabilities in the company's latest audited accounts, as the company has a negative net worth as a result of an operating loss incurred during recent financial years, the year end fair value is deemed to be zero.

Equity shareholdings in Suez Recycling & Recovery Tees Valley Limited (formerly SITA Tees Valley Ltd)

The Council's shareholding in Suez Recycling & Recovery Tees Valley Limited (formerly SITA Tees Valley Ltd) - the shares in this company are not traded in an active market and the fair value has been based on valuation techniques that are not based on observable current market transactions or available market data. 196,845 £1 preference shares are owned by Hartlepool Council, as such the Council is not entitled to the retained profits of the company. The face value of the shares is deemed to be the fair value of the shareholding.

Changes in Valuation Technique

There has been no change in the valuation technique used during the year for the financial instruments.

Note 45: 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 23 February, 2017 and is available on the Council website. The key issues within the strategy were:

- the Authorised Limit for the 2017/18 was set at £125m (£131m in 2016/17). This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £115m (£121m in 2016/17). 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 £115m and £80m respectively (£121m and £70m respectively in 2016/17).
- the maximum amount of gross variable interest rate exposure for borrowing and investments was set at £85m and £80m respectively (£91m and £35m respectively in 2016/17).

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. The Council has now extended the role of the Audit Committee to include the scrutiny of treasury activities.

Note 45: Nature and Extent of Risks Arising from Financial Instruments

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 outlined above. The Council continues to operate a very restricted counterparty list which is actively managed to reflect continued developments in the banking and financial sector.

The Investment Strategy for 2017/18 was approved by Full Council on the 23 February, 2017 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 £5.053m 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, 2018 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 uncollectability over the last three financial years, adjusted to reflect current market conditions.

Estimated maximum exposure at 31 March 2017		Amount at 31 March 2018	Historical experience of default	Adjustment for market conditions at 31 March 2018	Estimated maximum exposure to default at 31 March 2018
£000s		£000s	%	%	£000s
1,228	Trade Debtors and General and Other Debtors	7,677	19.28%	0.00%	1,480
1,228					1,480

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.

SECTION 3 : Statement of Accounts

Note 45: Nature and Extent of Risks Arising from Financial Instruments

The Council does not generally allow credit for customers, such that £1.447m of the £7.677m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31 March 2017 £000s		31 March 2018 £000s
805	Less than three months	479
115	Three to six months	133
231	Six months to one year	203
629	More than one year	632
1,780		1,447

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happens, 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 £115m, equal to the operational boundary.

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

31 March 2017 £000s		31 March 2018 £000s
4,353	Less than one year	4,476
12,052	Between one and five years	10,069
3,341	Between five and ten years	3,755
3,555	Between ten and fifteen years	3,831
3,101	Between fifteen and twenty years	2,984
1,935	Between twenty and twenty-five years	1,993
2,129	Between twenty-five and thirty years	2,251
2,548	Between thirty and thirty-five years	2,691
6,005	Between thirty-five and forty years	6,533
1,955	Between forty and forty-five years	947
45,095	More than forty-five years	45,066
86,069		84,596

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.

SECTION 3 : Statement of Accounts

Note 45: Nature and Extent of Risks Arising from Financial Instruments

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.

A large proportion of the Council's long term borrowing (£20m) 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 Director of Finance and Policy 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, 2018, 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	849
Increase in interest receivable on variable rate investments	(371)
Impact on Surplus or Deficit on the Provision of Services	478
	£000s
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Comprehensive Income and Expenditure Statement)	(29,925)

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 but does have shareholdings in Durham Tees Valley Airport Limited and SUEZ Recycling and Recovery Tees Valley Limited (formerly SITA Tees Valley Limited). These shares are all classified as Available for Sale, meaning that all movements in price will impact on gains and losses recognised in the Available for Sale Reserve.

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 46: Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2016/17 £000s		2017/18 £000s
373	Interest Received	303
(3,022)	Interest Paid	(2,983)

Note 47: Cash Flow Statement - Adjustments for non-cash movements

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2016/17 £000s		2017/18 £000s
10,596	Depreciation	10,120
6,997	Impairment and Downward Valuations	1,571
(2,277)	Downward / (Upward) Valuation of Investment Property	2,158
(1,016)	Increase / (Decrease) in Provisions	970
(35,945)	Increase / (Decrease) in Creditors	1,850
20,560	(Increase) / Decrease in Debtors	(5,637)
179	(Increase) / Decrease in Inventories	35
7,519	Pension Liability	9,304
10,302	Carrying amount of Non-Current Assets Sold	654
16,915		21,025

Note 48: Cash Flow Statement - Adjustments for Investing and Financing Activities

