

AUDIT COMMITTEE AGENDA

Tuesday, 30 June 2009

at 2.00 pm

in Committee Room A, Civic Centre, Hartlepool

MEMBERS: AUDIT COMMITTEE:

To be confirmed at Annual Council

1. **APOLOGIES FOR ABSENCE**
2. **TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS**
3. **MINUTES**
 - 3.1 To confirm the minutes of the meeting held on 14 May 2009 *(to follow)*
4. **ITEMS FOR DISCUSSION/DECISION**
 - 4.1 Responsibility For Approving The Statement Of Accounts – *Chief Financial Officer (to follow)*
 - 4.2 The 2008/09 Statement of Accounts – *Chief Financial Officer (to follow)*
 - 4.3 Internal Audit Plan 2009/10 Update – *Head of Audit and Governance (to follow)*
5. **ANY OTHER ITEMS WHICH THE CHAIR CONSIDERS ARE URGENT**

AUDIT COMMITTEE

MINUTES AND DECISION RECORD

14 May 2009

The meeting commenced at 2.00 pm in the Civic Centre, Hartlepool

Present:

Councillor Arthur Preece (In the Chair)

Councillors Gerard Hall, Carl Richardson and Mike Turner

Officers: Chris Little, Assistant Chief Financial Officer (Corporate Finance)
 Noel Adamson, Head of Audit and Governance
 Jo Wilson, Democratic Services Officer

Also present Kathy Eddowes, Audit Commission

36. Apologies for Absence

Apologies were received from Councillor Chris McKenna.

37. Declarations of Interest

None

38 Minutes of the Meeting held on 19 March 2009

Confirmed

39. Audit Commission Report – Audit Fee Letter *(Chief Financial Officer)*

Purpose of Report

To inform members of the Audit Committee that arrangements have been made for a representative from the Audit Commission to be in attendance at this meeting to present the content of the Audit Commission fee letter.

Issues for Consideration

The Audit Commission planning process had changed from previous years with a Fee Letter now being produced at this stage rather than a

detailed Audit Plan. A more detailed plan for the audit of the 2009/10 financial statements would be issued later in 2009, detailing the risks identified, planned audit procedures and any changes in fees.

Members were advised that the Audit Commission were proposing a fee of £262,322 for the audit of 2009/10. This was calculated using a number of different elements including the approximated number of staff needed and the time the process was expected to take. Each audit amount started with a scale fee regardless of the size of the local authority. Additions were then added to this depending on the level of unspecified risks the Audit Commission were expecting to find. In the case of Hartlepool the proposed fee was 20% over the scale. Members expressed concern at this but were advised that a 20% increase was not unusual. If the issues which had led to the higher fee were found not to apply on further examination the fee would be reduced appropriately. The Audit Commission website provided a comparison tool enabling officers to see what their neighbouring local authorities were paying. Members queried if there was a maximum variation in the scale fee, officers indicated that while there was not anything over 30% would need serious support before being agreed. Variations over 10% were always given in detail to the Audit Commission

Decision

That the Authority's 2009/10 Fee Letter proposing a fee of £262,322 be noted.

40. Audit Commission Report – Fraud Letter *(Chief Financial Officer)*

Purpose of Report

To inform Members of the Audit Committee that arrangements had been made for a representative from the Audit Commission to be in attendance at this meeting to present the content of the Audit Commission Fraud Letter.

Issues for Consideration

In order to comply with the International Standard on Auditing the Audit Commission are required to obtain an understanding of how those charged with governance exercise oversight of management's processes for identifying and reporting the risk of fraud and possible breaches of internal control in the Council. The Audit Commission were therefore requesting information on how the Committee oversee management processes to identify and respond to such risks and whether they had any knowledge of any frauds, be they actual, suspected or alleged, affecting the Council.

A member commented upon the reference within the letter to "assurance

that all relevant laws and regulations have been complied with” saying this was an extremely wide remit. The Assistant Chief Financial Officer indicated that the Governance Statement already provided these assurances. He further advised that while staff were not contractually obligated to report fraud there was a whistleblowers procedure in place and the development of a national employees code of conduct was pending.

The Assistant Chief Financial Officer would draft the response letter and forward it to the Chair of the Committee for approval prior to its despatch.

Decision

That a letter responding to the Audit Commission’s request in relation to its requirement to comply with International Standards on Auditing be despatched.

41. Internal Audit Outcome Report 2008/09 *(Head of Audit and Governance)*

Purpose of Report

To inform members of the outcome of audit work covering the period April 2008 to March 2009.

Issues for Consideration

The report gave information for Members on the standards of financial administration and management arrangements operating within the Authority, together with a progress report on the extent of implementation of audit recommendations. The report also detailed the performance of Internal Audit in 2007/08 on a range of key performance indicators. Of these indicators only the percentage of audit recommendations followed up within 6 months completion of the audit had not been reached, despite staff working overtime to clear up the backlog. Members acknowledged the stresses the department had faced following the tragic death of a member of staff. The Assistant Chief Financial Officer advised that they were back on track now and paid tribute to the staff for their positive approach in difficult circumstances.

Decision

That the contents of the report be noted

42. Review of the Effectiveness of the System of Internal Audit *(Chief Financial Officer)*

Purpose of Report

To inform Members of the outcome of the review of the effectiveness of the system of Internal Audit in compliance with the Accounts and Audit Regulations (England) 2003 as amended 2006.

Issues for Consideration

The Accounts and Audit Regulations (2003) had been amended and new reporting requirements brought into place. Regulation 6 of the Act required that relevant bodies conduct an annual review of the effectiveness of its system of internal audit and that a committee of the body consider these findings. At their previous meeting members had agreed that the Chief Financial Officer would undertake the review given his legal responsibilities as section 151 Officer in relation to the Council's finances and financial administration. A report on the findings of the review had subsequently been prepared for consideration by the Committee.

Details were given within the report as to how the review had been undertaken. Tasks included a review of the planning and development work undertaken by Internal Audit in producing an annual audit plan, a review of the use of new audit software and monthly performance reviews with the Head of Audit and Governance. Any reports previously submitted to the Audit Committee were also reviewed to ensure they supported the committee in meeting its remit. The final results indicated that the system of internal audit was operating effectively in accordance with that described in the Annual Governance Statement and as defined by the CIPFA Audit Panel in respect of the requirements of the Accounts and Audit Regulations 2003 (amended 2006). The score for the internal control element of the Use of Resources assessment had risen from 2 to 3, indicating an improvement in the overall arrangements in place.

Members queried the possibility of reporting the work of the Audit Committee to Council or the executive. The Assistant Chief Financial Officer indicated that there was nothing in the constitution to specifically require this, however it could be raised with the Constitution Working Group.

Decision

That the findings of the review of the effectiveness of the system of

internal audit be approved.

43. Annual Governance Statement 2008/09 *(Chief Financial Officer)*

Purpose of Report

To inform Members of the implications to the Council of the Accounts and Audit Regulations (England) 2003 as amended 2006 requirement; that the Council publish an Annual Governance Statement (AGS) with the Financial Statements, and the action undertaken by the Council to meet its obligations within the scope of the regulations.

Issues for Consideration

The report considered why the Council needed an AGS, who was responsible, and how the AGS was produced. A member referred to a news report he had seen advising local authorities to withdraw their money from building societies. The Assistant Chief Financial Officer was of the opinion that this was an overreaction resulting from the recent problems with the Icelandic banks. The Council did have money in building societies but only those which had been given at least two satisfactory independent credit ratings. This money was spread around several institutions in order to reduce the impact of any future problems. Termination of these contracts could also incur a financial penalty. It was felt that while there were no absolute guarantees safeguards were in place and additionally it was felt unlikely that the Government would allow any UK building societies to fail.

Members further queried the limitations placed on investment of council monies. The Chief Financial Officer advised that institutions must be UK based and could only be banks, building societies, other local authorities or the Government. The Icelandic banks had therefore not appeared on this list.

A member commented upon the reference within the report to induction courses for key new officers and all new members incorporating suitable training on corporate governance issues according to responsibilities. He indicated that he became annoyed when councillors publicly criticised the council despite being a part of it.

Decision

That the 2008/09 Annual Governance Statement be approved.

CHAIR

AUDIT COMMITTEE

30 June 2009



Report of: Chief Financial Officer

Subject: RESPONSIBILITY FOR APPROVING THE
STATEMENT OF ACCOUNTS

1. PURPOSE OF REPORT

- 1.1 To explain the Audit Committee's role and responsibility for approving the Annual Statement of Accounts.

2. BACKGROUND

- 2.1 Following a review of Committee responsibilities in 2008 Council determined to transfer responsibility for approving the annual Statement of Accounts to this Committee. This decision reflected the Audit Committee's existing governance responsibilities in relation to a range of issues which support the annual Statement of Accounts, including:

- approval of the Annual Governance Statement;
- consideration of the reports submitted by the Council's Head of Audit and Governance on the adequacy of internal control arrangements and audit reviews undertaken during the year; and
- consideration of reports from the Council's External Auditors.

3. SPECIFIC RESPONSIBILITIES

- 3.1 As Councils are responsible for spending a significant amount of public funding and determining Council Tax levels there are specific legal obligations on local authorities governing how they must conduct their financial affairs.

- 3.2 These regulations include specific requirements in relation to the Annual Statement of Accounts, specifically: -

- The Accounts and Audit Regulation 2003, which is supported by the following regulations:
 - The Audit Commission Act 1998;
 - The Local Government and Housing Act 1989; and

- The Local Government Act 1972.

- 3.3 The above regulations specify the arrangements local authorities must follow to ensure they adopt high standards for managing public funds. The key requirements are detailed in the following paragraphs and highlight the responsibilities of the Chief Financial Officer and the Audit Committee in relation to the preparation and approval of the annual Statement of Accounts.
- 3.4 The Local Government Act 1972 requires all local authorities to appoint a “Responsible Financial Officer”, also known as the Section 151 Officer. The 1972 Act also defines the role of the Section 151 Officer as “the person who is responsible for the administration of the financial affairs of a local authority and the person who is responsible for keeping the accounts of the local authority”.
- 3.5 The Accounts and Audit Regulations 2003 (the 2003 Regulations) set out specific responsibilities of the “Responsible Financial Officer”, which in Hartlepool is the Chief Financial Officer and the responsibilities of Members and the External Auditors, which are summarised below:

Responsibilities of Chief Financial Officer

- **Accounting Records and Control Systems (paragraph 5 of the 1972 Act)**

The Chief Financial Officer is responsible, on behalf of the Council, for determining its:

- Accounting records, including the form of accounts and supporting accounting records.
- Accounting control systems, which include ensuring financial transactions, are recorded accurately and promptly, measures are in place to detect inaccuracies and fraud and the establishment of management arrangements to ensure the segregation of duties for financial transactions.

- **Signing of Statement of Accounts (paragraph 10 of the 1972 Act)**

The Chief Financial Officer must certify that the Statement of Accounts “presents fairly the financial position of the Council at the end of the financial year”. To provide this certification the Chief Financial Officer is responsible for ensuring the Statement of Accounts have been prepared in accordance with all relevant regulations and in particular in accordance with the CIPFA Code of Practice on Local Authority Accounting. The Chief Financial Officer must provide this certification before the Statement of Accounts is considered by Members.

Responsibility of Members – Approval of Statement of Accounts

Members are responsible for approving the Statement of Accounts which the Chief Financial Officer has certified. This approval has to be given as soon as practical after the end of the financial year and no later than 30th June, immediately following the end of the financial year. In most authorities this responsibility is delegated to a specific committee to ensure the 30th June deadline is achieved.

The Accounting and Audit Regulations 2003 do not specify what issue Members need to consider before they approve the Statement of Accounts, other than to ensure the Chief Financial Officer has certified the Statement of Accounts.

The Chief Solicitor has previously provided advice to Members to clarify their specific role in approving the Statement of Accounts. The Chief Solicitor advised Members that “their task was to determine that the accounts maintained by the Chief Financial Officer were a proper reflection of the Council's financial position at the account date and were presented in a manner according with proper practice. The Committee should address itself to the accuracy and completeness of the account as a record of financial transactions and resources. However, they were not entitled to ask how these transactions and resources were managed. There were questions for the executive members and committees responsible for determining such matters”.

The Chief Solicitor also advised that “Members were perfectly entitled to ask any questions the issue was what questions, they should ask to discharge their function in relation to approving the Statement of Accounts. Questions could also be raised at relevant Scrutiny Forums and Council meetings.

This Committee has been provided with the following information to enable them to discharge this responsibility:

- regular reports have been submitted to your committee by the Head of Audit and Governance during 2008/2009 detailing progress on audit work and the results of this work. These reports have confirmed that appropriate control arrangements are in place, or recommended areas which need improving;
- the Annual Governance Statement has been approved by your Committee. This statement provides the assurance that appropriate systems and procedures were in place during 2008/2009 to manage the Council.

There is also a detailed report on the agenda for today's meeting which highlights the main issues included in the 2008/09 Statement of Accounts.

In practice, to discharge this responsibility Members need to place reliance upon the technical advice and the formal certification of the Statement of Accounts by the Chief Financial Officer when they approve the draft Statement of Accounts. The External Auditor's opinion on this document then provides Members with the final assurance before they approve the final Statement of Accounts.

External Auditor's Responsibilities

Once the Statement of Accounts have been certified by the Chief Financial Officer and approved by Members they will be subject to a detailed review by the Council's External Auditors.

This review will provide a robust challenge of the Statement of Accounts prepared by the Chief Financial Officer and will provide Members with the final reassurance that the Statement of Accounts comply with relevant legal and accounting requirements.

At the end of this review the External Auditors may make recommendations to amend the Statement of Accounts and the Chief Financial Officer will consider these issues. Once the Chief Financial Officer and External Auditors have agreed any changes a revised version of the Statement of Accounts will be submitted to your Committee. The External Auditors will also submit a formal report on the Statement of Accounts. Depending on the outcome of the External Auditor's review the Audit Committee will be asked to note that there have been no changes to the Statement of Accounts submitted in June, or asked to approve amendments agreed with the External Auditor.

4. PRACTICAL CONSIDERATIONS

- 4.1 The Council is a complex organisation and this is reflected in the Council's financial arrangements. This means the production of the Annual Statement of Accounts is an extremely complex and time consuming task. For example, in 2008/2009 the Council had 570 capital projects totalling £26.7m, which all need to be accounted for in the 2008/2009 Statement of Accounts and over £270m of revenue expenditure.
- 4.2 As a small unitary authority we cannot dedicate staff full time to the production of the Statement of Accounts and staff still have to undertake day to day activities during this period. These tasks include Treasury Management activities, submission of grant claims and day to day support of financial systems and budget holders.
- 4.3 In view of the above constraints the achievement of 30th June deadline for approving the 2008/2009 Statement of Accounts will be extremely challenging. On a practical basis the real deadline is 18th

June, 2008, as this is the date reports needed to be completed for meeting today.

5. CONCLUSION

- 5.1 The Council is required to produce an Annual Statement of Accounts in accordance with various statutory provisions and accounting regulations. The primary responsibility for ensuring the Statement of Accounts complies with these requirements rests with the Chief Financial Officer. This responsibility includes certifying that the Statement of Accounts “presents fairly the financial position of the Council at the end of the financial year”. Once this certification has been given Members are required to approve the draft Statement of Accounts.
- 5.2 The Council's External Auditor then provides a formal audit opinion before Members approve the Final Statement of Accounts. This opinion provides Members with the final assurance that the accounts are an accurate record of the Council's financial position.

6. RECOMMENDATIONS

- 6.1 It is recommended that Members note the report.

AUDIT COMMITTEE

30 June 2009



Report of: Chief Financial Officer

Subject: THE 2008/2009 STATEMENT OF ACCOUNTS

1. PURPOSE OF REPORT

- 1.1 To enable Members to approve the Council's 2008/2009 Statement of Accounts.

2. BACKGROUND

- 2.1 The Council is required by statute to produce the 2008/2009 Statement of Accounts in a specified format within three months of the year-end, i.e. by 30th June. The accounts are subject to audit prior to publication by 30th September.
- 2.2 The Statement of Accounts has been prepared in accordance with the approved closure strategy.

3. FINANCIAL IMPLICATIONS

- 3.1 None.

4. RECOMMENDATIONS

- 4.1 It is recommended that Members: -
- i) Note the report.
 - ii) Approve the 2008/2009 Statement of Accounts.
 - iii) Note that Scrutiny Co-ordinating Committee will be reviewing the publication arrangements for the Register of Members Allowances and Expenses and will report back their findings to your Committee in September.

Report of: Chief Financial Officer

Subject: THE 2008/2009 STATEMENT OF ACCOUNTS

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to enable Members to approve the Council's 2008/2009 Statement of Accounts in accordance with the requirements of the Accounts and Audit Regulations 2003.
- 1.2 This will be achieved by considering the following: -
- i) Background
 - ii) Basis for preparing the Statement of Accounts
 - iii) Reconciliation of the Council's Management Accounts and the Statement of Accounts
 - iv) The 2008/2009 Draft Statement of Accounts
 - v) Recommendations

2. BACKGROUND

- 2.1 In accordance with the Accounts and Audit Regulations 2003, all Local Authorities are required to produce an annual Statement of Accounts by 30th June. This is a challenging deadline. On a practical basis the Accounts actually had to be completed by 18th June, 2009, to ensure the statutory publication requirements for Council reports were met.
- 2.2 The regulations also require Members to approve the Statement of Accounts prior to audit by the Audit Commission and subsequent publication. This report enables Members to discharge this responsibility. If it should be necessary to amend the accounts during the course of the audit, any major amendments will be reported to Members.

3. BASIS FOR PREPARING THE STATEMENT OF ACCOUNTS

- 3.1 The Statement of Accounts presents the Council's financial position for 2008/2009 in a specified format and reflects the Outturn Strategy previously approved by Cabinet and Council. The initial 2008/2009 Outturn Strategy was approved by Council on 12th February, 2007 and the final strategy was approved by Cabinet on 18th May, 2008.
- 3.2 The outturn strategy approved by Council covered the following key issues: -
- i) the allocation of uncommitted one-off resources to support specific one-off expenditure commitments (£0.147m), the allocation of resources to

support future years budgets (£2.904m) and the creation of an Income Equalisation Risk Reserve if uncommitted resources became available;

ii) the allocation of additional resources for Building Schools for the Future costs (£1.5m) and Tall Ships (£0.5m). The resources allocated for Tall Ships provide a risk contingency to protect the Council's financial position if income is less than anticipated owing to adverse weather when the Tall Ships visit. In the event that this risk contingency is not needed this money can be returned to the General Fund in 2010/2011. These contributions are funded from higher investment income;

iii) a strategy for funding departmental overspends of £2.6m. This strategy involved capitalising various one-off projects which it was planned to fund from in-year revenue contributions to capital outlay and the Capital Funding Reserve. This proposal releases revenue resources to offset departmental overspends. On the downside the expenditure capitalised needs to be funded from Prudential Borrowing. The resulting annual repayment costs will be a first call on the £1.5m headroom included in the 2010/2011 budget forecast. This strategy was adopted to protect the Council's medium term financial position and to assist manage the budget position over more than one financial year.

3.3 The final outturns have confirmed that resources have been set aside for items (i) and (ii) detailed in the previous paragraphs. These amounts were funded from the Local Authority Business Growth Incentive (LABGI) grant and the under-spend on the Centralised Estimates budget, which reflected higher investment income.

3.4 In relation to item (iii), the departmental outturns, the actual total overspend was £1.65m, compared to the quarter 3 forecast of £2.6m. The reduction in the overall overspend reflects actions by departments to reduce expenditure in the latter part of the year and overspends on demand services not being quite as high as previously forecast.

3.5 Whilst the actual departmental overspend is not as high as previously forecast this amount still needed to be funded by releasing Revenue Contributions to Capital Outlay (RCCO's) and the Capital Funding Reserve. Therefore, Cabinet approved the proposal to capitalise expenditure of £2.6m and to fund this expenditure from Prudential Borrowing. As a result of the reduction in the departmental overspends there is an uncommitted balance on RCCO's and the Capital Funding Reserve of £0.95m. This uncommitted balance has been carried forward at the end of 2008/2009 as part of General Fund Balances.

3.6 There has also been an underspend on the Area Based Grant of £0.189m. This amount has also been transferred to the General Fund and carried forward at the end of 2008/2009.

3.7 After reflecting the items in paragraphs 3.3 to 3.6 there has been a net contribution to Unearmarked General Fund Balances of £1.113m. Cabinet

will develop a strategy for using these resources and refer these proposals to Council during 2009.

- 3.8 A summary of the overall outturn position for the General Fund is detailed at **Appendix A**, which shows that £1.113m has been transferred to Unearmarked General Fund Balances.
- 3.9 Details of the departmental budget outturns are shown in **appendices B to F**, which includes reasons for the main variances.

4. RECONCILIATION OF THE COUNCIL'S MANAGEMENT ACCOUNTS AND THE STATEMENT OF ACCOUNTS

- 4.1 During the financial year regular Management Accounts are presented to Cabinet to enable Members to manage the Council's financial position. These reports present information on the basis of Portfolio Holder responsibility. At the end of the financial year the Council's Statement of Accounts is prepared in accordance with the format specified in the Accounts and Audit Regulations 2003.
- 4.2 The Management Accounts and the Statement of Accounts are based on the same primary information, but present information in different formats.
- 4.3 The Statement of Accounts includes a "Statement of Movement of the Movement on General Fund Balances" (page 30 of the Statement of Accounts). In accordance with accounting regulations changes in General Fund Balances are shown differently in the statutory accounts and the Council's management accounts. The following table provides a reconciliation of this position.

	£'m
Deficit reported in the "Statement of the Movement on the General Fund Balance"	0.483
<u>Add reductions in Reserves included in above figure</u>	
Schools Reserves	(0.128)
Earmarked General Fund Balances	(0.424)
Unearmarked General Fund Balances transferred to Budget Support Fund	(0.790)
Use of Unearmarked General Fund Balances approved by Council to fund one-off cost, relating to Emergency Coast Protection at Seaton Carew, Bus Services, including the Hospital Transport Service and Memorial Testing.	<u>(0.254)</u>
Surplus for year reported in the Management Accounts (detailed in Appendix A)	<u>(1.113)</u>

5. THE 2008/2009 DRAFT STATEMENT OF ACCOUNTS

5.1 The draft Statement of Accounts is attached to this report and in summary this document provides the following information: -

i) Explanatory Foreword

The foreword provides an overview of how the Authority is funded and gives details of the main financial and operational factors affecting the Authority in 2008/2009.

ii) Statement of Accounting Policies

This states that the accounts have been prepared, with certain exceptions to which specific reference is made in the Statement of Accounts, in accordance with proper accounting practices as defined in legislation and the appropriate Accounting Code of Practice.

The Statement of Accounting Policies describes the basis upon which the accounts have been prepared and certain items included in the accounts.

iii) Statement of Responsibilities for the Statement of Accounts

This sets out the responsibilities of the Authority and the Chief Financial Officer.

iv) Income and Expenditure Account

The Income and Expenditure Account provides an overall summary of the Authority's revenue activities for the year. This statement presents financial information in a specified format, which must be followed by all authorities to ensure a standard approach to external financial reporting across English authorities. The Income and Expenditure Account shows the following key information:

- Net Cost of Service

This section of the Income and Expenditure Account provides a high level analysis of the aggregate value of the cost of defined activities undertaken by the Authority.

- (Surplus)/Deficit for Year

The reported deficit includes the Pension charge which the Authority is required to charge to the Income and Expenditure Account in compliance with the requirement of Financial Reporting Standard (FRS) 17. This is not a cash deficit which the Authority needs to fund, as the FRS 17 Pension charge is not a real cost.

- Statement of Movement on the General Fund Balance

This statement reconciles the movement on the Income and Expenditure Account back to a cash basis and effectively reverses out the FRS 17 Pension charge detailed above. The statement finishes with the Authority's total General Reserves of £16.786m. Details of the items included in this amount are provided in Note 35, Page 71 of the attached Statement of Accounts. An overview of reserves is provided in (v) below.

v) Balance Sheet as at 31st March, 2009

The Balance Sheet shows the value of the Authority's assets, liabilities and other balances as at 31st March, 2009 and I would comment on a number of items: -

a) Investments

Investments consist wholly of surplus temporary cash balances and are invested in accordance to the Authority's Treasury Management Strategy. Members may be aware of the situation regarding Icelandic banks which arose during 2008/09. Icelandic banks were never included on the Council's approved investment list. Consequently, the Council had no investments with these banks.

b) Long Term Loans Borrowing

During 2007/2009 in accordance with the approved Treasury Management Strategy, action was taken to manage the Authority's Loans Portfolio. As a result of changes in interest rates during 2008/2009, the Council has been able to repay existing higher interest loans from investments. This reduces the level of investments and counterparty risk.

c) Earmarked Reserves and General Fund Balances

The value of the Council's specific reserves and balances at 31st March, 2009, amount to £35.084m (£34.022m at 31st March, 2008). In cash terms these figures show that the position on reserves appears to have remained broadly stable. This simplistic analysis masks the fundamental changes which are beginning to affect the Council's financial position and the approved strategy to use significant reserves over the next few years to support the revenue budget and meet one-off costs.

Equally, this position also masks the increase in reserves and balances arising from a number of one off factors which will not be repeated. These factors include resources set aside for future commitments from the interest earned on the Council's

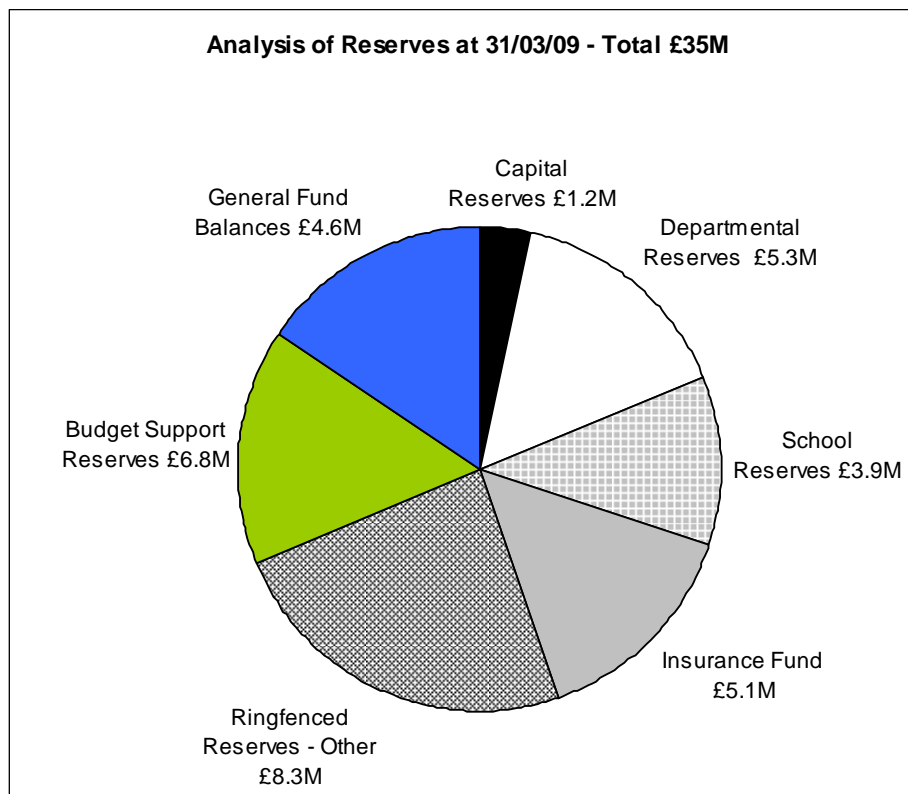
investments, the receipt of the final substantial LABGI (Local Authority Business Growth Incentive) grant income and the recognition of Local Public Service Agreement 2 (LPSA 2) reward grant in the 2008/09 accounts. Accounting regulations mean that where the LPSA targets are achieved this income is accounted for in the 2008/09 accounts and the level of reserves at 31st March 2009. This income will actually be received in two instalments, the first in 2010/11 and the second in 2011/12. There is therefore a potential risk, given the state of the public finances, that this income may not be received.

These one-off benefits have been reflected in the approved outturn strategy and have been allocated as specific reserves for one-off commitments, including Building Schools for the Future costs, Tall Ships income risk reserve and the Budget Support Fund.

The level of reserves at 31st March 2009 also includes a number of other one off timing factors, including:

- A Ring Fenced Grants Reserve of £1.619m (£nil at 31st March 2008) arising from the earlier receipt of grant income. This amount is committed for existing spending commitments;
- A temporary increase in Unearmarked General Fund Balances of £1.113m as detailed in paragraph 3.7;
- A year end balance on the NDC Fund reserve of £0.729m. It had been anticipated that the whole of this reserve would be used in 2008/09, but some of this reserve will now be carried forward to meet commitments delayed until 2009/10.

The notes included in the Balance Sheet provide a detailed analysis of the movement in Earmarked Reserves and General Fund Balances. The table below provides an overview.



Ring-fenced Reserves - earmarked for specific purposes/commitments, includes the following key reserves:

- Ringfenced Grants (£1.6m) to cover expenditure in 2009/10;
- Building Schools for the Future Reserve (£1.1m) to cover one-off costs of implementing this programme, which are not covered by the Government capital grant;
- Tall Ships Reserve (£1m) to support the Tall Ships visit in 2010. £0.5m is specifically earmarked as an Income Risk Reserve for this event;
- NDC (New Deal for Communities) Reserve (£0.7m) to support expenditure in 2009/10;
- Termination Costs Reserve (£0.5m) to fund severance costs associated with implementing the Councils Medium Term Financial Strategy;
- Business Transformation (£0.4m) to cover the costs of implementing the Business Transformation Programme;
- Lotteries Reserve (£0.4m) to cover grants and donations to local organisations;
- Interest Equalisation Reserve (£0.4m) to cover the potential risk that higher interest costs may be incurred if LOBO loans need to be refinanced.

Budget Support Reserves – The balance on this reserve now broadly equals the commitments against this reserve over the period 2009/10 to 2011/12. Therefore, there is no longer a risk that the commitments against this reserve exceed the resources available, which was the position at the end of 2007/08.

Departmental Reserves – earmarked for specific departmental expenditure commitments or service improvements.

Capital Reserves – earmarked for capital expenditure commitments rephased to 2009/10.

General Fund Balances – earmarked for unforeseen commitments. This reserve includes £1.113m of uncommitted resources. Cabinet will determine a strategy for using these resources during 2009/2010 and then refer these proposals to Council.

vi) Cash Flow Statement

The Cash Flow Statement shows the receipt and payment of cash arising from transactions with third parties for revenue and capital purposes.

vii) The Collection Fund

This is a separate fund that records all transactions relating to Council Tax and Non Domestic Rates. In total it shows a surplus at 31st March, 2009, of £0.218m, of which £0.186m relates to the Council and is broadly in line with expectations. This amount was previously anticipated and has been included in the approved budget strategy for 2009/2010.

During 2008/09 the in year collection rate for Council Tax was 97%, which is the joint highest collection rate in the Tees Valley. This is the 6th successive year the in-year collection rate has increased. The latest improvement is a good position and has been achieved in a very difficult economic climate.

viii) Notes to the Core Statement

This section provides further information on the figures reported in the Core Statements, namely the Income and Expenditure Account and Balance Sheet.

ix) Auditor's Report

The Auditor's Report shown is an example of the statement that will be included once the District Auditor has completed the audit of the 2008/2009 Accounts.

x) Annual Governance Statement

The statement sets out the Authority's responsibilities for ensuring the Authority has an appropriate system of internal control. This statement was approved by this Committee on 15th May, 2009.

xi) Glossary of Terms

This is not part of the statutory requirements. Nevertheless, it is included to assist readers in understanding the meaning of the various financial phrases included in the accounts.

