

Financial Report 2023/24 Hartlepool Borough Council



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SECTION 1 : Narrative Report

INTRODUCTION

The narrative report provides an overall explanation of the Council's financial position, including major influences affecting the accounts. This will enable readers to understand and interpret the financial statements.

The narrative report sets out:

- Our Strategy and Objectives
- Our Performance 2023/24
- Risk Management Arrangements
- Financial Performance 2023/24
- Financial Outlook – General Fund 2024/25 to 2026/27
- Borrowing Facilities and Investment Strategy
- Pensions
- Statement of Accounts

OUR STRATEGY AND OBJECTIVES

The Council Plan 2021/22 – 2023/24 was approved by Council in February 2021. The Plan, as set out below, establishes a clear vision for Hartlepool and identifies what the delivery of that vision will mean. This reflects what was identified through consultation with residents, elected members and our public, voluntary, community and private sector partners whilst also recognising the legacy challenges the Council faces from the pandemic. The Council Plan has and will continue to shape our services and our financial strategies. The Council Plan, Medium Term Financial Strategy and the Capital Strategy have been developed as three parts of a single plan to ensure the links between the three are strengthened.

SECTION 1 : Narrative Report

Our vision

Hartlepool will be a place...

- Where people are enabled to live healthy, independent and prosperous lives.
- Where those who are vulnerable will be safe and protected from harm.
- Of resilient and resourceful communities with opportunities for all.
- 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.

Where people are enabled to live healthy, independent and prosperous lives

What that will mean...

- The appropriate conditions are in place to enable people to make healthier lifestyle choices including reducing obesity levels;
- Individuals are able to better manage long-term conditions and prevent ill health;
- There is increased participation in physical activity through access to fit for purpose leisure, sport and recreational facilities including parks and open spaces;
- There is improved mental, emotional and social wellbeing;
- There are reduced levels of smoking, substance and alcohol misuse in the community;
- Everyone is able to access connectivity, technology and develop skills to enhance their life and provide access to service and opportunities;
- Families and individuals have food security;
- Children in our care and leaving care are cared for, cared about and their life chances are improved;
- Those dying and their families can access high quality, good services ensuring that they can experience 'a good death';
- Everyone will be able to access mental health support where and when they need it, and will be able to navigate through the system easily;
- Individuals will be equipped to manage their condition or move towards individualised recovery on their own terms, surrounded by their families, carers and social networks, and supported in their local community;
- Everyone will contribute to and be participants in the communities that sustain them;
- Adults with care needs are supported to live independently in their own homes for as long as possible;
- There will be access to innovative and community led models of social care focusing on a strength based approach and enabling quality of life;
- The long term impact of COVID-19 on population health is being addressed.

Where those who are vulnerable will be safe and protected from harm

What that will mean...

- Fewer children experience harm through abuse, neglect and other adverse childhood experiences;
- Children and young people with Special Educational Needs and Disabilities have improved outcomes;
- Barriers to learning are removed for the most vulnerable children and young people;
- The educational landscape is inclusive to all;
- Individuals will be safeguarded in a way that supports them in making choices and having control in how they choose to live their lives;
- An outcomes approach in safeguarding is promoted that works for everyone;
- Public awareness will be raised so that professionals, other staff and communities as a whole can play their part in preventing, identifying and responding to abuse and neglect;
- There will be integrated support for vulnerable households and those at risk of homelessness;
- There are more housing options available for vulnerable adults;
- Commissioned services are rated good or better by Ofsted or the Care Quality Commission.

SECTION 1 : Narrative Report

Of resilient and resourceful communities with opportunities for all

What that will mean...

- All children benefit from good development and learning in their early years and achievement at key stages 1 to 5 is at or above national average;
- All schools and education providers are judged good or outstanding;
- More young people enter Higher Education and advanced apprenticeship pathways;
- There is reduced poverty, deprivation and inequality across the Borough;
- We have empowered and cohesive communities taking ownership of their own future;
- Education and other opportunities are available to address unemployment;
- People are involved in their local community rather than being socially isolated;
- Communities are well served with appropriate facilities;
- Children, young people and adults aspire to be whatever they want in life;
- There is a cross sector and coordinated programme of volunteering;
- We have a strong and diverse voluntary and community sector;
- Everyone can access creative and cultural opportunities to enhance their lives.

That is sustainable, clean, safe and green

What that will mean...

- Resources are managed sustainably by reducing our consumption of energy and water;
- Initiatives are in place to tackle climate change;
- We are working with partners and residents to reduce the Borough's carbon emissions and move towards a low carbon economy;
- Sustainable development and transport principles are embedded in our Local Plan policies;
- We have high quality and affordable homes that meet the diverse needs of our residents;
- There is access to good quality, well maintained parks, streets and public spaces;
- We have cleaner neighbourhoods;
- There is reduced environmental crime;
- The potential of vacant buildings and land is maximised to meet the needs of the community and improve their appearance;
- Levels of Anti-Social Behaviour are reduced;
- There are reduced levels of violence including domestic abuse;
- We have a sustainable approach to waste management;
- Land and air quality is improved.

That has an inclusive and growing economy

What that will mean...

- There are more and better paid jobs;
- We have a skilled, healthy, motivated and agile workforce;
- Strong partnerships continue to be fostered with the business sector;
- We have growing local businesses;
- There is increased public and private sector investment in the local economy;
- Connectivity across the Borough, region and nationally is improved;
- We have high quality visitor attractions and increased visitor numbers;
- High quality events and festivals for local and visiting population are delivered;
- There is increased interest in attracting developers to the Borough.

With a Council that is ambitious, fit for purpose and reflects the diversity of its community

What that will mean...

- We have strong and empowered leadership committed to delivering our vision;
- There is a reduced workspace requirement, with a flexible responsive workforce;
- Potential income sources are maximised;
- Our carbon footprint has reduced;
- Online access to services has increased;
- A customer focused service is delivered;
- We have a healthy, motivated, skilled and diverse workforce;
- The Borough has a positive reputation and improved media coverage.

SECTION 1 : Narrative Report

OUR PERFORMANCE 2023/24

Where people are enabled to live healthy, independent and prosperous lives

Smoking / Tobacco Control

The Smoking Alliance for Hartlepool has been refreshed with positive attendance / contributions from partners. Partners in the Smoking Alliance, including the Council's Public Health Team, worked together to complete a smoking needs assessment. The needs assessment analysed the current need and identified gaps in treatment and support services in Hartlepool by exploring previous and current data relating to smoking related harms. This information was then used to inform the development of a Tobacco Control Strategy with partners as part of the Hartlepool Tobacco Alliance and associated action plan for delivery with partners.

Additional funding for stop smoking services has been allocated to the Council by central government to increase the current smoking cessation offer. The Council also continues to raise the profile of enforcement work tackling the issue of illicit tobacco and delivering 'keep it out' campaigns.

A vape pilot has been developed and rolled out as follows:

- Four GP surgeries are targeting people eligible for a healthy heart check and who live in areas in the 60% most disadvantaged according to the Index of Multiple Deprivation (IMD).
- Waiting well pilot – patients who are awaiting elective surgery are targeted and offered vapes and behavioural support to stop smoking.
- Lung Health pilot – patients in a GP surgery who have an underlying health condition are offered vapes and behaviour support to stop smoking.

Substance Misuse

There has been an increase in adult treatment numbers. In January 2024 the 12 month rolling figure was 1,128, up from 1,055 at the same point last year and the year to date figure was 924 compared to 834 last year.

Year 3 Supplemental Substance Misuse Treatment and Recovery Grant (SSMTRG) funds were confirmed and work began to start planning for year 3 with a focus on recovery within the community.

Continuity of care performance is good when compared to the national average. Hartlepool Supporting Treatment and Recovery Together (START) have visited all NE prisons to promote what we deliver. Performance figures in Hartlepool are around the 70% mark whereas the England average is 48%.

Funding to support inequalities and people with complex needs was awarded to the Council and this was used to deliver a Behavioural Insights report which focused on understanding the complex health needs of individuals associated with drugs or alcohol misuse and how best to meet their needs. It included:

- understanding the factors affecting an individual service user's health and wellbeing;
- identifying barriers and facilitators/interventions to meeting their needs; and
- recommendations to inform service delivery

This has allowed us to understand from a service user perspective and staff perspective of people within or connected to drug and alcohol services, and recognise what they see as the barriers to accessing health care and substance treatment. From this report recommendations have been made and were discussed with the Integrated Care Board (ICB) and START as to how we move forward and look at service delivery and an action plan has been created to incorporate these recommendations in order to improve health inequalities and reduce drug and alcohol related deaths. Work has already started in relation to these recommendations and a stigma campaign across Hartlepool is being prepared.

Pharmaceutical Needs Assessment

An improved process for the management and review of the Pharmaceutical Needs Assessment 2023 is now in place with quarterly updates and publication where required of supplementary statements. This informs the Health and Wellbeing Board who are responsible for ensuring that the Pharmaceutical Needs Assessment remains up to date.

Holiday Activities and Food (HAF) Programme

The Holiday Activities and Food Programme is now fully embedded and the offer was delivered over the three school holidays (Summer, Christmas and Easter). The HAF provides free activities and a healthy meal for children and young people from low income families. The reach and uptake from these families is increasing as the booking system has been developed to offer places to children eligible for free school meals in the first instance before making the offer more widely available. During the 2023 summer programme there were 13,000 individual sessions attended which was an increase on the previous summer. Provision continues to score highly in terms of quality assurance and feedback indicated a near 100% would attend future provision. The funding for the programme has been confirmed for 2024/25.

SECTION 1 : Narrative Report

Highlight Leisure Centre

Approval for the Highlight development was obtained at full Council with an updated funding strategy agreed. Work has now commenced on site.

Health and Social Care Academy (Town Deal)

The £1.25 million Health and Social Care Academy capital build is progressing well. The Grant Funding Agreement is in place with the NHS, a steering group is overseeing the capital delivery and the contractor (Vest Construction) is on track for completion and opening by September 2024. The academy, a partnership between the Council, North Tees and Hartlepool NHS Trust and Hartlepool College of Further Education, will be a state-of-art health and social care training facility. It will be one of only a handful in the country with purpose built medical simulation suites – with the academy focused around multiple fully-equipped rooms which replicate a range of environments that trainees will be working in.

Waterfront connectivity (Town Deal)

Phase 1 of the Waterfront Connectivity Project is complete including accessible ramps at the rear of Tees and Hartlepool Yacht club including a new tarmac / ultracrete footpath along the promenade and a new tarmac footpath along the water's edge.

The Council is working with Tees Valley Combined Authority (TVCA) to integrate development of the Smart Infrastructure Pilot Project which will compliment further phases of the Waterfront Connectivity project, and these are currently in the planning phase to connect the railway station, Museum of Hartlepool, and Highlight to support active travel.

Poverty Investigation by Audit and Governance Committee

The investigation into poverty has been completed and recommendations have been agreed by Elected Members.

Food Partnership

Public Health and Voluntary, Community and Social Enterprise (VCSE) colleagues from Hartlepool Food Council held a full-day Food Partnership event with more than 50 people from across the food system to co-produce a Food Plan to help ensure healthy, affordable, sustainable food for everyone in Hartlepool. Attendees included a wide variety of people and organisations including farmers, schools/colleges, and various parts of the Council, VCS and community groups. A local Food Partnership and Plan is important because healthy, affordable food is one of the key building blocks of health and wellbeing for residents and encouraging local sustainable food can be beneficial to the prosperity of the area, which means this work could help to meet many aspects of the Council Vision.

The final plan is being actioned by several multiagency action sub-groups. Further information about the Food Partnership and contact details are available on the Hartlepool Food Partnership website (<https://hartlepoolfoodpartnership.co.uk>).

The food partnership has also brought the Fairtrade Town Steering Group into the partnership. This continues to go from strength to strength and key events include attendance at the food and fuel fair and an open forum on childhood nutrition. A mapping exercise has also been completed of the local food system which will help inform the future work of the Hartlepool Food Partnership.

Carlton Adventure

A new 10 year lease has been approved for Carlton Adventure. Formerly known as Carlton Camp, the service provides outdoor education opportunities for local children and is remembered fondly by generations of Hartlepool residents. The new 10 year lease will be supported by capital investment in the site to ensure that Carlton Adventure continues to deliver high quality experiences that are valued by children, young people, families and schools.

Water Well Being Accreditation

Mill House Leisure Centre is one of only 18 sites across England to gain Water Well Being Accreditation. The scheme reflects an on-going commitment to provide high-quality opportunities for people who are inactive and/or have long-term health conditions to become physically active in water.

Good Boost for Leisure Users

The implementation of Good Boost technology for leisure users is seeing a positive impact on long term health conditions and wellbeing. Good Boost is a social enterprise that provides affordable and accessible therapeutic exercise programmes, through cutting-edge technology. The programmes are designed to be beneficial and fun for people with a wide range of musculo-skeletal (MSK) conditions, including arthritis and back pain.

Cycling Developments

Premises for the Town Centre Cycling Hub opened at 15 Church Street in July 2023 and are being operated by the national cycling organisation Sustrans on behalf of Tees Valley Combined Authority.

New cycle parking facilities were installed and operational at Central Community Hub in September 2023.

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Where those who are vulnerable will be safe and protected from harm

Special Educational Needs and Disabilities (SEND)

The action plan for delivery of the 2023/24 SEND Strategy integrates the SEND strategy and the Inclusion Statement of Intent as we work to strengthen the inclusiveness of all schools to support more children in Hartlepool with SEND to attend mainstream settings where it is in their interests to do so. To this end, a Senior Adviser for Inclusive Learning and SEND has been recruited to work with schools to strengthen their offer of what is 'ordinarily available' in schools.

In March 2023, Ofsted and CQC inspected the Hartlepool Local Area arrangements for children and young people with Special Educational Needs and Disabilities. The final report of the inspection was published on 17th May. The inspectors judged that the local area partnership's arrangements typically lead to positive experiences and outcomes for children and young people with SEND and summarised their findings as follows:

"Leaders, across education, health and social care, articulate their vision for children and young people with SEND well. Leaders understand the issues facing families in the local area. They are committed to providing person-centred services to meet individual needs. School and college leaders agree that there is a shared ambition to develop an inclusive approach to SEND provision across Hartlepool."

Hartlepool achieved the highest judgement and at that time were the only area partnership in the country to do this.

Social, Emotional and Mental Health (SEMH) Free School

Building work on the Free School for children with social, emotional and mental health needs is underway with an expected completion / opening date of September 2024. This project is led and delivered by the Department for Education.

Multi Agency Child Exploitation Hub

The contextual safeguarding hub remains fully operational to support children and young people at risk of exploitation. Hartlepool and Stockton on Tees Safeguarding Children Partnership has recently completed an independent review of the local multi agency child exploitation arrangements to ensure we deliver continuous improvement in safeguarding these vulnerable children. This review found positive impact and improved outcomes were secured for young people through the proactive work of the hub to safeguard them.

Children's Home Development

Funding has been agreed to convert the Star Centre into a children's home. Phase 1 of the works have been completed and phase 2 of the works are nearing completion.

Togetherall

Togetherall was launched in April providing a diverse and safe online community aimed at improving and maintaining mental wellbeing – a place where people can feel safe to share their feelings, support each other and start to feel better. This initiative has expanded the role and reach of peer support and is available to anyone over the age of 16 with a Hartlepool postcode.

Adult Social Care

Excellent feedback has been received from the recent Annual Health Check. The results for Social Workers in Adult Social Care staff were very positive with 100% of scores identified as outcomes to celebrate and scores against all seven standards improved in comparison to the previous year.

An independent peer review of adult safeguarding arrangements was completed in March 2023 which identified a number of areas of good practice including the Team Around the Individual approach, daily huddles with police colleagues and the delivery of Community Led Support through Community Hubs. The review also identified some challenges and areas for further work, all of which are being progressed.

The Council has worked collaboratively with partners across the Tees Safeguarding Adults Board to complete a review of the Team Around the Individual approach and subsequently implemented a revised approach which has been re-launched as the High Risk Adult Panel (HRAP).

Capital funding from the Department for Levelling Up Homes and Communities has enabled the construction of a new Changing Place Toilet facility.

National Safeguarding Adults Week (20-24 November) was celebrated by bringing together safeguarding champions for a development and wellbeing event.

National Autistic Society (NAS) accreditation was retained for services provided at the Centre for Independent Living and Waverley Terrace Allotment.

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A Project Group has been established to consider and implement a new approach to people who self-fund their care and support.

The Chief Social Worker for England visited some of our community resources and met with newly qualified social workers. Our Community Led Support model delivered through the Community Hubs and our approach to supporting people with mental health concerns were highlighted as good practice and have been shared with other Local Authorities.

A new service has been launched to support people who are experiencing or at risk of self-neglect or harming. The service is delivered through a collaborative approach involving three Hartlepool Voluntary & Community Sector organisations and offers deep cleans, house decluttering and psychological support utilising the Disabled Facilities Grant.

A more interactive and dynamic approach to performance reporting has been implemented using Power Bi. This approach will develop further over time enabling us to respond to operational capacity and demand challenges in a more timely way.

Support at Home

A new provider (Taking Care) has been commissioned to provide an assistive technology service and just over 3,000 people have been transferred from the previous provider. This will enable us to introduce improved technological solutions to meet people's needs more creatively going forward.

A new overnight home care service is being introduced to complement our assistive technology offer and help us to support more people in the community who have planned overnight support needs. This will enable people to live independently in their own homes for longer and will reduce the need for people to move into residential care.

Of resilient and resourceful communities with opportunities for all

Community Hubs

The Council secured £200,000 from the Libraries Improvement Fund to further develop the Community Hub offer in Seaton Carew.

The Community Hubs service was awarded Investing in Volunteers – the UK quality standard for all organisations working with volunteers which is managed by the National Council for Voluntary Organisations (NCVO).

Youth Service

Funding has been secured from the Youth Investment Fund to improve facilities at two of the Council's youth facilities with £1.27m awarded for Rossmere Youth Centre and £90,000 awarded for Throston Youth Project.

Physical Activity

Work is underway to develop a 'Join the Movement' strategic forum a community-based project in Hartlepool aimed at promoting physical activity for individuals of all backgrounds and abilities.

A community champions volunteering network is in the early stages of development and work so far includes formation of a planning group to develop the Community Champions model. Representatives include Public Health, Community Hubs, the Health and Well-Being Alliance and Hartlepower. A mapping exercise of Hartlepool community champions has been undertaken, which includes mapping of existing champions from previous projects.

Tall Ships

The Hartlepool Tall Ships Races 2023 were successfully delivered in July 2023 attracting over 300,000 visitors and 38 visiting ships from across the world, with 85 local young people aged 15-25 supported to access the opportunity of a lifetime to sail on a Tall Ship.

The Shipbuilders and Fisher Folk Exhibition and outreach programme saw over 2,000 people taking part in the community programme and the exhibition, with attendances for the opening evening exceeding any other exhibition.

£154,000 was secured from the Arts Council to deliver a cultural programme as part of the Tall Ships Event enabling the Council to work with local artists and creative businesses.

The Council were awarded 'Campaign of the Year' for Tall Ships Races Hartlepool 2023 at the North East Marketing Awards and they were also awarded 'Arts Council Award' for Tall Ships Cultural and Creativity Programme at the North East Cultural Awards.

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Learning and Skills

The Council secured £900,000 as the lead organisation for a Tees Valley UK Shared Prosperity Fund grant to support increased access to learning and skills for people at most in need in the community.

The Learning and Skills service delivered the first People, Power and Purpose programme, supporting 15 young adults with additional needs to fulfil their aspirations through a programme of learning, opportunities and access to volunteering and employment.

Civil Engineering Academy (Town Deal)

Delivery is progressing on the £2.25m Civil Engineering Skills Academy following the signing of the Grant Agreements in early November 2023. The project provides investment in the growth of teaching and training capacity at two existing sites:

The Fabrication and Welding skills academy at Hartlepool College of Further Education's Exeter Street Annex is complete and was officially opened on 19th April 2024 and providing apprenticeship programmes and a range of Level 2 to Level 5 qualifications for in excess of 200 new learners in the next 12 months.

The Civil Engineering Skills Academy, at an 11-acre 'real world' training ground site on Brenda Road is in development in partnership with Seymour Civil Engineering and due to open by September 2024. The academy will provide space and capital equipment for practical and classroom skills delivery across house building, surveying, planning, street works, plant & machinery training, horticulture, landscaping, tree surgery and general construction operative apprenticeships. New modular building training facilities are due on site in June 2024 and when complete, will provide training and qualifications for over 500 new learners in the next 12 months.

Culture and Leisure

The Council successfully concluded design competitions for the Museum of Hartlepool and the Art Gallery to support with the future redevelopment and sustainability of the assets and services.

The Council submitted a bid to bring the British Museum 'Drawing Attention' exhibition to Hartlepool in 2024, and has been confirmed as one of only three places to be successful internationally.

The Hartlepool Fireworks Display and Christmas Light Switch events were both successfully delivered and well received by the public.

Work has commenced on the Wingfield Castle to secure the vessel before full restoration works can take place.

Crematorium Improvements

Improvements to Stranton Chapel have started and work is progressing on a Master Plan to support the future offer for death management services.

Army Reservist Centre

Following the departure of the 883 Postal and Courier Squadron, the attraction of an alternative reservist unit(s) has been championed by the Council's Managing Director, Leader and Armed Forces Champion. Confirmation has been received of support from the 71 Royal Engineers and 150 Royal Logistics Corps (RLC) for the location of a troop at Easington Road.

That is sustainable, clean, safe and green

Council Housing

The Council's Housing Revenue Account (HRA) continues to grow and successfully let all 18 new units (10 houses and 8 bungalows) built by Keepmoat on Brenda Road. Overall the HRA holdings now amount to 358 homes.

