

# Auditor's Annual Report

Hartlepool Borough Council – year ended  
31 March 2022

December 2023



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# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Hartlepool Borough Council ('the Council') for the year ended 31 March 2022. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



### Opinion on the financial statements

We issued our audit report on 21 December 2023. Our opinion on the financial statements was unqualified.



### Wider reporting responsibilities

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such correspondence from electors has been received.



### Value for Money arrangements

In our audit report issued on 21 December 2023 we reported that we had completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council's arrangements.



### Whole of Government Accounts (WGA)

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data and to carry out certain tests on the data. We plan to report to NAO in December 2023. As for 2020/21, we anticipate a significant delay before we will be able to issue our 2021/22 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

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# 02

Section 02:

**Audit of the financial statements**

## 2. Audit of the financial statements

### The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2022 and of its financial performance for the year then ended. Our audit report, issued on 21 December 2023 gave an unqualified opinion on the financial statements for the year ended 31 March 2022.

Our Audit Completion Report, presented to the Council's Audit and Governance Committee on 24 November 2022 provides further details of the findings of our audit of the Council's financial statements. This includes our conclusions on the identified audit risks and areas of management judgement, internal control recommendations and audit misstatements identified during the course of the audit. We also issued a follow up letter on 30 November 2023 and on completion which concluded on all outstanding matters.

### Qualitative aspects of the Council's accounting practices

We reviewed the Council's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Council Accounting, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 6 July 2022 and they were of a good quality. Most of the supporting working papers were provided ready for the scheduled start of the audit on 25 July 2022.

### Significant difficulties during the audit

We had positive co-operation from management throughout the audit and we would like to thank management for their assistance, courtesy and patience during our work.

The completion of the audit was initially delayed for two reasons, neither of which was under the control of management or the audit team:

- **Pension fund assurance letter** – this was not received from the auditor of the Teesside Pension Fund until 22 March 2023; and
- **Infrastructure** – guidance was issued by CIPFA on 11 January 2023 which set out how authorities should address the technical issues that had arisen in relation to accounting for infrastructure and how the statutory override that had been put in place by Government in December 2022 should be addressed. This impacted on the Council having the information needed to respond to this issue, and then our work followed on from this.

In the event, the Pension Fund Auditor letter was not received until 22 March 2023. It is very unusual to receive these assurances as late as this. There were no material issues arising from the Pension Fund auditor's work to impact on the 2021/22 financial statements.

However, as a result of the long delay, new information was now available to update the pension disclosures in the financial statements in that the triennial revaluation of Teesside Pension Fund as at 31 March 2022 was now completed, and needed to be reflected in the 2021/22 financial statements. This required the Council to obtain an updated report from the actuary, and we needed to carry out some additional procedures, including requiring the Pension Fund auditor to test the membership data used in the triennial revaluation and report to us on the results of their testing.

The Pension Fund auditor reported to us on 11 September 2023, but there were a number of issues that we had to follow up on. We issued our unqualified audit opinion on 21 December 2023.

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Section 03:

**Commentary on VFM arrangements**

### 3. Commentary on VFM arrangements

#### Overall summary





# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



**Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services



**Governance** - How the Council ensures that it makes informed decisions and properly manages its risks



**Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**  
We make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations**  
We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

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# 3. VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 <b>Financial sustainability</b>	11	No	No	No
 <b>Governance</b>	14	No	No	No
 <b>Improving economy, efficiency and effectiveness</b>	17	No	No	No

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### 3. Commentary on VFM arrangements

#### Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### Overall responsibilities for financial governance

We have reviewed the Council's overall governance framework, including Council, Finance and Policy Committee and Audit and Governance Committee reports, the Annual Governance Statement, and the Annual Report and Accounts for 2021/22. These confirm that the Council appropriately undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Council's service users.

The Council receives assurance on all aspects of financial management and operational performance through reports to the Finance and Policy Committee. This includes:

- overseeing and assuring financial and operational performance;
- considering the risks associated with any material financial transactions;
- considering the financial and operational risks involved in the Council's business and how they are controlled and monitored by management; and
- taking action needed to address issues raised or to make improvements.