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2016/17 £000s		2017/18 £000s
(9,777)	Capital Grants credited to surplus or deficit on the provision of services	(8,702)
(426)	Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(285)
(10,203)		(8,987)

Note 49: Cash Flow Statement - Investing Activities

2016/17 £000s		2017/18 £000s
(17,788)	Purchase of Property, Plant and Equipment and Investment Property	(12,873)
(1,949)	Other Payments for Investing Activities	-
426	Proceeds from the sale of property, plant and equipment, investment property	285
14,904	Proceeds from the sale of Short-term and Long-term Investments	2,996
7,192	Other Receipts from Investing Activities	13,624
2,785	Net cash flows from investing activities	4,032

SECTION 3 : Statement of Accounts

Note 50: Cash Flow Statement - Financing Activities

2016/17 £000s		2017/18 £000s
597	Cash receipts of short-term and long-term borrowing	-
19,212	Council Tax and NNDR adjustment	1,226
(119)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(125)
(2,602)	Repayments of short and long-term borrowing	(1,350)
17,088	Net cash flows from financing activities	(249)

Note 51: 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 valuation was completed as at 31 March, 2012. A valuation assessing the scheme as at 31st March, 2016 is due to be concluded in 2018.

The scheme has in excess of 8,700 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 2018, the Council's own contributions equate to approximately 0.05%.

The Council's contribution to the Teacher's Pension Scheme in 2017/18 amounted to £2.845m (£2.945m in 2016/17) which represented 16.48% of pensionable pay (this includes a 0.08% administration levy). 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 £2.903m.

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 staff 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. A valuation assessing the scheme as at 31st March, 2016 is due to be concluded in June 2018. The scheme has in excess of 8,800 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, 2018 the Council's own contributions equate to approximately 0.0016%.

The Council's contribution to the NHS Pension Scheme in 2017/18 amounted to £0.164m (£0.046m in 2016/2017) which represented 14.38% of pensionable pay (this includes 0.08% administration levy). 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 £0.168m.

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.

SECTION 3 : Statement of Accounts

Note 52: 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 the Teesside Pension Fund. This is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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 (i.e. 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

The Council 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 the Council is 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	
	2016/17 £000s	2017/18 £000s	2016/17 £000s	2017/18 £000s	2016/17 £000s	2017/18 £000s
Comprehensive Income and Expenditure Statement						
Cost of Services:						
· Current Service cost	10,868	14,224	-	-	10,868	14,224
· Past Service Costs (inc. curtailments)	732	37	-	-	732	37
Financing and Investment Income and Expenditure:						
· Net Interest Expense	3,705	2,538	416	312	4,121	2,850
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	15,305	16,799	416	312	15,721	17,111
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)	(69,112)	(4,842)	-	-	(69,112)	(4,842)
· Actuarial (gains) and losses arising from changes in financial assumptions	103,064	(470)	1,113	1	104,177	(469)
· Actuarial (gains) and losses arising from changes in demographic assumptions	(10,997)	-	(335)	-	(11,332)	-
· Actuarial (gains) and losses owing to liability experience	(38,519)	2,823	(101)	122	(38,620)	2,945
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(259)	14,310	1,093	435	834	14,745

SECTION 3 : Statement of Accounts

Note 52: Defined Benefit Pension Schemes

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2016/17 £000s	2017/18 £000s	2016/17 £000s	2017/18 £000s	2016/17 £000s	2017/18 £000s
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	(15,305)	(16,799)	(416)	(312)	(15,721)	(17,111)

Actual amount charged against the General Fund Balance for pensions in the year:

Employers' contribution payable to scheme	7,312	7,044			7,312	7,044
Retirement Benefits payable to pensioners			890	763	890	763
Transfer from Pension Reserve	(7,993)	(9,755)	474	451	(7,519)	(9,304)

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	
	2016/17 £000s	2017/18 £000s	2016/17 £000s	2017/18 £000s	2016/17 £000s	2017/18 £000s
Fair value of plan assets	443,890	454,808	-	-	443,890	454,808
Present value of the defined benefit obligation	(548,915)	(567,099)	(12,874)	(12,546)	(561,789)	(579,645)
Net liability arising from defined benefit obligation	(105,025)	(112,291)	(12,874)	(12,546)	(117,899)	(124,837)

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2016/17 £000s	2017/18 £000s	2016/17 £000s	2017/18 £000s	2016/17 £000s	2017/18 £000s
Opening fair value of assets	(366,979)	(443,890)	-	-	(366,979)	(443,890)
Interest Income on assets	(12,403)	(11,038)	-	-	(12,403)	(11,038)
Remeasurement gains/(losses):		-			-	-
Return on plan assets (excl amount in net interest)	(69,112)	(4,842)	-	-	(69,112)	(4,842)
Contributions by the employer	(7,312)	(7,044)	(890)	(763)	(8,202)	(7,807)
Contributions by participants	(2,943)	(2,942)	-	-	(2,943)	(2,942)
Net benefits paid out	14,859	14,948	890	763	15,749	15,711
Closing fair value of assets	(443,890)	(454,808)	-	-	(443,890)	(454,808)

