

# **AUDIT AND GOVERNANCE COMMITTEE**

## **AGENDA**



**Thursday 27 June 2019**

**at 10.00 am**

**in the Council Chamber,  
Civic Centre, Hartlepool**

**MEMBERS:** AUDIT AND GOVERNANCE COMMITTEE

Councillors S Akers-Belcher, Black, Hall, Hamilton, Harrison, Loynes and Ward.

Standards Co-opted Members; Mr Stan Cronin, Mr Norman Rollo and Ms Clare Wilson.

Parish Council Representatives: Parish Councillor John Littlefair (Hart) and Parish Councillor Don Cameron (Greatham).

Local Police Representative: Superintendent Alison Jackson.

**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 6 June 2019.

**4. AUDIT ITEMS**

- 4.1 The 2018/2019 Financial Report (Including the 2018/19 Statement of Accounts) – *Director of Finance and Policy*

**5. STANDARDS ITEMS**

- 5.1 Regulation of Investigatory Powers Act 2000 (RIPA) Quarterly Update – *Chief Solicitor and Monitoring Officer*



## **6. STATUTORY SCRUTINY ITEMS**

### Health Scrutiny

- 6.1 Selection of Potential Topics for Inclusion in the 2019/20 - Statutory Scrutiny Work Programme - *Statutory Scrutiny Manager*
- 6.2 Dedicated Overview and Scrutiny Budget - 2019/20 - Outturn - *Statutory Scrutiny Manager*
- 6.3 Statutory Scrutiny Guidance Update - *Statutory Scrutiny Manager* (To Follow)

## **7. MINUTES FROM THE RECENT MEETING OF THE HEALTH AND WELLBEING BOARD**

No items.

## **8. MINUTES FROM THE RECENT MEETING OF THE FINANCE AND POLICY COMMITTEE RELATING TO PUBLIC HEALTH**

- 8.1 To receive extracts from the minutes held on 11 March 2019.

## **9. MINUTES FROM RECENT MEETING OF TEES VALLEY HEALTH SCRUTINY JOINT COMMITTEE**

- 9.1 To receive the minutes of the meeting held on 11 March 2019.

## **10. MINUTES FROM RECENT MEETING OF SAFER HARTLEPOOL PARTNERSHIP**

No items.

## **11. NORTH EAST JOINT HEALTH SCRUTINY UPDATE**

No items.

## **12. DURHAM, DARLINGTON AND TEESSIDE, HAMBLETON, RICHMONDSHIRE AND WHITBY STP JOINT HEALTH SCRUTINY COMMITTEE**

- 12.1 To receive the minutes of the meeting held on 27 November 2019

## **13. ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS URGENT**

## **14. LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006**

### **EXEMPT ITEMS**

Under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information as defined in the paragraphs referred to below of Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006.



**15. STANDARDS ITEMS**

- 15.1 Consideration of Investigation Report – SC04/2018 - *Chief Solicitor and Monitoring Officer*

**15. ANY OTHER EXEMPT BUSINESS WHICH THE CHAIR CONSIDERS URGENT**

For information: - Date and time of forthcoming meetings –

Thursday 25 July, 2019 at 10.00 am  
Thursday 5 September, 2019 at 10.00 am  
Thursday 3 October, 2019 at 10.00 am  
Thursday 7 November, 2019 at 10.00 am  
Thursday 5 December, 2019 at 10.00 am  
Thursday 9 January, 2020 at 10.00 am  
Thursday 6 February, 2020 at 10.00 am  
Thursday 12 March, 2020 at 10.00 am



# **AUDIT AND GOVERNANCE COMMITTEE**

## **MINUTES AND DECISION RECORD**

**6 June 2019**

The meeting commenced at 10.00 am in the Civic Centre, Hartlepool.

**Present:**

Councillor Hall (In the Chair).

Councillors Black, Hamilton, Harrison, Loynes and Ward

Co-opted Members: Ms Clare Wilson.

Parish Council representatives – Parish Councillor John Littlefair and Parish Councillor Don Cameron

Also Present: In accordance with Council Procedure Rule 5.2 (ii), Councillor James was in attendance as substitute for Councillor S Akers-Belcher

Officers: Noel Adamson, Head of Audit and Governance  
Claire McLaren, Assistant Director, Corporate Services  
David Cosgrove and Amanda Whitaker, Democratic Services Team

### **1. Apologies for Absence**

Apologies for absence were received from Councillor S Akers-Belcher and Mr Norman Rollo

### **2. Declarations of Interest**

None

### **3. Minutes of the meeting held on 18 April 2019**

The minutes were confirmed.

### **4. Introduction to Scrutiny** (*Statutory Scrutiny Manager*)

The report set out an overview of the role and functions of the Audit and Governance Committee in fulfilling its statutory scrutiny responsibilities.

**Decision**

That the report be noted.

**5. Appointment to Committees/Forums** (*Statutory Scrutiny Manager*)

The report set out details of a series of appointments to committees / forums related to the Audit and Governance Committee's work and relationship with other local authorities in the Tees Valley and north east region.

**Decision**

- (i) The appointment of the Chair of the Audit and Governance Committee (Cllr Hall) to the Regional Health Scrutiny Committee was noted.
- (ii) Three nominations were agreed for the Tees Valley Joint Health Scrutiny Committee; Councillor Hall (appointed Chair), Councillor Harrison and Councillor Loynes.
- (iii) Nominations were agreed for the Durham, Darlington and Teesside, Hambleton, Richmondshire and Whitby STP Joint Health Scrutiny Committee; Councillor Hall and Councillor Loynes
- (iv) The Chair of Audit and Governance Committee (Councillor Hall) was appointed to the North East Regional Joint Member/Officer Scrutiny Network.
- (v) The Chair of Audit and Governance Committee (Councillor Hall) was agreed as a non-voting official observer on the Health and Wellbeing Board.
- (vi) The Chair of Audit and Governance Committee (Councillor Hall) was agreed as a non-voting official observer on the Safer Hartlepool Partnership.

**6. Personnel Sub-Committee** (*Chief Solicitor and Monitoring Officer*)

In order to comply with the requirements of the updated Constitution, approved by Council on 21 March 2019, the Committee was requested to appoint 3 Elected Members to the Personnel Sub Committee and to determine which of those Elected Members will act as Chair.

**Decision**

- (i) Councillors S Akers-Belcher (substitute Cllr James), Harrison and Loynes were appointed to the Personnel Sub-Committee.

- (ii) Councillor Harrison was appointed Chair of the Personnel Sub-Committee.

## **7. Risk Management Framework** (*Assistant Director – Corporate Services*)

The report sought the Committee's confirmation that the new proposed Risk Management Framework for the Council provides adequate assurance and agreement from the Committee for the Framework to be submitted to the Finance and Policy Committee.

The Committee debated issues arising from the report and assurances were provided by the Head of Audit and Governance with regard to audit processes and by the Assistant Director, Corporate Services in terms of support provided by the Authority to address stress related issues in the work place.

### **Decision**

- (i) The proposed Risk Management Framework, as appended to the report, was confirmed as providing adequate assurance and it was agreed that the Framework should be submitted to the Finance and Policy Committee for approval.
- (ii) It was agreed that quarterly updates, from the Performance and Risk Management Officer Group, be submitted to the Committee.

Prior to the conclusion of the meeting, the Chair referred to dates of forthcoming meetings of the Committee.

Councillor Loynes referred to the Maternity Investigation implementation Working Group, set up by the Committee the previous municipal year, to work with the Clinical Commissioning Group and Foundation Trust. The Committee agreed to the nominations of Cllr Loynes, Councillor S Akers-Belcher (Cllr James substitute) and Councillor Harrison to the Working Group.

The meeting concluded at 10.45 a.m.

CHAIR

# **AUDIT AND GOVERNANCE COMMITTEE**

**27 June 2019**



**Report of:** Director of Finance and Policy

**Subject:** THE 2018/2019 FINANCIAL REPORT  
(INCLUDING THE 2018/19 STATEMENT OF  
ACCOUNTS)

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## **1. PURPOSE OF THE REPORT**

- 1.1 To inform Members of the arrangements for approving the Council's Financial Report for 2018/19 (which includes the Statement of Accounts) and to provide a copy of the 2018/19 pre audit Financial Report.
- 1.2 This will be achieved by considering the following: -
- i) Background;
  - ii) Basis for preparing the Statement of Accounts;
  - iii) The 2018/2019 Pre-Audit Financial Report; and,
  - iv) Recommendations.

## **2. BACKGROUND**

- 2.1 In accordance with the Accounts and Audit Regulations 2015, all Local Authorities are required to produce an annual Statement of Accounts by 31<sup>st</sup> May.
- 2.2 The Financial Report presents the Council's financial position for 2018/19 in a specified format and reflects the Outturn Strategy previously approved by the Council.
- 2.3 In previous years Members were required to approve the draft Statement of Accounts prior to audit by the External Auditors. This requirement was removed in 2011/12. However, Members are still required to approve the audited Financial Report. A report will be submitted to the Audit and Governance Committee on 25<sup>th</sup> July to discharge this responsibility and meet the revised deadlines for Local Authorities to publish audited accounts by 31<sup>st</sup> July.

- 2.4 This part of the report is being presented to your meeting today to enable Members to familiarise themselves with the Statement of Accounts and to provide time for Members to ask questions.

### 3. BASIS FOR PREPARING THE STATEMENT OF ACCOUNTS

- 3.1 Local Authorities continue to face an extremely challenging financial position owing to the impact of:

- Government grant cuts implemented up to 2018/19, this resulted in a grant cut for Hartlepool for 2018/19 of £2.1m a reduction of 5%. This was the eighth successive annual reduction in Government funding.
- The Government has confirmed that Local Authorities will continue to face a further annual grant cut next year (2019/20). This means that by 2019/20 funding received from the government will be approximately £44.2m less than the level provided in 2010/11. This equates to a reduction of 57%.

- 3.2 In response to these ongoing financial challenges the Council continued to carefully manage resources during 2018/19 and regular financial management reports were submitted to the Finance and Policy Committee. These reports anticipated a year end overspend in service based expenditure including significantly higher costs of increased numbers of Looked after Children and the impact of court decisions regarding these cases.

- 3.3 It was anticipated that that these costs could be offset by an under spend on corporate budgets alongside a review of all grants and other funding flexibilities as well as overachieving salary abatement targets and reducing discretionary spending.

- 3.4 The actual outturn for all Departmental budgets was an overspend of **£0.566m**, which highlights the financial and service pressures faced by the Council during 2018/19. The measures outlined in paragraph 3.3 provided a one off financial benefit of **£0.617m**, which slightly exceed the Departmental budget overspend. Therefore, there is a net one off financial benefit of **£0.051m** transferred to the Budget Support Fund.

### 4. THE 2018/2019 PRE-AUDIT FINANCIAL REPORT

- 4.1 The pre-audit Financial Report is attached at Appendix A. If there are any audit amendments these will be reported to the committee in July. In summary this document provides the following information: -



- i) Narrative Report
- ii) Statement of Responsibilities for the Statement of Accounts
- iii) Statement of Accounts
- iv) Annual Governance Statement
- v) Draft Independent Auditor's Report
- vi) Glossary

- 4.2 The narrative report provides an explanation of the Council's overall financial performance for 2018/19, details the year-end financial position for 2018/19 and outlines the impact of the current economic climate on the Authority's ongoing financial position. The report also provides a guide to the most significant matters reported in the Statement of Accounts including an explanation of the purpose of each of the core statements.
- 4.3 One of the key statements is the Balance Sheet which comprises two main balancing parts, Net Assets and Total Reserves, which represents the Council's financial position as at the 31st March 2019.
- 4.4 The Net Assets section of the Balance Sheet shows the Council's assets including Property, Plant and Equipment, Investments and Debtors and liabilities including Short and Long-term Borrowing and Creditors.
- 4.5 The Total Reserves section of the Balance Sheet is made up of Usable and Unusable Reserves:
- Usable reserves are those which the authority can utilise to support future service provision. Some of these reserves do not belong to the Council i.e. schools reserves, or relate to ring fenced funds received by the Council for a specific purpose defined by the funding organisation. Further details are provided in paragraph 4.7.
  - Unusable Reserves cannot be used to support services and include notional accounting gains and losses. These accounting gains and losses are referred to as unrealised.
- 4.6 As detailed in the Balance Sheet (page 20 of the Financial Report) the most financially significant change to reserves in terms of the impact on funding available for future spending is **a reduction in Usable Reserves of £6.156m – a reduction of 13%**. The following table summarises the changes in the Council's reserves between 31<sup>st</sup> March 2018 and 31<sup>st</sup> March 2019:

Changes in the Council's reserve between  
31<sup>st</sup> March 2018 and 31<sup>st</sup> March 2019

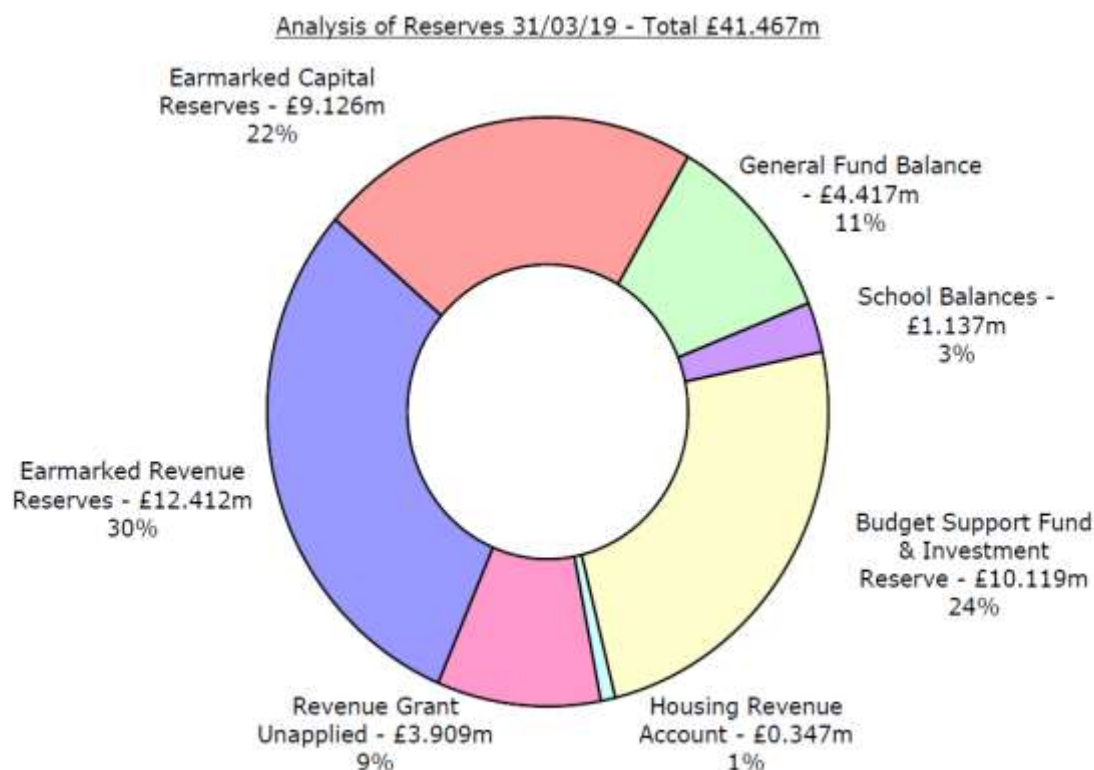
	31.03.18	31.03.19	Change
Usable Reserves	£47.623m	£41.467m	£6.156m decrease
Unusable Reserves	£59.015m	£89.100m	£30.085m increase
Total Usable and Unusable Reserves	£106.638m	£130.567m	£23.929m increase

4.7 Usable reserves are those which the authority can utilise to support future service provision. The Usable Reserves as at 31st March, 2019 reflect the review of risks and reserves undertaken as part of the 2018/19 budget process and consist of the following key areas:

- **Unearmarked General Fund Reserve £4.417m** – this reserve is held to meet unforeseen one-off commitments not funded from the Earmarked Reserves. Any use of this reserve will need to be repaid to ensure the Council can continue to manage unforeseen commitments.
- **Budget Support & Investment Reserves £10.119m** – these reserves have been established to support the budget over the period of the MTFS, including increased costs of Looked After Children. This amount, helps protect services in the short-term, whilst providing a longer lead time to manage the impact of continuing Government grant reductions.
- **School Balances £1.137m** – These reserves are held in trust on behalf of schools under a scheme of delegation. Schools have utilised their reserves to assist with decreases in Dedicated Schools Grant and to manage specific commitments and one-off risks
- **Housing Revenue Account £0.347m** – this is a ring-fenced reserve and is held to fund pressures in the Housing Revenue Account such as Government rent cuts, Right to Buy sales and increasing repairs costs.
- **Revenue Grant Unapplied £3.909m** – this reserve holds grants received for specific commitments in 2019/20 and future years. These resources must be used in accordance with grant conditions.
- **Earmarked Revenue Reserves £12.412m** – these reserves are earmarked to fund known commitments such as

redundancy costs arising over the next three years and support to manage future cuts in Public Health grant funding

- **Earmarked Capital Reserves £9.126m** – these are capital resources allocated to fund approved capital expenditure commitments where the scheme has commenced and work is phased over more than one financial year.



- 4.8 The approved 2019/20 Medium Term Financial Strategy included a comprehensive review of reserves and a strategy for using these one off resources to meet approved commitments, such as funding capital expenditure, and to support the revenue budget. Reserves are not limitless and can only be used once. Therefore, their use to support the revenue budget does not provide a sustainable solution to address budget deficits arising from continuing Government grant cuts, but simply provides a slightly longer lead time to balance the budget.

## 5. CONSIDERATIONS / IMPLICATIONS

Financial Considerations and Risk Implications	Covered in previous paragraphs.
Legal Considerations	None
Child and Family Poverty Considerations	None
Equality and Diversity Considerations	None
Staff Considerations	None
Asset Management Considerations	None

## **6. CONCLUSIONS**

- 6.1 The 2018/19 Financial Report has been prepared in accordance with the relevant accounting standards and the outturn strategy previously approved by Council. The report enables the Audit and Governance Committee to review the draft Financial Report prior to the final document being referred to Audit and Governance Committee on 25th July 2019 for approval.
- 6.2 The Chartered Institute of Public Finance and Accountancy has issued a checklist of questions Members may wish to ask to assist in the understanding of an Authority's financial statements. This has been included at Appendix B and Members are advised that the Council's Financial Report complies with these requirements.

## **7. RECOMMENDATIONS**

- 7.1 It is recommended that Members:-
- i) Note the report;
  - ii) Note that the Draft Financial Report detailed in Appendix A will be subject to independent audit by Mazars and details of any material amendments will be reported to Audit and Governance Committee in July.
  - iii) Note that there is the opportunity to raise questions and/or seek clarification of information included in the pre-audit Financial Report in the period up to 25th July 2018, when the audited Financial Report will be presented to Audit and Governance Committee for final approval.

## **8. CONTACT OFFICER**

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Draft Financial Report  
2018/19



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HARTLEPOOL



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## **SECTION 1 : Narrative Report**

### **INTRODUCTION**

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

The narrative report sets out:

- Our Strategy and Objectives
- Our Performance 2018/19
- Our Governance and Decision Making
- Our Organisational Model
- Risk Management Arrangements
- Financial Performance 2018/19
- Financial Outlook – General Fund 2019/20 to 2020/21
- Borrowing Facilities and Investment Strategy
- Statement of Accounts

### **OUR STRATEGY AND OBJECTIVES**

The Council Plan 2017 – 2020 was shaped by the 'Your Say, Our Future' Programme – a town wide conversation involving residents, our staff and children and young people. The findings of this exercise have shaped our services and our financial strategies. The Council Plan is based on six strategic priorities:

#### **Growing our economy, jobs and skills**

The Council has a key role to play in stimulating jobs and growth in the local economy. Our heritage, cultural assets and distinctive history already attracts tourists from far and wide. However, our historic partnership with the National Museum of the Royal Navy will unlock the potential of Hartlepool's vibrant heritage and our tourism sector and transform it into a different league. We will build on this to establish a visitor offer of national and international significance. We will also build upon our strengths in the marine and offshore industries to unlock growth in advanced manufacturing and engineering and by developing our partnership with the Northern School of Art Hartlepool we will become a leading centre in the creative and cultural industries.

Our ambitious plans for Church Street and Church Square will create the environment for new creative industries to flourish and encourage students to come to and stay in Hartlepool. We will continue to encourage new business start-ups and build upon the success of Queens Meadow Enterprise Zone to attract new investors. We will work actively with the Tees Valley Combined Authority to improve transport links to Hartlepool and within it.

Whilst creating and sustaining jobs within the Borough, we need to ensure our residents and young people have the skills and qualifications they need to move into sustained employment. We will deliver a £20m programme across the Tees Valley to provide new opportunities and pathways for young people at risk of unemployment and work with businesses, schools, colleges and universities to increase apprenticeships, and through a lifelong learning offer we will help residents gain the skills employers need and move into quality work.

#### **What will we do to make this happen?**

- Launch a new tourism and marketing campaign 'Destination Hartlepool' supported by a co-ordinated events, exhibitions and festivals programme.
- Establish a world class visitor attraction in partnership with the National Museum of the Royal Navy.
- Open 'The BIS' - a new world class managed workspace for emerging creative industries.
- In partnership with Northern School of Art promote Hartlepool as a location for TV and film production.
- Establish pathways to get young people into high value sustainable employment.
- Work with learning providers and employers to deliver a new approach to targeting learning, skills and employment pathways for unemployed adults and parents.
- Enable and promote Hartlepool as a great place to invest.
- Increase local and public sector spending in the local supply chain in Hartlepool.

#### **How will we know that we are successful?**

- There will be increasing numbers of visitors to the town.
- We will have a thriving visitor economy bringing more money into the town. Increasing numbers of people will be visiting the National Museum of the Royal Navy.
- Overall, we will have fewer unemployed people and less young people identified as unemployed.
- There will be increasing numbers of learners participating in skills and community learning programmes.
- We will be an attractive home for businesses with more businesses choosing to move and establish in the town.

## SECTION 1 : Narrative Report

- 'The BIS' will be a centre offering units for start-up businesses specialising in creative industries.
- We will be home to an increasingly popular film and TV production studio.

### **Regenerating our Town**

We have already set out our plans to regenerate the physical environment in Hartlepool through Destination Hartlepool, our regeneration strategy. Delivering the plans set out in Destination Hartlepool will be critical to creating jobs, improving health and creating greater opportunities for future generations.

We have already attracted investment to improve our flood defences and sea wall at the Headland and Seaton Carew and we will complete our regeneration of Seaton seafront to maximise its potential as a tourist destination. We will complete our £5.5m investment programme in Church Street and Church Square and improve pedestrian connectivity and gateway features across Stockton Street.

Coinciding with the opening of the new £11m Northern School of Art campus on Church Street, the area will be established as a dynamic focal point in the town that promotes our cultural and heritage offer, provides an exciting space for events and stimulates an attractive retail offer. Our plans for the waterfront will be brought to fruition over the lifetime of this plan.

Working with the National Museum of the Royal Navy we will improve connectivity around the waterfront and establish a new visitor attraction of international significance, an improved public realm and quality hotel and leisure offer. In the town centre we will initiate a master planning process for the Mill House and surrounding area and develop proposals for addressing derelict buildings and developing new sport and leisure facilities.

### **What will we do to make this happen?**

- Complete Church Street and Church Square regeneration plans to coincide with the completion of the new Northern School of Art campus.
- Deliver improvements to Stockton Street.
- Deliver the regeneration plan for Seaton Carew seafront.
- Complete a phased regeneration of the waterfront to include a landmark visitor attraction complemented by hotel and leisure facilities by 2020.
- Complete a master plan for the Raby Road corridor and Mill House area.
- Deliver investment in new sport and leisure facilities.

### **How will we know that we are successful?**

- Church Street and Church Square are thriving with new businesses establishing.
- Access between Church Square and the town centre has improved.
- Seaton Carew is an increasingly popular visitor destination.
- Plans for the waterfront have been delivered with a new landmark visitor attraction in place drawing national and international visitors.
- Our sport and leisure facilities are first class.

### **Developing and promoting Hartlepool as a great place to live**

We want Hartlepool to be known as a great place to live as well as invest and visit. Alongside the Council Plan, we will adopt a longer-term Local Plan that sets out our vision for the sustainable development of Hartlepool over the next 20 years. We will work with partners across all sectors to provide more and greater access to quality homes as well as the specialist support that our vulnerable adults need.

We will build more affordable homes and refurbish empty properties for rent that revitalise local neighbourhoods and provide a return on investment. Over the period of this plan our goal is to enable 6,000 houses to be built and to provide 1,000 affordable homes.

We will develop a new approach to working in neighbourhoods. Working with partners, we will prioritise improving the environment and play spaces through a co-ordinated neighbourhood investment programme. We also recognise that our residents want us to take strong action to make sure our neighbourhoods are clean, green and safe. We will work with Cleveland Police to develop a joined up approach to enforcement and community safety so that we can respond to issues quickly and efficiently.

### **What will we do to make this happen?**

- Facilitate the sustainable development of Hartlepool through the adoption of the Local Plan.
- Deliver new housing to meet the current and future needs of the Borough.
- Establish an investment programme for improvements to neighbourhoods, open spaces, parks and play sites.

## SECTION 1 : Narrative Report

- Deliver a wider range and choice of supported accommodation for care leavers and vulnerable adults.
- Launch a new community protection service in partnership with Cleveland Police.
- Expand the wildflower programme.
- Improve sustainable transport and travel patterns for pedestrians and cyclists.
- Improve the allotment infrastructure to meet the diverse needs of our communities.
- Implement a Clean and Green Strategy and reduce demand on Council resources.

### How will we know that we are successful?

- There is a well balanced and attractive housing market that caters for the needs of Hartlepool people and attracts others to move into the town.
- There is a range of affordable homes available to buy and to rent, fewer empty properties and accommodation that supports our care leavers and vulnerable adults.
- Our neighbourhoods are attractive and our open spaces, parks and play sites are popular and well cared for.
- There is less crime and anti-social behaviour.
- A range of sustainable travel options is available with new routeways for walking and cycling around the town.
- Less household waste is collected and more of that waste is being sent for reuse, recycling and composting and less to landfill.

### Developing new services for people and communities

New and re-designed community-based services will help us improve the way we work with communities, intervene early to support vulnerable families and provide specialist support services for those in need. Through the feedback we received from the 'Your Say, Our Future' conversation, we know there is more we can do to provide access to information, advice and support in a more co-ordinated and visible way. We also know there is more we can do to harness the Hartlepool community spirit to help people work together to shape the future of our town, our neighbourhoods and the lives of people who live within them. In response, establish three community hubs that will help develop a more connected approach to providing access to information, advice, help and support services in a single place for communities.

We will also work with citizens to develop new ways in which we can harness the capacity within our communities in finding new ways to improve the prosperity and wellbeing of families and adults and the quality of life in local neighbourhoods. Many residents and families in Hartlepool face significant challenges as a result of poverty.