Our review of supporting papers confirmed that it did so effectively throughout 2021/22.

### The Council's financial planning and monitoring arrangements

The Medium Term Financial Strategy covers a rolling three year programme and is designed to maintain the general reserve at the minimum level determined by the Director of Resources and Development's risk assessment, with the Budget Support Fund utilised to allow sufficient time to develop and implement further savings. The Council decided in February 2021 that owing to the impact of the pandemic on household finances, council tax for 2021/22 would be frozen, which inevitably meant a pause to the policy of reducing reliance on reserves to balance the budget. Accordingly, a break-even 2021/22 budget was set utilising £4.2M of the budget support fund, whilst options for savings were explored to bridge a £5.6M funding gap for 2022/23. This was a one-off measure as reserves can only be used once and the underlying deficit remains.

Audited accounts show that the plan was achieved with a small underspend of £0.28M. Although the Budget Support Fund was utilised as planned, total useable reserves increased by £3.2M due to deferred expenditure and new earmarked reserves created to cover the increasing risk of inflation. The rapid increase in inflation in

the past six months demonstrates that this decision was prudent.

The Finance and Policy Committee received management accounts providing detailed commentary of performance against budget, including explanations of significant variances, twice during 2021/22. The financial position was also summarised in four updates to the Medium Term Financial Strategy. A break even position after planned use of reserves was consistently forecast through the year.

Budget Preparation normally begins in the Autumn prior to the relevant financial year. Heads of Finance complete detailed work for their departments and the results are collectively assessed by the Corporate Management Team (CMT). CMT discuss pressures, growth and savings and the Director of Resources and Development updates for assumptions regarding funding, inflation and the council tax increase. However, in 2021 the process was brought forward due to the scale of the funding gap created by the decision to freeze 2021/22 council tax. Accordingly, in September 2021 the Council approved the strategic direction for 2022/23 budget-setting, including the decision to increase council tax by 1.9% plus the deferred 3% adult social care precept for 2022/23, the maximum allowed without a referendum.

### The Council's arrangements and approach to Financial Planning 2022/23

The Council developed detailed savings plans for 2022/23 throughout 2021 and in December 2021 it approved a new Medium Term Financial Strategy that closed the 2022/23 funding gap through £2.6M of savings and £2.5M further support from the Budget Support Fund. Each savings plan was supported by a proposal sheet explaining how it was to be delivered, allocating workstreams and lead officers, evaluating risks and benchmarking where appropriate. When government funding was finalised the Council approved a revised budget and Medium Term Financial Strategy, which reduced the reliance on the Budget Support Fund in 2022/23 to £1M plus £0.8M to phase the implementation of savings. The Strategy identified a budget gap of £2.9M over 2023/24 and 2024/25 after a further £1.1M of approved savings.

We found that the Council is making good progress at delivering the £2.6M savings approved for 2022/23. Mid-year management accounts forecast an overspend of £1.4M, after the planned use of earmarked reserves. This is due to inflation being higher than was foreseeable when the budget was set and the inflation-related earmarked reserves created. The forecast overspend is less than one per cent of the net budget.

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria - continued

### The Council’s arrangements and approach to Financial Planning 2022/23 (continued)

The latest update of the MTFS was reported to the Council in January 2023. This reflects the latest inflation forecasts, pay negotiations and the Government’s Provisional Local Government Finance Settlement and indications about future funding and rules on referendums for council tax increases. Assuming council tax and the Adult Social Care Precept increase in line with the Government’s assumptions in calculating increased spending power the 2023/24 budget is balanced though identified savings of £1.8M. We have examined these savings plans and are satisfied with the Director of Resources and Development’s assertion that they have a low delivery risk.