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2016/17 £000s	2017/18 £000s	2016/17 £000s	2017/18 £000s	2016/17 £000s	2017/18 £000s
Opening balance at 1 April	(479,575)	(548,915)	(12,671)	(12,874)	(492,246)	(561,789)
Current Service Cost	(10,868)	(14,224)	-	-	(10,868)	(14,224)
Interest Cost	(16,108)	(13,576)	(416)	(312)	(16,524)	(13,888)
Contributions from scheme participants	(2,943)	(2,942)	-	-	(2,943)	(2,942)
Remeasurement gains/(losses):		-		-		-
Actuarial gains and (losses) on liabilities - financial assumptions	(103,064)	470	(1,113)	(1)	(104,177)	469
Actuarial gains and (losses) on liabilities - demographic assumptions	10,997	-	335	-	11,332	-
Actuarial gains and (losses) on liabilities - experience	38,519	(2,823)	101	(122)	38,620	(2,945)
Past Service Costs (inc. curtailments)	(732)	(37)	-	-	(732)	(37)
Benefits paid	14,859	14,948	890	763	15,749	15,711
Closing present value of assets	(548,915)	(567,099)	(12,874)	(12,546)	(561,789)	(579,645)

SECTION 3 : Statement of Accounts

Note 52: Defined Benefit Pension Schemes

Local Government Pension Scheme Assets

The Local Government Pension Scheme's assets comprised:

	2016/17 £'000	2017/18 £'000
Equity investments	355,112	363,391
Property	30,628	33,201
Government Bonds	888	-
Corporate Bonds	888	-
Cash	49,715	50,484
Other Investments	6,659	7,732
	443,890	454,808

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, 2016.

Principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2016/17	2017/18	2016/17	2017/18
Long-term expected rate of return on assets in the scheme:				
Equities	2.5%	2.6%	-	-
Property	2.5%	2.6%	-	-
Government Bonds	2.5%	2.6%	-	-
Corporate Bonds	2.5%	2.6%	-	-
Cash	2.5%	2.6%	-	-
Other	2.5%	2.6%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.8	22.9	22.8	22.9
Women	24.9	25.0	24.9	25
Longevity at 65 for future pensioners:				
Men	25.0	25.1	-	-
Women	27.2	27.3	-	-
Other assumptions:				
Rate of inflation - RPI	3.1%	3.2%	3.1%	3.2%
Rate of inflation - CPI	2.0%	2.1%	2.0%	2.1%
Rate of general increase in salaries	3.0%	3.1%	-	-
Rate of increase in pensions - deferred and pensions in payment	2.0%	2.1%	2.0%	2.1%
Rate for discounting scheme liabilities	2.5%	2.6%	2.5%	2.6%

Note 52: Defined Benefit Pension Schemes

Sensitivity Analysis

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

The sensitivity analysis below has 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, i.e. 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%)	10,056	10,237
Adjustment to Salary increase rate (+/- 0.1%)	2,270	2,249
Adjustment to Pension increase rate (+/- 0.1%)	7,947	7,827
Adjustment to Longevity (decrease/increase 1 year)	17,074	16,947

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 100%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March, 2019.

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 anticipates to pay £8.105m contributions to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is 17.9 years in 2017/18 (17.9 years in 2016/17).

Note 53: 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 2017/18 the Council has the following contingent liability:

- 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.

Note 54: Financial Guarantees

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. The likelihood of this guarantee being called upon is remote and therefore no amounts have been recognised in the balance sheet in respect of this guarantee.

A guarantee was given to the Teesside Pension Scheme for the staff transferred to Housing Hartlepool in 2004 in the event that Housing Hartlepool had financial difficulties. The likelihood of this guarantee being called upon is remote and therefore no amounts have been recognised in the balance sheet in respect of this guarantee.

SECTION 3 : Statement of Accounts

Note 55: Pooled Budgets

The Better Care Fund (BCF) was established by the Government to support the introduction of a fully integrated health and social care system.

On 1st April, 2015 the Council entered into a pooled budget arrangement with NHS Hartlepool and Stockton Clinical Commissioning Group (CCG) for the provision of services in accordance with the requirements of the Better Care Fund.

This is an annual agreement made in accordance with Section 75 of the National Health Service Act 2006. This is a jointly controlled pooled budget which is hosted by the Council on behalf of both partners in line with the agreement.