The percentage of children growing up in poverty is 31% and in one in four households the adults are not in work. Poverty blights lives and impacts on health and opportunities. We recognise that quality work is critical to help people move out of poverty, however, we also need to focus on reducing the impact of poverty on lives and life chances. Community Hubs will provide access to advice and guidance and we will address food poverty and deliver our programme of free swims, provide subsidised access to sport and leisure facilities and make sure children have access to food during school holidays.

The future of health and social care services is a critical issue for residents and the Council. Working with partners, we have produced an independent report, called 'Hartlepool Matters', which sets out a vision for a 21st century health and social care system in the town which provides services as close to where people live as possible. With reduced resources and demand rising, we will work with health partners to join up services, share information and make sure people get the support they need to stop problems worsening. As a Council, we will prioritise the delivery of community-based teams of social care and health workers to strengthen our arrangements that enable people who have care and support needs to live independent lives in their own homes and we will take action with health partners to improve the quality and availability of residential and nursing care. We will develop our new Centre for Independent Living and continue to promote training and employment support schemes to enable adults with disabilities to live active and purposeful lives, making a positive contribution to their local communities.

### What will we do to make this happen?

- Launch a co-ordinated approach to engaging citizens in becoming actively involved in meeting local needs and shaping the future of their communities.
- Implement a new approach to supporting the development of the community and voluntary sector.
- Deliver three Community Hubs across Hartlepool and have the full Community Hub offer operational.
- Implement a new model for encouraging and supporting healthy lifestyles.
- Work with health partners to establish new integrated health and social care services as set out in Hartlepool Matters.
- Widen participation in sport and leisure activities.
- Increase the availability of high quality care for older people with care and support needs. Implement a new model for supporting drug and alcohol recovery.

## SECTION 1 : Narrative Report

- Deliver new opportunities for working age adults with care and support needs to live independent and fulfilling lives.

### **How will we know that we are successful?**

- We will have three established Community Hubs supporting residents to access services from the Council and our partners.
- More people will be participating in sport and leisure activities and living healthier lifestyles.
- Increasing numbers of people will be accessing our recovery support service.
- Our communities and the Voluntary and Community Sector will be actively engaged and involved in meeting local needs and shaping the future of their communities.
- People will feel more able to influence decision-making in their local area.
- Older people will be able to maintain their independence through rehabilitation / intermediate care and fewer will need to move into residential/nursing care.
- For those that have care and support needs that can't be met at home there will be a range of high quality residential and nursing care available to them.
- The Centre for Independent Living will provide a range of opportunities for working age adults with care and support needs to live independent and fulfilling lives.

### **Building better beginnings and better futures for our children and young people**

We know that to compete for the best jobs in the global economy, this generation of our children and young people will need to be the best educated ever. We are committed to working with our schools and colleges to make sure Hartlepool has a reputation as a learning town with a first class education and skills system. However, there is much more to do to ensure that as many young people as possible can leave school with the qualifications they need to compete for the best jobs, apprenticeships and university places. We will, therefore remain focussed on working with schools, colleges, employers and universities to provide all our children and young people with a first class education, including the opportunity to access high quality vocational as well as academic courses.

Education isn't just about being prepared for the world of work. It is also about helping our children and young people to grow up as happy, healthy, confident and active citizens. The information we received from children and young people through the 'Your Say, Our Future' conversations emphasised this and highlighted their concern about the mental and physical health of young people. We will, therefore, work with our schools and partner agencies to promote a safe, healthy environment in which our children can flourish and achieve.

We also know that we are facing increasing demand for services from families struggling to provide their children with a healthy and safe childhood. We will deliver new and re-designed multi-disciplinary early help and specialist teams to build on family strengths and ensure we provide help and intensive support to families as early as possible. We will also work with schools to improve the emotional wellbeing of young people.

When children come into the care of the local authority we will ensure that they receive the best possible care, education and health support. When children have complex needs and disabilities we will transform the way health, education and social care services work together to make sure they and their families get the right support at the right time and in the right way. We recognise that the youth service and the voluntary and community sector play a vital role in giving our children and young people a good start in life and that as resources diminish this sector is under increasing pressure. We will, therefore, focus on shaping a new approach to work with children and young people outside of school that can attract external investment and establish a better co-ordinated offer within neighbourhoods.

### **What will we do to make this happen?**

- Hartlepool is recognised as a learning town with every school 'good' or 'outstanding'.
- Launch a new centre for excellence in technical education in creative industries at the Centre for Excellence in Creative Arts.
- Launch a programme to improve the emotional wellbeing of children and young people.
- Implement multi-disciplinary locality-based teams which meet the health, development and care needs of children and help families provide the stability and security their children need to prevent problems from getting worse.
- Implement improvements in the way organisations work together to protect and safeguard children at risk of harm.
- Deliver the specialist support services children in care need to ensure they are cared for and feel cared about in stable and secure placements and that they are healthy, happy and making good educational progress.
- Implement improvements to the support provided to children with special educational needs and disabilities.
- Establish a new high quality alternative education provision for children and young people who do not access full-time mainstream education.

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### How will we know that we are successful?

- Hartlepool will be recognised as a learning town with all schools judged by Ofsted as 'good' or 'outstanding'.
- Our children and young people will be achieving higher levels of attainment at all key stages and the gap between disadvantaged and non-disadvantaged students will close.
- There will be a Centre for Excellence in technical education in creative industries.
- We will have made improvements in the support provided to children and young people in the town who have special education needs and disabilities or who don't access mainstream education.

### Providing effective leadership based upon innovation and efficiency

In 2019/20 Government funding will be £21m less than in 2013/14, a reduction of 45%. Over the next two years we will need to deliver a further budget reduction of £5.7m in reduction in services whilst also managing increasing pressures in demand-led services. Important decisions will need to be made as we redesign services, consider ways of increasing income and work with partners and communities to reduce demand. We will need to make sure we provide the leadership that will be needed to manage change effectively and have a clear focus on delivery.

We recognise that the Council has a critical role to play in providing strong community leadership which enables residents to participate in shaping Council priorities. We will, therefore, review and strengthen our arrangements for engaging meaningfully with the public and in making sure we keep citizens up to date with the progress we are making in achieving our ambitions for the Borough.

We recognise that our staff are our greatest asset and they have a key role to play in shaping a sustainable future for the Borough and the Council. We will encourage a collaborative approach to innovative problem solving amongst our workforce and invest in a workforce and leadership development programme to support our staff in gaining the skills that will be needed to achieve efficiencies, reduce demand and increase income whilst improving outcomes for residents.

We recognise the crucial role elected members play in their position as democratically elected community champions. Through our committee system we will strengthen our performance management arrangements to ensure elected members play a key role in guiding the strategic direction of the Council and have a good 'grip' on our change programme. We will also invest in providing development opportunities to assist councillors in fulfilling their roles and responsibilities.

The Council plays a vital role in making sure the voice of the Borough is heard at a national and regional level. We have pressed the case of the Council in Whitehall in relation to the level of financial pressures we have had to deal with, particularly as a result to changes in business rates. We have attracted significant external investment from European and national development funds through our leadership at a regional level. Going forward, we will work closely with Tees Valley authorities to make sure Hartlepool benefits from major investment programmes and that we can shape the Borough's future within the context of the wider Tees Valley economy.

### What will we do to make this happen?

- Implement new ways of communicating the change that is happening in Hartlepool both within and outside of the Borough.
- Strengthen arrangements to enable elected members to fulfil their role as democratically elected community champions.
- Increase availability and take up of digitally delivered services.
- Introduce a new workforce and leadership and management development programme to unlock the potential of our staff to play a key role in finding alternative ways of delivering efficiencies and increasing income.
- Develop the apprenticeship opportunities provided by the Council.

### How will we know that we're successful?

- More of our residents will be aware of what the Council is doing and our social media following will increase.
- Our elected members will be better placed to fulfil their role as democratically elected community champions.
- More of our services will be available online and increasing numbers of people will access our services in this way.
- Our staff will feel more supported, more highly appreciated and better equipped to tackle the challenges facing the Council.
- The number of apprentices that successfully complete their apprenticeship with the Council will increase.

## SECTION 1 : Narrative Report

### OUR PERFORMANCE 2018/19

#### **GROWING OUR JOBS, ECONOMY AND SKILLS**

- Actively promoted our tourism and visitor economy through a new promotional campaign 'Destination Hartlepool' supported by a co-ordinated events and festival programme, new gateway signage via road and rail and the Waterfront summer festival which attracted 15,000 visitors in 2018.
- Established a strategic plan with the National Museum of the Royal Navy which will position Hartlepool nationally and internationally as a naval and maritime visitor destination with new exhibits arriving including the World War 2 Rescue Motor Launch (RML 497).
- Attracted investment into accelerating the growth of the cultural and creative economy in Hartlepool building on the expansion of the Northern School of Art into a new £11m campus with the conversion of the former General Post Office building in Whitby Street into starter business units and workshops for creative enterprises.
- Actively promoted Hartlepool's growing advanced manufacturing and energy production sectors through a new investment prospectus and promotional campaign.
- Attracted £19m external investment into delivering new employment opportunities for young people and £6m into employment pathways for unemployed adults.
- Agreed a 5 year investment strategy for growing the tourism and visitor economy through a cultural events programme.
- Worked in partnership with the new Economic & Tourism Forum to launch a programme of enterprise events which promote local businesses and attractions.

#### **REGENERATING OUR TOWN**

- Delivered the renewal of Church Street and Church Square as a dynamic focal point and events space in the town using £5.5m of external investment.
- Secured external investment and started on site to deliver improved pedestrian and gateway access across Stockton Street.
- Attracted Heritage Lottery investment into improving the townscape and shop fronts in Church Street.
- Delivered a £1.3m improvement scheme which enhances Seaton Carew as a seaside destination including the introduction of new outdoor play facilities, a splash pad, the 'Waves' sculpture on the promenade and improvements to the Clock Tower and Bus Shelter.

#### **DEVELOPING AND PROMOTING HARTLEPOOL AS A GREAT PLACE TO LIVE**

- Launched the 'Love Hartlepool' campaign to promote the positive aspects of Hartlepool and promote its successes far and wide.
- Adopted our Local Plan which provides a framework for facilitating the sustainable development of Hartlepool.
- Facilitated the fastest growth in new housing in the Tees Valley with 376 net additional homes in 2018/19.
- Delivered 51 affordable housing units.
- Agreed a £4m neighbourhood and highways investment programme to deliver improvements to shopping parades, parks, play sites, road and pavements across the town.
- Working to deliver the £550,000 of improvements to Rossmere Park.
- Created a new Memorial Wood at Summerhill Country Park.
- Resurfaced Route 14 cycleway from Greatham towards Cowpen Bewley.



## SECTION 1 : Narrative Report

### DEVELOPING NEW SERVICES FOR PEOPLE AND COMMUNITIES

- Developed an Integrated Discharge Team and Integrated Single Point of Access which have contributed to a reduction in delayed discharges and improved outcomes for older people.
- Provided additional support to care homes for older people that has contributed to a significant improvement in Care Quality Commission ratings.
- Received excellent feedback from people who use services and carers through the national surveys that are part of the Adult Social Care Outcomes Framework.
- Worked with NHS and education partners to develop a Health and Care Academy, supporting integrated apprenticeship opportunities across the health and care sectors.
- Launched a programme to widen family participation in sport and leisure activities utilising £280,000 of Sport England funding.
- Further developed the services available at the 3 Community Hubs launched in 2017.

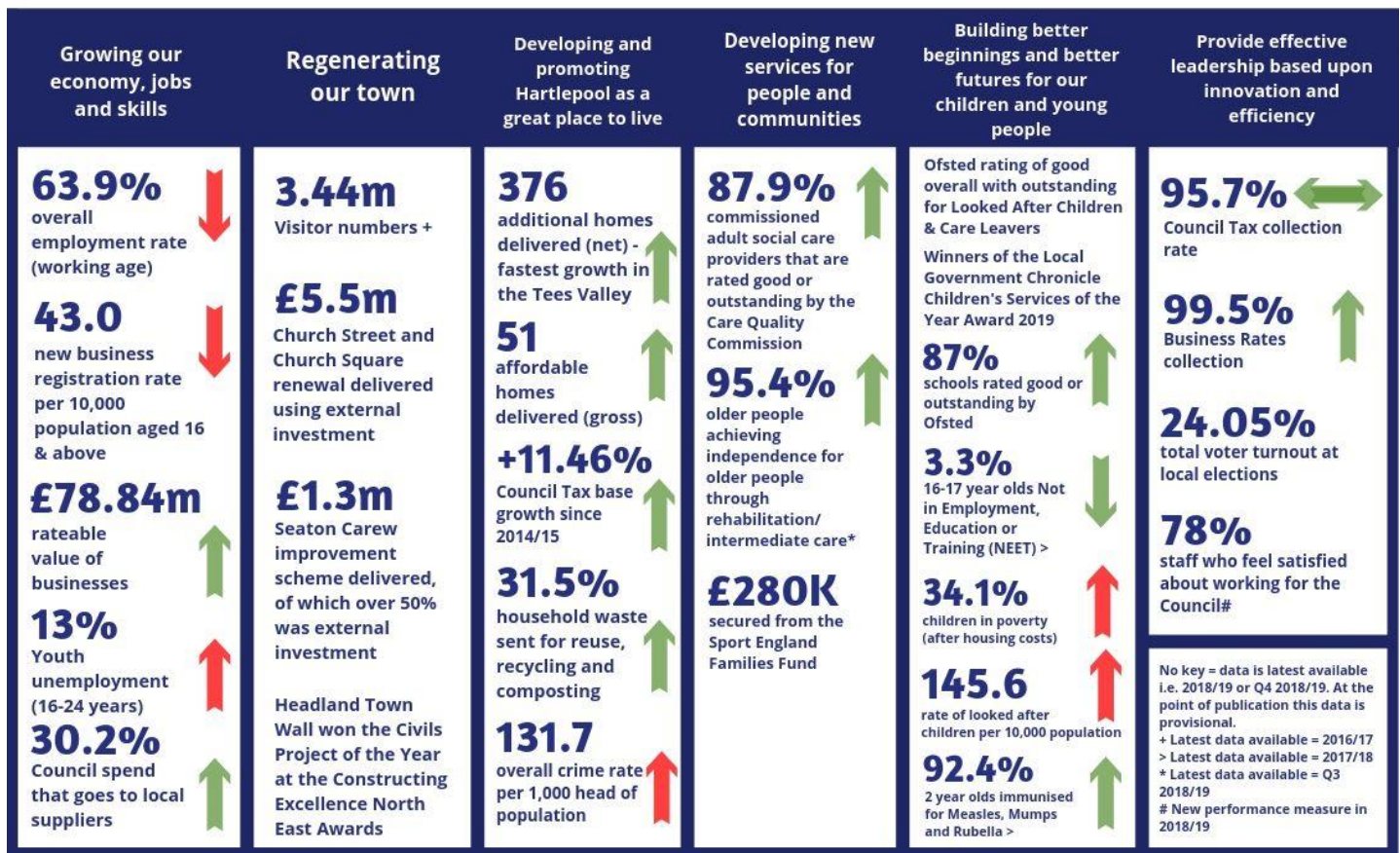
### BUILDING BETTER BEGINNINGS AND BETTER FUTURES FOR OUR CHILDREN AND YOUNG PEOPLE

- Judged by Ofsted to be one of the best performing Children's Services in the country with a rating of **good** overall with outstanding for Looked after Children and care leavers.
- Won the 2019 Local Government Chronicle (LGC) Children's Services of the Year award, the biggest celebration of excellence in local government.
- 87% of schools and 100% of FE Colleges judged as good or outstanding which means that our education improvement programme is well on the way to meeting our target of 100% by 2020.
- Opened the new Centre for Excellence in Creative Arts at the former Northern Lights Academy providing young people with skills pathways in the creative arts.
- Launched a new early help service which meets the health, development and safeguarding needs of children and supports families to deal with problems at the earliest stage.
- Continue to invest in a school holiday programme for children and young people providing free swims and a free meal service to tackle the growing problem of 'holiday hunger'.
- Delivering a school-based programme for improving the emotional & mental health and wellbeing of children and young people.

### PROVIDING EFFECTIVE LEADERSHIP BASED ON INNOVATION AND EFFICIENCY

- Managed a 45% reduction in government funding (£21m) whilst protecting essential front line services.
- Increased our use of social media as a key communication tool for providing public information.
- Involved our workforce in helping to shape our vision, values and improve service delivery.
- Launched Firmstep to enable the public to access more Council transactions available online including a 'report it' app to enable residents to raise concerns with the Council digitally.
- Launched a new workforce development approach and leadership and management development programme.
- Increased the number of apprentices with 43 new apprentices starting in autumn 2018 and 17 employee apprenticeships for existing staff.
- Launched a new elected member development and induction programme.

## COUNCIL PLAN PERFORMANCE 2018/19



### OUR GOVERNANCE AND DECISION MAKING

We are responsible for conducting our business in accordance with the law and ensuring public money is safeguarded, properly accounted for and used economically, efficiently and effectively. We are committed to the highest standards of conduct and have robust controls over the use of resources, based on open decision making, accountability and transparency.

The Council takes decisions every day that affect the town and its residents. Our Constitution details how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The most significant decisions relating to our plans and strategies, such as setting the budget and Council Tax level, are taken by full Council, where all 33 of Hartlepool's Councillors make the decision. Other decisions are delegated to one of the Council's five Policy Committees; Finance and Policy Committee, Adult and Community Based Services, Children's Services, Neighbourhood Services and Regeneration Services.

We also have specific Committees for Planning and Licensing to make decisions required by law. Operational management decisions, as well as decisions in respect of functions which require professional officer training and skills, are delegated to Officers in accordance with our approved scheme of delegation.

Our Internal Audit team provides challenge and assurance over the effectiveness of our risk management, internal control and governance arrangements. They support, advise and challenge management to assist the development of systems, policies and procedures to ensure the best use of resources. Our External Auditors take assurance from the work of our Internal Audit function. Internal Audit carries out its role in compliance with Public Sector Internal Audit Standards. Our Annual Governance Statement reviews the extent to which the Council has complied with its code of corporate governance and also meets the requirements of the Accounts and Audit (England) Regulations 2015, which requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with the statement of accounts.

Our Audit and Governance Committee, which is chaired by a Councillor from outside the main political group, provides independent challenge of the Council's corporate governance arrangements, risk management arrangements and anti-corruption arrangements. They also ensure that any actions and risks identified by Internal and External Audit are addressed.



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### **OUR ORGANISATIONAL MODEL**

The Chief Executive has overall responsibility for the delivery of the plans, strategies and policies approved by the Council and its Committee, which are delivered by our four departments:

#### **Adult and Community Based Services Department**

The Department is responsible for social care services for adults, including supporting meeting the social care needs of older people and working age adults who need support due to their mental health, physical or learning disability or substance misuse. The Department also provides leisure centres and sports facilities, outdoor activities and outdoor education, Community Hubs that incorporate a library service and the home library service.

#### **Children's and Joint Commissioning Services Department**

The Department is responsible for social care services for children and families, including improving outcomes for children and young people in relation to their health and wellbeing, safety, education and employment. The Department ensures the Council acts as an effective corporate parent for children in care. The Department provides strong and strategic leaderships across schools and education support services focused on driving up educational standards for all children. The department is also responsible for public health for all age groups and addressing health inequalities.

#### **Regeneration and Neighbourhoods Department**

The Department is responsible for a broad range of services including managing and maintaining highways, refuse collection and disposal, cemeteries and crematorium, street cleansing, economic development, management of visitor attractions, school meals, community safety and public protection services. The Department provides technical support services (engineers, estates professional, architects etc.) which support other departments and work from outside the Council. The Department also delivers the Local Plan, supports the Planning Committee and manages the Housing Revenue Account.

#### **Chief Executives Department**

The Department provides services which support the rest of the organisation, including Communications, Finance, Human Resources, ICT, Legal and Performance. The Department provide Democratic Services which support the effective functioning of the Council and its Committees. The Department also provides services directly to the public, including Customer and Support Services Team, Election, Council Tax and Business Rates collection and Housing Benefit and Local Council Tax Support scheme services.

### **RISK MANAGEMENT ARRANGEMENTS**

Our corporate approach to risk management aims to ensure that we have robust processes in place to support the delivery of our strategic priorities, as established within our Council Plan 2017-2020, and our service aims. Using a proactive approach we identify the risks to the delivery of our strategic priorities and service aims. At a corporate level, significant risks are captured within our Risk Register. Our register articulates each individual risk, quantify its likelihood and potential impact and names the senior officer who owns the risk. We regularly review our risks to provide assurance that our management of risk is effective.

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

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

- Our Corporate Management Team (CMT) is responsible for ensuring the effective management of risks in the Actively Managed and Accepted Risk Registers.
- Departments maintain their own risk registers covering the delivery of their services and major projects.
- Services within Departments maintain their own operational risk registers.

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

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

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

During 2018/19 we have been reviewing our approach to risk management and have developed a new Risk Management Framework which we will be working to embed during 2019/20. The new framework will simplify our approach, provide further clarity to officers about how risk should be considered within the Council and demonstrates the added value of appropriate risk management to officers and elected members. The new framework builds upon our existing approach and best practice.

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

### **FINANCIAL PERFORMANCE 2018/19**

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

The following sections provide more detail in relation to these issues:

#### **General Fund 2018/19 – Approved Budget**

The Council prepared a four year financial strategy covering 2016/17 to 2019/20. This is the same period covered by the four year grant settlement provided by the Government. In relation to 2018/19 the financial strategy reflected a further reduction in the amount of Government funding received by the Council of £2.7m, a reduction of 11%. This was the eighth successive annual reduction in Government funding.

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

In addition to the 2018/19 Government grant cut the Council faced continuing inflation pressures, increased pay pressures arising from the unfunded national pay award and increased costs in relation to Looked after Children. To address the resulting budget deficit of £7.3m, the Council made budget cuts of £2.5m, built in additional Council Tax income from housing growth of £0.6m - which was achieved, and allocated one off resources of £2.4m to provide a longer lead time to implement budget reductions over the period 2019/20 to 2020/21.

In line with the Government's current Council Tax policy the Council implemented an overall Council Tax increase of 4.9% for 2018/19, including the 2% Social Care precept, to bridge the remaining gap of £1.8m. To mitigate the impact on low income households the Local Council Tax Support Scheme was maintained at 12% for the fifth successive year.

#### **General Fund 2018/19 – Actual Outturn**

During the year we identified additional service pressures, including an increase in the number of Looked after Children. These issues were regularly reported to the Finance and Policy Committee as a year-end overspend was forecast. These reports also advised the Committee that to address the forecast overspend the Corporate Management Team would seek to achieve in-year savings and review grant regimes to avoid the forecast overspend having to be funded from reserves.

The table below sets out the year end position and shows there was a net departmental overspend of £0.566m. The table shows that the overspend has been addressed by making savings on non-departmental expenditure, achieving in-year savings and reviewing grant regimes. After reflecting these issues there is a net contribution of £0.051m to the Budget Support Fund, which is earmarked to support future years' budgets.

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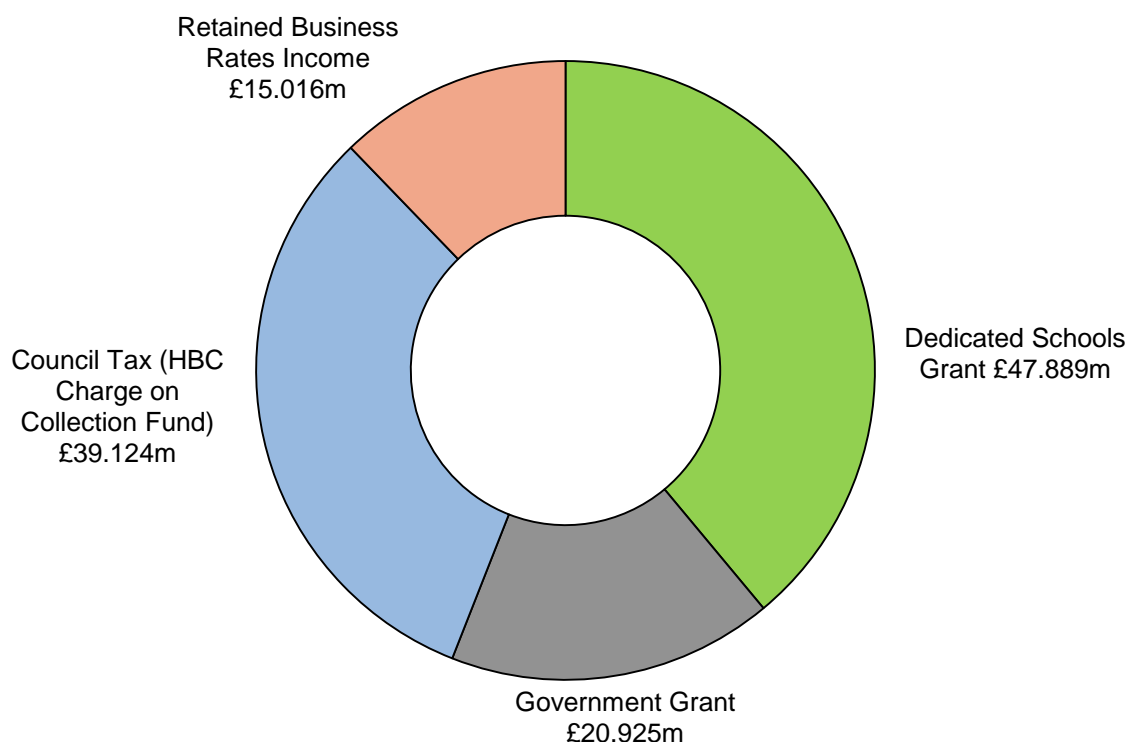
Description of Expenditure	2018/2019 Approved Budget £000	2018/2019 Actual Expenditure / Income £000	2018/2019 Variance Adverse / (Favourable) £000
<u>Departmental Expenditure</u>			
Adult & Community Based	31,467	31,421	(46)
Chief Executives Department	4,440	4,083	(357)
Children's & Joint Commissioning	21,195	22,009	814
Regeneration & Neighbourhoods	18,939	19,094	155
Dedicated Schools Grant Related Expenditure	47,889	47,889	-
<b>Total Departmental Position</b>	<b>123,930</b>	<b>124,496</b>	<b>566</b>
Non Departmental Expenditure	(976)	(988)	(12)
In Year Savings and Review of Grant Regimes		(605)	(605)
Housing Revenue Account (HRA)	-	190	190
	122,954	123,093	139
Contribution from HRA Reserve	-	(190)	(190)
<b>Final Contribution to Budget Support Fund</b>	<b>122,954</b>	<b>122,903</b>	<b>(51)</b>

The main budget variances relate to:

- Chief Executives – is an underspend of £0.357m owing to temporary staffing vacancies;
- Children's and Joint Commissioning – is an overspend of £0.814m owing to an increase in the number of Looked after Children;
- Regeneration and Neighbourhoods – is an overspend of £0.155m owing to higher transport costs for Children with Special Educational Needs and income shortfalls.