Although the settlement was slightly better than assumed in the December 2022 version of the MTFS there remains a budget gap of £1.7M in 2024/25 and £2.5M in 2025/2. Work has started identifying potential savings to plug the gap and there remains a forecast £5.6M in the budget support fund at 31/3/24 to help phase in savings over the next few years. The Council delivered savings of £2.2M in 2020/21 and is on track to deliver savings of £2.6M in 2022/23, so annual savings of this level are within the usual range. Previous savings plans have delivered a 20% reduction in the workforce over 10 years without industrial action and through mainly voluntary redundancies and retirements.

The Council’s positive track record in terms of delivering savings and keeping within budget has allowed it to establish a general reserve of £4.4M at 31 March 2022, which is expected to remain intact and matches the minimum level determined by the Director of Resources and Development’s risk assessment. In addition, the Council has earmarked a Budget Support Fund and Investment reserves of £11.5M at 31 March 2022, which was set aside to meet expected pressures over the period of the MTFS. Reserves were reviewed are part of the 2023/24 MTFS strategy and aligned to manage risks, support the MTFS and partly fund the capital programme over the period 2023/24 to 2025/26.

The Council undertakes substantial work to understand possible future impacts on the budget. The medium term budget projections consider various budget pressures, such as pay and price increases, the revenue implications of the capital programme and other pressures including the triennial revaluation of pensions. The risk register contains a critical risk and remedial action regarding the financial position and is monitored quarterly. The general reserve covers inherent risks such as demographic changes impacting on demand for social care and inflation not returning to normal levels during 2023/24. Earmarked reserves including the Budget Support Fund cover specific local risks such as the loss of business rates from the potential closure of

the power station and also provide temporary support of the budget pending achievement of recurring savings.

We have critically assessed the underlying assumptions used in the MTFS and consider them to be appropriate. The MTFS is underpinned by workforce planning and capital programmes and takes into account risks arising during the year and planning assumptions within the Council Plan. We have not identified any inconsistency between the various plans in prior years or from our review of the Council Plan.

### Conclusion

We have not identified any significant weaknesses in the Council’s arrangements in relation to the financial sustainability reporting criteria.



### 3. Commentary on VFM arrangements

#### Governance

How the body ensures that it makes informed decisions and properly manages its risks



# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### The Council's governance structure

The Council has an established governance structure in place which is set out within its Annual Governance Statement. This is supported by the Council's Constitution and scheme of delegation. Executive Directors have clear responsibilities linked to their roles and the structure in place at the Council allows for effective oversight of the Council's operations and activity. We reviewed these documents as part of our audit and confirmed they were consistent with our understanding of the Council's arrangements in place and were fully operational.

There is a standard report format, including sections to cover the legal and financial implications and reports are signed off by the Managing Director, Director of Resources and Development and Monitoring Officer. The constitution defines key decisions (i.e. decision which will result in income, expenditure or savings with a gross full year effect of £100k or greater, or any decision which may have a significant impact on communities living or working in an area comprising two or more wards) in addition to limits for virement between budgets.

The Council met 7 times in 2021/22 and has established committees with appropriate remits that met as follows in 2021/22:

- Audit and Governance Committee (11 occasions);
- Finance and Policy Committee (7 occasions); and
- Four service-specific policy committees, a Planning Committee and a Licensing Committee.

The terms of reference and work plans of these various committees ensure that the Council is provided with adequate assurance. We consider the committee structure of the Council is sufficient to provide assurance that decision making, risk and performance management is subject to appropriate levels of oversight and challenge.

We attended those Audit and Governance committees in the year where we had reports on the agenda and found that members were appropriately skilled to undertake their role and provided appropriate challenge to Management and Internal and External Audit. Two co-opted members are independent appointments and are recruited and trained to provide a range of skills and collectively provide effective scrutiny.

The Council has approved and adopted a code of corporate governance applicable to Members, which is consistent with good practice set out by the Chartered Institute of Public Finance (CIPFA) and Society of Local Authority Chief Executives (SOLACE) and swift disciplinary action was taken when an officer was found in

breach of the Code of Conduct. We reviewed the declarations of interest during the financial statements audit. We have confirmed that all relevant declared interests have been appropriately reported within the 2021/22 financial statements. There are quarterly reports on spending with any organisation where a member has declared an interest as well as an annual exercise to identify interests, gifts and hospitality.