The Hartlepool BCF Plan will contribute to the delivery of:

- Reduced non-elective admissions;
- Reduced admissions of older people into residential care;
- Increased proportion of older people still at home 91 days after discharge from hospital into reablement/rehabilitation services;
- Reduced delayed transfers of care from hospital;
- Increase in the estimated diagnosis rate for dementia; and,
- Improved patient experience of services.

The BCF is the national programme through which local areas agree how to spend a local pooled budget in accordance with the programme's national requirements. The pooled budget is made up of CCG funding as well as local government grants, one of which is the Improved Better Care Fund (iBCF).

The iBCF was first announced in the 2015 Spending Review and was increased in the 2017 Spring Budget.

Revenue Pooled Budget

2016/17		2017/18
£000s		£000s
	Revenue Funding provided to the Pooled Budget:	
(277)	Hartlepool Borough Council	(104)
-	Hartlepool Borough Council - Improved Better Care Fund (iBCF)	(2,708)
(6,699)	NHS Hartlepool and Stockton Clinical Commissioning Group	(6,819)
(6,976)		(9,631)
	Expenditure met from the Pooled Budget:	
5,514	Hartlepool Borough Council	5,685
1,462	NHS Hartlepool and Stockton Clinical Commissioning Group	1,238
-	Hartlepool Borough Council - Improved Better Care Fund (iBCF)	2,602
-	NHS Hartlepool and Stockton Clinical Commissioning Group - iBCF	106
6,976		9,631
-	Balance carried forward	-

Capital Pooled Budget

2016/17		2017/18
£000s		£000s
	Capital Funding provided to the Pooled Budget:	
(326)	Balance brought forward	(129)
(863)	Hartlepool Borough Council	(931)
-	NHS Hartlepool and Stockton Clinical Commissioning Group	-
(1,189)		(1,060)
	Expenditure met from the Pooled Budget:	
1,060	Hartlepool Borough Council	945
-	NHS Hartlepool and Stockton Clinical Commissioning Group	-
1,060		945
(129)	Balance carried forward	(115)

The capital balance remaining relates to the Disabled Facilities Grant and has been fully committed in 2018/19 to fund additional commitments within this area.

SECTION 3 : Statement of Accounts

HOUSING REVENUE ACCOUNT (HRA)

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2016/17 £000s	2017/18 £000s
Expenditure	
253 Repairs and maintenance	191
277 Supervision and management	274
22 Rents, rates, taxes and other charges	31
8 Movement in the allowance for bad debts	28
8 Debt Management Expenses	9
3,203 Depreciation, impairment and revaluation losses of non-current assets	1,190
3,771 Total Expenditure	1,723
Income	
(1,007) Dwelling Rents	(992)
(2) Charges for services and facilities (net of voids)	(7)
(19) Other Income	(75)
(1,028) Total Income	(1,074)
2,743 Net Expenditure or (Income) of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	649
292 Interest payable	327
(8) Interest and investment income	(16)
13 Net interest on the net defined benefit liability	9
3,040 Deficit/(Surplus) for the year on HRA services	969

MOVEMENT ON THE HRA STATEMENT

2016/17 £000s	2017/18 £000s
- Opening balance on the HRA	(538)
3,039 (Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	969
Adjustments between accounting basis and funding basis under statute :	
(3,024) - Revaluations losses	(1,036)
(23) - IAS19 Pensions Adjustment	(28)
(179) - Depreciation	(154)
179 - Transfer to Major Repairs Reserve	250
(8) Net (increase) or decrease before transfers to or from reserves	1
(530) Transfers to or (from) earmarked reserves	-
(538) (Increase) or decrease in the year on the HRA	1
(538) Closing balance on the HRA	(537)

SECTION 3 : Statement of Accounts

NOTES TO THE HRA

Note 1: Depreciation and Revaluation

Included within the HRA is a depreciation charge of £0.154m (2016/17 £0.179m) which transfers funding into the Major Repairs Reserve to meet the cost of future major repairs. The loss on revaluation for the year was £1.036m (2016/17 £3.024m). This is prevented from being a true cost to the HRA by an adjustment between accounting basis and funding basis under statute on the 'Movement on the HRA Statement'.

Note 2: Capital Expenditure and Financing

<u>2016/17 £000s</u>	<u>2017/18 £000s</u>
1,535 Acquisition and renovation of Council Dwellings	1,159
<u>32 Major Repairs</u>	<u>38</u>
1,567	1,197
Funded by:	
921 Borrowing	741
407 Homes & Communities Agency Grant	418
207 Income from Sale of former Right to Buy properties	-
<u>32 Major Repairs Reserve</u>	<u>38</u>
1,567	1,197

Note 3: Value of Council Dwellings

There were 256 Council Dwellings held as at 31 March, 2018 (243 in 2016/17). The table below shows the vacant possession value and the balance sheet value based on social housing use. The difference represents the economic cost of providing council housing at less than market rent.