The budget for 2019/20 includes an increased allocation for Looked after Children as the caseload from 2018/19 is anticipated to continue.

The Council's budget of £122.954m was funded from the following sources:



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### Housing Revenue Account (HRA)

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

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

The final outturn for the 2018/19 HRA shows an overspend of £0.190m compared to the budgeted overspend of £0.030m. This can mainly be attributed to; void properties which resulted in £0.039m less rental income being generated; and £0.093m additional expenditure in relation to council tax and repairs and maintenance. This was funded from the HRA reserve. As at 31 March 2019 the HRA position has improved with several long-term void properties being let. Eighteen properties were purchased during 2018/19 however some of these properties are undergoing refurbishment works and additional rental income in relation to these properties will be generated during 2019/20.

### Pooled Budgets - Better Care Fund

The Better Care Fund (BCF) has been established by the Government to support the introduction of a fully integrated health and social care system. Section 75 of the National Health Service Act 2006 gives powers to Local Authorities and Clinical Commissioning Groups (CCG) to establish and maintain pooled budgets to support the outcomes of the BCF. The Council has entered into a pooled budget arrangement with NHS Hartlepool and Stockton Clinical Commissioning Group. Further details are provided in Note 56.

### Capital Expenditure

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

In 2018/19 the Council had a total Capital Programme of £63.714m and incurred expenditure totalling £26.121m.

An analysis of the 2018/19 capital expenditure is shown below, together with an analysis of how it was financed.

	£000	%
<b>Expenditure</b>		
Innovation and Skills Quarter	6,548	25%
School Improvements	6,522	25%
Highway Maintenance & Construction	2,858	11%
Housing Investment Programme	1,988	8%
Sea Defences	1,820	7%
Disabled Facility Grant	1,181	5%
Other Schemes	5,204	19%
<b>Total Expenditure</b>	<b>26,121</b>	<b>100%</b>
<b>Capital Financing</b>		
Capital Grant	17,921	69%
Borrowing	5,532	21%
Capital Funding Reserves	2,432	9%
Capital Receipts	236	1%
<b>Total Capital Financing</b>	<b>26,121</b>	<b>100%</b>

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As at 31 March 2019, the Council had rephased capital expenditure totalling £37.593m into 2019/20. This will be funded from the following rephased resources.

<b>Capital Financing</b>	<b>£000</b>
Government Grants	9,255
Borrowing	20,911
Capital Funding Reserves	7,427
	<b>37,593</b>

### Capital Receipts

The Council received gross receipts of £0.264m in 2018/19 from the sale of assets, all of which related to the disposal of land and buildings.

### **FINANCIAL OUTLOOK – GENERAL FUND 2019/20 TO 2020/21**

The financial year 2019/20 is the final year of the current four year grant settlement and the Council set a balanced budget for 2019/20. However, this was only achieved through a combination of implementing further budget cuts, increasing Council Tax in line with the Government referendum limit i.e. 3.9%, including a 1% Adult Social Care precept, and by using reserves of £3.745m.

We recognised that using reserves to balance the 2019/20 budget defers a budget deficit to 2020/21. There is also significant uncertainty regarding the national funding arrangements for Councils in 2020/21 and future years, and also the total funding to be allocated to Councils in the Government's next Spending Review, which is scheduled for 2019.

On the basis that Government funding is frozen in 2020/21 and 2021/22 we will have to make further budget reductions of approximately £5.7m; which is 6% of the 2019/20 budget. If Government funding is cut by 2% in these years the budget deficit would increase to £7.4m, which is nearly 8% of the 2019/20 budget.

As the budget has been cut in each of the last nine years up to 2019/20 it will be extremely difficult to make further reductions. Detailed proposals for addressing the forecast 2020/21 and 2021/22 budget deficits will be developed during 2019.

To support the budget in 2019/20 to 2021/22 we completed a fundamental review of reserves as part of the 2019/20 budget process. This review identified reserves which are no longer needed and these have been transferred to the Budget Support Fund. Part of these one off resources are allocated to support the 2019/20 budget and the remaining balance to support initiatives which will either achieve savings from April 2020, or require one off support to then achieve permanent savings from April 2021.

### **BORROWING FACILITIES AND INVESTMENT STRATEGY**

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

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

The interest earned on Council investments remained low during 2018/19; this has been mitigated by low interest costs on the Council's borrowings.

### **PENSIONS**

The Council has accounted for retirement benefits according to International Financial Reporting Standard (IFRS) IAS 19. In the accounts as at 31 March 2019 there was a deficit on the Pensions Reserve of £119.100m (£124.837m in 2017/18). This was offset by a Pensions Liability of the same value. The net Pensions Liability has increased mainly owing to the yearly service costs being greater than the employer contributions received.

The Council is a member of the Teesside Pension Fund and the statutory arrangements for this scheme mean that the IFRS IAS19 deficit does not need to be made good by increased pension's contributions from the Council or

## SECTION 1 : Narrative Report

employees. A separate Pension Fund valuation is carried out every three years to determine the Council's contribution rate. The most recent Pension Fund Valuation set the employer's contribution rate for the period 2017/18 to 2019/20 and resulted in a phased increase from 14.2% to 15.5%. Provision for the additional cost has been made within the Council's budget plans.

Further information is included in Notes 52 and 53 to the Statement of Accounts.

### **STATEMENT OF ACCOUNTS**

#### **Comprehensive Income and Expenditure Statement**

This statement shows the economic cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

#### **Balance Sheet**

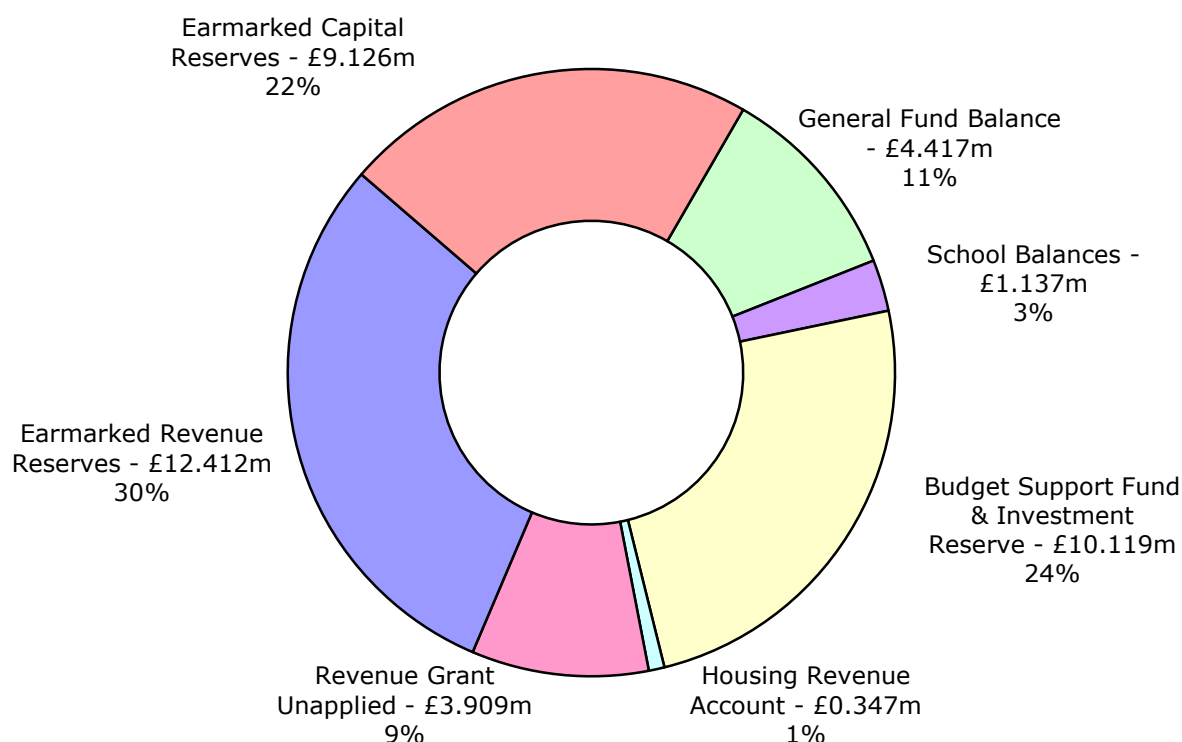
The Balance Sheet shows the value of the assets and liabilities at 31 March, 2019. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are classified in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserve includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

The major movements on the Balance Sheet are as follows:

- Property, Plant and Equipment, Investment Properties, Assets Held for Sale, Heritage Assets, Revaluation Reserve and Capital Adjustment Account – the Council's total fixed assets have increased by £25.489m which comprises expenditure on fixed assets, downward revaluations of existing assets, less depreciation and disposals.
- Short Term Debtors - totalled £19.060m as at 31 March, 2019 (£21.507m at 31 March, 2018). The decrease primarily relates to a reduction in Government grants owed to the Council.
- Long Term Debtors – as at 31 March, 2019 were £3.901m (£2.570m at 31 March, 2018). The increase is mainly owing to a payment made in advance to secure lower costs in future years.
- Short Term Borrowing – as at 31 March, 2019 was £9.516m (£4.927m at 31 March, 2018). The increase is owing to additional borrowing during 2018/19.
- Intangible Assets – totalled £0.625m as at 31 March, 2019 (nil at 31 March, 2018). The council purchased software licenses in 2018/19.
- At the 31 March, 2019 the Authority had reserves of £41.467m (£47.623m at 31 March, 2018). Full details of the Council's reserves are provided in Notes 29 to 37 and include the following key reserves:

## SECTION 1 : Narrative Report

### Analysis of Reserves 31/03/19 - Total £41.467m



### Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

### Collection Fund

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

The total Council Tax for the year was £1,923.74 (£1,833.86 in 2017/18) for Band D properties, excluding parish precepts where these applied. This comprised £1,622.02 for the Council's own services, £226.54 for the Police and Crime Commissioner and £75.18 for Cleveland Fire Authority. Each Authority determined its own tax and made a precept on the Collection Fund.

The Council Tax for the Council's services was determined on the basis of an equated number of 33,781 Band D properties. When setting the charge a 1.5% allowance for non-collection was made.

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

## SECTION 1 : Narrative Report

	<b>£000</b>	<b>%</b>
<b>Expenditure</b>		
Hartlepool Council Precept	38,995	51%
Police and Crime Commissioner Precept	5,442	7%
Cleveland Fire Authority Precept	1,806	2%
Central Government's Share Non Domestic Rates	15,111	20%
Hartlepool Council Non Domestic Rates Precept	14,878	19%
Cleveland Fire Authority Non Domestic Rates Precept	304	0%
Other	686	1%
	<b>77,222</b>	<b>100%</b>
<b>Income</b>		
Council Tax	46,129	60%
NNDR from Rate Payers	31,549	41%
Transitional Protection Refund	(1,167)	(1)%
	<b>76,511</b>	<b>100%</b>
<b>Net Deficit / (Surplus) in Year</b>	<b>711</b>	

### ACCOUNTING POLICIES

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

The Council's policies are explained fully in the Statement of Accounting Policies.

### INSPECTION OF ACCOUNTS

Members of the public have a statutory right to inspect the accounts before the audit is completed, question the auditor and make objections at audit. The availability of the accounts for inspection was advertised on the Council's website and in relation to the 2018/19 financial year the inspection period is 3, June 2019 to 12, July 2019.



Chris Little CPFA  
Director of Finance and Policy  
Date: 31 May, 2019



## SECTION 2 : Statement of Responsibilities for the Statement of Accounts

### The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance and Policy;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets, and;
- approve the Statement of Accounts.

I confirm that the accounts set out in this document were approved by the Audit and Governance Committee at the meeting held on xx xx, 2019.

Councillor Ged Hall  
Chair of Audit and Governance Committee  
Date:

### The Director of Finance and Policy's Responsibilities

The Director of Finance and Policy is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the CODE').

In preparing this Statement of Accounts, the Director of Finance and Policy has:

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

The Director of Finance and Policy has also:

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

### Certification of the Accounts by the Director of Finance and Policy

In accordance with the requirements of the Accounts and Audit Regulations 2015, I certify that Section 1 to 3 of the Financial Report 2018/19, which includes the Statement of Accounts, gives a true and fair view of the financial position of Hartlepool Borough Council at the accounting date and its income and expenditure for the year ended 31 March, 2019.



Chris Little CPFA  
Director of Finance and Policy  
Date: 31 May, 2019

## SECTION 3 : Statement of Accounts

### Movement in Reserves Statement for the year ended 31 March 2019

	Unearmarked General Fund Balance	School, Budget Support and Investment Reserves	Earmarked Revenue & Capital Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance at 31 March 2017 carried forward</b>	4,526	17,666	29,719	538	147	-	296	52,892	68,517	121,409
<b><u>Movement in reserves during 2017/18</u></b>										
Surplus or (deficit) on provision of services	(15,855)	-	-	(969)	-	-	-	(16,824)	-	(16,824)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	2,051	2,051
<b>Total Comprehensive Income and Expenditure</b>	(15,855)	-	-	(969)	-	-	-	(16,824)	2,051	(14,773)
Adjustments between accounting basis & funding basis under regulations (note 5)	10,648	-	-	969	214	-	(276)	11,555	(11,555)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	(5,207)	-	-	-	214	-	(276)	(5,269)	(9,504)	(14,773)
Transfers to/(from) Earmarked Reserves	5,098	(6,488)	1,391	(1)		-	-	-	-	-
<b>Increase/(Decrease) in Year</b>	<b>(109)</b>	<b>(6,488)</b>	<b>1,391</b>	<b>(1)</b>	<b>214</b>	<b>-</b>	<b>(276)</b>	<b>(5,269)</b>	<b>(9,504)</b>	<b>(14,773)</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>4,417</b>	<b>11,178</b>	<b>31,110</b>	<b>537</b>	<b>361</b>	<b>-</b>	<b>20</b>	<b>47,623</b>	<b>59,015</b>	<b>106,638</b>
<b><u>Movement in reserves during 2018/19</u></b>										
Surplus or (deficit) on provision of services	(9,183)	-	-	(1,000)	-	-	-	(10,183)	-	(10,183)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	34,112	34,112
<b>Total Comprehensive Income and Expenditure</b>	(9,183)	-	-	(1,000)	-	-	-	(10,183)	34,112	23,929
Adjustments between accounting basis & funding basis under regulations (note 5)	4,819	-	(1,885)	810	255	28	-	4,027	(4,027)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	(4,364)	0	(1,885)	(190)	255	28	0	(6,156)	30,085	23,929
Transfers to/(from) Earmarked Reserves	4,364	78	(4,442)	-	-	-	-	-	-	-
<b>Increase/(Decrease) in Year</b>	<b>0</b>	<b>78</b>	<b>(6,327)</b>	<b>(190)</b>	<b>255</b>	<b>28</b>	<b>0</b>	<b>(6,156)</b>	<b>30,085</b>	<b>23,929</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>4,417</b>	<b>11,256</b>	<b>24,783</b>	<b>347</b>	<b>616</b>	<b>28</b>	<b>20</b>	<b>41,467</b>	<b>89,100</b>	<b>130,567</b>

For detail on Usable and Unusable Reserves see Notes 29 to 37.

## SECTION 3 : Statement of Accounts

### Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

Restated 2017/18			2018/19				
£000s Expenditure	£000s Income	£000s Net		£000s Expenditure	£000s Income	£000s Net	Note
			<b>Continuing operations:</b>				
58,664	(26,950)	31,714	Adult and Community Based Services	67,397	(32,084)	<b>35,313</b>	7
46,914	(41,730)	5,184	Chief Executives	40,848	(35,473)	<b>5,375</b>	7
96,747	(72,274)	24,473	Children and Joint Commissioning	94,820	(69,924)	<b>24,896</b>	7
9,497	(2,537)	6,960	Corporate	9,273	(6,315)	<b>2,958</b>	7
50,589	(25,480)	25,109	Regeneration and Neighbourhood Services	49,270	(23,561)	<b>25,709</b>	7
1,722	(1,075)	647	HRA	1,715	(1,057)	<b>658</b>	7
264,133	(170,046)	94,087	<b>Cost of Services</b>	<b>263,323</b>	<b>(168,414)</b>	<b>94,909</b>	
952	(514)	438	Other Operating Expenditure	721	(374)	<b>347</b>	8
43	-	43	Transfer of School Assets (see Note (a) below)	1,415	-	<b>1,415</b>	8
19,071	(12,161)	6,910	Financing and Investment Income and Expenditure	18,629	(12,642)	<b>5,987</b>	9
-	(523)	(523)	NNDR Safety Net	-	-	-	10
-	(84,131)	(84,131)	Taxation and Non-Specific Grant Income	-	(92,475)	<b>(92,475)</b>	10
284,199	(267,375)	16,824	<b>(Surplus) / Deficit on Provision of Services</b>	<b>284,088</b>	<b>(273,905)</b>	<b>10,183</b>	
		315	(Surplus) / Deficit on Revaluation of Property, Plant and Equipment			(18,393)	37 Table 1
		(2,366)	Remeasurement of net defined benefit liability / (asset)			(15,719)	37 Table 4
		<b>(2,051)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(34,112)</b>	
		<b>14,773</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(23,929)</b>	

Note (a) - In 2018/19 Hart Primary School and St Peter's Elwick Church of England Primary School converted to Academy status. As a consequence the assets owned by the Council relating to these schools were transferred to the Academies and 'written out' of the Council's accounts.

The 2017/18 figures have been restated to reflect the Council's departmental reorganisation.

## SECTION 3 : Statement of Accounts

### Balance Sheet as at 31 March 2019

31 March 2018 £000s		31 March 2019 £000s	Note
256,486	Property, Plant and Equipment	279,390	14
15,066	Heritage Assets	17,674	17
14,201	Investment Property	14,178	16
-	Intangible Assets	625	18
197	Long Term Investments	197	19
2,570	Long Term Debtors	3,901	20
<b>288,520</b>	<b>Long Term Assets</b>	<b>315,965</b>	
37,083	Short Term Investments	33,085	45
233	Inventories	270	21
21,507	Short Term Debtors	19,060	22
4,460	Cash and Cash Equivalents	5,066	24
<b>63,283</b>	<b>Current Assets</b>	<b>57,481</b>	
(2,757)	Provisions	(3,194)	26
(4,927)	Short Term Borrowing	(9,516)	45
(19,954)	Short Term Creditors	(19,559)	25
(9,907)	Capital Grants Receipts in Advance	(9,333)	28
(1,344)	Revenue Grant Receipts in Advance	(2,212)	28
<b>(38,889)</b>	<b>Current Liabilities</b>	<b>(43,814)</b>	
(1,291)	Provisions	(1,291)	26
(79,968)	Long Term Borrowing	(78,524)	45
(125,017)	Other Long Term Liabilities	(119,250)	27
<b>(206,276)</b>	<b>Long Term Liabilities</b>	<b>(199,065)</b>	
<b>106,638</b>	<b>Net Assets:</b>	<b>130,567</b>	
4,417	Unearmarked General Fund Reserve	4,417	29
9,211	Budget Support Fund & Investment Reserves	10,119	30
1,967	Schools Balances	1,137	31
537	Housing Revenue Account Reserve	347	32
4,195	Revenue Grant Unapplied	3,909	33
15,619	Earmarked Revenue Reserves	12,412	34
10,197	Earmarked Capital Reserves	9,126	35
1,480	Business Rates Safety Net Grant Reserve	-	36
59,015	Unusable Reserves	89,100	37
<b>106,638</b>	<b>Total Reserves:</b>	<b>130,567</b>	

## SECTION 3 : Statement of Accounts

### Statement Of Cash Flows For The Year Ended 31 March 2019

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

<b>2017/18 £000s</b>		<b>2018/19 £000s</b>	<b>Note</b>
(16,824)	Net Surplus / (Deficit) on the Provision of Services	(10,183)	
21,025	Adjustments to Net Surplus / (Deficit) on the Provision of Services for Non-cash Movements	25,298	48
(8,987)	Adjustments for items included in the Net Surplus / (Deficit) on the Provision of Services that are Investing and Financing Activities	(19,959)	49
<b>(4,786)</b>	<b>Net Cash (Outflow) / Inflow from Operating Activities</b>	<b>(4,844)</b>	
4,032	<b>Investing Activities</b>	2,863	50
(249)	<b>Financing Activities</b>	2,587	51
<b>(1,003)</b>	<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>606</b>	
5,463	Cash and Cash Equivalents at the beginning of the reporting period	4,460	
<b>4,460</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	<b>5,066</b>	24

## SECTION 3 : Statement of Accounts

### Summary of Significant Accounting Policies

#### 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March, 2019. The Council is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2015 and to comply with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

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

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

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

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

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

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

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

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

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

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

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

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

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

## SECTION 3 : Statement of Accounts

### Summary of Significant Accounting Policies

#### 2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Employee's costs are charged to the accounts of the period in which the employees worked which includes 12 monthly payments.
- Supplies and services are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as Works in Progress on the Balance Sheet.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled the debtor balance is written down and a charge made to revenue for the income that might not be collected.
- Where payments are made or received in advance of a service being provided or received, a payment or receipt in advance is recognised as a debtor or creditor in the Balance Sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless it relates to capital receipts or capital expenditure.
- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- General revenue debtors and creditors of less than £5,000 have only been accrued at the discretion of individual departments. All amounts in excess of £5,000 have been accrued.

#### 3. Cash and Cash Equivalents

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

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

#### 4. Exceptional Items

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

## **SECTION 3 : Statement of Accounts**

### **Summary of Significant Accounting Policies**

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

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

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

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

#### **6. Charges to Revenue for Non-current Assets**

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

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

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

#### **7. Employee Benefits**

##### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

##### **Termination Costs**

Termination costs are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those costs or when the Council recognises costs for a restructuring.

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



## SECTION 3 : Statement of Accounts

### Summary of Significant Accounting Policies

#### Post Employment Benefits

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

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

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

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

#### The Local Government Pension Scheme

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

The liabilities of the Teesside Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projections of projected earnings for current employees.

The assets of the Teesside Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price,
- Unquoted securities – professional estimate,
- Unitised securities – current bid price,
- Property – market value.

The change in the net pensions liability is analysed into the following components:

**Service cost**, comprising:-

- **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- **Past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement and apportioned based on direct departmental pension costs.
- **Net interest on the defined benefit liability (asset) i.e. net interest expense for the Council** – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

**Remeasurements**, comprising:

- **The return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

## SECTION 3 : Statement of Accounts

### Summary of Significant Accounting Policies

**Contributions paid to the Teesside Pension Fund** – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

#### Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### 8. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and,
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts unless it related to conditions or events that were in existence at the balance sheet date.

### 9. Government Grants and Contributions

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

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

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

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

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

## **SECTION 3 : Statement of Accounts**

### **Summary of Significant Accounting Policies**

#### **10. Interests in Companies and Other Entities**

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

The Council holds minority shares in Durham Tees Valley Airport Ltd and in Suez Recycling and Recovery Tees Valley Limited. These share holdings originated through policy initiatives with other Local Authorities and are not held for trading or income generation. Therefore the Council have elected to designate the equity as Fair Value through other Comprehensive Income.

#### **11. Inventories and Long Term Contracts**

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

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

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

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

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

#### **12. Investment Property**

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### **13. Leases**

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

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

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

## SECTION 3 : Statement of Accounts

### Summary of Significant Accounting Policies

#### The Council as Lessee

##### Finance Leases

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

Lease payments are apportioned between:

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

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

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

##### Operating Leases

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

#### The Council as Lessor

##### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

## SECTION 3 : Statement of Accounts

### Summary of Significant Accounting Policies

#### Operating Leases

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

#### **14. Council Tax and Non-Domestic Rates**

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

#### **15. Accounting for Council Tax and NDR**

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

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

#### **16. Property, Plant and Equipment**

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

The asset valuations have been prepared using the following assumptions:

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

## SECTION 3 : Statement of Accounts

### Summary of Significant Accounting Policies

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

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

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

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

#### Recognition

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

#### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- Community assets and assets under construction – historical cost
- Infrastructure – depreciated historical cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Surplus and Investment assets - fair value, determined using the basis of market value (FV-MV)
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

## SECTION 3 : Statement of Accounts

### Summary of Significant Accounting Policies

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

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

#### Impairment

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

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

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

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

#### Depreciation

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

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

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

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

#### **Disposals and Assets Held for Sale**

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



## SECTION 3 : Statement of Accounts

### Summary of Significant Accounting Policies

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

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

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

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

#### 17. Heritage Assets

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

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

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

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

#### 18. Intangible Assets

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

#### 19. Provisions and Contingent Liabilities

##### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate department line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

## **SECTION 3 : Statement of Accounts**

### **Summary of Significant Accounting Policies**

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

#### Contingent Liabilities

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

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

### **20. Financial Guarantees**

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

### **21. Reserves**

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

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

### **22. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

### **23. VAT**

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

## SECTION 3 : Statement of Accounts

### Summary of Significant Accounting Policies

#### 24. Financial Instruments

##### Financial liabilities

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

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

##### Financial Assets

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

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

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

##### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provision of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for the interest receivable are based on the carrying amount of the asset multiplied by the effective rate of the interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

##### Financial Assets Measured at Amortised Cost

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

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

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

The Council currently holds no assets at FVPL.

## SECTION 3 : Statement of Accounts

### Summary of Significant Accounting Policies

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

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

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

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

When the asset is de-recognised, the cumulative gain or loss previously recognised in the Surplus or Deficit on the Provision of Services.

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

#### Expected Credit Loss Model

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

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

### 25. Fair Value Measurements

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

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

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

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

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

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

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

## SECTION 3 : Statement of Accounts

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

The Code of Practice on Local Authority Accounting in the United Kingdom requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2019/20 Code.

- IAS 40 Investment Property has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. The adoption of this standard is not expected to have a material impact on the Council's financial statements.
- Annual Improvements to IFRS Standards 2014-2016 Cycle contains updates and amendments to three International Financial Reporting Standards (IFRSs). IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 12 Disclosure of Interests in Other Entities, and IAS 28 Investments in Associates and Joint Ventures. The adoption of these updates standard is not expected to have a material impact on the Council's financial statements.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration recognises the date of the transaction, for the purpose of determining the exchange rate, as the date of initial recognition of the non-monetary prepayment asset or deferred income liability. The adoption of this standard is not expected to have a material impact on the Council's financial statements.
- IFRIC 23 Uncertainty over Income Tax Treatments relates to income tax treatment on taxable profit and losses. Therefore this will have no impact on the Council's financial statements.
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at Fair Value through Other Comprehensive Income) even in the case of negative compensation payments. The adoption of this standard is not expected to have a material impact on the Council's financial statements.

The Code requires implementation from 1 April 2019, and therefore there is no impact on the 2018/19 Statement of Accounts.