6. REVIEW OF PUBLICATION ARRANGEMENTS FOR REGISTER OF MEMBERS ALLOWANCES AND EXPENSES

- 6.1 The Council is required to provide a note in the Statement of Accounts showing the total value of Basic and Special Responsibility allowances paid in 2008/09. These details are provided in Note 7 on page 45 of the attached Statement of Accounts.
- 6.2 The Council also has a separate statutory duty to publish the Register of Members Allowances and Expenses on an annual basis. The register provides details on an individual Councillor basis. In previous years this responsibility has been discharged by publishing these details in the September edition of Hartbeat.
- 6.3 The Council is working towards greater voluntary disclosure and it is envisaged this issue will be considered by Scrutiny Co-ordinating Committee in the summer. One of the proposals likely to be considered is the inclusion of the detailed Register of Members Allowances and Expenses in the Statement of Accounts. Scrutiny Co-ordinating Committee will consider this proposal and report back to your Committee in September, when the post audit Statement of Accounts will be considered.

7. RECOMMENDATIONS

- 7.1 It is recommended that Members: -
- i) Note the report.
 - ii) Approve the 2008/2009 Statement of Accounts.
 - iii) Note that Scrutiny Co-ordinating Committee will be reviewing the publication arrangements for the Register of Members Allowances and Expenses and will report back their findings to your Committee in September.

4.2 Appendix A**GENERAL FUND - REVENUE OUTTURN SUMMARY 2008/09**

Line No	Description of Expenditure	Outturn Position		
		2008/09 Approved Budget £'000	2008/09 Actual Expenditure / Income £'000	2008/09 Variance: Adverse/ (Favourable) £'000
1	<u>Departmental Expenditure</u> Adult & Community Services	33,528.4	34,594.3	1,065.9
2	Chief Executives Department	4,554.5	4,691.8	137.3
3	Children's Services (excl Schools)	23,086.1	23,398.6	312.5
4	Neighbourhood Services	17,332.6	17,379.0	46.4
5	Regeneration & Planning	6,303.9	6,392.2	88.3
	Total Departmental Expenditure	84,805.5	86,455.9	1,650.4
	<u>Non Departmental Expenditure</u>			
6	Centralised Estimates and Corporate Budgets *	7,299.8	5,205.3	(2,094.5)
7	Schools	54,154.0	54,154.0	0.0
8	<u>Contributions to reserves funded from Centralised Estimates underspend as approved by Council 12th February 2009.</u>			
	- Building Schools for the Future one off costs	0.0	1,500.0	1,500.0
	- Tall Ships income risk reserve	0.0	500.0	500.0
	- Income Equalisation Risk Reserve	0.0	120.0	120.0
9	LABGI Income and LPSA 2 Reward Grant	0.0	(3,355.0)	(3,355.0)
10	Contribution to Budget Support Fund funded from LABGI income and LPSA 2 Reward Grant	0.0	3,355.0	3,355.0
11	Capitalisation of revenue expenditure as per approved Outturn Strategy	0.0	(2,600.0)	(2,600.0)
	Total Non Departmental Expenditure	61,453.8	58,879.3	(2,574.5)
	Total Departmental and Non Departmental Expenditure	146,259.3	145,335.2	(924.1)
	Area Based Grant Underspend	10,649.0	10,460.1	(188.9)
	Net Contribution to General Fund Balances	156,908.3	155,795.3	(1,113.0)

* As reported at the end of quarter 3 the overspend on Corporate Budgets of £0.578m has been offset against the underspend on Centralised Estimates. The net underspend has then been allocated to fund the one-off commitments detailed in line 8.

ADULT & COMMUNITY SERVICES**REVENUE OUTTURN REPORT FOR FINANCIAL YEAR 2008/2009**

Approved 2008/2009 Budget	Description of Best Value Unit	Forecast Over/ (Under) spend reported at the end of Quarter 3	Actual - Over/ (Under) spend	Increase/ (Decrease) in total Departmental Overspend	Explanation of Forecast Variance reported at Quarter 3 (Comments only made on main variances)	Explanation of Change in Forecast Outturn (Comments only made on main variances)
£'000		£'000	£'000	£'000		
12.0	Adult Education	0.0	(12.0)	(12.0)		
111.1	Supporting People	40.0	49.4	9.4	The current adverse variance is the result of a delay in restructuring this area and this is reflected in the anticipated outturn.	The adverse variance is the result of a delay in restructuring this area to achieve efficiencies planned from the start of the year. This restructure has now occurred and the full year efficiency will be achieved from 1 April 2009.
3,500.5	Assessment & Care Management	(123.0)	(172.0)	(49.0)		The favourable variance is owing to vacancies occurring during a major restructure, the final three months of 2008/09 saw an increase in this owing to the higher value of these vacancies following the finalisation of the impact of job evaluation. Additional Supporting People funding has also been negotiated for this area.
0.1	LDDF	0.0	0.0	0.0		
1,403.9	Home Care	(160.0)	(50.8)	109.2		This is complex area owing to the linkages between working patterns, the significant number of vacancies within this team and the impact of Job Evaluation on the cost of this service. The reduction in the underspend reflects these complexities.

Approved 2008/2009 Budget	Description of Best Value Unit	Forecast Over/ (Under) spend reported at the end of Quarter 3	Actual - Over/ (Under) spend	Increase/ (Decrease) in total Departmental Overspend	Explanation of Forecast Variance reported at Quarter 3 (Comments only made on main variances)	Explanation of Change in Forecast Outturn (Comments only made on main variances)
£'000		£'000	£'000	£'000		
5,028.2	Learning Disabilities	812.0	652.1	(159.9)	<p>Increased demand for the service is reflected in the current adverse variances on residential placements (£229,000, of which £173,000 relates to nine months worth of residential care costs for one individual as reported last quarter) and additional care placements (£274,000).</p> <p>Owing to increase in demand for care and increases in care needs for some already receiving support we currently have care costs in excess of budget for community based social care support of £343,000 in this area. This includes some one-off expenditure for equipment, etc, which is not expected to continue, as individuals choose to access their social care in more flexible ways. This variance is partly offset by a reduction in costs against traditional domiciliary care services of £106,000.</p> <p>Day service transport costs continue to be an issue until the Integrated Transport Unit is in place.</p> <p>The overall projected outturn has reduced since the last report owing to some one-off income received from the PCT, there has also been unfortunately, a number of service users how have passed away which will have an impact on the financial position this year.</p>	<p>Increased demand for the service is reflected in the adverse variances on residential placements (£420,000, of which £224,000 relates to residential care costs for one individual as reported previously) and additional care placements (£353,000).</p> <p>Owing to an increase in demand for care and increases in care needs for some already receiving support we currently have care costs in excess of budget for community based social care support of £252,000 in this area. This figure reflects the net variance as the trend continues to decrease those costs of traditionally provided domiciliary care services. This variance includes some one-off expenditure for equipment, etc, which is not expected to continue, as individuals choose to access their social care in more flexible ways.</p> <p>The outturn variance has reduced since the last report owing to some further one-off income received from the PCT, and unfortunately, a number of service users passing away.</p> <p>Day service transport costs continue to be an issue until the Integrated Transport Unit is in place however the actual costs charged in 2008-09 were slightly less than anticipated further reducing the outturn variance.</p>
1,322.0	Mental Health	160.0	151.7	(8.3)	<p>The current adverse variance relates to increased demand for this service. Residential placement costs are currently overspent by £94,000 and community social care support demand has meant that care costs are currently greater than budget by £127,000. A favourable variance on income linked to additional expenditure and staffing underspends account for the overall projected outturn.</p>	<p>This adverse variance relates to increased demand for this service as previously reported. Residential placement costs overspent by £140,000 and community social care support demand has meant that care costs are currently greater than budget by £184,000. A favourable variance on income linked to additional expenditure and staffing underspends account for the overall projected outturn.</p>
8,477.3	Older People Purchasing	368.0	220.9	(147.1)		<p>The decrease in the adverse variance in this area is mainly owing to one-off income streams of £90,000 from the PCT for various projects agreed towards the end of the financial year. In addition to this there was a retrospective Continuing Health Care receipt from the PCT and a settled Deferred Charge during this period totalling £75,000.</p>

Approved 2008/2009 Budget	Description of Best Value Unit	Forecast Over/ (Under) spend reported at the end of Quarter 3	Actual - Over/ (Under) spend	Increase/ (Decrease) in total Departmental Overspend	Explanation of Forecast Variance reported at Quarter 3 (Comments only made on main variances)	Explanation of Change in Forecast Outturn (Comments only made on main variances)
£'000		£'000	£'000	£'000		
1,636.0	Physical Disabilities	497.0	413.4	(83.6)	demand for community based social care. There is currently expenditure in excess of budget in this area of £280,600. This includes some one-off expenditure for equipment, etc., which is not expected to continue, as individuals choose to access their social care in more flexible ways. Day service transport costs continue to be an issue until the	The majority of this current adverse variance relates to increased demand for community based social care. There is currently expenditure in excess of budget in this area of £396,000. This includes some one-off expenditure for equipment, etc., which is not expected to continue, as individuals choose to access their social care in more flexible ways. Day service transport costs continue to be an issue until the Integrated Transport Unit is in place however the actual costs charged in 2008-09 were slightly less than anticipated reducing the outturn variance.
279.2	Sensory Loss and Occupational	30.0	52.7	22.7		This adverse variance relates to increased staff costs to cover the Service. The impact of the delay in agreeing the Job Evaluation amendments has also adversely affected the outturn variance.
261.3	Service Strategy and Regulation	9.0	(2.6)	(11.6)		
4,026.2	Support Services	(106.1)	(46.9)	59.2		Income was less than forecast for this area and this has been offset by favourable variances on other budgets.
60.1	Allotments	0.0	0.9	0.9		
38.2	Archaeology	0.0	1.4	1.4		
797.9	Community Support	(5.0)	(16.6)	(11.6)		
1,000.6	Museums & Heritage	(21.2)	(26.7)	(5.5)		
399.4	Strategic Arts	47.7	21.2	(26.5)	This variance is mainly owing to an adverse variance against the Maritime Festival as previously reported and adverse variances on staff costs and income to the Borough Hall to support the office accommodation refurbishment strategy. The majority of these costs have now been realised and the outturn projection reflects this.	This variance is mainly owing to an adverse variance against the Maritime Festival as previously reported and adverse variances on staff costs and income to the Borough Hall to support the office accommodation refurbishment strategy. The variance has reduced slightly following the Job Evaluation weekly adjustments agreed late in the year.

Approved 2008/2009 Budget	Description of Best Value Unit	Forecast Over/ (Under) spend reported at the end of Quarter 3	Actual - Over/ (Under) spend	Increase/ (Decrease) in total Departmental Overspend	Explanation of Forecast Variance reported at Quarter 3 (Comments only made on main variances)	Explanation of Change in Forecast Outturn (Comments only made on main variances)
£'000		£'000	£'000	£'000		
418.4	Countryside	(5.0)	(22.2)	(17.2)		This favourable variance is the result of staff vacancies and have been used to fund overspends on the Parks BVG.
167.6	Foreshore	0.0	(20.3)	(20.3)		This favourable variance is the result of managed staff savings around the Beach Safety service and have been used to fund overspends on the Parks BVG.
(13.0)	Recharge Accounts	(40.0)	(40.2)	(0.2)		
1,946.8	Libraries	(65.5)	(60.3)	5.2		
326.7	Maintenance	14.0	14.8	0.8		
625.0	Parks	0.0	20.3	20.3		This outturn variance is owing to necessary footpath works required within the Borough and is funded from managed underspends within the Countryside and Foreshore BVG's.
1,702.9	Sports & Physical Recreation	0.0	(62.3)	(62.3)		The favourable variance in this area is a result of grant maximisation within the BVG. The funding was maximised to fund additional staff costs which were previously expected to offset the favourable variance in this area. The actual underspend also reflects the complexities of Job Evaluation for this area. These issues were not finalised until the final three months of 2008/09.
33,528.4	TOTAL	1,451.9	1,065.9	(386.0)		

CHIEF EXECUTIVES**REVENUE OUTTURN REPORT FOR FINANCIAL YEAR 2008/2009**

Approved 2008/2009 Budget	Description of Best Value Unit	Forecast Over/ (Under) spend reported at the end of Quarter 3	Actual - Over/ (Under) spend	Increase/ (Decrease) in total Departmental Overspend	Explanation of Forecast Variance reported at Quarter 3 (Comments only made on main variances)	Explanation of Change in Forecast Outturn (Comments only made on main variances)
£'000		£'000	£'000	£'000		
FINANCE PORTFOLIO						
1,702.5	Finance Division	(207.0)	(209.9)	(2.9)	The Finance Division is projecting a favourable variance at outturn as a result of one-off staff vacancies. This favourable variance will offset the adverse variances projected by the Legal Section and contribute to the adverse variance projected on Administrative Buildings which is reported to Performance Management Portfolio.	
38.9	Legal Service	77.0	102.4	25.4	The adverse variance is a result of staff vacancies and pending staff restructure which as resulted in the use of Agency staff and caused increased staffing costs to the Section. Several areas within the Chief Executive's Department will be showing favourable variances at the year end. These favourable variances will offset this adverse	The adverse position worsened due to the continuing need for agency staff usage which will be addressed by a staff restructure in 2009/10. The overspend will be offset by underspends elsewhere in Chief Executives.

Approved 2008/2009 Budget	Description of Best Value Unit	Forecast Over/ (Under) spend reported at the end of Quarter 3	Actual - Over/ (Under) spend	Increase/ (Decrease) in total Departmental Overspend	Explanation of Forecast Variance reported at Quarter 3 (Comments only made on main variances)	Explanation of Change in Forecast Outturn (Comments only made on main variances)
£'000		£'000	£'000	£'000		
(868.0)	Shopping Centre	(250.0)	(152.0)	98.0	The forecast variance is based on information received from the Shopping Centre owners regarding the position expected for the final quarter of the year and reflects the difficult economic climate we are currently operating within. The favourable variance is partly owing to the receipt by Shopping Centre owners of terminating rental when tenants vacate properties. Whilst this situation will result in favourable variances in 2008/2009, it is likely to have an adverse impact on rental income received in the forthcoming financial year. Subject to other budget areas within the Chief Executive's Department being on target at the end of the year, it would be prudent to earmark this income to offset any potential Shopping Centre income shortfall next year.	Rental receipts fell in the final quarter of 2008/09 which led to a less favourable variance than initially anticipated. A reserve of £ 150,000 has been created to manage the position in 2009/10 , as it is expected that there will be further pressure on rental income owing to the impact of the recession.
0	Reserve - Shopping Centre Income	200.0	150.0	(50.0)		The amount earmarked for this reserve was reduced due to the lower actual surplus on shopping centre income
101.2	Registration of Electors	0.0	(5.3)	(5.3)		
101.7	Municipal and Parliamentary Elections	5.0	3.8	(1.2)		

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£'000		£'000	£'000	£'000		
2759.5	Central Administration	0.0	197.9	197.9		
164.4	Council Tax and Housing Benefits Payments	(250.0)	(495.6)	(245.6)	The favourable variance arises from Benefit Subsidy regulations which have applied for 2008/2009 having a beneficial impact for Hartlepool.	The favourable variance facilitates the creation of the reserves for HR/payroll system, social inclusion and credit union as detailed below.
0	HR/Payroll System	114.2	114.2	0.0		
0	Reserve - New HR/Payroll System	185.8	185.8	0.0	This reserve has been established from savings in Finance Departmental budgets. The reserve will be used to fund one-off costs associated with the implementation of a new HR/Payroll System which will enable ongoing efficiencies to be achieved in 2009/2010 and future years.	
0	Reserve - Social Inclusion	100.0	100.0	0.0	This reserve has been established from savings in Finance Departmental budgets. The Social Inclusion/Credit Union reserves will be used to promote financial awareness and Social Inclusion, which will include working with Secondary	
0	Reserve - Credit Union	50.0	50.0	0.0	This reserve has been established from savings in Finance Departmental budgets. The Social Inclusion/Credit Union reserves will be used to promote financial awareness and Social Inclusion, which will include working with Secondary	
4,000.2	FINANCE PORTFOLIO SUB-TOTAL	25.0	41.3	16.3		
PERFORMANCE MANAGEMENT						

Approved 2008/2009 Budget	Description of Best Value Unit	Forecast Over/ (Under) spend reported at the end of Quarter 3	Actual - Over/ (Under) spend	Increase/ (Decrease) in total Departmental Overspend	Explanation of Forecast Variance reported at Quarter 3 (Comments only made on main variances)	Explanation of Change in Forecast Outturn (Comments only made on main variances)
£'000		£'000	£'000	£'000		
12.0	Public Relations	0.0	8.2	8.2		
(2.6)	Democratic Services	(10.0)	(25.3)	(15.3)		
254.3	Corporate Strategy & Public Consultation	(10.0)	(42.4)	(32.4)		Staffing budgets and the Corporate IT budget have underspent.
0.0	Corporate Management and Running Expenses	(10.0)	(1.7)	8.3		
106.9	Registration Services	0.0	(14.4)	(14.4)		
185.3	Support to Members	0.0	(39.6)	(39.6)		Member's expenses budgets and the staffing budget have underspent
(128.6)	Other Office Services	125.0	132.6	7.6	The current and forecast variance arises from the income budget for Land Charges being unachievable. This is owing to the market conditions and the economic conditions arising from the 'credit crunch'.	The unfavourable economic conditions have persisted into Quarter 4 and the income shortfall has risen slightly
16.1	Printing	0.0	11.1	11.1		
0.3	Human Resources	0.0	149.1	149.1		The overspend on HR is caused by overspending on staffing budgets, partly due to sickness problems and workload
1.3	Training & Equality	0.0	(17.5)	(17.5)		This underspend is offset by overspending elsewhere in HR
(1.3)	Contact Centre	0.0	(42.1)	(42.1)		The underspend on staffing and software costs is off-setting the overspend on other areas of HR

Approved 2008/2009 Budget	Description of Best Value Unit	Forecast Over/ (Under) spend reported at the end of Quarter 3	Actual - Over/ (Under) spend	Increase/ (Decrease) in total Departmental Overspend	Explanation of Forecast Variance reported at Quarter 3 (Comments only made on main variances)	Explanation of Change in Forecast Outturn (Comments only made on main variances)
£'000		£'000	£'000	£'000		
45.0	Administration Buildings Running Expenses	55.0	(29.1)	(84.1)	The adverse variance is owing to an increase in responsive and cyclical maintenance. This variance will be offset by favourable variances on the Finance and Efficiency Portfolio.	The final underspend reflected the allocation of additional funding for the increase in energy prices and the restraint of expenditure in the final quarter.
0.0	Central Council Expenses	0.0	(4.5)	(4.5)		
65.6	Performance Management Miscellaneous	0.0	11.6	11.6		
554.3	PERFORMANCE MANAGEMENT - SUB TOTAL	150.0	96.0	(54.0)		
4,554.5	TOTAL OF CHIEF EXECUTIVES DEPT.	175.0	137.3	(37.7)		The net overspend reflects the reduction in Land Charges income. If this shortfall had not occurred there would have been a small net overspend of £4,900 as the underspends on other budgets within the Chief Executives Department would have largely offset other overspends.

CHILDREN'S SERVICES**REVENUE OUTTURN REPORT FOR FINANCIAL YEAR 2008/2009**

Approved 2008/2009 Budget	Description of Best Value Unit	Forecast Over/ (Under) spend reported at the end of Quarter 3	Actual - Over/ (Under) spend	Increase/ (Decrease) in total Departmental Overspend	Explanation of Forecast Variance reported at Quarter 3 (Comments only made on main variances)	Explanation of Change in Forecast Outturn (Comments only made on main variances)
£'000		£'000	£'000	£'000		
2,316.9	Access to Education	(49.0)	(50.7)	(1.7)	Charges to the department's Asset Management Team from Neighbourhood Services and external consultants to support the LA's traditional school capital programme have been lower than expected. This reflects the increased emphasis on the Building Schools for the Future and Primary Capital programmes. Income from primary schools for attendance at the Carlton Outdoor Centre has increased reflecting the high take up of places offered to Hartlepool schools under the joint authority arrangement. Vacancies in the Exclusions Team from November onwards have resulted in staff salary savings. The Home to School Transport Service is also underspending this year but year end savings will be required to help meet the Integrated Transport Unit's corporate efficiency target.	Charges to the department's Asset Management Team from Neighbourhood Services and external consultants to support the LA's traditional school capital programme were lower than expected. This reflected the increased emphasis on the Building Schools for the Future and Primary Capital programmes. Income from primary schools for attendance at the Carlton Outdoor Centre increased, reflecting the high take up of places offered to Hartlepool schools under the joint authority arrangement. Exclusions income from schools was credited during the last term once the pupil transfers were known and was higher than expected. The Home to School Transport Service also underspent this year, of which £100k was released as corporate efficiency savings. However, further savings were made of £16k in the last quarter against contracts.
1,604.50	Central Support Services	0.0	(0.0)	(0.0)		
0.0	Children's Fund	0.0	0.0	0.0		
9,551.5	Children, Young People and Families Support (continued on next page)	685.0	631.0	(54.0)	As reported throughout 2007/2008 and in the first two quarters of 2008/2009, the Department has experienced significant pressures relating to a net increase in the number and cost of Looked After Children. Based on the projected cost of current placements the overall budget will exceed the existing budget by £754,900 at the year end. This is in line with previous estimates and costs are expected to continue at this level throughout next year, as reflected in the Department's 2009/2010 budget submission	As reported throughout 2007/2008 and in the first three quarters of 2008/2009, the Department experienced significant pressures relating to a net increase in the number and cost of Looked After Children. The overall budget exceeded the existing budget by £739k at the year end, but this was £16k less than expected at Q3 due to a reduction in the number of placements. Significant savings of £69k were also achieved due to the late rolling out of the Children & Families Staff Development Programme. Within the Safeguarding Unit, there has been a saving of £6,000 on the use of external consultants following a review of use of external agencies. Within the Child Adoption Service, because only one placement was made compared to three budgeted, there is a consequent saving of £21k in supplies and services linked to those placements.

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£'000		£'000	£'000	£'000		
	Children, Young People and Families Support (continued)				<p>The costs of care proceedings have also increased significantly as a direct consequence of the Public Law Outline introduced in April, 2008, to replace an earlier protocol for managing public law Children Act cases. This was designed to improve the overall system and provide better outcomes for children while ensuring court resources are used in a timely and effective way. The reform significantly changed the way in which local authorities make applications to the Court for orders where children are suffering or are at risk of suffering significant harm. The process increases Local Authority spending owing to the need to incur costs on specialist assessments prior to hearings but the additional costs to the Children's Services Department could not be predicted at the time the budget was set. So far this year additional costs have totalled £70,300 and it is likely that this will rise to at least £100,000 by the year end.</p> <p>During the year attempts have been made to curtail spending on other areas within the Children and Families Division including the use of external grants to offset overspendings on care packages. Staff vacancy savings and underspends on running costs have also been achieved. In total net savings of £170,000 are anticipated by the year end which will reduce the overall divisional overspend to £685,000.</p>	<p>The costs of care proceedings did increase significantly as a direct consequence of the Public Law Outline introduced in April, 2008, to replace an earlier protocol for managing public law Children Act cases. This was designed to improve the overall system and provide better outcomes for children while ensuring court resources are used in a timely and effective way. The reform significantly changed the way in which local authorities make applications to the Court for orders where children are suffering or are at risk of suffering significant harm. The process increased Local Authority spending owing to the need to incur costs on specialist assessments prior to hearings but the additional costs to the Children's Services Department could not be predicted at the time the budget was set. At Q3 additional costs totalled £70,300 and increased to £167,000 by year end, due to an increase in the number of court applications.</p> <p>During the year attempts were made to curtail spending on other areas within the Children and Families Division including the use of external grants to offset overspendings on care packages. Staff vacancy savings and underspends on running costs were also achieved. In total net savings of £170,000 were achieved which reduced the overall divisional overspend to £631,000.</p>
363.3	Early Years	(30.0)	(52.5)	(22.5)	Expenditure on private sector nursery provision continues to be less than expected due to low take up of the Nursery Education Grant for 4 year olds.	Expenditure on private sector nursery provision was less than expected due to low take up of the Nursery Education Grant for 4 year olds (£35.2k). There was also an underspend due to a previous year grant adjustment on General Surestart grant (£17.3k).
117.0	Information, Sharing & Assessment	(77.9)	12.4	90.3	The Department undertook a minor restructuring earlier in the year to increase staffing resources attached to the development of the Children's Trust. Delays in filling posts have resulted in high vacancy savings. The costs of printing the new Children's and Young People's Plan was lower than expected. Delays on implementation of the Integrated Working project also resulted in savings.	The Department undertook a minor restructuring earlier in the year to increase staffing resources attached to the development of the IWISP / Children's Trust. Delays in filling posts resulted in high vacancy savings. The costs of printing the new Children's and Young People's Plan was lower than expected. Additional contributions were made to the departmental abatement target after Q3 had been reported of £35k.
1,785.0	Other School Related Expenditure	(2.4)	(245.1)	(242.7)		<p>The Transitional Support Fund (£200k) was not utilised in 2008/9, because no bids were received from schools. The £150k Brierion Salary Protection Fund was also underspent by £109k due to delays in staff transferring to other schools. These underspends are to be carried forward for application in 2009/10 and subsequent years.</p> <p>Premature retirement costs were higher than anticipated due to provision being made for some one off payments. External consultants budgets of £17k and £9k were not utilised in the swimming service and ICT support respectively.</p>

Approved 2008/2009 Budget	Description of Best Value Unit	Forecast Over/ (Under) spend reported at the end of Quarter 3	Actual - Over/ (Under) spend	Increase/ (Decrease) in total Departmental Overspend	Explanation of Forecast Variance reported at Quarter 3 (Comments only made on main variances)	Explanation of Change in Forecast Outturn (Comments only made on main variances)
£'000		£'000	£'000	£'000		
93.3	Play & Care of Children	33.0	25.5	(7.5)	This overspend mainly related to OSCARs, the all year round childcare service offering after school and holiday provision from three locations across the Borough. Costs in the current year have been higher than normal owing to maternity cover and at the same time income from fees and charges has been lower than expected. An action plan to review the sustainability of the service is being implemented and the Portfolio Holder agreed an increase in charges earlier this year.	This overspend mainly related to OSCARs, the all year round childcare service offering after school and holiday provision from three locations across the Borough. Costs in the current year were higher than normal owing to maternity cover but the anticipated reduction in income was not as low as anticipated. The overspend was further reduced by a contribution of £4.8k from Reserves.
1,716.0	Raising Educational Achievement	(69.0)	(125.2)	(56.2)	Demand for support to schools in difficulty has been relatively low this year. Expenditure on advisory consultants has been low as more support has been provided from in house staff. Consultancy costs have also been partly offset by the use of Standards Fund grants carried forward from 2007/2008.	Demand for support to schools in difficulty has been relatively low this year. Expenditure on advisory consultants has been low as more support has been provided from in house staff. Consultancy costs have also been partly offset by the use of Standards Fund grants carried forward from 2007/2008. Additional income was generated from schools for Newly Qualified Teacher (NQT) buy back support services. Workforce Development grants were used to offset existing staff salary costs rather than new spending. Behaviour & Attendance Partnership funding was not fully utilised but forms part of DSG underspend - this was due to information about schools' achievements of attendance targets, not being available until after financial year end.
2,533.2	Special Educational Needs	(169.0)	(215.3)	(46.3)	Various underspends are being experienced on these DSG funded services and cannot be used to offset other departmental overspends. Areas of saving are staff vacancy and running costs at the Pupil Referral Unit, lower than expected recharges for Home and Hospital teaching and reduced spending on special needs pupils placed with other Local Authorities.	Various underspends are being experienced on these DSG funded services and cannot be used to offset other departmental overspends. Areas of saving are staff vacancy and running costs at the Pupil Referral Unit, lower than expected recharges for Home and Hospital teaching and reduced spending on special needs pupils placed with other Local Authorities. Since Q3, the PRU has also been credited with Exclusions income during the last term and additional grant funding was made from sources such as NDC and Standards Funds.
1,583.3	Strategic Management	(97.9)	(311.7)	(213.8)	Following a review of vacancies earlier in the year new posts were created to enhance the in-house Commissioning Team. Delays in filling posts resulted in high vacancy savings. Vacancies and staff changes in the Senior Management Team have resulted in lower than expected salary costs. The Finance Team have also reduced the use of external funding consultants to assist in the local formula for funding schools. Expenditure on staff training has also been lower than expected partly owing to the availability of external grant to fund some programmes.	The departmental abatement target was exceeded due to higher than expected staff vacancies towards the latter part of the year.