Parks

The Parks Levelling Up Funding programme to improve Burn Valley Park has been successfully delivered through tree planting, natural play equipment, sensory maze and new signage and furniture.

Afghan Resettlement Scheme

With one property already completed and a further 7 in progress, the Council is close to meeting its target of 9 homes for the Afghan Resettlement Scheme.

Road / Highway Improvement and Safety Schemes

The Highway Maintenance Programme for 2023/24 commenced in May 2023 following approval at Neighbourhood Services Committee in March 2023.

SECTION 1 : Narrative Report

Local safety schemes have been completed at Clavering School, Wynyard Road, Mowbray Road and Grange Road.

Developer funding of £100,000 has been secured towards further improvements at the A689 / The Meadows roundabout at Wynyard.

A19 / Elwick Road / North Lane Junction and Elwick Road / Hartlepool Western Link Project

Planning permission has been granted for a new junction and road which will create a third main route in and out of Hartlepool from the A19 and allow traffic to bypass the village of Elwick. This project and other local road network improvements will facilitate developments on the western fringe of Hartlepool.

Hartlepool Railway Station

Works to re-establish the second platform at Hartlepool Railway Station, which will increase service frequency and provide a new entrance and exit access point on the Waterfront side of the station are nearing completion. This will be enhanced by Phase 2 works on the Town Deal Waterfront Connectivity project which will improve public realm, footpaths and cycleways to connect to waterfront destinations as part of capital works in 2024.

Net Zero

The Council's new Net Zero Strategy and Action Plan was adopted at Finance and Policy Committee in November to underpin the pathway to decarbonisation and net zero emissions, and improved climate adaptation.

The Council has received its first-ever publically accessible Carbon Disclosure Project (CDP) score (a benchmarkable Local Authority climate assessment) and a response was also submitted under the European Covenant Of Mayors reporting protocol. This is the first time that the Council has participated in Climate Scorecards.

Early stage development of Net Zero projects is underway with feasibility studies for renewable energy generation at a number of key council assets including Brierton Sports Centre, Centre for Education, Teaching and Learning (CETL) and Tofts Farm.

Sustainable Warmth

The Sustainable Warmth project was completed which resulted in energy efficiency improvements and associated carbon reductions to 238 private homes at a value of around £2m.

Community Safety

Anti-Social Behaviour hot spot funding was received to provide uniformed patrols in Victoria & Headland and Harbour wards.

The Safer Streets 5 funding bid for work in Victoria ward was successful and £333,333 of funding is available across 2023/24 and 2024/25 towards security improvements and target hardening. The funding provides two full time posts (Community Cohesion Officer and Environmental Projects Officer) who will support the delivery of the project.

Addressing Serious Violence

The Council were successful in a bid to obtain funding to address serious violence and work to implement this programme which includes safety campaigns (Ask for Angela, Anti-Spiking and World Cup), provision of hand held metal detector wands and bleed control kits to licensed premises, provision of support to Hartlepool Town Pastors to enable their work, the introduction of two knife amnesty bins, provision of training to licensed premises staff and provision of an additional CCTV operator on Friday, Saturday and Bank Holiday nights to improve incident detection and management.

Counter Terrorism

The Council have successfully completed a pilot project with other local authorities and Police colleagues across the wider North East and Yorkshire area in relation to the new counter terrorism legislation relating to Martyn's Law.

Garden Waste

The first year of the garden waste collection service came to an end in November. Around 12,000 households signed up, which is more than double the anticipated number.

Dog Warden Service

The Council's dog warden service, which collects stray dogs, was awarded the Platinum award (the highest level) from the RSPCA as part of its Pawprints Awards Scheme.

Fleet Services

The Council's Fleet Services section was awarded Transport News' Northern Local Authority Fleet of the Year Award reflecting the work undertaken to operate a fleet that is efficient and meets the needs of the Authority.

SECTION 1 : Narrative Report

That has an inclusive and growing economy

Economic Growth

The Tees Valley Business Club hosted in April at the Hartlepool College of Further Education was attended by over 100 Tees Valley businesses. The focus of the event was on what was happening in Hartlepool including the Towns Deal, Levelling Up Fund, Film Studios and the Tall Ships.

Officials from HM Treasury visited the BIS in September to learn about Hartlepool Council's focus on the creative businesses.

The Official relaunch of the Grand Hotel took place in November to the business community after significant investment and refurbishment.

Hartlepool Restaurant Week

Restaurant weeks are now held regularly throughout the year with local eateries offering set price menus.

Creative Business Week

The first Hartlepool Creative Business Week was held in October 2023 offering a week long programme of events aimed specifically at supporting creatives businesses.

Hartlepool Destination Management Plan

A Destination Management Plan (DMP) for Hartlepool has been completed and was agreed by the Economic Growth Committee in September 2023. The DMP identifies the vision for the growth of Hartlepool's tourism economy and creates a strategic focus for the development of the town's tourism offer.

Hartlepool Economic and Business Forum

The Hartlepool Economic Regeneration and Tourism Forum has been refreshed into the Hartlepool Economic and Business Forum. A new steering group has been selected from businesses to drive forward business interests in the town including the annual Business Awards that took place in November 2023 for the first time since 2019.

Summer at Seaton

Summer at Seaton activities and promotion was delivered in July 2023 to encourage families to visit Seaton.

Screen Industries Production Village (Levelling Up Fund)

The Council have completed the acquisition of the properties necessary for the Levelling Up Production Village bringing overall purchases to circa £2.165m. Remediation work and survey work to some assets has been undertaken.

Heritage

The Council welcomed expert panelists for a Historic Places Panel visit supporting the future planning for heritage across Hartlepool associated with regeneration, reimagining assets, conservation areas and ensuring a positive impact for people.

Wesley Chapel (Town Deal)

The £3.8 million Wesley Chapel redevelopment utilising £1.4m of Town Deal funding to fund the conservation deficit is progressing well, with internal strip out and demolition, structural steelwork to main roof, fabrication of the steelwork required for structural alteration to steel frame and infill to structural floors all complete. The main roof covering has also just been completed, with internal and external stone cleaning beginning imminently and reinstatement of the annexe structure following the arson attack in November 2023. The Wesley is due to reopen in the Autumn of 2025.

With a Council that is ambitious, fit for purpose and reflects the diversity of its community

Workforce

The Workforce Strategy 2023-26 was approved by Finance and Policy Committee in July 2023 and provides a 3 year strategic plan with a key focus on leadership, wellbeing, performance and workforce planning.

As part of the Workforce Strategy the Council has agreed a set of workforce values with underpinning positive behaviour standards that were launched and promoted across the Council in December 2023. They will be embedded over time in all appropriate employee policies, procedures and practices with the aim of setting standards of positive behaviours at work, driving behavioural change, creating the best work environments and improving performance.

The Employee Annual Survey was circulated in October 2023 with a 36% response rate which is the highest engagement the Council has achieved in recent years. The survey identified really positive responses from the

SECTION 1 : Narrative Report

workforce with 78% of respondents confirming that they feel positive working for the Council and 71% confirming that the Council is a great place to work. A "You Said We Will" action plan has been developed aiming to improve employee experience.

The Council formally launched its Hybrid Working Policy demonstrating its commitment to enhance its flexible working offer to employees.

Hartlepool continues to focus on the wellbeing of its workforce through key health campaigns across the calendar year. The Strategic Health and Wellbeing Group is embedded and the Health & Wellbeing Advocate network was launched to provide visible support from colleagues across the Council's locations.

Local Government Recruitment Campaign North East Pilot

The Council has been engaged with a Government pilot scheme in the North East to promote job and career opportunities in Local Government in a bid to support recruitment and retention. The pilot launched in January 2024 and ran for 5 weeks. The pilot scheme focused on the "Make a Difference" campaign linked to promoting how careers in Local Government can make a difference in communities and also promoting the family friendly/flexible ways of working found in local government.

Data and Intelligence Hub

Work is underway to establish a virtual Data and Intelligence Hub bringing together officers from across the council to improve the use of data and intelligence.

Consultation and Engagement

The Council's Your Say consultation and engagement platform continues to develop and recent activity has included:

- Levelling Up: Catalysing Hartlepool Screen Industries Production Village
- Member Development Programme
- Employee Communications Survey
- Cost of Living Crisis (youth services)
- Net Zero Staff Consultation
- Family Support Survey Spring 2023
- Air Quality Strategy Survey
- Waterfront Programme and associated projects
- The Future of Hartlepool Parks
- Big Lime Triathlon for marshalls and competitors
- Summer at Seaton
- Public Space Protection Orders
- Derelict Land Buildings in Hartlepool for Audit and Governance Committee's ongoing scrutiny investigation
- Museum of Hartlepool Survey
- Wingfield Castle Restoration
- Armed Forces Personnel and Veterans (staff survey)
- Stop Smoking Services
- Big Conversation
- Hartlepool Art Gallery Redevelopment
- Wrap-Around Childcare Provision
- Landlord Consultation Empty Homes
- Lunch and Learn feedback – Armed Forces and Veterans
- Hartlepool Creative Business Week 2023 Feedback Survey
- Hartlepool Restaurant Week 2023 Business Survey
- New Housing Strategy for Hartlepool
- Employee Annual Survey 2023
- Derelict Land Buildings in Hartlepool for Audit and Governance Committee's ongoing scrutiny investigation
- Infant Feeding Survey

In addition a new Hub has been launched to support the 'Parents Pulling Together' project, a 3 year project funded by the National Lottery to offer training and support to parents across Hartlepool.

New Council Plan

At their September meeting Finance and Policy Committee agreed the process for developing a new Council Plan 2024/25 – 2028/29 including a Borough-wide consultation and engagement exercise, the Big Conversation.

The Big Conversation consultation and engagement exercise launched in November 2023 and ran until 14th February 2024 (12 weeks). The underlying principle was to engage with people where they are rather than holding large scale events and expecting people to come along. The exercise included activities at Community Hubs, engagement through a range of groups and events that the Council is already involved with and opportunities to engage online through our Your Say platform. Preparation of the findings report is underway and will be shared with Elected Members and the public in the new Municipal Year.

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Digital Progression

The Council continues to develop its digital offer and has been providing increasing opportunities for residents and customers to contact the Council through digital channels. At the end of quarter 4 there were 34,719 active HBC self-online accounts and there had been 359,776 transactions delivered digitally across the platform. Digital projects delivered during 2023/24 include:

- Garden Waste Subscriptions
- Holiday Activities and Food Programme (Easter Programme)
- a range of Tall Ships projects
- Companion Bus Passes
- Adult Services Booking Solution
- Civic Centre Car Parking.
- MyAccounts and e-billing project– providing the availability for residents to view their Council Tax account and bill online.
- HEET – digital system enabling residents to apply online for energy efficiency solutions, including inbuilt workflows that direct applications to providers. HBC delivers this grant funded programme on behalf of the Tees Valley.
- Winter services – including book a Christmas tree collection online and report gritting requests.
- The Bis – booking and payment system allowing business owners to reserve a desk in the building.
- A range of Tall Ships projects, including parking pre-booking and pay what you decide.
- Procurement of a new digital solution that will allow residents to check their Council Tax balance online and request an e-bill, making the service more convenient and sustainable.
- Configuration of hand-held devices that allow remote card payments at the Tall Ships event.

Parish Charter

The Council and Hartlepool's Parish Councils have reaffirmed their commitment to work together through a newly created Parish Charter. The Parish Charter aims to improve joint working and ensure the delivery of high quality services that meet the needs of local communities.

Better Health At Work Award

The Council was successful in their annual assessment to Maintain Excellence and its Ambassador Status for the North East Better Health at Work Award 2023. The Better Health At Work Award (BHAWA) provides a framework to build healthy and happy workforce culture with an engaging health and well-being offer to help address health inequalities. Recent work includes:

- The launch of the Council's annual Employee Health and Wellbeing Programme to engage teams in four key wellbeing areas across each calendar quarter of 2024 – Q1 Alcohol and Substance Awareness / Q2 Healthy Eating / Q3 Getting Active / Q4 Mental Wellbeing.
- The recruitment of 3 new workplaces who have signed up to BHAWA framework for Hartlepool.
- Maintenance and support of 10 workplaces in Hartlepool at various levels of the framework and positive feedback has been received about the support given to those workplaces.
- Participation in Director of Public Health's Annual Report to showcase the benefits of BHAWA in improving health and well-being in the workforce.
- Health Advocate (HA) training, with Make Every Contact Count (MECC) training incorporated, supported / delivered to workplaces across Hartlepool.

Masters in Public Health Students Placements

The Council hosted 5 Masters in Public Health students as part of their workplace placement. This strengthened the Council's links with Teesside University and helped develop the knowledge and experience of future public health workforce. Placement experiences were aligned with different topic areas and voluntary sector colleagues and the students have supported pieces of Public Health work whilst on placement. In addition this has helped to promote Hartlepool as a good place to live and work.

Corporate Peer Review

As part of the Corporate Peer Review process each authority receives a progress review visit. Following the Peer Review visit in December 2022 the progress review took place at the end of August 2023. This visit enabled the Council to update the Peer Team on the progress that had been made since their last visit and for the Peer Team to give further feedback on the Council's approach and share their reflections on any new opportunities or challenges that have arisen since they were on site. The Progress Review Feedback Report was shared with Elected Members at Council in November 2023 along with an update on the Peer Review Action Plan.

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COUNCIL PLAN PERFORMANCE 2023/24

93% of primary schools judged as 'good' or better by Ofsted	93.5% of adult social care providers rated as 'good' or 'outstanding' by the Care Quality Commission (CQC)	73.3% of employees agreed that they had regular meetings with their manager to discuss their support requirements, progress and performance and their role
60% of secondary schools judged as 'good' or better by Ofsted	Council Plan Performance 2023/24	65.2% of employees thought that Hartlepool Borough Council cares about the wellbeing of its workforce
36.5% of Council spend to local suppliers	4.1% unemployment rate down from 7.4% at the same point in the previous year	92.48% Council Tax collection rate (long term rate 98.5%)
34,719 active self-online accounts and 359,776 digital transactions made	94.5% of 16-17 year olds in education and training	98.74% Business Rates collections (long term rate 99.0%)

SECTION 1 : Narrative Report

RISK MANAGEMENT ARRANGEMENTS

Our corporate approach to risk management aims to ensure that we have robust processes in place to support the delivery of our strategic priorities, as established within our Council Plan, and our service aims. The Council agreed our current Risk Management Framework on 24th June 2019. The Framework has simplified the Council's approach, provided further clarity to officers about how risk should be considered within the Council and demonstrates the added value of appropriate risk management. A Strategic Risk Register has been identified at a corporate level within the performance management framework and changes are reported to Elected Members regularly through the monitoring of the Council Plan.

Using a proactive approach we identify the risks to the delivery of our strategic priorities and service aims. Our Strategic Risk Register articulates each individual risk, quantifies its likelihood and potential impact and names the senior officer who owns the risk. We regularly review our risks to provide assurance that our management of risk is effective.

Our Strategic Risk Register is reviewed regularly and currently includes risks relating, for example, to finance, ICT, safeguarding and health and safety. Risks are scored in the context of their existing controls and the purpose of the risk management approach is to ensure early intervention and regular scrutiny in order to ensure that risks are controlled, allowing the Council to manage impacts and deliver opportunities and effective services and service change by making informed decisions.

Our risk management activity can broadly be described at three levels;

- Executive Leadership Team (ELT) is responsible for ensuring the effective management of risks in the Strategic Risk Register.
- Departments maintain their own risk registers covering the delivery of their services and major projects.
- Services within Departments maintain their own operational risk registers.

It is our aim to ensure consistent and effective risk management is embedded throughout the organisation with officers from across the Council receiving appropriate training in risk management and support from Departmental Risk Management Lead Officers. Collectively, risk management at all levels of our organisation allows us to manage the operational and strategic risks which affect our ability to deliver services and our strategic priorities over the short, medium and long term.

Our risk profile is constantly evolving. Over recent years there has been a climate of increased and sustained pressure in terms of austerity, demographic changes and increased expectations on public services resulting in an imperative to deliver more with less.

Consequently, our strategic focus has been on driving growth and transformation and reforming public services. We have had to innovate in order to seize opportunities to develop new ways of working, new delivery models and efficiencies; all of these have been essential in transforming the Council and enabling us to respond positively in a climate of austerity. Systematic risk assessment and risk management is core to both the identification and delivery of opportunities.

The Council's Risk Management Framework is reviewed annually, and considered as required by Audit and Governance Committee and Finance and Policy Committee and endorsed and owned by ELT.

FINANCIAL PERFORMANCE 2023/24

The Council spends money on a wide range of services to help support the people of Hartlepool to achieve and enjoy a better quality of life. This spending can be General Fund revenue or Housing Revenue Account spending which relates to day to day running costs such as staffing, purchasing goods / services from third parties and utilities; or Capital spending on assets which are of benefit to residents over a longer period, such as buildings, operational vehicles and economic regeneration.

The following sections provide more detail in relation to these areas.

General Fund 2023/24 – Approved Budget

The Council prepared and approved a Medium Term Financial Strategy (MTFS) covering the period to 2026/27. This plan reflected the decision to increase Core Council Tax in 2023/24 by 2.9% and the Adult Social Care precept by 2%. To support this plan the Council used reserves of £1.471m to underpin the budget in 2023/24 and recognised this deferred a budget deficit to be addressed in 2024/25 and subsequent years. By taking this phased approach the Council avoided significant services cuts being made earlier than necessary.

The detailed 2023/24 budget decisions were made in January 2023, then finalised by Council in early February 2023 when the final level of Government funding for 2023/24 was confirmed.

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The budget shortfall to be address totalled £9.4m for 2023/24, which reflected a higher level of forecast inflation. This was addressed through a combination of measures, including the above noted Council tax increase:

• Savings	£1.8m
• Council Tax and ASC precept	£2.3m
• Increase in Government Funding	£2.9m
• One off funding	£1.0m
• Reserves	£1.4m

As highlighted above, reserves were required to balance the 2023/24 budget, with £1.4m earmarked for use from the Budget Support Fund.

General Fund 2023/24 – Actual Outturn

The 2023/24 financial year was extremely challenging for the Council. During the year the Council was impacted by continued high general inflation, higher than anticipated pay awards and significant cost rises within the Children's Social Care sector.

Given the level of inflation, a pay award of £1,925 per employee was agreed for the second year in a row, this broadly equated to a 6% average increase for 2023/24. Given the Council had only budgeted for a 5% increase, the shortfall increased the pressure on the budget.

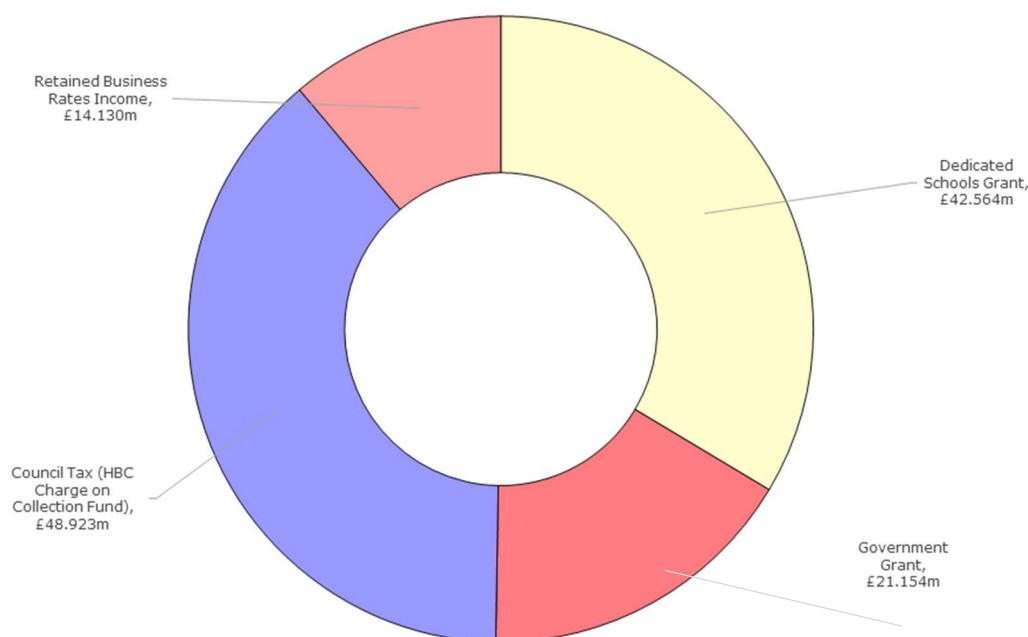
In response to the emerging forecast overspend reported early in the year, non-essential spending restrictions were introduced alongside increased spend control measures and monitoring. These actions were successful in that the outturn position improved by the end of the financial year, although the underlying pressures within Children's Social Care remained. The Council benefited from increased treasury investment returns, a business rates levy distribution from government and a VAT refund in relation to leisure services activity income, which also supported the improvement.

The outturn position is summarised in the table below and shows a financial contribution from the Budget Support Fund of £0.612m.

Description of Expenditure	2023/24 Approved Budget £000	2023/24 Actual Expenditure / (Income) £000	2023/24 Variance Adverse / (Favourable) £000
Departmental Expenditure			
Adult & Community Based Services	40,170	39,626	(544)
Children's & Joint Commissioning	30,064	35,010	4,946
Development, Neighbourhoods & Regulatory Services	22,292	21,829	(463)
Finance, IT and Digital	3,714	3,571	(143)
Legal, Governance and HR	2,090	2,088	(2)
Dedicated Schools Grant Related Expenditure	42,564	42,564	-
Housing Revenue Account	-	-	-
Total Departmental Position	140,894	144,688	3,794
Non Departmental Expenditure	(14,123)	(16,389)	(2,266)
VAT Refund	-	(677)	(677)
Business Rates Levy Distribution	-	(239)	(239)
Housing Revenue Account	-	-	-
Final Contribution from Budget Support Fund	126,771	127,383	612

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The Council's budget of £126.771m, including the Dedicated Schools Grant of £42.564m, was funded from the following sources:



Housing Revenue Account (HRA)

This is a separate account and contains the costs of owning and maintaining properties which are let to tenants. These costs are funded from rent paid by tenants.