### Note 2: Critical Judgements in applying Accounting Policies

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government beyond 2019/20. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has an external contract for the provision of its ICT service. This contract has been classed as an embedded lease and under IAS 37 was brought onto the Balance Sheet in 2009/10 as a finance lease. The contract was renewed in October, 2013 for a period of seven years.
- The Council has undertaken a review of all schools in Hartlepool and their accounting treatment. There are 38 schools in Hartlepool;
  - Eight are Voluntary Aided (VA) Schools owned and accounted for by the Roman Catholic Diocese of Hexham and Newcastle or the Church of England Diocese of Durham.
  - One Voluntary Controlled (VC) School which is owned and accounted for by the Church of England Diocese of Durham.
  - One foundation School which is owned by the School Governing Body.
  - Twelve Community Schools owned by the Council.
  - Sixteen Academy Schools which the Council have transferred to the Academies under 125 year leases.

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

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

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

## SECTION 3 : Statement of Accounts

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March, 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.072m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effect on the net pensions liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption would result in a decrease in liability of £10.704m, however, the assumptions interact in complex ways. During 2018/19, the Council's actuaries advised that the net pension liability for funded LGPS benefits had reduced by £32.889m as a result of updating financial assumptions, increased by £22.942m as a result of changes in demographic assumptions and reduced by £0.875m attributable to liability experience. Actual pension rates are determined on an actuarial basis every 3 years. The latest valuation has determined the employer's contribution for 3 years from 31st March 2016. A 0.1% increase in this rate would increase the Council's revenue budget requirement for pension costs by £0.054m.
Income Shortfalls	Owing to the current economic downturn the Council continues to face income shortfalls in relation to car park income, shopping centre income and land charges.	The Council has determined that the income shortfalls will continue in future years and has therefore created an Income Risk Reserve of £0.400m.
Arrears	At 31 March, 2019, the Council had a balance of £15.207m on general, Council Tax Payers, NNDR Payers and Trade debtors. A review of these balances suggested that an impairment of doubtful debts of £4.467m was appropriate. However in the current climate it is not certain that such an allowance would be sufficient.	If bad debt provision was made for an additional 1% of outstanding debt this would result in an additional charge of £0.152m.

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

## SECTION 3 : Statement of Accounts

### **Note 4: Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Director of Finance and Policy on 31 May, 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March, 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## SECTION 3 : Statement of Accounts

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

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practices to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2018/19	Usable Reserves							
	Unearmarked General Fund Balance £000s	School, Budget Support and Investment Reserves £000s	Earmarked Revenue & Capital Reserves £000s	Housing Revenue Account £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
<b>Adjustments primarily involving the Capital Adjustment Account:</b>								
<i>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</i>								
Charges for Depreciation and Impairment of Non-current Assets	9,642	-	-	194	-	-	-	(9,836)
Charges for Revaluation losses on Property Plant and Equipment	(1,076)	-	-	881	-	-	-	195
Movements in the Market Value of Investment Properties	683	-	-	-	-	-	-	(683)
Capital Grants and Contributions	(19,695)	-	-	-	-	-	-	19,695
Direct Revenue Funding	(509)	-	(1,885)	-	-	-	-	2,394
Revenue Expenditure Funded from Capital Under Statute	6,240	-	-	-	-	-	-	(6,240)
Amounts of Non-current Assets written off on Disposal or Sale as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement	1,923	-	-	-	-	-	-	(1,923)
<i>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</i>								
Provision for the Financing of Capital Investment (MRP)	(2,347)	-	-	-	-	-	-	2,347
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>								
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	-	-
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>								
Transfer of Cash Sale Proceeds Credited as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement	(264)	-	-	-	-	264	-	-
Use of Capital Receipts Reserve to finance new capital expenditure						(236)		236
<b>Adjustments primarily involving the major Repairs Reserve:</b>								
Transfer to Major Repairs Reserve	-	-	-	(293)	293	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-		(38)	-	-	38



## SECTION 3 : Statement of Accounts

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

2018/19	Unearmarked General Fund Balance £000s	School, Budget Support and Investment Reserves £000s	Earmarked Revenue & Capital Reserves £000s	Housing Revenue Account £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
<b>Adjustments primarily involving the Pensions Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	18,348	-	-	49	-	-	-	(18,397)
Employer's Pension Contributions and Direct Payments to Pensioners payable in year	(8,394)	-	-	(21)	-	-	-	8,415
<b>Adjustments Primarily involving the Collection Fund Adjustment Account:</b>								
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax and income calculated for the year in accordance with statutory requirements	337	-	-	-	-	-	-	(337)
<b>Adjustments primarily involving the Accumulated Absences Adjustment Account:</b>								
Amount by which Officer Remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	(69)	-	-	-	-	-	-	69
<b>Total Adjustments</b>	<b>4,819</b>	<b>-</b>	<b>(1,885)</b>	<b>810</b>	<b>255</b>	<b>28</b>	<b>-</b>	<b>(4,027)</b>

#### Usable Reserves

2017/18	Unearmarked General Fund Balance £000s	School, Budget Support and Investment Reserves £000s	Earmarked Revenue & Capital Reserves £000s	Housing Revenue Account £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
<b>Adjustments primarily involving the Capital Adjustment Account:</b>								
<u>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>								
Charges for Depreciation and Impairment of Non-current Assets	10,161	-	-	154	-	-	-	(10,315)
Charges for Revaluation losses on Property Plant and Equipment	340	-	-	1,036	-	-	-	(1,376)
Movements in the Market Value of Investment Properties	2,158	-	-	-	-	-	-	(2,158)
Capital Grants and Contributions	(8,714)	-	-	-	-	-	12	8,702
Write out Finance Lease								
Direct Revenue Funding	(2,235)	-	-	-	-	-	-	2,235
Revenue Expenditure Funded from Capital Under Statute	2,010	-	-	-	-	-	-	(2,010)
Amounts of Non-current Assets written off on Disposal or Sale as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement	654	-	-	-	-	-	-	(654)
								-
<u>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>								
								-
Provision for the Financing of Capital Investment (MRP)	(2,349)							2,349

## SECTION 3 : Statement of Accounts

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

2017/18	Unearmarked General Fund Balance £000s	School, Budget Support and Investment Reserves £000s	Earmarked Revenue & Capital Reserves £000s	Housing Revenue Account £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>								
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	-	-	-	-	-	-	(288)	288
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>								
Transfer of Cash Sale Proceeds Credited as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement	(285)	-	-	-	-	285	-	-
Use of the Capital Receipts Reserve to finance new Capital Expenditure						(285)		285
Repay Borrowing	-	-	-	-	-		-	-
<b>Adjustments primarily involving the major Repairs Reserve:</b>								
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	(252)	252	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	-	(38)	-	-	38
<b>Adjustments primarily involving the Pensions Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	17,059			52	-	-	-	(17,111)
Employer's Pension Contributions and Direct Payments to Pensioners payable in year	(7,786)			(21)	-	-	-	7,807
<b>Adjustments Primarily involving the Collection Fund Adjustment Account:</b>								
Amount by which council tax income and non-domestic rating income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non-domestic rating Income calculated for the year in accordance with statutory requirements	(447)	-	-	-	-	-	-	447
<b>Adjustments primarily involving the Accumulated Absences Adjustment Account:</b>								
Amount by which Officer Remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	82	-	-	-	-	-	-	(82)
<b>Total Adjustments</b>	<b>10,648</b>	<b>-</b>	<b>-</b>	<b>969</b>	<b>214</b>	<b>-</b>	<b>(276)</b>	<b>(11,555)</b>

## SECTION 3 : Statement of Accounts

### Note 6: Transfers to/(from) Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19. Further details are provided in Note 29 to 36.

	Balance at 31 March 2017	Transfer Between Reserves	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018	Transfer Between Reserves	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 March 2019
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b><u>Unearmarked General Fund Balance</u></b>									
General Fund Balance	4,526	-	(109)	-	4,417	-	-	-	4,417
	4,526	-	(109)	-	4,417	-	-	-	4,417
<b><u>Budget Support &amp; Investment Reserves</u></b>									
Adult Social Care Reserve	2,293	(1,051)	-	910	2,152	(2,575)	-	423	-
Budget Support Fund	2,605	-	-	-	2,605	8,135	(1,948)	52	8,844
Business Rates Risk Reserve	4,149	-	(1,911)	201	2,439	(1,914)	(525)	-	-
MTFS Investment Reserve	4,662	-	(3,817)	-	845	-	-	-	845
Looked After Children Reserve	973	1,051	(854)	-	1,170	-	(1,170)	-	-
Business Rates Levy	-	-	-	-	-	-	-	430	430
Children's Social Care & Early Intervention Reserves	545	-	(545)	-	-	-	-	-	-
	15,227	-	(7,127)	1,111	9,211	3,646	(3,643)	905	10,119
<b><u>School Balances</u></b>									
Balances held by schools under a scheme of delegation	1,192	-	(3,478)	3,287	1,001	-	(4,256)	3,242	(13)
Strategic Change & Ring Fenced Grants Reserves - Held in Trust for Schools	1,097	-	(933)	553	717	-	(208)	394	903
Other Fund School Balances	150	-	(150)	249	249	-	(250)	248	247
	2,439	-	(4,561)	4,089	1,967	-	(4,714)	3,884	1,137
<b><u>Housing Revenue Account Balance</u></b>									
HRA Balance	538	-	(1)	-	537	-	(190)	-	347
	538	-	(1)	-	537	-	(190)	-	347
<b><u>Revenue Grants Unapplied</u></b>									
Revenue Grants Unapplied	-	3,982	(571)	784	4,195	(80)	(405)	199	3,909
	-	3,982	(571)	784	4,195	(80)	(405)	199	3,909
<b><u>Earmarked Revenue Reserves</u></b>									
Strategic One Off Costs	4,703	-	(1,380)	-	3,323	-	-	-	3,323
Insurance Fund	4,430	-	(7)	45	4,468	(2,200)	(44)	2	2,226
Adult Social Care Reserve	-	-	-	-	-	1,333	-	-	1,333
Strategic Change Reserves	1,896	(746)	(253)	310	1,207	(73)	(269)	418	1,283
Treasury Management Risk Reserve	795	-	-	-	795	-	-	311	1,106
Public Health Grant Reserve	1,366	-	(657)	697	1,406	(169)	(606)	45	676
EIS Reserve	-	-	-	-	-	453	(3)	-	450
Income Risk Reserve	400	-	-	-	400	-	-	-	400
Support for Local Council Tax Support Scheme	300	-	-	-	300	-	-	-	300
Lotteries Reserve	418	-	(17)	10	411	(81)	(77)	10	263
Better Care Fund Reserve	220	-	-	-	220	-	-	-	220
School Attainment Reserve	220	156	(78)	104	402	(251)	(8)	-	143
National Museum of the Royal Navy Reserve	461	-	(166)	-	295	-	(153)	-	142
Trading Account Reserves	245	-	-	-	245	(123)	(9)	-	113
Tees Education & Skills Reserve - Held in Trust	430	-	(213)	-	217	(23)	(89)	-	105
Brexit Funding	-	-	-	-	-	-	-	105	105
Supporting Family Poverty	345	161	(168)	20	358	-	(303)	20	75
Members Ward Budget Reserve	55	-	(14)	-	41	-	(6)	-	35
Museums Acquisition	87	-	(19)	2	70	-	(43)	2	29
Funding for Modern Apprentices	78	-	(30)	-	48	-	(20)	-	28
Concessionary Fare	38	-	-	-	38	(18)	-	-	20
Environmental Apprenticeships Scheme	60	-	(43)	-	17	-	-	-	17
Works in Default Empty Homes	15	-	-	-	15	-	-	-	15
CECA Trading Equalisation Reserves	-	-	-	-	-	-	-	5	5
Capital Risk Strategy Reserve	901	-	-	-	901	(901)	-	-	-
Regeneration Projects	324	-	-	-	324	-	(324)	-	-
Education Commission Reserve	264	-	(146)	-	118	(33)	(85)	-	-
Strategic Change Ring Fenced Grants Reserve	3,578	(3,578)	-	-	-	-	-	-	-
Strategic Risk Reserve	1,028	55	(1,083)	-	-	-	-	-	-
Environmental Enhancement Projects	148	-	(148)	-	-	-	-	-	-
Protection Costs Reserve	67	-	(67)	-	-	-	-	-	-
Community Centre Reserve	30	(30)	-	-	-	-	-	-	-
NDC Fund	8	-	(8)	-	-	-	-	-	-
	22,910	(3,982)	(4,497)	1,188	15,619	(2,086)	(2,039)	918	12,412
<b><u>Earmarked Capital Reserves</u></b>									
Capital Funding Reserve	5,852	-	(2,531)	6,495	9,816	-	(3,156)	1,802	8,462
Capital Receipts Unapplied	-	-	(285)	285	-	-	(236)	264	28
HRA Major Repairs Reserve	147	-	(37)	251	361	-	(38)	293	616
Capital Grants Unapplied	296	-	(288)	12	20	-	-	-	20
	6,295	-	(3,141)	7,043	10,197	-	(3,430)	2,359	9,126
<b><u>Safety Grant Reserve</u></b>									
Business Rates Safety Net Grant Reserve	957	-	-	523	1,480	(1,480)	-	-	-
	957	-	-	523	1,480	(1,480)	-	-	-

## SECTION 3 : Statement of Accounts

### Note 7: Expenditure and Funding Analysis

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

Net Expenditure Chargeable to the General Fund and HRA	Restated 2017/18	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA	2018/19	Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments Between the General Fund and the Comprehensive Income and Expenditure Statement				Adjustments Between the General Fund and the Comprehensive Income and Expenditure Statement	
£000s	£000s	£000s		£000s	£000s	£000s
30,464	1,248	<b>31,712</b>	Adult & Community Based Services	31,421	3,892	<b>35,313</b>
3,958	1,226	<b>5,184</b>	Chief Executives	4,083	1,292	<b>5,375</b>
19,262	5,212	<b>24,474</b>	Children & Joint Commissioning	22,009	2,887	<b>24,896</b>
1,258	5,702	<b>6,960</b>	Corporate	(1,593)	4,551	<b>2,958</b>
19,155	5,954	<b>25,109</b>	Regeneration and Neighbourhood	19,094	6,615	<b>25,709</b>
1	647	<b>648</b>	HRA	190	468	<b>658</b>
47,938	(47,938)	-	Schools	47,889	(47,889)	-
(1,400)	1,400	-	Transfers to/From Earmarked Reserves	-	-	-
<b>120,636</b>	<b>(26,549)</b>	<b>94,087</b>	<b>Net Cost of Services</b>	<b>123,093</b>	<b>(28,184)</b>	<b>94,909</b>
(120,526)	43,263	<b>(77,263)</b>	Other Income and Expenditure	(122,954)	38,228	<b>(84,726)</b>
<b>110</b>	<b>16,714</b>	<b>16,824</b>	<b>(Surplus) or Deficit</b>	<b>139</b>	<b>10,044</b>	<b>10,183</b>
5,064			<b>Opening General Fund &amp; HRA Balance</b>	4,954		
(109)			<b>Less/Plus Surplus or (Deficit) on General Fund Balance in Year</b>	54		
-			<b>Transfer Between Earmarked &amp; General Fund Reserves</b>	(54)		
(1)			<b>Less/Plus Surplus or (Deficit) on HRA Balance in Year</b>	(190)		
-			<b>Transfer Between Earmarked &amp; HRA Reserves</b>	-		
<b>4,954</b>			<b>Closing General Fund &amp; HRA Balance at 31 March</b>	<b>4,764</b>		

## SECTION 3 : Statement of Accounts

### Note 7A: Note to the Expenditure and Funding Analysis

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

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	2018/19		Total Adjustments
			Other Statutory Differences (Note 3)	Other Non-Statutory Difference (Note 4)	
	£000s	£000s	£000s	£000s	£000s
Adult and Community Based Services	645	1,215	34	1,998	3,892
Chief Executives	-	838	117	337	1,292
Children and Joint Commissioning	2,208	2,824	(62)	(2,083)	2,887
Corporate	(1,111)	11	-	5,651	4,551
Regeneration and Neighbourhood Services	5,456	1,937	(158)	(620)	6,615
HRA	904	19	-	(455)	468
Schools	-	-	-	(47,889)	(47,889)
Transfer To/from Earmarked Reserves	-	-	-	-	-
<b>Net Cost of Services</b>	<b>8,102</b>	<b>6,844</b>	<b>(69)</b>	<b>(43,061)</b>	<b>(28,184)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(12,094)	3,138	337	46,847	38,228
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(3,992)</b>	<b>9,982</b>	<b>268</b>	<b>3,786</b>	<b>10,044</b>

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Restated 2017/18		Total Adjustments
			Other Statutory Differences (Note 3)	Other Non-Statutory Difference (Note 4)	
	£000s	£000s	£000s	£000s	£000s
Adult and Community Based Services	278	1,003	-	(33)	1,248
Chief Executives	-	816	-	410	1,226
Children and Joint Commissioning	4,103	2,645	80	(1,616)	5,212
Corporate	(1,141)	10	-	6,833	5,702
HRA	1,036	20	-	(409)	647
Regeneration and Neighbourhood Services	5,168	1,958	1	(1,173)	5,954
Schools	-	-	-	(47,938)	(47,938)
Transfer To/from Earmarked Reserves	-	-	-	1,400	1,400
<b>Net Cost of Services</b>	<b>9,444</b>	<b>6,452</b>	<b>81</b>	<b>(42,526)</b>	<b>(26,549)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(4,432)	2,850	(447)	45,292	43,263
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>5,012</b>	<b>9,302</b>	<b>(366)</b>	<b>2,766</b>	<b>16,714</b>

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

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

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

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

## SECTION 3 : Statement of Accounts

### Note 7B: Expenditure and Income Analysed by Nature

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

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>	<b>Expenditure/Income</b>	<b>£000</b>
	<b>Expenditure</b>	
96,445	Employee Benefits Expenses	99,161
148,595	Other Services Expenses	151,633
21,527	Support Service Recharges	17,932
13,850	Depreciation, Impairment, Revaluation Losses	10,345
2,981	Interest Payments	2,970
140	Precepts and Levies	147
661	Gain/Loss on the disposal of assets	1,900
<b>284,199</b>	<b>Total Expenditure</b>	<b>284,088</b>
	<b>Income</b>	
(46,810)	Fees Charges and Other Service Income	(47,618)
(12,161)	Interest and Investment Income	(12,640)
(49,957)	Income from Council Tax and Non Domestic Rates	(53,802)
(158,447)	Government Grants and Contributions	(159,845)
<b>(267,375)</b>	<b>Total Income</b>	<b>(273,905)</b>
<b>16,824</b>	<b>Surplus or deficit on the provision of services</b>	<b>10,183</b>

### Note 7C: Segmental Income

Income received on a segmental basis is analysed below.

<b>Restated</b>			<b>2018/19</b>	
<b>2017/18</b>			<b>Fees &amp; Charges</b>	<b>Interest &amp; Investment Income</b>
<b>Fees &amp; Charges</b>	<b>Interest &amp; Investment Income</b>			
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
(18,028)	-	Adult and Community Based Services	(21,885)	-
(3,698)	(18)	Chief Executives	(4,398)	(18)
(6,827)	-	Children's and Joint Commissioning	(6,255)	-
(4,076)	(702)	Corporate	(4,134)	(486)
(1,074)	(16)	HRA	(1,057)	(22)
(34,455)	(255)	Regeneration and Neighbourhood Services	(35,234)	(263)
<b>(68,158)</b>	<b>(991)</b>		<b>(72,963)</b>	<b>(789)</b>

## SECTION 3 : Statement of Accounts

### Note 8: Other Operating Expenditure and Transfer of School Assets

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

<b>2017/18</b> <b>£000s</b>		<b>2018/19</b> <b>£000s</b>
140	Parish council precepts and levies	147
(229)	Receipts from Sale of Former Council Houses	(110)
43	Loss resulting from Transfer of School Assets	1,415
527	(Gain) or loss on the disposal of non-current assets	310
<b>481</b>		<b>1,762</b>

### Note 9: Financing and Investment Income and Expenditure

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

<b>2017/18</b> <b>£000s</b>		<b>2018/19</b> <b>£000s</b>	<b>Note</b>
2,960	Interest payable and similar charges on borrowing	2,956	45
21	Finance lease Interest payable	14	45
2,850	Pensions Interest Cost & Expected Return on Pensions Assets	3,138	53
(314)	Interest Receivable and Similar Income	(383)	45
(765)	Net (Gain) / Loss on Investment Properties	(421)	16
2,158	Changes in fair values of investment properties	683	16
<b>6,910</b>		<b>5,987</b>	

### Note 10: Taxation and Non-Specific Grant Income

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

<b>2017/18</b> <b>£000s</b>		<b>2018/19</b> <b>£000s</b>	<b>Note</b>
36,735	Council Tax Income	39,147	
13,222	NNDR Distribution	14,655	
523	NNDR Safety Net Grant	-	
26,991	Non-ring Fenced Government Grants	24,157	
7,183	Capital Grants and Contributions	14,516	
<b>84,654</b>		<b>92,475</b>	28

## SECTION 3 : Statement of Accounts

### Note 11 - Councillor's Allowances & Expenses

The Council has decided to provide this additional note to provide a detailed breakdown of the Basic Allowance and Special Responsibility Allowances (SRAs) paid to individual Councillors for 2018/19.

Most Councils do not report this level of detail in their Statement of Accounts and simply show the total amount paid to all Councillors as a single figure.

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

#### Basic and Special Responsibility Allowances

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

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

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

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

The IRP recommended that from 1 April, 2018 the Basic Allowance should increase in line with the National Local Government pay award, which was set at 2% and increased the Basic Allowance to £7,948 from 1 April, 2018.

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



## SECTION 3 : Statement of Accounts

### Note 11: Councillor's Allowances & Expenses

**Table 1 - Councillor's Allowances & Expenses**

Councillor	Basic Allowance	Special Responsibility Allowance	General Travel	General Subsistence	Total 2018/19
	£	£	£	£	£
Akers-Belcher C	7,948	23,844	653	-	<b>32,445</b>
Akers-Belcher S J	7,948	6,816	-	-	<b>14,764</b>
Barclay A	7,948	6,773	-	-	<b>14,721</b>
Beck P (01.04.18 - 31.08.18)	3,312	1,175	-	-	<b>4,487</b>
Belcher S	7,948	-	-	-	<b>7,948</b>
Black J	5,953	1,307	-	-	<b>7,260</b>
Brewer J (15.10.18 - 31.03.19)	3,675	-	-	-	<b>3,675</b>
Brown P (08.05.18 - 31.03.19)	7,136	-	-	-	<b>7,136</b>
Buchan B	7,948	-	-	-	<b>7,948</b>
Cassidy T (08.05.18 - 31.03.19)	7,136	-	-	-	<b>7,136</b>
Clark A (01.04.18 - 08.05.18)	796	796	-	-	<b>1,592</b>
Cook R W	7,948	7,948	-	-	<b>15,896</b>
Cranney K H	7,948	7,948	-	-	<b>15,896</b>
Fleming T	7,948	-	-	-	<b>7,948</b>
Hall G G	7,948	-	-	-	<b>7,948</b>
Hamilton L	7,948	-	-	-	<b>7,948</b>
Harrison B	5,953	5,105	-	-	<b>11,058</b>
Hind T (01.04.18 - 08.05.18)	796	-	-	-	<b>796</b>
Hunter D	5,953	848	-	-	<b>6,801</b>
James M A	7,948	-	11	-	<b>7,959</b>
Lauderdale J	7,948	-	-	-	<b>7,948</b>
Lindridge J	7,792	-	13	-	<b>7,805</b>
Little S (08.05.18 - 31.03.19)	5,345	-	-	-	<b>5,345</b>
Loynes B	7,948	7,495	-	-	<b>15,443</b>
Marshall A (08.05.18 - 31.03.19)	7,136	-	20	-	<b>7,156</b>
Martin-Wells R (01.04.18 - 31.05.18)	1,299	1,299	-	-	<b>2,598</b>
McLaughlin M	5,953	-	-	-	<b>5,953</b>
Moore S	7,948	-	-	-	<b>7,948</b>
Morris G	7,948	-	-	-	<b>7,948</b>
Richardson A (08.05.18 - 31.03.19)	5,345	-	-	-	<b>5,345</b>
Richardson C	6,133	-	-	-	<b>6,133</b>
Riddle D (01.04.18 - 08.05.18)	595	-	-	-	<b>595</b>
Robinson J	7,948	-	-	-	<b>7,948</b>
Sirs K	796	-	-	-	<b>796</b>
Smith L	6,013	-	-	-	<b>6,013</b>
Springer G A (01.04.18 - 08.05.18)	796	-	-	-	<b>796</b>
Tennant J	7,792	2,177	-	-	<b>9,969</b>
Thomas S	6,133	6,133	-	-	<b>12,266</b>
Trueman K	7,948	-	-	-	<b>7,948</b>
Young M (17.07.18 - 31.03.19)	5,640	2,610	-	-	<b>8,250</b>
<b>Total 2018/19</b>	<b>242,594</b>	<b>82,274</b>	<b>697</b>	<b>-</b>	<b>325,565</b>
Totals 2017/18	231,735	81,713	1,036	274	314,758

## SECTION 3 : Statement of Accounts

### Note 11: Councillor's Allowances & Expenses

**Table 2 - Costs associated with Council Approved Conferences**

The Council has an approved list of conferences which specific Councillors are authorised to attend as representatives of the Council.

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

Conference Subsistence relates to expenses claimed by Councillors for 'out of pocket expenses' whilst staying away from Hartlepool where meals are not provided for in the overall conference fees. The allowances claimable are based on approved national subsistence rates.

The total amount paid by the Council on costs associated with Council Conferences was £13,745 (£12,307 in 2017/18). An analysis of the payments is detailed below.

Councillor	Conference Travel £	Conference Fees £	Conference Accommodation £	Total 2018/19 £
Akers-Belcher C	838	2,100	1,409	<b>4,347</b>
Akers-Belcher S J	289	2,645	1,183	<b>4,117</b>
Belcher S	-	350	120	<b>470</b>
Cranney K H	389	700	869	<b>1,958</b>
James M A	46	545	346	<b>937</b>
Moore S	-	221	104	<b>325</b>
Thomas S	-	-	78	<b>78</b>
Trueman K	106	830	577	<b>1,513</b>
<b>Totals for 2018/19</b>	<b>1,668</b>	<b>7,391</b>	<b>4,686</b>	<b>13,745</b>
Totals for 2017/18	511	8,162	3,634	12,307

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

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

Councillor	Cleveland Fire Authority	
	Basic Allowances £	Period of Office
Cook R W	2,194	01.04.18 - 31.03.19
James M	2,194	01.04.18 - 31.03.19
Martin-Wells R	366	01.04.18 - 31.05.18
Young M	1,201	14.09.18 - 31.03.19
	<b>5,955</b>	

### Note 12 - Officers' Remuneration

In accordance with the requirements of the Accounts and Audit Regulations (England) 2015 the Council is required to disclose details of remuneration for Senior Employees and those earning more than £50,000. Senior Employees are defined as the Chief Executive, statutory Chief Officers and all other senior managers reporting directly to the Chief Executive. Details of the remuneration for these officers are provided below.