Approved 2008/2009 Budget	Description of Best Value Unit	Forecast Over/ (Under) spend reported at the end of Quarter 3	Actual - Over/ (Under) spend	Increase/ (Decrease) in total Departmental Overspend	Explanation of Forecast Variance reported at Quarter 3 (Comments only made on main variances)	Explanation of Change in Forecast Outturn (Comments only made on main variances)
£'000		£'000	£'000	£'000		
339.3	Youth Justice	0.0	(10.9)	(10.9)		Recharges to the Service from Regeneration and Planning were lower than anticipated.
1,082.80	Youth Service	(38.2)	7.7	45.9		Additional contributions were made to the Departmental abatement target, following staffing savings reported at Q3.
0.0	Contribution to Dedicated Schools Grant Reserve	289	647.3	358.3		The Schools Forum established a 3 year salary protection fund to maximise redeployment opportunities for Brierton school staff. The number of staff transferring during 2008/09 was less than expected. There were no bids for Transitional Support from schools in difficulties during 2008/09.
23,086.1	TOTAL	473.6	312.5	(161.1)		

NEIGHBOURHOOD SERVICES**4.2 Appendix E****REVENUE OUTTURN REPORT FOR FINANCIAL YEAR 2008/2009**

Approved 2008/2009 Budget	Description of Best Value Unit	Forecast Over/ (Under) spend reported at the end of Quarter 3	Actual - Over/ (Under) spend	Increase/ (Decrease) in total Departmental Overspend	Explanation of Forecast Variance reported at Quarter 3 (Comments only made on main variances)	Explanation of Change in Forecast Outturn (Comments only made on main variances)
£'000		£'000	£'000	£'000		
1,029.0	Engineering Consultancy	0.0	(95.2)	(95.2)		£24,000 under spend on LAA grant funding. Higher than anticipated levels of Income achieved in final quarter. There were also unexpected savings on salaries due to retirements and disciplinary action.
7,372.6	Environment	0.0	(252.8)	(252.8)		Unanticipated reduction in the level of waste disposal costs together with a managed reduction in spend designed to negate overspends in other areas of the department. Areas of savings were one offs which could not be continued without being detrimental to the service.
343.3	Environmental Action	0.0	(59.3)	(59.3)		£55,000 grant funding for new security cameras not spent. This was used to fund other areas of overspending in the department.
324.1	Highways Management	0.0	46.3	46.3		Unavoidable overspend on salary costs due to overtime and travel costs in the final quarter to cover critical posts affected by sickness absence
2,983.6	Highways Services	113.0	570.3	457.3	This is mainly owing to Highways Maintenance, which is currently projecting to be overspent by £110,000. This is currently being reassessed and should be brought back in line by the year end.	£277,000 of the overspend release to a temporary increase in street lighting energy costs. It was previously anticipated that this would be met by corporate funding but was subsequently able to be funded by departmental underspends in other areas. The remaining balance was an overspend on scheduled and unscheduled highways maintenance which could not be avoided as had been provisionally hoped.
178.7	Town Care Management	0.0	1.0	1.0		
13.2	Traffic Management	0.0	0.9	0.9		
1,849.1	Traffic & Transportation	0.0	(253.3)	(253.3)		Unanticipated under spend on concessionary fares due to higher than expected settlement from DFT
264.5	Transport Services	12.0	(6.3)	(18.3)		

Approved 2008/2009 Budget	Description of Best Value Unit	Forecast Over/ (Under) spend reported at the end of Quarter 3	Actual - Over/ (Under) spend	Increase/ (Decrease) in total Departmental Overspend	Explanation of Forecast Variance reported at Quarter 3 (Comments only made on main variances)	Explanation of Change in Forecast Outturn (Comments only made on main variances)
£'000		£'000	£'000	£'000		
428.7	Transportation Management	0.0	3.7	3.7		
(831.0)	Car Parking	159.0	187.3	28.3	Car parking income is currently £92,000 below target levels. The effect of the recent price increase is expected to resolve this issue, however, it is too early to determine if there will be customer resistance to the increases. Should previous years trends continue this will balance at the year end. Similarly, with car parking fine income we have £100,000 of potential income which is currently locked up in the appeals procedure. Again should this be determined in our favour this account will break even. For information we are currently suffering because of the use of counterfeit £1 coins which are currently costing approximately £30 per day (£27,000 YTD).	Quarter 4 performance worse than anticipated resulting in lower levels of income for car parking and parking fine income than envisaged.
525.1	Environmental Standards	85.0	(92.7)	(177.7)	Reduced level of income in Burials and Cremations reflects seasonal trends and this is expected to level out over the winter period. Market income is not expected to recover and the shortfall will need to be met from other departmental budgets. These are currently being identified.	Much higher than normal levels of income from cremations during final quarter of year combined with the inability to complete work to be funded from the Pride in Hartlepool grant fund (£76k). It had been hoped that this funding would be carried forward to 2009/10.
398.0	Client Services	0.0	(3.8)	(3.8)		
883.5	Consumer Services	(86.0)	(123.2)	(37.2)	£53,000 relates to savings on vacant posts. Market forces making it extremely difficult to recruit staff into these posts. Any favourable variance in this area will be used to provide the service by alternative methods. Licence income is currently above expectation and accounts for £114,000 of the variance. Income is anticipated to level out by the end of the financial year. The level of income received in advance is currently being evaluated and appropriate adjustments will be made at the year end.	The increase in licence fee income continued in the final quarter at a level greater than anticipated.
1,082.7	Neighbourhood Services Central Admin	0.0	2.5	2.5		
547.4	Neighbourhood Services Internal Works	200.0	102.7	(97.3)	The forecast variance results from increased fuel costs.	High levels of fuel costs did not continue combined with a better than anticipated level of surplus from the trading activities as a whole.
75.0	Minor Works	0.0	0.0	0.0		
(134.9)	Property Services	3.0	18.3	15.3		
17,332.6	TOTAL	486.0	46.4	(439.6)		

REGENERATION & PLANNING**4.2 Appendix F****REVENUE OUTTURN REPORT FOR FINANCIAL YEAR 2008/2009**

Approved 2008/2009 Budget	Description of Best Value Unit	Forecast Over/ (Under) spend reported at the end of Quarter 3	Actual - Over/ (Under) spend	Increase/ (Decrease) in total Departmental Overspend	Explanation of Forecast Variance reported at Quarter 3 (Comments only made on main variances)	Explanation of Change in Forecast Outturn (Comments only made on main variances)
£'000		£'000	£'000	£'000		
0.0	Administration	0.0	0.0	0.0		
138.4	Building Control	50.0	57.5	7.5	The increasingly competitive private sector market and the economic downturn have contributed to lower than budgeted fee income levels on this service at the third quarter stage. Current trends suggest an adverse position of around £50,000 is likely to exist at year end.	The increasingly competitive private sector market and the economic downturn have contributed to lower than budgeted fee income levels on this service. The £57,500 adverse variance was broadly in line with the Quarter 3 forecast.
73.5	CADCAM	0.0	27.4	27.4		
928.1	Community Safety	0.0	(11.0)	(11.0)		
298.1	Community Strategy	0.0	(8.3)	(8.3)		
187.3	Development Control	0	154.3	154.3		Planning fee income which had remained reasonably stable up to Q3 despite the economic downturn, dropped significantly in the final quarter of the year. The majority of the adverse variance however (£113k) was a result of costs incurred in respect of the Ships Dismantling Planning case. The timing and amount of these costs were uncertain. These costs are not covered by the existing corporate provision and are therefore included in the departmental outturn for the year. These additional costs have been reflected in the overall outturn strategy which in aggregate shows a lower total overspend.
1.9	Drug Action Team	0.0	(0.4)	(0.4)		
1,370.6	Economic Development	0.0	(20.8)	(20.8)		

Approved 2008/2009 Budget	Description of Best Value Unit	Forecast Over/ (Under) spend reported at the end of Quarter 3	Actual - Over/ (Under) spend	Increase/ (Decrease) in total Departmental Overspend	Explanation of Forecast Variance reported at Quarter 3 (Comments only made on main variances)	Explanation of Change in Forecast Outturn (Comments only made on main variances)
£'000		£'000	£'000	£'000		
929.7	Housing Services	(50.0)	(100.9)	(50.9)	It was reported at Quarter 2 that policy decisions in this service area may alter the anticipated spending pattern during the remainder of the year. The recent decision regarding the location of the new Housing Option Centre has significantly reduced the budget resource required to make the new office 'fit for purpose'. It is anticipated that a one off saving in 2008/2009 of £50,000 will occur.	As identified in Q3, some £50,000 of the overall favourable variance is attributable to the reduced requirement for resources to make the new Housing Option Centre building 'fit for purpose'. The additional variance was derived from several sources, most notably the one off savings in vacant posts that occurred largely as a result of the temporary freeze on recruitment during the early part of 2009.
358.8	Landscape & Conservation	0.0	19.7	19.7		
1725.4	Planning Policy & Regeneration	0	(21.8)	(21.8)		
292.1	Youth Offending Service	0.0	(7.4)	(7.4)		
6,303.9	TOTAL	0.0	88.3	88.3		

STATEMENT OF ACCOUNTS

2008/2009

M W WARD B.Sc, C.P.F.A.
CHIEF FINANCIAL OFFICER
FINANCE DIVISION

Hartlepool Borough Council
A FOUR STAR AUTHORITY
– IMPROVING STRONGLY

HARTLEPOOL BOROUGH COUNCIL- STATEMENT OF ACCOUNTS 2008/2009

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EXPLANATORY FOREWORD

1. INTRODUCTION

The Statement of Accounts presents the overall financial position for the year ended 31st March, 2009 and incorporates all the financial statements and disclosure notes required by statute. The foreword provides a guide to the most significant matters reported in the Statement of Accounts and an explanation of the Council's overall financial position.

2. CORE FINANCIAL STATEMENTS

A detailed analysis of the Council's financial position can be found on pages 29 to 37, the Core Financial Statements. A brief explanation of the purpose of each of the statements is given below:-

Income and Expenditure Account

This statement is fundamental to the understanding of the Council's activities. It reports the net cost of the services provided by the Council for the year and shows how that cost has been funded from general government grant, redistributed business rates and Council Tax. The income and expenditure account is in three sections:-

- Net Cost of Service

This section summaries the cost incurred by each service, net of specific grants and income from fees and charges. The format of this section is governed by the Best Value Accounting Code of Practice (BVACOP). The purpose of this analysis is to improve comparability and understanding between authorities.

- Net Operating Expenditure

This section includes income and expenditure that relates to the Council as a whole and not to an individual service area. The main items included in this section relate to the Council's borrowings and investments.

- Surplus or Deficit for the year

This section shows the surplus or deficit for the year after deducting income from general government grant, redistributed business rates and Council Tax. The surplus or deficit shown at the end of the Income and Expenditure account is shown in accordance with UK GAAP. This means that the figure includes non cash accounting charges, including depreciation and FRS 17 Pension charges.

Statement of Movement on the General Fund Balance

The Council's budget and Council Tax charge are determined by statute and exclude the notional accounting charges included in the Income and Expenditure account. This statement therefore reconciles the UK GAAP compliant Income and Expenditure Account with the statutory budget figures by reversing out the notional charges included in the Income and Expenditure account. This statement finishes with the value of the Council's General Fund

Reserves. Note 35 on page 78 provides a detailed summary of how these reserves will be used in future years.

Statement of Total Recognised Gains and Losses

This statement summarises all the gains and losses on headings within the Balance Sheet and shows the total movement in the Authority's net worth for the year. Net worth consist of the Council's cash reserves, which consist of Earmarked Reserves and General Fund Balances and non cash accounting reserves required to be UK GAAP compliant. The former represent resources which are available to spent, the latter do not. The total change in net worth for the year is £0.645m, which consists of a decrease in Earmarked Reserves and the General Fund Balance of £1.062m and a change in accounting reserves of £1.707m.

Balance Sheet

This statement shows the value the Council's assets liabilities, reserves and balances at 31st March, 2009. Details of changes in key balance sheet figure are provided later in this foreword.

Cash Flow Statement

This statement summaries the revenue and capital payments and receipts made by the Council to/from third parties. The cash inflows and outflows are analysed on a subjective basis and exclude internal transfers.

Collection Fund

The Collection Fund is a "ring-fenced" account which means that payments to, or from, the General Fund are not permitted. The Fund includes all transactions relating to the Council Tax, Community Charge and National Non-Domestic Rates. Any balance on the account at 31st March is shared amongst the Council and other major precepting authorities on the basis of Council Tax levels.

3. REVIEW OF 2008/2009 FINANCIAL YEAR

Revenue Spending 2008/2009 – Budget Position

The Council prepares a rolling three year financial strategy. In advance of the start of the financial year 2008/2009 the Council prepared a budget strategy for the three years 2008/2009 to 2010/11. This is the period covered by the Governments' current three year grant settlement for councils.

The preparation of the 2008/2009 budget was not as difficult as previously anticipated because the Council received a grant increase of 5.6%, which was a higher grant increase than expected. The budget position was still challenging owing to the continuation of the "floor damping" arrangements, an increase in the efficiency targets for councils, the implementation of Single Status and increased service pressures.

The "floor damping" arrangements mean that changes introduced to local government funding from 1st April, 2008, will be phased in over a number of years. As a result of these arrangements the Council did not receive the full amount of grant the Government assessed we need. This reduction amounted to £3.3m for 2008/2009. The Government have indicated

that the “floor damping” reduction will be £2.8m for 2009/2010 and £2.4m for 2010/2011. The Council will continue to argue for these arrangements to be abolished.

From 2008/2009 councils are required to achieve annual cashable efficiencies of 3%, in previous year’s this target was set at 1.25%. For this Council the 3% efficiencies target equates to £2.3m and a range of measure were implemented to achieve this target.

Additional funding was also provided in the Councils budget for a range of above inflation service pressures, which included the following main elements:

- £1m for Looked after Children – as the Council is caring for an increasing number of vulnerable children;
- £1m for Adult Social Services – which arises from increased costs of caring for vulnerable adults and an ageing population;
- £0.5m for increased Energy costs;
- £0.4 m for increased Waste Disposal and Recycling costs and
- £0.25m for Coast Protection.

The increase in Government grant and the implementation of 3% efficiencies were not sufficient to cover the additional costs facing the Council. The shortfall in funding was therefore bridged by a 3.9% Council Tax increase and by using £3.2m of general fund balances allocated to support the budget on a phased basis.

From 1st April, 2008 the Government implemented an ‘Area Based Grant’, which replaced 39 specific grants. In many cases these specific grants funded core services, such as Connexions, Supporting People Administration and School Development. Other grants included in the Area Based Grant include funding for activities delivered by partners in the voluntary and community sector. Owing to the late announcement of the Area Based Grant the Council determined to ring-fence this grant for 2008/09 on the basis of existing allocations. As part of the 2009/2010 budget process a detailed review of this area was undertaken and resources were allocated on the basis of the Council’s priorities.

The budget forecasts were rolled forward during 2008/2009 to cover the three years 2009/2010 to 2011/2012 and indicate that the Council faces a challenging financial position over the next three years. The Council has begun to develop a strategy to address this position and this includes the development of a ‘Business Transformation’ programme, which aims to achieve gross ongoing efficiencies of £5.9m over the next 4 years.

Revenue Spending 2008/2009 – Key In-Year Issues

During 2008/2009 the Council approved a new Single Status pay and grading system and to back-date implementation of this scheme from 1st April, 2007. A provision of £4.2 million had been established at the end of 2007/2008 to meet the back-dated costs of implementing this agreement from 1st April, 2007. Costs of £3.158m were charged against this provision in 2007/2008. The remaining balance is earmarked to meet any costs arising from successful appeals which will be back dated to 1st April, 2007 and potential Equal Pay tribunal claims. The ongoing costs of the new pay and grading system are reflected in the budgets for 2008/2009 to 2010/2011.

The Council received approval for its Building Schools for the Future Outline Business Case in February, 2009 from Partnerships for Schools, the organisation managing this programme. This approval confirms a total investment of £104m for the towns’ secondary schools and this

amount will be funded from a specific grant. This approval enables the Council to progress this scheme and begin the process of appointing contractors to undertake these works. A Final Business Case will need to be approved by Partnerships for Schools before these works can commence. The Council is confident that this approval will be obtained. The Council has earmarked resources of £1.490m to cover the one-off costs of this programme, which are not eligible for funding from the Building Schools for the Future capital grant.

Revenue Spending 2008/09 – Outturn Position

In 2008/2009 the Council's net General Fund budget, which is the amount funded from Government Grant and Council Tax, was £153.660m. This is the budget net of the planned use of reserves of £3.249m.

In total, actual net expenditure in 2008/2009 was £155.796m, which was £1.113m less than the approved budget. This net variance consisted of three components.

Firstly, the Council received a one-off grant of £2.9m from final year's allocation of LABGI (Local Authority Business Growth Incentive) reward grant. This amount has been earmarked to support the 2009/2010 and 2010/2011 budgets. The Council did not expect to receive this money as it was anticipated the Government would change the distribution methodology used in previous years following successful legal challenges by other councils. The Government addressed these issues and allocated funding in 2008/2009 on the basis of the existing methodology. The Government have announced changes to the LABGI scheme for the three years commencing 2009/2010. Under the new arrangements the total amount available for distribution is £120m, compared with £1 billion under the old scheme. The first allocations will not be made until 2010/2011 and it is expected that the authority will receive £120,000 from the new scheme.

Secondly, there was a net underspend on the centralised estimates budget of £2m owing to higher investment income on the Council's cash balances. £1.5m of this amount has been earmarked for the one-off costs of the Building Schools for the Future Programme and £0.5m to provide a risk contingency to protect the Council's financial position if income from the Tall Ships visit is less than anticipated owing to adverse weather when the Tall Ships visit.

Thirdly, there was an overspend on departmental budgets of £1.650m. The Council considered requiring departments to repay these amounts over a three year period from future year's budget allocations. It was decided not to implement this strategy owing to continuing pressures on departmental budgets and the need to make significant efficiencies in future years. As this amount could not simply be written off against General Fund Balances, an alternative funding strategy was developed. This strategy involved capitalising various one-off projects which it was planned to fund from the revenue budget or the Capital Funding reserve. This proposal released these resources to offset the departmental overspends. The capital expenditure was then funded from Prudential Borrowing. The future annual repayments arising from this prudential borrowing will be a first call on the headroom included in the budget forecasts for future years. It was originally anticipated that £2.6m could be released using this strategy to offset the forecast departmental overspend. The actual departmental overspend was less than expected and this potentially reduced the amount of expenditure which needed to be capitalised. The Council decided to capitalise the planned £2.6m and £1.487m of the resources released have been earmarked to offset the departmental overspend. The remaining amount of £1.113m has been transferred to the General Fund and as part of the 2010/11 budget process Members will determine a strategy for using these resources. Cabinet's initial view is that these resources should be allocated to

meet the one-off costs of implementing the Business Transformation Programme efficiencies. If this proposal is approved by full Council this will enable these efficiencies to be taken from the budget earlier, as part of these efficiencies will not need to be allocated to fund one-off implementation costs.

The main reasons for the departmental overspend are summarised below:

- Adult and Community Services – overspend of £1.066m

This overspend is the result of an increase in the number of adults with Learning and Physical Disabilities requiring care and an increase in the level of care needs for some existing people already being cared for by the Council. Additional costs were also incurred caring for Older People owing to an increase in the number of people cared for.

- Chief Executive's Department – overspend of £0.137m

This overspend is owing to a reduction in Land Charges income, which reflects the downturn in housing market activity during the year.

- Children's Services – overspend of £0.312m

The overspend results from an increase in the number of Looked After Children cared for by the Council.

The following table provides a summary of the financial issues detailed in the previous paragraphs.

Summary of 2008/2009 Financial Position

Line No	Description of Expenditure	Outturn Position		
		2008/09 Approved Budget £'000	2008/09 Actual Expenditure / Income £'000	2008/09 Variance: Adverse/ (Favourable) £'000
1	<u>Departmental Expenditure</u> Adult & Community Services	33,528	34,594	1,066
2	Chief Executives Department	4,554	4,692	138
3	Children's Services (excl Schools)	23,086	23,398	312
4	Neighbourhood Services	17,333	17,379	46
5	Regeneration & Planning	6,304	6,392	88
	Total Departmental Expenditure	84,805	86,455	1,650
6	<u>Non Departmental Expenditure</u> Centralised Estimates and Corporate Budgets *	7,301	5,207	(2,094)
7	Schools	54,154	54,154	0
8	<u>Contributions to reserves funded from Centralised Estimates underspend as approved by Council 12th February 2009.</u> - Building Schools for the Future one off costs - Tall Ships income risk reserve - Income Equalisation Risk Reserve	0 0 0	1,500 500 120	1,500 500 120
9	LABGI and LPSA 2 Reward Grant Income	0	(3,355)	(3,355)
10	Contribution to Budget Support Fund funded from LABGI and LPSA 2 income	0	3,355	3,355
11	Capitalisation of revenue expenditure as per approved Outturn Strategy	0	(2,600)	(2,600)
	Total Non Departmental Expenditure	61,455	58,881	(2,574)
	Total Departmental and Non Departmental Expenditure	146,260	145,336	(924)
	Area Based Grant Underspend	10,649	10,460	(189)
	Net Contribution to General Fund Balances	156,909	155,796	(1,113)

The Councils budget was funded from the following sources: -

	£'000	%
Dedicated Schools Grant	58,525	37.3%
Revenue Support Grant	5,862	3.7%
Share of National Non-Domestic Pool	42,112	26.8%
Use of Reserves	3,249	2.1%
ABG	10,649	6.8%
Council Tax (HBC Charge on Collection Fund)	36,512	23.3%
	156,909	100.0%

Reconciliation of the Statement of Movement on the General Fund Balance (page 30) with the 2008/2009 Financial Position

In accordance with accounting regulations changes in General Fund Balances are shown differently in the statutory accounts and the Council's management accounts. The following table provides a reconciliation of this position.

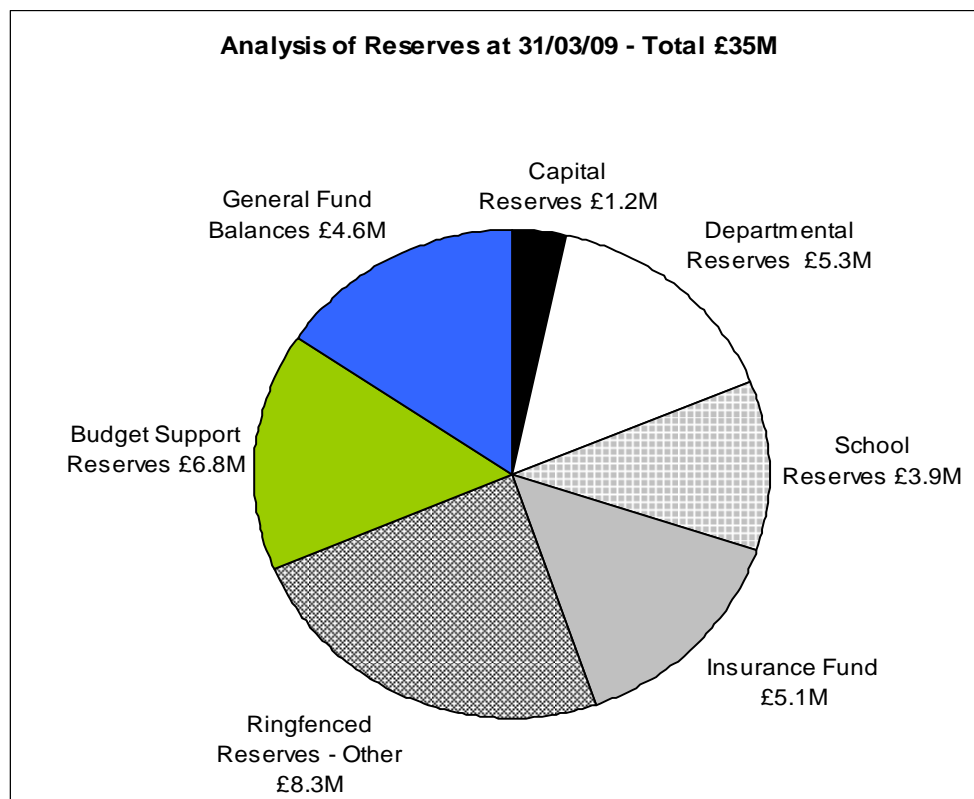
	£'000
Deficit reported in the Statement of the Movement on the General Fund Balance	0.483
Add reductions in Reserves included in above figure School Reserves	(0.128)
Earmarked General Fund Balances	(0.424)
Unearmarked General Fund Balances transferred to Budget Support Fund	(0.790)
Use of Unearmarked General Fund Balances approved by Council to meet one off costs, relating to Emergency Coast Protection at Seaton Carew, Bus Services, including the Hospital Transport Service and Memorial Testing.	(0.254)
Surplus for Year reported in 2008/09 Financial Position (page 7)	(1.113)

Changes on the Balance Sheet

The major movements on the balance sheet are as follows:

- Fixed Assets, Revaluation Reserve and Capital Adjustment Account – the Councils total fixed assets have increased by £7.829m which comprises of expenditure on fixed assets of £17.009m, revaluation of existing assets of £14.272m, less depreciation, impairments and disposals of £23.451m.
- Debtors – as at 31 March 2009 are £21.126m (£12.313m at 31 March 2008). The increase is mainly owing to an amount owed from the National Non Domestic Business Rates pool of £6.194m
- Long Term Investments, plus current investments totalled £41.351m as at 31 March 2009 (£47.090m at 31 March 2008). The reduction largely reflects the Authority's decision to repay Long Terms Loans by reducing investments. This action reduced the Authority's investment counter party exposure.
- Temporary short terms loans - as at 31 March 2009 were £28.745m (£0.171m at 31 March 2008). Part of this increase provided part of the liquidity to reduce Long Term borrowing. The remaining increase reflected an increase in debtors at the year end.
- Provisions – as at 31 March 2009 were £3.176m (£6.416m at 31 March 2008). The decrease reflects the payment of back-dated pay under the Council's Single Status agreement.
- Long Term Borrowing – as at 31 March 2009 were £46.821m (£67.535m at 31 March 2008). As detailed above this reduction reflects the Authority's decision to repay Long Term Loans by reducing investments and temporarily increasing short terms loans pending the maturity of other investments.
- Earmarked Reserves and General Fund Balances – as at 31 March 2009 are £35.084m (£34.022m at 31st March 2008). In cash terms these figures show that the position

on reserves and balances appears to have remained broadly stable. However, this position masks the fundamental changes in the components of these reserves. In particular, the increase in reserves for specific one off commitments in future years, including Building Schools for the Future costs and contributions to the Budget Support Fund. These increases have been funded from one-off benefits which will not be repeated. Looking to the future the Council's reserves and balances will fall significantly as these resources are committed for one-off expenditure commitments and supporting the revenue budgets over the period 2009/10 to 2011/12. Details of the movements on reserves and balances are provided on pages 69 to 72. In summary reserves and balances at 31st March 2009 consist of seven main components:



Ring-fenced Reserves - earmarked for specific purposes/commitments, include the following key reserves:-

- Ring fenced Grants (£1.6m) to cover expenditure in 2009/10;
- Building Schools for the Future Reserve (£1.1m) to cover one-off costs of implementing this programme, which are not covered by the Government capital grant;
- Tall Ships Reserve (£1m) to support the Tall Ships visit in 2010. £0.5m is specifically earmarked as an Income Risk Reserve for this event;
- NDC (New Deal for Communities) Reserve (£0.7m) to support expenditure in 2009/10;
- Termination Costs Reserve (£0.5m) to fund severance costs associated with implementing the Councils Medium Term Financial Strategy;

- Business Transformation (£0.4m) to cover the costs of implementing the Business Transformation Programme;
- Lotteries Reserve (£0.4m) to cover grants and donations to local organisations;
- Interest Equalisation Reserve (£0.4m) to cover the potential risk that higher interest costs may be incurred if LOBO loans need to be refinanced.

Budget Support Reserves – this reserve is earmarked to support the revenue budget over the next three years.

Departmental Reserves – earmarked for specific departmental expenditure commitments or service improvements.

Capital Reserves – earmarked for capital expenditure commitments rephased to 2009/10.

General Fund Balances – earmarked for unforeseen commitments. This reserve includes £1.13m of uncommitted resources. Cabinet will determine a strategy for using these resources during 2009/2010 and then refer these proposals to Council.

Further details of the Authority's earmarked reserves and General Fund Balances are detailed on pages 69 to 80.

Capital Programme

In 2008/2009 the Council had a total Capital Programme of £25.605m. An analysis of this expenditure is shown below, together with an analysis of how this expenditure was financed.

Expenditure	£'000	%
Other Schemes	8,804	34%
School Improvements	5,090	20%
Housing Investment Programme	6,141	24%
Civic Centre Refurbishment	703	3%
New Deal for Communities Partnership	1,776	6%
Single Programme Initiatives	400	2%
Highway Maintenance & Construction	2,691	11%
Total	25,605	100%
Capital Financing:-		
Capital Receipts	(480)	2%
Loans	(9,874)	38%
Other	(15,251)	60%
Total	(25,605)	100%

At 31st March, 2009, the Council had capital commitments arising from slippage of programmed capital spending into 2009/2010 of £19.069m. These commitments can be funded from the following resources, which can be rephased to 2009/2010.

	<u>£'000</u>
Government Grants	5,875
Borrowing	11,225
Capital Funding Reserves	<u>1,969</u>
	19,069

The Council received £1.185m from the sale of assets during 2008/2009.

Collection Fund

The Collection Fund is a "ring-fenced" account which means that payments to, or from, the General Fund are not permitted. The Fund includes all transactions relating to the Council Tax, Community Charge and National Non-Domestic Rates. Any balance on the account at 31st March is shared amongst the Council and other major precepting authorities on the basis of Council Tax levels. The Council's share of the accumulated deficit as at 31st March, 2009, has been reflected in the Council's 2009/2010 budget.

The Council set a Council Tax for the year of £1,564.71 for Band D properties, excluding parish precepts where these applied. This comprised £1,332.15 for the Council's own services, £173.87 for the Cleveland Police Authority and £58.69 for the Cleveland Fire Authority. Each Authority determined its own tax and made a precept on the Collection Fund.

The tax for the Council's services was determined on the basis of an equated number of 27,830 Band D properties. When setting the charge a 1.0% allowance for non-collection was made.

Further details on the income and expenditure of the Fund are shown on pages 84 to 79 and summarised below.

	£'000	%
<u>Expenditure</u>		
Cleveland Police Authority Precept	4,792	7.7
HBC Precept	36,736	59.2
Cleveland Fire Authority Precept	1,618	2.6
Payment to NNDR Pool	18,876	30.4
Other	44	0.1
	62,066	100.0
<u>Income</u>		
Council Tax	43,326	69.4
NNDR from Rate Payers	19,118	30.6
	62,444	100.0
Net Deficit/(Surplus) In Year	(378)	

Borrowing Facilities and Investment Strategy

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

In accordance with this strategy the Council has taken a proactive approach to managing cash investments and debt. During 2008/2009 the Council repaid long term debt of £20m. The necessary liquidity was provided through a combination of reducing investments as they matured and temporary borrowing, pending the maturity of other investments. This strategy reduced external cash investments during a period of market uncertainty. The Council had no investments with Icelandic banks as these organisations were not on the Council's approved investments list.

The Council will maintain this position until the current market uncertainty is resolved, or long term interest rates are forecast to increase at which stage the Council will reassess its long term borrowing requirement.

The Council established a 'pooled investment fund' with Cleveland Fire Authority during 2008/2009, which enables both organisations to reduce investment risk by spreading investment with a wider range of counter parties.

The Council has a range of Lenders Option Buyers Option (LOBO) loans, which have fixed interest rates for defined periods. Therefore, provided the lenders do not exercise their option to review the interest rates charged at the end of the initial fixed periods, these interest rates will then be locked in for a further period equal to the initial fixed periods. If the lenders exercise this option the Council has the option to repay the loans without penalties. At that time the Council would need a strategy for funding these repayments, either by reducing its investments or by taking out new borrowing. Depending on market conditions at the time there is a risk that the replacement borrowing will be at a higher rate than the LOBO. To manage this risk an "Interest Risk Reserve" has been established. The reserve will be capped at 0.5% of the Council's outstanding debt, which equates to a figure of £0.4m. This amount

will provide twelve months protection in the event that the Council needs to refinance the LOBOs at 0.5% higher than the current rates.

From the 1st April, 2004, new regulations governing Local Authority capital expenditure were introduced, known as the Prudential Code. Under these rules the Government supports some of the Authority's capital investment plans. The Authority has the ability to undertake additional borrowing, known as unsupported borrowing, providing this is affordable. The Authority has decided to take a cautious approach to the new powers and has made provision for a set amount of unsupported borrowing in its budget for 2008/2009. This amount is earmarked for specific projects.

In addition, the Council uses Prudential Borrowing to replace operational vehicles, such as refuse vehicles and street cleaners, where a detailed business case demonstrates this strategy will reduce costs.

4. PENSIONS

The Council has accounted for retirement benefits according to Financial Reporting Standard (FRS) 17. In the Accounts as at 31st March, 2009, there was a deficit on the Pensions Reserve of £54.703m (£55.966m in 2007/2008 restated in accordance with revised FRS17) which increased the net worth of the Council. This was offset by a Pension Liability of the same value. The change in the deficit arose substantially because of actuarial gains in the pension fund assets.

The Council is a member of the Teesside Pension Fund and the statutory arrangements for this scheme mean that the FRS 17 deficit does not need to be made good by increased pension's contributions from the Council or employees. A separate Pension Fund valuation is carried out every three years to determine the Council's contribution rate. The last valuation set the employer's contribution rate for the period 2008/2009 to 2010/2011. The latest valuation showed that overall funding level for the Teesside Pension Fund was 98%. This compares very favourable with other Local Government Pension Schemes and enabled the actuary to certify a lower employer contribution for the three years commencing 2008/2009 for most employers within the Fund. For Hartlepool the employers' rate reduced by 2%. This saving was built into the 2008/2009 budget.