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.

The HRA outturn for 2023/24 is a net nil position, which is in line with the budget.

The HRA faced a number of pressures during 2023/24, in particular additional maintenance costs in relation to damp and mould linked to the persistent wet weather. This was offset though a combination of favourable variances including additional rental income as a result of units coming online earlier than anticipated, lower borrowing costs owing to slippage in the capital programme and a review of the bad debt position which revealed on overprovision for bad debts which was consequently released back to the HRA. In addition, in order to fully mitigate the in-year pressures, a lower voluntary contribution to the Major Repairs Reserve was made.

The HRA reserve remains at £0.500m. As at 31 March 2024 the HRA stock is 358 properties of which 25 new build homes were added and nine other property acquisitions made during 2023/24. There were no property disposals.

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 Integrated Care Boards (ICBs) to establish and maintain pooled budgets to support the outcomes of the BCF. The Council has entered into a pooled budget arrangement with NHS North East and Cumbria Integrated Care Board Further details are provided in Note 48.

Capital Expenditure

Capital expenditure relates to spend on the purchase of, or improvement of assets that have a long-term value to the Council and our residents, such as highways and buildings.

In 2023/24 the Council had budgeted Capital expenditure of £77.110m (including HRA). Reprofiting of expenditure in to future years of £45.586m was reported to members during the financial year. Of the remaining £31.524m forecast to be spent, actual capital expenditure incurred totalled £25.460m, as detailed below.

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	£000	%
Expenditure		
Regeneration and Other Schemes	12,387	49%
Highway Maintenance & Construction	3,210	13%
Housing Investment Programme	4,223	17%
School Improvements	2,931	12%
Disabled Facility Grant	1,651	6%
Vehicle Purchase	1,058	4%
Total Expenditure	25,460	100%

Capital Financing

Capital Grant	20,106	79%
Borrowing	3,946	16%
Capital Funding Reserves	70	0%
Capital Receipts	1,338	5%
Total Capital Financing	25,460	100%

The rephasing predominantly reflects the profile of expenditure in relation to major regeneration schemes that are to be completed over multiple financial years.

Capital Receipts

The Council received gross receipts of £0.647m in 2023/24 from the sale of assets.

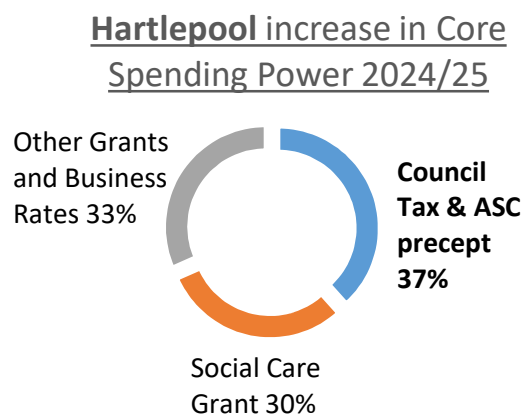
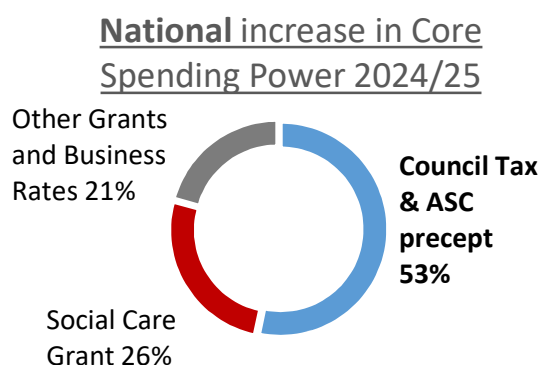
FINANCIAL OUTLOOK – GENERAL FUND 2024/25 TO 2026/27

The Government provided a one year grant settlement for 2024/25, which is the sixth successive one year settlement.

The settlement provided an increase in core spending power (the Government's measure of resources available for local services) of £4 billion or a 6.5% increase in spending power nationally for 2024/25. Of this amount Government figures forecast 53% (£2.078 billion) coming from Council Tax and the ASC precept. This underlines the continued reliance of the current funding system on Council Tax and the ASC precept to fund local services.

The grant formula benefitted Hartlepool, which meant a smaller proportion of the increase in core spending power relied on Council Tax and the ASC precept.

Comparison of changes in National and Hartlepool Core Spending Power increase for 2024/25



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Subsequent to the provisional local government finance settlement issued by government in December 2023, a further £500m was announced and allocated to councils with social care responsibilities, Hartlepool's allocation totalled £1.044m.

Inflation continues to have a significant impact on the cost of services, including the cost of Adult and Children's Social Care Services provided by external providers which also faced inflation pressures, including the impact on an increase in the National Living Wage.

As a result the Council faced a budget pressure of £11.5m when setting the 2024/25 budget, which was funded from:

• Increase in Government Funding	£3.7m
• Savings	£1.9m
• Council Tax and ASC precept	£1.5m
• Increase in Business Rates	£1.1m
• Reserves	£3.3m

The Council is facing continuing financial pressures during 2024/25 from the impact of pay and non-pay inflation and also demand for Council services. The budget will continue to be managed carefully during 2024/25.

The medium term position to 2026/27 will remain challenging and be impacted by the level of future inflation and levels of Government funding following the pending General Election. This issue makes financial planning extremely challenging, with the Council's latest published MTFS indicating a three year deficit of up to £9.2m.

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.

The Council continues to keep under review the most opportune approach to borrowing. Given the increase in interest rates experienced since 2022, no long term borrowing has been entered into. The position will be kept under review, with the potential for shorter term borrowing options if these are determined to be most cost effective, when the need to borrow arises, pending a reduction in longer term rates.

The increase in interest rates also presented the Council with an opportunity to maximise investment returns over the short to medium term. Detailed cash flow modelling has allowed investments to be placed for a longer time period (up to a year) with a number of institutions, so as to achieve the higher rates of investment interest now available. This pro-active approach has enabled the Council to generate investment returns, making a significant one-off contribution to the MTFS.

PENSIONS

The Council has accounted for retirement benefits according to International Financial Reporting Standard (IFRS) IAS 19. In the accounts as at 31 March 2024 there was a deficit on the Pensions Reserve of £7.770m (a surplus of £75.745m in 2022/23). The net Pensions Asset has changed mainly owing to the application of the asset ceiling.

A separate Pension Fund valuation is carried out every three years to determine the Council's contribution rate. Further information is included in Notes 44 and 45 to the Statement of Accounts.

STATEMENT OF ACCOUNTS

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.

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities at 31 March 2024. 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

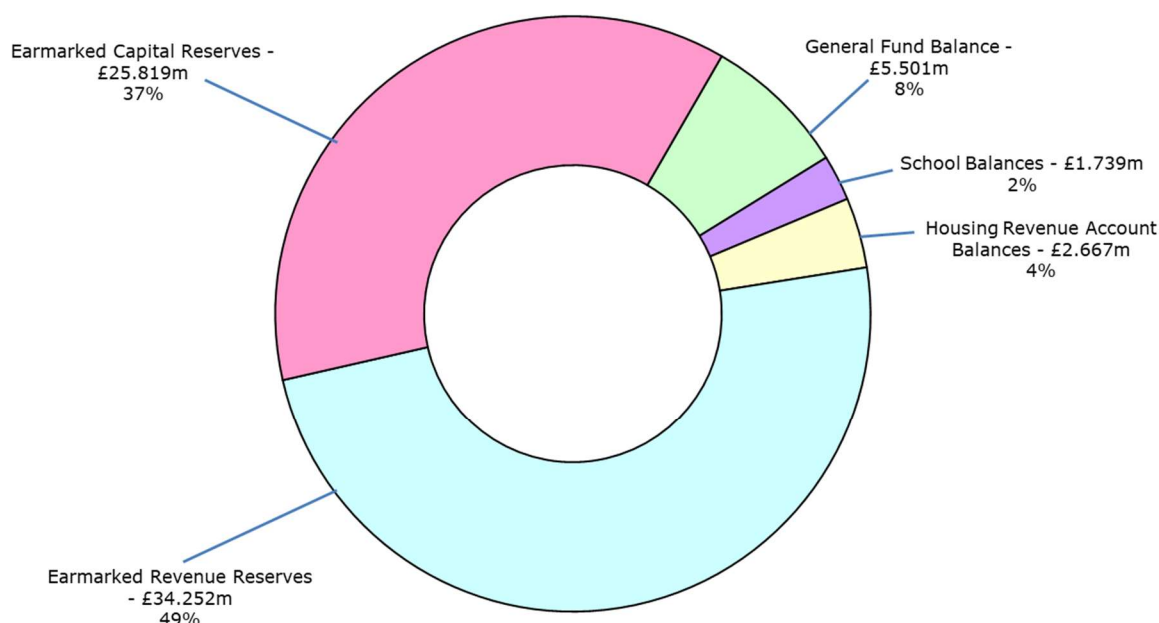
SECTION 1 : Narrative Report

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 and Heritage Assets – the Council's total fixed assets have decreased by £6.626m which comprises expenditure on fixed assets, downward revaluations of existing assets, less depreciation and disposals.
- Owing to the application of the asset ceiling, the Authority now holds a pension liability of £7.770m as at 31 March 2024 (pension asset of £75.745m as at 31 March 2023).
- Short Term Investments – totalled £43.873m as at 31 March 2024 (£50.896m as 31 March 2023). The decrease mainly relates to the Authority not taking out any new borrowing to fund capital expenditure whilst the rates continue to be elevated.
- Short Term Debtors - totalled £40.047m as at 31 March 2024 (£31.887m at 31 March 2023). The increase mainly relates to other local authority debtors and payments in advance to non-government debtors.
- Other long term liabilities – as at 31 March 2024 was £8.693m (£0.664m at 31 March 2023). This is owing to the termination of the previous NEC Software Solutions contract, new Section 38 contracts with developers and the pension asset now a liability.
- At the 31 March 2024 the Authority had usable reserves of £69.978m (£62.473m at 31 March 2023). Full details of the Council's reserves are provided in Notes 6 and include the following key reserves:

Analysis of Reserves 31/03/24 - Total £69.978m



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.

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

SECTION 1 : Narrative Report

The total Council Tax for the year was £2,304.40 (£2,194.40 in 2022/23) for Band D properties, excluding parish precepts where these applied. This comprised £1,926.81 for the Council's own services, £290.73 for the Police and Crime Commissioner and £86.86 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 34,983 Band D properties. When setting the charge a 1.5% allowance for non-collection was made. The Council Tax Base for the year was 25,342.

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

	£000	%
Expenditure		
Hartlepool Council Precept	48,895	53%
Police and Crime Commissioner Precept	7,368	8%
Cleveland Fire Authority Precept	2,201	3%
Central Government's Share NNDR	14,806	16%
Hartlepool Council NNDR Precept	14,510	16%
Cleveland Fire Authority NNDR Precept	296	0%
Other	3,717	4%
	91,793	100%
Income		
Council Tax	59,736	64%
NNDR from Rate Payers	31,970	34%
Other (Including contribution to previous year's deficit)	1,519	2%
	93,225	100%
Net Deficit / (Surplus) in Year	(1,432)	

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.

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 2023/24 financial year the inspection period is 03 June 2024 to 12 July 2024.



James Magog
Director of Finance, IT and Digital
Date: 25 February 2025

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, IT and Digital;
- 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 February 2025.



Chair of Audit and Governance Committee

Date: 25 February 2025

The Director of Finance, IT and Digital Responsibilities

The Director of Finance, IT and Digital 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, IT and Digital has:

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

The Director of Finance, IT and Digital 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, IT and Digital

In accordance with the requirements of the Accounts and Audit Regulations 2015, I certify that Section 1 to 3 of the Financial Report 2023/24, 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 2024.



James Magog CPFA

Director of Finance, IT and Digital

Date: 25 February 2025

SECTION 3 : Statement of Accounts

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce the precept) and unusable reserves (i.e. those that cannot be applied to fund expenditure). The (surplus) or deficit on the Provision of Services line shows the true economic cost of providing the Authority'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 for Council Tax precepting purposes. 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 Authority.

Movement in Reserves Statement for the year ended 31 March 2024

	General Fund Balance	Earmarked 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
Balance at 31 March 2022 carried forward	4,417	56,525	495	1,503	63	8	63,008	61,989	124,997
<u>Movement in reserves during 2022/23</u>									
Surplus or (deficit) on provision of services	(27,838)	-	144	-	-	-	(27,694)	-	(27,694)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	232,385	232,385
Total Comprehensive Income and Expenditure	(27,838)	-	144	-	-	-	(27,694)	232,385	204,691
Restated Adjustments between accounting basis & funding basis under regulations (note 5)	20,265	(1,154)	112	10	1,228	6,698	27,159	(27,159)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(7,573)	(1,154)	256	10	1,228	6,698	(535)	205,226	204,691
Transfers to/(from) Earmarked Reserves	7,573	(7,574)	(251)	251	-	-	-	-	-
Restated Increase/(Decrease) in Year	-	(8,728)	5	261	1,228	6,698	(535)	205,226	204,691
Restated Balance at 31 March 2023 carried forward	4,417	47,795	500	1,764	1,291	6,706	62,473	267,215	329,688
<u>Movement in reserves during 2023/24</u>									
Surplus or (deficit) on provision of services	(5,244)	-	(1,885)	-	-	-	(7,129)	-	(7,129)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(76,163)	(76,163)
Total Comprehensive Income and Expenditure	(5,244)	-	(1,885)	-	-	-	(7,129)	(76,163)	(83,292)
Adjustments between accounting basis & funding basis under regulations (note 5)	3,906	(25)	2,080	208	(1,042)	9,506	14,633	(14,633)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(1,338)	(25)	195	208	(1,042)	9,506	7,504	(90,796)	(83,292)
Transfers to/(from) Earmarked Reserves	2,421	(2,421)	(195)	195	-	-	-	-	-
Increase/(Decrease) in Year	1,083	(2,446)	0	403	(1,042)	9,506	7,504	(90,796)	(83,292)
Balance at 31 March 2024 carried forward	5,501	45,349	500	2,167	249	16,212	69,978	176,417	246,396

For 2022/23 comparators the above statement has been restated to reflect the reclassification of a Capital Grant Received in Advance of £6.698m to a Capital Grant Unapplied within Usable reserves owing to clarification of terms and conditions of the grant.

For detail on Usable and Unusable Reserves see Notes 6 and 30.

SECTION 3 : Statement of Accounts

Comprehensive Income and Expenditure Statement for the year ended 31 March 2024

RESTATED 2022/23			2023/24				
£000s	£000s	£000s		£000s	£000s	£000s	
Expenditure	Income	Net	Continuing operations:	Expenditure	Income	Net	Note
81,505	(42,157)	39,348	Adult and Community Based Services	91,043	(47,564)	43,479	7
105,321	(69,405)	35,916	Children's and Joint Commissioning	113,796	(77,331)	36,465	7
12,733	(13,487)	(754)	Corporate	16,684	(17,639)	(955)	7
45,547	(19,274)	26,273	Development, Neighbourhood and Regulatory	46,492	(19,920)	26,572	7
31,425	(26,763)	4,662	Finance, IT and Digital	32,661	(27,316)	5,345	7
2,431	(193)	2,238	Legal, Governance and HR	2,604	(182)	2,422	7
1,004	(1,432)	(428)	HRA	3,305	(1,742)	1,563	
279,966	(172,711)	107,255	Cost of Services	306,585	(191,694)	114,891	
18,220	(1,230)	16,990	Other Operating Expenditure	15,075	(800)	14,275	8
23,308	(17,538)	5,770	Financing and Investment Income and Expenditure	27,386	(30,923)	(3,537)	9
-	(102,321)	(102,321)	Taxation and Non-Specific Grant Income	-	(118,500)	(118,500)	10
321,494	(293,800)	27,694	(Surplus) / Deficit on Provision of Services	349,046	(341,917)	7,129	
	(10,057)		(Surplus) / Deficit on Revaluation of Property, Plant and Equipment			(7,441)	30 Table 1
	(222,328)		Remeasurement of net defined benefit liability / (asset)			83,604	30 Table 3
	(232,385)		Other Comprehensive Income and Expenditure			76,163	
	(204,691)		Total Comprehensive Income and Expenditure			83,292	

For 2022/23 comparators, the above statement has been restated to reflect the new organisational structure of the Council. There has also been a reclassification of aMHCLG capital grant from Capital Grant Received in Advance to Capital Grant Unapplied owing to a clarification of the terms and conditions of the grant. As a consequence of this change and in line with the Code, the restatement reflects the recognition of £6.698m additional grant income in "Taxation and Non-Specific Grant Income." This has been transferred to the Balance Sheet and is now held as a Capital Grant Unapplied Reserve as demonstrated in the Movement in Reserves Statement.

SECTION 3 : Statement of Accounts

Balance Sheet as at 31 March 2024

Restated 31 March 2023 £000s		31 March 2024 £000s	Note
277,810	Property, Plant & Equipment	271,936	14
17,767	Heritage Assets	18,810	17
9,828	Investment Property	9,515	16
125	Intangible Assets	-	18
75,745	Pension Asset	-	19
3,408	Long Term Debtors	3,016	20
384,683	Long Term Assets	303,278	
50,896	Short Term Investments	43,873	37
506	Inventories	568	21
31,887	Short Term Debtors	40,046	22
8,154	Cash & Cash Equivalents	9,915	24
446	Assets Held for Sale	-	25
91,889	Current Assets	94,401	
(3,665)	Bank Overdraft	(6,273)	24
(2,086)	Provisions	(2,589)	27
(6,405)	Short Term Borrowing	(1,418)	37
(27,213)	Short Term Creditors	(28,393)	26
(5,980)	Capital Grants Receipts in Advance	(7,829)	29
(3,033)	Revenue Grant Receipts in Advance	(2,701)	29
(48,382)	Current Liabilities	(49,203)	
(1,163)	Provisions	(1,163)	27
(7,742)	Capital Grants Receipts in Advance	(9,387)	29
(88,933)	Long Term Borrowing	(82,837)	37
(664)	Other Long Term Liabilities	(8,693)	28
(98,502)	Long Term Liabilities	(102,080)	
329,688	Net Assets	246,396	
62,473	Usable Reserves	69,978	6
267,215	Unusable Reserves	176,417	30
329,688	Total Reserves	246,396	

For 2022/23 comparators the above statement has been restated to reflect the reclassification of a Capital Grant Received in Advance of £6.698m to a Capital Grant Unapplied within Usable reserves owing to clarification of terms and conditions of the grant.

In addition, in line with the Code, Capital Grants Received in Advance have been split between Current Liabilities and Long Term Liabilities.

SECTION 3 : Statement of Accounts

Statement Of Cash Flows For The Year Ended 31 March 2024

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.

RESTATED 2022/23 £000s		2023/24 £000s	Note
(27,694)	Net Surplus / (Deficit) on the Provision of Services	(7,129)	
45,232	Adjustments to Net Surplus / (Deficit) on the Provision of Services for Non-cash Movements	28,226	40
(19,887)	Adjustments for items included in the Net Surplus / (Deficit) on the Provision of Services that are Investing and Financing Activities	(23,594)	41
(2,349)	Net Cash (Outflow) /Inflow from Operating Activities	(2,497)	
(2,893)	Investing Activities	13,006	42
6,838	Financing Activities	(11,356)	43
1,596	Net Increase / (Decrease) in Cash and Cash Equivalents	(847)	
2,893	Cash and Cash Equivalents at the beginning of the reporting period	4,489	
4,489	Cash and Cash Equivalents at the end of the reporting period	3,642	24

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 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2023/24 Code. The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would, therefore result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2024/25 Code are:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is an exemption for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for Local Government to 1 April 2024 which is when we will adopt. This is not expected to significantly impact on the Council's Statement of Accounts.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
- Classification of Liabilities as Current or Non-current (Amendments to IAS1) issued in January 2020. The amendments:
 - specify that an entity's right to defer settlement must exist at the end of the reporting period
 - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
 - clarify how lending conditions affect classification, and
 - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information as entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.

These changes are not expected to have a material impact on the Council's financial statements.

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 2023/24. 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 undertaken a review of all schools in Hartlepool and their accounting treatment. There are 37 schools in Hartlepool;
 - One Foundation School which is owned by the School Governing Body.
 - Seven Community Schools owned by the Council.
 - Twenty-Nine 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
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 2024 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.	At 31 March 2024, the Council had land and buildings to the value of £142.451m. A 1% change in the estimation of property values would lead to a £1.425m change in the value of the Council's land and buildings. These changes to valuations would not have a direct impact on the Council's general fund, since any effect charged to the CIES would be reversed to the Council's unusable reserves.
Pensions Asset / 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 asset of changes in individual assumptions can be measured. The Gross Carrying Amount (GCA) of the net pension liability is £7.770m. For example, a 0.1% increase in the discount rate assumption would result in a decrease in liability of £9.132m, however, the assumptions interact in complex ways. During 2023/24, there was a reduction in liabilities of £28.242m as a result of updating financial assumptions, a reduction of £2.967m as a result of changes in demographic assumptions and an increase of £15.727m attributable to liability experience. 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 31st March 2022. A 0.1% increase in this rate would increase the Council's revenue budget requirement for pension costs by £68,000.

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

Note 4: Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance, IT and Digital on 31 May 2024. 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 25 February 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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.