### The Council's risk management and monitoring arrangements

The Council has a comprehensive risk management system in place which is embedded into the governance structure of the organisation. The processes are supported by the Council's Risk Management Framework agreed in 2019/20 and the Council leadership plays a key role in implementing and monitoring the risk management process.

The Finance and Policy Committee have overarching responsibility for risk management and considers the content of the Strategic Risk Register bi-annually when monitoring implementation of the Council Plan. The Strategic Risk Register is reviewed quarterly at Corporate Management Team (CMT) and takes account of any changes in the entity's internal and external environments. We are satisfied that the CMT have appropriate industry and regulatory knowledge.

The Strategic Risk Register articulates each individual risk, quantifies its likelihood and potential impact and names the senior officer who owns the risk. Risks and control measures relating to the Council Plan are analysed within performance reports to help ensure that risk and performance reporting are linked.

### The Council's arrangements for internal control

An effective internal audit function is resourced and maintained in accordance with Public Sector Internal Audit Standards (PSIAS). Compliance is independently verified cyclically. Work plans are agreed with management in advance of the start of the financial year and reviewed by the Audit and Governance Committee prior to final approval.

We have reviewed the Internal Audit Plans for 2021/22 and 2022/23 and confirmed planned work addresses the expected areas with annual coverage of key financial controls. Progress reports are presented to each Audit and Governance Committee meeting including follow up reporting of recommendations not fully implemented by agreed due dates. This allows the Committee to effectively hold management to account on behalf of the Council.

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

### The Council's arrangements for internal control (continued)

Our attendance at Audit and Governance Committees throughout the period confirms the significance placed on internal audit findings. Members of the Committee actively request management attendance at committees to discuss findings from internal audit reports.

Internal audit gave a satisfactory assurance opinion on the Council in their 2021/22 Annual Report with no significant governance weaknesses identified for reporting in the Annual Governance Statement. None of the limited assurance opinions given by Internal Audit related to material financial systems. The Annual Governance Statement provides an overall assessment and review of the Council's corporate governance arrangements and an appraisal of the key controls in place to manage the Council's principal governance risks.

### The Council's arrangements for budget setting and budgetary control

The Council's Medium Term Financial Strategy includes the identification and evaluation of risks to the Council's finances and is developed in parallel to the budget for the following year and setting of council tax.

We examined the assumptions behind the 2022/23 Budget and we have confirmed the assumptions were reasonable based on the information available when the budget was set, the main ones being:

- Grant funding increasing in line with the Local Government Finance Settlement;
- Council tax income (including the deferred Adult Social Care Precept) increasing by about 5% per annum, in line with the relevant limits for increases without a referendum;
- Pay awards of 3% in 22/23, increased to 4% in June 2022 when extra funding was announced to address rising inflation;
- Non-pay inflation increasing by variable amounts given the widely different forecasts for some categories (e.g. energy) but a minimum of 2%; and
- A 1.1% increase in the council tax base.

Monthly budgetary control reports are sent to budget managers within five days of month-end, before departmental management teams consider financial reports presented by each Head of Finance. Budget reports show the actual expenditure and income compared to what was budgeted and highlight any variances. Finance support the budget holders in updating their year-end forecasts and identifying any remedial action required. Reports contain a RAG (Red / Amber / Green) assessment so remedial action can be initiated swiftly and emerging risks fed back to the Director of Resources and Development. High level monthly budget monitoring reports are discussed at the CMT and the results are summarised in regular updates on the Financial Position to the Finance and Policy Committee.

We found that explanations for budget variances were detailed and clear and in most years forecasts in budget monitoring reports have been very accurate. In 2021/22 the reports projected break-even at year-end after the budgeted use of reserves and a £0.28M underspend was achieved.

In September 2021 the Council benchmarked its reserves and found that whilst the general fund balance was average the earmarked reserves at 31 March 2021 were slightly below average. This vindicated the decision to increase earmarked reserves in 2021/22.