Further information is included at Note 4 (Page 43) to the Financial Statements.

5. CHANGES IN COUNCIL RESPONSIBILITIES

There were no significant changes in the Council's statutory responsibilities during 2008/2009. The Government did introduce the Area Based Grant, which replaced 39 specific grant streams. Owing to the late announcement of this change the Council determined to allocate the Area Based Grant on the basis of existing service commitments and to review the position during 2008/2009.

6. 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 on pages 16 to 27. For the purpose of the Statement of Accounts the Council's expenditure follows the standard classification recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the comparative figures for 2007/2008 have been shown where appropriate.

7. SERVICE PERFORMANCE

In February, 2009 the Audit Commission issued the final Comprehensive Performance Assessments (CPA) and the Council received the highest possible ranking of '4 stars and improving strongly'. This assessment has once again ranked Hartlepool Council as one of the top performing councils in the country. Hartlepool is one of only thirteen councils to have received the maximum CPA rating of 4 stars/excellent every year since CPA began seven years ago.

During 2008/2009 the Commission for Social Care and Inspection, the national independent inspection body, assessed the Council's services as 3 stars. This is highest rating and only one third of councils have achieved this standard.

Details of the Authority's achievements during 2008/2009 and our longer term ambitions are summarised in the Corporate Plan. A copy of this plan can be obtained from the Council's website, or by contacting Kerry Trenchard, Policy Team, Kerry.trenchard@hartlepool.gov.uk, telephone number 01429 284057.

8. MEMBERS ALLOWANCES AND CHIEF EXECUTIVES REMUNERATION

The Council has complied with the relevant statutory disclosure requirements in relation to these areas. Additionally, the Council has voluntarily determined to exceed these requirements and details of the Chief Executives Remuneration are detailed on pages 88 to 90 of this document

9. INSPECTION OF ACCOUNTS

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection was advertised in the local press and in relation to the 2008/2009 financial year the inspection period was 6th July 2009 to 31st July, 2009.

Michael W Ward
Chief Financial Officer
Date: xxxxx

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL

The Statement of Accounts has been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (SORP), unless where stated. The statements comply with the Best Value Accounting Code of Practice.

The Statements reflect the requirements of Financial Reporting Standard (FRS) 18 by adopting the core 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.
- Accruals – other than the cashflow statement, the financial statements report transactions that have been recorded in the accounting period for which the goods and services were received or supplied rather than in which the cash was received or paid.
- Going Concern - the financial statements have been prepared on the assumption that the Council will continue in operational existence for the foreseeable future.
- Legality – where the accounting principles and specific legislation requirements are in conflict, the financial statements have been prepared to reflect legislative requirements.

2. ACCOUNTING POLICIES & ESTIMATION TECHNIQUES

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 Authority. 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 Authority'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.

3. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place and when a right to consideration exists, 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 within which the employees worked which includes 12 monthly payments and 52 weekly 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.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cashflows fixed or determined by the contract.
- 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 balance of debtors 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 they properly represent capital receipts or capital expenditure.

4. DEFINITION OF CAPITAL EXPENDITURE

All expenditure on the acquisition, creation or enhancement of tangible fixed assets has been capitalised on an accruals basis. Expenditure on the acquisition of a tangible asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised and classified as a tangible fixed asset, provided that it yields benefits to the Authority and the services it provides are for a period of more than one year.

Capital expenditure is defined as the acquisition, reclamation, enhancement or laying out of land; acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures; and the acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.

The definition of enhancement is works that are intended to lengthen substantially the useful life of the asset, or increase substantially the market value of the asset, or increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of the Council.

Improvement works and structural repairs are capitalised, whereas expenditure to ensure that the fixed asset maintains its previously assessed standard of performance is recognised in the revenue account as it is incurred.

Assets acquired on terms meeting the definition of a finance lease are capitalised and included together with a liability to pay future rentals.

Where a fixed asset is acquired for other than a cash consideration or where payment is deferred, the asset has been recognised and included in the balance sheet at fair value.

The Authority does not have a de-minimis level for capital expenditure.

5. FIXED ASSETS

A fixed asset is initially measured at its cost. Costs, but only those costs, that are directly attributable to bringing the asset into working condition for its intended use are included in its measurement.

Assets are classified as either operational or non-operational as follows:

- a) Operational assets are assets held or occupied, used or consumed by the Council in the direct delivery of those services for which it has either statutory or discretionary responsibility, or for the service or strategic objectives of the Authority. Operational Assets have been included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use, except for Community Assets and Infrastructure Assets which have been included as historic cost.
- b) Non-operational assets are assets held by the Council but not directly occupied, used or consumed in the delivery of services, or for the service or strategic objectives of the Authority. They comprise of:
 - Assets held for the primary purpose of investment from which a commercial rental income is obtained;
 - Vacant property or property temporarily occupied for another purpose but awaiting redevelopment or disposal;
 - Land and buildings currently in the course of development but not yet completed and occupied for the proposed service.

Non Operational Assets have been included in the Balance Sheet at the lower of net replacement cost or net realisable value, except for Works in Progress which have are include at historic cost.

Fixed assets 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 Councils Property Management Division. The valuations are prepared in accordance with the Statements and UK Practice Statements contained in the RICS Appraisal and Valuation Standards. The next valuation must be completed as at 1st April, 2013. From 1st April, 2007 increases in asset valuations are credited to the Revaluation Reserve.

The asset valuations have been prepared using the following assumptions:

- a) The Council has good title free from encumbrances.
- b) There are no hazardous substances or latent defects in the properties and there is no contamination present.
- c) The properties have permanent planning permission and any other necessary statutory consent for their current use.

- d) Plant and machinery is included in the valuation of the property, where applicable.
- e) No special circumstances beyond those likely to be considered by a prospective purchaser in the open market have been taken into account.
- f) No allowance has been made for any liability to taxation, which may arise on disposal, nor for costs of acquisition or realisation.

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 members of the Property Section of all the Council's property assets.

Where a fixed 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 fixed asset revaluation account, except to the extent that it reverses a revaluation loss on the same asset previously recognised in the Income and Expenditure account, when the revaluation gain is recognised in the Income and Expenditure account.

Where a fixed asset 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.

6. CHARGES TO REVENUE FOR FIXED ASSETS

General Fund service revenue accounts, as defined in CIPFA's Best Value Accounting Code of Practice, central support services and trading activities are charged with the following amounts to record the real cost of holding fixed assets during the period :-

- depreciation attributable to the assets used by the service
- impairment losses attributable to the clear consumption of economic benefits or in excess of any balances on the revaluation reserve
- Amortisation of Government Grants Deferred to offset the cost of depreciation
- Gains resulting from revaluations which reverse a previous revaluation loss on the same asset

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to a least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Statement of Movement on General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

7. IMPAIRMENTS

The value at which each category of assets is included in the Balance Sheet is reviewed at the end of each reporting period and where there is reason to believe that its value has changed materially in the period, the valuation is adjusted accordingly. Events and changes in circumstances that indicate a reduction in value may have incurred include:

- a significant decline in a fixed asset's market value during the period;
- evidence of obsolescence or physical damage to the fixed asset;
- a significant adverse change in the statutory or other regulatory environment in which the Council operates;
- a commitment by the Council to undertake a significant reorganisation.

Fixed assets, other than non-depreciable land, are reviewed for impairment, at the end of each reporting period when either:

- no depreciation charge is made on the grounds that it would be immaterial (either because of the length of the estimated remaining useful life or because the estimated residual value of the fixed asset is not materially different from the carrying amount of the asset), or
- the estimated remaining useful life of the fixed asset exceeds 50 years.

Where, on revaluation of an asset, there has been a decrease over the previous carrying amount, an impairment loss is recognised. If the loss has been caused by the clear consumption of economic benefits then it will be recognised in the Income and Expenditure Account. If the amount of the decrease in value is not associated with a clear consumption of economic benefit the loss is recognised in the Statement of Total Recognised Gains and Losses (until the asset's carrying amount reaches its depreciated historical cost) and taken to the Revaluation Reserve. A fall in value below the assets depreciated historic cost is recognised in the Income and Expenditure Account. Where an impairment loss occurs on a tangible fixed asset carried at historical cost and is caused by a clear consumption of economic benefit the value of the asset is written down for the impairment and the impairment loss is recognised in the Income and Expenditure Account.

8. DISPOSALS

The gain or loss on the disposal of a tangible fixed asset is the amount by which the disposal proceeds are more or less than the carrying value of the fixed asset. The gain or loss on disposal is recognised in the Income and Expenditure account by debiting cash or debtors with the disposal proceeds and crediting the Income and Expenditure account. The carrying value of the asset is then debited to the Income and Expenditure account and credited to the Capital Adjustment Account on the Balance Sheet.

In order to comply with statute and restrictions on the use of capital receipts; the gain or loss on disposal is reversed out of the General Fund balance as a reconciling entry in the Statement of Movement on the General Fund Balance. An amount equal to the proceeds of disposal is credited to the Useable Capital Receipts Reserve and the carrying value of the asset is debited to the Capital Adjustment Account. Any balance on the revaluation reserve relating to the fixed asset is also written off to the capital adjustment account on disposal.

The proportion that is required to be paid over to Central Government as a 'housing pooled capital receipt' is charged in the Net Operating Expenditure section of the Income and Expenditure account and the same amount appropriated from Usable Capital Receipts Reserve and credited to the General Fund balance in the Statement of Movement on the General Fund Balance.

Where a fixed asset is disposed of for other than a cash consideration or payment is deferred, an equivalent asset is recognised and included in the balance sheet at its fair value.

9. DEPRECIATION

Depreciation is provided for on all fixed assets with a finite useful life with the exception of land and investment properties, Infrastructure and Community Assets. Depreciation has been charged using the straight line method on the closing balance 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 a fixed asset is revised, the carrying amount of the fixed asset is depreciated over the revised remaining useful life.

Depreciation has been charged on closing balances and calculated as follows:

- Buildings - Garages 30 years and Other Buildings 40 years
- Vehicles, Plant and Equipment 5 to 15 years.

10. INTANGIBLE ASSETS

An intangible item may meet the definition of an asset when access to the future economic benefits that it represents is controlled by the Council, through either custody or legal protection. The Council does not carry out research and development of the type envisaged by SSAP 13 (Accounting for Research and Development) and does not acquire or hold goodwill.

11. GOVERNMENT GRANTS

Government grants are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the appropriate revenue account or, in the case of capital grants, to the Government grants deferred account. Amounts are released from the Government grants deferred account to offset any provision for depreciation charged to the Revenue Account in respect of assets to which the grant relates.

12. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax. These items are generally grants and expenditure on property not owned by the Authority and amounts directed under Section 16(2) of Part 1 of the Local Government Act 2003. Such expenditure is charged to the Income and Expenditure Account in accordance with the general provisions of the SORP. Any statutory provision that allows capital resources to meet the expenditure is accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance and showing as a reconciling item in the Statement of Movement on the General Fund Balance.

13. DEBTORS AND CREDITORS

The Revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice and FRS18. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. Exceptions to this principle include:

- Housing Benefit payments to private tenants that are accounted for on a cash basis;
- General revenue debtors and creditors of less than £1,000 have only been accrued at the discretion of individual departments. All amounts in excess of £1,000 have been accrued;
- Salary and Wages expenditure have been included on the basis of actual payments made during the year on a cash basis and includes 12 months for salaries and 52 weeks for wages.

14. STOCKS AND WORK IN PROGRESS

Stocks and Stores are included in the Balance Sheet at the lower of average cost price and net realisable value.

Where stocks have been identified as being of no further use to the Council and the appropriate procedures have been complied with, the obsolete 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.

15. COST OF SUPPORT SERVICES

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

<u>Cost</u>	<u>Basis of Allocation</u>
Central Departmental & Technical Staff	Actual time spent by staff, or unit charge based upon cost
Democratic Processes	Direct charge to Corporate and Democratic Core
Administrative Buildings	Area occupied

16. RESERVES

Transfers to and from reserves are distinguished from service expenditure. The movements in reserves available to this Council are detailed in a note to the financial statements. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for specific purposes and departmental managed underspends.

Capital reserves are not available for revenue purposes and some of them can only be used for specific statutory purposes. The revaluation reserve and capital adjustment accounts are non-distributable reserves. The usable capital receipts reserve is a reserve established for specific statutory purposes.

The Council also manages component elements of the General Fund Balances.

17. PROVISIONS

Provisions are made for any liabilities of uncertain timing or amount that have been incurred. Provisions are recognised when:

- the Council has a present obligation (legal or constructive) as a result of a past event
- it is probable that a transfer of economic benefits will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. Provisions are charged to the appropriate revenue account; when payments for expenditure are incurred to which the provision relates they are charged direct to the provision. The amount recognised as a provision is the best estimate taking into account the risks and uncertainties surrounding the events. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is reversed.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised only when it is virtually certain that reimbursement will be received if the obligation is settled. The reimbursement is treated as a separate asset. The appropriate revenue account the expense relating to a provision is presented net of the amount recognised for a reimbursement.

18. PROVISIONS FOR BAD AND DOUBTFUL DEBTS

The carrying amount of debtors is adjusted for doubtful debts, which are provided for, and known uncollectable debts are written off.

19. GENERAL FUND BALANCES

The Council maintains certain reserves to meet general, rather than specific, future expenditure. The details of the Council's Reserves and revenue balances are explained in Note 31 (Page 76) to the Financial Statements.

20. INVESTMENTS

Under Local Government Reorganisation the Council was allocated 2.47% of the shares in Durham Tees Valley Limited and 16.5% of the former County Council's shareholding in SITA Team Valley Limited. In the case of Durham Tees Valley Limited, the value on the Balance Sheet has been revised to match the Council's share of net assets. Investments are made in accordance with the appropriate statutory regulations and the Council's Treasury Management Strategy.

21. PENSIONS

The Council has adopted FRS 17 Retirement Benefits for the 2008/2009 Accounts, which specifies how Pension costs should be accounted for in the accounts.

The Council participates in two funded pension schemes – the Teacher's Pension Scheme and the Local Government Pension Scheme (further details are provided in Note 4 to the Notes to Financial Statements on page 43).

The attributable assets to the scheme are measured at their fair value at the Balance Sheet date. Scheme assets include current assets as well as investments. Liabilities such as accrued expenses are deducted. The attributable scheme liabilities are measured on an actuarial basis using the projected unit method. The scheme liabilities comprise:

- i) any benefits promised under the formal terms of the scheme; and
- ii) any constructive obligations for further benefits where a public statement or past practice by the Council has created a valid expectation in the employees that such benefits will be granted.

Details of the methods adopted in the valuation of scheme assets and liabilities are set out in the note to the Accounts.

The surplus/deficit in the scheme is the excess/shortfall of the value of the assets in the scheme over/below the present value of the scheme liabilities. The Council recognises the liability that reflects its legal or constructive obligation. Details of the methods adopted in calculating the asset or liability recognised are set out in the notes to the Accounts. Any unpaid contributions to the scheme are presented in the Balance Sheet as a creditor due within one year.

The change in the defined benefit asset or liability (other than that arising from contributions to the scheme) is analysed into the following components:

- Periodic costs:

- Current service cost
 - Interest cost
 - Expected return on assets
 - Actuarial gains and losses

- Non-periodic costs:

- Past service costs
 - Gains and losses on settlements and curtailments

The current service cost is included within the Net Cost of Services. The net of the interest cost and the expected return on assets is included within Net Operating Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the Balance Sheet date are recognised in the Statement of Total Recognised Gains and Losses for the period.

Past service costs are recognised in Net Cost of Services on a straight-line basis over period in which the increases in benefit vest. To the extent that the benefits vest immediately, the past service cost is recognised immediately.

Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the Council becomes demonstrably committed to the transaction and is recognised in Net Cost of Services at that date. Gains arising on a

settlement or curtailment not allowed for the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and recognised in Net Cost of Services at that date.

22. LEASES

Operating and Finance Leases are reported in line with the Code of Practice and SSAP 21. The Authority classifies leases as either "Vehicles, Plant and Equipment," or "Land & Property." Operating Leases are charged to the revenue account on a straight line basis. Rental payments under finance leases are apportioned between the finance charge (interest) and reduction of the outstanding obligation, with the finance charge allocated and charged to revenue over the term of the lease.

23. FOREIGN CURRENCY TRANSLATION

The cost of foreign transactions is determined and included in the Accounts using the exchange rate prevalent on the day the currency was translated to Sterling.

24. REPURCHASE OF BORROWING

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Income and Expenditure Account in the periods during which it is made. Where the repurchase is coupled with a refinancing or restructure with substantially the same overall economic effect, any gains or losses are recognised over the life of the replacement borrowing.

25. VALUE ADDED TAX

VAT is included in the income and expenditure accounts, only to the extent that it is irrecoverable.

26. EXCEPTIONAL, EXTRAORDINARY ITEMS AND PRIOR PERIOD ADJUSTMENTS

Exceptional items are included in the cost of the service to which they relate or on the face of the income and expenditure account if that degree of prominence is necessary in order to give a fair presentation of the accounts. A description of each exceptional item is given within the notes to the accounts.

Extraordinary items will be disclosed and described on the face of the income and expenditure account after dealing with all items within the ordinary activities of the authority and will be explained fully in a note to the accounting statements.

The majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions for the year in which they are identified, and are accounted for accordingly.

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period in the Statement of Account and notes and adjusting the opening balance of reserves for the cumulative effect. The cumulative effects of the adjustments are noted at the foot of the Statement of Total Recognised Gains and Losses of

the current period. The effect of prior period adjustments on the outturn for the preceding period will be disclosed where practicable.

27. POST BALANCE SHEET EVENTS

Where an event after the balance sheet date, favourable or unfavourable, which provides evidence of conditions that existed at the balance sheet date has occurred (adjusting event), the amounts recognised in the Statement of Accounts are adjusted. Any disclosures affected by the new information about the adjusting event will be updated in the light of the new information.

Where an event that occurs after the balance sheet date is indicative of conditions that arose after the balance sheet date (non-adjusting event) the amounts recognised in the Statement of Accounts are not adjusted.

The following will be disclosed for each material category of non-adjusting event after the Balance Sheet date:

- the nature of the event, and
- an estimate of the financial effect, or a statement that such an estimate cannot be made reliably.

Events after the balance sheet date are reflected up to the date when the Statement of Accounts is authorised for issue. The date when the statement of accounts was authorised for issue and who gave the authorisation is disclosed in the notes to the accounts.

28. CONTINGENT LIABILITIES

Contingent liabilities are not recognised in the accounting statements; they are disclosed by way of notes if there is a possible obligation that may require a payment or a transfer of economics.

29. CONTINGENT ASSETS

Contingent assets are not recognised in the accounting statements; they are disclosed by way of notes if the inflow of a receipt or economic benefit is probable. The disclosures indicate the nature of the contingent asset and an estimate of its financial effect.

30. FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in 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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

31. FINANCIAL ASSETS

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

The fair value of investments have been determined using the PWLB redemption rules as a proxy for determining potential discounts and premiums. The comparator market rates prevailing have been taken from indicative investment rates at each Balance Sheet date.

Available-for-Sale Assets

Assets are maintained in the Balance Sheet at fair value. Values are based on the value of the Council's shareholding. Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL).

32. INTEREST

The CIPFA SORP states that interest payable on external borrowings and interest income should be accrued and accounted for in the year to which they relate on a basis that reflects the overall economic effect of the borrowings.

The interest credited to Net Operating Expenditure in the Income and Expenditure Account relates to external interest received.

33. ACQUIRED OPERATIONS

The Council does not have any acquired operations.

34. BUSINESS IMPROVEMENT DISTRICT (BID) SCHEMES

BID projects are projects for the benefit of a particular area that are financed (in whole or in part) by a BID levy paid by the non-domestic ratepayers, or a class of such ratepayers, in the BID area. The Council has one BID scheme where it acts as the Accountable Body. Transactions relating to the BID are included within the Income and Expenditure Account.

35. DISCONTINUED OPERATIONS

The Council does not have any discontinued operations.

36. LONG-TERM CONTRACTS

A long-term contract is 'A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or of a combination of assets or services which together constitute a single project) where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods'. Revenue contracts are charged to revenue as payments are made and capital contracts are charged on the basis of the valuation certificate.

37. GROUP ACCOUNTS

The SORP requires an authority to consider all their interests and to prepare a full set of group accounting statements where they have material interests in subsidiaries, associates and joint ventures. The Council has investigated all potential interests that could qualify for group accounts and has not identified any relationship that require their preparation.

38. LANDFILL ALLOWANCES

Under the Waste and Emissions Trading Act 2003, the Council as a waste disposal authority is issued with landfill allowance permits on an annual basis for the amount of biodegradable waste that it is allowed to landfill. If the amount of biodegradable waste sent to landfill exceeds the allowance in any one year then additional permits are required to be purchased from other authorities or a cash penalty is paid to the Government for the shortfall. The scheme is known as a 'cap and trade scheme'.

The fair value of allowances held by the Council (whether issued by the Government or purchased from another authority) is recognised as a current asset within the Balance Sheet. The fair value of allowances issued by the Government is recognised as a Government grant and accounted for in accordance with paragraph 11; (i.e., it is initially recognised as deferred income on the balance sheet and subsequently recognised as income on a systematic basis over the compliance year for which the allowances were allocated). The fair value of allowances is taken as the present market value at the Balance Sheet date.

An estimate of expenditure required to settle the obligation to deliver allowances equal to the biodegradable and municipal waste landfill usage to the Government is recognised as a liability (provision) on the balance sheet. The value of the provision is measured as the present market value at the Balance Sheet date of the number of allowances required to be delivered to the Government and/or the cash penalty required for any shortfall in allowances.

The value of allowances after the initial recognition is measured at the lower of cost and net realisable value.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

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

I confirm that the accounts set out on pages 3 to 86 were approved by the Audit Committee at the meeting held on 30th June 2009.

Councillor A Preece
Chair of Audit Committee
Date:

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority'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 SORP').

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies, and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority SORP.

The Chief Financial Officer has also:

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

Certification of the Accounts by the Chief Financial Officer

In accordance with the requirements of the Accounts and Audit Regulations I certify that the Statement of Accounts on Pages 3 to 86 presents fairly the financial position of Hartlepool Borough Council at the accounting date and its income and expenditure for the year ended 31st March, 2009.

Michael W Ward
Chief Financial Officer
Date:

INCOME AND EXPENDITURE ACCOUNT

Restated 2007/2008 Net Expenditure £000		2008/2009 Gross Expenditure £000	2008/2009 Gross Income £000	2008/2009 Net Expenditure £000	NOTE
2,080	Central Services to the Public	15,551	13,609	1,942	4
181	Court Services	194	0	194	
22,847	Cultural, Environmental and Planning Services	47,419	10,791	36,628	
25,106	Children's & Education Services	124,890	88,656	36,234	
4,771	Highways, Road and Transport Services	10,992	5,167	5,825	
(3,029)	Housing Services	39,373	39,247	126	
24,682	Adult Social Care	40,484	11,460	29,024	
4,366	Corporate and Democratic Core	4,734	47	4,687	
667	Non-distributed Costs	2,084		2,084	
81,671	Net Cost of Services	285,721	168,977	116,744	
2,050	(Gain) or Loss on disposal of fixed assets			17	
87	Local Precepts & Levies			95	
4	Contribution to Housing Capital Receipts Pool			3	
2,913	Interest Payable and Similar Charges			2,727	
(3,197)	Interest and Investment Income			(3,920)	
1,177	Pensions interest cost and expected return on pensions assets			254	
(377)	Income from sale of former Council Houses			(87)	
84,328	Net Operating Expenditure			115,833	
(35,346)	Demand on the Collection Fund			(36,736)	
(6,250)	Central Government Grants			(20,353)	
(37,240)	Non-domestic rates redistribution			(42,112)	
(254)	Transfers to/(from) the Collection Fund in respect of Surpluses/Deficits			223	
5,238	Net (Surplus) / Deficit for the Year			16,855	

Where applicable, the 2007/2008 figures have been restated to account for changes to FRS 17. Further details are provided in Note 4 (Page 39).

STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed;
- The payment of a share of housing capital receipts to the Government is a charge to the Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax;
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

Restated 2007/2008 £000		2008/2009 £000
5,238	Deficit/(Surplus) for the year on the Income and Expenditure Account	16,855
(3,476)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(16,372)
1,762	(Increase)/Decrease in General Fund Balance for the Year	483
(19,031)	General Fund Balance brought forward	(17,269)
(17,269)	General Fund Balance carried forward	(16,786)
3,982	Amount of General Fund Balance held by Schools under local management schemes	3,854
13,287	Amount of General Fund Balance generally available for new expenditure*	12,932
17,269		16,786

Where applicable, the 2007/2008 figures have been restated to account for changes to FRS 17. Further details are provided in Note 4 (Page 39).

* The Council's existing Budget Strategy and other plans have committed the majority of these resources and details of the planned use of this amount are detailed in Note 35, page 78.

Reconciling Items for the Statement of Movements on the General Fund Balance

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

Restated 2007/2008 £000		2008/2009 £000	NOTE
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year		
(11,968)	Depreciation and impairment of fixed assets	(19,435)	
6,461	Government Grants Deferred amortisation	1,689	
(372)	Write downs of Revenue Expenditure Funded from Capital under Statute	(619)	
(2,024)	Net gain/(loss) on sale of fixed assets	3	
(12,676)	Net charges made for retirement benefits in accordance with FRS17	(12,444)	4
1	Retained Share of Housing Receipts	1	
(20,578)		(30,805)	
	Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the movement on the General Fund Balance for the year		
3,074	Minimum revenue provision for capital financing	2,997	
0	Capital expenditure charged in-year to the General Fund Balance	8	
(4)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(3)	
9,301	Employer's contributions payable to the Teeside Pension Fund and retirement benefits payable direct to pensioners	9,655	4
12,371		12,657	
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year		
434	Voluntary revenue provision for capital financing	577	
398	Transfer to/(from) Equal Pay Back Pay Account	0	21
3,899	Net transfer to or from earmarked reserves	1,199	34
4,731		1,776	
(3,476)	Net additional amount required to be credited to the General Fund Balance for the year	(16,372)	

Where applicable, the 2007/2008 figures have been restated to account for changes to FRS 17. Further details are provided in Note 4 (Page 39).

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

Restated 2007/2008 £000		2008/2009 £000	NOTE
5,238	Deficit/(Surplus) for the year on the Income and Expenditure Account	16,855	
(14,435)	Revaluations & Restatements of Fixed Assets	(11,837)	30
(12,720)	Actuarial Gain in Pension Fund	(4,052)	4
135	Available for Sale Financial Instruments Reserve	25	
308	Collection Fund Deficit Decrease/(Increase)	(346)	34
(21,474)	Movement in Net Worth in Year	645	

Where applicable, the 2007/2008 figures have been restated to account for changes to FRS 17. Further details are provided in Note 4 (Page 39).

This statement brings together all of the recognised gains and losses of the Council during the year. The movement in net worth in the year is the change in the total equity shown in the Balance Sheet on the following page.

BALANCE SHEET

Restated 31st March 2008 £000		31st March 2009 £000	31st March 2009 £000	NOTE
	FIXED ASSETS			
90	Council Dwellings	113		
185,133	Other Land and Buildings	184,284		
6,891	Vehicles, Plant and Equipment	6,511		
16,388	Community Assets	17,115		
85,864	Infrastructure Assets	88,655		
	Non-operational Assets -			
13,646	Investment Properties	13,489		
0	Land	0		
5,635	Assets Under Construction	7,007		
1,570	Assets Held For Disposal	5,875		
315,217			323,049	15
	OTHER LONG TERM ASSETS			
8,916	Investments	10,696		
30	Long Term Debtors :			
313	Mortgages and Housing Advances	26		16
	Other	312		16
9,259			11,034	
324,476	TOTAL LONG TERM ASSETS		334,083	
	CURRENT ASSETS			
916	Stocks and Works in Progress	656		
12,313	Debtors	21,126		17
38,174	Investments	30,655		
38	Landfill Allowances Trading Scheme	0		18
59	Imprests & Cash in Hand	112		
51,500			52,549	
	CURRENT LIABILITIES			
171	Temporary Short Term Loans	28,745		
21,384	Creditors and other balances	21,724		19
4,300	Capital Grants and Contributions Unapplied	5,770		33
2,255	Bank Overdraft	2,196		20
28,110			58,435	
347,866	TOTAL ASSETS LESS CURRENT LIABILITIES		328,197	
	LONG TERM LIABILITIES			
6,416	Provisions	3,176		21
67,535	Long Term Borrowing	46,821		
23	Deferred Capital Receipts	20		26
26,929	Government Grants Deferred Account	32,506		27
173	Deferred Liabilities	792		28
55,966	Liability Related to Defined Benefit Pension Scheme	54,703		4
157,042			138,018	
190,824	TOTAL ASSETS LESS LIABILITIES		190,179	
12,195	Revaluation Reserve	23,539		30
199,796	Capital Adjustment Account	184,405		31
431	Usable Capital Receipts Reserve	1,533		32
721	Available-for-sale Financial Instruments Reserve	696		
16,753	Earmarked Reserves	18,298		34
(375)	Equal Pay Back Pay Account	(375)		21
(55,966)	Pensions Reserve	(54,703)		4
17,269	General Fund Balances	16,786		35
190,824	NET WORTH		190,179	

To comply with the changes to FRS17 – Retirement Benefits, the Balance Sheet figures for 31st March 2008, relating to 'Liability Related to Defined Benefit Pension Scheme' and 'Pensions Reserve' have been adjusted from those included in the Statement of Accounts 2007/2008.

CASH FLOW STATEMENT

The cash flow statement summarises the inflows and outflows of cash to and from the Council arising from transactions with third parties for revenue, capital and other purposes.

Restated 2007/2008 £'000		2008/2009 £'000	2008/2009 £'000
(21,148)	NET REVENUE ACTIVITIES		7,995
	SERVICING OF FINANCE		
	Cash Outflows		
2,777	Interest Paid	2,996	
14	Interest Element of Finance Lease Rental Repayments	11	
	Cash Inflows		
(2,837)	Interest Received	(4,004)	
(46)	NET SERVICING OF FINANCE		(997)
	CAPITAL ACTIVITIES		
	Cash Outflows		
14,822	Purchase of Fixed Assets	15,880	
6,800	Purchase of Investments Maturing After One Year	1,975	
5,732	Purchase of Deferred Charges	8,597	
27,354			26,452
	Cash Inflows		
(4,249)	Sale of Fixed Assets	(1,729)	
(14,983)	Capital Grants and Contributions Received	(16,117)	
(19,232)			(17,846)
8,122	NET CAPITAL ACTIVITIES		8,606
(13,072)	NET CASH (INFLOW) / OUTFLOW BEFORE FINANCING		15,604
	<u>Management of Liquid Resources</u>		
(3,146)	Net Increase/(Decrease) in Short Term Deposits	(7,630)	
(3,146)	NET INCREASE/(DECREASE) IN SHORT TERM DEPOSITS		(7,630)
	<u>Financing</u>		
	CASH OUTFLOWS		
0	Repayment of Long Term Loans	0	
51	Capital Element of Finance Lease Rental Repayments	54	
103,581	Repaid Short Term Loans	101,700	
103,632			101,754
	CASH INFLOWS		
(15,000)	New Long Term Loans Raised	(6,940)	
(84,500)	New Short Term Loans	(102,900)	
(99,500)			(109,840)
4,132	NET FINANCING		(8,086)
5,794	INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		112

Figures for 2007/08 within Cash Outflows have been restated to separately identify cashflows associated with finance lease rental.