2023/24	Usable Reserves						
	Unearmarked General Fund Balance £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	11,850	283	-	-	-	-	(12,133)
Charges for Revaluation losses / gains on Property Plant and Equipment	567	2,050	-	-	-	-	(2,617)
Movements in the Market Value of Investment Properties	323	-	-	-	-	-	(323)
Capital Grants and Contributions	(19,035)	-	-	-		(1,415)	20,450
Direct Revenue Funding	-	(25)	-	-	-	-	25
Revenue Expenditure Funded from Capital Under Statute	7,043	-	-	-	-	-	(7,043)
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	15,753	-	-	-	-	-	(15,753)
Reversal of Lease Liability	(874)	-	-	-	-	-	874
<i>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement</i>							
Provision for the Financing of Capital Investment (MRP)	(2,648)	-	-	-		-	2,648
Adjustments primarily involving the Capital Grants Unapplied Account:							
Transfer to Capital Grants Unapplied Account	(10,921)	-	-	-	-	10,921	-
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	(647)	-	-	-	647	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	(1,338)	-	1,338
Use of Capital Receipts to Repay Prudential Borrowing	-	-	-	-	(350)	-	350
Adjustments primarily involving the major Repairs Reserve:							
Transfer to Major Repairs Reserve	-	(253)	253	-	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	(45)	-	-	-	45

SECTION 3 : Statement of Accounts

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

2023/24	Usable Reserves						
	Unearmarked General Fund Balance £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	8,097	-	24	-	-	-	(8,121)
Employer's Pension Contributions and Direct Payments to Pensioners payable in year	(8,186)	-	(24)	-	-	-	8,210
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	(871)	-	-	-	-	-	871
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	1,866	-	-	-	-	-	(1,866)
Adjustments Primarily involving the Dedicated Schools Grant Adjustment Account:							
Amount transferred to the DSG Account under statute	1,589	-	-	-	-	-	(1,589)
Total Adjustments	3,906	2,055	208	-	(1,041)	9,506	(14,634)

2022/23	Usable Reserves						
	Unearmarked General Fund Balance £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	10,133	-	385	-	-	-	(10,518)
Charges for Revaluation losses on Property Plant and Equipment	460	-	(111)	-	-	-	(349)
Movements in the Market Value of Investment Properties	896	-	-	-	-	-	(896)
Capital Grants and Contributions	(12,072)	-	-	-	-	-	12,072
Direct Revenue Funding	(53)	(1,154)	-	-	-	-	1,207
Revenue Expenditure Funded from Capital Under Statute	3,656	-	-	-	-	-	(3,656)
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	18,039	-	-	-	-	-	(18,039)
<u>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement</u>							
Provision for the Financing of Capital Investment (MRP)	(2,865)	-	-	-	-	-	2,865

SECTION 3 : Statement of Accounts

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

2022/23	Usable Reserves						
	Unearmarked General Fund Balance	Earmarked Revenue & Capital Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Grants Unapplied Account:							
Transfer to Capital Grants Unapplied Account	(6,698)	-	-	-	-	6,698	-
Adjustments primarily involving the Capital Receipts Reserve:							-
Transfer of Cash Sale Proceeds Credited as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement	(1,314)	-	-	-	1,314	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	(86)	-	86
Use of Capital Receipts to repay prudential borrowing	-	-	-	-	-	-	-
Adjustments primarily involving the major Repairs Reserve:							
Transfer to Major Repairs Reserve	-	-	(220)	220	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	(210)	-	-	210
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	24,571	-	81	-	-	-	(24,652)
Employer's Pension Contributions and Direct Payments to Pensioners payable in year	(7,592)	-	(23)	-	-	-	7,615
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	(5,323)	-	-	-	-	-	5,323
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	(1,770)	-	-	-	-	-	1,770
Adjustments Primarily involving the Financial Instruments Revaluation Reserve:							
Derecognition of gains in relation to the available for sale financial instruments on sale of preference shares.	197	-	-	-	-	-	(197)
Total Adjustments	20,265	(1,154)	112	10	1,228	6,698	(27,159)

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 2023/24.

Restated

	Balance at 31 March 2022	Transfer Between Reserves	Transfers Out 2022/23	Transfers In 2022/23	Balance at 31 March 2023	Transfer Between Reserves	Transfers Out 2023/24	Transfers In 2023/24	Balance at 31 March 2024
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
General Fund Balance									
Revenue Reserve	4,417	-	-	-	4,417	1,084	-	-	5,501
	4,417	-	-	-	4,417	1,084	-	-	5,501
Earmarked Revenue Reserves									
Budget Support Fund (BSF) 24/25-26/27	7,977	4,362	(2,921)	1,131	10,549	(537)	(3,084)	1,019	7,947
Revenue Grants Unapplied	6,474	(220)	(715)	1,313	6,852	(3,180)	(231)	2,858	6,299
Business Rates Risk Reserve	3,000	-	-	-	3,000	250	-	-	3,250
Insurance Fund	2,365	-	(13)	54	2,406	516	(4)	47	2,965
BSF - Transformation Costs	-	-	-	-	-	2,000	-	-	2,000
Children in our Care Reserve	1,061	-	(310)	-	751	1,000	(521)	-	1,230
Treasury Management Income	-	-	-	-	-	1,150	-	-	1,150
BSF - Invest to Save	-	-	-	-	-	1,000	-	-	1,000
Asset Management Reserve	-	-	-	-	-	1,000	-	-	1,000
Earmarked Revenue Reserves under £1m	22,717	(4,142)	(7,364)	1,519	12,730	(4,283)	(2,594)	1,558	7,411
	43,594	-	(11,323)	4,017	36,288	(1,084)	(6,434)	5,482	34,252
Earmarked Capital Reserves									
Capital Grants Unapplied	8	-	-	6,698	6,706	-	(1,415)	10,921	16,212
Capital Funding Reserve	8,387	-	(1,506)	1,464	8,345	-	(378)	1,391	9,358
Capital Receipts Unapplied	63	-	(86)	1,314	1,291	-	(1,688)	646	249
	8,458	-	(1,592)	9,476	16,342	-	(3,481)	12,958	25,819
School Balances									
Balances Held by Schools under the Scheme of Delegation	2,821	118	(3,012)	2,417	2,344	-	(2,518)	1,864	1,690
Ring-fenced Reserve - Held in Trust for Schools	490	-	(559)	152	83	-	(232)	197	48
Dedicated School Grant Reserve	1,230	(118)	(778)	401	735	-	(1,049)	315	1
	4,541	-	(4,349)	2,970	3,162	-	(3,799)	2,376	1,739
Housing Revenue Account Balance									
HRA Major Repairs Reserve	1,503	-	(210)	471	1,764	-	(45)	448	2,167
HRA Balance	495	-	-	5	500	-	-	-	500
	1,998	-	(210)	476	2,264	-	(45)	448	2,667

General Fund Balance

The General Fund Balance of £5.501m held at 31 March 2024 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.

Earmarked Revenue Reserves

Budget Support Fund 24/25-26/27

This reserve will be used to support the budget over the years 2024/25-2026/27.

Revenue Grants Unapplied

This reserve holds grant funding received to be spent in future years. Grants are only held in this reserve where there are no repayment conditions.

Business Rates Risk Reserve

This reserve is earmarked to manage the impact of the closure of the Power Station currently scheduled for 2025/26 and other Business Rates risks.

Insurance Fund

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.

BSF – Transformation Costs

This reserve will be used to meet any one-off transformation costs.

Children in our Care Reserve

This reserve will be used to contribute towards financial pressures arising from increases in the number and costs of looked after children over and above the budgeted allocation.

Treasury Management Income

This reserve will use temporary treasury management income to support the budget over the years 2024/25 to 2026/27.

BSF - Invest to Save

This reserve will be used to invest in initiatives to generate ongoing savings for the Council.

Asset Management Reserve

This reserve will be utilised to invest in priority asset management works to maintain the Council's assets.

Earmarked Revenue Reserves under £1m

Numerous revenue reserves individually under £1m set aside for specific purposes.

School Balances

These balances are held on behalf of schools.

Housing Revenue Account Balance

HRA Major Repairs Reserve

This reserve is ring-fenced to the HRA and can only be used to fund major repairs or repayments of borrowing.

HRA Balance

This is a ring-fenced reserve accumulated from surpluses in previous years and is held to fund pressures of the Housing Revenue Account (HRA) such as government rent restrictions, Right to Buy sales and increasing repairs costs.

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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.

RESTATED					
Net Expenditure Chargeable to the General Fund and HRA	2022/23	Net Expenditure in the Comprehensive Income and Expenditure Statement		2023/24	Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments Between the General Fund and the Comprehensive Income and Expenditure Statement			Adjustments Between the General Fund and the Comprehensive Income and Expenditure Statement	
£000s	£000s	£000s		£000s	£000s
35,197	4,151	39,348	Adult & Community Based Services	39,626	3,853
29,042	6,874	35,916	Children's & Joint Commissioning Services	35,010	1,455
(13,369)	12,615	(754)	Corporate	(17,305)	16,351
20,476	5,797	26,273	Development, Neighbourhood and Regulatory	21,829	4,743
2,707	1,955	4,662	Finance, IT and Digital	3,571	1,774
1,782	456	2,238	Legal, Governance and HR	2,088	334
(5)	(423)	(428)	HRA	-	1,563
42,169	(42,169)	-	Schools	42,564	(42,564)
117,999	(10,744)	107,255	Net Cost of Services	127,383	(12,491)
(117,042)	37,481	(79,561)	Other Income and Expenditure	(126,771)	19,008
957	26,737	27,694	(Surplus) or Deficit	612	6,517
4,912			Opening General Fund & HRA Balance	4,417	
(962)			Less/Plus Surplus or (Deficit) on General Fund Balance in Year	(612)	
962			Transfer Between Earmarked & General Fund Reserves	1,696	
-			Less/Plus Surplus or (Deficit) on HRA Balance in Year	-	
5			Transfer Between Earmarked & HRA Reserves	-	
4,917			Closing General Fund & HRA Balance at 31 March	5,501	

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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	2023/24				
	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Statutory Differences (Note 3)	Other Non-Statutory Difference (Note 4)	Total Adjustments
	£000s	£000s	£000s	£000s	£000s
Adult and Community Based Services	462	789	292	2,310	3,853
Children's and Joint Commissioning	1,837	1,279	342	(2,003)	1,455
Corporate	4,460	-	-	11,890	16,350
Development, Neighbourhood and Regulatory	5,097	857	1,072	(2,283)	4,743
Finance, IT and Digital	-	387	97	1,290	1,774
Legal, Governance and HR	-	109	63	162	334
HRA	1,979	12	-	(428)	1,563
Schools	-	-	-	(42,564)	(42,564)
Net Cost of Services	13,835	3,433	1,866	(31,626)	(12,492)
Other Income and Expenditure from the Expenditure and Funding Analysis	(10,399)	(3,522)	(871)	33,801	19,009
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	3,436	(89)	995	2,175	6,517

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	RESTATED 2022/23				
	Adjustments for Capital Purposes (Note 1) Restated	Net Change for the Pensions Adjustments (Note 2) Restated	Other Statutory Differences (Note 3) Restated	Other Non-Statutory Difference (Note 4) Restated	Total Adjustments Restated
	£000s	£000s	£000s	£000s	£000s
Adult and Community Based Services	142	2,857	1,152	-	4,151
Children's and Joint Commissioning	2,960	5,650	(2,489)	753	6,874
Corporate	(60)	-	-	12,675	12,615
Development, Neighbourhood and Regulatory	4,849	3,324	(2,704)	328	5,797
Finance, IT and Digital	-	1,166	797	(8)	1,955
Legal, Governance and HR	-	339	117	-	456
HRA	54	45	-	(522)	(423)
Schools	-	-	-	(42,169)	(42,169)
Net Cost of Services	7,945	13,381	(3,127)	(28,943)	(10,744)
Other Income and Expenditure from the Expenditure and Funding Analysis	9,213	3,656	(78)	24,690	37,481
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	17,158	17,037	(3,205)	(4,253)	26,737

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:

RESTATED 2022/23 £000		2023/24 £000
	Expenditure/Income	
	Expenditure	
114,107	Employee Benefits Expenses	117,422
174,264	Other Services Expenses	198,278
11,763	Depreciation, Impairment, Revaluation Losses	15,072
3,140	Interest Payments	3,199
181	Precepts and Levies	196
18,039	Gain/Loss on the disposal of assets	14,879
321,494	Total Expenditure	349,046
	Income	
(50,982)	Fees Charges and Other Service Income	(56,646)
(17,531)	Interest and Investment Income	(30,923)
(61,476)	Income from Council Tax and Non Domestic Rates	(63,924)
(163,811)	Government Grants and Contributions	(190,424)
(293,800)	Total Income	(341,917)
27,694	Surplus or deficit on the provision of services	7,129

Note 7C: Segmental Income

Income received on a segmental basis is analysed below.

RESTATED 2022/23			2023/24	
Fees & Charges Restated	Interest & Investment Income Restated		Fees & Charges	Interest & Investment Income
£000	£000		£000	£000
(29,263)	-	Adult & Community Based Services	(33,482)	-
(42,918)	-	Children's & Joint Commissioning Services	(44,312)	-
(14,422)	(1,336)	Corporate	(10,458)	(2,989)
(34,164)	(362)	Development, Neighbourhood and Regulatory	(36,418)	(363)
(3,930)	(25)	Finance, IT and Digital	(3,844)	(25)
(463)	-	Legal, Governance and HR	(431)	-
(1,429)	(87)	HRA	(1,740)	(125)
(126,589)	(1,810)		(130,685)	(3,502)

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Note 8: Other Operating Expenditure

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.

2022/23 £000s		2023/24 £000s
181	Parish council precepts and levies	196
(116)	Receipts from Sale of Former Council Houses	(153)
17,180	Loss resulting from Transfer of School Assets	6,745
(255)	(Gain) or loss on the disposal of non-current assets	7,487
<u>16,990</u>		<u>14,275</u>

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.

2022/23 £000s		2023/24 £000s	Note
3,119	Interest payable and similar charges on borrowing	3,199	37
21	Finance lease Interest payable	-	35
3,656	Pensions Interest Cost/(Income) & Expected Return on Pensions Assets	(3,522)	45
(1,188)	Interest Receivable and Similar Income	(3,076)	37
(731)	Net (Gain) / Loss on Investment Properties	(461)	16
896	Changes in fair values of investment properties	323	16
(3)	Net (Gain) / Loss on disposal of preference shares	-	
<u>5,770</u>		<u>(3,537)</u>	

Note 10: Taxation and Non-Specific Grant Income

This note provides a breakdown of the various components included within the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement.

2022/23 £000s		2023/24 £000s	Note
46,241	Council Tax Income	49,333	
15,235	NNDR Distribution	14,591	
25,519	Non-ring Fenced Government Grants	29,623	
15,326	Capital Grants and Contributions	24,953	
<u>102,321</u>		<u>118,500</u>	29

SECTION 3 : Statement of Accounts

Note 11 - Councillor's Allowances & Expenses

The Council paid the following amounts to members of the Council during the year.

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).

Councillor's Allowances & Expenses

Councillor	Basic Allowance £	Special Responsibility Allowance £	General Travel £	General Subsistence £	Total 2023/24 £
Allen G	8,330	-	-	-	8,330
Ashton H	8,330	-	-	-	8,330
Boddy M	8,330	-	-	-	8,330
Brash J	8,330	2,945	-	-	11,275
Brown P	8,330	8,330	-	-	16,660
Buchan B	8,330	8,330	-	-	16,660
Cassidy T	8,330	1,052	-	-	9,382
Clayton B	8,330	-	-	-	8,330
Cook R (01.04.23 - 09.05.23)	896	896	-	-	1,792
Cowie B	8,330	1,052	-	-	9,382
Cranney G	8,330	-	-	-	8,330
Creevy R	8,330	-	81	-	8,411
Darby R (09.05.23 - 31.03.24)	7,457	-	-	-	7,457
Dodds M (09.05.23 - 31.03.24)	7,457	-	-	-	7,457
Dunbar M (09.05.23 - 31.03.24)	7,457	-	-	-	7,457
Falconer A (01.04.23 - 09.05.23)	896	-	-	-	896
Feeney T	8,330	-	-	-	8,330
Fleming T (01.04.23 - 09.05.23)	896	-	-	-	896
Groves C	8,330	-	-	-	8,330
Hall G	8,330	-	-	-	8,330
Hargreaves P	8,330	-	-	-	8,330
Harrison B	8,330	-	-	-	8,330
Holbrook P (09.05.23 - 31.03.24)	7,457	-	-	-	7,457
Howson H	7,948	-	-	-	7,948
Jackson P (01.04.23 - 09.05.23)	896	72	-	-	968
Leedham J	8,330	-	-	-	8,330
Lindridge J	8,330	8,330	-	-	16,660
Little S	8,330	7,278	-	-	15,608
Loynes D (01.04.23 - 09.05.23)	896	-	-	-	896
Martin-Wells A	8,330	7,909	-	-	16,239
Moore S	8,330	10,435	-	-	18,765
Morley M	8,330	-	-	-	8,330
Nicholson D	8,330	-	-	-	8,330
Nicholson V	8,330	-	-	-	8,330
Oliver K (09.05.23 - 31.03.24)	7,457	-	-	-	7,457
Reeve S	8,330	-	-	-	8,330
Sharp C	8,330	-	-	-	8,330
Smith L	8,330	4,367	-	-	12,697
Thompson C	8,330	-	-	-	8,330
Tiplady K (01.04.23 - 09.05.23)	896	-	-	-	896
Wallace S (09.05.23 - 31.03.24)	7,457	-	-	-	7,457
Young M	8,330	22,885	-	-	31,215
Totals for 2023/24	299,636	83,881	81	-	383,598
Totals for 2022/23	296,558	87,348	103	473	384,482

SECTION 3 : Statement of Accounts

Note 12 - Officers' Remuneration

In accordance with the requirements of the Accounts and Audit Regulations 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 Managing Director, statutory Chief Officers and all other senior managers reporting directly to the Managing Director. Details of the remuneration for these officers are provided below.

2023/24 - TABLE A

Post Holder Information (Post Title)	Salary (including fees and allowances) £	Pension Contributions £	Total Remuneration including Pension Contributions 2023/24 £	Note
Managing Director - Denise McGuckin	162,375	20,135	182,510	1
Executive Director of Children's and Joint Commissioning Services	128,007	15,873	143,880	2
Executive Director of Adults and Community Based Services	128,007	15,196	143,203	2
Executive Director of Development, Neighbourhood and Regulatory Services	122,465	14,071	136,536	2
Director of Resources and Development (left 31 May 2023)	21,335	2,645	23,980	3
Director of Finance, IT and Digital (appointed 1 Jun 2023)	81,938	10,160	92,098	3
Director of Legal, Governance and HR	100,049	12,223	112,272	4
Director of Public Health	96,714	11,993	108,707	5
	840,890	102,296	943,186	

2022/23 - TABLE B

Post Holder Information (Post Title and Name)	Salary (including fees and allowances) £	Pension Contributions £	Total Remuneration including Pension Contributions 2022/23 £
Managing Director - Denise McGuckin	156,902	19,454	176,356
Director of Children's and Joint Commissioning Services	123,678	15,336	139,014
Director of Adults and Community Based Services	122,756	15,222	137,978
Director of Neighbourhood and Regulatory Services	116,269	14,394	130,663
Director of Resources and Development	123,947	15,336	139,283
Director of Public Health	93,443	11,587	105,030
Chief Solicitor	93,443	11,572	105,015
	830,438	102,901	933,339

Notes to Table A

(1) The single point salary scale for the Managing Director for 2023/24 is £162,375 (£156,884 in 2022/23).

(2) The salary scale for the Executive Director posts for 2023/24 is £116,552 to £128,007 (£112,611 to £123,678 in 2022/23). Post holders are appointed at the bottom of the pay scale and receive annual increments until they reach the top of the pay scale.

(3) The Director of Resources and Development left the authority on 31 May 2023. The redesignated Director of Finance, IT and Digital was appointed from 1 June 2023. The salary scale for the Director of Finance, IT and Digital for 2023/24 is £98,325 to £102,983.

(4) The salary scale for the Director of Legal, Governance and HR for 2023/24 is £98,325 to £102,983.

(5) The salary scale for the Director of Public Health for 2023/24 is £90,398 to £96,714 (£87,341 to £93,443 in 2022/23).

SECTION 3 : Statement of Accounts

Note 12 - Officers' Remuneration

Employees with a salary of £50,000 or more

In accordance with the Accounts and Audit Regulations 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 £77,046. As a result, the number of employees requiring disclosure has increased.

Remuneration is measured as gross pay (before deduction of employee 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

2022/23			Remuneration Band (£)	2023/24		
No. of Non-School Employees				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>
32	-	32	50,000 to 54,999	62	1	63
30	-	30	55,000 to 59,999	29	-	29
6	-	6	60,000 to 64,999	14	-	14
1	-	1	65,000 to 69,999	4	-	4
1	-	1	70,000 to 74,999	1	-	1
1	-	1	75,000 to 79,999	2	-	2
2	-	2	80,000 to 84,999	1	-	1
2	-	2	85,000 to 89,999	-	-	-
5	-	5	90,000 to 94,999	1	-	1
-	-	-	95,000 to 99,999	6	-	6
80	-	80		120	1	121

TABLE D - SCHOOL EMPLOYEES

2022/23			Remuneration Band (£)	2023/24		
No. of School Employees				No. of School Employees		
<i>School</i>	<i>Left in Year</i>	<i>Total</i>		<i>School</i>	<i>Left in Year</i>	<i>Total</i>
10	-	10	50,000 to 54,999	10	2	12
6	-	6	55,000 to 59,999	7	1	8
1	-	1	60,000 to 64,999	4	-	4
4	-	4	65,000 to 69,999	-	-	-
-	-	-	70,000 to 74,999	3	-	3
2	-	2	75,000 to 79,999	-	-	-
3	-	3	80,000 to 84,999	1	1	2
-	-	-	85,000 to 89,999	3	-	3
26	-	26		28	4	32

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Note 13: Termination Costs

In 2023/24 a total of 17 employees (11 in 2022/23) were made compulsorily redundant. The 2023/24 costs of this involved payments of £0.101m (£0.111m in 2022/23) to employees in the form of redundancy payments and £0.060m (£0.132m in 2022/23) to the pension fund in respect of retirement benefits. These payments incorporate schools and further details are provided in Note 46.