<u>1st April 2017 £000's</u>	<u>31st March 2018 £000's</u>
6,473 Balance Sheet Value	6,754

The vacant possession value of HRA dwellings at 1 April 2017 is £15.350m (£14.711m at 1 April 2016).

Note 4: Rent Arrears

The level of rent arrears as at 31 March, 2018 was £0.132m (31 March, 2017 £0.077m) and the provision in respect of these debts which are uncollectable is £0.065m (2016/17 £0.037m)

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.

2016/17 £000		2017/18 £000	Notes
	INCOME		
	Council Tax :		
(40,771)	Billed to tax payers	(43,515)	
(40,771)		(43,515)	1
	Non Domestic Rates :		
(31,843)	Income Collectable from Business Ratepayers	(32,148)	2
75	Transitional Protection Payment	2,266	
15	Deferral Scheme	-	
(31,753)		(29,882)	
(72,524)	TOTAL INCOME	(73,397)	
	EXPENDITURE		
	Council Tax :		
34,320	Precepts Hartlepool Borough Council	36,473	
4,894	Police & Crime Commissioner	5,057	
1,668	Cleveland Fire Authority	1,722	
54	Increased Provision for Non-Payment of Council Tax	(48)	
40,936		43,204	
	Non Domestic Rates :		
	Payment of Non Domestic Rates to Preceptors		
15,873	Hartlepool Borough Council	14,681	
324	Cleveland Fire Authority	300	
16,080	Payment of Non Domestic Rates to Central Government	14,859	
119	Cost of Collection Allowance	115	
(172)	Increased Provision for Non-Payment of NNDR	109	
(2,603)	Provision for Non Domestic Rating Appeals	2,645	
117	Enterprise Zone Relief	122	
-	Disregarded Amounts	27	
29,738		32,858	
	Contributions for previous years estimated		
	Collection Fund Surplus/(Deficit) - Council Tax		
963	Hartlepool Borough Council	111	
140	Police & Crime Commissioner	16	
48	Cleveland Fire Authority	4	
1,151		131	
	Contributions for previous years estimated		
	Collection Fund Surplus/(Deficit) - Non-Domestic Rates:		
(20,501)	Hartlepool Borough Council	(1,755)	
(418)	Cleveland Fire Authority	(36)	
(20,919)	Central Government	(1,791)	
(41,838)		(3,582)	
29,987	TOTAL EXPENDITURE	72,611	
(42,537)	NET TOTAL	(786)	
	Movement on Fund Balances		
	Council Tax:		
1,316	(Surplus)/Deficit for the year	(180)	
(1,153)	(Surplus)/Deficit brought forward	163	
163	(Surplus)/Deficit carried forward	(17)	
	Non Domestic Rates:		
(43,854)	(Surplus)/Deficit for the year	(606)	
46,445	(Surplus)/Deficit brought forward	2,591	
2,591	(Surplus)/Deficit carried forward	1,985	

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 33,579 Band D equivalents in 2017/18 (33,287 for 2016/17) and the basic amount of Council Tax for a Band D property was £1,833.86 (£1,756.09 in 2016/17).

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	23,539	15,693	1,030.84	143.03	48.71	1,222.58	28,778
B	7/9	7,196	5,597	1,202.65	166.86	56.82	1,426.33	10,264
C	8/9	6,057	5,384	1,374.45	190.70	64.94	1,630.09	9,873
D	9/9	3,158	3,158	1,546.26	214.54	73.06	1,833.86	5,791
E	11/9	1,618	1,978	1,889.87	262.22	89.30	2,241.39	3,627
F	13/9	639	923	2,233.49	309.89	105.53	2,648.91	1,693
G	15/9	438	730	2,577.10	357.57	121.77	3,056.44	1,339
H	18/9	58	116	3,092.52	429.08	146.12	3,667.72	213
TOTALS		42,703	33,579					61,578

The income of £43.515m for 2017/18 (£40.771m for 2016/17) is receivable from the following sources :

2016/17		2017/18
£000		£000
58,454	Opening Liability	61,578
1,192	Net increase/(decrease) in liability	1,375
(97)	Disabled Relief	(104)
(5,931)	Discounts	(6,250)
(1,179)	Exemptions	(1,306)
(126)	Write Offs	(71)
(11,542)	Council Tax Support Scheme	(11,707)
40,771		43,515

SECTION 3 : Statement of Accounts

NOTES TO THE COLLECTION FUND

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 46.6p in 2017/18 (48.4p in 2016/17), and; the Non Domestic Rate Multiplier, which was 47.9p in 2017/18 (49.7p in 2016/17). 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 £77.542m.