NOTE A – RECONCILIATION OF SURPLUS TO NET CASH FLOW

Restated 2007/2008 £'000		2008/2009 £'000	2008/2009 £'000
5,238	(SURPLUS)/DEFICIT FOR THE YEAR		16,855
	NON CASH TRANSACTIONS		
(3,791)	Depreciation & Government Grants Deferred Amortisation	(18,405)	
(372)	Deferred Charges	1,078	
25	Revaluations	(446)	
(188)	LATS impairment	(15)	
398	Provision for Unequal Pay	0	
(3,933)	Contribution to Provisions	3,240	
308	Collection Fund Deficit/(Surplus)	(378)	
(1,625)	Other non cash items	8,858	
(3,375)	Additional Pension Costs calculated in accordance with FRS 17	(2,789)	
(12,553)			(8,857)
	ADJUSTMENT FOR ITEMS ON ACCRUALS BASIS		
(11,391)	Increase/(Reduction) in Debtors	7,464	
(670)	(Increase)/(Reduction) in Creditors	214	
(6)	Increase/(Reduction) in Other Net Current Assets	(260)	
(12,067)			7,418
	ITEMS CLASSIFIED ELSEWHERE		
(2,050)	Profit/(Loss) on Sale of Fixed Assets	(17)	
0	Revenue Expenditure Funded from Capital Under Statute	(8,597)	
(2,899)	Interest Payable	(2,716)	
3,197	Interest Receivable	3,920	
(14)	Finance Leases	(11)	
(1,766)			(7,421)
(21,148)	NET CASH FLOW FROM REVENUE ACTIVITIES		7,995

The 2007/08 deficit for the year and additional pension costs have been restated to reflect the restatement of the Income and Expenditure Account.

NOTE B - ANALYSIS OF NET DEBT

	Cash	Temporary Investments & Short term deposits	Total	Loans due within one year	Loans due after more than one year	Deferred Liabilities	Net Debt
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2008	2,196	(38,174)	(35,978)	171	67,535	172	31,900
Cashflow/changes in year	(112)	8,618	8,506	28,141	(20,713)	(54)	15,880
Other Non Cash changes	0	(1,099)	(1,099)	433	0	0	(666)
Balance at 31 March 2009	2,084	(30,655)	(28,571)	28,745	46,822	118	47,114

NOTE C - ANALYSIS OF CHANGES IN CASH AND LIQUID RESOURCES DURING THE YEAR

2007/2008 £'000		Change in Year £'000	2008/2009 £'000
24,688	Short Term Investments	5,913	30,601
13,486	Short Term Deposits	(13,432)	54
59	Cash	53	112
(2,255)	Bank Overdraft	59	(2,196)
35,978	INCREASE/DECREASE IN YEAR	(7,407)	28,571

NOTE D - RECONCILIATION OF CHANGES IN CASH TO MOVEMENT IN NET DEBT

2007/2008 £'000		2008/2009 £'000	2008/2009 £'000
(5,794)	(INCREASE)/DECREASE IN CASH IN YEAR		(112)
(4,134)	Cash (Inflow)/Outflow from Management of Liquid Resources	8,618	
(4,134)			8,618
	CASH INFLOWS		
99,500	New Loans Raised	109,840	
99,500			109,840
	CASH OUTFLOWS		
(103,581)	Loans Repaid	(101,700)	
0	Payment of Interest Accrued at Last Balance Sheet Date	(713)	
(51)	Deferred Liabilities	(54)	
(103,632)			(102,467)
(14,060)	Change in Net Debt Resulting from Cash Flows		15,879
	OTHER NON-CASH CHANGES		
0	Interest Accrued at Year End on Short Term Investments	(1,099)	
706	Interest accrued at Year End on Loans and Finance Leases	433	
706			(666)
45,255	NET DEBT BROUGHT FORWARD		31,901
31,901	NET DEBT CARRIED FORWARD		47,114

NOTE E - ANALYSIS OF GOVERNMENT GRANTS

Restated 2007/2008 £'000		2008/2009 £'000	2008/2009 £'000
	REVENUE		
0	Area Based Grant	(10,672)	
(13,570)	DCLG	(7,468)	
(16,528)	DCSF	(16,881)	
(41,832)	DWP Grant for Housing and Council Tax Benefit	(44,717)	
(199)	DWP other	(148)	
(57,377)	Dedicated Schools Grant	(58,525)	
(8,089)	NDC	(2,086)	
(37,240)	NNDR Pool	(42,112)	
(6,250)	Revenue Support Grant	(5,862)	
(6,059)	Other	(2,466)	
(187,144)			(190,937)
	CAPITAL		
0	ERDF	(246)	
(429)	SRB		
(3,266)	DCSF	(3,529)	
(165)	DOH	(1,626)	
(1,326)	Other	(2,074)	
0	Culture,Media and Sport	(33)	
(5,557)	Community & Local Government	(4,996)	
(327)	Tees Valley Partnership	(5)	
(517)	Heritage Lottery Fund	(225)	
(1,976)	DEFRA	(481)	
(1,350)	NDC	(1,435)	
(21)	Big Lottery Fund	0	
(49)	Learning & Skills Council	(46)	
0	Home and Communities Agency	(1,421)	
(14,983)			(16,117)
(202,127)			(207,054)

The 2007/08 figures have been restated to give further details of grant previously categorised as other.

NOTES TO THE FINANCIAL STATEMENTS

1. CENTRAL GOVERNMENT GRANTS

Central Government Grants comprise of the following:

2007/08 £000		2008/09 £000
6,250	- Revenue Support Grant	5,862
0	- LABGI	2,904
0	- LPSA	981
0	- Area Based Grant	10,606
6,250		20,353

2. OPERATING AND FINANCE LEASES

The Council uses vehicles and other equipment financed under terms of an operating lease. The revenue charge for operating leases in 2008/2009 was £421,000 (2007/2008 - £549,000).

The Council also hold various Land & Property operating lease agreements. The revenue charge for these operating leases in 2008/2009 was £206,965 (2007/2008 - £134,000).

The payments which the Council is committed to make in the forthcoming year are as follows:

	Vehicles, Plant & Equipment £000	Land & Property £000
Leases Expiring in 2009/2010	110	8
Leases Expiring between 2010/2011 and 2013/2014	342	122
Leases Expiring after 31st March 2014	0	124
	452	254

The Council is the lessor in relation to various Land & Property operating lease agreements. The aggregate rent income due in 2008/2009 was £180,000 (2007/2008 - £144,000). (The total value of these assets was £2,506,000 (2007/2008 - £2,506,000) with depreciation of £54,000 for the year (2007/2008 - £54,000).

The Council has a finance lease for two refuse vehicles. The total amount outstanding, net of finance costs on this lease as at 31st March was £119,000. Of this, £57,000 is payable within the year and £62,000 the following year completing the outstanding obligation. The depreciation charge for 2008/2009 is £77,000, which brings the total of depreciation charged

to date to £221,000. The finance charge for the period was £65,000 consisting of £54,000 principal and £11,000 interest.

3. PUBLICITY

Under the Local Government Act 1986 the Council is required to maintain a separate note of expenditure on publicity. The total amount is analysed as follows: -

2007/2008 £000		2008/2009 £000
125	Direct Employee costs	125
287	Advertising - Staff Vacancies	255
504	Advertising - Other including statutory notices	544
5	Hartbeat Newspaper	14
921	TOTAL	938

4. PENSION COSTS

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two pension schemes, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the Pension's liabilities with investment assets. The schemes are:

- The Teacher's Pension Scheme, administered by the Department for Children, Schools and Families, provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members pensionable salaries.

The Council's contribution to the Teacher's Pension Scheme in 2008/2009 amounted to £4,302,620 (£4,245,275 in 2007/2008) which represented 14.1% of pensionable pay (14.1% in 2007/2008). Nothing was paid as added year's contributions (none were paid in 2007/2008).

This is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the 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.

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

- The Local Government Pension Scheme (LGPS) is a funded scheme operated for all other Council employees and administered by Middlesbrough Borough Council.

CHANGE OF ACCOUNTING POLICY

Under the 2008 SORP the Council has adopted the amendment to FRS 17 – Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value.

The amended FRS17 has also resulted in changes to reporting requirements with the introduction of new and revised information being disclosed. Where applicable, the previous years figures have been restated to reflect these changes. Current and prior year surplus have been unaffected by these changes.

TRANSACTIONS RELATING TO RETIREMENT BENEFITS

The Council recognises the cost of retirement benefits in the Net Cost of Services when employees earn them, 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 retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year.

Restated 2007/2008 £000		2008/2009 £000
	<u>Income and Expenditure Account</u>	
	Net Cost of Services	
(11,413)	Current service cost	(10,775)
(11)	Past service cost	(1,035)
(75)	Settlements and Curtailments	(380)
	Net Operating Expenditure	
(16,849)	Interest cost	(15,723)
15,672	Expected return on assets in the scheme	15,469
(12,676)	Net Charge to the Income & Expenditure Account	(12,444)
	<u>Statement of Movement in the General Fund Balance</u>	
12,676	Reversal of net charges made for retirement benefits in accordance with FRS17	12,444
(9,301)	Actual amount charged against the General Fund Balance for pensions in the year - employers' contributions payable to scheme	(9,655)
3,375	Transfer from Pensions Reserve	2,789

Where applicable, the 2007/2008 figures have been restated to account for the changes to FRS 17.

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £4,052m (£12.720m 2007/2008 as restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £4,052m.

ASSETS AND LIABILITIES IN RELATION TO RETIREMENT BENEFITS

Reconciliation of present value of scheme liabilities: -

2007/2008 £000	Funded Liabilities	2008/2009 £000
(290,935)	1 April	(287,471)
(11,413)	Current Service Cost	(10,775)
(16,849)	Interest Cost	(15,723)
27,201	Actuarial Gains / (Losses)	57,119
(75)	Curtailments Gains / (Losses)	(380)
7,364	Benefits Paid	6,424
(11)	Past Service Costs	(1,035)
	Contributions from Scheme	
(3,025)	Participants	(3,433)
272	Unfunded Pension Payments	280
(287,471)	31 March	(254,994)

Reconciliation of fair value of the scheme assets: -

Restated 2007/2008 £000		2008/2009 £000
223,288	1 April	231,505
15,672	Expected Rate of Return	15,469
(12,144)	Actuarial Gains / (Losses)	(53,067)
9,300	Employer Contributions	9,655
	Contributions from Scheme	
3,025	Participants	3,433
(7,636)	Benefits Paid	(6,704)
231,505	31 March	200,291

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £37.6m (2007/2008: £2.7m).

SCHEME HISTORY

Net Pension Assets as at	31st March 2009 £000	Restated 31st March 2008 £000	Restated 31st March 2007 £000	Restated 31st March 2006 £000	Restated 31st March 2005 £000
Present Value of Liabilities (A)	254,994	287,471	290,935	280,145	237,505
Scheme Assets (B)	200,291	231,505	223,288	203,724	154,979
Surplus / (Deficit) in Scheme (B)-(A)	(54,703)	(55,966)	(67,647)	(76,421)	(82,526)
Experience Adjustments on Scheme Assets	53,067	12,144	860	36,493	7,327
Experience Adjustments on Scheme Liabilities	0	11,539	0	0	9,412

Previous years' figures have been restated to comply with the revised requirements of FRS 17.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £54.7m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in an overall balance of £190.2m.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March, 2010 is £9,120,000.

BASIS FOR ESTIMATING ASSETS AND LIABILITIES

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Council's liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Council being based on the latest full valuation of the scheme at 31st March, 2007.

The principal assumptions used by the actuary have been: -

2007/2008	Assumptions	2008/2009
	<u>Long-Term Expected Rate of Return on Assets in the Scheme:-</u>	
7.1%	Equities	6.8%
4.3%	Gilts	4.0%
6.6%	Bonds	6.5%
6.6%	Property	6.4%
5.0%	Cash	3.0%
	<u>Mortality Assumptions:-</u>	
	Longevity at 65 for current pensioners:	
19.51	- Male	19.51
22.55	- Female	22.55
	Longevity at 65 for future pensioners:	
20.41	- Male	20.41
23.43	- Female	23.43
	<u>Financial Assumptions:-</u>	
3.7%	Rate of Inflation	3.0%
5.7%	Rate of Salary Increase	4.5%
3.7%	Rate of Pension Increase	3.0%
6.6%	Rate for Discounting	6.7%
50%	Take-up of option to convert annual pension into retrimment lump sum	50%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

31st March 2008 %	Assets as at	31st March 2009 %
74.1	Equities	72.1
8.0	Gilts	11.2
1.1	Other Bonds	1.5
4.7	Property	5.2
12.1	Cash	10.0
100.0	Total	100.0

HISTORY OF EXPERIENCE GAINS AND LOSSES

The actuarial gains identified as movements on the Pension's Reserve in 2008/2009 can be analysed into the following categories, measured as a percentage of assets or liabilities as at 31st March, 2009: -

	2008/2009 %	2007/2008 %	2006/2007 %	2005/2006 %	2004/2005 %
Differences between expected and actual return on assets	(26.49)	(5.25)	0.39	17.91	4.73
Experience Gains & Losses on Liabilities	0.00	4.01	0.00	0.00	(3.96)

5. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

The net cost of revenue expenditure funded from capital under statute is charged to the Income and Expenditure Account. An amount of £8.597m (£5.730m in 2007/2008) has been charged to Services. These amounts were fully financed from capital resources, which in the case of borrowings have been shown as a reconciling item within the Statement of Movements on the General Fund Balance Section £0.587m (£0.372m in 2007/2008), or in the case of capital grants £7.978m (£5.359m in 2007/2008) and capital receipts £0.032m (£0 in 2007/2008), credited directly to the relevant activity within Net Cost of Services.

6. OFFICERS' REMUNERATION

In accordance with the Accounts and Audit Regulations 2003, the number of employees including school employees whose remuneration was £50,000 or greater is detailed in the Table below in bands of £10,000. The bandings have been used since 2002/2003 and are not indexed and therefore do not make any adjustment for inflationary increases each year. These cost of living increases, have resulted in an increase in the numbers disclosed.

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

2007/2008				Remuneration Band (£)	2008/2009			
School Employees	Non School Employees	Non-School Employees Left in Year	Total		School Employees	Non School Employees	Non-School Employees Left in Year	Total
34	10	0	44	50,000 to 59,999	40	17	3	60
9	13	0	22	60,000 to 69,999	11	8	0	19
3	7	0	10	70,000 to 79,999	2	12	0	14
1	1	0	2	80,000 to 89,999	2	1	0	3
1	2	0	3	90,000 to 99,999	1	1	1	3
0	2	1	3	100,000 to 109,999	1	1	0	2
0	0	0	0	110,000 to 119,999	0	2	0	2
1	0	0	1	120,000 to 129,999	0	0	0	0
1	0	0	1	130,000 to 139,999	0	0	0	0
0	0	0	0	140,000 to 149,999	0	0	0	0
0	1	0	1	150,000 to 159,999	1	1	0	2

The remuneration for school employees is determined by each individual Governing Body in accordance with national pay guidelines.

The Non-School Employee disclosed in the £150,000 to £159,999 band is the Councils' Chief Executive and further details of his remuneration and responsibilities are provided on pages 101 - 93.

7. MEMBERS ALLOWANCES

In 2008/2009 the Council's forty eight (48) Members (Councillors) were paid a total of £419,347.58 (2007/2008 – £403,912.70). The payments consisted of Basic Allowances and Special Responsibility Allowances. No Attendance Allowances were paid in 2007/2008 or 2008/2009.

8. 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.

Central Government has effective control 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. Details of government grants paid to the Council are covered by other statements and notes within the accounts.

In accordance with the Local Authorities (Member's Interests) Regulations 1992, the Council is required to maintain a register of Members personal interests. This register is available for public inspection. On the basis of this register there were no Members pecuniary interests that require disclosure as related party transactions, in 2008/2009.

Following a survey of the Corporate Management Group, any declarations have been reviewed and none contain relationships that are deemed to be material to warrant detailed disclosure.

The Council provides various support services, predominately in relation to financial and legal services to Cleveland Fire Authority, see Note 10 (Page 52). In particular, the Council's Chief Solicitor (Mr P Devlin) held the position of Legal Advisor and the Chief Financial Officer (Mr M Ward) held the position of Deputy Treasurer.

The Council provides a property support service to Housing Hartlepool which is detailed in Note 10 (Page 52).

Middlesbrough Council is the administering Authority for the non-teaching staff pensions (Note 4, page 43).

The Council holds shares in Durham Tees Valley Airport Ltd and SITA Tees Valley Ltd. (Note 22, page 64).

The Council previously produced Group Accounts, which included the accounts of the following company:-

- CADCAM Applications Training and Support Company Ltd., as a Joint Venture company.

For 2008/2009 the Council has not produced Group Accounts because CADCAM has been excluded on the basis of materiality.

CADCAM is a company which was inherited from the former Cleveland County Council by the Council and the three other Tees Valley local authorities. The company offered IT training and technology services. The Council has a 25% share in the company. The company ceased trading on 1st April, 2004 and its future is under consideration. The draft accounts for the year ended 31st March 2009, shows that the company made a loss of £3,000 and that the company has a negative net worth of £147,000. A copy of the company accounts is available from the Director of Finance, Middlesbrough Borough Council, Town Hall, Middlesbrough, TS12 2QQ

9. TRADING ACCOUNTS

9.1 Building Regulations

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit, cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit, divided between the chargeable and non-chargeable activities.

2007/2008		2008/2009		
Total Building Control £000		Chargeable £000	Non Chargeable £000	Total Building Control £000
448	Expenditure	228	251	479
228	Income	225	0	225
(220)	Surplus/(Deficit) for the year	(3)	(251)	(254)

9.2 Former DSO Operations

The net expenditure on the Council's trading operations of the former DSO operations is included in the relevant service line of the Income and Expenditure Account. The financial results of the operations are as follows:

2007/2008 Surplus/ (Deficit) £000	Former DSO Operations	2008/2009		
		Income £000	Expenditure £000	Operating Surplus/ (Deficit) £000
106	Building Maintenance	3,293	3,446	(153)
236	Highway Works	4,624	4,370	254
209	Grounds Maintenance	2,818	2,821	(3)
38	Vehicle Maintenance	3,922	4,025	(103)
253	Refuse Collection	0	0	0
180	Other Cleaning	0	0	0
(8)	Building Cleaning	2,335	2,506	(171)
45	School Catering	3,978	4,116	(138)
1,059	TOTAL	20,970	21,284	(314)

0	DSO reserve at beginning of year		0
1,059	Surplus/(Deficit) for the year		(314)
(1,059)	Contribution from/ (to) General Fund		314
0	DSO Reserve at the year end		0

Following the abolition of Compulsory Competitive Tendering, the Council is no longer required to maintain statutory DSO trading accounts. The Council previously determined to maintain separate trading accounts for these operations. The surplus/deficit of each trading account is contained within the appropriate service of the net cost of services.

The Refuse Collection and Other Cleaning former DSO operations are no longer reported here as they are now not operated as a trading activity and as such are contained within the appropriate service.

2008/2009 was a transitional year with changes to employee costs following Job Evaluation, being absorbed by the trading accounts rather than passed on to service departments by increased charges as will be the case in 2009/2010 and future years. The previous year was also exceptional because of the removal of the bonus scheme resulting in temporarily lower than normal costs.

9.3 Other Trading Operations

Catering and Leisure Management operations are included within Cultural, Environmental and Planning Services. The statement below details the costs of providing these services.

2007/2008 Surplus/(Deficit) £000		2008/2009		
		Income £000	Expenditure £000	Surplus/(Deficit) £000
9	Catering	170	169	1
(789)	Leisure Management	380	1,355	(975)

The surplus/(deficit) of each trading account is included within the relevant service expenditure lines of the Income and Expenditure Account on page 31.

10. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council is empowered by this Act to provide goods and services to other public bodies. The Council provides various professional and technical support services to Cleveland Fire Authority. Income from these services amounted to £171,000 (£167,000 in 2007/2008), which represents the cost of the services provided.

Following the transfer of housing stock on 29th March 2004, the Council continued to provide a wide range of support services to Housing Hartlepool in 2008/2009, including Fleet Maintenance, Building Maintenance, Property Services, Grounds Maintenance and Building Cleaning. The income from these services amounted to £758,000 (£1,283,000 in 2007/2008), which represented the cost of the services provided.

The Council also provided the following services at cost:

- Property Services to Hartlepool Revival Ltd - £8,000 (£40,000 in 2007/2008);
- Legionella risk assessments to Middlesbrough Borough Council - £45,000 (£53,000 in 2007/2008);
- Legionella risk assessments to Erimus Housing - £4,000 (£4,000 in 2007/2008);
- Legionella risk assessments to schools outside of Hartlepool - £2,000 (£1,000 in 2007/2008).

11. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is primarily funded by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. 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 school.

Details of the deployment of DSG receivable for 2008/2009 are as follows: -

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2008/09	6,008	52,517	58,525
Brought Forward from 2007/08	372	(2)	370
Carry forward to 2009/10 agreed in advance	0	0	0
Agreed Budgeted Distribution in 2008/09	6,380	52,515	58,895
Actual Central Expenditure	(6,249)	0	(6,249)
Actual ISB deployed to Schools	0	(52,486)	(52,486)
Local Authority Contribution for 2008/09	630	0	630
Carried forward to 2009/10	761	29	790

The Local Authority contribution consists of funding from Area Based Grants and a mainstreamed 'Children's Services' grant.

12. CONTRIBUTION TO/ (FROM) SCHOOL RESERVES

In accordance with Government Regulations and the Council's scheme of delegation for schools the aggregate budget for schools is "ring-fenced", therefore any underspends against these monies are carried forward and specifically earmarked for school based expenditure in future years. See Note 35 to the Financial Statements (page 78).

13. SECTION 137 EXPENDITURE

The Local Government Act 2003, Section 137, as amended, enables a local authority to make contributions to Charities and "not for profit" bodies not specifically authorised by other legal powers, which in its opinion are in the interest of their area or its inhabitants. The expenditure incurred, and included in the various services, is summarised below:

2007/2008 £	SECTION 137 EXPENDITURE	2008/2009 £
23,750	Belle Vue Sports Association	23,750
2,612	Blakelock Elderly Care Coop Ltd	0
6,850	Churches	7,000
7,109	Epilepsy Outlook	9,075
10,336	Harbour	21,213
5,000	Hart Gables	15,597
400	Hart Parish Council	200
30,242	Hartlepool Access Group	28,749
0	Hartlepool Asian Association	17,967
5,000	Hartlepool Catholic Boys Boxing Club	8,322
13,720	Hartlepool Centre for the Deaf	0
74,801	Hartlepool Citizen's Advice Bureau	80,538
0	Hartlepool Credit Union Forum	37,222
0	Hartlepool & District Hospice	16,499
21,360	Hartlepool Community Studio	32,333
12,375	Hartlepool Families First	0
23,118	Hartlepool Peoples Centre	26,025
520	Hartlepool Swimming Club	560
29,714	Hartlepool Voluntary Development Agency	30,450
0	Hartlepool Voluntary Wheels	8,574
300	Hartlepool Youth Choir	300
4,892	Headland Development Company	9,729
5,700	Headland Future Ltd	14,000
0	Making the Difference	12,272
3,325	Manor Residents Association	8,797
10,336	North Tees Womens Aid	0
27,192	Owton Fens Community Association	26,012
8,171	Owton Manor N'hood Watch & Res.Assoc.	6,128
5,573	Relate North East	6,151
8,000	RESPECT	22,742
1,959	Scouts, Guides and Brownies	1,991
2,375	Victim Support & Witness Service	0
30,324	West View Advice & Resource Centre	30,528
23,636	West View Project	25,591
19,992	Wharton Trust	11,057
0	Wynyard Café.com	5,000
418,682	TOTAL EXPENDITURE	544,372

14. EXTERNAL AUDIT FEES

In 2008/2009 the Council incurred the following fees in relation to external audit and inspection.

2007/08 £000		2008/09 £000
247	Fees Payable for the audit services carried out by the appointed auditor	254
23	Fees in respect of statutory inspection	22
15	Fees for the certification of grant claims	27
285		303

15. MOVEMENT OF FIXED ASSETS

Cost or Valuation	Operational Assets						Non-operational Assets				2008/09 Total Operational & Non Operational Assets £000	2007/08 Total Operational & Non Operational Assets £000
	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Total Operational Assets £000	Investment Properties £000	Assets Under Construction £000	Assets Held for Disposal £000	Total Non Operational Assets £000		
Certified Valuation as at 31.03.08	90	188,216	8,894	85,864	16,388	299,452	13,646	5,635	1,570	20,851	320,303	304,027
Revaluations	26	12,191	0	0	467	12,684	1,045	0	543	1,588	14,272	12,567
Reclassifications	0	1,155	0	0	0	1,155	(112)	(2,021)	978	(1,155)	0	0
Additions	0	4,418	2,116	2,791	289	9,614	0	3,393	4,002	7,395	17,009	15,001
Impairments	0	(14,037)	0	0	(29)	(14,066)	(632)	0	(77)	(709)	(14,775)	(3,293)
Disposals	0	0	(6)	0	0	(6)	(458)	0	(1,121)	(1,579)	(1,585)	(6,282)
Gross Book Value as at 31.3.09 (A)	116	191,943	11,004	88,655	17,115	308,833	13,489	7,007	5,895	26,391	335,224	322,020

Depreciation and Impairments	Operational Assets						Non-operational Assets				2008/09 Total Operational & Non Operational Assets £000	2007/08 Total Operational & Non Operational Assets £000
	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Total Operational Assets £000	Investment Properties £000	Assets Under Construction £000	Assets Held for Disposal £000	Total Non Operational Assets £000		
At 31.03.08	(1)	(3,083)	(2,002)	0	0	(5,086)	0	0	0	0	(5,086)	0
Depreciation For Year	(1)	(4,059)	(2,491)	0	0	(6,551)	0	0	(20)	(20)	(6,571)	(6,526)
Revaluations	(1)	(517)	0	0	0	(518)	0	0	0	0	(518)	(274)
Reclassifications	0	0	0	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0	0	0	0
Net Depreciation as at 31.3.09 (B)	(3)	(7,659)	(4,493)	0	0	(12,155)	0	0	(20)	(20)	(12,175)	(6,800)
Net Book Value at 31.3.08	89	185,133	6,892	85,864	16,388	294,366	13,646	5,635	1,570	20,851	315,217	304,027
Net Book Value as at 31.3.09 (C = A - B)	113	184,284	6,511	88,655	17,115	296,678	13,489	7,007	5,875	26,371	323,049	315,220

Nature of Asset Holding												
Owned	113	184,284	6,370	88,655	17,115	296,537	13,489	7,007	5,875	26,371	322,908	315,079
Finance Lease	0	0	141	0	0	141	0	0	0	0	141	141
Total	113	184,284	6,511	88,655	17,115	296,678	13,489	7,007	5,875	26,371	323,049	315,220

15.1 Capital Expenditure and Financing

Financing			Expenditure		
2007/2008 £000		2008/2009 £000	2007/2008 £000		2008/2009 £000
2,541	Capital Receipts	493	14,957	<u>Capital Expenditure Increasing Asset Values</u> Fixed Assets	17,008
5,716	Loans	9,873		<u>Capital Expenditure Not Increasing Asset Values</u>	
12,432	Other	15,239	5,732	Revenue Expenditure Funded from Capital under Statute	8,597
20,689		25,605	20,689		25,605

Expenditure on fixed assets includes £3.393m in respect of Work in Progress on the development of new assets, which will be valued and reclassified as operational assets when the works are complete.

"Other" sources of finance include direct contributions from revenue, grants and contributions from other bodies.

Revenue expenditure funded from capital under statute forms part of the deficit on the Income & Expenditure Account

15.2 Major Disposals of Assets

2007/2008			2008/2009	
Open Market Value Existing Use £000	Sale Proceeds £000		Open Market Value Existing Use £000	Sale Proceeds £000
5,867	3,843	Disposals - Land	859	791
400	400	Disposals - Buildings	720	720
6,267	4,243		1,579	1,511

15.3 Main Items of Capital Expenditure in Year

	£000
North Central Hartlepool Housing Regeneration	3,924
Lithgo Close Contaminated Land	1,724
NDC Area Remodelling	883
Civic Centre Refurbishment	703
Multi Storey Car Park	657
DSO Vehicle Purchase	584
	8,475

15.4 Significant Capital Expenditure Commitments at 31st March, 2009

At 31st March, 2009, the Council's approved Capital Expenditure Commitments amounted to £19.069m, of which £17.05m will be funded from specific resources (grants and specific supported borrowing allocations), receivable by the Council. The remaining commitments will be funded from the Council's own resources. The main contracts in progress at the 31st March, 2009 are as follows:

Scheme	Total Budget £	Spend to Date £	Commitment £
Civic Centre Refurbishment - Major Refurbishment of Civic Centre	4,731	2,945	1,786
Transport Interchange - Creation of Central Transport Interchange	2,565	1,018	1,547
Public Conveniences - Demolition of 2 existing facilities, refurbish remainder. Create new facility at Seaton Carew	1,039	276	763

15.5 Assets Held

Fixed assets owned by the Council include the following: -

	Number of Assets	
	Restated 31st March 2008	31st March 2009
Council Dwellings	2	2
Operational Buildings		
Administrative Buildings	25	26
Car Parks	27	28
Cemetery Lodges	1	1
Commercial Property - Offices	1	1
Community Centres	8	7
Crematorium	1	1
Depots	2	2
Garages	2	2
Leisure Centres / Sports Halls	5	5
Libraries	6	6
Misc Operational Land & Buildings	30	30
Museums	4	4
Nurseries	1	1
Nursery Schools	1	1
Primary Schools	20	20
Public Halls	3	3
Secondary Schools	4	4
Social Service Establishments	12	10
Special Schools	2	2
Youth Centres	5	5
Non-Operational Land and Buildings		
Investment Property	109	103
Surplus Assets held for Disposal	18	82
Operational Equipment		
Vehicles	124	136
Community Assets		
Allotments	15	15
Cemeteries -	3	3
Other Areas of Open Space	97	97
Parks & Open Spaces	679	680
Recreation Areas & Parks	20	21

A review of the presentation of some assets on the Council's Fixed Asset Register has lead to a change in the number of Assets Held. Some assets have been disaggregated to provide additional detail, and others have been amalgamated where appropriate. When analysing this information it has been necessary to restate the number of some assets held at 31st March 2008, to ensure the appropriate comparisons can be made to the 2008/09 year end position.

15.6 Custodian Authority Assets

The assets included in the Balance Sheet exclude assets, valued at £15,000 as at 31st March, 2009, held by the Council in its capacity as Custodian Authority. These assets are held on behalf of the four unitary authorities pending their disposal. The sale proceeds will be distributed to the four unitary authorities in accordance with an agreed basis.

15.7 Fixed Asset Valuation

The current asset valuations in the accounts are based upon certificates issued by the Councils Acting Estates Manager, Mr D Dockree, a member of the Royal Institute of Chartered Surveyors. The valuations are prepared in accordance with the Statements and UK Practice Statements contained in the RICS Appraisal and Valuation Standards. The next 5 year revaluation needs to be completed by 1st April, 2013.

The Authorities Community Assets do not include Artefacts & Artwork for which the historic cost is unknown as, in accordance with the requirement of the SORP. These items are currently insured for £8.28m. The Authority has a Museum & Art Gallery Collections and Disposals Policy as required by the Museums, Libraries and Archives accreditation standards. Hartlepool museums are an accredited museum service.