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-school 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 2023/24 the average pay back period was 4 months (11 months in 2022/23). In 2023/24 this has enabled the authority to achieve permanent salary savings of £0.282m (£0.231m in 2022/23).

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

2022/23				Remuneration Band (£)	2023/24			
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 £
6	1	7	41,341	0 to 20,000	11	-	11	52,506
-	2	2	64,957	20,001 to 40,000	-	-	-	-
-	1	1	57,200	40,001 to 60,000	1	-	1	69,983
1	-	1	79,053	60,001 to 80,000	12	-	12	122,489
7	4	11	242,551					

TABLE F - SCHOOLS EMPLOYEES

2022/23				Remuneration Band (£)	2023/24			
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 £
-	-	-	-	0 to 20,000	5	-	5	37,992
-	-	-	-		5	-	5	37,992

Decisions in relation to school employees are made by individual School Governing Bodies and not by the Council. Foundation School employees are excluded from Table F as the Governing Body, not the Council, is 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 2023/24.

In accordance with the temporary relief offered by the update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The authority has chosen not to disclose this information as it would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Movements in 2023/24

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	NBV £000s	£000s	£000s	£000s	£000s
Cost or Valuation								
As at 1 April 2023	12,330	151,291	43,209	77,404	7,843	8,778	10,696	311,551
Additions	3,391	635	1,811	2,843	-	2,266	6,717	17,663
Accumulated Depreciation Written Off to Gross Carrying Amount	(158)	(1,868)	-		-	(13)	-	(2,039)
Accumulated Impairment Written Off to Gross Carrying Amount	(45)	(182)	-		-	(2,863)	-	(3,090)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	108	5,855	-		-	443	-	6,406
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(1,950)	(607)	-		-	(60)	-	(2,617)
Derecognition-Disposals	-	(10,431)	(2,498)		-	(819)	(3,961)	(17,709)
Reclassified (to)/from Held for Sale	-	80	-		-	-	-	80
Reclassified (to)/from Investment Property	-	(10)	-		-	-	-	(10)
Other movements in Cost or Valuation	1,197	531	1	166	-	153	(2,048)	-
At 31 March 2024	14,873	145,294	42,523	80,413	7,843	7,885	11,404	310,235
Accumulated Depreciation and Impairment								
As at 1 April 2023	(430)	(2,171)	(31,125)		-	(16)	-	(33,742)
Depreciation Charge	(228)	(1,789)	(1,877)	(3,769)	-	(24)	-	(7,687)
Depreciation written out to the Revaluation Reserve	(24)	(1,211)	-		-	(13)	-	(1,248)
Accumulated Depreciation Written Off to Gross Carrying Amount	158	1,868	-		-	13	-	2,039
Accumulated Impairment Written Out to Gross Carrying Amount	15	2	-		-	-	-	17
Derecognition - Disposals	-	471	1,851		-	-	-	2,322
Reclassified (to)/from Held for Sale	-	-	-		-	-	-	-
Reclassified (to) / from Investment Property	-	-	-		-	-	-	-
Other movements in Depreciation and Impairment	-	(13)	-		-	13	-	-
At 31 March 2024	(509)	(2,843)	(31,151)	(3,769)	-	(27)	-	(38,299)
Net Book Value								
At 31 March 2024	14,364	142,451	11,372	76,644	7,843	7,858	11,404	271,936
Nature of Asset Holding								
Owned	14,364	142,451	11,372	76,644	7,843	7,858	11,404	271,936
Finance Lease	-	-	-	-	-	-	-	-
Total	14,364	142,451	11,372	76,644	7,843	7,858	11,404	271,936

SECTION 3 : Statement of Accounts

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

Movements in 2022/23

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	NBV £000s	£000s	£000s	£000s	£000s
Cost or Valuation								
As at 1 April 2022	10,034	167,255	41,080	78,832	6,088	8,944	9,335	321,568
Additions	854	495	3,021	2,487	-	239	6,527	13,623
Accumulated Depreciation Written Off to Gross Carrying Amount	(159)	(6,835)	-		-	(28)	-	(7,022)
Accumulated Impairment Written Off to Gross Carrying Amount	(210)	-	-		-	(1,507)	-	(1,717)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	143	9,755	-		-	159	-	10,057
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on	111	(239)	-		-	(212)	-	(340)
Derecognition-Disposals	(113)	(17,697)	(1,447)	-	-	(85)	(269)	(19,611)
Reclassified (to)/from Held for Sale	-	(95)	-		-	(366)	-	(461)
Reclassified (to)/from Investment Property	-	(880)	-		-	(5)	-	(885)
Other movements in Cost or Valuation	1,670	(468)	555	(252)	1,755	1,639	(4,897)	2
At 31 March 2023	12,330	151,291	43,209	81,067	7,843	8,778	10,696	315,214
Accumulated Depreciation and Impairment								
As at 1 April 2022	(420)	(6,699)	(30,678)		-	(2)	-	(37,799)
Depreciation Charge	(192)	(2,064)	(1,573)	(3,663)	-	(30)	-	(7,522)
Depreciation written out to the Revaluation Reserve	(28)	(1,200)	-		-	(12)	-	(1,240)
Accumulated Depreciation Written Off to Gross Carrying Amount	159	6,835	-		-	28	-	7,022
Accumulated Impairment Written Out to Gross Carrying Amount	44	-	-		-	67	-	111
Derecognition - Disposals	7	805	1,126		-	-	-	1,938
Reclassified (to)/from Held for Sale	-	7	-		-	-	-	7
Reclassified (to) / from Investment Property	-	78	-		-	-	-	78
Other movements in Depreciation and Impairment	-	67	-		-	(67)	-	-
At 31 March 2023	(430)	(2,171)	(31,125)	(3,663)	-	(16)	-	(37,405)
Net Book Value								
At 31 March 2023	11,900	149,120	12,084	77,404	7,843	8,763	10,696	277,810
Nature of Asset Holding								
Owned	11,900	149,120	11,224	77,404	7,843	8,763	10,696	276,950
Finance Lease	-	-	860	-	-	-	-	860
Total	11,900	149,120	12,084	77,404	7,843	8,763	10,696	277,810

The authority has determined in accordance with Regulation (30M) of the Local Authorities (Capital Finance and Accounting) (England and Wales)(Amendment) Regulations 2022 that the carrying amounts to be recognised for infrastructure assets when there is replacement expenditure is nil.

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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

Bus Shelters	15 years
Bridges	25 years
Car Parks / Traffic Calming	25 years
Classified Roads	25 years
Footpaths	25 years
General Improvement Areas	25 years
Greenways / Cycle Routes	25 years
Infrastructure	25 years
Misc Highways	25 years
Principal Roads	25 years
Street Lighting	25 years
Traffic Signals	25 years
Unclassified Roads	25 years
Roads and Sewers	25 years
Sea Walls	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 £7.043m (£3.656m in 2022/23) 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 capital grants of £6.574m (£3.471m in 2022/23), capital receipts of £0.373m (£nil in 2022/23), corporate resources £nil (£0.053 in 2022/23) and prudential borrowing of £0.096m (£0.132m in 2022/23).

Capital Commitments

At 31st March 2024 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant & Equipment in 2024/25 and future years. The commitments are:

Scheme	Total Project Budget	Expenditure over Years to 31 March 24	Commitment
	£000s	£000s	£000s
Highlight	34,650	3,724	30,926
Hill View, Greatham Housing Scheme	2,168	2,109	59
Crematorium Refurbishment	844	308	536
The Star Centre	700	257	443

Surplus Assets - Fair Value Disclosures

Details of the authority's surplus assets and information about the fair value hierarchy at 31 March 2024 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 2024
	£000s	£000s	£000s	£000s
Recurring fair value measurements using:				
Surplus Assets	-	5,194	2,666	7,860
Total	-	5,194	2,666	7,860

No properties transferred between Level 3 and Level 2 during the year.

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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 2022/23. In 2023/24 the estimation of the fair value of the Council's Surplus Assets is based on Fair Value Market Value.

Revaluations

The Council carries out a rolling programme that ensures that all property, plant and equipment is revalued at least every five years. All 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 fair values unless otherwise noted in the valuation reports are:

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

The following statement shows the progress of the Council's rolling programme for the revaluation of non current assets. The basis for the valuation is set out in the Statement of Accounting Policies.

Operational Assets

	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Surplus Assets £000s	Total £000s
Valued at Historical Cost	-	-	11,372	-	11,372
Valued at fair value as at:					
<u>Current Year</u>					
2023/2024	14,364	63,890	-	3,311	81,565
2022/2023	-	61,167	-	769	61,936
2021/2022	-	621	-	3,691	4,312
2020/2021	-	112	-	87	199
2019/2020	-	16,661	-	-	16,661
Total	14,364	142,451	11,372	7,858	176,045

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

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

2022/23 £000s		2023/24 £000s
1,641	Council Dwellings	1,719
60,616	Other Land & Buildings	60,874
7	Community Assets	7
3,967	Surplus Assets	3,759
1,580	Investment Properties	1,590
7,451	Heritage Assets	8,487
43	Assets Held for Sale	-
75,305		76,436

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:

2022/23 £000s		2023/24 £000s
(894)	Rental income from investment property	(702)
163	Direct operating expenses arising from investment property	241
(731)	Net (gain)/loss	(461)

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:

2022/23 £000s		2023/24 £000s
9,804	Balance at the start of the year	9,828
114	Additions: Subsequent expenditure	-
(896)	Net Gains/(Losses) from fair value adjustments	(323)
807	Transfers: (To)/from Property, Plant & Equipment	10
9,828	Balance at the end of the year	9,515

SECTION 3 : Statement of Accounts

Note 16: Non Current Assets - Investment Property

Investment Property - Fair Value Disclosures

Details of the Council's investment properties and information about the fair value hierarchy at 31 March 2024 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 2024
<i>Recurring fair value measurements using:</i>	£000s	£000s	£000s	£000s
Office Units	-	288	1,250	1,538
Commercial Units	-	6,905	1,072	7,977
Total	-	7,193	2,322	9,515

Two properties transferred from Level 3 to Level 2 during the year. This occurred because a greater degree of valuer judgement was employed in this valuation, owing to an increase in the comparable properties. There were no other transfers between levels during the year.

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:

2023/24	Museum Exhibits & Art Collection	Civic Collection	Sculptures, Monuments & War Memorials	Total
Cost or Valuation	£000s	£000s	£000s	£000s
At 1 April 2023	16,002	354	1,411	17,767
Additions	7	-	-	7
Disposals	-	-	-	-
Revaluations	929	107	-	1,036
At 31 March 2024	16,938	461	1,411	18,810

2022/23	Museum Exhibits & Art Collection	Civic Collection	Sculptures, Monuments & War Memorials	Total
Cost or Valuation	£000s	£000s	£000s	£000s
At 1 April 2022	15,986	354	1,411	17,751
Additions	16	-	-	16
Disposals	-	-	-	-
Revaluations	-	-	-	-
At 31 March 2023	16,002	354	1,411	17,767

Museum Exhibits & The Art Collection

The Council's Museum Service possesses a 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.

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. In 2023/24, a collection of Hartlepool Photographs & a folklore print were acquired for £0.007m.

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. The Books of Remembrance have been included within the Civic Collection and are held at Historic Cost. The collection was revalued in 2023/24.

Valuation of the Collections

Although there is no requirement to have Heritage assets externally valued, an external valuation was completed during 2023/24. The External Valuers Anderson & Garland Ltd carried out an insurance based valuation of the assets. Museum exhibits and Works of Art were valued at £14.721m (other items not valued £2.217m) and £0.389m for the Civic Collection (Books of Remembrance historic cost £0.072m).

Sculptures, Monuments & War Memorials

The Council has recorded eleven Public Works of Art, nine Sculptures and six War Memorials which are considered to principally contribute towards this category of asset.

Policy and Management

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

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Note 18: Non Current Assets - Intangible Assets

The Authority accounts for its software as intangible assets and includes the purchase of software licences.

All software is given a finite useful life of 5 years. This is based on the assessment of the period that the software is expected to be of use to the Authority and is in line with the Authority's accounting policy.

The carrying amount of intangible assets is amortised on a straight line basis. No amortisation is recognised in the year of purchase. Amortisation of £0.125m (£0.152m in 2022/23) was charged to Corporate in the Comprehensive Income and Expenditure Statement.

The movement on intangible asset balances during the year is as follows:

2022/23 £000s		2023/24 £000s
	Balance at the start of the year	
706	Gross carrying amounts	706
(429)	Accumulated amortisation	(581)
277	Net carrying amount at end of year	125
-	Additions	-
(152)	Amortisation for the period	(125)
125	Net carrying amount at end of year	-
	Comprising	
706	Gross carrying amounts	706
(581)	Accumulated amortisation	(706)
125	Net carrying amount at end of year	-

Note 19: Long Term Investments

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

2022/23 £000s		2023/24 £000s
-	Teesside International Airport Ltd	-
75,745	Net Pensions Asset	-
75,745		-

The Council owns 1.1% of the shares in Teesside International Airport Ltd. The shares have been valued at nil for 2023/24 (nil 2022/23).

Net Pension Asset has moved from a Asset to a Liability, further details are included in Note 45 Defined Benefits Pension Schemes.

Further details of the Council's long term investments are included in Note 31 Related Party Transactions.

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Note 20: Long Term Debtors

This note sets out the value of Long Term Debtors held by the Council at 31 March 2024.

2022/23 £000s		2023/24 £000s
6	Housing Advances	6
77	Trincomalee Trust Loan and Advances	77
87	Car Loans to Employees	39
567	NDC Trust Loan	561
1,098	Northern School of Art	1,031
267	Suez Recycling and Recovery Tees Valley Limited	-
1,306	Other	1,302
3,408		3,016

Note 21: Inventories

This note sets out the value of inventories held by the Council at 31 March 2024.

2022/23 £000s		2023/24 £000s
549	Balance at 1 April	507
1,177	Purchases	1,093
(1,217)	Recognised as an expense in year	(1,037)
(11)	Written off balances	(3)
8	Written back balances	8
506	Balance at 31 March	568

Note 22: Short Term Debtors

This note sets out amounts owed to the Council as at 31 March 2024.

2022/23 £000s		2023/24 £000s
5,371	Central Government Bodies	5,163
3,523	Other Local Authorities	6,477
1,960	NHS Bodies	1,465
	Bodies external to general government:	
4,089	General and Other Debtors	4,529
4,439	Payments in Advance	7,685
9,936	Council Tax Payers	10,832
681	NNDR Payers	288
1,888	Trade Debtors	3,608
31,887		40,047

The above debtor figures are net of an impairment allowance of £9.283m (£8.651m as at 31 March 2023).

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Note 23: Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

2022/23 £000s		2023/24 £000s
3,995	Less than 1 year	4,181
12,129	More than 1 year	13,154
<u>16,124</u>		<u>17,335</u>

The above analysis does not include bad debt provision of £6.215m (£5.507m in 2022/23).

Note 24: 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.

2022/23 £000s		2023/24 £000s
1,077	Assets	66
7,077	Bank and Imprests	9,849
<u>8,154</u>	Liquidity Investment Accounts	<u>9,915</u>
	Liabilities	
(3,665)	Bank Overdraft	(6,273)
<u>4,489</u>		<u>3,642</u>

Note 25: 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.

2022/23 £000s		2023/24 £000s
365	Balance at 1 April	446
454	Assets newly classified as Held for Sale:	-
	Property, Plant and Equipment	
	Assets declassified as Held for Sale:	
	Property, Plant and Equipment	(80)
(8)	Revaluation losses	-
(365)	Asset sold	(366)
<u>446</u>	Balance outstanding at year-end	<u>-</u>

Note 26: Short Term Creditors

This note sets out amounts owed by the Council as at 31 March 2024.

2022/23 £000s		2023/24 £000s
6,503	Central Government Bodies	7,388
3,049	Other Local Authorities	1,750
461	NHS Bodies	221
	Bodies external to General Government:	
7,123	General and Other Creditors	7,957
4,035	Trade Creditors	3,895
3,035	Employee Absences	4,901
1,568	Income in Advance	1,048
1,074	Council Tax Payers	905
365	NNDR Payers	328
<u>27,213</u>		<u>28,393</u>

SECTION 3 : Statement of Accounts

Note 27: Provisions

Total provisions at 31 March 2024, were £3.752m (£3.250m in 2022/2023), as detailed below.

Current Liabilities

		2023/24			Total
		Other (Note 1)	Rating Appeals (Note 2)	MMI Insurance (Note 3)	
		£000s	£000s	£000s	£000s
2022/23					
£000s					
2,485	Balance at 1 April	603	1,483	-	2,086
357	Additional provisions made in year	55	646	-	701
(706)	Amounts used in year	(198)	-	-	(198)
-	Transfer in Year	-	-	-	-
(50)	Unused amounts reversed in year	-	-	-	-
2,086	Balance at 31 March	460	2,129	-	2,589

Long Term Liabilities

		2023/24		Total
		Contaminated Land (Note 4)	MMI Insurance (Note 3)	
		£000s	£000s	£000s
2022/23				
£000s				
1,153	Balance at 1 April	634	530	1,164
50	Additional provisions made in year	-	-	-
(40)	Amounts used in year	-	-	-
-	Transfers in Year	-	-	-
-	Unused amounts reversed in year	-	-	-
1,163	Balance at 31 March	634	530	1,164

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 run down of the company. MMI do not have enough assets to meet the claims and liabilities currently outstanding. The Scheme of Arrangement provides that, if there is a likelihood of a shortfall, MMI can reclaim from the major policyholders part of the claims paid from 1st 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 £0.529m provision in the accounts for these liabilities.

Note 4 - 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 28: Other Long Term Liabilities

The Council previously acquired it's IT and telecommunications equipment under finance leases as part of the contract with NEC. The new contract starting in 2023/24 resulted in the termination of the previous embedded lease arrangements with transfer of ownership of the assets to the Council. The Council enters into Section 38 agreements with developers in relation to the construction of new roads and infrastructure on residential or industrial estates. The liability reflects payments in advance for inspection, supervision and related works undertaken by the Council prior to the adoption of these assets. The Pension liability was previously an asset , see note 45 for further details.

2022/23 £000s		2023/24 £000s	Note
664	Finance lease liability	-	35
-	Section 38 Liability	923	
	Net Pensions Liability	7,770	45
<u>664</u>		<u>8,693</u>	

Note 29: 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 2023/24.

RESTATED 2022/23 £000s		2023/24 £000s
46,241	Council Tax Income	49,333
15,235	Business Rates Income	14,591
10,525	NNDR - Top-Up	11,910
8,193	Revenue Support Grant	9,243
4,345	Business Rates Relief	6,870
1,964	Local Services Support Grant	1,152
492	New Homes Bonus Grant	447
-	Capital - Levelling Up	4,430
6,528	Capital - Tees Valley Combined Authority	6,371
6,698	Capital - DLUHC	9,188
1,508	Capital - Other Capital Grants & Contributions	2,853
396	Capital - Devolved Formula Capital Grant	781
175	Capital - Homes England	693
-	Capital - Section 106	638
20	Capital - Other DfE Grants	-
1	Capital - Environment Agency	-
<u>102,321</u>	Total	<u>118,500</u>

The 2022/23 comparators in the above note have been restated to reflect the reclassification of a Capital Grant Received in Advance of £6.698m to a Capital Grant Unapplied owing to clarification of terms and conditions of the grant.

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Note 29: Grant Income & Taxation

Credited to Services

2022/23 £000s		2023/24 £000s
42,169	Dedicated Schools Grant	42,818
23,950	Housing Benefit Subsidy	24,803
2,941	Other Department for Education Grants	10,044
9,360	Public Health Grant	9,666
5,407	Social Care Support Grant	9,001
8,493	Better Care Fund	8,974
4,574	Other Grants	6,595
5,358	Improved Better Care Fund (iBCF)	5,358
3,517	Youth Employment Initiative	2,684
2,833	Pupil Premium	2,637
1,427	Home Office	2,090
1,986	Household Support Fund	1,986
338	Adult Social Care - Market Sustainability Grant	1,936
3,466	Department for Levelling Up, Housing and Communities	1,885
1,149	Disabled Facility Grant	1,651
944	Department of Health Grants	923
418	Adult Social Care - Discharge Grant	751
630	Supporting Families	673
464	Housing Benefit and Local Council Tax Support Administration Grants	471
423	Department for Work & Pensions	467
708	Other COVID-Related Grants	389
1,720	Education and Skills Funding Agency	37
109	Contain Outbreak Management Fund	9
582	Independent Living Fund	-
122,966	Total	135,848

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)

RESTATED 2022/23 £000s		2023/24 £000s
1,272	Tees Valley Combined Authority	2,339
2,003	Other Department for Education Grants	2,150
748	Section 106/278	1,912
1,506	Other Capital Grants & Contributions	819
450	Disabled Facilities Grant	103
1	Environment Agency	506
5,980	Total	7,829

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Grant Receipts in Advance (Revenue Grants)

2022/23 £000s		2023/24 £000s
1,192	Other Department for Education	1,334
358	Tees Valley Combined Authority	905
280	Other Grants	256
303	Education and Skills Funding Agency	206
472	Youth Employment Initiative	-
419	Home Office	-
9	COVID 19 - Contain Outbreak Management Fund	-
3,033	Total	2,701

Long-Term Liabilities

Grant Receipts in Advance (Capital Grants)

RESTATED 2022/23 £000s		2023/24 £000s
4,712	Section 106	7,658
382	Devolved Formula Capital Grant (DfE)	102
1,324	Other Department for Education Grants	1,195
330	Other Capital Grants & Contributions	432
808	Tees Valley Combined Authority	-
186	Environment Agency	-
7,742	Total	9,387

In line with the Code, the 2022/23 comparators in the above note have been restated to split Capital Grants Received in Advance between Current Liabilities and Long Term Liabilities.