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

The Council employed one senior officer, the Chief Executive, with a salary above £150,000 during 2018/19. The cost of Interim Director of Public Health in 2018/19 exceeded £150,000 and was paid to an external employment agency. However, this amount includes agency commission so does not reflect the actual remuneration to the post holder.

The Chief Executive is the senior officer who leads and takes responsibility for the work of the 2,492 (2,612 in 2017/18) full-time equivalent employees, including schools, and runs the Local Authority on a day to day basis. The role of Chief Executive is a full time appointment.

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

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

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

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

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

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

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

#### **Senior Officers reporting directly to the Chief Executive**

During 2018/19, the Council employed 7 Senior Officers, including the Chief Executive. Although the Director of Public Health does not report directly to the Chief Executive, the post is defined as a statutory chief officer post under the Health and Social Care Act 2012 and is therefore included. Remuneration details for the posts are shown below:

Director of Children's and Joint Commissioning Services - responsible for a gross annual revenue budget (excluding schools) of £54m and managing 402 full-time equivalent employees (excluding schools) who provide a diverse range of services, including public health, education and early years related services, services for vulnerable children and families including looking after children at risk, child protection services, young offenders, children's fostering and adoption services.

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

Director of Regeneration and Neighbourhoods - responsible for a gross annual revenue budget of £44m and managing 655 full-time equivalent employees who provide a diverse range of services, including planning and building control, economic development and regeneration, community safety, refuse collection, street cleansing, highways maintenance, car parks and cultural services.

Director of Finance & Policy - responsible for a gross annual revenue budget of £48m and managing 221 full-time equivalent employees who provide a diverse range of services including Council Tax setting and collection, Business Rates, Benefits, HR, Corporate IT, Corporate Finance and Corporate Strategy.

## SECTION 3 : Statement of Accounts

### Note 12 - Officers' Remuneration

#### 2018/19 - TABLE A

Post holder information (Post title and name)	Salary	Compensation for Loss of Office	Pension Contributions	Invoices paid relating to Interim Staffing Arrangements	Total Remuneration including Pension Contributions 2018/19	Note
	£	£	£	£	£	
Chief Executive	151,587	-	23,341	-	<b>174,928</b>	1
Director of Children's and Joint Commissioning Services	109,947	-	16,932	-	<b>126,879</b>	2
Director of Adult and Community Based Services	105,264	-	16,211	-	<b>121,475</b>	2
Director of Regeneration & Neighbourhoods	114,562	-	17,626	-	<b>132,188</b>	2
Director of Finance and Policy	106,651	-	16,424	-	<b>123,075</b>	2
Interim Director of Public Health (Apr 18 - Jan 19)	-	-	-	150,325	<b>150,325</b>	3
Director of Public Health (Feb 19 - March 19)	14,928	-	2,299	-	<b>17,227</b>	4
Total Director of Public Health	14,928	-	2,299	150,325	<b>167,552</b>	
Chief Solicitor	80,066	-	12,366	-	<b>92,432</b>	5
	<b>683,005</b>	-	<b>105,199</b>	<b>150,325</b>	<b>938,529</b>	

#### 2017/18 - TABLE B

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

## SECTION 3 : Statement of Accounts

### Note 12 - Officers' Remuneration

#### Notes to Table A & B

(1) The salary scale for the Chief Executive for 2018/19 is £145,670 to £156,075 (£142,814 to £153,015 in 2017/18). The post holder's salary was incrementally increased from £149,832 to £151,914 in June 2018. The Chief Executive is the Council's designated Returning Officer for elections and the post holder determined to waive the separate remuneration relating to the Returning Officer duties.

(2) The salary scale for the Director posts for 2018/19 is £104,050 to £114,455 (£102,010 to £112,211 in 2017/18).

(3) The Council employed an Interim Director of Public Health via an external agency until the end of January 2019. The value at Table A represents the total cost to the Council, as opposed to salary equivalent.

(4) The Council appointed a new Director of Public Health as a substantive post on 4 February 2019. The salary scale for the Director of Public Health is £80,296 to £86,032 (£78,722 to £84,345 in 2017/18) with a 10% market supplement to £94,635.

(5) The Council employed an Interim Chief Solicitor from 1 April 2018 to 30 September 2018, after which the post holder was confirmed in post as Chief Solicitor. The salary scale for the Chief Solicitor's post during 2018/19 is £80,296 to £86,032 (£78,722 to £84,345 in 2017/18). The previous post holder who left the Council on 31 March 2018 acted as Legal Officer to Cleveland Fire Authority and received a payment of £3,432 payable by the Fire Authority. From 1 April 2018, the Fire Authority employed their own Legal Officer so the arrangement ceased from that date.

(6) The salary scale for the Chief Solicitor's post during 2017/18 was £78,722 to £84,345. The Chief Solicitor's salary included a payment of £3,432 in respect of this post holder also acting as Legal Officer to Cleveland Fire Authority. The cost was paid for by the Fire Authority. The post holder also received £5,886 in 2017/18 as the Council's designated Returning Officer for elections. The post holder left the Authority on 31 March 2018 and the financial cost is shown under the heading 'compensation for loss of office' and 'pension contributions'.

#### Employees with a salary of £50,000 or more

In accordance with the Accounts and Audit Regulations (England) 2015, the number of employees including school employees employed by the Council whose remuneration was £50,000 or greater is detailed in the table below in bands of £5,000. This table excludes details of senior officers set out in the previous tables. The bandings have been used since 2002/03 and are not indexed and therefore do not make any adjustment for inflationary increases each year. If the starting banding had been indexed for cost of living increases for Council employees then it would be £66,648. As a result the number of employees requiring disclosure has increased, although there has been no increase in the number of managerial posts.

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

**TABLE C - NON-SCHOOLS EMPLOYEES**

2017/18			Remuneration Band (£)	2018/19		
No. of Non-School Employees				No. of Non-School Employees		
<i>Non School</i>	<i>Left in Year</i>	<i>Total</i>		<i>Non School</i>	<i>Left in Year</i>	<i>Total</i>
16	-	16	50,000 to 54,999	19	-	19
3	-	3	55,000 to 59,999	5	2	7
2	-	2	60,000 to 64,999	2	1	3
3	-	3	65,000 to 69,999	1	-	1
3	-	3	70,000 to 74,999	3	-	3
-	-	-	75,000 to 79,999	4	-	4
2	-	2	80,000 to 84,999	1	-	1
-	-	-	85,000 to 89,999	1	-	1
-	-	-	90,000 to 94,999	-	1	1
-	1	1	170,000 to 174,999	-	-	-
29	1	30		36	4	40

**TABLE D - SCHOOL EMPLOYEES**

2017/18			Remuneration Band (£)	2018/19		
No. of School Employees				No. of School Employees		
<i>School</i>	<i>Left in Year</i>	<i>Total</i>		<i>School</i>	<i>Left in Year</i>	<i>Total</i>
6	-	6	50,000 to 54,999	9	-	9
3	-	3	55,000 to 59,999	4	-	4
1	-	1	60,000 to 64,999	-	-	-
9	-	9	65,000 to 69,999	8	-	8
1	-	1	70,000 to 74,999	4	-	4
20	-	20		25	-	25

## SECTION 3 : Statement of Accounts

### Note 13: Termination Costs

In 2018/19 a total of 36 employees (69 in 2017/18) either took voluntary redundancy or were made compulsorily redundant. The 2018/19 cost of this involved payments of £0.384m (£0.643m in 2017/18) to employees in the form of redundancy payments and £0.289m (£0.634m in 2017/18) to the pension fund in respect of retirement benefits. The Council also incurred other costs of £0.001m (£0.001m in 2017/18). These payments incorporate schools and further details are provided in Note 52.

The Council calculates redundancy pay based on the actual salary paid to individual employees, with a maximum redundancy payment not exceeding 30 weeks pay with no enhancements. Retirement costs are based on national arrangements applying to all Local Government Pension schemes.

For non-schools employees the Council adopts robust arrangements for approving both compulsory and voluntary redundancies / early retirements and only approves applications where there is a permanent budget saving and the one-off redundancy / early retirement costs have a pay back period of 3.05 years or less. In 2018/19 the average pay back period was 10 months (11 months in 2017/18). In 2018/19 this has enabled the authority to achieve permanent salary savings of £0.772m (£0.959m in 2017/18).

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

**TABLE E - NON-SCHOOLS EMPLOYEES**

2017/18				Remuneration Band (£)	2018/19			
No of compulsory redundancies	No of voluntary redundancies	Total no of redundancies by band	Total cost of redundancies by band £		No of compulsory redundancies	No of voluntary redundancies	Total no of redundancies by band	Total cost of redundancies by band £
6	31	37	168,177	0 to 20,000	2	14	16	91,255
2	7	9	240,909	20,001 to 40,000	-	4	4	115,718
-	3	3	136,768	40,001 to 60,000	-	6	6	270,909
1	1	2	137,936	60,001 to 80,000	-	-	-	-
-	1	1	88,846	80,001 to 100,000	-	2	2	170,178
-	3	3	331,622	100,001 to 120,000	-	-	-	-
-	1	1	138,468	120,001 to 140,000	-	-	-	-
9	47	56	1,242,726		2	26	28	648,060

**TABLE F - SCHOOLS EMPLOYEES**

2017/18				Remuneration Band (£)	2018/19			
No of compulsory redundancies	No of voluntary redundancies	Total no of redundancies by band	Total cost of redundancies by band £		No of compulsory redundancies	No of voluntary redundancies	Total no of redundancies by band	Total cost of redundancies by band £
8	5	13	34,693	0 to 20,000	5	3	8	24,965
8	5	13	34,693		5	3	8	24,965

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

## SECTION 3 : Statement of Accounts

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

This note shows the movements in the value of non current assets (Property, Plant and Equipment) during 2018/19.

#### Movements in 2018/19

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost or Valuation</b>								
As at 1 April 2018	6,908	140,534	34,611	126,494	5,620	11,329	14,784	<b>340,280</b>
Additions	1,249	1,471	1,812	7,131	10	440	6,899	<b>19,012</b>
Accumulated Depreciation Written Off to Gross Carrying Amount	(162)	(3,875)	-	-	-	(17)	-	<b>(4,054)</b>
Accumulated Impairment Written Off to Gross Carrying Amount	(26)	(68)	-	-	-	-	-	<b>(94)</b>
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	70	16,055	-	-	-	(341)	-	<b>15,784</b>
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(881)	1,563	-	-	-	(487)	-	<b>195</b>
Derecognition-Disposals	-	(1,540)	(268)	-	-	(16)	(408)	<b>(2,232)</b>
Reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	<b>-</b>
Reclassified (to)/from Investment Property	-	(388)	-	-	-	50	-	<b>(338)</b>
Other movements in Cost or Valuation	194	126	-	11,323	-	54	(11,697)	<b>-</b>
<b>At 31 March 2019</b>	<b>7,352</b>	<b>153,878</b>	<b>36,155</b>	<b>144,948</b>	<b>5,630</b>	<b>11,012</b>	<b>9,578</b>	<b>368,553</b>
<b>Accumulated Depreciation and Impairment</b>								
As at 1 April 2018	(154)	(2,600)	(24,304)	(56,729)	-	(7)	-	<b>(83,794)</b>
Depreciation Charge	(128)	(2,082)	(2,388)	(4,249)	-	(18)	-	<b>(8,865)</b>
Depreciation written out to the Revaluation Reserve	(44)	(730)	(100)	-	-	(8)	-	<b>(882)</b>
Accumulated Depreciation Written Off to Gross Carrying Amount	162	3,875	-	-	-	17	-	<b>4,054</b>
Accumulated Impairment Written Out to Gross Carrying Amount	4	1	-	-	-	-	-	<b>5</b>
Derecognition - Disposals	-	65	244	-	-	-	-	<b>309</b>
Reclassified (to) / from Investment Property	-	9	-	-	-	-	-	<b>9</b>
Other movements in Depreciation and Impairment	-	1	-	-	-	-	-	<b>1</b>
<b>At 31 March 2019</b>	<b>(160)</b>	<b>(1,461)</b>	<b>(26,548)</b>	<b>(60,978)</b>	<b>-</b>	<b>(16)</b>	<b>-</b>	<b>(89,163)</b>
<b>Net Book Value</b>								
At 31 March 2019	7,192	152,417	9,607	83,970	5,630	10,996	9,578	<b>279,390</b>
<b>Nature of Asset Holding</b>								
Owned	7,192	152,417	9,140	83,970	5,630	10,996	9,578	<b>278,923</b>
Finance Lease	-	-	467	-	-	-	-	<b>467</b>
<b>Total</b>	<b>7,192</b>	<b>152,417</b>	<b>9,607</b>	<b>83,970</b>	<b>5,630</b>	<b>10,996</b>	<b>9,578</b>	<b>279,390</b>

## SECTION 3 : Statement of Accounts

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

#### Movements in 2017/18

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost or Valuation</b>								
As at 1 April 2017	6,473	146,092	33,850	124,537	5,700	7,010	9,788	<b>333,450</b>
Additions	1,003	1,963	982	1,818	44	137	6,466	<b>12,413</b>
Accumulated Depreciation Written Off to Gross Carrying Amount	(3)	(3,948)	-	-	-	(22)	-	<b>(3,973)</b>
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	-	(205)	-	-	-	-	-	<b>(205)</b>
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	94	(2,330)	-	-	-	1,921	-	<b>(315)</b>
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(1,036)	(901)	-	-	(110)	671	-	<b>(1,376)</b>
Derecognition-Disposals	-	(387)	(230)	-	-	(215)	-	<b>(832)</b>
Reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	<b>-</b>
Reclassified (to)/from Investment Property	-	(475)	-	-	-	1,592	-	<b>1,117</b>
Other movements in Cost or Valuation	377	725	9	139	(14)	235	(1,470)	<b>1</b>
<b>At 31 March 2018</b>	<b>6,908</b>	<b>140,534</b>	<b>34,611</b>	<b>126,494</b>	<b>5,620</b>	<b>11,329</b>	<b>14,784</b>	<b>340,280</b>
<b>Accumulated Depreciation and Impairment</b>								
As at 1 April 2017	-	(3,747)	(21,672)	(52,558)	-	-	-	<b>(77,977)</b>
Depreciation Charge	(113)	(2,078)	(2,763)	(4,171)	-	(19)	-	<b>(9,144)</b>
Depreciation written out to the Revaluation Reserve	(44)	(825)	(99)	-	-	(8)	-	<b>(976)</b>
Accumulated Depreciation Written Off to Gross Carrying Amount	3	3,948	-	-	-	22	-	<b>3,973</b>
Accumulated Impairment Written Out to Gross Carrying Amount	-	10	-	-	-	-	-	<b>10</b>
Derecognition - Disposals	-	35	230	-	-	3	-	<b>268</b>
Reclassified (to) / from Investment Property	-	54	-	-	-	-	-	<b>54</b>
Other movements in Depreciation and Impairment	-	3	-	-	-	(5)	-	<b>(2)</b>
<b>At 31 March 2018</b>	<b>(154)</b>	<b>(2,600)</b>	<b>(24,304)</b>	<b>(56,729)</b>	<b>-</b>	<b>(7)</b>	<b>-</b>	<b>(83,794)</b>
<b>Net Book Value</b>								
At 31 March 2018	6,754	137,934	10,307	69,765	5,620	11,322	14,784	<b>256,486</b>
<b>Nature of Asset Holding</b>								
Owned	6,754	137,934	9,892	69,765	5,620	11,322	14,784	<b>256,071</b>
Finance Lease	-	-	415	-	-	-	-	<b>415</b>
<b>Total</b>	<b>6,754</b>	<b>137,934</b>	<b>10,307</b>	<b>69,765</b>	<b>5,620</b>	<b>11,322</b>	<b>14,784</b>	<b>256,486</b>



## SECTION 3 : Statement of Accounts

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

#### Depreciation

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

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

#### Revenue Expenditure Funded from Capital Under Statute

The cost of Revenue Expenditure Funded from Capital Under Statute is charged to the Comprehensive Income and Expenditure Account. An amount of £6.240m (£2.010m in 2017/18) has been charged to Services and is shown as a reconciling item within Note 5 (Adjustments between Accounting Basis and Funding Basis under Regulations.) This was financed by corporate resources of £0.509m (£0.477m in 2017/18), capital grants of £5.179m (£1.532m in 2017/18), capital receipts of £0.236m (nil in 2017/18) and prudential borrowing of £0.316m (£0.001m in 2017/18).

#### Capital Commitments

As at 31 March, 2019, the Council had rephased capital expenditure totalling £37.593m into 2019/2020, of which £9.255m will be funded from grant, £20.911m will be funded by prudential borrowing and the remaining £7.427m will be funded from the Council's own resources. The comparable rephased capital expenditure at 31 March, 2018 was £24.311m. The Council has entered into a number of contracts for which capital monies are committed.

The major commitments are:

<b>Scheme</b>	<b>Total Project Budget £000s</b>	<b>Expenditure over Years to 31 March 19 £000s</b>	<b>Commitment £000s</b>
Elwick By-Pass Growing Places	11,826	331	11,495
Innovation and Skills Quarter	9,504	8,506	998
Empty Property Purchasing Scheme - Phase 2	5,338	4,601	737
Empty Property Purchasing Scheme - Phase 3	3,027	521	2,506

#### Surplus Assets - Fair Value Disclosures

Details of the authority's surplus assets and information about the fair value hierarchy at 31 March, 2019 are as follows:

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March 2019
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Recurring fair value measurements using:				
Surplus Assets	-	8,362	2,634	<b>10,996</b>
Total	-	<b>8,362</b>	<b>2,634</b>	<b>10,996</b>

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

#### Significant Observable inputs – Level 2

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

#### Significant Unobservable Inputs – Level 3

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

#### Change in Valuation Method

There has been no change in the valuation method from 2017/18. In 2018/19 the estimation of the fair value of the Council's Surplus Assets is based on Fair Value Market Value.

## SECTION 3 : Statement of Accounts

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

The Council carries out a rolling programme that ensures that all property, plant and equipment is revalued at least every five years. All valuations were carried out internally and valuations are based on certificates issued by the Council's Strategic Asset Manager, Mr T Wynn, a member of the Royal Institute of Chartered Surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost.

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

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

The following statement shows the progress of the Council's rolling programme for the revaluation of non current assets and property, plant and equipment, excluding Community Assets (£5.630m), Heritage Assets (£17.674m), Infrastructure Assets (£83.970m), Intangible Assets (£0.625m) and Property, Plant and Equipment under construction (£9.578m). The basis for the valuation is set out in the Statement of Accounting Policies.

	<b>Operational Assets</b>				
	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Valued at Historical Cost</b>	-	-	9,607	-	9,607
<b>Valued at current value as at:</b>					
<u>Current Year</u>					
2018/2019	7,168	106,953	-	3,343	117,464
2017/2018	-	23,525	-	3,343	26,868
2016/2017	24	17,212	-	4,263	21,499
2015/2016	-	4,061	-	47	4,108
2014/2015	-	666	-	-	666
<b>Total</b>	<b>7,192</b>	<b>152,417</b>	<b>9,607</b>	<b>10,996</b>	<b>180,212</b>

#### Alternative Valuation Model

Council Dwellings are measured at current value - social housing, Other Land and Buildings are measured at current value and Surplus Assets are measured at fair value. If the Council had chosen to measure the value of these assets under the cost model, their carrying amount as at 31 March, 2019 would have been:

	<b>£000s</b>
Other Land & Buildings	63,329
Council Dwellings	5,065
Surplus Assets	848

## SECTION 3 : Statement of Accounts

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

#### Revaluation Reserve Balance

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

2017/18 £000s		2018/19 £000s
1,361	Council Dwellings	1,368
40,804	Other Land & Buildings	55,150
100	Vehicles, Plant and Equipment	-
7	Community Assets	7
6,198	Surplus Assets	5,840
597	Investment Properties	748
4,843	Heritage Assets	7,451
<b>53,910</b>		<b>70,564</b>

### Note 16: Non Current Assets - Investment Property

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

2017/18 £000s		2018/19 £000s
(809)	Rental income from investment property	(466)
44	Direct operating expenses arising from investment property	45
<b>(765)</b>	<b>Net (gain)/loss</b>	<b>(421)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or carry out repairs, maintenance or enhancement.

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

2017/18 £000s		2018/19 £000s
17,616	Balance at the start of the year	14,201
-	Additions: Acquisitions	331
4	Additions: Subsequent expenditure	-
(90)	Disposals	-
(2,158)	Net Gains/(Losses) from fair value adjustments	(683)
(1,171)	Transfers: (To)/from Property, Plant & Equipment	329
<b>14,201</b>	<b>Balance at the end of the year</b>	<b>14,178</b>

## SECTION 3 : Statement of Accounts

### Note 16: Non Current Assets - Investment Property

#### Investment Property - Fair Value Disclosures

Details of the Council's investment properties and information about the fair value hierarchy at 31 March, 2019 are as follows:

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March 2019
<i>Recurring fair value measurements using:</i>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Office Units	-	2,009	-	<b>2,009</b>
Commercial Units	-	10,556	1,613	<b>12,169</b>
<b>Total</b>	<b>-</b>	<b>12,565</b>	<b>1,613</b>	<b>14,178</b>

There were no transfers between valuation levels in year.

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

##### Significant Observable Inputs - Level 2

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

##### Significant Unobservable Inputs - Level 3

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

#### Highest and Best Use of Investment Properties

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

## SECTION 3 : Statement of Accounts

### Note 17: Non Current Assets - Heritage Assets

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

<b>2018/19</b>	<b>Museum Exhibits &amp; Art Collection</b>	<b>Civic Collection</b>	<b>Sculptures, Monuments &amp; War Memorials</b>	<b>Total</b>
<b>Cost or Valuation</b>				
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
At 1 April 2018	13,373	354	1,339	15,066
Revaluations	2,608	-	-	2,608
<b>At 31 March 2019</b>	<b>15,981</b>	<b>354</b>	<b>1,339</b>	<b>17,674</b>

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

#### Museum Exhibits & The Art Collection

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

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

Hartlepool has an impressive and important collection of over 1,000 pieces of fine art. The collection is mainly Victorian and Edwardian in period, largely as a result of the founding collection by Sir William Gray. With few exceptions, most subsequent collecting has been the work of artists living or working at least part of their lives in the Hartlepool area. There were no donations in 2018/19.

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

Almost all of the plans relate to ships built by Gray's shipyard from 1927 to the yards closure in 1961. When the shipyard closed, the plans were still of importance and often bought by other ship builders. In the mid 1980s many of the plans were returned to Hartlepool and now feature in the collection.

#### Civic Collection

The Civic Collection includes the Civic Regalia, ceremonial silverware, and a number of decorative artefacts. The Books of Remembrance have been included within the Civic Collection and are held at Historic Cost. The collection was revalued early 2018/19 and revised valuations are reflected in the 2018/19 accounts.

#### Valuation of the Collections

Although there is no requirement to have Heritage assets externally valued, during 2018/19 external valuers Anderson & Garland Ltd carried out an insurance based valuation of the assets. Museum exhibits and Works of Art were valued at £15.981m and £0.354m for the Civic Collection, compared to previous valuations of £13.128m and £0.354m respectively.

## SECTION 3 : Statement of Accounts

### Note 17: Non Current Assets - Heritage Assets

#### Sculptures, Monuments & War Memorials

The Council has recorded 11 Public Works of Art, nine Sculptures and six War Memorials which are considered to principally contribute towards this category of asset.

#### Policy and Management

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

### Note 18: Non Current Assets - Intangible Assets

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

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

The carrying amount of intangible assets is amortised on a straight line basis. No amortisation is recognised in year of purchase.

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

2017/18 £000s		2018/19 £000s
	<b>Additions</b>	
-	Purchases	625
-	Net carrying amount at end of year	625
	<b>Comprising</b>	
-	Gross carrying amounts	625
-		<b>625</b>

### Note 19: Long Term Investments

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

2017/18 £000s		2018/19 £000s
-	Durham and Tees Valley Airport Limited	-
197	Suez Recycling and Recovery Tees Valley Limited (formerly SITA Tees Valley Limited)	197
<b>197</b>		<b>197</b>

The Council owns 1.1% of the shares in Durham Tees Valley Airport Limited. The Shares have been valued at nil for 2018/19 (nil 2017/18).

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

These assets are held on the balance sheet at Fair Value through Comprehensive Income. Further details in relation to the valuation of these assets is disclosed in Note 45 & 46 Financial Instruments.

Further details of the Council's long term investments are included in Note 38 Related Party Transactions.

## SECTION 3 : Statement of Accounts

### Note 20: Long Term Debtors

This note sets out the value of Long Term Debtors held by the Council at 31 March, 2019.

2017/18 £000s		2018/19 £000s
6	Housing Advances	6
77	Trincomalee Loan and Advances	77
67	Car Loans to Employees	54
596	NDC Trust Loan	591
1,396	Northern School of Art	1,341
-	Suez Recycling and Recovery Ltd	1,337
428	Other	495
<b>2,570</b>		<b>3,901</b>

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

The Suez Recycling and Recovery Ltd debtor reflects a payment in advance that was made in order to secure static gate fees for the Energy from Waste plant. The term is for seven years inclusive of 2018/19 to 2024/25 and is amortised over this period.

### Note 21: Inventories

This note sets out the value of inventories held by the Council at 31 March, 2019.

2017/18 £000s		2018/19 £000s
268	Balance at 1 April	233
2,191	Purchases	2,104
(2,221)	Recognised as an expense in year	(2,064)
(14)	Written off balances	(18)
9	Written back balances	15
<b>233</b>	<b>Balance at 31 March</b>	<b>270</b>

### Note 22: Short Term Debtors

This note sets out amounts owed to the Council as at 31 March, 2019.

2017/18 £000s		2018/19 £000s
8,250	Central Government Bodies	4,178
1,046	Other Local Authorities	1,712
190	NHS Bodies	409
	<b>Bodies external to general government:</b>	
3,827	General and Other Debtors	3,133
1,723	Payments in Advance	2,021
4,210	Council Tax Payers	5,358
381	NNDR Payers	375
1,880	Trade Debtors	1,874
<b>21,507</b>		<b>19,060</b>

## SECTION 3 : Statement of Accounts

### Note 23: Debtors for Local Taxation

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

2017/18 £000s		2018/19 £000s
2,189	Less than 1 year	2,383
5,423	More than 1 year	6,078
<u>7,612</u>		<u>8,461</u>

The above analysis does not include bad debt provision of £2.728m (£3.021m in 2017/18).

### Note 24: Cash and Cash Equivalents

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

2017/18 £000s		2018/19 £000s
	<b>Assets</b>	
4,406	Bank and Imprests	2,010
54	Liquidity Investment Accounts	3,056
<u>4,460</u>		<u>5,066</u>

### Note 25: Short Term Creditors

This note sets out amounts owed by the Council as at 31 March, 2019.