The Council owns an historical boat called the Wingfield Castle, moored behind the Hartlepool Maritime Experience. The ship has been valued by LGSA Marine International Marine Surveyors and Consultants in March 2009.

The following statement shows the progress of the council's rolling programme for the revaluation of fixed assets. The basis for valuation is set out in the statement of accounting policies.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Investment Properties	Total
	£000	£000	£000	£000	£000
Valued at Historical Cost	0	16,750	6,511	125	23,386
<u>Valued at Current Value in:-</u>					
2008/2009	78	130,460	0	11,828	142,366
2007/2008	0	23,847	0	1,500	25,347
2006/2007	0	9,347	0	0	9,347
2005/2006	0	4,341	0	0	4,341
2004/2005	35	22,528	0	37	22,600
	113	207,273	6,511	13,490	227,387

16. LONG TERM DEBTORS

Balance at 1st April 2008 £000		New Advances £000	Repayments Net of Transfer to Short Term Debtors £000	Balance at 31st March 2009 £000
	Housing Advances :-			
24	Council House Sales	0	4	20
6	Other	0	0	6
30		0	4	26
144	Car Loan Advances	146	147	143
169	Trincomalee Loan and Advances	0	0	169
313		146	147	312
343	Total Long Term Debtors	146	151	338

17. CURRENT DEBTORS

Restated 2007/2008		2008/2009		
Net Debtor £000		Gross Debtor £000	Provision for Bad Debts £000	Net Debtor £000
1,518	Council Tax Payers	3,061	1,482	1,579
329	NNDR Payers	1,377	888	489
2,352	General and Other Debtors	3,526	1,432	2,094
713	HM Revenue and Customs	1,420	0	1,420
4,791	Government Departments	12,268	0	12,268
246	Other Local Authorities	320	0	320
750	Payments in Advance	925	0	925
1,614	Trade Debtors	2,568	537	2,031
12,313		25,465	4,339	21,126

Prior year figures have been adjusted to separately identify Trade Debtors; the overall figure for 2007/08 has not changed.

18. LANDFILL ALLOWANCES TRADING SCHEME (LATS)

The Waste and Emissions and Trading Act 2003, provides a legal framework for the Landfill Allowance Trading Scheme. Under the scheme, tradable landfill allowances are allocated on an annual basis to all English waste disposal authorities for the sixteen financial years from 2005/2006 to 2020/2021. At 31st March, 2009, the Council estimates that it will have to surrender 4,556 LATS permits to DEFRA out of an allocation of 32,600, leaving the Council with a surplus of 28,044. Because there has not been sufficient trading of LATS between authorities in 2008/2009 and it was also the first year when surplus LATS cannot be banked, the Council has determined a zero value for each permit. Therefore no value has been given

for the permits carried forward and the provision to surrender permits to DEFRA for 2008/2009.

19. CREDITORS AND OTHER BALANCES

Restated 2007/2008 £000		2008/2009 £000
2,415	HM Customs and Excise	87
63	Government Departments	1,320
743	Other Local Authorities	583
7,519	Income In Advance	4,810
9,419	General and Other Creditors	11,527
1,225	Trade Creditors	3,397
21,384	Total	21,724

Prior year figures have been adjusted to separately identify Trade Creditors; the overall figure for 2007/08 has not changed.

20. BANK BALANCE

The overdraft of £2,196,000 includes unrepresented cheques and uncleared BACS transactions.

21. PROVISIONS

Total provisions at 31st March, 2009, were £3,176m (£6,416m in 2007/2008), as detailed below.

2007/2008 £000		Transfers In £000	Transfers Out £000	2008/2009 £000	Notes
867	Equal Pay	31	(620)	278	a
97	Custodian Authority Property Charges	0	0	97	b
430	Litigation	178	(137)	471	c
375	Equal Pay Back Pay	0	0	375	d
4,210	Job Evaluation/Single Status	846	(3,158)	1,898	e
437	Schools Job Evaluation	94	(474)	57	f
6,416		1,149	(4,389)	3,176	

- This provision is earmarked to meet the Council's liabilities in relation to Equal Pay.
- This provision is earmarked to meet the Council's share of the costs of the Custodian Authority properties inherited from the former Cleveland County Council.
- The litigation provision has been created to cover planning appeals and other potential legal cost liabilities.

- d. This provision has been created in accordance with CIPFA LAAP Bulletin 68, requiring the estimated costs of back pay claims to be charged against net cost of services.
- e. This provision has been created to fund the costs of the implementation of Single Status.
- f. This provision has been created to meet the costs arising from the implementation of Single Status within schools.

The Council also makes provision for bad debtors and the amount is deducted from the value of current debtors at 31st March, 2009, (see Note 17, Page 62).

22. FINANCIAL INSTRUMENTS BALANCES

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

	Long Term		Current	
	2008/2009 £000	2007/2008 £000	2008/2009 £000	2007/2008 £000
Financial Liabilities - Principal amount	46,884	66,945	28,368	225
Accounting Adjustments	0	709	433	0
Financial Liabilities at Amortised Cost	46,884	67,654	28,801	225
Loans and Receivables - Principal Amount	10,000	8,000	29,556	37,185
Accounting Adjustments	0	195	1,099	989
Loans and Receivables at Amortised Cost	10,000	8,195	30,655	38,174
Available-for-Sale	696	721	0	0

Financial Liabilities at Amortised Costs includes borrowings and deferred liabilities in relation to finance leasing.

During the year the Council entered into £2,500,000 new long term borrowing and repaid £20,000,000 of PWLB Loans.

Included within the Available-for-Sale category are investments in the following companies: -

- Durham Tees Valley Airport Ltd - £499,000
- SITA Tees Valley Ltd - £197,000

The value of shares held by the Council in Durham Tees Valley Airport Limited (formerly Teesside International Airport) is £499,000 based on a shareholding of 2.47%. The value has been determined with reference to the net worth of the company as per their accounts for the financial year to 31st March, 2008. The reduction in value of £25,000 has been matched by a corresponding movement in the Available-for-Sale Financial Instruments Reserve.

Issues of note include a loss on the Profit and Loss Account of £2,089,293 (previous year loss of £1,916,000) and a net asset position of £20,200,000 (previous year £21,204,000). Further information and copies of their accounts are available from the Registered Office – Peel Dome, The Trafford Centre, Manchester, M17 8PL.

In addition, the Council holds shares in SITA Tees Valley Limited, (formerly Cleveland Waste Management) with a value of £197,000, equating to 16.5% of a £1,194,000 preference shareholding in the company. SITA Tees Valley Limited have produced accounts for the financial year to 31st December, 2007, that includes a profit on the Profit and Loss Account of £4,801,000 (previous year profit of £1,830,000) and a net asset position of £33,029,000 (previous year £29,797,000). Further information on their accounts is available from the Registered Office, SITA House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES.

In accordance with the Local Government Act 1989, the Council is required to identify interests in subsidiary and associate companies and where appropriate prepare consolidated accounts. The above companies do not fall within these requirements as the Authority holds a minority of the share values.

Other issues to note are as follows:

Reclassification – No financial instruments were reclassified during the year.

De-recognition – No financial instruments were de-recognised during the year.

Collateral – The Council held no collateral or provided any collateral for any financial instruments.

Allowance for Credit Losses – Apart from general trade debtors the Council were not required to make any allowances for credit losses during the year.

Defaults and Breaches – The Council did not suffer from any defaults or breaches of any financial instruments during the year.

23. FINANCIAL INSTRUMENTS GAINS/LOSSES

The gains and losses recognised in the Income and Expenditure Account and Statement of Recognised Gains and Losses (STRGL) in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets		Total £000
	Liabilities measured at Amortised Cost £000	Loans and Receivables £000	Available-for-sale Assets £000	
Interest expense	(2,723)	-	-	(2,723)
Losses on derecognition	0	0	0	0
Impairment losses	0	0	0	0
Interest payable and similar charges	(2,723)	0	0	(2,723)
Interest and Investment Income	0	3,856	0	3,856
Gains on derecognition	0	0	0	0
Interest and investment income	0	3,856	0	3,856
Gains on revaluation			0	0
Losses on revaluation			(25)	(25)
Amounts recycled to the Income & Expenditure Account after Impairment			0	0
Surplus arising on revaluation of financial assets			(25)	(25)
Net gain/(loss) for the year	(2,723)	3,856	(25)	1,108

24. FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each Balance Sheet date, and include accrued interest. The fair values for non-PWLB debt have also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments. It should be noted that the redemption rules applying to PWLB debt changed on 1st November, 2007 and are less favourable than the previous procedures. As a result the fair value figures for 31st March, 2009, are relatively higher (more costly to redeem) than the 31st March, 2008, comparators;
- The fair values for loans and receivables have been determined by reference to the Public Works Loans Board (PWLB) redemption rules, which provide a good approximation for the fair value of a financial instrument and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each Balance Sheet date. In practice, rates will be determined by the size of the transaction and the counter-party, but it is impractical to use these figures and the difference is likely to be immaterial;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than twelve months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values of financial liabilities are calculated are as follows:

	2007/2008		2008/2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	22,098	23,765	4,324	5,306
Market Loans	45,389	46,017	45,044	44,118
Temporary loans	171	171	26,198	26,198
Trade Creditors	1,293	1,293	3,397	3,397
Total Debt	68,951	71,246	78,963	79,019

The fair values for temporary borrowing and trade creditors are assumed to be those of the carrying values. The outstanding obligation relating to a finance lease has been excluded from the above table.

The fair values of financial assets are calculated as follows:

	2007/2008		2008/2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Money Market Loans maturing within 1 Year	24,744	24,744	29,556	29,556
Money Market Loans maturing after 1 Year	8,195	8,144	10,000	10,144
Money Market Funds	13,429	13,429	0	0
Trade Debtors	2,286	2,286	2,031	2,031
	48,654	48,603	41,587	41,731

The fair values of trade debtors and assets available for sale are equal to those of their carrying value.

The differences are attributable to fixed interest instruments payable being held by the Authority whose interest rate is higher than the prevailing rate estimated to be available at 31st March. This increases the fair value of financial liabilities and reduces the value of loans and receivables.

25. DISCLOSURE OF NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- 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;
- Refinancing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

Overall Procedures for Managing Risk

The Council's overall Risk Management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice 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 Code of Practice;
- by approving annually in advance Prudential Indicators for the following three years limiting:
 - The Council's overall borrowing;

- Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures the maturity structure of its debt;
 - 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.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual Treasury Management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

These policies are implemented by a Central Treasury team. The Council maintains written principles for overall Risk Management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Authority's maximum exposure to credit risk. The table (from Fitch) gives details of global corporate finance average cumulative default rates (including financial organisations) for the period 1990 – 2007 on investments out to 5 years. The balances shown relate to principal amounts only and therefore do not include accrued interest.

	31st March 2009 £000	Historical Experience of Default Year 1 %	Adjustment for Market Conditions at 31st March 2009 %	Estimated Maximum Exposure to Default £000
Deposits with Banks and Financial Institutions				
AA Rated Counterparties	29,556	0.06%	0.06%	18
A Rated Counterparties	9,000	0.65%	0.65%	59
Unrated Building Societies	1,000	0.65%	0.65%	7
Trade Debtors (excl Bad Debt Provision)	2,568	1.00%	1.00%	26

The Council sets criteria to limit exposure to individual counterparties. Although no breaches of counterparty criteria occurred during the placing of new investments, the counterparty limit for one building society was temporarily exceeded following the merger of 3 individual pre-merger building societies with which the Council had already placed fixed deposits. The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Collateral – During the reporting period the Council held no collateral as security.

Liquidity Risk

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the Risk Management procedures above (the setting and approval of Prudential Indicators and the approval of the Treasury and Investment Strategy reports), as well through cash flow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved Prudential Indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the Central Treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities (principal amounts) is as follows:

2007/2008 £000s		2008/2009 £000s
225	Less than 1 year	28,195
60	Between 1 and 2 years	65
72	Between 2 and 7 years	76
82	Between 7 and 15 years	150
66,731	More than 15 years	46,594
67,170		75,080

The maturity analysis of financial assets (principal amounts) is as follows:

2007/2008 £000s		2008/2009 £000s
37,186	Less than 1 year	29,556
0	Between 1 and 2 years	10,000
8,000	Between 2 and 3 years	0
0	More than 3 years	0
45,186		39,556

All trade and other payables are due to be paid in less than one year and trade debtors of £2,568,000 are not shown in the table above. The Council does not generally allow credit for its trade debtors, such that £1,174,000 of the £2,568,000 balance is past its due date for payment. The past due amount can be analysed by age as follows:

2007/2008 £000s		2008/2009 £000s
273	Less than 3 months	491
111	3 to 6 months	52
86	6 months to a year	111
623	More than a year	520
1,093		1,174

Trade debtors are included within the 'General Debtors' category shown in Note 17.

Market Risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- borrowing at fixed rates – the fair value of the borrowing liability will fall;

- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or the Statement of Recognised Gains and Losses (STRGL). However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Central Treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

If all interest rates had been 1% higher with all other variables held constant the financial effect would be:

	£000
Increase in interest payable on borrowings	756
Increase in interest receivable on	(396)
Impact on Income and Expenditure Account	287
Decrease in fair value of fixed rate investment assets (impact on STRGL)	148
Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	8,771

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost

Price Risk - The Council does not invest in equity shares but does have shareholdings in Durham Tees Valley Airport Limited (£499,000) and SITA Tees Valley Limited (£197,000). These shares are all classified as Available-for-Sale, meaning that all movements in price will impact on gains and losses recognised in the Statement of Recognised Gains and Losses

(STRGL). A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £35,000 gain or loss being recognised in the STRGL for 2008/2009.

Foreign Exchange Risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

26. DEFERRED CAPITAL RECEIPTS

Deferred Capital Receipts are amounts derived from sales of assets that will be received in instalments over agreed periods of time and from mortgages on sales of former Council houses.

Balance at 1st April 2008 £000		Repayments £000	Balance at 31st March 2009 £000
23	Housing Advances - Council House Sales	3	20
23		3	20

27. GOVERNMENT GRANTS DEFERRED ACCOUNT

The balance on the Government Grants Deferred Account represents the cumulative value of capital expenditure financed from grants received from Central Government, the European Union and other bodies

2007/2008 £000		2008/2009 £000
24,366	Opening Balance	26,929
3,426	Capital Grants received in year	7,265
0	Capital Grants to Revenue	(610)
(863)	Amortisation of Capital Grants	(1,078)
26,929		32,506

28. SECTION 106 AGREEMENTS

Included within Deferred Liabilities are finance leases of £119,000 (Note 2, Page 42) and amounts held in relation to Section 106 Agreements as detailed below.

	Balance at 1st April 2008 £000s	Income £000s	Expenditure £000s	Balance at 31st March 2009 £000s
Tesco new slip road	437	11	(206)	242
Housing	102	95	(3)	194
Toucan Crossing	92	0	0	92
Play areas	27	73	0	100
Public Transport	25	0	0	25
Public Art	10	0	0	10
Bus Stop/Shelter & Traffic Signs	10	0	0	10
Bus Stop Improvements	3	0	(3)	0
	706	179	(212)	673

29. RESERVES

The Council retains a number of Reserves included within the Balance Sheet. Some are required to be held for statutory reasons, some are required to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

Balance at 1st April 2008 £000		Gains / Losses in Year £000	Transfers Between Reserves £000	Balance at 31st March 2009 £000	Notes
12,195	Revaluation Reserve	12,308	(964)	23,539	30
199,796	Capital Adjustment Account	(466)	(14,925)	184,405	31
721	Financial Instruments Reserve	(25)	0	696	
431	Usable Capital Receipts Reserve	0	1,102	1,533	32
(55,966)	Pensions Reserve	4,052	(2,789)	(54,703)	4
17,269	General Fund Balances	(17,822)	17,339	16,786	35
16,753	Earmarked Reserves	1,308	237	18,298	34
(375)	Equal Pay Back Pay Account	0	0	(375)	
190,824	Total Movements on Reserves	(645)	0	190,179	

30. REVALUATION RESERVE

The Revaluation Reserve contains revaluation gains recognised since 1st April, 2007.

2007/2008 £000		2008/2009 £000
0	Opening Balance	12,195
14,443	Revaluations	14,272
(238)	Revaluation loss on disposed assets	(522)
(347)	Revaluation Depreciation	(442)
(1,663)	Impairment on Fixed Assets	(1,964)
12,195		23,539

31. CAPITAL ADJUSTMENT ACCOUNT

This account records the consumption of historic cost over the life of the asset and deferred charges over the period that the Authority benefits from the expenditure and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The Capital Adjustment Account is summarised on page 66.

2007/2008 £000		2008/2009 £000
202,385	Opening Balance	199,796
(6,282)	Carrying Amount of Asset Disposal	(1,652)
(1,875)	Revaluations and Restatements	0
(6,800)	Depreciation	(7,090)
(3,294)	Impairments	(12,810)
(109)	Write Down of Deferred Charges	(587)
3,551	Capital Financing - Capital Receipts	448
4	Capital Financing - Revenue	0
5,598	Capital Financing - Grants	618
863	Transferred from Government Grants Deferred	1,078
3,507	Minimum Revenue Provision	3,574
347	Difference between HC Dep'n and CV Dep'n	442
238	Revaluation loss on disposed assets	0
1,663	Impairment Revaluation	588
199,796		184,405

32. USEABLE CAPITAL RECEIPTS RESERVE

The Useable Capital Receipts Reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.

2007/2008 £000		2008/2009 £000
0	Opening Balance	431
4,249	Capital Receipts received in year from sale of assets: Recognised in Income and Expenditure Account	1,585
(4)	Less: Payments to Government Pool	(3)
(3,814)	Less : Capital Receipts Used to Finance Capital Expenditure	(480)
431		1,533

33. CAPITAL GRANTS AND CONTRIBUTIONS UNAPPLIED

These are capital grants that will be used to finance capital expenditure in future years.

2007/2008 £000		2008/2009 £000
3,858	Opening balance	4,300
15,105	Grants due in year	17,423
0	Transferred to deferred liabilities	(430)
(280)	LPSA converted to Revenue	(280)
(14,383)	Grants applied during the year	(15,243)
4,300		5,770

The main Capital Grants and contributions unapplied at the end of the year relates to North Central Hartlepool Housing Regeneration Scheme and LPSA 2 Reward Grant.

34. EARMARKED RESERVES

Balance at 31st March 2008 £000		Transfers in £000	Transfers Out £000	Balance at 31st March 2009 £000	Notes
	<u>Capital Reserves</u>				
2,406	Capital Funding	1,928	(3,232)	1,102	a
87	Maritime Av Remedial	3	(9)	81	b
2,493	Total Capital Reserves	1,931	(3,241)	1,183	
	<u>Specific Revenue Reserves</u>				
1,783	Managed Revenue Underspend	1,173	(842)	2,114	c
416	Lotteries Reserve	17	(20)	413	d
62	Museums Acquisition	3	0	65	e
5,303	Insurance Fund	419	(610)	5,112	f
106	School Rates	32	0	138	g
2,321	Strategic Change Reserves	2,926	(2,230)	3,017	h
81	Emergency Planning	96	0	177	i
81	A2L	0	(81)	0	j
110	Broadband Implementation	0	(86)	24	k
370	LABGI	0	(370)	0	l
0	Single Status Implementation	72	(72)	0	m
95	Swimming Pool Maintenance	0	0	95	n
704	Tall Ships Reserve	569	(269)	1,004	o
35	Pride in Hartlepool	0	(35)	0	p
41	Remedial Repairs	114	0	155	q
16	Cashfinder savings	0	0	16	r
7	Other Fund School Balances	114	(7)	114	s
400	Interest Equalisation	0	0	400	t
489	Building Schools for the Future	1,500	(840)	1,149	u
500	Business Transformation	237	(263)	474	v
1,500	NDC Fund	0	(771)	729	w
0	Bank Income Reserve	114	0	114	x
	Ring Fenced Grants	1,619	0	1,619	y
14,420	Total Revenue Reserves	9,005	(6,496)	16,929	
16,913	Transfer to Earmarked Reserves	10,936	(9,737)	18,112	
	<u>Collection Fund Reserve</u>				
(160)	Collection Fund Surplus/(Deficit)	378	(32)	186	z
16,753	Total Earmarked Reserves	11,314	(9,769)	18,298	

- a) The Capital Funding Reserve is earmarked to partly finance specific expenditure rephased to 2009/2010.
- b) From the 1st April, 1998, the Council became responsible for the maintenance of various roads within Hartlepool Marina, which were previously the responsibility of Teesside Development Corporation. These reserves will be used to fund expenditure in future years.
- c) These are reserves used to carry forward departmental underspends for specific spending plans in future years.

- d) The Lotteries Reserve, which consists of the proceeds of the Civic Lottery and donations received, is used for grants and donations to local organisations.
- e) The Museums Acquisition Reserve was set up to put monies aside for the acquisition of items for the Museum.
- f) The Insurance Fund has been established to provide for all payments that fall within the policy excess claims. Most policies provided by the Council are subject to an excess. For vehicles the excess is £1,000, but amounts to £50,000/£100,000 for the Property/Combined Liability policy on each claim. The All Risks policy covers those items considered to be of value and at greatest risk of theft or damage. The Council's experience whilst operating with these excesses has been favourable. Nevertheless, the Council's total exposure in any one year is limited to £1,000,000. The net amount of shown consists of the insurance fund balances less amounts advanced to departments to fund service improvements. These amounts will be repaid over a number of years to ensure resources are available to meet insurance claims that will become payable.
- g) The Schools Rates Adjustment arises from reductions in school rates payable following the reassessment of rateable values.
- h) These reserves have been established to enable departments to meet one-off costs that may arise from strategic changes to improve services, or reduce costs, without affecting the level of services in the year.
- i) The Emergency Planning Unit is covered by a joint arrangement between the four ex-Cleveland Districts. This reserve has been established to meet future year's budget pressures for the service.
- j) This reserve was set aside to meet pressures identified in the A2L budget. This was no longer required and the reserve was used to support the decant of Brierton pupils by contributing to the purchase of temporary classrooms.
- k) This reserve will be used by the Children's Services Department to support ICT/Broadband activities in Schools.
- l) The Council received a payment under the Government's Local Authority Business Growth Incentive Scheme. Members determined to earmark this amount to support the 2009/2010 Budget and Council Tax Strategy. This reserve was fully utilised in 2008/2009.
- m) This Reserve was set up to provide additional resources to assist with the implementation of a New Pay and Grading System.
- n) It has been decided not to install a moveable floor at Brinkburn Pool. The Children's Services, Performance Management and Regeneration, Liveability and Housing Portfolio Holders have requested that this budget provision be earmarked for the general upkeep of Swimming Pools within the town.
- o) This Reserve has been set aside to support the Tall Ships visit in 2010. £0.5m is specifically earmarked as an Income Risk Reserve for this event.
- p) This Reserve was set up to carry forward the underspend on the Pride in Hartlepool revenue budget. The reserve was fully utilised in 2008/2009.

- q) This includes amounts set aside by Neighbourhood Services Internal Works to fund remedial repairs to works already undertaken.
- r) Relates to savings generated by the "Cashfinder Exercise".
- s) School balances generated from other funding.
- t) Amounts set aside to protect the Council from higher interest rates or replacement loans in the event of LOBO being called.
- u) An amount set aside for the implementation of Buildings Schools for the Future.
- v) An amount set aside to fund the Business Transformation Programme.
- w) An amount set aside to fund future expenditure on New Deal for Communities (NDC) projects.
- x) Relates to banked income not yet allocated to a debtor or service budget.
- y) Relates to unspent grant committed to fund expenditure in the next financial year
- z) The Collection Fund Accounts have been incorporated into the Balance Sheet since 1993/1994, by Regulation.

35. GENERAL FUND BALANCES

Balance at 31st March 2008 £000	<u>Fund</u>	Transfers in £000	Transfers Out £000	Balance at 31st March 2009 £000	Notes
3,982	Schools Balances	4,008	(4,136)	3,854	a
4,506	Unearmarked General Fund Balance	1,113	(1,044)	4,575	b
	Earmarked General Fund Balances				
200	Stock Transfer	0	(200)	0	c
15	Revenue Managed Underspend	0	(15)	0	d
1,601	Strategic Change Reserves	4	(621)	984	e
5,571	Budget Support Fund	4,233	(3,049)	6,755	f
14	Energy Saving Fund (climate Change Levy)	0	0	14	g
50	Strategic Procurement Review	0	0	50	h
855	Termination Costs	0	(331)	524	i
237	The Way Forward	0	(237)	0	j
234	LPSA Reward	0	(208)	26	k
4	Cabinet Projects	0	0	4	l
8,781		4,237	(4,661)	8,357	
17,269	Total General Fund Balances	9,358	(9,841)	16,786	

- a) Reserves have arisen from the local management of schools. Further details are available from the Children's Services Department. The net balance of £3.854m consists of individual school balances of £3.882m less loans to schools of £0.028m.
- b) This is the General Fund Balance.
- c) The balance on this reserve is to be used to assist in the management of diseconomies of scale over the three years up to 2009/2010, resulting from stock transfer.
- d) This Reserve refers to departmental underspends carried forward where spending plans have not been fully confirmed.
- e) This Reserve has been established to enable departments to meet one-off costs that may arise from strategic changes to improve services, or reduce costs, without affecting the level of services in the year.
- f) This Reserve has been established to support future year's budgets and will be fully used by 2011/12
- g) This Reserve was set up using savings from the climate change levy introduced by the Government in 2001 to finance advances to departments for energy saving measures.
- h) This Reserve is to fund the strategic review of corporate procurement practices and strategy in order to assess efficiency and effectiveness and develop new strategies for the future.

- i) This reserve is to fund the severance costs associated with implementing the Council's Medium Term Financial Strategy.
- j) This Reserve has been created using monies received from the Government following the Council's successful achievement of LPSA Targets
- k) This Reserve has been created to set aside funding for future projects determined by the Cabinet.

36. EQUAL PAY BACK PAY ACCOUNT

This account has been created in accordance with CIPFA LAAP Bulletin 68 and is equal to the amount included in the Equal Pay Back Pay Provision (Note 21, page 63).

37. CONTINGENT LIABILITIES

These refer to amounts that may fall due in the future but where it is not certain whether the amounts might arise and if so, what the amounts may be. In 2008/2009 the contingent liabilities were as follows:

- i) An indemnity given to NE Press to allow the Council to access their land to complete Highways works.
- ii) A guarantee given to South Tyneside Borough Council, as administrators of the Tyne and Wear Pension Fund, against this authorities share of potential liabilities of £55,928 under the admission agreement for employees of the North East Assembly.
- iii) A guarantee given to the Middlesbrough Pension Scheme for the staff transferred to Hartlepool Housing in 2004.
- iv) The cost of a number of Equal Pay Tribunals that may potentially arise following the settlement of Equal Pay claims.
- v) The Council may need to meet the costs of a number of Land Tribunal Claims, which may potentially arise following settlement of these claims. If these costs arise it is envisaged that they can be funded from available capital resources.

38. POST BALANCE SHEET EVENTS

The Statement of Accounts is signed by the Chief Financial Officer and approved by the Authority on 30th June, 2009. As at this date, the following Post Balance Sheet Events require disclosure.

39. EURO

The Council has previously reviewed its financial systems and the impact on these systems of introducing the Euro, its strategy is to ensure that any future system upgrades or replacements are Euro compliant.

There were no items of expenditure incurred in relation to the introduction of the Euro, in 2007/2008. Similarly, the Authority has not undertaken any commitments in respect to future costs except in relation to the strategy as outlined in the paragraph above.

It is not possible at this time to estimate the future costs likely to be incurred.

40. BUSINESS IMPROVEMENT DISTRICT (BID)

The Council is the Accountable Body for the Longhill & Sandgate BID. This was set up from 1st April, 2008, to fund the monitoring, maintenance and updating of the Longhill & Sandgate Industrial Estate CCTV system. The BID is managed by a partnership consisting of the Council, L&S Business Association, Hartlepool New Deal for Communities and Cleveland Police. The Council has the role of collecting the BID levy from businesses, holding the money collected, arranging payments of invoices on expenditure as approved in accordance with the overall BID purpose and agreement. The BID Revenue account is shown below.

2007/2008 £000		2008/2009 £000
0	BID Levy Income	(20)
0	BID Expenditure	4
0	Surplus for the year	(16)
0	Surplus brought forward	0
0	Surplus carried forward	(16)

41. RESTATEMENT OF 2007-08 INFORMATION

The table below shows changes to the comparative figures for 2007/2008 to those published in the 2007/2008 statement of accounts: -

	Original 2007/2008 £000	Restated 2007/2008 £000	Change £000	Notes
<u>Income and Expenditure Account</u>				
Pensions interest cost and expected return on pensions assets	1,094	1,177	83	a
<u>Statement of Movement on General Fund Balance Note</u>				
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year				
Net charges made for retirement benefits in accordance with FRS17	(12,593)	(12,676)	(83)	a
<u>Statement of Total Recognised Gains & Losses</u>				
Deficit/(Surplus) for the year on the Income and Expenditure Account	5,155	5,238	83	a
Actuarial Gain in Pension Fund	(15,057)	(12,720)	2,337	a
<u>Balance Sheet</u>				
Liability Related to Defined Benefit Pension Scheme	53,629	55,966	2,337	a
Capital Adjustment Account	199,796	199,796	0	a
Pensions Reserve	(53,629)	(55,966)	(2,337)	a
<u>Note to the Accounts - Assets Held</u>				
<u>Operational Buildings</u>				
Administrative Buildings	30	25	(5)	b
Car Parks	23	27	4	b
Cemetery Lodges	2	1	(1)	b
Garages	26	2	(24)	b
Misc Operational Land & Buildings	32	30	(2)	b
<u>Non-Operational Land and Buildings</u>				
Investment Property	99	109	10	b
<u>Operational Equipment</u>				
Vehicles	105	124	19	b
<u>Community Assets</u>				
Other Areas of Open Space	46	97	51	b
Parks & Open Spaces	441	679	238	b
<u>Current Debtors</u>				
General	3,812	2,352	(1,460)	c
Other LA	400	246	(154)	c
Trade Debtors	0	1,614	1,614	c
<u>Current Creditors</u>				
General	10,563	9,419	(1,144)	d
HM Revenue and Customs	2,408	2,415	7	d
Other LA	831	743	(88)	d
Trade Creditors	0	1,224	1,224	d
<u>Cash Flow Statement</u>				
Servicing of Finance Cash Outflows Interest Paid	2,791	2,777	(14)	e
Servicing of Finance Cash Outflows Interest Element of Finance Lease	0	14	14	e
Financing Cash Outflows Repaid Short Term Loans	103,632	103,581	(51)	e
Financing Cash Outflows Interest Element of Finance Lease	0	51	51	e
<u>Note A of the Cashflow Statement - Reconciliation of Surplus to Net Cashflow</u>				
Deficit for the Year	5,155	5,238	83	f
Additional Pension Costs calculated in accordance with FRS 17	(3,292)	(3,375)	(83)	f

- a) Owing to recent changes to FRS 17 it has been necessary to restate a number of previous year's figures to comply with the new requirements of the amended SORP. Further details are provided in Note 4 (page 39).
- b) A review of the presentation of some assets on the Council's Fixed Asset Register has lead to a change in the number of Assets Held. Some assets have been disaggregated to provide additional detail, and others have been amalgamated where appropriate. When analysing this information it has been necessary to restate the number of some assets held at 31st March 2008, to ensure the appropriate comparisons can be made to the 2008/09 year end position.
- c) Current debtors have been restated to separately identify trade debtors. The overall debtors figure for 2007/08 has not changed.
- d) Current creditors have been restated to separately identify trade creditors. The overall creditors figure for 2007/08 has not changed.
- e) Figures for 2007/2008 within Cash Outflows have been restated to separately identify cashflows associated with finance lease rental.
- f) The 2007/08 deficit for the year and additional pension costs have been restated to reflect the restatement of the Income and Expenditure Account.