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Note 30: Unusable Reserves

The Unusable Reserves are shown below.

2022/23 £000s		2023/24 £000s	Table
75,305	Revaluation Reserve	76,436	1
118,721	Capital Adjustment Account	112,891	2
75,745	Pensions Reserve	(7,770)	3
366	Deferred Capital Receipts Reserve	366	4
113	Collection Fund Adjustment Account	984	5
(3,035)	Accumulated Absences Account	(4,901)	6
-	Financial Instruments Revaluation Reserve	-	7
-	Dedicated Schools Grant Adjustment Account	(1,589)	8
267,215		176,417	

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.

2022/23 £000s		2023/24 £000s
74,854	Balance at 1 April	75,305
12,844	Upward revaluation of assets	10,766
(2,787)	Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	(3,325)
10,057	Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	7,441
(1,411)	Difference between fair value depreciation and historical cost depreciation	(1,290)
-	Write off of Revaluation Reserve following Category Transfer	-
(8,195)	Accumulated gains/(losses) on assets sold, scrapped or decommissioned	(5,020)
(9,606)	Amount written off to the Capital Adjustment Account	(6,310)
75,305	Balance at 31 March	76,436

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Table 2 -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.

2022/23 £000s		2023/24 £000s
126,133	Balance at 1 April	118,721
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(10,518)	- Charges for depreciation and impairment of non-current assets	(12,133)
(349)	- Revaluation gains/(losses) on Property, Plant and Equipment	(2,617)
(3,656)	- Revenue expenditure funded from capital under statute	(7,043)
(18,039)	- 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	(15,753)
-	- Reversal of Lease Liability	874
(32,562)		(36,672)
9,606	Adjusting amounts written out of the Revaluation Reserve	6,309
(22,956)	Net written out amount of the cost of non-current assets consumed in the year	(30,363)
	Capital financing applied in the year:	
73	- Use of the Capital Receipts Reserve to finance new capital expenditure	1,338
210	- Use of the Major Repairs Reserve to finance new capital expenditure	45
13	- Use of the Capital Receipts Reserve to repay prudential borrowing	350
12,072	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	19,035
-	- Application of grants to capital financing from the Capital Grants Unapplied Account	1,415
2,865	- Statutory provision for the financing of capital investment charged against the General Fund	2,648
1,207	- Direct revenue funding credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	25
16,440		24,856
(896)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(323)
118,721	Balance at 31 March	112,891

SECTION 3 : Statement of Accounts

Table 3 - 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 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.

2022/23 £000s		2023/24 £000s
(129,546)	Balance at 1 April	75,745
222,328	Remeasurement of defined liability on pensions assets and liabilities	(83,604)
	Net Acquisition/(disposal) of pensions assets and liabilities	
(24,652)	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	(8,121)
7,615	Employer's pensions contributions and direct payments to pensioners payable in the year	8,210
<u>75,745</u>	Balance at 31 March	<u>(7,770)</u>

Table 4 - Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current 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.

2022/23 £000s		2023/24 £000s
366	Balance at 1 April	366
-	Transfers in Year	-
<u>366</u>	Balance at 31 March	<u>366</u>

Table 5 - 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.

2022/23 £000s		2023/24 £000s
(5,210)	Balance at 1 April	113
5,323	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	871
<u>113</u>	Balance at 31 March	<u>984</u>

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Table 6 - 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 2024. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2022/23 £000s		2023/24 £000s
(4,805)	Balance at 1 April	(3,035)
4,805	Settlement or cancellation of accrual made at the end of the preceding year	3,035
(3,035)	Amounts accrued at the end of the current year	(4,901)
1,770	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	(1,866)
<u>(3,035)</u>	Balance at 31 March	<u>(4,901)</u>

Table 7 - Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income. 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.

2022/23 £000s		2023/24 £000s
197	Balance at 1 April	-
(197)	Transfer from the Available for Sale Financial Instrument Account	-
<u>-</u>	Balance at 31 March	<u>-</u>

The 2018/19 Code of Practice on Local Authority Accounting adopted IFRS 9 Financial Instruments. As a result of the implementation of IFRS 9, the Available for Sale Financial Instruments Reserve was decommissioned and the balance held transferred to the Financial Instruments Revaluation Reserve.

Table 8 - Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant adjustment account holds accumulated deficits relating to the schools budget. Where the authority has incurred a deficit on its schools budget in years beginning 1 April 2020 ending 31 March 2026, the Local Authorities (Capital Finance and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in this adjustment account.

The authority recognised a deficit against the Dedicated Schools Grant for the first time in 2023/24 so recorded the deficit as an unusable reserve in line with the regulations.

2022/23 £000s		2023/24 £000s
-	Balance at 1 April	-
-	In year Dedicated Schools Grant Deficit	(1,589)
<u>-</u>	Balance at 31 March	<u>(1,589)</u>

Note 31: 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 2024, are shown in Note 29.

Members

Members of the Council have direct control over the Council's Financial and Operating Policies. The total of Members' allowances paid in 2023/24 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.

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 Executive Leadership Team are required to provide an annual declaration of interest and to keep this under review during the year. All declarations have been reviewed.

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

In 2023/24 the Council provided services to Cleveland Fire Authority amounting to £0.221m. This included various support services, predominantly in relation to financial services, for which the Council received net income of £0.180m (£0.197m in 2022/2023). The Director of Resources and Development held the position of Treasurer for the Fire Authority until the 31st May 2023.

The Council continues to provide a range of support services to Thirteen Group such as Legionella Management. The income from these services amounted to £0.093m (£0.051m in 2022/23) 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. Sales in 2023/24 amounted to £0.153m (£0.116m in 2022/23).

The Council provides a range of Support Services to Hartlepool Academies, including Property Services, Payroll Services, Building Cleaning and School Catering. The income from these services amounted to £5.105m (£4.769m in 2022/23).

The Council delivers the Childrens Hub on behalf of Stockton-On-Tees Borough Council. 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, Harrogate and District NHS Trust and Children and Adolescence Mental Health Services (CAMHS). Stockton Council contributed £0.822m, (£0.785m in 2022/2023) towards the cost of this service.

The Hartlepool and Stockton Local Safeguarding Children Partnership (HSSCP) is a multi-agency partnership involving both Local Authority's, the Integrated Care Board (ICB) and Cleveland Police to co-ordinate their safeguarding services and act as a strategic leadership group. In 2023/24 Stockton Council contributed £0.091m (£0.091m in 2022/23), the ICB £0.065m (£0.065m 2022/23) and the Police and Crime Commissioner (PCC) £0.065m (£0.065m in 2022/23).

The Council provides cyclical maintenance and other construction services to Middlesbrough Council. The income from these services amounted to £0.077m. (£0.071m in 2022/23)

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Other

The Council holds minority shares in Teesside International Airport Ltd.

The Council's shareholding in Teesside International Airport is 1.1%. The Council has assessed a number of factors in detail and determined the valuation of the shares at £nil for 2023/24 (£nil in 2022/23).

Issues of note include a deficit on the Profit and Loss Account of £4.456m (previous year deficit of £11.883m) and a net liability position of £14.496m (previous year net asset position of £10.039m). Further information and copies of their accounts are available from their Registered Office – Teesside International Airport Limited, Darlington, Durham, DL2 1 LU.

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

Note 32: External Audit Costs

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

2022/23 £000s		2023/24 £000s
122	Fees payable in respect of external audit services carried out by the appointed auditor for the year	295
20	Fees payable for the certification of grant claims and returns for the year	22
<u>142</u>		<u>317</u>

The above totals for fees payable in respect of external audit services carried out by the appointed auditor in 2022/23 and 2023/24 are based on estimates.

SECTION 3 : Statement of Accounts

Note 33: Dedicated Schools Grant

The Council's expenditure on schools is primarily funded by grant monies provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). The ESFA 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 2023. 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 2023/24 are as follows: -

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2023/24 before academy and high needs recoupment			102,283
Academy and high needs figure recouped for 2023/24			59,465
Total DSG after academy and high needs recoupment for 2023/24			42,818
Plus: Brought Forward from 2022/23			734
Less: Carry forward to 2023/24 agreed in advance			(734)
Agreed Initial Budget Distribution in 2023/24	22,276	20,542	42,818
In Year Adjustments	(13)	8	(5)
Final Budget Distribution for 2023/24	22,263	20,550	42,813
Less: Actual Central Expenditure	(24,210)		(24,210)
Less Actual Individual Schools Budget Deployed to Schools		(20,926)	(20,926)
Plus Local authority contribution for 2023/24	-	-	-
In-year carry forward to 2024/25	-	-	(2,323)
Plus: Carry-Forward to 2024/25 agreed in advance	-	-	734
Carried forward to 2024/25	(1,947)	(376)	(1,589)
DSG unusable reserve at the end of 2022/23	-	-	-
Addition to DSG unusable reserve at the end of 2023/24	-	-	(1,589)
Total of DSG unusable reserve at the end of 2023/24	-	-	(1,589)
Net DSG position at the end of 2023/24	-	-	(1,589)

The authority has moved to an overall deficit position on Dedicated School Grant reserves for the first time in 2023/24.

The total DSG for 2023/24 of £102.283m excludes the final adjusted allocation for the Early Years Block that is expected in June 2024. As per regulations, this amount is shown as an in-year adjustment for 2023/24.

Individual School Budgets were reduced by £0.008m in 2023/24 to reflect permanently excluded pupils and the clawback of pupil funding permitted by the regulations. The reduction is included within the value of in-year adjustments.

Schools' Forum approved a transfer of £0.139m from the Central School Services Block to the Schools Block in 2023/24.

SECTION 3 : Statement of Accounts

Note 34: Operating Leases

The Council has acquired a number of administrative buildings and vehicles for staff 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

<u>2022/23</u> <u>£000s</u>	Future minimum lease payments due	<u>2023/24</u> <u>£000s</u>
194	Not later than one year	220
111	Later than one year & not later than five years	182
19	Later than five years	11
<u>324</u>		<u>413</u>

Council as lessor

<u>2022/23</u> <u>£000s</u>	Future minimum lease payments receivable	<u>2023/24</u> <u>£000s</u>
1,858	Not later than one year	678
988	Later than one year & not later than five years	1,758
1,155	Later than five years	2,008
<u>4,001</u>		<u>4,444</u>

The Authority 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.
- for the provision of housing accommodation as a result of leasing 22 of its renovated former empty properties to Mears, 10 to Community Campus, 3 to Nacro and 6 to New Walk.

The Council no longer sub-lets Hartfields, which was previously held under an operating leases. At 31 March 2024 the minimum payments expected to be received under non-cancellable sub-leases was £nil (£0.020m as at 31 March 2023).

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

<u>2022/23</u> <u>£000s</u>		<u>2023/24</u> <u>£000s</u>
	Payments recognised as an expense	
678	Minimum lease payments	682
(112)	Sub-lease payments	(132)
<u>566</u>	Total	<u>550</u>

SECTION 3 : Statement of Accounts

Note 35: Finance Leases

The Council previously acquired its IT and telecommunications equipment under finance leases as part of the contract with NEC. The new contract starting in year, resulted in the termination of the previous embedded lease arrangements with transfer of ownership of the related assets to the Council.

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

2022/23 £000s		2023/24 £000s
	Value of Assets held under Finance Leases	
860	Vehicles, Plant & Equipment	-
860	Total	-

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property 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:

2022/23 £000s		2023/24 £000s
	Future minimum lease payments due	
210	Current	-
664	Non-current	-
119	Finance costs payable in the future	-
993	Total minimum lease payments	-

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

2022/23			2023/24	
Minimum Lease Payments £000s	Finance Lease Liabilities £000s		Minimum Lease Payments £000s	Finance Lease Liabilities £000s
254	210	Payable:	-	-
739	664	Not later than one year	-	-
		Later than one year & not later than five years		
993	874	Total	-	-

SECTION 3 : Statement of Accounts

Note 36: Capital Expenditure and Financing

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

2022/23 £000s		2023/24 £000s
112,761	Brought Forward Opening Capital Financing Requirement	113,660
	Capital investment	
13,623	Property, Plant and Equipment	17,663
114	Investment Properties	-
16	Heritage Assets	7
3,656	Revenue Expenditure Funded from Capital under Statute	7,043
(70)	Long Term Debtors	(73)
	Other Movements	
0	Writing out lease Liability	(874)
	Sources of Finance	
(12,072)	Government Grants and Other Contributions	(18,382)
-	Grant to repay Borrowing	(343)
-	Application of Capital Grant from the Capital Grants Unapplied Account	(1,415)
-	Application of Capital Grant to fund HRA Appropriation	(310)
(13)	Application of Capital Receipts to Repay Borrowing	(350)
(73)	Capital receipts	(1,338)
(210)	Major Repairs Reserve	(45)
	<u>Sums set aside from revenue:</u>	
(1,207)	Direct Revenue Contributions	(25)
(2,865)	Minimum Revenue Provision (MRP)	(2,648)
113,660	Closing Capital Financing Requirement	112,570
	Explanation of movements in year	
(13)	Application of Capital Receipts to Repay Borrowing	(350)
-	Application of Capital Grant to fund HRA Appropriation	(310)
-	Grant to repay Borrowing	(343)
(70)	Repayments by Long Term Debtors	(73)
559	Increase / (Decrease) in Finance Lease Obligations	(874)
3,288	Increase / (decrease) in borrowing unsupported by government financial assistance	3,508
(2,865)	Minimum Revenue Provision (MRP)	(2,648)
899	Increase/(decrease) in Capital Financing Requirement	(1,090)

SECTION 3 : Statement of Accounts

Note 37: Financial Instruments

Categories of Financial Instruments

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

31 March 2023			31 March 2024	
Long Term	Current		Long Term	Current
£000s	£000s		£000s	£000s
		Investments at Amortised Cost		
-	50,896	Loans and receivables at Amortised Cost	-	43,873
-	7,077	Liquidity Accounts included in Cash Equivalents	-	9,849
-	57,973	Total Investments at Amortised Cost	-	53,722
-	-	Assets at Fair Value through Other Comprehensive Income (Note 1)	-	-
-	57,973	Total Investments	-	53,722
		Debtors		
3,407	9,121	Financial Assets (including Trade Debtors and General and Other Debtors and Long Term Debtors)	3,016	11,205
3,407	9,121	Total debtors	3,016	11,205
		Borrowings at Amortised Cost		
88,933	6,405	Financial liabilities at amortised cost (Note 2)	82,837	1,418
88,933	6,405	Total Borrowings at Amortised Costs	82,837	1,418
		Other Long Term Liabilities		
663	210	Finance lease liabilities	-	-
663	210	Total Other Long Term Liabilities	-	-
		Creditors		
-	11,158	Financial liabilities carried at contract amount (Trade Creditors and General and Other Creditors)	-	11,851
-	11,158	Total Creditors	-	11,851

Note 1 - The Council holds minority shares in Teesside International Airport Ltd. These share holdings originated through policy initiatives with other Local Authorities and are not held for trading or income generation. Therefore the Council have elected to designate the equity as Fair Value through Other Comprehensive Income.

Note 2 - 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 37: Financial Instruments

Income, Expense, Gains and Losses

This note comprises details of income, expenses and revaluation losses that relate specifically to financial instruments. Interest expense, 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.

2023/24			
Financial Liabilities measured at amortised cost	Finance Lease Payments	Financial Assets: Loans and receivables at amortised cost	Total
£000s	£000s	£000s	£000s
Interest expense	3,199	-	3,199
Interest income	-	(3,076)	(3,076)
Net (gain)/loss for the year	3,199	(3,076)	123

2022/23			
Financial Liabilities measured at amortised cost	Finance Lease Payments	Financial Assets: Loans and receivables at amortised cost	Total
£000s	£000s	£000s	£000s
Interest expense	3,119	21	3,140
Interest income	-	(1,188)	(1,188)
Net (gain)/loss for the year	3,119	(1,188)	1,952

SECTION 3 : Statement of Accounts

Note 37: 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 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; and,
- 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 2023			31 March 2024	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000s	£000s		£000s	£000s
Financial Liabilities				
67,028	65,940	Market Loans	56,672	53,900
27,872	27,583	Public Works Loan Board	27,134	25,256
438	155	Non-Market Loans	449	142
11,158	11,158	Trade Creditors and General and Other Creditors	11,851	11,851
663	663	Long Term Finance Lease Liability	-	-
107,159	105,499		96,106	91,149
31 March 2023			31 March 2024	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000s	£000s		£000s	£000s
Financial Assets				
57,973	57,973	Money market loans < 1 year	53,722	53,722
9,121	9,121	Short term debtors	11,205	11,205
3,407	3,407	Long term debtors	3,015	3,015
70,501	70,501		67,942	67,942

Note 37: Financial Instruments

The fair value of Public Works Loan Board (PWLB) loans of £25.256m 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 £27.134m would be valued at £22.761m. But, if the Council were to seek to realise the projected gain by repaying the loans to the PWLB, the PWLB would give a discount for the reduced interest income that will be avoided. The exit price for the PWLB loans would be the outstanding loan debt and accrued interest of £27.134m less a discount for the reduced interest income of £1.879 totalling £27.583m.

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional gain (based on economic conditions at 31 March 2024) arising from a commitment to pay interest to lenders below current market rates.

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

Financial Assets Measured at Fair Value through Other Comprehensive Income

Some of the authority's financial assets are measured in the balance sheet at fair value through Other Comprehensive Income. As these share holdings originated through policy initiatives with other Local Authorities and are not held for trading or income generation the Council have elected to designate the equity as Fair Value through Other Comprehensive Income. These assets are described in the following table which includes 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 2023	31 March 2024
			£000s	£000s
Equity shareholdings in Teesside International Airport Ltd	Level 3	Based on various factors including reviewing the Business Plan, passenger numbers and historic performance (see below)	-	-
			-	-

Equity shareholdings in Teesside International Airport Ltd

The Authority's shareholding in Teesside International 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 Council has assessed a number of factors in detail to determine the valuation of these shares. At present the Council has determined to value these shares at nil.

Changes in Valuation Technique

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

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

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

- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.
- credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- re-financing risk - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - the Council's overall borrowing;
 - its maximum and minimum exposures to the maturity structure of its debt;
 - its maximum and minimum exposures to fixed and variable rates;
 - its management of interest rate exposure; and,
 - 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 2023 and is available on the Council website. The key issues within the strategy were:

- the Authorised Limit for 2023/24 was set at £146m (£163m in 2022/23). This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £136m (£153m in 2022/23). 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 100% and 100% respectively (100% and 100% respectively in 2022/23).
- the maximum amount of gross variable interest rate exposure for borrowing and investments was set at 75% and 100% respectively (75% and 100% respectively in 2022/23).

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

Note 38: 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.

Credit 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 now operates a very restricted counterparty list which is actively managed to reflect continued developments in the banking and financial sector.

The Investment Strategy for 2023/24 was approved by Full Council on 23 February 2023 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £48.848m 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 31 March 2024 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.

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.

Amounts Arising from Expected Credit Losses

The following analysis summarises the Council's changes in loss allowances i.e. bad debt provision for Debtors. The Council has made no loss allowance for other financial assets as the Council has assessed that any risk of default in relation to borrowers are not material.

	Asset Class:
	Debtors
	(Financial
	Assets)
	£000
Opening balance	(3,144)
Amounts written off	187
Changes in Impairment of Financial Assets	(111)
Closing balance	<u>(3,068)</u>

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

The Council does not generally allow credit for customers, such that £4.967m of the £11.205m Debtors (Financial Assets) balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31 March 2023 £000s		31 March 2024 £000s
1,875	Less than three months	2,445
533	Three to six months	499
464	Six months to one year	476
984	More than one year	1,547
3,856		4,967

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the maturity structure of its fixed rate borrowing during specified periods. The limits have been set to enable maximum flexibility as experience has shown it is possible to move from 100% long term borrowing to 100% short term borrowing and then back to 100% long term borrowing over a period of two years. Therefore the lower limit was set to nil and the upper limit to £136m, equal to the operational boundary.

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

31 March 2023 £000s		31 March 2024 £000s
6,022	Less than one year	1,113
4,182	Between one and five years	5,122
4,357	Between five and ten years	5,898
3,172	Between ten and fifteen years	4,664
2,200	Between fifteen and twenty years	4,328
2,473	Between twenty and twenty-five years	4,913
3,378	Between twenty-five and thirty years	6,136
6,815	Between thirty and thirty-five years	9,518
17,739	Between thirty-five and forty years	1,764
243	Between forty and forty-five years	217
45,038	More than forty-five years	40,000
95,619		83,673

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.

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Note 38: 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 proportion of the Council's long term borrowing (£15m) 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 view of the Director of Finance, IT & Digital 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 2024, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000s
Increase in interest receivable on variable rate investments	537
Increase in interest payable on borrowings	843
Impact on Surplus or Deficit on the Provision of Services	1,380
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Comprehensive Income and Expenditure Statement)	12,170

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

Price Risk

The Council, excluding the pension fund, does not invest in equity shares but does have shareholdings in Teesside International Airport Ltd. These shares are all classified as Assets at Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation 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.