2017/18 £000s		2018/19 £000s
5,849	Central Government Bodies	5,124
2,361	Other Local Authorities	2,138
411	NHS Bodies	62
	<b>Bodies external to General Government:</b>	
6,047	General and Other Creditors	5,739
1,918	Trade Creditors	3,263
1,557	Employee Absences	1,488
858	Income in Advance	736
626	Council Tax Payers	687
327	NNDR Payers	322
<u>19,954</u>		<u>19,559</u>



## SECTION 3 : Statement of Accounts

### Note 26: Provisions

Total provisions at 31 March, 2019, were £4.485m (£4.048m in 2017/18), as detailed below.

#### Current Liabilities

		2018/19			Total
		Litigation (Note 1)	Rating Appeals (Note 2)	MMI Insurance (Note 3)	
2017/18					
£000s		£000s	£000s	£000s	£000s
1,939	<b>Balance at 1 April</b>	412	2,345	-	<b>2,757</b>
1,568	Additional provisions made in year	345	881	-	<b>1,226</b>
(470)	Amounts used in year	(2)	(716)	-	<b>(718)</b>
(152)	Transfer in Year	-	-	-	-
(128)	Unused amounts reversed in year	(71)	-	-	<b>(71)</b>
2,757	<b>Balance at 31 March</b>	684	2,510	-	<b>3,194</b>

#### Long Term Liabilities

		2018/19			Total
		Custodian Authority Property Charges (Note 4)	Contaminated Land (Note 5)	MMI Insurance (Note 3)	
2017/18					
£000s		£000s	£000s	£000s	£000s
1,139	<b>Balance at 1 April</b>	97	634	560	<b>1,291</b>
152	Transfers in Year	-	-	-	-
1,291	<b>Balance at 31 March</b>	97	634	560	<b>1,291</b>

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

Note 2 - Rating Appeals - following the implementation of the Business Rates Retention Scheme, this provision is earmarked to fund backdated appeals as a result of Rateable Value changes. These costs were previously met by Central Government.

Note 3 - In September 1992 Municipal Mutual Insurance (MMI), the Council's former insurers, ceased accepting new business. MMI and its policyholders, including local authorities, have established a Scheme of Arrangement for the orderly run down of the company. MMI do not have enough assets to meet the claims and liabilities currently outstanding. The Scheme of Arrangement provides that, if there is a likelihood of a shortfall, MMI can reclaim from the major policyholders part of the claims paid from 1st October 1992. The Scheme of Arrangement under section 899 of the Companies Act 2006 was triggered in November 2012. From April 2016, the Creditors Committee set a levy rate of 25% (previously 15%) based on a percentage share of the liabilities outstanding. Therefore the Council has recognised a £0.560m provision in the accounts for these liabilities.

Note 4 - Custodian Authority Property Charges - this provision is earmarked to meet the Council's share of the costs of the Custodian Authority properties inherited from the former Cleveland County Council.

Note 5 - Contaminated Land - in accordance with the Environmental Protection Act 1990, a provision for the Council's obligations arising from decontamination costs of areas of contaminated land where there is a significant possibility of causing significant harm to human health.

## SECTION 3 : Statement of Accounts

### Note 27: Other Long Term Liabilities

The Finance lease liability relates to the outstanding principal on the Council's finance leases. Further details are included in Note 43 Finance Leases. The finance lease liability has decreased as a result of repayments of the lease principal, exceeding additions in year. The net pensions liability has decreased as a result of greater returns on assets. See Note 53 for further information.

2017/18 £000s		2018/19 £000s	Note
180	Finance lease liability	150	43
124,837	Net Pensions liability	119,100	37
<u>125,017</u>		<u>119,250</u>	

### Note 28: Grant Income & Taxation

#### Credited to Taxation and Non Specific Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19.

2017/18 £000s		2018/19 £000s
13,786	Revenue Support Grant	10,800
36,735	Council Tax Income	39,147
523	NNDR Safety-Net Grant	-
13,222	NNDR Redistribution	14,655
9,829	NNDR - Top-Up	10,125
1,958	New Homes Bonus Grant	1,612
1,418	Business Rates Relief	1,621
749	Capital - Environment Agency	588
3,907	Capital - Tees Valley Combined Authority / Local Transport Plan	8,892
964	Capital - Other DfE Grants	1,220
418	Capital - Homes & Communities Agency	699
39	Capital - Devolved Formula Capital Grant	73
3	Capital - Building Schools for the Future	10
1,103	Other Capital Grants & Contributions	3,033
<u>84,654</u>	<b>Total</b>	<u>92,475</u>

## SECTION 3 : Statement of Accounts

### Note 28: Grant Income & Taxation

#### Credited to Services

2017/18 £000s		2018/19 £000s
47,938	Dedicated Schools Grant	47,889
37,689	Housing Benefit Subsidy	32,182
8,995	Public Health Grant	8,764
6,819	Better Care Fund	6,949
2,123	Other Department for Education Grants	5,757
4,362	Other Grants	5,001
3,921	Pupil Premium	3,892
2,708	Improved Better Care Fund (iBCF)	3,737
5,002	Youth Employment Initiative (Department for Work & Pensions)	2,888
1,065	Education Funding Agency/ Skills Funding Agency	846
855	Department for Work & Pensions	765
704	Housing Benefit and Council Tax Benefit Administration	646
535	Ministry of Housing, Communities & Local Government - Troubled Families	615
620	Independent Living Fund	601
-	Winter Pressures Funding for Adult Social Care	501
182	Department of Health Grants	139
232	Education Services Grant	-
<b>123,750</b>	<b>Total</b>	<b>121,172</b>

#### Current Liabilities

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

#### Grant Receipts in Advance (Capital Grants)

2017/18 £000s		2018/19 £000s
87	Environment Agency	119
2,697	Tees Valley Combined Authority / Local Transport Plan	2,713
4,585	Other Department for Education Grants	2,794
49	Building Schools for the Future	40
53	Department for Transport	53
2,436	Other Capital Grants & Contributions	3,614
<b>9,907</b>	<b>Total</b>	<b>9,333</b>

#### Grant Receipts in Advance (Revenue Grants)

2017/18 £000s		2018/19 £000s
136	Education Funding Agency/ Skills Funding Agency	94
255	Tees Valley Combined Authority	951
461	Other Department for Education	526
492	Other Grants	641
<b>1,344</b>	<b>Total</b>	<b>2,212</b>

## SECTION 3 : Statement of Accounts

### Note 29: Unearmarked General Fund Reserve

The General Fund Balance of £4.417m held at 31 March, 2019 is held to meet unforeseen commitments not funded from Earmarked Reserves. Any use of this reserve will need to be repaid to ensure the Council can continue to manage unforeseen commitments.

<b>2017/18</b>		<b>2018/19</b>
<b>£000s</b>		<b>£000s</b>
4,417	General Fund Balance	4,417
<b>4,417</b>		<b>4,417</b>

### Note 30: Budget Support & Investment Reserves

This note sets out the Budget Support & Investment Reserves balances at 31 March, 2019

<b>2017/18</b>		<b>2018/19</b>	<b>Note</b>
<b>£000s</b>		<b>£000s</b>	
2,152	Adult Social Care Reserves	-	<b>1</b>
2,605	Budget Support Fund 2019/20	8,844	<b>2</b>
2,439	Business Rates Risk Reserve	-	<b>3</b>
845	MTFS Investment Reserve	845	<b>4</b>
1,170	Looked After Children Reserves	-	<b>5</b>
-	Business Rates Levy	430	<b>6</b>
<b>9,211</b>		<b>10,119</b>	

- 1 This reserve provided support over the period of the MTFS to fund increasing demographic and historic budget pressures within Adult Social Care.
- 2 This reserve has been established to support the budget.
- 3 This reserve was established to address the financial impact of the Business Rates being relocalised in April 2013 and the implementation of the 'safety net' arrangements.
- 4 This reserve will be used to fund the five year capital plan including works at the Borough Hall, Church Square, Seaton Waterfront and building condition issues.
- 5 This reserve was fully utilised in 2018/19.
- 6 This amount is the Council's share of the one-off Business Rates Levy account funding distributed by the Government and is allocated to support the 2019/20 budget.

### Note 31: School Balances

This note sets out the Schools Reserves at 31 March, 2019

<b>2017/18</b>		<b>2018/19</b>	<b>Note</b>
<b>£000s</b>	<b>School Balances</b>	<b>£000s</b>	
1,001	Balances held by schools under a scheme of delegation	(13)	<b>1</b>
717	School Strategic Change & Ring Fenced Grants Reserves	903	<b>2</b>
249	Other Fund School Balances	247	<b>3</b>
<b>1,967</b>		<b>1,137</b>	

- 1 Schools have utilised their reserves to assist with decreases in Dedicated Schools Grant and to fund planned capital works. Further details are available from the Children's & Joint Commissioning Department.
- 2 These risk reserves are held in trust for Schools to manage specific commitments and one-off risks.
- 3 School balances generated from other funding.

## SECTION 3 : Statement of Accounts

### Note 32: Housing Revenue Account Reserve

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

<b>2017/18</b>		<b>2018/19</b>
<b>£000s</b>		<b>£000s</b>
537	HRA Balance	347
<b>537</b>		<b>347</b>

### Note 33: Revenue Grant Unapplied

Revenue Grants unapplied are grants received for specific commitments in 2019/20 or future years in accordance with grant conditions.

<b>2017/18</b>		<b>2018/19</b>
<b>£000s</b>		<b>£000s</b>
4,195	Revenue Grant Unapplied	3,909
<b>4,195</b>		<b>3,909</b>

### Note 34: Earmarked Revenue Reserves

This note sets out the balances held in Earmarked Revenue Reserves as at 31 March, 2019.

<b>2017/18</b>		<b>2018/19</b>	<b>Note</b>
<b>£000s</b>		<b>£000s</b>	
3,323	Strategic One Off Costs	3,323	<b>1</b>
4,468	Insurance Fund	2,226	<b>2</b>
-	Adult Social Care Reserve	1,333	<b>3</b>
1,207	Strategic Change Reserves	1,283	<b>4</b>
795	Treasury Management Risk Reserve	1,106	<b>5</b>
1,406	Public Health Grant Reserve	676	<b>6</b>
-	Education Improvement Strategy Reserve	450	<b>7</b>
400	Income Risk Reserve	400	<b>8</b>
300	Support for Local Council Tax Support Scheme	300	<b>9</b>
411	Lotteries Reserve	263	<b>10</b>
220	Better Care Fund Reserve	220	<b>11</b>
402	School Attainment Reserve	143	<b>12</b>
295	National Museum of the Royal Navy Reserve	142	<b>13</b>
245	Trading Account Reserves	113	<b>14</b>
217	Tees Education & Skills Reserve	105	<b>15</b>
-	Brexit Funding	105	<b>16</b>
358	Supporting Family Poverty	75	<b>17</b>
41	Members Ward Budget Reserve	35	<b>18</b>
70	Museums Acquisition	29	<b>19</b>
48	Funding for Modern Apprentices	28	<b>20</b>
38	Concessionary Fares	20	<b>21</b>
17	Environmental Apprenticeships Scheme	17	<b>22</b>
15	Works in Default Empty Homes	15	<b>23</b>
-	Centre of Excellence in Creative Arts Trading Reserves	5	<b>24</b>
901	Capital Risk Strategy Reserve	-	
324	Regeneration Projects	-	
118	Education Commission Reserve	-	
<b>15,619</b>		<b>12,412</b>	

### Note 34: Earmarked Revenue Reserves

- 1 This reserve was created to cover one-off strategic financial issues including redundancy and early retirement costs over the period of the MTFS.
- 2 This reserve provides for all payments that fall within policy excesses or relate to self-insured risks. The reserve currently covers the estimated value of unpaid outstanding claims.
- 3 This reserve will be used to fund a range of one-off initiatives and to support the budget to fund increasing demographic and cost pressures within Adult Social Care.
- 4 Strategic Change Reserves have been established to enable departments to meet one-off costs that will arise from strategic changes to improve services, or reduce costs, without affecting the level of services in the year.
- 5 This reserve was created as part of the 2013/14 MTFS to manage the risk of interest rates increasing and to ensure permanent saving built into the MTFS can be achieved if interest rates increase. This was approved by Council 14th February, 2013.
- 6 This reserve was created from in-year underspends against the ring-fenced Public Health Grant. In accordance with the grant conditions a ring-fenced reserve has been created to support public health services in future
- 7 This reserve is earmarked for the Education Improvement Strategy approved by Children's Services Committee on 13th November, 2018.
- 8 This reserve was created as part of the 2013/14 MTFS approved by Council 4th February, 2013 and is earmarked to offset in-year income shortfalls.
- 9 This reserve was created to partly mitigate the impact of the change to the Council Tax Benefit regime and the resulting cut in Government Grant.
- 10 The Lotteries Reserve, which consists of the proceeds of the Civic Lottery and donations received, is an earmarked reserve and the investment income generated has been earmarked to fund the delivery of the 5 year events programme.
- 11 This reserve was created as a contingency to support the Adult Social Care budgets in future years arising from the impact of the Better Care Fund.
- 12 This reserve was created towards improving School Attainment.
- 13 This reserve was created to fund the contributions required to support the Hartlepool Maritime Experience and developments with the National Museum of the Royal Navy (NMRN).
- 14 This reserve is earmarked to manage future financial risks on Trading Operations.
- 15 This reserve was created from pooled resources from the local authorities of Hartlepool, Middlesbrough, Stockton and Redcar & Cleveland, to enable a collaborated approach to tackle the root cause of educational underperformance and deliver a first class education and skills system.
- 16 This reserve is earmarked for potential future costs relating to Brexit.
- 17 This reserve was created to Support Family Poverty over the period of the MTFS.
- 18 This reserve is to be used by Members to support minor works within their Wards.
- 19 The Museums Acquisition Reserve was set up from external donations for the acquisition of items for the Museum.
- 20 This amount will be used over the period of the MTFS to provide Modern Apprenticeships.
- 21 This reserve is to cover the tri-annual cost of replacing Concessionary Fare passes.
- 22 This reserve was created to fund costs over more than one financial year in relation to Apprentices.
- 23 This reserve has been created to provide a cash backed fund for the completion of housing works in default.
- 24 This reserve has been established to mitigate risk of any Centre of Excellence in Creative Arts income shortfalls in future years.

## SECTION 3 : Statement of Accounts

### Note 35: Earmarked Capital Reserves

This note sets out the balances held in Earmarked Capital Reserves as at 31 March, 2019.

<b>2017/18</b>		<b>2018/19</b>	<b>Note</b>
<b><u>£000s</u></b>		<b><u>£000s</u></b>	
9,816	Capital Funding Reserve	8,462	<b>1</b>
-	Capital Receipts Unapplied	28	<b>2</b>
361	HRA Major Repairs Reserve	616	<b>3</b>
20	Capital Grants Unapplied	20	<b>4</b>
<b><u>10,197</u></b>		<b><u>9,126</u></b>	

- 1 The Capital Funding Reserve is earmarked to finance capital expenditure rephased to 2019/20.
- 2 Capital Receipts Unapplied are earmarked to finance capital expenditure rephased to 2019/20.
- 3 This reserve is Ringfenced to the HRA and can only be used to fund major repairs or repayments of borrowing.
- 4 These are capital grants that will be used to finance capital expenditure in future years.

### Note 36: Business Rates Safety Net Grant Reserves

This reserve has been transferred to the Budget Support Fund in line with the MTFS.

<b>2017/18</b>		<b>2018/19</b>
<b><u>£000s</u></b>		<b><u>£000s</u></b>
1,480	Business Rates Safety Net Grant Reserve	-
<b><u>1,480</u></b>		<b><u>-</u></b>

## SECTION 3 : Statement of Accounts

### Note 37: Unusable Reserves

The Unusable Reserves are shown below.

2017/18 £000s		2018/19 £000s	Table
53,910	Revaluation Reserve	70,564	1
197	Available for Sale Financial Instruments Reserve	-	2
131,885	Capital Adjustment Account	139,847	3
(124,837)	Pensions Reserve	(119,100)	4
366	Deferred Capital Receipts Reserve	366	5
(949)	Collection Fund Adjustment Account	(1,286)	6
(1,557)	Accumulated Absences Account	(1,488)	7
-	Financial Instruments Revaluation Reserve	197	8
<b>59,015</b>		<b>89,100</b>	

#### Table 1 - Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

2017/18 £000s		2018/19 £000s
<b>55,507</b>	<b>Balance at 1 April</b>	<b>53,910</b>
7,201	Upward revaluation of assets	21,620
(7,516)	Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	(3,227)
-	Impairment losses not charged to the Surplus/Deficit on the Provision of Services	-
<b>(315)</b>	<b>Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>18,393</b>
(976)	Difference between fair value depreciation and historical cost depreciation	(882)
-	Write off of Revaluation Reserve following Category Transfer	(37)
(306)	Accumulated gains/(losses) on assets sold, scrapped or decommissioned	(820)
(1,282)	Amount written off to the Capital Adjustment Account	<b>(1,739)</b>
<b>53,910</b>	<b>Balance at 31 March</b>	<b>70,564</b>

#### Table 2 - Available for Sale Financial Instruments Reserve

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

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

2017/18 £000s		2018/19 £000s
197	<b>Balance at 1 April</b>	<b>197</b>
-	Transfer to Financial Instruments Revaluation Reserve	(197)
<b>197</b>	<b>Balance at 31 March</b>	<b>-</b>



## SECTION 3 : Statement of Accounts

### Note 37: Unusable Reserves

**Table 3 -Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

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

2017/18 £000s		2018/19 £000s
<b>133,219</b>	<b>Balance at 1 April</b>	<b>131,885</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(10,315)	- Charges for depreciation and impairment of non-current assets	(9,836)
(1,376)	- Revaluation losses on Property, Plant and Equipment	(4,205)
	- Revaluation gains on Property, Plant and Equipment	4,400
(2,010)	- Revenue expenditure funded from capital under statute	(6,240)
(654)	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,923)
(14,355)		<b>(17,804)</b>
1,282	Adjusting amounts written out of the Revaluation Reserve	1,739
(13,073)	Net written out amount of the cost of non-current assets consumed in the year	<b>(16,065)</b>
	Capital financing applied in the year:	
285	- Use of the Capital Receipts Reserve to finance new capital expenditure	236
38	- Use of the Major Repairs Reserve to finance new capital expenditure	38
-	- Use of the Capital Receipts Reserve to repay prudential borrowing	-
8,702	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	19,695
288	- Application of grants to capital financing from the Capital Grants Unapplied Account	-
2,349	- Statutory provision for the financing of capital investment charged against the General Fund	2,347
2,235	- Direct revenue funding credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,394
13,897		<b>24,710</b>
(2,158)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(683)
<b>131,885</b>	<b>Balance at 31 March</b>	<b>139,847</b>

## Note 37: Unusable Reserves

**Table 4 - Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017/18 £000s		2018/19 £000s
(117,899)	<b>Balance at 1 April</b>	(124,837)
2,366	Remeasurement of defined liability on pensions assets and liabilities	14,908
-	Net Acquisition/(disposal) of pensions assets and liabilities	811
(17,111)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(18,397)
7,807	Employer's pensions contributions and direct payments to pensioners payable in the year	8,415
(124,837)	<b>Balance at 31 March</b>	<b>(119,100)</b>

**Table 5 - Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2017/18 £000s		2018/19 £000s
366	<b>Balance at 1 April</b>	366
-	Transfers in Year	-
<b>366</b>	<b>Balance at 31 March</b>	<b>366</b>

**Table 6 - Collection Fund Adjustment Account**

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

2017/18 £000s		2018/19 £000s
(1,396)	<b>Balance at 1 April</b>	(949)
447	Amount by which Council Tax and Non-Domestic Rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non-Domestic Rates income calculated for the year in accordance with statutory requirements	(337)
(949)	<b>Balance at 31 March</b>	<b>(1,286)</b>

### Note 37: Unusable Reserves

**Table 7 - Accumulated Absences Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March, 2019. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2017/18 £000s		2018/19 £000s
(1,475)	<b>Balance at 1 April</b>	(1,557)
1,475	Settlement or cancellation of accrual made at the end of the preceding year	1,557
(1,557)	Amounts accrued at the end of the current year	(1,488)
(82)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	69
(1,557)	<b>Balance at 31 March</b>	<b>(1,488)</b>

**Table 8 - Financial Instruments Revaluation Reserve**

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

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

2017/18 £000s		2018/19 £000s
-	<b>Balance at 1 April</b>	-
-	Transfer from the Available for Sale Financial Instrument Account	197
-	<b>Balance at 31 March</b>	<b>197</b>

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

### Note 38: Related Party Transactions

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

#### Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments including grants receipts outstanding at 31 March, 2019 are shown in Note 28.

#### Members

Members of the Council have direct control over the Council's Financial and Operating Policies. The total of Members' allowances paid in 2018/19 is shown in Note 11.

The Council pays grants and/or makes contractual payments to voluntary organisations where an individual Councillor(s) may sit on the management board. As required by the Health and Social Care Act 2012, the Council has entered into a contract with Healthwatch Hartlepool for a value of £106,485 (£129,056 in 2017/18). Two of our elected Members are employed by Healthwatch Hartlepool. In addition, the Council also awarded contracts to Paul's Travel for a value of £89,954 (£81,662 in 2017/18). One of our elected Members is employed by Paul's Travel. In both instances the Members were not involved in any decisions relating to these arrangements. Details of these interests are recorded in the Register of Members' Interest, open to public inspection at the Civic Centre during office hours.

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

#### Officers

Members of the Corporate Management Team are required to provide an annual declaration of interest and to keep this under review during the year. All declarations have been reviewed and no declarations required disclosure.

### Note 38: Related Party Transactions

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

In 2018/19 the Council provided various support services, predominantly in relation to financial services, to Cleveland Fire Authority for which it received income of £0.192m (£0.217m in 2017/18). In particular, the Director of Finance and Policy holds the position of Treasurer.

The Council continues to provide a range of support services to Thirteen Group such as Legionella Management. The income from these services amounted to £0.475m (£0.153m in 2017/18) which represented the cost of the service provided.

The Council receives income from 'Right to Buy' receipts in relation to the sale of former council dwellings under the terms of the Large Scale Voluntary Transfer (LSVT) of its council housing stock to Thirteen Group in 2004. This income amounted to £0.110m (£0.229m in 2017/18).

The Council provides a range of Support Services to Hartlepool Academies, including Property Services, Payroll Services, Building Cleaning and School Catering. The income from the services amounted to £2.073m (£2.115m in 2017/18).

From 1 June, 2016 the Council commenced delivery of 'The Children's Hub' on behalf of Hartlepool and Stockton on Tees Councils. The Children's Hub is an integrated single point of access across North Tees providing multi-agency triage and assessment of enquiries about children. Other integrated partners within The Children's Hub include Cleveland Police, Harbour, North Tees and Hartlepool NHS Trust and Children & Adolescence Mental Health Service (CAMHS). Stockton Council contributed £0.624m, (£0.565m in 2017/18) towards the cost of this service.

#### Other

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

The Council's shareholding in Durham Tees Valley Airport Ltd is 1.1%. The Council has assessed a number of factors in detail and determined the valuation of the shares at nil for 2018/19 (nil in 2017/18).

Issues of note include a deficit on the Profit and Loss Account of £2.114m (previous year loss of £2.408m) and a net Liability position of £9.662m (previous year net liability position of £9.324m). Further information and copies of their accounts are available from their Registered Office – Liverpool John Lennon Airport, Liverpool, L24 1YD.

In addition, the Council holds shares in Suez Recycling and Recovery Tees Valley Limited (formerly SITA Tees Valley Limited) with a value of £0.197m, equating to 3.3% of a £5.964m 0% redeemable preference shareholding in the company. Suez Recycling and Recovery Tees Valley Limited have produced accounts for the financial year to 31 December, 2017, that includes a profit on the Profit and Loss Account of £3.971m (£0.269m loss in 2016) and a net asset position of £51.990m (£48.019m in 2016). Further information on their accounts is available from the Registered Office, Suez House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES. One of our Members and their partner are Director of Suez, this has been properly disclosed in the register of members interests.

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

## SECTION 3 : Statement of Accounts

### Note 39: Trading Operations

The Council previously determined to maintain separate trading accounts for trading operations. The (surplus)/deficit of each trading account is contained within the Regeneration and Neighbourhood Services departments net cost of services and totals £0.143m surplus in 2018/19 (£0.454m surplus in 2017/18).

2017/18 (Surplus) / Deficit £000s	Internal Trading Operations	Expenditure £000s	2018/19 Income £000s	(Surplus) / Deficit £000s
4	Catering	45	(51)	(6)
(153)	Building Maintenance	3,701	(3,625)	76
(69)	Highways Works	1,940	(1,996)	(56)
(307)	Fleet & Garage	3,188	(3,265)	(77)
(16)	Passenger Transport	1,045	(1,058)	(13)
29	Building Cleaning	2,287	(2,285)	2
0	School Catering	3,355	(3,424)	(69)
58	Garden Centre	-	-	-
(454)		<b>15,561</b>	<b>(15,704)</b>	<b>(143)</b>

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

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

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

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

Passenger Transport - transport services to schools, social care clients and external customers.

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

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

Garden Centre - operation was closed on 31st March, 2018.

The above figures reflect the actual cost of running the services which are used as the basis for charges to service users.

## SECTION 3 : Statement of Accounts

### Note 40: External Audit Costs

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

2017/18 £000s		2018/19 £000s
109	Fees payable in respect of external audit services carried out by the appointed auditor for the year	84
13	Fees payable for the certification of grant claims and returns for the year	20
122		104

### Note 41: Dedicated Schools Grant

The Council's expenditure on schools is primarily funded by grant monies provided by the Education Funding Agency (EFA), the Dedicated Schools Grant (DSG). The EFA recouped the funding for all existing and new academies in the Borough. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2017. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2018/19 are as follows: -

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2018/19 before Academy recoupment			80,675
Academy figure recouped for 2018/19			32,884
Total DSG after academy recoupment for 2018/19			47,791
Plus: Brought Forward from 2017/18			591
Less: Carry forward to 2019/20 agreed in advance			-
Agreed Initial Budget Distribution in 2018/19	15,965	32,417	48,382
In Year Adjustments	(2,811)	2,737	(74)
Final Budget Distribution for 2018/19	13,154	35,154	48,308
Less: Actual Central Expenditure	(12,612)		(12,612)
Less Actual Individual Schools Budget Deployed to Schools		(34,868)	(34,868)
Plus Local authority contribution for 2018/19		-	-
Carried forward to 2019/20	542	286	828

The total DSG for 2018/19 of £80.675m excludes the final adjusted allocation for the Early Years Block that is expected in June 2019. As per regulations, this amount is shown as an in-year adjustment for 2018/19.