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, non-domestic rates and residual community charges.

2007/2008 £000		2008/2009 £000	Notes
	INCOME		
	Council Tax :		
30,870	Billed to tax payers	32,408	
10,253	Council Tax Benefits transferred from General Fund	10,918	
41,123		43,326	1
108	Reduced Provision for Non-Payment of Council Tax	0	
23,370	Income Collectable from Business Ratepayers	19,118	2
0	Reduced Provision for Non-Payment of NNDR	0	
23,370		19,118	
64,601	TOTAL INCOME	62,444	
	EXPENDITURE		
41,243	Precepts	43,146	3
0	Increased Provision for Non-Payment of Council Tax	62	
39	Increased Provision for Non-Payment of NNDR	127	
		189	
	Non Domestic Rates :		
23,216	Payment to National Pool	18,876	2
115	Cost of Collection Allowance	115	
	Contributions for previous years estimated		
	Collection Fund Deficit :		
254	Hartlepool Borough Council	(223)	
31	Cleveland Police Authority	(27)	
11	Cleveland Fire Authority	(10)	
296		(260)	
64,909	TOTAL EXPENDITURE	62,066	
(308)	Surplus/(Deficit) for the year	378	
148	Surplus/(Deficit) at the beginning of the year	(160)	
(160)	Surplus/(Deficit) at the end of the year	218	

NOTES TO THE COLLECTION FUND

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 on Page 29. 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 6/9 to 2.

There were 31,925 Band D equivalents in 2008/2009 (31,721 for 2007/2008) and the basic amount of Council Tax for a Band D property was £1,564.71 (£1,496.20 in 2007/2008).

Set out in the table below are the Band D weighting, 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 Authority demand per property £	Fire Authority demand per property £	Total demand per property £	Total income per band £000's
A	6/9	24,426	16,284	888.11	115.91	39.13	1,043.15	25,480
B	7/9	6,070	4,735	1,036.12	135.23	45.65	1,217.00	7,387
C	8/9	5,433	4,835	1,184.14	154.55	52.17	1,390.86	7,557
D	9/9	2,858	2,858	1,332.15	173.87	58.69	1,564.71	4,472
E	11/9	1,376	1,682	1,628.19	212.50	71.73	1,912.42	2,631
F	13/9	549	791	1,924.22	251.14	84.77	2,260.13	1,241
G	15/9	392	655	2,220.26	289.78	97.82	2,607.86	1,022
H	18/9	43	86	2,664.31	347.73	117.38	3,129.42	135
TOTALS		41,147	31,926					49,925

The income of £42,304m for 2008/2009 (£41,123m in 2007/2008) is determined from the following sources: -

2007/2008 £000		2008/2009 £000
47,923	Opening Liability	49,925
(95)	Net increase/(decrease) in liability	398
(60)	Disabled Relief	(78)
(4,732)	Discounts	(5,095)
(1,768)	Exemptions	(1,719)
(145)	Write Offs	(105)
41,123		43,326

2. NON DOMESTIC RATES

National Non Domestic Rates (NNDR) is organised on a national basis. The Government specifies an amount, termed the Uniform Business Rate which was 46.2p in 2008/2009 (44.5p in 2007/2008) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the business ratepayers in its district and pays the proceeds into an NNDR pool administered by the Government. The net contribution to the NNDR pool, after reliefs and provisions, was £18.876m (£23.216m in 2007/2008).

The total non-domestic rateable value at the year-end was £59,995,555.

The NNDR income collectable from Ratepayers and the amount payable to the NNDR Pool is shown below.

2007/2008 £000		2008/2009 £000
25,534	Gross Rates payable	22,541
(3,470)	Mandatory Reliefs	(775)
1,461	Transitional Relief / Surcharge	(2,119)
(66)	Discretionary Reliefs set against NNDR pool	(68)
(26)	Write Offs	(327)
(63)	Interest on Refunds of Overpayments	(134)
23,370	Income Collectable From Ratepayers	19,118
(115)	Cost Of Collection	(115)
(39)	(Increase)/Decrease in Bad Debt Provision	(127)
23,216	Contribution to NNDR Pool	18,876

3. PRECEPTS

Details of precepts on the Collection Fund are shown below:

2007/2008 £000		2008/2009 £000
35,346	Hartlepool Borough Council	36,736
4,356	Cleveland Police Authority	4,792
1,541	Cleveland Fire Authority	1,618
41,243		43,146

4. COLLECTION FUND SURPLUS

The Collection Fund surplus at the end of the year includes consists of amounts owing to each of the preceptors as shown below.

	£000
Collection Fund Deficit Balance at beginning of year	(160)
Collection Fund Surplus in year	378
Collection Fund Balance at end of the year	218
Amounts owing to Preceptors	
Cleveland Police Authority	24
Cleveland Fire Authority	8
Amount Available to Hartlepool Borough Council to Support Expenditure in Future Years	186

The Amounts Available to Hartlepool Borough Council is the amount shown as the Collection Fund Earmarked Reserve on page 76. The amounts owing to Preceptors are included within Creditors.

MEMORANDUM NOTES

1. TRUST FUNDS

The Council acts as trustee of the Preston Simpson Scholarship Fund that was set up by the family of a soldier killed in World War I to provide funds for the purchase of musical instruments or grants towards music scholarships by young persons residing in Hartlepool. This is not included in the Balance Sheet and was previously audited separately.

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

From 1996/1997 the Council has acted as trustee for ten Educational Trust Funds that were inherited from Cleveland County Council. Only three of these are active, and are used to provide funds for the following purposes:

- Music awards for girls;
- Pupil achievement awards;
- Pursuit of Education awards.

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

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

Balance at 1st April 2008 £		Income £	Expenditure £	Balance at 31st March 2009 £
4,888	Preston Simpson Scholarship Fund	1,628	2,500	4,016
4,209	Doughty Fund	366	0	4,575
164,150	Education Trust Funds	10,582	7,458	167,274
173,247		12,576	9,958	175,865

At 31st March, 2009, the Preston Simpson Scholarship Fund consisted of a cash investment with Hartlepool Borough Council of £4,016 and external investments with a value of £12,835 as at 31st December, 2008 (£17,277 as at 31st December, 2007).

As at 31st March, 2009, the Doughty Fund consisted wholly of a cash balance investment with the Council.

As at 31st March, 2009, the Education Trust Fund cash balance of £167,274 was invested with Hartlepool Borough Council. The Sterndale Trust Fund (one of the Education Trust Funds) also had external investments with Threadneedle Investments valued at £63,065.13 as at 5th April, 2009 (£89,593 as at 5th April, 2008).

External investments for the above Trust Funds are not shown in the Council's Financial Management System.

ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITY

1.1 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.

1.2 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.

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

1.4 The Council has a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This statement explains how the Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

2.2 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 the impact should they be 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, 2009 and up to the date of approval of the annual report and statement of accounts.

2.3 In order to facilitate the completion of the Statement, an officer working group has been formed and a programme of work developed. To ensure that the Statement has been given sufficient corporate priority and profile, the working group included both the Chief Financial Officer and the Assistant Chief Executive. As part of the process presentations have been

made to departmental management teams and regular updates given to both the Chief Executives Management Team and Corporate Management Team (CMT).

3. SIGNIFICANT INTERNAL CONTROL ISSUES UPDATE FROM 2008/2009 STATEMENT

- 3.1 Progress has been made over the course of 2008/2009 to address weakness in the system of internal control identified as part of the 2007/2008 process. The table below identifies action that has been taken to mitigate the areas of concern raised.

Issue Raised	Action Undertaken
Disaster Recovery/Business Continuity	The Council's Emergency Management Response Team (EMRT) meets monthly and exercises at least every 6 months. HBC reviews business continuity annually, testing different areas annually, the results of which have fed into the development and review of the plan and lead and develop the plan over time. HBC has a corporate business continuity group integrated with ERMT and undertakes tests as part of ERMT also. HBC is working with other Tees Valley authorities to test the robustness of plans against others. HBC is working as part of the Local Resilience Forum with senior officials representing all Category 1 Responders, as defined under the Civil Contingencies Act, together with key partners such as Housing Hartlepool who provides critical services in relation to business continuity to enhance and develop plans.
Adoption of a Code of Corporate Governance	Code of Corporate Governance endorsed by Audit Committee 19.03.09 and reported to and agreed by Council 16.04.09.

4. THE INTERNAL CONTROL ENVIRONMENT

- 4.1 The key elements of the Council's internal control environment 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 Portfolio and 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.

- 4.2 Effective procedures to identify, evaluate, communicate, implement, comply with and monitor legislative change exist and are used. Human Resources (HR) policies identify suitable recruitment methods and ensure appropriate job descriptions exist for legal staff. Induction training is arranged by HR for all staff, departments have responsibility to provide induction training specific to their departmental needs. Legal Division procedures exist for monitoring new legislation, advising relevant departments and members where appropriate. Legal personnel participate in training events.
- 4.3 Portfolio and Committee terms of reference are included in the constitution. A procedure is in place to ensure that all Portfolio and Committee agendas, minutes and supporting material are available to all staff on the Council's intranet and to the public on the Council's Internet site.
- 4.4 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. The Authority has adopted the CIPFA Code on Treasury Management and complies with the Prudential Code. The constitution is available to all employees on the intranet and hard copy and to the public on the Internet. A register of gifts and hospitality is maintained for Members and Officers.
- 4.5 The full Cabinet and a range of Member committees regularly meet to review specific policy areas, to consider plans, reports and progress of the Authority.
- 4.6 HR has drawn up policies to ensure suitably qualified employees are employed in key areas, and supporting terms and conditions of employment for all employees cover all aspects of good employment. Induction courses for key new officers and all new Members incorporate suitable training on corporate governance issues according to responsibilities and there is a general staff awareness programme in place.
- 4.7 A Health and Safety Policy has been approved and published and a Communication Strategy implemented to ensure general awareness.
- 4.8 The Authority has adopted the Community Strategy aims as its own corporate objectives. The development of the Community Strategy by the Local Strategic Partnership followed an extensive consultation process. Public priorities were established and these are a key element of the budget setting process. The Local Area Agreement (LAA) (signed on 23/03/06) further develops these arrangements and is the action plan for achieving the Community Strategy aims. LAA outcomes relating to the Council have been integrated into the Council's corporate plan, service plans and performance management arrangements to enhance management and political accountability.
- 4.9 CMT has defined what it considers to be a partnership and an assurance framework has been developed to ensure that adequate governance arrangements are in place that are proportional to the responsibilities and risks of each partnership. The Authority has an ongoing programme of monitoring and reviewing arrangements in place in respect of the operation of its key partnerships. A framework of reporting by exception to Corporate Management Team operates and Internal Audit provides annual audit coverage of partnership arrangements. The Audit Committee has highlighted partnerships as a key area of interest and the Authority's control framework will be developed further and the Committee regularly

updated on progress. As the areas of Corporate Governance and Partnerships evolve, further changes to internal controls are envisaged to meet future requirements under the revised Code of Corporate Governance and the Government's white paper on the role and function of Local Government. The development of controls around corporate governance arrangements is a transitional, ongoing process that will build upon existing procedures.

- 4.10 All departments produce departmental and service plans using a corporate framework to ensure that they reflect the corporate objectives. Departments also complete extensive consultation with service users, forums, partners and the Viewpoint panel. Consultation with communities has been strengthened as part of diversity and equalities work. The feedback from these exercises is used to link service and departmental objectives to both the planning process for service delivery and to the corporate objectives. In order to further embed the process of risk management, control identification and the production of the AGS into the culture and management processes at the council, risks to meeting departmental objectives and the controls to mitigate those risks are now recorded as part of the corporate service planning process at a departmental level. This has brought together service planning, risk management and control identification which has enabled a much more focussed and joined up approach to the use of management information and the production of the AGS. Progress against the Corporate Plan and departmental plans is reported to CMT, Cabinet and the Portfolio Holders on a quarterly basis.
- 4.11 A corporate performance management framework approved by CMT and the Cabinet is operating across the Council. The framework sets out the process and timetable for reporting on performance. A Quality Assurance/PI collection framework is in place with Internal Audit conducting an annual review of PIs assessed as high risk. The Council's Performance Management system (Covalent) includes information relating to departmental and officer responsibility for the collation of data, target setting and addressing performance issues. The Council's Performance Management system includes plans, risks and performance indicators enabling clearer links between corporate and service planning objectives, actions, risks and PI measures.
- 4.12 Key performance indicators are identified in the corporate and departmental plans. Regular reports are presented to Members on the delivery of performance targets and these include national and local comparisons. The Audit Commission rated Hartlepool as "Improving Strongly" in its most recent Direction of Travel Statement.
- 4.13 Key policies such as the Corporate Complaints Procedure, Proceeds of Crime (Money Laundering), Whistle Blowing Policy and Counter Fraud and Corruption Policy have been developed and approved for use across the whole Authority. The policies are available to employees via the intranet. Reports are made to portfolio holders every six months summarising, for example, the complaints dealt with and the outcome. The Authority is a member of the IPF Better Governance Forum, the National Anti Fraud Network and also takes part in regular National Fraud Initiative reviews.
- 4.14 The Council agreed a Risk Management Strategy in December 2004 and this has been reviewed on an annual basis. The Strategy is available to all staff via the intranet. Key staff have undergone appropriate training and departmental risk champions lead on communicating the Strategy to all relevant staff in their departments.
- 4.15 An annual review of the Risk Strategy has been completed by Corporate Risk Management Group (CRMG) and approved by, CMT and Cabinet on 21st July, 2008. The Risk Management annual work programme for 2008/2009 was approved by CRMG in May, 2008 and

incorporated within the service plan (Chief Execs). A CMT/Cabinet annual review of the Strategic Risk Register (SRR) was also completed in July, 2008. Following on from previous training given to Cabinet and elected Members a risk management briefing note was circulated to all elected Members in April, 2008.

- 4.16 There is corporate support at senior management level for development of Risk Management with risk assessment procedures published and training given to officers. Following on from previous training given to officers a series of sessions in March/April, 2008 briefed officers on using the new Covalent system. Regular risk introduction/refresher sessions are delivered as part of the Council's Learning Management and Development Programme.
- 4.17 Planned control measures in SRR/DRR are in Service Plans, linked as part of business planning for Departments as described in paragraph 4.10. The Performance Portfolio Holder is Hartlepool Borough Council's risk 'champion' and is involved in delivery of training to other Members. Each department also has a risk co-ordinator. Risks and control measures relating to corporate and departmental plans are considered as part of the preparation of the AGS.
- 4.18 The Council's Performance Management System (Covalent) holds the departmental and strategic risk registers. Officers that manage risks are notified risks need to be reviewed and progress is monitored on a quarterly basis by the CRMG, who then report to CMT and Cabinet. Departments may use a central funding pot for Risk Management to assist in the financing of risk mitigation.
- 4.19 The Council has long-standing, nationally and regionally recognised emergency planning arrangements through the Cleveland Emergency Planning Unit (EPU). The Council's Emergency Management Response Team (EMRT) meets monthly and exercises at least every 6 months.
- 4.20 Departmental business continuity plans have been developed and specific property and flu pandemic plans are in place. ICT resilience has been improved by remote access to Email and calendars and upgrading the UPS system.
- 4.21 Flu pandemic planning has identified critical services particularly in respect of vulnerable people, with alternative service provision arrangements identified as part of that process.
- 4.22 The Business Continuity Group meets on a quarterly basis. A revised strategy was reported to CMT on the 23rd October, 2006. The principles for the development of the Business Continuity Plan have been agreed. Each department has a lead officer responsible for business continuity. All senior managers have been briefed about business continuity. The initial strategy as set out in 2006 has now been achieved. In the coming year a testing and review programme has been set out.
- 4.23 The Council has undergone external assessment and has been accredited with the Equality Mark certificate for the successful validation of the Level 3 of the Equality standard for Local Government.

The Council is now working towards the Excellence stage of the new Equality framework for Local Government developed by I&DeA. Action plans to reflect this are being developed and incorporated into the Council's service planning process.

All departments completed an annual review of Equality Impact Assessments and ensure that adverse impacts are addressed and further steps to improve accessibility to services incorporated in their plans.

All departmental diversity groups report to the Corporate Diversity Steering Group (DSG) which in turn reports to Corporate Management Team on a regular basis. The Council's progress on diversity is reported half yearly and annually to the Performance Portfolio Holder and the Corporate Equality and Diversity Scheme (2008-2011) has Cabinet approval.

- 4.24 Internal Audit reports on a regular basis to the Audit Committee on the effectiveness of the organisation's system of internal control. Recommendations for improvement are also made and reported on. Internal Audit's performance is measured against standards agreed by management and Members. Internal Audit reporting arrangements have been formalised and strengthened as part of the review of financial procedure rules.
- 4.25 Other review bodies external to the Authority also make regular reports on efficiency, effectiveness and compliance with regulations. These reviews include major inspections by the Commission for Social Care, Department for Children, Schools and Families, Ofsted and the Planning Inspectorate of the relevant section of the Authority. The Audit Commission has also undertaken a Comprehensive Performance Assessment and the Council has been assessed as "four star" and "improvingly strongly", the highest possible ranking. The results of these reviews are reflected in the Council's own development and improvement plans. Some services within the Authority have been accredited by Investors in People and Chartermark.

5. REVIEW OF EFFECTIVENESS

- 5.1 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 authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 5.2 The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:
- Corporate Management Team agreed process for the review of the internal control environment. The risk inherent in meeting departmental objectives and the controls to mitigate those risks are now recorded as part of the corporate service planning process at a departmental level. This has brought together risk management, control identification and the process for compiling the evidence needed to produce the AGS. This enables managers to provide documented evidence regarding the controls within their service units as part of the service planning process. The controls in place are designed to negate the identified and recorded risks of not achieving service, departmental or corporate objectives. In order to ensure adequate controls are in place the procedures, processes and management arrangements in place to mitigate identified risks and the officers responsible for them are also documented. Gaps in controls can be addressed as part of the regular reviews of departmental risks and control measures.
 - Chief Financial Officer – The CFO carries out a review of the effectiveness of the system of internal audit and reports the findings to the Audit Committee.

- Internal Audit – the Council has the responsibility for maintaining and reviewing the system of internal control and reviewing annually Internal Audit. In practice, the Council, and its External Auditors, takes assurance from the work of Internal Audit. In fulfilling this responsibility:
 - Internal Audit operates in accordance with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.
 - Internal Audit reports to the Section 151 Officer and Audit Committee.
 - The Head of Audit and Governance provides an independent opinion on the adequacy and effectiveness of the system of internal control, quarterly update reports and an annual internal audit performance report to the audit committee.
 - Internal audit plans are formulated from an approved risk assessment package.
 - External Audit – in their annual audit letter, comment on their overall assessment of the Council. It draws on the findings and conclusions from the audit of the Council and from the Corporate Assessment and inspections that have been undertaken.
 - Other review and assurance mechanisms: for example, Department for Further Education and Skills, Commission for Social Care, Investors in People, Chartermark.
 - In the Comprehensive Performance Assessment by the Audit Commission, the overall report placed the Council in the "four star" category.
- 5.3 HBC Business Continuity Group meets quarterly and co-ordinates the Council's business continuity strategy. The group has undertaken testing of the plan within departments and is moving to test the BCP in conjunction with other plans.
- 5.4 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

6. SIGNIFICANT INTERNAL CONTROL ISSUES

- 6.1 The following significant internal control issues have been identified:

No	Issue	Action	Timescale	Responsible Officer
1	Data Quality	Raise awareness through continued officer training.	2009/2010	Andrew Atkin
2	Employees Code of Conduct	Awaiting formal legislation upon the Code, following on from consultation exercise undertaken.	2009/2010	Peter Devlin/ Joanne Machers

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

Signed:

.....

Mayor & Chief Executive on behalf of Hartlepool Borough Council.

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

OPINION ON THE FINANCIAL STATEMENTS

I have audited the accounting statements and related notes of Hartlepool Borough for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Hartlepool Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

RESPECTIVE RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER AND AUDITORS

The Chief Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts. My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly the financial position of the Authority and its income and expenditure for the year, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007. I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures. I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword and the content of the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

OPINION

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31st March, 2008 and its income and expenditure for the year then ended.

CONCLUSION ON ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES

Authority's responsibilities

The Authority 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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December, 2006, I am satisfied that, in all significant respects, Hartlepool Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31st March, 2009.

Best Value Performance Plan

My predecessor has issued our statutory report on the audit of the authority's best value performance plan for the financial year 2008/2009 in December, 2007. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Lynne Snowball
District Auditor
Nickalls House
Metro Centre
Gateshead
Tyne & Wear
NE11 9NH

Date

Lynne Snowball, District Auditor, signed the Independent auditor's report on 30th September, 2008 and this document is held by the Council. The District Auditor's signature has not been reproduced in this electronic document in line with Audit Commission guidance restricting the electronic reproduction of Auditor's signatures

OFFICER REMUNERATION – ADDITIONAL DISCLOSURES FOR THE CHIEF EXECUTIVE

Introduction

The current Chief Executive, Paul Walker, took up his appointment in August 2003.

The Chief Executive is the senior officer who leads and takes responsibility for the work of the 4,500 paid staff of the Council, who run the local authority on a day to day basis. The role of Chief Executive is a full time appointment.

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

By law, senior Council staff are not allowed to participate in any party political activity and are expected to advise and assist all councillors irrespective of their political affiliation.

As head of the paid service, the Chief Executive works closely with elected members to deliver the following:

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

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

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

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

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

The Council

The Council is a large, complex organisation, responsible for providing or commissioning a large number of separate services. The total annual turnover is in excess of £250 million. The annual capital programme is around £25 million.

Under the Audit Commission's Comprehensive Performance Assessment (CPA), councils are awarded an overall performance rating which ranges from no stars (the lowest) to 4 stars (the highest).

In March 2009, the Audit Commission announced that Hartlepool Council is a '4 star' authority that is 'improving strongly' - the seventh successive year that the Council has been awarded the highest possible performance category.

Hartlepool is one of only 26 councils to receive 4 stars and improving strongly in 2009. It is also one of only 13 councils to receive 4 stars every year since CPA began in 2002.

The 2009 Audit Commission CPA report stated: "Hartlepool Council is improving strongly. Services for children and young people are good, with further improvement in educational attainment which is well above that for similar councils.

"Social care services for adults have improved and are of very high quality. Crime levels have reduced. Littering has reduced and recycling increased. Housing performance has improved and is now excellent, while the benefits service retained an excellent rating."

Hartlepool is one of the best performing councils in the country.

The Chief Executive

Paul Walker began his career as an Assistant Storekeeper/Repairs Clerk in a housing depot of Newcastle upon Tyne City Council. After a couple of years he transferred to the Council's Costing Section and subsequently became a trainee accountant. He qualified as an accountant and worked in most sections of finance departments within three local authorities.

In December 1988 he was appointed to the position of Treasurer with Lancaster City Council. He also took responsibility for all of the council's direct labour organisations. In 1993 he was appointed to the post of Chief Executive with Kettering Borough Council in Northamptonshire, moving to become Chief Executive for Dacorum, Hertfordshire, in 2000. He left Hertfordshire for Hartlepool in 2003.

Mr Walker is currently a Board member for both Tees Valley Regeneration Ltd. and Safe in Tees Valley Ltd. He is one of the chief executive advisers to the Association of North East Councils, is a member of the Regional Strategy Development Group, and chairs the Regional Waste Management Stakeholders Group. He is also on the Board of the New Local Government Network, often described as a Government think-tank.

Remuneration

For 2008/09 the Chief Executive was paid on a scale that starts at £142,914 and ends at £157,205 (£139,496 to £153,446 for 2007/08). He was paid a total of £157,205 for the financial year 2008/09 (£153,446 for 2007/08).

Benefits

Although other authorities provide additional benefits such as cars and private health insurance, Hartlepool's Chief Executive receives no such benefits.

Pension

The Local Government Pension Scheme (LGPS) is a contributory scheme; this means that the employee contributes to the scheme from his or her own salary. For 2008/09 employees contribute between 5.5%-7.5% of their salaries. (for 2007/08 employees contributed between 5.0%-6.0%). Employers' contributions to the LGPS vary depending upon how much is needed to ensure benefits under the Scheme are properly funded, and are set independently. For 2008/09 the actuary certified a lower employers' contribution for the three years commencing 2008/09. In 2008/09 the employers' contribution to the LGPS for the Chief Executive was £25,310.01 (£27,773.75 for 07/08). The rules governing the pension scheme are contained in regulations made by Parliament.

For 2008/09 the Chief Executive paid 7.5% (6% for 2007/08) of his salary into the Local Government Pension scheme. For the financial year 2008/09 this amounted to £11,790.38 (£9,206.76 for 2007/08).

Expenses

The Chief Executive is able to reclaim a restricted range of legitimate and evidenced business expenses, including business travel.

For 2008/09 the Chief Executive was reimbursed with the cost of business travel and accommodation in the sum of £3,181.49 (£2,576.86 for 2007/08).

Similarly, he was paid £2,131.26 (inclusive of a taxable essential car user allowance of £849) (£1,810.52 (inclusive of a taxable essential car user allowance of £819) for 2007/08) in respect of mileage properly claimed for business use of his own car.

Working arrangements

The Chief Executive is expected to work such hours as are necessary to ensure the job gets done. This routinely involves working some evenings in addition to the standard Monday to Friday business week. Occasional weekend working is also required. The Chief Executive is 'on call' at all other times, particularly to cover emergency planning requirements. No extra payments are made for such extended hours.

The Chief Executive is entitled to 33 days paid leave each year.

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.

ACQUIRED OPERATIONS

Operations comprise services and divisions of service as defined in BVACOP. Acquired operations are those operations of the local authority that are acquired in the period.

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 a fixed asset or expenditure that adds to and not merely maintains the value of an existing fixed asset.

CLASS OF TANGIBLE FIXED ASSETS

The classes of tangible fixed assets required to be included in the accounting statements are:

Operational assets

- Council dwellings
- Other land and buildings
- Vehicles, plant, furniture and equipment

- Infrastructure assets
- Community Assets

Non-operational assets

- Investment properties
- Assets under construction
- Surplus assets, held for disposal

Further analysis of any of these items should be given if it is necessary to ensure fair presentation.

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 ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

CONTINGENT LIABILITY

A contingent liability is either:

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

CORPORATE AND DEMOCRATIC CORE

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

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.

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 fixed asset that have been consumed during the period.

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

DISCONTINUED OPERATIONS

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

- a) The termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved.
- b) The activities related to the operation have ceased permanently.
- c) The termination of the operation has a material effect on the nature and focus of the Local Authority's operations and represents a material reduction in its provision of services resulting in either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the Local Authority's continuing operations.
- d) The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing.

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 a tangible fixed asset 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.

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

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

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all (normally 90% or more) of the fair value of the leased asset. The present value should be calculated by using the interest rate implicit on the lease. However, where the present value of the minimum lease payments does not amount to 90% or more of the fair value of the leased asset, it should not be automatically assumed that the lease is not a finance lease. FRS 5 requires that the substance of the transaction be reflected and therefore the lease may still need to be classified as a finance lease.

Notwithstanding the fact that the lease meets the definition above, the presumption that an asset should be classified as a finance lease may in exceptional circumstances be rebutted if it can be clearly demonstrated that the lease in question does not transfer substantially all the risks and rewards of ownership (other than legal title) to the lessee.

GOING CONCERN

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

GOVERNMENT GRANTS

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

IMPAIRMENT

A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

INFRASTRUCTURE ASSETS

Fixed 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.

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.

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 substantially to 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.

NET BOOK VALUE

The amount at which fixed 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-OPERATIONAL ASSETS

Fixed 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

Fixed 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 fundamental errors. A fundamental 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.

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

This list is not intended to be comprehensive.

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

REMUNERATION

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

RENEWALS ACCOUNTING

Where renewals accounting is adopted, the level of annual expenditure required to maintain the operating capacity of the infrastructure asset is treated as depreciation charged for the period. Actual expenditure is capitalised as incurred. Renewals accounting may only be used for infrastructure assets which meet the relevant requirements.

RESEARCH AND DEVELOPMENT

Expenditure falling into one or more of the following broad categories:

- pure (or basic) research : experimental or theoretical work undertaken primarily to acquire new scientific or technical knowledge for its own sake rather than directed towards any specific aim or application;
- applied research: original or critical investigation undertaken in order to gain new scientific or technical knowledge and directed towards a specific practical aim or objective;
- development: use of scientific or technical knowledge in order to produce new or substantially improved materials, devices, products or services, to install new processes or systems prior to the commencement of commercial production or commercial applications, or to improve substantially those already produced or installed.

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.

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.

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.

STOCKS

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.

Stocks 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.

TANGIBLE FIXED ASSETS

Tangible assets that yield benefits to the Local Authority and the services it provides for a period of more than one year.

USEFUL LIFE

The period over which the Authority will derive benefits from the use of a fixed 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.

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AUDIT COMMITTEE

30 June 2009



Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT PLAN 2009/10 UPDATE

1. PURPOSE OF REPORT

To inform Members of the progress made to date completing the internal audit plan for 2009/10.

2. SUMMARY OF CONTENTS

At the Audit Committee meeting of 25.10.05 it was agreed that the Head of Audit and Governance would update the Committee on a quarterly basis as to the progress made against the audit plan. This allows members of the Committee to form an opinion as to the robustness of the system of controls in place at the Council and thus fulfil part of the Committee's remit.

3. RELEVANCE TO PORTFOLIO MEMBER

N/A

4. TYPE OF DECISION

Non-key decision.

5. DECISION MAKING ROUTE

Audit Committee tasked with considering adequacy of audit coverage.

6. DECISION(S) REQUIRED

Members note the contents of this Report.

Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT PLAN 2009/10 UPDATE

1. PURPOSE OF REPORT

- 1.1 To inform Members of the progress made to date completing the internal audit plan for 2009/10.

2. BACKGROUND

- 2.1 In order to ensure that the Audit Committee meets its remit, it is important that it is kept up to date with the ongoing progress of the Internal Audit section in completing its plan. Regular updates allow the members of the Committee to form an opinion on the controls in operation within the Council. This in turn allows members of the committee to fully review the Annual Governance Statement, which will be presented to a future meeting of the Committee, and after review, will form part of the statement of accounts of the Council.

3. AUDITS COMPLETED AND IN PROGRESS

- 3.1 **Appendix A** of the report details the pieces of work that have been completed.
- 3.2 As well as completing the afore mentioned audits, Internal Audit staff have been involved with the following working groups:
- ISO 17799 Group.
 - Procurement Working Group.
 - Corporate Risk Management Group.
 - Use of Resources assessment.
- 3.3 The section has now received data matches from the Audit Commission in relation to the National Fraud Initiative (NFI) for 2008/09. The section, along with the Benefit Fraud Team, is currently investigating any anomalies identified.
- 3.4 **Appendix B** details the audits that were ongoing at the time of compiling the report.

4 AUDIT PLAN PROGRESS

- 4.1 The work completed and currently ongoing is in line with expectations at this time of year, and audit coverage to date has allowed the Audit Commission to place reliance on the scope and quality of work completed when meeting their requirements under the Audit Code of Practice.