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Note 39: Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2022/23 £000s		2023/24 £000s
1,203	Interest Received	3,090
(2,922)	Interest Paid	(2,911)

Note 40: 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:

2022/23 £000s		2023/24 £000s
8,914	Depreciation	9,060
1,953	Impairment and Downward Valuations	5,690
896	Downward / (Upward) Valuation of Investment Property	-
(390)	Increase / (Decrease) in Provisions	-
(1,570)	Increase / (Decrease) in Creditors	1,522
113	(Increase) / Decrease in Debtors	(4,621)
43	(Increase) / Decrease in Inventories	(62)
17,037	Pension Liability	(89)
197	Other non-cash items	1,847
18,039	Carrying amount of Non-Current Assets Sold	14,879
45,232		28,226

Note 41: 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:

2022/23 £000s		2023/24 £000s
(18,770)	Capital Grants credited to surplus or deficit on the provision of services	(29,956)
(1,114)	Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(647)
(3)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	7,009
(19,887)		(23,594)

Note 42: Cash Flow Statement - Investing Activities

2022/23 £000s		2023/24 £000s
(13,453)	Purchase of Property, Plant and Equipment and Investment Property	(17,750)
(10,881)	Purchase of Short-term and Long-term Investments	-
-	Other Payments for Investing Activities	-
1,114	Proceeds from the sale of property, plant and equipment, investment property	647
200	Proceeds from the sale of Short-term and Long-term Investments	-
20,127	Other Receipts from Investing Activities	30,109
(2,893)	Net cash flows from investing activities	13,006

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Note 43: Cash Flow Statement - Financing Activities

2022/23 £000s		2023/24 £000s
3,091	Council Tax and NNDR adjustment	203
4,094	Cash receipts from short and long term borrowing	-
-	Other receipts from financing activities	22
(347)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(210)
-	Repayments of short and long-term borrowing	(11,371)
6,838	Net cash flows from financing activities	(11,356)

Note 44: Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Business Services Ltd 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 undertaken as at 31 March 2020 and published on 26 October 2023. This increased the contribution rates from 1 April 2024. Prior to this the last valuation was effective from 1 September 2019.

The scheme has in excess of 12,300 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 31st March 2024, the Council's own contributions equate to approximately 0.03%.

The Council's contribution to the Teacher's Pension Scheme in 2023/24 amounted to £2.597m (£2.634m in 2022/23) which represented 23.68% of pensionable pay (including 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 £3.150m, this is based on 28.6% of pensionable pay (including a 0.08% administration levy).

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 2020 and determined current contribution rates for employers and scheme members. The scheme has nearly 7,900 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 31st March 2024, the Council's own contributions equate to approximately 0.001%.

The Council's contribution to the NHS Pension Scheme in 2023/24 amounted to £0.214m (£0.202m in 2022/23). This represented 20.68% of pensionable pay (including a 0.08% administration levy). The contributions due to be paid in the next financial year are estimated to be £0.246m. There were no contributions remaining payable at the year-end.

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.

Note 45: Defined Benefit Pension Schemes
Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and to disclose them at the time that employees earn their future entitlement.

The Council participates in The Local Government Pension Scheme, administered locally by Middlesbrough Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

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

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and HRA 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 and Housing Revenue Account 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	
	2022/23 £000s	2023/24 £000s	2022/23 £000s	2023/24 £000s	2022/23 £000s	2023/24 £000s
Comprehensive Income and Expenditure Statement						
Cost of Services:						
· Current Service cost	24,236	11,689	-	-	24,236	11,689
· Past Service Costs (inc. curtailments)	108	116	-	-	108	116
(Gain) / Loss from Settlements	(3,348)	(162)	-	-	(3,348)	(162)
Financing and Investment Income and Expenditure:						
· Net Interest Expense	3,404	(3,874)	252	352	3,656	(3,522)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	24,400	7,769	252	352	24,652	8,121
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)	7,087	(32,275)	-	-	7,087	(32,275)
· Actuarial (gains) and losses arising from changes in financial assumptions	(260,270)	(28,212)	(2,067)	(30)	(262,337)	(28,242)
· Actuarial (gains) and losses arising from changes in demographic assumptions	(4,275)	(2,902)	(86)	(65)	(4,361)	(2,967)
· Actuarial (gains) and losses owing to liability experience	36,462	15,229	821	498	37,283	15,727
Asset Ceiling Adjustment	-	131,361	-	-	-	131,361
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(196,596)	90,970	(1,080)	755	(197,676)	91,725

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Note 45: Defined Benefit Pension Schemes

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
	£000s	£000s	£000s	£000s	£000s	£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	(24,400)	(7,769)	(252)	(352)	(24,652)	(8,121)

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

· Employers' contribution payable to scheme	6,726	7,425	-	-	6,726	7,425
· Retirement Benefits payable to pensioners	-	-	889	785	889	785
Transfer from Pension Reserve	(17,674)	(344)	637	433	(17,037)	89

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	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
	£000s	£000s	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	493,150	496,889	7,800	7,770	500,950	504,659
Fair value of plan assets	(576,695)	(628,250)	-	-	(576,695)	(628,250)
Asset Ceiling Adjustment	-	131,361	-	-	-	131,361
Net liability arising from defined benefit obligation	(83,545)	-	7,800	7,770	(75,745)	7,770

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
	£000s	£000s	£000s	£000s	£000s	£000s
Opening fair value of assets	578,638	576,695	-	-	578,638	576,695
Interest Income on assets	15,453	27,145	-	-	15,453	27,145
Remeasurement gains/(losses):					-	-
· Return on plan assets (excl amount in net interest)	(7,087)	32,275	-	-	(7,087)	32,275
Other experience	-	-	-	-	-	-
Effect of Settlement	(3,600)	(430)	-	-	(3,600)	(430)
Contributions by the employer	6,726	7,425	889	785	7,615	8,210
Contributions by participants	3,474	3,746	-	-	3,474	3,746
Net benefits paid out	(16,909)	(18,606)	(889)	(785)	(17,798)	(19,391)
Closing fair value of assets	576,695	628,250	-	-	576,695	628,250

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
	£000s	£000s	£000s	£000s	£000s	£000s
Opening balance at 1 April	698,416	493,151	9,769	7,800	708,185	500,951
Current Service Cost	24,236	11,689	-	-	24,236	11,689
Interest Cost	18,857	23,271	252	352	19,109	23,623
Contributions from scheme participants	3,474	3,746	-	-	3,474	3,746
Remeasurement (gains)/losses:					-	-
· Actuarial (gains) and losses on liabilities - financial assumptions	(260,270)	(28,212)	(2,067)	(30)	(262,337)	(28,242)
· Actuarial (gains) and losses on liabilities - demographic assumptions	(4,275)	(2,902)	(86)	(65)	(4,361)	(2,967)
· Actuarial (gains) and losses on liabilities - experience	36,462	15,229	821	498	37,283	15,727
Past Service Costs (inc. curtailments)	108	116	-	-	108	116
Liabilities extinguished on settlements	(6,948)	(593)	-	-	(6,948)	(593)
Benefits paid	(16,909)	(18,606)	(889)	(785)	(17,798)	(19,391)
Closing balance at 31 March	493,151	496,889	7,800	7,770	500,951	504,659

Note 45: Defined Benefit Pension Schemes**Asset Ceiling**

Following the pensions valuation by the Council's actuary, Hymans Robertson LLP, the Council determined that the fair value of its pension plan assets outweighed the present value of the plan obligations at 31 March 2024 resulting in a pension plan asset. IAS 19 Employee Benefits requires that, where a pension plan asset exists, it is measured at the lower of:

- the surplus in the defined benefit plan and:
- the asset ceiling calculation

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The Council's actuary calculated the asset ceiling as the net present value of future service costs less net present value of future contributions. The Council has therefore limited the Pension asset recognised in its balance sheet to the asset ceiling, which was nil in 2023-24. The remaining represents the unfunded liabilities which are not included in the asset ceiling adjustment and any liabilities as a result of past contributions. The adjustment has been recognised within other comprehensive income and expenditure of the CIES.

Therefore, the asset ceiling calculation is as follows:

Based on the actuary's calculation as the asset ceiling is negative the net pension asset has been limited to £0m as the calculation indicates that no pension asset should be recognised. The adjustment taken through the CIES and movement in reserves to reflect the asset ceiling adjustment in the pension reserve of £131.361m.

High Court Ruling

In June 2023 the High Court ruled in the case of Virgin Media Limited v NTL Pension Trustees. The ruling was that certain pension scheme rule amendments were invalid if they were not accompanied by the correct actuarial confirmation. This ruling has potential implications for the local government pension scheme liabilities. Scheme actuaries are in the process of considering scheme rule amendments and locating actuarial confirmations. There remains uncertainty on the applicability of the case to the local government pension scheme schemes and the impact cannot be reliably estimated. There are also further legal actions that may be taken regarding the case. Management will continue to monitor this case and any potential impact on the local government pension scheme liabilities. No adjustments have been made to the accounts to reflect the ruling.

Local Government Pension Scheme Assets

The Local Government Pension Scheme's assets comprised:

	2022/23 £'000	2023/24 £'000
Equity investments	407,887	446,792
Property	50,641	62,217
Cash	38,384	22,820
Other Investments	79,783	96,421
	<u>576,695</u>	<u>628,250</u>

Basis for Estimating Assets and Liabilities

Assets/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 Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31st March 2022.

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Principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2022/23	2023/24	2022/23	2023/24
Long-term expected rate of return on assets in the scheme:				
Equities	4.75%	4.85%	-	-
Property	4.75%	4.85%	-	-
Government Bonds	4.75%	4.85%	-	-
Corporate Bonds	4.75%	4.85%	-	-
Cash	4.75%	4.85%	-	-
Other	4.75%	4.85%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	20.6	20.5	20.6	20.5
Women	23.7	23.5	23.7	23.5
Longevity at 65 for future pensioners:				
Men	21.5	21.3	-	-
Women	25.2	25.0	-	-
Other assumptions:				
Rate of inflation - CPI	2.95%	2.75%	2.95%	2.75%
Rate of general increase in salaries	3.95%	3.75%	-	-
Rate of increase in pensions - deferred and pensions in payment	2.95%	2.75%	2.95%	2.75%
Rate for discounting scheme liabilities	4.75%	4.85%	4.75%	4.85%

Sensitivity Analysis

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

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%)	(9,132)	9,132
Adjustment to Salary increase rate (+/- 0.1%)	470	(470)
Adjustment to Pension increase rate (+/- 0.1%)	8,826	(8,826)
Adjustment to Longevity (decrease/increase 1 year)	20,095	(20,095)

SECTION 3 : Statement of Accounts

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 116%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2025.

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

The Council anticipated to pay £8.415m expected contributions to the scheme in 2024/2025.

The weighted average duration of the defined benefit obligation for scheme members is 18 years in 2024/25 (18 years in 2023/24).

Note 46: Contingent Liabilities

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

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 47: 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 48: 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 1 April 2015 the Council entered into a pooled budget arrangement with NHS North East and Cumbria Integrated Care Board (ICB), formerly NHS Tees Valley 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 four national conditions associated with the BCF are:

- 1 That a BCF Plan, including at least the minimum contribution to the pooled fund specified in the BCF allocations, must be signed off by the Health & Well Being Board and by the constituent LAs and ICBs;
- 2 A demonstration of how the area will maintain in real terms the level of spending on social care services from the ICB minimum contribution to the fund in line with inflation;
- 3 That a specific proportion of the area's allocation is invested in NHS-commissioned out-of-hospital services, or retained pending release as part of a local risk sharing agreement; and
- 4 Implementation of the High Impact Change Model for Managing Transfer of Care to support system-wide improvements in transfers of care.

The pooled budget is made up of ICB funding as well as local government grants, including the Improved Better Care Fund (iBCF) and the Adult Social Care Discharge Grant.

Revenue Pooled Budget

2022/23 £000s		2023/24 £000s
	Revenue Funding provided to the Pooled Budget:	
(993)	Balance brought forward	(501)
(5,358)	Hartlepool Borough Council - Improved Better Care Fund (iBCF)	(5,358)
(418)	Adult Social Care Discharge Grant	(751)
(439)	ICB Discharge Grant	(483)
(8,493)	NHS North East and North Cumbria ICB	(8,974)
-	NHS North East and Cumbria ICB - Additional Contribution	
<u>(15,701)</u>		<u>(16,067)</u>
	Expenditure met from the Pooled Budget:	
7,671	Hartlepool Borough Council	7,496
1,314	NHS North East and North Cumbria ICB	1,333
757	Hartlepool Borough Council - Discharge	964
100	ICB - Discharge	271
5,250	Hartlepool Borough Council - Improved Better Care Fund (iBCF)	5,250
108	NHS North East and North Cumbria ICB (iBCF)	108
<u>15,200</u>		<u>15,422</u>
<u>(501)</u>	Balance carried forward	<u>(645)</u>

Capital Pooled Budget

2022/23 £000s		2023/24 £000s
	Capital Funding provided to the Pooled Budget:	
(354)	Balance brought forward	(428)
(1,222)	Hartlepool Borough Council	(1,328)
<u>(1,576)</u>		<u>(1,756)</u>
	Expenditure met from the Pooled Budget:	
1,148	Hartlepool Borough Council	1,734
<u>1,148</u>		<u>1,734</u>
<u>(428)</u>	Balance carried forward	<u>(22)</u>

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.

2022/23 £000s	2023/24 £000s
Expenditure	
202 Repairs and maintenance	506
443 Supervision and management	529
27 Rents, rates, taxes and other charges	24
3 Discretionary Housing Payments	1
45 Movement in the allowance for bad debts	(87)
10 Debt Management Expenses	10
274 Depreciation, impairment and revaluation losses of non-current assets	2,333
1,004 Total Expenditure	3,316
Income	
(1,403) Dwelling Rents	(1,637)
(1) Charges for services and facilities (net of voids)	(3)
(28) Other Income	(13)
(1,432) Total Income	(1,653)
(428) Net Expenditure or (Income) of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	1,663
358 Interest payable	360
(86) Interest and investment income	(125)
12 Net interest on the net defined benefit liability	(13)
(144) Deficit/(Surplus) for the year on HRA services	1,885

MOVEMENT ON THE HRA STATEMENT

2022/23 £000s	2023/24 £000s
(495) Balance on the HRA at the end of the previous reporting period	(500)
(144) (Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	1,885
Adjustments between accounting basis and funding basis under statute :	
111 Revaluations (losses) / gain	(2,049)
(165) Impairment losses	(30)
(58) IAS19 Pensions Adjustment	-
(220) Depreciation	(253)
220 Transfer to Major Repairs Reserve	253
(256) Net (increase) or decrease before transfers to or from reserves	(194)
251 Transfers to or (from) earmarked reserves	194
(5) (Increase) or decrease in the year on the HRA	-
(500) Closing balance on the HRA	(500)

SECTION 3 : Statement of Accounts

NOTES TO THE HRA

Note 1: Depreciation, Major Repairs Reserve and Revaluation

Included within the HRA is a total depreciation charge of £0.253m (£0.220m 2022/23) which transfers funding into the Major Repairs Reserve to meet the cost of future major repairs. There was a loss on revaluation for the year of £2.049m (2022/23 was a gain of £0.111m). In previous years a "proxy" charge was applied however from 2017/18 a "true" depreciation charge was required to be calculated and transferred to the MRR. This represents an amount equivalent to the total depreciation charges for all the HRA assets. Under statute an adjustment between accounting basis and funding basis on the 'Movement on the HRA MRR' allows any difference between the depreciation credit on the reserve and the amount required for the major repairs for the year to be transferred back to the HRA.

Note 2: Capital Expenditure and Financing

2022/23 £000s		2023/24 £000s
11,033	Brought Forward Opening Capital Financing Requirement	12,166
	Capital Investment	
2,098	Acquisition and renovation of Council Dwellings	3,346
64	Appropriations	747
210	Major Repairs	128
	Sources of Finance	
	- Corporate Resources	(28)
(175)	Homes England Grant	(693)
	- Social Housing Decarbonisation Fund	(83)
	- Local Authority Housing Fund	(632)
	- Brownfield Homes Grant	(232)
(790)	S.106 contributions	(461)
	- Recognition of value of properties in exchange for land	(1,315)
(64)	Health Grant	-
(210)	Major Repairs Reserve	(45)
<u>12,166</u>	Closing Capital Financing Requirement	<u>12,898</u>
	Explanation of Movements in Year	
1,133	Increase / (Decrease) in Borrowing Unsupported by Government Assistance	1,076
	Application of S.106 Grant to repay borrowing	(344)
<u>1,133</u>		<u>732</u>

Note 3: Number and Value of Council Dwellings

There were 358 Council Dwellings held as at 31 March 2024 (324 in 2022/23); there were no properties disposed of through 'Right To Buy' sales. The number of empty properties included in the above figures is 26, of which some are undergoing repairs as part of the general housing stock, some relate to recent acquisitions that are undergoing minor refurbishment works for refugee housing and others are standard voids awaiting re-let. In addition there are two fire damaged properties that require significant refurbishment works and one property on hold owing to disrepair. 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.

31 March 2023 £000's		31 March 2024 £000's
11,900	Balance Sheet Value - Reflects the council dwellings status as social housing	14,364
	Reflects the council dwellings status as social housing	

The vacant possession value of HRA dwellings as at 1 April 2024 is £32.645m therefore recognising an economic cost to the government of providing Council Housing at less than open market rents. (£27.045m less £14.364m = £12.681m)

Note 4: Rent Arrears

	31 March 2024 £000's
The level of rent arrears as at 31 March 2024 was £0.127m (31 March 2023 £0.160m), these figures include rent, service charges and rechargeable repair arrears.	127
The Bad Debt provision required in respect of these uncollectable debts is £0.039m (2022/23 £0.148m)	(39)

SECTION 3 : Statement of Accounts

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.

RESTATE 2022/23			2023/24		
Council Tax	Non- domestic rates	Total	Council Tax	Non- domestic rates	Total
£'000	£'000	£'000	£'000	£'000	£'000
Income					
(55,700)	0	(55,700)	(59,736)	0	(59,736)
0	(31,538)	(31,538)	0	(31,970)	(31,970)
0	0	0	0	(743)	(743)
Transitional (Relief)/Surcharge					
Contributions (to previous year's deficit)					
0	(4,194)	(4,194)	0	(380)	(380)
0	(4,280)	(4,280)	0	(388)	(388)
0	0	0	0	0	0
0	(86)	(86)	0	(8)	(8)
(55,700)	(40,098)	(95,798)	(59,736)	(33,489)	(93,225)
Total Income					
Expenditure					
Apportionment of Previous Years' Surplus					
59	0	59	28	0	28
0	0	0	0	0	0
11	0	11	5	0	5
3	0	3	1	0	1
Precepts and demands					
45,845	14,444	60,289	48,895	14,510	63,405
0	14,739	14,739	0	14,806	14,806
6,873	0	6,873	7,368	0	7,368
2,041	295	2,336	2,201	296	2,497
0	358	358	0	0	0
Transitional (Relief)/Surcharge					
Business Rates					
0	114	114	0	111	111
0	0	0	0	9	9
0	435	435	0	631	631
Disregarded amounts					
Impairment of Bad/Doubtful Debts & Appeals					
223	358	581	151	422	573
246	(399)	(153)	598	441	1,039
0	(421)	(421)	0	1,320	1,320
55,301	29,923	85,224	59,247	32,546	91,793
(399)	(10,175)	(10,574)	(489)	(943)	(1,432)
747	9,376	10,123	348	(798)	(450)
(399)	(10,174)	(10,573)	(489)	(943)	(1,432)
348	(798)	(450)	(141)	(1,741)	(1,882)
Fund balance carried forward as at 31 March					
Fund allocated to:					
292	(391)	(99)	(118)	(853)	(971)
0	(399)	(399)	0	(871)	(871)
43	0	43	(18)	0	(18)
13	(8)	5	(5)	(17)	(22)
348	(798)	(450)	(141)	(1,741)	(1,882)

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 Income and Expenditure Account. It is also used to finance Hartlepool's share of the Police and Fire Authorities' 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 5/9 to 18/9.

There were 34,983 Band D equivalents in 2023/24 (34,998 for 2022/23) and the basic amount of Council Tax for a Band D property was £2,304.40 (£2,194.40 in 2022/23).

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 Commissioners demand per property £	Fire Authority demand per property £	Total demand per property £	Total Income per band £000's
(A)	5/9	129	72	1,070.45	161.52	48.26	1,280.23	165
A	6/9	23,283	15,522	1,284.54	193.82	57.91	1,536.27	35,769
B	7/9	7,434	5,782	1,498.63	226.12	67.56	1,792.31	13,324
C	8/9	6,340	5,635	1,712.72	258.43	77.21	2,048.36	12,987
D	9/9	3,379	3,379	1,926.81	290.73	86.86	2,304.40	7,787
E	11/9	1,819	2,223	2,354.99	355.34	106.16	2,816.49	5,123
F	13/9	814	1,176	2,783.17	419.94	125.46	3,328.57	2,709
G	15/9	612	1,020	3,211.35	484.55	144.77	3,840.67	2,350
H	18/9	87	174	3,853.62	581.46	173.72	4,608.80	401
TOTALS		43,897	34,983					80,615

The income of £59.736m for 2023/24 (£55.700m for 2022/23) is receivable from the following sources:

2022/23 £000		2023/24 £000
75,967	Opening Liability	80,615
2,634	Net increase/(decrease) in liability	3,273
(128)	Disabled Relief	(137)
(7,644)	Discounts	(8,120)
(1,833)	Exemptions	(2,164)
(13,296)	Council Tax Support Scheme	(13,731)
<u>55,700</u>		<u>59,736</u>

Note 2 - Non Domestic Rates

Non Domestic Rates (NDR) is organised on a national basis. The Government specifies two amounts, the Small Business Non Domestic Rate Multiplier which was 49.9p in 2023/24 (49.9p in 2022/23) and, the Non Domestic Rate Multiplier which was 51.2p in 2023/24 (51.2p in 2022/23). 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 £79.909m.

The NNDR income collectable from Ratepayers is shown below.

2022/23 £000		2023/24 £000
38,202	Gross Rates payable	40,397
(7,022)	Mandatory Reliefs	(7,684)
358	Transitional Relief	(743)
<u>31,538</u>		<u>31,970</u>

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 and 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 Delivering Good Governance in Local Government Framework 2016. 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 (AGS).