The NNDR income collectable from Ratepayers is shown below.

2016/17		2017/18
£000		£000
38,036	Gross Rates payable	36,571
(5,716)	Mandatory Reliefs	(6,572)
75	Transitional Relief	2,266
(552)	Write Offs	(117)
31,843		32,148

SECTION 3 : Statement of Accounts

MEMORANDUM NOTES - TRUST FUNDS

During 2017/18 the Council 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 2017 £000	Income £000	Expenditure £000	Balance at 31st March 2018 £000
Preston Simpson & Sterndale Scholarship in Music	82	8	7	83
Doughty Fund	5	-	-	5
Education Trust Funds	131	4	3	132
	218	12	10	220

The Preston Simpson & Sterndale Scholarship in Music Fund consisted of a cash investment of £82,880 with Hartlepool Borough Council as at 31 March, 2018. The Trust also held two separate external investments valued respectively at £105,682 as at 5 April, 2018 (£116,077 as at 5 April, 2017) and £20,988 as at 31 March, 2018 (£20,620 as at 31 March, 2017).

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

As at 31 March, 2018, 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 2016. 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 2015, Part 2 6(1), (a) which requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with the statement of accounts. Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015, require that for a local authority that statement is 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 2018 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 Director of Finance and Policy and the Assistant Director (Finance and Customer Services). As part of the process regular updates have been given to the Performance and Risk Management Officer Group and the Corporate Management Team (CMT).

Significant Governance Issues Update from 2016/17 Statement

Progress has been made over the course of 2017/18 to actively manage and address issues identified as part of the 2016/17 process. This approach ensures the Council actively manages these issues. The table below identifies action that has been taken to mitigate the areas identified.

<u>Issue Raised</u>	<u>Action Undertaken</u>
Delivery of Council Plan, revised Performance management Framework and Medium Term Financial Strategy, the sustainability of services and level of performance.	A strategic multi-year approach to financial management is embedded with a revised savings programme encompassing key required elements at a corporate and departmental level developed and implemented. Members' seminars and staff communication strategy in conjunction with budget monitoring and defunding budgets at decision point have been implemented. Project planning and management reporting to Finance and Policy Committee and CMT have all been implemented. The Council Plan for 2017/18 has been largely delivered and is reported to Members via Finance and Policy Committee on a quarterly basis. The Council Plan, Medium Term Financial Strategy and the five year Capital Plan have been developed as three parts of a single strategy to ensure the linkages between the three are strengthened.

SECTION 4 : Annual Governance Statement

Ensuring appropriate arrangements for Information Governance – Complying with NHS requirements.

In March 2017, HBC completed the National Information Governance (IG) Toolkit. This is an online tool which organisations complete to assess themselves against national Information Governance policies and standards. In completing and achieving these standards, it allows the Council to get access to Health's N3 network, i.e. a secure communications network allowing information to be exchanged between these organisations and help integrate and transform health and social care services. The Toolkit also allows members of the public to view participating organisations' IG Toolkit assessments and their progress towards compliance. This is an annual requirement that will be completed again in March 2018 to allow continued access to the N3 network (now called the 'Health and Social Care Network').

Ensuring adequate management arrangements for non-core grant funding.

Internal review of management arrangements undertaken to ensure risks in relation to performance monitoring and claim processing are mitigated. Development and agreement of strategies and plans for effective working between HBC and partner organisations.

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. The Constitution is scheduled to be reviewed annually and has subsequently been reviewed and the outcomes reported to Council on the 23rd May 2017, with a supplemental review reported to Council on 22nd June, 2017. A further update was reported to Council on 14th December, 2017.

Effective procedures to identify, evaluate, communicate, implement, comply with and monitor legislative change exist and are used. Legal Division procedures exist for monitoring new legislation, advising relevant departments, and members where appropriate. 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 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 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 and legislative requirements. 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 24th January, 2018 and referred to Council for approval on 22nd February, 2018 for the financial year 2018/19. 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 Ministry of Housing, Communities and Local Government (HCLG) 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 Director of Finance and Policy reports to the Audit and Governance Committee how the Council 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. 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.

SECTION 4 : Annual Governance Statement

An updated Code of Conduct for Employees has been approved, published and communicated to all employees. A Health and Safety Policy has been approved and published and a Communication Strategy implemented to ensure general awareness. The Council has also implemented a programme of Health and Safety Leadership Training for senior managers.

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 audit coverage of partnership arrangements.