### The Council's arrangements for performance management

Progress against the Council Plan is reviewed through dedicated CMT Performance and Challenge Clinics three times a year and this is followed by reports to Finance and Policy Committee. The first Annual Report was produced in July 2022 and shared with all elected members and the public through the website.

### Conclusion

We have not identified any significant weaknesses in the Council's arrangements in relation to the governance reporting criteria.



### 3. Commentary on VFM arrangements

#### Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

### The Council’s arrangements for assessing performance and evaluating service delivery

The Council Plan clearly articulates the Council’s vision that Hartlepool will be a place:

- that is sustainable, clean, safe and green;
- that has an inclusive and growing economy;
- with a Council that is ambitious, fit for purpose and reflects the diversity of its community;
- of resilient and resourceful communities with opportunities for all;
- where those who are vulnerable will be safe and protected from harm; and
- where people are enabled to live healthy, independent and prosperous lives.

The Council Plan is a brief, easy-read document published on the website but it is supported by action plans that incorporate remedial action against recommendations made by inspectors, auditors and scrutiny reviews. It is monitored bi-annually by the Finance and Policy Committee. A July 2022 report found that in 2021/22 performance improved for 13 key performance indicators and deteriorated for 9. There was a significant reduction in youth employment from 15% to 9%, which was a key priority.

The Council subscribes to LG Future Financial Intelligence Toolkits, which provides comparative benchmarking. We found that the areas of higher and lower spending per head than other single-tier authorities mirrored the Council’s priorities and the higher level of deprivation, especially child poverty in Hartlepool. Over one third of children in Hartlepool live in poverty, which is one of the highest rates in the country and the child poverty rate has increased by 10% since 2010.

The Audit and Governance Committee meets almost monthly and has a detailed scrutiny role. In 2021/22 reviews of child poverty and accessibility to services were undertaken, closely linked to the priorities indicated by benchmarking and the Council Plan. The Child Poverty Scrutiny review included learning from a London Borough that had managed to reverse the trend through the austerity period and reduced child poverty. The 2022/23 scrutiny reviews will focus on drug and alcohol misuse and difficulties accessing GP appointments,

which negatively impact on health inequalities and community safety in particular.

### The Council’s regulator assessments and independent reviews

In March 2022, OFSTED published an unscored report on the Council’s children’s social services. The report was very positive and concluded that “*despite the challenges of the COVID-19 pandemic, care leavers have continued to experience the same high-quality service as they did prior to the pandemic*”. OFSTED’s last scored report on the Council’s children’s social services rated them ‘Good’.

Other inspection reports published in 2021/22 have also been generally positive:

- OFSTED rated 90% of schools and 100% of children’s homes as ‘Good’ or better;
- 21 out of 23 adult social care providers were rated ‘Good’ by the Care Quality Commission, a further improvement on already good results from the previous inspection round; and
- A Her Majesty’s Inspection of Prison’s inspection rated the Council’s youth justice services as ‘Good’.

The Council was also awarded North East Council of the year for energy efficiency and commenced work towards a new Net Zero by 2030 Action Plan and a new waste to energy plant.

The Council received a Corporate Peer Challenge report from an inspection team commissioned by the Local Government Association in December 2022. The report was positive and included the opening statement that “*the Council has much to be proud of, described internally and by partners as punching above its weight*”. There were nine key recommendations for further improvement and the Council has already met to consider the report and agreed to produce an action plan during 2023.

# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

### The Council's arrangements for effective partnership working

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 CMT operates and Internal Audit provides audit coverage of partnership arrangements. Working with partners is a recurring theme across all priorities in the Council Plan. The Council works closely with Tess Valley Combined Authority, which has ambitious plans to transform the Marina / Jackson's Landing area, expand the Museum and regenerate the shopping centre.