## SECTION 3 : Statement of Accounts

### Note 42: Operating Leases

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

#### **Council as lessee**

2017/18 £000s	Future minimum lease payments due	2018/19 £000s
252	Not later than one year	192
397	Later than one year & not later than five years	268
75	Later than five years	45
<u>724</u>		<u>505</u>

#### **Council as lessor**

2017/18 £000s	Future minimum lease payments receivable	2018/19 £000s
465	Not later than one year	427
817	Later than one year & not later than five years	1,327
832	Later than five years	172
<u>2,114</u>		<u>1,926</u>

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres.
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The Council has sub-let some of the office accommodation held under these operating leases. At 31 March, 2019 the minimum payments expected to be received under non-cancellable sub-leases was £0.030m (£0.030m as at 31 March, 2018). Where appropriate the value of these leases are shown in Note 16.

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

2017/18 £000s		2018/19 £000s
	<b>Payments recognised as an expense</b>	
273	Minimum lease payments	261
(181)	Sub-lease payments	(119)
<u>92</u>	<b>Total</b>	<u>142</u>



## SECTION 3 : Statement of Accounts

### Note 43: Finance Leases

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

#### Council as lessee

2017/18 £000s		2018/19 £000s
	<b>Value of Assets held under Finance Leases</b>	
415	Vehicles, Plant & Equipment	467
415	<b>Total</b>	<b>467</b>

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

2017/18 £000s		2018/19 £000s
	<b>Future minimum lease payments due</b>	
109	Current	118
180	Non-current	150
27	Finance costs payable in the future	18
316	<b>Total minimum lease payments</b>	<b>286</b>

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

2017/18			2018/19	
Minimum Lease Payments £000s	Finance Lease Liabilities £000s		Minimum Lease Payments £000s	Finance Lease Liabilities £000s
		<b>Payable:</b>		
123	109	Not later than one year	127	118
193	180	Later than one year & not later than five years	159	150
316	289	<b>Total</b>	<b>286</b>	<b>268</b>

## SECTION 3 : Statement of Accounts

### Note 44: Capital Expenditure and Financing

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

2017/18 £000s		2018/19 £000s
101,455	<b>Brought Forward Opening Capital Financing Requirement</b>	101,992
	<b>Capital investment</b>	
12,413	Property, Plant and Equipment	19,012
-	Intangible Assets	625
4	Investment Properties	331
119	Heritage Assets	-
2,010	Revenue Expenditure Funded from Capital under Statute	6,240
(112)	Long Term Debtors	(54)
	<b>Sources of Finance</b>	
(285)	Capital receipts	(236)
(38)	Major Repairs Reserve	(38)
(8,990)	Government Grants and Other Contributions	(19,695)
	<u>Sums set aside from revenue:</u>	
(2,235)	Direct Revenue Contributions	(2,394)
(2,349)	Minimum Revenue Position (MRP)	(2,347)
101,992	<b>Closing Capital Financing Requirement</b>	<b>103,436</b>
	<b>Explanation of movements in year</b>	
(112)	Repayments by Long Term Debtors	(54)
-	Conversion of Loan to Grant	(1,774)
-	Increase in Finance Lease Obligations	88
2,998	Increase in borrowing unsupported by government financial assistance	5,532
(2,349)	Minimum Revenue Provision (MRP)	(2,347)
537	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>1,445</b>

## SECTION 3 : Statement of Accounts

### Note 45: Financial Instruments

#### Categories of Financial Instruments

The 2018/19 Code of Practice on Local Authority Accounting has adopted IFRS 9 Financial Instruments. IFRS 9 has introduced a number of changes to the disclosure of financial instruments. The new classifications are shown below with notes explaining the previous classifications.

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

31 March 2018 Restated			31 March 2019	
Long Term £000s	Current £000s		Long Term £000s	Current £000s
-	37,083	<b>Investments at Amortised Cost</b>	-	33,085
-	54	Loans and receivables at Amortised Cost (Note 1)	-	3,056
-	37,137	Liquidity Accounts included in Cash Equivalents	-	36,141
197	-	<b>Total Investments at Amortised Cost</b>	197	-
197	37,137	Assets at Fair Value through Other Comprehensive Income (Note 2)	197	-
		<b>Total Investments</b>	<b>197</b>	<b>36,141</b>
-	18,822	<b>Debtors</b>	-	16,781
2,570	7,677	Non-financial Assets (Note 3)	3,901	6,839
2,570	26,499	Financial Assets (including Trade Debtors and General and Other Debtors and Long Term Debtors) (Note 4)	3,901	23,620
		<b>Total debtors</b>	<b>3,901</b>	<b>23,620</b>
79,968	4,927	<b>Borrowings at Amortised Cost</b>	78,524	9,516
79,968	4,927	Financial liabilities at amortised cost (Note 5)	78,524	9,516
		<b>Total Borrowings at Amortised Costs</b>	<b>78,524</b>	<b>9,516</b>
180	-	<b>Other Long Term Liabilities</b>	150	-
180	-	Finance lease liabilities	150	-
		<b>Total Other Long Term Liabilities</b>	<b>150</b>	<b>-</b>
-	7,965	<b>Creditors</b>	-	8,886
-	7,965	Financial liabilities carried at contract amount (Trade Creditors and General and Other Creditors)	-	8,886
		<b>Total Creditors</b>	<b>-</b>	<b>8,886</b>

Note 1 - These assets were previously classified as "loans and receivables" and have been reclassified under IFRS 9 as "Loans and receivables at Amortised Cost." There was no adjustment to the carrying value in respect of this reclassification.

Note 2 - The Council holds minority shares in Durham Tees Valley Airport Ltd and in Suez Recycling and Recovery Tees Valley Limited. These share holdings originated through policy initiatives with other Local Authorities and are not held for trading or income generation. Therefore, the Council has elected to designate the equity as Fair Value through Other Comprehensive Income. These share holdings were previously classified as "available-for-sale financial assets." There was no adjustment to the carrying value in respect of this reclassification.

Note 3 - In line with previous requirements these assets were not previously disclosed as financial instruments. There was no adjustment to the carrying value in respect of this reclassification.

Note 4 - These assets were previously disclosed as "Loans and receivables (Trade Debtors and General and Other Debtors." In line with previous requirements Long Term Debtors were not previously disclosed as financial instruments. There was no adjustment to the carrying value in respect of this reclassification.

Note 5 - As required accrued interest relating to long term borrowing is disclosed within the short term borrowing figure on the balance sheet. These assets were previously classified as financial liabilities at amortised cost therefore no reclassification has been necessary in relation to the adoption of IFRS 9.

## SECTION 3 : Statement of Accounts

### Note 45: Financial Instruments

#### Income, Expense, Gains and Losses

This note comprises details of income, expenses and revaluation losses that relate specifically to financial instruments. Interest expense, interest income and gains or losses on revaluations are included along with other non financial instrument related income and expenditure within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. During 2018/19 there were no reclassifications or derecognitions of Financial Instruments.

2018/19			
Financial Liabilities measured at amortised cost	Finance Lease Payments	Financial Assets: Loans and receivables at amortised cost	Total
£000s	£000s	£000s	£000s
Interest expense	2,956	14	-
Interest income	-	-	(383)
<b>Net (gain)/loss for the year</b>	<b>2,956</b>	<b>14</b>	<b>(383)</b>

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

## SECTION 3 : Statement of Accounts

### Note 45: Financial Instruments

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

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

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

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

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

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under the PWLB debt redemption procedures;
- For non-PWLB loans payable, premature market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

31 March 2018			31 March 2019	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000s	£000s		£000s	£000s
<b>Financial Liabilities</b>				
45,377	92,324	Market Loans	51,379	99,555
37,355	48,319	Public Works Loan Board	36,661	48,832
2,163	2,158	Non-Market Loans	-	-
7,965	7,965	Trade Creditors and General and Other Creditors	8,886	8,886
180	180	Long Term Finance Lease Liability	150	150
<b>93,040</b>	<b>150,946</b>		<b>97,076</b>	<b>157,423</b>
31 March 2018			31 March 2019	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000s	£000s		£000s	£000s
<b>Financial Assets</b>				
37,137	37,137	Money market loans < 1 year	36,141	36,141
7,677	7,677	Short term debtors	6,789	6,789
<b>44,814</b>	<b>44,814</b>		<b>42,930</b>	<b>42,930</b>

## SECTION 3 : Statement of Accounts

### Note 45: Financial Instruments

The fair value of Public Works Loan Board (PWLB) loans of £48.832m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value is calculated by applying the PWLB redemption interest rates, which are lower than the borrowing interest rates. The fair value therefore measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates, taken to be these lower redemption interest rates. However, it should be noted that the borrowing interest rates on the debt drawn equated to the prevailing borrowing, as opposed to redemption rates at the Balance Sheet date.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £36.661m would be valued at £42.800m. However, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans would be the outstanding loan debt and accrued interest of £36.661m plus a penalty charge of £12.171m totalling £48.832m.

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional loss (based on economic conditions at 31 March, 2019) arising from a commitment to pay interest to lenders above current market rates.

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

#### Financial Assets Measured at Fair Value through Other Comprehensive Income

Some of the Council's financial assets are measured in the Balance Sheet at fair value through Other Comprehensive Income. As these share holdings originated through policy initiatives with other Local Authorities and are not held for trading or income generation the Council have elected to designate the equity as Fair Value through Other Comprehensive Income. These assets are described in the following table which includes the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	Fair Value	
			31 March 2018	31 March 2019
			£000s	£000s
Equity shareholdings in Durham Tees Valley Airport Ltd	Level 3	Based on various factors including reviewing the Business Plan, passenger numbers and historic performance ( see below)	-	-
Equity shareholdings in Suez Recycling and Recovery Tees Valley Limited (formerly SITA Tees Valley Ltd)	Level 3	Face value (see below)	197	197
			197	197

#### Equity shareholdings in Durham Tees Valley Airport Ltd

The Authority's shareholding in Durham Tees Valley Airport Ltd - the shares in this company are not traded in an active market and the fair value has been based on valuation techniques that are not based on observable current market transactions or available market data. The Council has assessed a number of factors in detail to determine the valuation of these shares. At present the Council has determined to value these shares at nil.

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

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

#### Changes in Valuation Technique

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

### Note 46: Nature and Extent of Risks Arising from Financial Instruments

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

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 22 February, 2018 and is available on the Council website. The key issues within the strategy were:

- the Authorised Limit for the 2018/19 was set at £137m (£132m in 2017/18). This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £127m (£122m in 2017/18). This is the expected level of debt and other long term liabilities during the year
- the maximum amounts of gross fixed interest rate exposure for borrowing and investments was set at 100% and 100% respectively (100% and 100% respectively in 2017/18).
- the maximum amount of gross variable interest rate exposure for borrowing and investments was set at 75% and 100% respectively (75% and 100% respectively in 2017/18).

These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Councillors. The Council has now extended the role of the Audit Committee to include the scrutiny of treasury activities.

### Note 46: Nature and Extent of Risks Arising from Financial Instruments

#### Credit Risk

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

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

The Investment Strategy for 2018/19 was approved by Full Council on the 22 February, 2018 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £3.055m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, however there was no evidence at the 31 March, 2019 that this was likely to crystallise.

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

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

#### Amounts Arising from Expected Credit Losses

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

	Asset Class: Debtors (Financial Assets)	Asset Class: Debtors (Non- Financial Assets)	Total
	£000s	£000s	£000s
Opening Balance	(1,970)	(3,021)	<b>(4,991)</b>
Amounts written off	167	308	<b>475</b>
Changes in Impairment of Financial Assets	(30)	(15)	<b>(45)</b>
Closing Balance	<b>(1,833)</b>	<b>(2,728)</b>	<b>(4,561)</b>



## SECTION 3 : Statement of Accounts

### Note 46: Nature and Extent of Risks Arising from Financial Instruments

The Council does not generally allow credit for customers, such that £1.338m of the £6.789m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31 March 2018 £000s		31 March 2019 £000s
479	Less than three months	340
133	Three to six months	258
203	Six months to one year	70
632	More than one year	670
<b>1,447</b>		<b>1,338</b>

#### Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happens, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the maturity structure of its fixed rate borrowing during specified periods. The limits have been set to enable maximum flexibility as experience has shown it is possible to move from 100% long term borrowing to 100% short term borrowing and then back to 100% long term borrowing over a period of two years. Therefore the lower limit was set to nil and the upper limit to £127m, equal to the operational boundary.

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

31 March 2018 £000s		31 March 2019 £000s
4,476	Less than one year	9,027
10,069	Between one and five years	7,377
3,755	Between five and ten years	4,070
3,831	Between ten and fifteen years	3,975
2,984	Between fifteen and twenty years	2,790
1,993	Between twenty and twenty-five years	2,227
2,251	Between twenty-five and thirty years	2,557
2,691	Between thirty and thirty-five years	3,044
6,533	Between thirty-five and forty years	6,554
947	Between forty and forty-five years	807
45,066	More than forty-five years	45,217
<b>84,596</b>		<b>87,645</b>

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

#### Market Risk

##### Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- Investments at fixed rates – the fair value of the assets will fall.

## SECTION 3 : Statement of Accounts

### Note 46: Nature and Extent of Risks Arising from Financial Instruments

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

A large proportion of the Council's long term borrowing (£20m) is held in the form of LOBO (Lender Option Borrower Option) loans from the money markets. These loans are subject to periodic "calls" from the lender. Where the lender decides to "call" a loan, they increase the interest rate of the loan and the Council then has the opportunity to accept the increased rate or to repay the loan. In accordance with the Code of Practice, the Council's LOBOs are included in the maturity analysis according to the end date of the loan rather than when the next call date falls.

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

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

According to this assessment strategy, at 31 March, 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£000s</b>
Increase in interest payable on borrowings	880
Increase in interest receivable on variable rate investments	(361)
Impact on Surplus or Deficit on the Provision of Services	<b>519</b>
	<b>£000s</b>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Comprehensive Income and Expenditure Statement)	<b>(30,574)</b>

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

#### Price Risk

The Council, excluding the pension fund, does not invest in equity shares but does have shareholdings in Durham Tees Valley Airport Limited and Suez Recycling and Recovery Tees Valley Limited (formerly SITA Tees Valley Limited). These shares are all classified as Assets at Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve.

#### Foreign Exchange Risk

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

#### Collateral Risk

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

## SECTION 3 : Statement of Accounts

### Note 47: Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2017/18 £000s		2018/19 £000s
303	Interest Received	380
(2,983)	Interest Paid	(2,952)

### Note 48: Cash Flow Statement - Adjustments for non-cash movements

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

2017/18 £000s		2018/19 £000s
10,120	Depreciation	9,747
1,571	Impairment and Downward Valuations	(106)
2,158	Downward / (Upward) Valuation of Investment Property	683
970	Increase / (Decrease) in Provisions	436
1,850	Increase / (Decrease) in Creditors	(135)
(5,637)	(Increase) / Decrease in Debtors	2,805
35	(Increase) / Decrease in Inventories	(37)
9,304	Pension Liability	9,982
654	Carrying amount of Non-Current Assets Sold	1,923
<b>21,025</b>		<b>25,298</b>

### Note 49: Cash Flow Statement - Adjustments for Investing and Financing Activities

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

2017/18 £000s		2018/19 £000s
(8,702)	Capital Grants credited to surplus or deficit on the provision of services	(19,695)
(285)	Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(264)
<b>(8,987)</b>		<b>(19,959)</b>

### Note 50: Cash Flow Statement - Investing Activities

2017/18 £000s		2018/19 £000s
(12,873)	Purchase of Property, Plant and Equipment and Investment Property	(19,432)
-	Purchase of Short-term and Long-term Investments	-
-	Other Payments for Investing Activities	(1,406)
285	Proceeds from the sale of property, plant and equipment, investment property	264
2,996	Proceeds from the sale of Short-term and Long-term Investments	4,000
13,624	Other Receipts from Investing Activities	19,437
<b>4,032</b>	<b>Net cash flows from investing activities</b>	<b>2,863</b>

## SECTION 3 : Statement of Accounts

### Note 51: Cash Flow Statement - Financing Activities

2017/18 £000s		2018/19 £000s
-	Cash receipts of short-term and long-term borrowing	3,127
1,226	Council Tax and NNDR adjustment	(415)
(125)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(125)
(1,350)	Repayments of short and long-term borrowing	-
(249)	<b>Net cash flows from financing activities</b>	<b>2,587</b>

### Note 52: Pensions Schemes Accounted for as Defined Contribution Schemes

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

This is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating employers' contribution rate paid by local authorities. The last valuation was completed as at 31 March, 2012. A valuation assessing the scheme as at 31 March, 2016 is due to reach a conclusion later this year.

The scheme has in excess of 10,100 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March, 2019, the Council's own contributions equate to approximately 0.04%.

The Council's contribution to the Teacher's Pension Scheme in 2018/19 amounted to £2.792m (£2.845m in 2017/18) which represented 16.48% of pensionable pay (this includes a 0.08% administration levy). There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £3.574m, this is based on 16.48% of pensionable pay until 31 August, 2019 and 23.68% from 1 September, 2019 (both include a 0.08% administration levy).

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

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

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

This is a defined benefit scheme. Although the scheme is unfunded, it is subject to a full actuarial valuation. The latest valuation was undertaken as at 31 March, 2012 and determined current contribution rates for employers and scheme members. A valuation assessing the scheme as at 31 March, 2016 is currently taking place. The scheme has in excess of 8,600 employing bodies and it is not possible for the Council to identify a share of underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the NHS Pension Scheme during the year ending 31 March 2019, the Council's own contributions equate to approximately 0.0016%.

The Council's contribution to the NHS Pension Scheme in 2018/19 amounted to £0.173m (£0.164m in 2017/2018) which represented 14.38% of pensionable pay (this includes a 0.08% administration levy). There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £0.254m, this is based on 20.68% of pensionable pay (this includes a 0.08% administration levy).

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

## SECTION 3 : Statement of Accounts

### Note 53: Defined Benefit Pension Schemes

#### Participation in Pension Schemes

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

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

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

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

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

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

#### Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s
<b>Comprehensive Income and Expenditure Statement</b>						
Cost of Services:						
· Current Service cost	14,224	14,937	-	-	14,224	14,937
· Past Service Costs (inc. curtailments)	37	322	-	-	37	322
Financing and Investment Income and Expenditure:						
· Net Interest Expense	2,538	2,820	312	318	2,850	3,138
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	16,799	18,079	312	318	17,111	18,397
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:						
Remeasurement of the net defined benefit liability:						
· Return on plan assets (excluding amount in net interest expense)	(4,842)	(25,555)	-	-	(4,842)	(25,555)
· Actuarial (gains) and losses arising from changes in financial assumptions	(470)	32,889	1	302	(469)	33,191
· Actuarial (gains) and losses arising from changes in demographic assumptions	-	(22,942)	-	(513)	-	(23,455)
· Actuarial (gains) and losses owing to liability experience	2,823	875	122	36	2,945	911
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	14,310	<b>3,346</b>	435	<b>143</b>	14,745	<b>3,489</b>

## SECTION 3 : Statement of Accounts

### Note 53: Defined Benefit Pension Schemes

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s
<b>Movement in Reserves Statement</b>						
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(16,799)	(18,079)	(312)	(318)	(17,111)	(18,397)

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

Employers' contribution payable to scheme	7,044	7,753	-	-	7,044	7,753
Retirement Benefits payable to pensioners	-	-	763	662	763	662
<b>Transfer from Pension Reserve</b>	<b>(9,755)</b>	<b>(10,326)</b>	<b>451</b>	<b>344</b>	<b>(9,304)</b>	<b>(9,982)</b>

#### Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s
Fair value of plan assets	454,808	496,593	-	-	454,808	496,593
Present value of the defined benefit obligation	(567,099)	(603,666)	(12,546)	(12,027)	(579,645)	(615,693)
<b>Net liability arising from defined benefit obligation</b>	<b>(112,291)</b>	<b>(107,073)</b>	<b>(12,546)</b>	<b>(12,027)</b>	<b>(124,837)</b>	<b>(119,100)</b>

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s
Opening fair value of assets	(443,890)	(454,808)	-	-	(443,890)	(454,808)
Interest Income on assets	(11,038)	(11,793)	-	-	(11,038)	(11,793)
Remeasurement gains/(losses):						
Return on plan assets (excl amount in net interest)	(4,842)	(25,555)	-	-	(4,842)	(25,555)
Contributions by the employer	(7,044)	(7,753)	(763)	(662)	(7,807)	(8,415)
Contributions by participants	(2,942)	(3,050)	-	-	(2,942)	(3,050)
Net benefits paid out	14,948	13,447	763	662	15,711	14,109
Net increase in Assets from Acquisitions	-	(7,081)	-	-	-	(7,081)
<b>Closing fair value of assets</b>	<b>(454,808)</b>	<b>(496,593)</b>	<b>-</b>	<b>-</b>	<b>(454,808)</b>	<b>(496,593)</b>

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s
Opening balance at 1 April	(548,915)	(567,099)	(12,874)	(12,546)	(561,789)	(579,645)
Current Service Cost	(14,224)	(14,937)	-	-	(14,224)	(14,937)
Interest Cost	(13,576)	(14,613)	(312)	(318)	(13,888)	(14,931)
Contributions from scheme participants	(2,942)	(3,050)	-	-	(2,942)	(3,050)
Remeasurement gains/(losses):						
Actuarial gains and (losses) on liabilities - financial assumptions	470	(32,889)	(1)	(302)	469	(33,191)
Actuarial gains and (losses) on liabilities - demographic assumptions	-	22,942	-	513	-	23,455
Actuarial gains and (losses) on liabilities - experience	(2,823)	(875)	(122)	(36)	(2,945)	(911)
Past Service Costs (inc. curtailments)	(37)	(322)	-	-	(37)	(322)
Net increase in Liabilities from Acquisitions	-	(6,270)	-	-	-	(6,270)
Benefits paid	14,948	13,447	763	662	15,711	14,109
<b>Closing present value of assets</b>	<b>(567,099)</b>	<b>(603,666)</b>	<b>(12,546)</b>	<b>(12,027)</b>	<b>(579,645)</b>	<b>(615,693)</b>

## SECTION 3 : Statement of Accounts

### Note 53: Defined Benefit Pension Schemes

#### Local Government Pension Scheme Assets

The Local Government Pension Scheme's assets comprised:

	2017/18 £'000	2018/19 £'000
Equity investments	363,391	357,050
Property	33,201	45,687
Government Bonds	-	-
Corporate Bonds	-	-
Cash	50,484	83,428
Other Investments	7,732	10,428
	<b>454,808</b>	<b>496,593</b>

#### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March, 2016.

Principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2017/18	2018/19	2017/18	2018/19
Long-term expected rate of return on assets in the scheme:				
Equities	2.6%	<b>2.4%</b>	-	-
Property	2.6%	<b>2.4%</b>	-	-
Government Bonds	2.6%	<b>2.4%</b>	-	-
Corporate Bonds	2.6%	<b>2.4%</b>	-	-
Cash	2.6%	<b>2.4%</b>	-	-
Other	2.6%	<b>2.4%</b>	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	<b>22.9</b>	<b>22.2</b>	<b>22.9</b>	<b>22.2</b>
Women	<b>25.0</b>	<b>24.1</b>	<b>25.0</b>	<b>24.1</b>
Longevity at 65 for future pensioners:				
Men	<b>25.1</b>	<b>23.9</b>	-	-
Women	<b>27.3</b>	<b>25.9</b>	-	-
Other assumptions:				
Rate of inflation - RPI	<b>3.2%</b>	<b>3.3%</b>	<b>3.2%</b>	<b>3.3%</b>
Rate of inflation - CPI	<b>2.1%</b>	<b>2.2%</b>	<b>2.1%</b>	<b>2.2%</b>
Rate of general increase in salaries	<b>3.1%</b>	<b>3.2%</b>	-	-
Rate of increase in pensions - deferred and pensions in payment	<b>2.1%</b>	<b>2.2%</b>	<b>2.1%</b>	<b>2.2%</b>
Rate for discounting scheme liabilities	<b>2.6%</b>	<b>2.4%</b>	<b>2.6%</b>	<b>2.4%</b>

### Note 53: Defined Benefit Pension Schemes

#### Sensitivity Analysis

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

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

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

LGPS Funded Benefits Only	Impact on Defined Benefit Obligation in the Scheme	
	Increase in Assumption £000s	Decrease in Assumption £000s
Adjustment to Discount rate (+/- 0.1%)	10,704	10,897
Adjustment to Salary increase rate (+/- 0.1%)	2,416	2,393
Adjustment to Pension increase rate (+/- 0.1%)	8,460	8,332
Adjustment to Longevity (decrease/increase 1 year)	19,518	19,311

#### Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The current funding level of the scheme is 100%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March, 2019.

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

The Council anticipates to pay £8.4m contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 17.9 years in 2018/19 (17.9 years in 2017/18).



### Note 54: Contingent Liabilities

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

The Council is responsible for the Claxton Site which is a closed landfill. There is a possible obligation arising relating to de-contamination of the site; it is not possible at this stage to quantify the potential liability or when the works may be required. The site is regularly tested to ensure compliance with the Environment Protection Act 1990.

On 20 December 2018 the Government lost a case in the Court of Appeal (the McCloud judgement) which found that the transitional protections incorporated into the reforms of the firefighters and judges pension schemes were age discriminatory. The Government has applied for an appeal hearing at the Supreme Court. If the appeal is upheld this could lead to compensation being required to all those who were discriminated against, including implications for other public sector schemes which contained similar protections.

### Note 55: Financial Guarantees

In 1989 the Council gave a loan guarantee of £3m to North Housing Association (now Home Housing Association) for sums borrowed on the money markets that would come into operation should the housing association default on the loan terms. Provision is included in the agreement for any such payments to be secured on North Housing Association property. It is anticipated that this guarantee will exist until the loan is repaid in 2049. The likelihood of this guarantee being called upon is remote and therefore no amounts have been recognised in the balance sheet in respect of this guarantee.

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

## SECTION 3 : Statement of Accounts

### Note 56: Pooled Budgets

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

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

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

The Hartlepool BCF Plan will contribute to the delivery of:

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

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

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

#### Revenue Pooled Budget

<b>2017/18 £000s</b>		<b>2018/19 £000s</b>
	<b>Revenue Funding provided to the Pooled Budget:</b>	
(104)	Hartlepool Borough Council	-
(2,708)	Hartlepool Borough Council - Improved Better Care Fund (iBCF)	(1,432)
(6,819)	NHS Hartlepool and Stockton Clinical Commissioning Group	(6,949)
<b>(9,631)</b>		<b>(8,381)</b>
	<b>Expenditure met from the Pooled Budget:</b>	
5,685	Hartlepool Borough Council	5,802
1,238	NHS Hartlepool and Stockton Clinical Commissioning Group	1,147
2,602	Hartlepool Borough Council - Improved Better Care Fund (iBCF)	1,320
106	NHS Hartlepool and Stockton Clinical Commissioning Group - iBCF	112
<b>9,631</b>		<b>8,381</b>
<b>-</b>	<b>Balance carried forward</b>	<b>-</b>

#### Capital Pooled Budget

<b>2017/18 £000s</b>		<b>2018/19 £000s</b>
	<b>Capital Funding provided to the Pooled Budget:</b>	
(129)	Balance brought forward	(115)
(931)	Hartlepool Borough Council	(998)
-	NHS Hartlepool and Stockton Clinical Commissioning Group	-
<b>(1,060)</b>		<b>(1,113)</b>
	<b>Expenditure met from the Pooled Budget:</b>	
945	Hartlepool Borough Council	1,058
-	NHS Hartlepool and Stockton Clinical Commissioning Group	-
<b>945</b>		<b>1,058</b>
<b>(115)</b>	<b>Balance carried forward</b>	<b>(55)</b>

The capital balance remaining relates to the Disabled Facilities Grant and has been fully committed in 2019/20 to fund additional expenditure within this area.