The Council reviewed and adopted their Community Strategy on 3rd April 2014 following consultation with residents and key partners. This identified a number of key priorities for Hartlepool which would be the main focus for improvement over the following five years. The Council produces a Council Plan that sets out the Council's ambitions for the town. The Council Plan 2017/18-2019/20 was agreed by Council on 16th March 2017. For the first time, this year the Council Plan, Medium Term Financial Strategy and the five year Capital Plan have been developed as three parts of a single strategy to ensure the links between the three are strengthened. The Council's performance management arrangements are based on the Council Plan which identifies a series of six strategic priorities under which sit a number of key deliverables. Progress against the Council Plan is reported to SLT and Finance & Policy Committee on a quarterly basis and the three-year Plan is subject to an annual refresh. The refreshed Council Plan is to be taken for approval to the first ordinary full Council of the new municipal year in June 2018.

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.

A Data Quality framework is in place with Internal Audit conducting a targeted annual review of PIs. The Council's Performance Management Framework includes information relating to departmental and officer responsibility for the collation of data, target setting and addressing performance issues. The Framework 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 Council Plan. 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, Comments and Compliments 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. 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. The Council has updated its Fraud and Corruption Strategy in line with CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

The Council agreed the current Risk Management Framework on 5th March 2015. The Framework sets out the structure of the Council's risk registers and the agreed risk tolerance level which helps to prioritise risk activity. Key risks will be identified within the Council Plan and changes reported to Elected Members quarterly through the service planning process.

The Framework is available to all staff via the intranet. Key staff have undergone appropriate training and departmental risk champions lead on communicating the 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. 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 the Council Plan are analysed within the quarterly reports to help ensure that risk and performance reporting are linked. The Council Plan is considered as part of the preparation of the AGS.

The Council's Performance and Risk Management system Pentana Performance holds the risk registers. Risk registers are also maintained for significant projects. 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 have access to a central funding pot for risk management to assist in the financing of risk mitigation.

SECTION 4 : Annual Governance Statement

The General Data Protection Regulation (GDPR) is new European legislation and replaces the Data Protection Act in the UK. This was designed to harmonise data privacy laws across Europe, to protect and empower all EU citizens' data privacy and to reshape the way organisations across the region approach data privacy and security. The key changes that GDPR bring into force include strengthening conditions for consent, increasing penalties for the most serious of infringements, speeding up breach notification, expanding users access rights and introducing the 'right to be forgotten' for the data subject. In order to ensure compliance with these requirements the Council has identified a named Data Protection Officer and established a GDPR Working Group with representatives from each Department. Work is ongoing to identify all data currently held and classify it in line with the new requirements.

The Council has long-standing, nationally and regionally recognised emergency planning arrangements through the Cleveland Emergency Planning Unit (CEPU). The Council's Emergency Management Response Team (EMRT) meets bi-monthly and contributes to the make-up of the Council's Major Incident Plan which is tested annually.

Responsibility for updating and implementing Corporate Business Continuity has transferred to the Assistant Director (Environment and Neighbourhood Services). A Revised Business Continuity Policy and accompanying Plan is being developed to complement the existing Business Continuity Database. Work is ongoing to identify and document formal decant arrangements for the delivery of priority services in the event of a disruption. A rolling exercising programme to test the plan focusing on two separate services per year is in development.

The Equality Act 2010 came into force on 1st October, 2010 and brought together over 116 separate pieces of legislation into one single Act. The Act provides 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 each year; 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 produced a Workforce Equality Information Report 2016/17 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 the report is regularly updated. Our latest equality objectives were agreed by Council as part of the Council Plan 2017/18 – 2019/20 on 16th March 2017.

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 considering impacts on equality as an integral part of our decision-making process and this is reflected in reports to Committees in the Equality & Diversity Considerations section and through our use of Equality Impact Assessments.

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 Audits 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 Council also make regular reports on efficiency, effectiveness and compliance with regulations. Ofsted has rated the Council's Children's Services (CS) as "performing well". The most recent Single Inspection Framework (SIF) inspection which is the most comprehensive inspection framework for CS rated Hartlepool CS as 'good'. Most childcare providers and schools are rated "good" or "outstanding" and none are "inadequate". A Care Quality Commission (CQC) Local System Review of services for older people in October 2017 identified a wide range of examples of good practice and found that a multidisciplinary integrated approach provided a proactive and solution focused service that improved people's experiences. Commissioned services for adults with care and support needs are predominantly rated 'good' by CQC with no services rated inadequate. An Ofsted inspection of Adult Education in December 2017 rated the service as good. Hartlepool Connect has achieved the Customer Service Excellence standard. In their 2016/17 Annual Audit Letter, Mazars, the Councils External Auditor, issued an unqualified opinion on the financial statements and value for money conclusion at the Council.