The Council has a broad range of partnerships, including:

- Hartlepool Community Safety Partnership – a formal arrangement between the Council's Community Safety team, Cleveland Police, Cleveland Fire and Thirteen Housing to address anti-social behaviour and crime;
- A Youth Justice Board chaired by the neighbourhood policing Chief Inspector – a statutory partnership between the Council, Police, Probation, Courts and NHS;
- Partnership working with the local Clinical Commissioning Group, including the Better Care Fund;
- A new Energy Recovery Facility project – a joint project across five Tees Valley councils, Durham and Newcastle to procure a new facility to process household waste; and
- The ICT Contact – a partnership with Northgate that is being re-negotiated.

Partnerships appear to be working well as evidenced by the performance monitoring reports and scrutiny reviews as well as the feedback from partners to the Corporate Peer Challenge review team. The Council was recently notified of its success with a new bid for £17M Levelling Up Funding to improve skills and learning as a long-term solution to deprivation and child poverty. This follows previous successful bidding for the Towns Deal and the funds to build a new leisure centre, which has recently been granted planning permission. These initiatives involve significant partnerships with central government, the Tees Valley Development Corporation and the private sector.

### The Council's arrangements for commissioning services

The Council has an in-house procurement team with suitable qualifications and experience that are responsible for implementing the Procurement Procedures in the Constitution. The team is managed by the Chief Solicitor in order to ensure legal requirements are met. The website includes a Sustainable Procurement Strategy and a Standards and Partners document, highlighting the Council's transition to e-procurement and the standards required of contractors.

The procurement team use established national and regional procurement frameworks such as the North-East Purchasing Organisation to maximise purchasing power.

Within the CMT the Director of Children's and Joint Commissioning Services is responsible for commissioning and procurement across Children's Social Care, Adult Social Care and Public Health. The good inspection ratings for commissioned social care referred to earlier in this report illustrate how effective the commissioning arrangements in Hartlepool are.

The Council used benchmarking in November 2021 to update procurement thresholds. The Council has re-assessed the financial viability of major capital schemes following increased inflation and the lasting impact of the pandemic. This has delayed some procurement and the main capital schemes in the 2021/22 capital programme were deferred to 2022/23, but all are now progressing with a revised timeframe.

There is no evidence that procurement is likely to expose the Council to significant financial loss or failure to deliver efficiency and performance improvements.

### Conclusion

We have not identified significant weaknesses in the Council's arrangements in relation to the improving economy, efficiency and effectiveness reporting criteria.

# 04

Section 04:

**Other reporting responsibilities and  
our fees**

# 4. Other reporting responsibilities and our fees

## Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

## Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data and to carry out certain tests on the data. We plan to report to NAO in December 2023. As for 2020/21, we anticipate a significant delay before we will be able to issue our 2021/22 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

## 4. Other reporting responsibilities and our fees

### Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Governance Committee in March 2022. Having completed our work for the 2021/22 financial year, we can confirm that our fees are as planned and set out in the table below:

Area of work	2020/21 fees	2021/22 fees
Planned fee in respect of our work under the Code of Audit Practice	£83,882	£83,882
Recurring increases in the base audit fee arising from regulatory pressures (as reported in the 2019/20 audit, in 2021/22 we increased this fee by 25% to reflect a 25% increase in the PSAA fee rates for this work)	£12,624	£15,780
Additional fees in respect of the VFM approach (recurring, as agreed from the 2020/21 audit)	£10,000	£10,000
Additional fees in respect of the revised ISA 540 (recurring, as agreed from the 2020/21 audit)	£4,400	£4,400
Additional fees in respect of the Council's infrastructure (additional work required in relation to the national issue in this year's audit – not recurring)	£nil	£10,000
Additional fees in respect of the issues with Pension Fund auditor assurance, the updating of accounts for triennial pensions, and follow up of the PF auditor's letter – not recurring	£nil	£7,000
<b>Total fees</b>	<b>£110,906</b>	<b>£131,062</b>

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# 4. Other reporting responsibilities and our fees

## Fees for other work

In 2021/22 the Council has engaged Mazars for the following audit-related assurance services:

- Housing Benefit Assurance - £13,810 plus VAT (£13,100 in 2020/21); and
- Teachers Pension Assurance - £4,600 plus VAT (£4,200 in 2020/21).

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

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## **Mazars**

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.