5 RECOMMENDATION

- 5.1 It is recommended that Members note the contents of the report.

Appendix A

Audit	Objectives	Recommendations	Agreed
National Non Domestic Rates	Ensure that the authority maintains an accurate list of all properties subject to locally collectable non domestic rates, Liability for NNDR is accurately assessed and timely bills for the correct amount are sent to the occupiers of all rateable properties in the authority's area, All NNDR money collected is promptly posted to the correct account, NNDR transactions are recorded in the authority's accounts accurately, Relief given is valid and is in accordance with the regulations and local schemes, Prompt and effective recovery action is taken on all overdue unpaid amounts, All write offs are valid and correctly processed and authorised, N.N.D.R. system parameters have been accurately set on the system and verified, The authority maintains a secure system for recording and monitoring collectable non-domestic rates, Data is secure from loss or harm.	<ul style="list-style-type: none"> - That consideration is given to allocating resources to begin completing a reconciliation of composite properties. - Consideration is given to undertaking a mail out to ensure that all customers in receipt of rate reliefs are fully aware that they must notify the authority of any change to their business circumstances which may affect their entitlement to claim the relief. - A process should be devised and implemented that enables checks to be performed on the input to the IWorld system regarding amendments to rateable values and reliefs. - The revenues Section should endeavour to balance these reconciliations or to establish why the billing runs do not balance. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Integrated Mental Health Partnership	Ensure adequate governance arrangements are in place for significant partnerships.	<ul style="list-style-type: none"> - Whilst discussions are ongoing to determine the way forward for the Integrated Mental Health Partnership, the Management Board (or other suitable body as an interim arrangement) should be reconvened to attend to its functions as detailed in the Partnership Agreement. The reconvened management board (or other appropriate body) should also seek to action recommendations made in this action plan that relate to the board whilst debate is still ongoing as to the way forward for the partnership. - The partnership should consider having a more extensive exit strategy built in to the agreement, or as a separate document appended to the agreement. - It would be considered best practice for the Integrated Mental Health Partnership to have the strategy document approved by the management board. The strategy aims and objectives, outcomes and activities, milestones/targets and progress against the achievements of objectives should be regularly reported on through the management board. 	<p>Y</p> <p>Y</p> <p>Y</p>

		<ul style="list-style-type: none"> - During the review of the Integrated mental Health Services Partnership an asset register should be drawn up to clearly show what assets/equipment have been supplied by each partner for the purposes of the partnership. 	Y
		<ul style="list-style-type: none"> - For reasons of best practice and transparent governance arrangements, risks/controls/residual risks from both partners relating to the area of integrated mental health provision in Hartlepool should be reported to the management/partnership board on a regular basis (suggest annually at minimum). Updates should be made to the board when new or emerging risks are identified or obsolete risks are stood down. 	Y
		<ul style="list-style-type: none"> - Financial reporting should take place on a regular basis (suggest at least quarterly) to the key stakeholders of the partnership. This ideally would be to a partnership/management board as set out in the partnership agreement between HBC and TNEY/TEWV. 	Y
		<ul style="list-style-type: none"> - During the review of the partnership arrangements consideration should be given as to whether it is appropriate to have a scheme of delegation for the partnership. (This would be of particular importance should the use be made in the future of pooling of budgets) 	Y
		<ul style="list-style-type: none"> - The management/partnership board should formally make note of the financial arrangements for the partnership with regard to when each set of financial procedure rules would be used. During the review of the partnership arrangements consideration should be given to the need for a single set of financial procedure rules if the partnership were to make use of pooled budgets. 	Y
		<ul style="list-style-type: none"> - The reconvened partnership board (or interim body) should have reported to it the relevant register of business interests from both partners on a regular basis (suggests annually) and an update should be made immediately a new business interest arises. 	Y
		<ul style="list-style-type: none"> - The management board for the partnership should reconvene and accept performance monitoring reports on a regular basis (suggest at least quarterly or more often if the information is available). 	Y
		<ul style="list-style-type: none"> - During the review of the partnership 	Y

		<p>agreement it may be prudent to revisit the staffing structure noted there to ensure it is up to date. Once the management board has reconvened (or interim arrangements are in place) the board should receive regular reports on staffing levels, their adequacy for the services being provided and any future plans regarding staffing.</p> <ul style="list-style-type: none"> - The partnership agreement should be amended to include provision for the management board membership to be reviewed regularly (suggest at minimum annually) and this review should be evidenced in the minutes of the management board meetings. - Communication channels already in existence should be formalised into a strategy or similar document, which should then be approved by the management/partnership board. - The auditor should be supplied with confirmation of the amount of total cover obtained by TEWW for the insurance areas of Employers Liability and Public Liability. 	<p>Y</p> <p>Y</p> <p>Y</p>
Partnering Contracts	<p>There is a clearly defined policy in place agreed by members, that is in line with corporate objectives, legislation/regulation, which promotes value for money and sustainability, is subject to regular review and communicated to all relevant parties; Contracts/partnership agreements for individual projects should state clearly the agreed objectives as well as showing how risks to the achievement of such objectives are to be managed and by whom. They should incorporate arrangements for achieving continuous improvement (i.e. KPI's); There is adequate separation of duties in place; There is effective monitoring of partnering contracts; Work should be completed to a satisfactory standard.</p>	<ul style="list-style-type: none"> - Formal arrangements should be in place to ensure that the roles and responsibilities of all parties in the partnership arrangement are clearly defined. A contract should be in place which defines arrangements for: project approval; checking the validity of claims for work undertaken; risk / profit sharing; variations / contractor claims; responsibility for making good defects; providing documentation in a manner that allows final certificates to be issued in a prompt manner. - Documented requested for review by internal audit should be made available. - Final certificates should be issued within 3 months of completion. - Sample checks should be undertaken to verify claims for work done. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Benefits	<p>Examine and evaluate the systems and procedures in place to administer Council Tax and Housing benefits to ensure that benefit payments are made promptly and to the correct recipient; benefits are assessed in accordance with verification framework regulations and are calculated correctly; outputs are</p>	<ul style="list-style-type: none"> - LA HRA overpayments are reviewed to ensure that they are actually 'overpayments' and have not been generated because of a system problem. Also that appropriate action is taken to 'cancel' the debt where required. - A sample of all cases should be reviewed to ensure compliance with policies and procedures and 	<p>Y</p> <p>Y</p>

	independently checked for accuracy and reasonableness; transactions are recorded correctly in the Authority's accounts; and all records and documentation are safeguarded from loss and unauthorised access.	<p>consistency between investigators.</p> <ul style="list-style-type: none"> - That the reconciliation of payments made is extended to include cancelled / replaced cheques and other adjustments made. - That local procedure notes are put in place for the compilation, checking and submission of the subsidy claim which detail the controls in place within the process. - That the use of the Administrator privileges is limited. - Managers are required to confirm annually a schedule of user access rights. This will help to ensure that a user does not have inappropriate access levels. - That the benefit claim is corrected. This was an error which has been identified but does not indicate a significant control failure; however as the only control in ensuring that transactions are correct it would be advisable for supervisory checks to be carried out on the work of the Support Services Team. - That a report is generated detailing all debt write offs and this is reconciled to the documents authorising the write off. - That the Aged Debt Analysis report is used as a management tool to focus the recovery work being undertaken and report on the levels of debt. - That an up to date procedure manual is produced for the Benefits Section. - That a formal arrangement is made to ensure that documents requested by the Benefits Sections are securely held when they are received by the Contact Centre. - That a review of the documentation required for each investigation is carried out to identify the minimum information required and the circumstances when additional information will be needed. - That arrangements are put in place for staff to record time spent on specific types of investigation/specific investigations. That this is reviewed by the Manager on a regular basis. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Disability Discrimination Act	HBC approach to implementing DDA is documented, complies with legislation/guidance, follows best practice and has been agreed by the Executive/Management Board. Executive Members and Senior Managers within Directorate are	- A design guide should be developed which incorporates the minimum standards required to achieve DDA compliance. This should be presented to Members for approval. Departments should be advised that these minimum standards be used on all capital works to Council properties.	Y

	<p>actively involved in the process as well as operational managers delivering services on the ground. A consistent methodology is used to identify services/access rights etc that do not comply with DDA. Areas of non-compliance are reported to management and acted upon as appropriate. Key staff/members receive adequate training/guidance to enable them to discharge their duties in an efficient manner. Appropriate mechanisms are in place to monitor progress against DDA compliance. Risks associated with non-compliance are identified and entered onto the Risk register. The implications of key decisions made by portfolio holder/executive are raised at the time the decision is made.</p>	<p>- Procedures are to be in place to ensure recommendations made by the Building Control and Access team are implemented. Also actions that are not implemented must be reported.</p> <p>- Completed access audits should be referred to prior to undertaking any work and for any buildings. Where an audit has not been completed or if it is unsure if work could result in raising further issues, the Access team and Property Services team should be consulted.</p>	<p>Y</p> <p>Y</p>
Creditors	<p>Supplies of goods and services are properly authorised and comply with standing orders and Financial Procedure Rules; Procedures ensure that payments are only made for goods and services received; Controls over input ensure that it is authorised, complete, accurate, not previously processed and timely; Processing controls ensure that all data is processed and accounted for, and that backup copies of files are taken at appropriate intervals and held securely; All expected output is produced, appears reasonable and is distributed on time with confidentiality being maintained; Cheques and data are securely controlled both as blanks and when completed; Policies relating to data protection, information classification and information security within the authority are adhered to.</p>	<p>- An exercise should be undertaken to deactivate duplicate supplier accounts.</p> <p>- Documentation supporting requests to raise / amend supplier accounts should be retained by departmental officers making the request, particularly where the request involves the addition or amendment of supplier bank accounts details.</p> <p>- Periodic exercises should be undertaken of orders that remain outstanding for over a month and buyers requested to confirm that payment has not been made and orders are still valid.</p> <p>- Official orders should be raised for all goods / services where appropriate.</p> <p>- Reports of unprocessed invoices that have still to be resolved after escalation procedures have been exhausted should be reported to the relevant Director to request that responsible officers carry out the tasks required to enable the invoice to be paid. Reports of queried invoices should also be reported to the relevant officer who should then be required to feed back confirmation that the invoice is still disputed.</p>	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Purchase Cards	<p>All staff are aware of the procedures for using the purchase card. Application and transaction blocking forms are completed correctly. There is adequate separation of duties for the ordering and payment process. The council pays only for goods or services it has ordered and</p>	<p>- An employee agreement to be completed and retained for each card holder.</p> <p>- That cardholders are reminded that ordering from non LID suppliers is kept to a minimum. Cardholders also reminded that receipts or invoices are to be sent to accountancy so that the VAT can be reclaimed.</p>	<p>Y</p> <p>Y</p>

	receives proper value for money.	<ul style="list-style-type: none"> - That procedure notes be made available on the intranet. Procedures should include how to use the card, where to store the card, procedures for reporting the card stolen or lost, use of non LID suppliers, transaction limits and monthly limits. If cardholders do not have access to the intranet then a copy sent to them for their information. - Statements to be sent out within 3 days of receiving monthly statements in case of any queries - Budget holders to verify expenditure with receipts on a monthly basis and sign off expenditure to agree spend. 	Y Y Y
Attendance Management	Compliance with relevant legislation and corporate policies; The aims and objectives of the Council's Attendance Management Policy are being achieved; That attendance is monitored and managed in line with the Attendance Management Policy. That disruption to service delivery is minimised; That the Council invests in the health & wellbeing of it's staff.	<ul style="list-style-type: none"> - A User Access report should be devised and maintained. This should be reviewed regularly to ensure employees who no longer need access are taken off the database. - The Policy and associated procedures should be regularly reviewed and approved as a matter of good practice. - Procedures must be in place for manager liaising with the Admin Team to ensure all sickness is recorded. For example controls could be; A sickness return from all departments within Regeneration & Planning be completed and returned to the Admin Team for a reconciliation to be carried out, OR Monthly sickness reports are sent from the Admin Department to Managers asking them to identify any discrepancies etc. - Current IT provision should be reviewed and options for improved management information and reports investigated. - Flexi/Timesheets to be completed by all members of staff who work flexible hours. - As set out in the sickness procedures absence must be reported to the Sickness Hotline to ensure it is recorded through the Sickness Database. - Current IT provision should be reviewed and options for improved management information and reports investigated. Managers should be able to monitor the levels, causes and costs of sickness absence without undue delay. - Procedure notes to be in place for Performance Indicator. - PI spreadsheet should be password protected to minimise risk of deleting formula. 	Y Y Y Y Y Y Y Y

VAT	Adequate written procedures exist for the administration of VAT. All input/output VAT is identified. Control accounts are operated to ensure the completeness and accuracy of records. VAT returns are prepared and submitted promptly, are reconciled to the VAT control on a regular basis and signed by an appropriate officer. Errors regarding the collection of income amounting to £2,000 or more are notified to HM Revenue & Customs in writing. Any penalties or interest charged by HM Revenues & Customs are correct. Annual reconciliations are undertaken between Control Accounts and the ledger to ensure that VAT is correctly recorded in the final accounts.	- Updated procedures notes to be completed and distributed to all members of staff evolved in the VAT process.	Y
Recruitment	A Recruitment and Selection Policy, that is consistent with legislation and best practice has been drawn up, formally adopted and distributed to all staff. The Policy is kept up to date. Effective procedures are in place to ensure that the Recruitment and Selection Policy is implemented consistently across the Authority. Required approvals are obtained prior to a post being advertised. Staff appointed have the correct skills for the post. All appointments have been made in line with the Recruitment and Selection Policy. All necessary checks are carried out to establish an individual's identity prior to appointment. The retention of supply / casual registers is in line with policy documentation. Arrangements are in place to ensure that complaints are fully investigated and appropriately resolved. Procedures for appointing overseas nationals are documented and applied consistently.	<ul style="list-style-type: none"> - Panel summary forms, supporting recruitment decisions made should be completed and signed by the recruitment panel. - Documentation relating to recruitment exercises to be retained in a secure manner. - Checks to ensure that all relevant documentation is held in recruitment files should be undertaken. - A review of all supply / casual staff should be undertaken to ensure compliance with appendix 6 of the Recruitment and Selection Policy. - Documentation demonstrating that overseas nationals employed by the Council are entitled to be employed should be retained in personnel files. - Documentation demonstrating that checks are made to redeploy staff will be reviewed at the follow up audit. 	Y Y Y Y Y Y
Pest Control	Ensure that the system controls provide reasonable assurance that: The Pest Control Team are aware of and abide by current legislation. There are comprehensive procedure notes in place, available to all staff. Pest Officers are qualified and regularly trained and this is	- Given the possibility of complaints and the possibility of customers considering going elsewhere it may be prudent to put in place a mechanism for recording and monitoring the complaints. It may also be helpful to link complaint monitoring to the current monitoring of the number of jobs completed by the pest control team and comparisons to previous	Y

	<p>evidenced. There are set charges which have been approved by the relevant portfolio holder and these are clearly advertised for customers. Market comparisons are made on a regular basis to ensure our charges are competitive. Vehicles are kept securely and are regularly inspected to ensure they are road worthy. Ordering, control of and payment for poisons is controlled and subject to appropriate levels of authorisation. Only appropriate staff have access to the poison stocks. Stocks are regularly checked. All pest control jobs and the actions taken are recorded and recorded correctly. Charges are made correctly to the correct person for the correct amount and for the service used that were chargeable. Non-payment is monitored and recovery action taken against non-payers. The database complies with all HBC IT Policies. Budget monitoring reports are regularly received by the budget holder and actioned appropriately. Performance is monitored by the managers. Finances and performance are regularly reported on to portfolio</p>	<p>years to ascertain if the charging policy is having any effect on customer take up of the service. This in combination with the proposed advertising and communication strategy and plans to continue to add to the information on the website will hopefully reduce / keep to a minimum the number of complaints.</p> <p>- The pest control management and officers should explore what information would be useful for them to have produced from the APP system and explore having the reporting mechanism set up to provide the information on a regular basis.</p> <p>- Current procedures in place for handling of paperwork should be reinforced by management to ensure that pest control management have the assurance they need that all invoice requests made have been raised and returned to pest officers. Pest control management also need to develop a method of verifying how much income has been raised from these invoices each year and use this information to inform their budget setting process.</p> <p>- That pest control management and the APP system administrator work together to audit the APP system with regard to pest control entries so that management can place assurance on the integrity of the data provided for the performance indicator.</p> <p>- The format of the passwords used for APP should follow the guidance laid out in the authority's password guidance.</p>	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Budgetary Control	<p>The roles and responsibilities for key officers and budget holders are clearly defined and those staff have received adequate budget training. Budgets are set in accordance with pre-determined approved policy objectives. The budget setting process is supported by a risk management framework. Documentary evidence supports the make up of the budget. Budgets are prepared promptly in line with the annual budget process and timetable. All relevant records are correctly updated with the budget set and approved. Working papers adequately support the budget loaded into the ledger. Budgets set are reported annually to the managing body prior to</p>	<p>- A training package is developed, implemented and rolled out to try to reach as many budget holders as possible as soon as is practical.</p> <p>- The budget information pulled from Integra should be of sufficient detail and should be used to inform budget holders for monitoring purposes. If actuals are not as expected according to the budget, the budget holders should be assessing whether the budget profiling needs adjustment to more appropriately reflect the flow of income and expenditure during each month and the year overall. However, profiles should not be adjusted routinely simply to make the budget and actuals equate for easier reporting.</p> <p>- Consideration should be given as to whether exception reports should be</p>	<p>Y</p> <p>Y</p> <p>Y</p>

	implementation. Budget amendments of a significant nature are reported to and approved by the managing body. Budgets are properly controlled through effective monitoring arrangements in accordance with Financial Procedure Rules. There is an established financial risk management process to determine the level of reserves.	set up and routinely produced for checking and action if necessary. - The finance officer able to provide comprehensive evidence to support the budget monitoring activities undertaken should help to produce a best practice guide for the other finance officers to follow as guidance. It may also be beneficial to consider sharing this as best practice across departments and finance teams.	Y
Members Allowances	Members Allowances are paid in accordance with the appropriate regulations, are only to be paid in respect of approved duties and there is evidence to support any claims. All relevant records are updated to record the claim. All claim forms are completed properly. Any allowances are paid in accordance with the rates issued by the Department of Transport, Environment and the regions. All claims are completed and submitted promptly. Allowances which are paid via invoice are checked to ensure that the duties claimed for are on the approved list and that the member attended. Data is held securely and in line with the authority's policies and the Data Protection Act.	- A consistent rate should be used for all members when completing claims. This should be reviewed using the BT website to ensure any changes to amounts are reflected in the Members claims. - As it states in the constitution that "Claims for expenses should be made on a regular basis (the Standards Committee suggests that the duration of any claim for travel or subsistence allowances should be no more than one month - subject to the final claim in any financial year being submitted within two weeks of the year end). Members should be reminded to submit their claims on a regular basis. - Claims should be sent to Payments to be scanned and attached to INTEGRA. - All allowance rates payable to Members should be updated in the constitution. - Dispensation notice to be provided to Internal Audit by Payments Section.	Y Y Y Y
Employees Register of Interest	Test and evaluate the systems and procedures in place to administer the registration of pecuniary and other interests of employees of the Council to ensure that; <ul style="list-style-type: none"> All employees of the Council are aware of any relevant legislation such as National Codes of Local Government Conduct and the Council's Procedure Rules relating to the disclosure of all pecuniary and other interests, including gifts and hospitality. Suitable procedures are in place to record all such disclosures in a statutory register kept for this purpose, in accordance with the legislation. The Council has a system in place that allows officers to 	- Once a national code of conduct has been approved Hartlepool should adopt and distribute to all staff. - Policy should be updated with procedures on how to report a disclosures and key contacts for departments. - Policy to be communicated to staff through managers as well as the intranet. - Once further guidance is received by the Local Government on employee register of interest this should be adopted/approved and completed by all staff. - The policy should be promoted to all Hartlepool Brough Council staff.	Y Y Y Y

	register and declare any interests in line with good practice.		
Cash/Bank	To examine and evaluate the systems and procedures in place to administer the Central Cash Receipting system to ensure that the Council provides a secure, convenient environment for the collection of income due; that financial procedural rules are adhered to; income is promptly banked and correctly accounted for; systems in place operate effectively and efficiently and collection points are secure and cash receipting systems are secure.	<ul style="list-style-type: none"> - That the current Cheque Received via Post Proforma includes details of cheques received and two staff members are present for the opening of post (include onto proforma). - Re-iterate the importance of cashier signatures being included in the cash up report - Old Holding Account items should be rectified - A disaster recovery plan is to be put in place for the cash receipting function 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
User Property and Finance	Test and evaluate the procedures in place to ensure that all correct pensions and allowances for Service User's are paid into their personal bank accounts; payments made on behalf of Service User's are authorised and correct; Service Users bank account transactions are properly recorded and supported by documentary evidence; Service Users property is secure and recorded; and all Council and statutory requirements are complied with.	None	
Corporate Manslaughter Act	A compliant procedure has been drawn up and implemented by the authority. The owners of the policy keep up to date with changes to legislation and case of interest for the Act. Staff are aware of their responsibilities under the Act. Where necessary, staff have received adequate training to deal with corporate manslaughter.	<ul style="list-style-type: none"> - The Health & Safety Policy should be updated to reflect the change in structure in the Authority and job descriptions of officers will need to reflect their roles in relation to the policy. - All departments should undertake the Corporate Manslaughter Act Training. New and existing employees should be made aware of their responsibilities under the act. 	<p>Y</p> <p>Y</p>

Appendix B

Audit	Objectives
Home to School Transport	Home to School Transport services are only accessible to authorised users; Any statutory obligations have been complied with; There are adequate arrangements in place to appropriately assess and register all of the service users; Ensuring that appropriate vehicles and drivers are available to deliver the service. There are appropriate controls in place regarding the assessment, calculation, recording, handling and reconciling of service users contributions to the service; All data/assets held regarding service users is controlled, securely stored in compliance with any Data Protection guidelines; Contract arrangements with external providers have been made in accordance with the Authority's Contract and Financial Procedure Rules; Safety of service users and drivers is ensured.
Hart Primary	Ensure school financial and governance arrangements are in line with best practice.
LAA	To determine the extent and implications of the grant conditions and evaluate the arrangements in place to ensure that these are achieved. To examine the funding reporting arrangements and budgetary control procedures. To ensure that capital assets procured by the LA are appropriately recorded. To ensure that actual outcomes are reported on a regular basis. To identify and evaluate the arrangements in place for collating outcome figures, ensuring that these can be supported by back up documentation. To evaluate the risk management processes in place. To assess the arrangements in place for approving projects. To evaluate the internal monitoring arrangements in place.
Fraud Awareness	To evaluate the awareness of fraud across the Authority considering the following areas: Newline, Management Matters, Payslips, Article in Hartbeat, Council Tax Leaflet and Trading Standards. Identify any gaps. Complete the 'Managing the Risk of Fraud' checklists covering: Adopting the Right Strategy, Accurately Identifying the Risks, Creating and Maintaining a Strong Structure, Taking Action to Tackle the Problem, Defining Success. Examine Corporate Risk Register re: Risk of Fraud.
Main Accounting System	Financial management arrangements, accounting standards and policies adopted by HBC meet the requirements of the organisation, comply with legislation and best practice and are adhered to throughout the organisation; The financial accounting system is sufficiently robust and flexible enough to meet the needs of different users (i.e. budget holders, senior managers, those charged with governance), capable of expansion to meet any growth in the organisation or in its financial information requirements; All transactions recorded in feeder systems are completely and accurately transferred to the main accounting system. Accounting balances from the previous financial year are brought forward into the current years accounts correctly; Transactions within the main accounting system are correctly coded and calculated; The output from the main accounting system is correctly presented in the authority's final accounts; The security and integrity of the system is maintained.
Holy Trinity Primary	Ensure school financial and governance arrangements are in line with best practice.
Childrens Act	Examine the arrangements in place within the Authority to ensure that the Childrens Act legislation is being complied with. This includes ensuring; that there are processes in place to co-ordinate the authorities approach to the various elements within the Children's Act, compliance with the legislation is monitored and action plans put in place where necessary, identifying any areas which are not covered by separate audits to evaluate the risks and carry out testing as appropriate or use to inform the audit plan.
Risk Management	Ensure risk management procedures are in line with expected best practice.
Clavering Primary	Ensure school financial and governance arrangements are in line with best practice.

Council Tax	All taxable properties are identified, assessed and recorded and these records are accurately maintained; All persons liable for council tax and all discounts, exemptions, benefits and other allowances have been identified and correctly recorded; Amounts due in respect of each taxable property have been correctly calculated and promptly demanded from the person liable; Secure and efficient arrangements exist for all collections, which are promptly posted to the correct taxpayers' accounts. All refunds are authorised and valid; All arrears are promptly identified and effectively pursued, and all write offs are valid and authorised; The billing authority complies with all statutory and other requirements for tax setting and the keeping of accounts.
Contact Centre	To ensure all services provided are done so in a controlled way ensuring compliance with good practice and legislation.
Town Hall Theatre	Income is collected, recorded, held securely and promptly banked. Bar stocks are regularly replenished and stock checks carried out. Effective budget monitoring is in place for Town Hall Theatre. Adequate procedures are in place for the ordering, receipt and payment of goods and services, in line with the Local Authority Financial Procedure Rules. Town Hall Theatre are covered with appropriate licenses.
Connexions	Council is complying with any statutory regulations. Adequate procedures are in place for the ordering, receipt and payment of goods and services, in line with the Local Authority Financial Procedure Rules. Income is collected, recorded, held securely and promptly banked; Recruitment is in accordance with HBC procedures, and to ensure that employees are appointed in accordance with set procedures on the correct terms and conditions. Adequate procedures are in place for monitoring SLA's. Income is collected, recorded, held securely and promptly banked; Performance in section is being monitored.
Elwick Primary	Ensure school financial and governance arrangements are in line with best practice.
Dyke House Secondary	Ensure school financial and governance arrangements are in line with best practice.
Fens Primary	Ensure school financial and governance arrangements are in line with best practice.
Performance Management System	The organisation has established a performance indicators (PIs) and data quality (DQ) policy that was referred to and supported by the senior management team (SMT). The system, policy and procedures are documented and readily accessible. Roles and responsibilities have been formally allocated, recorded and communicated, and training provided. Procedures ensure roles and skills requirements are identified and met. Policies and procedures have been established to ensure: that supporting information, data, reports, etc are produced and retained; staff responsible for PIs have the current and correct definitions; independent checks are undertaken to ensure PIs are produced and reported accurately; relevant information, data, documentation and IT facilities are held securely and are readily accessible by authorised persons only. Monitoring and reviews assess the system, training needs, identify weaknesses and recommendations are made for improvement which are reported to the SMT. A clearly defined and documented testing programme has been established. Procedures ensure staff responsible for PIs are aware of the timescale and deadlines for producing, reporting and publishing PIs.
Capital Programme	Ensure that there is a strategic approach to allocating capital resources which links to the Authority's overall aims and objectives. Determine and evaluate the methods in place for prioritising schemes/projects. Examine the arrangements in place for obtaining financing for the capital programme to ensure that all agreements entered into are appropriately authorised. Evaluate the processes in place for allocating and monitoring funding made available for specific projects/schemes. Ensure that there are robust processes in place for monitoring spend against the capital programme and reporting on any issues arising.

Highways	Review the arrangements in place for maintaining the highways network to ensure the adequacy of the control environment in ensuring that individual schemes are selected in a consistent and objective manner, based upon documented policy, are approved, procured in line with policy / best value principles and effectively managed. Local highways schemes are selected based upon need; are consistent with corporate objectives and are appropriately approved; The budgets for local highway schemes are effectively managed; Work on the highways is procured in line with Contract procedure rules and the Authority's Purchasing policy; Schemes are effectively managed to ensure that work is carried out to an appropriate standard, within budget and on time; Arrangements are in place to ensure that staff working on the highways are safe, and also minimise the risk of injury to members of the public; (inspections, risk assessments etc); Performance monitoring arrangements are in place to measure and improve performance.
School Improvement	The system, policy and procedures are documented and readily accessible. Roles and responsibilities have been formally allocated, recorded and communicated, and training provided. Procedures ensure roles and skills requirements are identified and met. Procedures ensure staff responsible for PIs are aware of the timescale and deadlines for producing, reporting and publishing PIs. Procedures ensure that supporting information, data, reports, etc are produced and retained. Procedures ensure staff responsible for PIs have the current and correct definitions. Independent checks are undertaken to ensure PIs are produced and reported accurately. Policies and procedures have been established to ensure relevant information, data, documentation and IT facilities are held securely and are readily accessible by authorised persons. Procedures ensure staff responsible for PIs are aware of the timescale and deadlines for producing, reporting and publishing PIs.
Economic Development	All areas of funding are explored. All grants/funds received have their allocations planned. All recommendations are actioned or will be actioned. All areas of funding are explored. Partnership agreements are fit for purpose. Recommendations made by ERS are promptly actioned. All areas of funding are explored. All grants/funds received have their allocations planned. Sectors with skills shortages are included in future projects. Partnerships have been set up with robust processes and procedures in place. Appropriate marketing work is undertaken for Hartlepool. A thorough risk assessment has been undertaken of the project. There is a robust selection method which was followed by officers. Robust and appropriate contracts are in place. A monitoring process is defined and communicated to those who need to know.
Learning Disability Service	To ensure all services provided are done so in a controlled way ensuring compliance with good practice and legislation.
Health and Safety	That there are arrangements in place to ensure that Health and Safety legislation and Good Practice Guidance is adopted by HBC. That the roles and responsibilities are clearly defined. That staff responsible for health and safety have the required skills. That sufficient resources are provided to ensure that health and safety legislation is complied with. Inspections/assessments are carried out to ensure that Health and Safety legislation / guidance is being complied with. To ensure that corrective measures are put in place where incidents occur. That recommendations made are actioned to ensure that H&S legislation/guidance is complied with. The achievement of the H&S aims and objectives. That documentation is securely retained to evidence actions taken.
Physical Disability Service	To ensure all services provided are done so in a controlled way ensuring compliance with good practice and legislation.
Looked After Children	HBC fulfils its parental responsibilities for 'Looked After Children' and provides a service for Looked after children in accordance with statutory requirements and best practice guidance. Robust systems / procedures in place for assessing/evaluating carers prior to appointment (adoption and fostering). Arrangements for paying carers ensure that payments are made on a consistent basis, are accurate and appropriately authorised. Information is held securely. Access is restricted to authorised parties only.

Energy Management	Arrangements are in place to ensure that the procurement of energy represents best value and achieves target percentage of energy from sustainable and renewable sources. All payments for utilities are accurate and appropriately authorised. There is effective monitoring and reporting of energy consumption and the energy performance of the Council as a whole and for individual sources. Measures designed to improve the energy performance of buildings, comply with legislation and reduce the potential costs of the Carbon Reduction Commitment are established. Energy efficiency investments designed to reduce energy consumption and the effects of climate change are established, with effective monitoring and reporting arrangements in place to demonstrate both compliance with and the effectiveness of such initiatives. There are effective arrangements in place to ensure that users are aware of their responsibilities to manage the consumption of energy in the most efficient and economic manner.
Direct Payments	To ensure all payments made are done so in a controlled way ensuring compliance with good practice and legislation.
Childrens Centre	The objectives of the review were to identify and evaluate the effectiveness of controls operating within the systems at the Children's Centres to provide assurance that risk is being managed at an acceptable level.