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 2024 and up to the date of approval of the statement of accounts.

In order to facilitate the completion of the Statement, officers have worked collectively 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, IT and Digital and the Assistant Director (Corporate and Financial Services). As part of the process regular updates have been given to the Executive Leadership Team (ELT).

Significant Governance Issues Update from 2022/23 Statement

Progress has been made over the course of 2023/24 to actively manage and address issues identified as part of the 2022/23 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, level of performance and the continuing need to achieve housing growth.	<p>The MTFs is an iterative process with regular reports being presented to Finance and Policy Committee during the year culminating in recommendations to Council in the February proceeding the financial year. The financial environment facing councils remains challenging. Despite this, an agreed budget reflecting known pressures, but also income in the form of government funding increases, increases in Council Tax, both rate and via housing growth has been achieved</p> <p>The Council Plan 2021/22 – 2023/24 was agreed by Finance and Policy Committee on 15th February 2021 and adopted by Council on 25th February 2021. Progress against the Council Plan is reviewed by ELT 3 times a year and this is followed by reports to Finance and Policy Committee. The Annual Report was produced in summer 2023 and shared with all elected members and the public.</p>
Delivery of Regeneration/ Capital Programme on time and budget in line with key Council objectives.	Responsibility for delivery of schemes are allocated to senior officers. Project Management Boards were embedded and are providing strategic oversight of progress and budget position. Regular updates are provided to members via quarterly update reports to Finance and Policy Committee. Monthly Capital Board embedded, with the arrangements being reviewed during early 2024 to ensure still fit for purpose. A refreshed Capital Strategy and Capital Programme were approved at Full Council on the 2nd February 2024.
Potential for Cyber Security attack/breach of IT defences leading to service disruption and potentially serious financial implications	HBC use the National Cyber Security Centre's Event Logging solution, which tracks a range of network events including staff who have clicked on links in suspicious emails. HBC have implemented a new firewall that provides additional protection including blocking access to our network from outside UK and 24/7 analysis of internet access with auto blocking where activity falls outside of normal working patterns.

SECTION 4 : Annual Governance Statement

Multifactor authentication has been rolled out to all staff with network access during the year to further safeguard access.

Mandatory annual training for all staff in respect of cyber security and regular all staff emails give instruction on what to do with suspicious emails.

Change in political environment.	New member training provided as well as refresher training for existing members. Constitution refreshed in a number of areas in order to streamline processes and meetings, and the reestablishment of Group leader meetings.
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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.

In accordance with the Council's Constitution at Article 13, the Monitoring Officer continues to monitor and review the operation of the Constitution to ensure that the aims and principles of the Constitution are given full effect.

A report was submitted to the Constitution Committee on 26 June 2023 which set out the outcomes of a review which had been undertaken following the Corporate Peer Review to propose changes in the delegation scheme included in Part 3 of the Constitution. The Committee also considered issues which had arisen since the previous review of the Constitution including amending the Council Procedure Rules to allow for public questions to be debated and the commencement time of Council meetings being changed to 7:00 p.m. A change to the Budget and Policy Framework Procedure Rules that no virement of revenue budget transfer between 'Directorates' is permitted without approval of the Finance and Policy Committee (previously required the approval of Full Council) and updates to the Planning Code of Practice included in Part 5 of the Constitution were also recommended to Full Council. The subsequent report of the Committee was submitted to Full Council on 13 July 2023.

A further report was submitted to the Constitution Committee on 13 November 2023. The Monitoring Officer's report set out details of issues which had been referred to the Committee for consideration since the last meeting of the Committee. Issues included a proposal regarding the appointment of the Ceremonial Mayor to be the 'longest serving elected member' (excluding any breaks in service) and the inclusion of a provision to enable the Council to remove the Leader/Deputy Leader by resolution within the Municipal year. A change to the Budget and Policy Framework Rules was proposed to amend the virement rules to make them consistent with the revenue rules and delegation to the Executive Director of Adult and Community Based Services was recommended to approve a request for a name to be added to a War Memorial. It was also recommended for any in-year informal, ad hoc vacancies on Committees, Partnerships or Boards normally appointed by Council be delegated to the Director of Legal, Governance and Human Resources in accordance with the agreed proportionality for the committee/body and Group wishes. The recommendations of the Committee were submitted to Full Council on 30 November 2023.

Officer Decision Records (ODRs) continue to be published on the internet and the process for producing and getting an Officer Delegated Decision has changed to an online process using a new system available on the Intranet. The change will result in a more efficient and consistent approach to processing ODRs.

Members' Seminars are held as required to ensure Members are updated/briefed on key strategic issues.

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.

Hartlepool Borough Council effectively deploy their staff resources through good people management, compliance with legislation, and best practice by ensuring a full complement of employment policies, guidance, toolkits, and procedures are in place. These are regularly reviewed, refreshed, and promoted so that they remain relevant and are utilised effectively by managers and staff.

This year has seen the introduction of a new Workforce Strategy (2023-2026) together with the introduction of a Council wide Values (CARING) and Behaviour Framework that will be reinforced through revised HR policies aimed to bring these into everyday workplace practices and encounters, such as the Annual Review and 1:1 policy which will contribute to the Council's performance management frameworks, and our Equality in Employment policy with action plan to ensure our employees are treated fairly, with respect and dignity. An employee survey across the Council was undertaken in 2023, with a 37% response, and will provide a benchmark to evaluate the success of the strategy across the next 3 years.

SECTION 4 : Annual Governance Statement

Employee Wellbeing has been a key focus in 2023/24 with the Council successfully retaining the North East Better Health at Work Award Maintaining Excellence and Ambassador status. There is a strategic structure in place together with the commitment to review the Council's Employee Wellbeing Strategy. A structure for health promotion campaigns to engage the workforce has been agreed in 2023 and rolled out in 2024. Additionally there is a commitment to develop policies to support and improve mental wellbeing and musculo-skeletal issues in the workforce in 2024/25, two large contributors to sickness absence across the Council.

A new workforce planning framework will be ready for rollout in 2024 fulfilling a key aim of the Workforce Strategy to ensure we have the right people, with the right skills, in the right place, at the right time. This is essential considering the demographic cliff-edge of older workers, the recruitment and retention difficulties in key services and the need to ensure we have effective talent pipelines for the future.

The Council has invested to improve its current Council wide and Manager Induction experiences through extending its licence agreements for eLearning and a new authoring tool. With limited resources, the Council continues to provide a comprehensive learning and development offer, and full utilisation of its Apprentice Levy in the last few years. There is an ongoing commitment to develop a leadership and management development framework across the Council. This will further embed our values and behaviours and support our Equality, Diversity and Inclusion commitments.

The ResourceLink HR and Payroll Information System continues to be developed. Establishment control mechanisms are in place within the departments through the restructure process to enable staffing budgets to be closely monitored. This ensures that vacancies and employment changes are scrutinised with HR and Finance input before recruitment or contractual changes can be undertaken. The HR Dashboard provides managers with direct access to a comprehensive suite of staffing data reports when fully implemented. Data driven decisions are essential and the opportunity for a new reporting tool will enable the Council to review workforce monitoring data and information for operational and strategic decision making and improved performance.

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 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 31st January 2024 and referred to Council for approval on 22nd February 2024 for the financial year 2024/25. 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 Department for Levelling Up, Housing and Communities (DLUHC) 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 Section 151 Officer reports to the Audit and Governance Committee how the Council's financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

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

An updated Code of Conduct for Employees has been approved, published and communicated to all employees. An updated Health and Safety Policy was approved by Finance and Policy Committee on 14th January 2019 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 Executive Leadership Team operates and Internal Audit provides audit coverage of partnership arrangements.

The Council has a three-year Council Plan (2021/22 – 2023/24) that sets out the Council's ambitions for the Borough. The Plan was agreed by Finance and Policy Committee on 15th February 2021 and adopted by Council on 25th February 2021. Progress against the Council Plan is reviewed through dedicated ELT Performance and Challenge Clinics 3 times a year and this is followed by reports to Finance and Policy Committee. Annual Reports are produced each summer and shared with all elected members and the public.

The Council's Performance Management Framework includes information relating to departmental and officer responsibility for the collation of data and addressing performance issues. The Framework also includes priorities, risks and performance indicators enabling clearer links between corporate, departmental and service planning outcomes, risks and PIs.

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 National Anti Fraud Network and takes part in regular National Fraud Initiative reviews and the North East Corporate 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.

SECTION 4 : Annual Governance Statement

The Council agreed its Risk Management Framework on 24th June 2019. The Framework simplified the Council's approach, provided further clarity to officers about how risk should be considered within the Council and demonstrates the added value of appropriate risk management. A Strategic Risk Register has been identified within the performance management framework and changes are reported to Elected Members regularly through the monitoring of the Council Plan.

The Risk Management Framework and an Officer Toolkit are 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. Each department also has a risk co-ordinator.

The Finance and Policy Committee is responsible for ensuring the consideration of risk across the Council and for reviewing the progress made in the management of strategic risks. The Audit and Governance Committee is responsible for reviewing the effectiveness of risk management arrangements and providing comment and challenge on risk management activity and progress. 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 Plan and performance framework is considered as part of the preparation of the AGS.

The Council's Corporate Strategy and Performance Team hold information on the Council's Strategic Risks. 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 regular basis through the service planning process.

In the UK, data protection law is made up of the GDPR and the DPA 2018. Together, they regulate the collection and use of personal data – information about identified or identifiable individuals. Please note that from January 2021 references to the GDPR should be read as references to the equivalent articles in the UK GDPR. In the UK, data protection law is made up of the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018. Together, they regulate the collection and use of personal data – information about identified or identifiable individuals. In order to ensure compliance the Council has completed information audits identifying all personal data held, including a lawful basis for processing the data. Privacy notices have been developed and are available on the Council's website. All policies and procedures have been updated to ensure GDPR compliance and staff have received specific GDPR training. The Information Governance Group meets regularly to discuss GDPR compliance.

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 makeup 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 (Regulatory Services). A significant amount of work has been progressed to address the concerns highlighted by Internal Audit with arrangements having been reviewed to reflect current best practice. These revised arrangements have been rolled out across each Council department to ensure that accurate up to date information is held to assist in the recovery of services, should it be necessary. Tests are planned to ensure that these plans are fit for purpose and any lessons learnt from these exercises will be incorporated into future plans.

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 9 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 every four years.

In order to demonstrate our compliance with the above requirements, we have produced a Workforce Equality Information Report 2022/23 and a 2022/23 Equality Report 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. Since the first equality objectives were published in April 2012 the Council has based them on the strategic objectives set out in our Council Plan. By doing this the Council demonstrates that equality and diversity is a core part of what we do as an organisation and not an add on activity. The Council's vision as set out in the Council Plan 2021/22 – 2023/24 sets out our equality objectives. The Equality, Diversity and Inclusion (EDI) Policy was agreed by Finance and Policy Committee on 13th March 2023 to set out the Council's commitment to EDI.

SECTION 4 : Annual Governance Statement

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. Internal Audit are in the process of preparing for a 5 yearly external assessment of their compliance with Public Sector Internal Audit Standards.

Ofsted has rated the overall effectiveness of the Council's Children's Services as 'Outstanding' in its most recent ILACS inspection which took place in March 2024. The Local Area Inspection of Services for Children with Special Educational Needs and Disabilities (SEND) took place in March 2023. The inspection judged that the local area partnerships arrangements typically lead to positive experiences and outcomes for children and young people with SEND. The Council runs five children's homes all of which are judged as good.

As part of the national Adult Social Care Outcomes Framework there is an annual survey of people who use adult social care services in each Local Authority area and a survey every two years of people who are carers. Feedback from these surveys continues to be positive and the satisfaction rates of people in Hartlepool compare very favourably regionally and nationally. Over 96% of services that are commissioned by the Council for adults with care and support needs are rated 'good' by the Care Quality Commission (CQC) with no services rated inadequate. The Council is actively engaged with Sector Led Improvement via NE ADASS (the North East branch of the Association of Directors of Adult Social Services), which has had a particular focus on preparation for CQC assessment of Local Authority Adult Social Care Services. This involved an annual conversation in December 2022, an independent peer review of adult safeguarding arrangements in March 2023 and a mock inspection in May 2023. A Continuous Improvement Group has been established which is overseeing all assurance related work and an Annual Quality Assurance report was developed for the first time for 2022/23 and will now be produced each year providing information on a range of quality and assurance issues including compliments and complaints, audit activity, continuous professional development and performance benchmarking.

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:

- Executive Leadership 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.
- Section 151 Officer – reports to the Audit and Governance Committee how the Council's financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 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 are in the process of preparing for a 5 yearly external assessment of their compliance with Public Sector Internal Audit Standards.
 - 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 (2019).

SECTION 4 : Annual Governance Statement

- 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 and Internal Audit continues to provide assurance across a broad range of Council activities and functions through the audits it completes.

- External Audit – in their auditors annual report, 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.

In December 2022 the Council took part in a voluntary Local Government Association (LGA) Corporate Peer Challenge (CPC). The CPC approach involves a team of experience officers and members spending time with another council as 'peers' to provide challenge and share learning. They are an established tool that supports councils to drive improvements and efficiency. The CPC covered five core elements and two additional areas:

- Local priorities and outcomes (core)
- Organisational and place leadership (core)
- Governance and culture (core)
- Financial planning and management (core)
- Capacity for improvement (core)
- Organisation risk and resilience (additional)
- Economic regeneration (additional)

The overall feedback was positive and Council agreed an action plan at their meeting on 23rd March 2023 setting out how the council will respond to the CPC recommendations. The six month peer review/progress update took place on 29th August 2023 and an update report was provided to Council at their meeting on 30th November 2023.

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 MTFS approved in January 2024 forecast a cumulative annual deficit of £14.759m prior to Council tax increases over the 3 year period. As the MTFS is an iterative process, these forecasts will be updated to reflect the latest position on both pressures and funding. A savings strategy is in place, though the financial position remains challenging.</p> <p>During 2024/25 work to develop and embed a new Council Plan will be undertaken and this will include a range of consultation and stakeholder engagement activities. The intention is that the new Plan will agreed by Finance and Policy Committee by September 2024 with an associated Performance and Accountability Framework, including reporting requirements.</p>	2024/25	ELT
2	Delivery of Regeneration/ Capital Programme on time and budget in line with key Council objectives.	Arrangements previously adopted will continue to be followed and monitor as projects move from design to construction phase.	2024/25	Capital Programme Board

SECTION 4 : Annual Governance Statement

3	Potential for Cyber Security attack/breach of IT defences leading to service disruption and potentially serious financial implications.	HBC use the National Cyber Security Centre's Event Logging solution, which tracks a range of network events including staff who have clicked on links in suspicious emails. HBC have implemented a new firewall that provides additional protection including blocking access to our network from outside UK and 24/7 analysis of Internet access with auto blocking where activity falls outside of normal working patterns. Multifactor authentication has been rolled out to all staff with network access during the year to further safeguard access. Mandatory annual training for all staff in respect of cyber security and regular all staff emails give instruction on what to do with suspicious emails.	2024 Onwards	ELT
4	Change in political environment.	New member training provision as well as refresher trainer for existing members. Constitution refresh in order to streamline meetings and the reestablishment of Group Leader Meetings.	2024 Onwards	ELT
5	Increase in Limited/No assurance internal audit reports.	Liaison with Assistant Directors. Risk Management support provided. Audit and Governance Committee oversight.	2024/25	ELT

No other significant governance issues have been identified, however, in the interests of improving and developing governance arrangements 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.

The Head of Internal Audit reported in their Annual Opinion Report that "based on the work undertaken during the year 2023/24, my opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is that reliance can be placed on the adequacy and effectiveness of internal controls operating across the Council in 2023/24.

Signed on behalf of Hartlepool Borough Council:



Managing Director



Chair of Audit and Governance Committee

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

Report on the audit of the financial statements

Qualified Opinion

We have audited the financial statements of Hartlepool Borough Council ("the Council") for the year ended 31 March 2024, which 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 material accounting policy information. 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 2023/24.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2024 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Basis for Qualified Opinion

The Council's status as an admitted body to the Teesside Pension Fund is described in note 45. The net defined benefit liability as at 31 March 2024 is £7.77m which comprises £628.250m of gross assets, £504.659m of gross liabilities and £131.361m effect of the asset ceiling as disclosed in note 45.

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the financial statements and auditor's opinion for the year ended 31 March 2024, by 28 February 2025 ('the backstop date').

The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence over the following material elements of the financial statements:

- the value of scheme assets as at 31 March 2024 (£628.250m) as disclosed in notes 45; and
- the return on plan assets for the year ended 31 March 2024 (£32.275m) as disclosed in note 45.

As a consequence, we were unable to determine whether any adjustments to the following amounts were necessary:

- the gross assets included in the net defined benefit asset; and
- the return on plan assets, and the consequential effects on the remeasurements of the net defined benefit asset included in other comprehensive income and expenditure and the pension reserve.

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 qualified opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance, IT and Digital's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance, IT and Digital with respect to going concern are described in the relevant sections of this report.

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

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Finance, IT and Digitals responsible for the other information. 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.

Responsibilities of the Director of Finance, IT and Digital for the financial statements

As explained more fully in the Statement Responsibilities for the Statement of Accounts, the Director of Finance, IT and Digital 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 2023/24, and for being satisfied that they give a true and fair view. The Director of Finance, IT and Digital is also responsible for such internal control as the Director of Finance, IT and Digital 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, IT and Digital is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Finance, IT and Digital 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, the Local Government and Housing Act 1989, the Local Audit and Accountability Act 2014, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit and Governance Committee, as to whether the Council is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

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

We evaluated the Director of Finance, IT and Digital's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Governance Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Governance Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are also required to conclude on whether the Director of Finance, IT and Digital's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in November 2024.

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.

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

Matter on which we are required to report by exception

We are required to report to you if, in our view we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in this respect.

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.

Auditor's responsibilities for the 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. 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.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

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

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 44 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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.



James Collins, Key Audit Partner
For and on behalf of Forvis Mazars LLP

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

27 February 2025

SECTION 6 : Summary of Material Accounting Policies

Summary of Material Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. 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 2023/24, 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. No accrual has been made where the accounting period includes a representative number of transactions. ie four quarterly or twelve monthly payments or receipts.

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 6 : Summary of Material 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 6 : Summary of Material 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 6 : Summary of Material 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 XPS Pensions Group 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 Children's and Joint Commissioning Department line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year and the employers 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 6 : Summary of Material 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 positive balance that arises on the Pensions Reserve means that the resources set aside to fund pension benefits for post and current employees currently exceed the estimated cost.

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.

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 6 : Summary of Material Accounting Policies

10. Interests in Companies and Other Entities

Under Local Government Reorganisation the Council was allocated 2.47% of the shares in Teesside International Airport, which has reduced to 1% upon the sale of the airport to Goosepool 2019 Ltd (jointly owned by the Tees Valley Combined Authority (75%) and Stobart Holding Limited (25%)).

These share holdings originated through policy initiatives with other Local Authorities and are not held for trading or income generation. Therefore the Council have elected to designate the equity as Fair Value through other Comprehensive Income.

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, IT and Digital 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 6 : Summary of Material 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.

SECTION 6 : Summary of Material 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.

15. Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council'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 Council'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.

16. 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 6 : Summary of Material 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 – the authority has decided not to disclose gross cost and accumulated depreciation of infrastructure in the financial statements and instead maintain this information as memorandum information. The basis and rationale for this decision is Note 14 together with the determination that the carrying amount of derecognised infrastructure is nil. Note 14 also sets out the useful lives of various classes of infrastructure that have been determined through discussion with the authority's engineers.
- 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 6 : Summary of Material 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 6 : Summary of Material 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.

17. 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.

18. Intangible Assets

Expenditure on assets that do not have physical substance and are identifiable and controlled by the Council (e.g. Software Licences) is capitalised when it will bring benefits to the Council for more than one financial year. The cost is charged to the relevant expenditure category over the economic life to reflect the pattern of consumption of benefits.

19. 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 6 : Summary of Material 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.

20. 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.

21. 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.

22. 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.

23. VAT

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

SECTION 6 : Summary of Material Accounting Policies

24. Financial Instruments

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For existing borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Financial Assets

Financial assets are classified based on classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost,
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provision 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 (CIES) for the interest receivable are based on the carrying amount of the asset multiplied by the effective rate of the interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

Financial assets that are measured at FVPL 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. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in the fair value through other comprehensive income. The Council will assess each investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

The Council currently holds no assets at FVPL.

SECTION 6 : Summary of Material Accounting Policies

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)

The Council has equity instruments designated at fair value through other Comprehensive Income (FVOCI). This was previously classified as an Available For Sale asset at 31 March 2018.

The Council has made an irrevocable election to designate one of its equity instruments as FVOCI on the basis that they are held for non-contractual benefits, they are not held for strategic purposes. The assets were transferred to the new asset category on 1 April 2018. The asset is initially measured and carried at fair value.

Changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

When the asset is de-recognised, the cumulative gain or loss previously recognised in the financial instruments revaluation reserve is credited / debited to the surplus or deficit on the provision of services.

The same accounting treatment was adopted in the prior year when the assets were classified as Available for Sale, except that accumulated gains and losses on the available for sale asset were previously held in the Available-for-Sale Financial Instruments Reserve at 31 March 2018. The balance on this reserve was transferred to the new Financial Instruments Revaluation Reserves as at 1 April 2018.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on a basis of 12-month expected losses.

25. Fair Value Measurements

The Council measures 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 Council 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 7 : 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 7 : 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 a segment of a business; and
- b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify for only reduced benefits.

DEBTORS

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

DEFINED BENEFIT SCHEME

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

DEFINED CONTRIBUTION SCHEME

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

DEPRECIATION

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

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

SECTION 7 : 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 7 : 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 7 : 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.

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 7 : 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 7 : 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 7 : 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.