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.
- Director of Finance and Policy – 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).
- 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 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 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 Head of Internal Audit (2010).
 - 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, HMI Probation and Service Excellence.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and 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 Council Plan, revised Performance Management Framework and Medium Term Financial Strategy. The sustainability of services, level of performance and the continuing need to achieve housing growth.	<p>The approved 2018/19 MTFS includes savings proposals to be implemented in 2019/20 and 2020/21. However, after reflecting these proposals the Council still faces net budget deficits in these years. Detailed proposals for addressing the residual budget deficits will be developed during 2018/19, this will ensure these proposals can be implemented in 2019/20 and 2020/21.</p> <p>The ongoing implementation and refresh of the 3 year Council Plan taking into account the impact of the financial challenges facing the Council, with regular performance reporting to CMT and Members.</p>	2018/19 – 2020/21	CMT
2	Business Continuity Arrangements	Responsibility for updating and implementing Corporate Business Continuity has transferred to the Assistant Director (Environment and Neighbourhood Services). A Revised Business Continuity Policy and accompanying Plan is being developed to complement the existing Business Continuity Database. Work is ongoing to identify and document formal decant arrangements for the delivery of priority services in the event of a disruption. A rolling refreshed programme to test the plan focusing on two separate services per year is in development.	2018/19	CMT.
3	Ensuring adequate management arrangements for non-core grant funding.	<p>The Council is the accountable body for competitively secured time limited grant resources for projects that requires the authority to have in place robust arrangements for managing such funding streams.</p> <p>a) The Governance Framework covering grant claims has been strengthened.</p> <p>b) Development and implementation of a strategy for effective working between HBC and delivery partners with programme workshop/review held on 26.01.18.</p> <p>c) Ongoing engagement with funders regarding the potential extension of programme.</p>	2017/18	CMT
4	General Data Protection Regulation (GDPR)	In order to ensure compliance with the new requirements by May 2018, the Council has identified a named Data Protection Officer and established a GDPR Working Group with representatives from each Department. Work is ongoing to identify all data currently held. Data will then be classified and held securely in line with the new requirements.	2018/19	CMT
5	Delivery of Regeneration/Capital Programme on time and budget in line with key Council objectives.	Responsibility for delivery of schemes allocated to senior officers. Regular progress and budget monitoring undertaken through the capital programme management group, chaired by the Director and the Council's Strategic Asset Management Board. Regular updates provided to members.	2018/19 – 2020/21	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:



Chief Executive



Chair of Audit and Governance Committee

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

Opinion on the Council Financial Statements

We have audited the financial statements of Hartlepool Borough Council ('the Council') for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Statement of Cash Flows, the Housing Revenue Account, the Collection Fund, and notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Hartlepool Borough Council as at 31 March 2018 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 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance and Policy's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance and Policy has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance and Policy is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Responsibilities of the Director of Finance and Policy for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance and Policy 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 2017/18, and for being satisfied that they give a true and fair view. The Director of Finance and Policy is also responsible for such internal control as the Director of Finance and Policy determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance and Policy is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Finance and Policy is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Hartlepool Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider 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 2018.

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.

Responsibilities of the Council

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

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

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General requires us to report to you our conclusion relating to proper arrangements. 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.

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

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

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

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Hartlepool Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

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



Cameron Waddell,

Partner
For and on behalf of Mazars LLP
Salvus House
Ayckley Heads
Durham
DH1 5TS

Date: 25 July, 2018

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.

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.

SECTION 6 : Glossary of Terms

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.

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
- 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.

SECTION 6 : Glossary of Terms

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.

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.

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.

SECTION 6 : Glossary of Terms

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.

HOUSING REVENUE ACCOUNT

Local Authorities are required to maintain a separate Housing Revenue Account - which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the General Fund.

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 with these Standards or disclosures in the notes if there are any material departures from these Standards.

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.

SECTION 6 : Glossary of Terms

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.

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.

SECTION 6 : Glossary of Terms

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.

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.

SECTION 6 : Glossary of Terms

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.

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 or 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.

SECTION 6 : Glossary of Terms

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.

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.

SAFETY-NET GRANT

This grant is received by Local Authorities whose business rates income drops below a set percentage (92.5%) of the minimum level the Local Authority requires as determined by the Government.

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.

SECTION 6 : Glossary of Terms

USEFUL LIFE

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

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 Typetalk and enquiries in any language can be dealt with in person or on the telephone using Language Line instant translation service.

For more information about Hartlepool Borough Council:



www.hartlepool.gov.uk



www.twitter.com/hpoolcouncil



www.facebook.com/hartlepoolcouncil



(01429) 266522

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HARTLEPOOL
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