## SECTION 3 : Statement of Accounts

### HOUSING REVENUE ACCOUNT (HRA)

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

2017/18 £000s		2018/19 £000s
	<b>Expenditure</b>	
191	Repairs and maintenance	235
274	Supervision and management	315
31	Rents, rates, taxes and other charges	46
-	Discretionary Housing Payments	2
28	Movement in the allowance for bad debts	31
9	Debt Management Expenses	10
1,190	Depreciation, impairment and revaluation losses of non-current assets	1,075
<b>1,723</b>	<b>Total Expenditure</b>	<b>1,714</b>
	<b>Income</b>	
(992)	Dwelling Rents	(1,028)
(7)	Charges for services and facilities (net of voids)	(5)
(75)	Other Income	(23)
<b>(1,074)</b>	<b>Total Income</b>	<b>(1,056)</b>
<b>649</b>	<b>Net Expenditure or (Income) of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	<b>658</b>
327	Interest payable	355
(16)	Interest and investment income	(22)
9	Net interest on the net defined benefit liability	9
<b>969</b>	<b>Deficit/(Surplus) for the year on HRA services</b>	<b>1,000</b>

### MOVEMENT ON THE HRA STATEMENT

2017/18 £000s		2018/19 £000s
<b>(538)</b>	<b>Opening balance on the HRA</b>	<b>(537)</b>
969	(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	1,000
	Adjustments between accounting basis and funding basis under statute :	
(1,036)	- Revaluations losses	(881)
-	- Impairment losses	(23)
(28)	- IAS19 Pensions Adjustment	(28)
(154)	- Depreciation	(171)
250	- Transfer to Major Repairs Reserve	293
<b>1</b>	<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>190</b>
-	- Transfers to or (from) earmarked reserves	-
<b>(1)</b>	<b>(Increase) or decrease in the year on the HRA</b>	<b>190</b>
<b>(537)</b>	<b>Closing balance on the HRA</b>	<b>(347)</b>

## SECTION 3 : Statement of Accounts

### NOTES TO THE HRA

#### Note 1: Depreciation and Revaluation

Included within the HRA is a depreciation charge of £0.171m (2017/18 £0.154m) which transfers funding into the Major Repairs Reserve to meet the cost of future major repairs. The loss on revaluation for the year was £0.881m (2017/18 £1.036m). This is prevented from being a true cost to the HRA by an adjustment between accounting basis and funding basis under statute on the 'Movement on the HRA Statement'.

#### Note 2: Capital Expenditure and Financing

<b>2017/18 £000s</b>	<b>2018/19 £000s</b>
1,159 Acquisition and renovation of Council Dwellings	1,557
<u>38 Major Repairs</u>	<u>38</u>
<b>1,197</b>	<b>1,595</b>
Funded by:	
741 Borrowing	-
- Corporate Resources	48
418 Homes & Communities Agency Grant	699
- S.106 Contributions	810
<u>38 Major Repairs Reserve</u>	<u>38</u>
<b>1,197</b>	<b>1,595</b>

#### Note 3: Value of Council Dwellings

There were 274 Council Dwellings held as at 31 March, 2019 (256 in 2017/18). The table below shows the vacant possession value and the Balance Sheet value based on social housing use. The difference represents the economic cost of providing council housing at less than market rent.

<b>1st April 2018 £000's</b>	<b>31st March 2019 £000's</b>
6,754 Balance Sheet Value	7,191

The vacant possession value of HRA dwellings at 1 April 2018 is £16.343m (£15.350m at 1 April 2017).

#### Note 4: Rent Arrears

The level of rent arrears as at 31 March, 2019 was £0.164m (31 March, 2018 £0.132m) and the provision in respect of these debts which are uncollectable is £0.096m (2017/18 £0.065m)

## SECTION 3 : Statement of Accounts

### THE COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

2017/18 £000		2018/19 £000	Notes
	<b>INCOME</b>		
	<b>Council Tax :</b>		
(43,515)	Billed to tax payers	(46,129)	
(43,515)		(46,129)	1
	<b>Non Domestic Rates :</b>		
(32,148)	Income Collectable from Business Ratepayers	(31,549)	2
2,266	Transitional Protection Payment	1,167	
(29,882)		(30,382)	
(73,397)	<b>TOTAL INCOME</b>	<b>(76,511)</b>	
	<b>EXPENDITURE</b>		
	<b>Council Tax :</b>		
36,473	Precepts Hartlepool Borough Council	38,995	
5,057	Police & Crime Commissioner	5,442	
1,722	Cleveland Fire Authority	1,806	
(48)	Increased Provision for Non-Payment of Council Tax	(293)	
43,204		45,950	
	<b>Non Domestic Rates :</b>		
	Payment of Non Domestic Rates to Preceptors		
14,681	Hartlepool Borough Council	14,878	
300	Cleveland Fire Authority	304	
14,859	Payment of Non Domestic Rates to Central Government	15,111	
115	Cost of Collection Allowance	115	
109	Increased Provision for Non-Payment of NNDR	(59)	
2,645	Provision for Non Domestic Rating Appeals	336	
122	Enterprise Zone Relief	71	
27	Disregarded Amounts	83	
32,858		30,839	
	<b>Contributions for previous years estimated</b>		
	<b>Collection Fund Surplus/(Deficit) - Council Tax</b>		
111	Hartlepool Borough Council	127	
16	Police & Crime Commissioner	18	
4	Cleveland Fire Authority	6	
131		151	
	<b>Contributions for previous years estimated</b>		
	<b>Collection Fund Surplus/(Deficit) - Non-Domestic Rates:</b>		
(1,755)	Hartlepool Borough Council	138	
(36)	Cleveland Fire Authority	3	
(1,791)	Central Government	141	
(3,582)		282	
72,611	<b>TOTAL EXPENDITURE</b>	<b>77,222</b>	
(786)	<b>NET TOTAL</b>	<b>711</b>	
	<b>Movement on Fund Balances</b>		
	<b>Council Tax:</b>		
(180)	(Surplus)/Deficit for the year	(28)	
163	(Surplus)/Deficit brought forward	(17)	
(17)	(Surplus)/Deficit carried forward	<b>(45)</b>	
	<b>Non Domestic Rates:</b>		
(606)	(Surplus)/Deficit for the year	739	
2,591	(Surplus)/Deficit brought forward	1,985	
1,985	(Surplus)/Deficit carried forward	<b>2,724</b>	

## SECTION 3 : Statement of Accounts

### NOTES TO THE COLLECTION FUND

#### Note 1 - Council Tax

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

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

There were 33,781 Band D equivalents in 2018/19 (33,579 for 2017/18) and the basic amount of Council Tax for a Band D property was £1,923.74 (£1,833.86 in 2017/18).

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

Band	Weighting to Band D	No. of properties in each band	Equivalent no. of Band D Properties	Hartlepool BC demand per property ( Ex Parishes) £	Police & Crime Commissioner demand per property £	Fire Authority demand per property £	Total demand per property £	Total Income per band £000's
A	6/9	23,513	15,675	1,081.35	151.03	50.12	1,282.50	30,155
B	7/9	7,234	5,626	1,261.57	176.20	58.47	1,496.24	10,824
C	8/9	6,128	5,447	1,441.80	201.37	66.83	1,710.00	10,479
D	9/9	3,195	3,195	1,622.02	226.54	75.18	1,923.74	6,146
E	11/9	1,649	2,015	1,982.47	276.88	91.89	2,351.24	3,877
F	13/9	673	972	2,342.92	327.22	108.59	2,778.73	1,870
G	15/9	442	737	2,703.37	377.57	125.30	3,206.24	1,417
H	18/9	57	114	3,244.04	453.08	150.36	3,847.48	219
<b>TOTALS</b>		<b>42,891</b>	<b>33,781</b>					<b>64,987</b>

The income of £46.129m for 2018/19 (£43.515m for 2017/18) is receivable from the following sources :

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
61,578	Opening Liability	64,987
1,375	Net increase/(decrease) in liability	1,721
(104)	Disabled Relief	(114)
(6,250)	Discounts	(6,670)
(1,306)	Exemptions	(1,438)
(71)	Write Offs	(162)
(11,707)	Council Tax Support Scheme	(12,195)
<b>43,515</b>		<b>46,129</b>

## SECTION 3 : Statement of Accounts

### NOTES TO THE COLLECTION FUND

#### Note 2 - Non Domestic Rates

National Non Domestic Rates (NNDR) is organised on a national basis. The Government specifies two amounts: the Small Business Non Domestic Rate Multiplier, which was 48.0p in 2018/19 (46.6p in 2017/18), and; the Non Domestic Rate Multiplier, which was 49.3p in 2018/19 (47.9p in 2017/18). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The total non-domestic rateable value at the year end was £78.838m.

The NNDR income collectable from Ratepayers is shown below.

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
36,571	Gross Rates payable	37,447
(6,572)	Mandatory Reliefs	(6,733)
2,266	Transitional Relief	1,167
(117)	Write Offs	(332)
<b>32,148</b>		<b>31,549</b>

## SECTION 3 : Statement of Accounts

### MEMORANDUM NOTES - TRUST FUNDS

During 2018/19 the Council acted as trustee for eleven Educational Trust Funds that were inherited from Cleveland County Council. Only two of these are active and are used to provide funds for the following purposes:

- Music awards; and
- Pursuit of Education awards.

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

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

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

	<b>Balance at 1st April 2018 £000</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Balance at 31st March 2019 £000</b>
Preston Simpson & Sterndale Scholarship in Music	83	8	6	85
Doughty Fund	5	-	-	5
Education Trust Funds	132	4	2	134
	<b>220</b>	<b>12</b>	<b>8</b>	<b>224</b>

The Preston Simpson & Sterndale Scholarship in Music Fund consisted of a cash investment of £84,627 with Hartlepool Borough Council as at 31 March, 2019. The Trust also held two separate external investments valued respectively at £105,741 as at 5 April, 2019 (£105,682 as at 5 April, 2018) and £22,645 as at 31 March, 2019 (£20,988 as at 31 March, 2018).

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

As at 31 March, 2019, the Doughty Fund consisted wholly of a cash balance investment with the Council.



## SECTION 4 : Annual Governance Statement

### **Scope of Responsibility**

Hartlepool Borough Council is responsible for ensuring that:

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

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016. A copy of the code is on our website at [www.hartlepool.gov.uk](http://www.hartlepool.gov.uk) or can be obtained from Digital and Customer Services. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, Part 2 6(1) (a), which requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with the statement of accounts. Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015, require that for a local authority that statement is an Annual Governance Statement (AGS).

### **The Purpose of the Governance Framework**

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically. The governance framework has been in place at the Council for the year ended 31st March 2019 and up to the date of approval of the statement of accounts.

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

### **Significant Governance Issues Update from 2017/18 Statement**

Progress has been made over the course of 2018/19 to actively manage and address issues identified as part of the 2017/18 process. This approach ensures the Council actively manages these issues. The table below identifies action that has been taken to mitigate the areas identified.

<b><u>Issue Raised</u></b>	<b><u>Action Undertaken</u></b>
Delivery of Council Plan, revised Performance Management Framework and Medium Term Financial Strategy. The sustainability of services, level of performance and the continuing need to achieve housing growth.	A strategic multiyear approach to financial management is embedded with a revised savings programme for 2018/19 and 2019/20 implemented. Member's seminars and staff communication strategy in conjunction with budget monitoring and defunding budgets at decision point have been implemented. Project planning and management reporting to Finance and Policy Committee and CMT have all been implemented. The Council Plan for 2018/19 has been largely delivered and is reported to Members via Finance and Policy Committee on a quarterly basis. The Council Plan, Medium Term Financial Strategy, including the Capital Plan have been developed as two parts of a single strategy to ensure the linkages between the two are strengthened. The Council Plan 2017/18-2019/20 was agreed by Council on 16th March 2017 and the mid-term review of the Plan was agreed by Finance and Policy Committee on 9th October 2018.

## SECTION 4 : Annual Governance Statement

Business Continuity Arrangements	Responsibility for updating and implementing Corporate Business Continuity has transferred to the Assistant Director (Environment and Neighbourhood Services). A Revised Business Continuity Policy and accompanying Plan is being developed to complement the existing Business Continuity Database. Work is ongoing to identify and document formal decant arrangements for the delivery of priority services in the event of a disruption. A rolling refreshed programme to test the plan focusing on two separate services per year is in development.
Ensuring adequate management arrangements for non core grant funding.	The Council is accountable body for competitively secured time limited grant resources for projects that requires the authority to have in place robust arrangements for managing such funding streams. a) The Governance Framework covering grant claims has been strengthened. b) Development and implementation of a strategy for effective working between HBC and delivery partners with programme workshop/review held on 26.01.18. c) Ongoing engagement with funders regarding the potential extension of programme.
General Data Protection Regulation (GDPR)	From May 2018, the Council has ensured compliance with GDPR by completing information audits which identify all personal data held, including a lawful basis for processing the data. Privacy notices have been developed and are available on the Council's website. All policies and procedures have been updated to ensure GDPR compliance and staff have received specific GDPR training. The Information Governance Group meets regularly to discuss GDPR compliance.
Delivery of Regeneration/ Capital Programme on time and budget in line with key Council objectives.	Responsibility for delivery of schemes allocated to senior officers. Regular progress and budget monitoring undertaken through the capital programme management group, chaired by the Director and the Councils Strategic Asset Management Board. Regular updates provided to members.

### **The Governance Framework**

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

Hartlepool Borough Council has adopted a Constitution, which sets out how the Council operates, how decisions are made, the procedures that are followed to ensure that these decisions are efficient and transparent, and sets out the terms of reference for the Committee structure. The Constitution was developed in accordance with the Local Government Act 2000 and it sets out the delegated responsibilities to key officers such as the Monitoring Officer and Section 151 Officer. A fundamental review of all parts of the Constitution has been conducted with particular reference to Part 3 – delegation scheme. The outcome of the review was considered by the Constitution Committee on 4th March and then by Council on 21st March to ensure updated arrangements are in place for the commencement of the new municipal year. The review updated the report sign off arrangements for Officers ensuring that any decision report going to a policy committee is 'signed off' by the Director of Finance and Policy and the Chief Solicitor/Monitoring Officer. In addition any decision reports to be submitted to Finance and Policy Committee is required to be signed off by the Chief Executive also.

Effective procedures to identify, evaluate, communicate, implement, comply with and monitor legislative change exist and are used. Legal Division procedures exist for monitoring new legislation, advising relevant departments, and members where appropriate. Workforce Services policies identify suitable recruitment methods and ensure appropriate job descriptions exist for legal staff. A corporate induction session is now in place and is held approximately every 4 weeks. This is aimed at new employees within the Authority but is also open to any existing member of staff who would benefit from a refresher. The Assistant Director for Corporate Services opens every session which ensures Chief Officer presence and support. This forms one part of a new corporate induction programme which is being developed to include a wider range of information for new employees. Departments have responsibility to provide induction training specific to their departmental needs.

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

## SECTION 4 : Annual Governance Statement

The constitution contains financial and contract procedure rules, and code of conduct for Members, which have been formally approved. Financial procedure rules have been updated and agreed by Council and contract procedure rules have also been updated to take into account new procurement procedures and legislative requirements. The constitution is available to all employees on the intranet and to the public on the Internet. A register of gifts and hospitality is maintained for Members and Officers. The Authority has a Treasury Management Strategy that was approved by Audit and Governance Committee on 13th December 2018 and referred to Council for approval on 21st February 2019 for the financial year 2019/20. The approved Treasury Management Strategy includes the Investment and Borrowing strategies in compliance with revised CIPFA Prudential Code, CIPFA Treasury Management Code of Practice and Ministry of Housing, Communities and Local government (HCLG) guidance. The Audit and Governance Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies before making any necessary recommendations to Council. The Director of Finance and Policy reports to the Audit and Governance Committee how the Council's financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

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

Workforce Services has drawn up policies to ensure suitably qualified employees are employed in key areas. 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.

An updated Code of Conduct for Employees has been approved, published and communicated to all employees. An updated Health and Safety Policy was approved by Finance and Policy Committee on 14th January 2019 and a Communication Strategy implemented to ensure general awareness. The Council has also implemented a programme of Health and Safety Leadership Training for senior managers.

The Council has an ongoing programme of monitoring and reviewing arrangements in place in respect of the operation of its key partnerships. A framework of reporting by exception to Corporate Management Team operates and Internal Audit provides audit coverage of partnership arrangements.

The Council has a three-year Council Plan that sets out the Council's ambitions for the Borough. The Council Plan 2017/18-2019/20 was agreed by Council on 16th March 2017 and the mid-term review of the Plan was agreed by Finance and Policy Committee on 9th October 2018. The Council Plan, Medium Term Financial Strategy and the 5 year Capital Plan have been developed as three parts of a single strategy to ensure the linkages between the three are strengthened. The Council's performance management arrangements are based on the Council Plan which identifies a series of 6 strategic priorities under which sit a number of key deliverables. Progress against the Council Plan is reported to CMT quarterly and to Finance & Policy Committee on a 6 monthly basis.

In order to further embed the process of risk management, control identification and the production of the AGS into the culture and management processes at the Council, risks to meeting departmental outcomes and the controls to mitigate those risks are recorded as part of the corporate service planning process at a departmental level. This has brought together service planning, risk management and control identification which has enabled a much more focussed and joined up approach to the use of management information and the production of the AGS.

A Data Quality framework is in place with Internal Audit conducting a targeted annual review of PIs. The Council's Performance Management Framework includes information relating to departmental and officer responsibility for the collation of data, target setting and addressing performance issues. The Framework also includes action plans, risks and performance indicators enabling clearer links between corporate, departmental and service planning outcomes, actions, risks and PIs.

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

Key policies such as the Corporate Complaints, Comments and Compliments Procedure, Proceeds of Crime (Money Laundering), Whistle Blowing Policy and Counter Fraud and Corruption Policy have been developed and approved for use across the whole Authority. The policies are available to employees via the intranet. The Council is a member of the National Anti Fraud Network and takes part in regular National Fraud Initiative reviews and the North East Fraud Forum. The Council has updated its Fraud and Corruption Strategy in line with CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

The Council agreed the current Risk Management Framework on 5th March 2015. This has been subject to review during 2018/19 and a new Risk Management Framework is being developed and will be presented to Audit and Governance Committee and Finance and Policy Committee early in the new municipal year for agreement. The new Framework builds upon the previous one and reflects best practice. It has simplified the Council's approach, provided further clarity to officers about how risk should be considered within the Council and demonstrates the added value of appropriate risk management. A Strategic Risk Register will be identified within the performance management framework and changes reported to Elected Members regularly through the monitoring of the Council Plan.

## SECTION 4 : Annual Governance Statement

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

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

The Finance and Policy Committee Chair is Hartlepool Borough Councils risk 'champion'. Each department also has a risk co-ordinator. Risks and control measures relating to the Council Plan are analysed within the quarterly reports to help ensure that risk and performance reporting are linked. The Council Plan and performance framework is considered as part of the preparation of the AGS.

The Council's Performance and Risk Management system Pentana Risk holds information on the Council's risks. Risk registers are also maintained for significant projects. Officers that manage risks are notified that risks need to be reviewed and progress is monitored on a quarterly basis through the service planning process. Departments have access to a central funding pot for risk management to assist in the financing of risk mitigation.

The General Data Protection Regulation (GDPR) is European legislation and replaces the Data Protection Act in the UK. This was designed to harmonise data privacy laws across Europe, to protect and empower all EU citizens' data privacy and to reshape the way organisations across the region approach data privacy and security. In order to ensure compliance the Council has completed information audits identifying all personal data held, including a lawful basis for processing the data. Privacy notices have been developed and are available on the Council's website. All policies and procedures have been updated to ensure GDPR compliance and staff have received specific GDPR training. The Information Governance Group meets regularly to discuss GDPR compliance.

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

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

The Equality Act 2010 came into force on 1st October, 2010 and brought together over 116 separate pieces of legislation into one single Act. The Act provides a legal framework to protect the rights of individuals and advance equality of opportunity for all. The Act covers the 9 protected characteristics – age, disability, gender reassignment, marriage/civil partnership, pregnancy/maternity, race, religion/belief, gender and sexual orientation.

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

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

In order to demonstrate our compliance with the above requirements, we have produced a Workforce Equality Information Report 2017/18 to demonstrate the progress that the Council has made to date. We are aware that there are gaps in our data and are working to provide more information in an accessible format. On that basis the report is regularly updated. Our latest equality objectives were agreed by Council as part of the Council Plan 2017/18 – 2019/20 mid-term review on 9th October 2018.

Equality issues must influence the decisions reached by public bodies - in how they act as employers; how they develop, evaluate and review policy; how they design, deliver and evaluate services, and how they commission and procure from others. We do this by considering impacts on equality as an integral part of our decision-making process and this is reflected in reports to Committees in the Equality & Diversity Considerations section and through our use of Equality Impact Assessments.

Internal Audit reports on a regular basis to the Audit and Governance Committee on the effectiveness of the organisation's system of internal control. Recommendations for improvement are also made and reported on. Internal Audits performance is measured against standards agreed by management and Members. Internal Audit reporting arrangements have been formalised and strengthened as part of the review of financial procedure rules. Internal Audit have undergone an external inspection carried out By Stockton Borough Council and are now fully compliant with Public Sector Internal Audit Standards (PSIAS) and can report as such on all correspondence.

## SECTION 4 : Annual Governance Statement

Other review bodies external to the Council also make regular reports on efficiency, effectiveness and compliance with regulations. Ofsted has rated the overall effectiveness of the Council's Children's Services as 'Good'. The most recent ILACS inspection which took place in July 2018 rated Hartlepool CS as 'good' overall and 'outstanding' in the experiences and progress of children in care and care leavers. Most childcare providers and schools are rated "good" or "outstanding" and none are "inadequate". A CQC Local System Review of services for older people in October 2017 identified a wide range of examples of good practice and found that a multidisciplinary integrated approach provided a proactive and solution focused service that improved people's experiences. A review of progress in January 2019 reported that the direction of travel continued to be positive with services better integrated and new pathways developed. Commissioned services for adults with care and support needs are predominantly rated 'good' by CQC (82%) with no services rated inadequate. An Ofsted inspection of Adult Education in December 2017 rated the service as good. Hartlepool Connect has achieved the Customer Service Excellence standard. In their 2017/18 Annual Audit Letter, Mazars, the Councils External Auditor, issued an unqualified opinion on the financial statements and value for money conclusion at the Council.

### **Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Audit and Governance's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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

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

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

## SECTION 4 : Annual Governance Statement

### Significant Governance Issues

The following significant governance issues have been identified:

No	Issue	Action	Timescale	Responsible Officer
1	Delivery of Council Plan, revised Performance Management Framework and Medium Term Financial Strategy. The sustainability of services, level of performance and the continuing need to achieve housing growth.	The approved 2019/20 MTFS includes savings proposals and other measures, including the use of reserves which enabled the 2019/20 budget to be set. The report also highlighted the significant deficit facing the Council for 2020/21, which makes this the most challenging financial year the Council has ever faced. Detailed proposals for addressing the 2020/21 deficit will be developed during 2019/20. This strategy will be supported using reserves earmarked for invest to save projects, or saving taking more than one year to implement. A refresh of the Council Plan has been undertaken in 2019, taking into account the impact of the financial challenges facing the Council. Performance is reported to CMT quarterly and to Finance and Policy Committee bi-annually.	2018/19 – 2020/21	CMT
2	Managing corporate risk areas.	Assistant Director liaison ensures actions are implemented for all risks identified as part of the audit process. Follow up processes ensure that for all risk identified mitigating actions are embedded in a timely manner.	2019/20	CMT.
3	Delivery of Regeneration/ Capital Programme on time and budget in line with key Council objectives.	Responsibility for delivery of schemes allocated to senior officers. Regular progress and budget monitoring undertaken through the capital programme management group, chaired by the Director and the Councils Strategic Asset Management Board. Regular updates provided to members.	2019/20	CMT
4	Boundary Review Impact	CMT sighted on the outcome of the review, which will increase number of councillors to 36 and require all out election in May 2020. The changes increase political risks. This will be addressed through member training on key corporate issues and regular update reports will be provided to committees.	2019/20	CMT

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

**Signed on behalf of Hartlepool Borough Council:**

**Chief Executive**

**Chair of Audit and Governance Committee**



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

#### Opinion on the Council Financial Statements

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

#### Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Hartlepool Borough Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

#### Basis for opinion

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

#### Conclusions relating to going concern

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

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

#### Other information

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

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

We have nothing to report in this regard.

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

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance and Policy is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view. The Director of Finance and Policy is also responsible for such internal control as the Director of Finance and Policy determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

##### **Conclusion**

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

##### **Basis for conclusion**

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

#### **Responsibilities of the Council**

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



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

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

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

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

We have nothing to report in these respects.

#### **Use of the audit report**

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

#### **Certificate**

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

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

Date:

## **SECTION 6 : Glossary of Terms**

### **ACCOUNTING POLICIES**

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

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

Accounting policies do not include estimation techniques.

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

### **ACTUARIAL GAINS AND LOSSES**

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

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

### **CAPITAL EXPENDITURE**

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

### **CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING**

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

### **COMMUNITY ASSETS**

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

### **CONSISTENCY**

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

### **CONSTRUCTIVE OBLIGATION**

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

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

### **CONTINGENT LIABILITY**

A contingent liability is either:

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

## SECTION 6 : Glossary of Terms

### **CREDITORS**

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

### **CURRENT ASSETS**

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

### **CURRENT LIABILITIES**

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

### **CURRENT SERVICE COST (PENSIONS)**

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

### **CURTAILMENT**

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

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

### **DEBTORS**

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

### **DEFINED BENEFIT SCHEME**

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

### **DEFINED CONTRIBUTION SCHEME**

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

### **DEPRECIATION**

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

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

## **SECTION 6 : Glossary of Terms**

### **DISCRETIONARY BENEFITS**

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

### **ESTIMATION TECHNIQUES**

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

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

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

### **EVENTS AFTER THE BALANCE SHEET DATE**

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

### **EXCEPTIONAL ITEMS**

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

### **EXPECTED RATE OF RETURN ON PENSION ASSETS**

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

### **FAIR VALUE**

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

### **FINANCE LEASE**

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

### **FINANCIAL INSTRUMENT**

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

### **GOING CONCERN**

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

## **SECTION 6 : Glossary of Terms**

### **GOVERNMENT GRANTS**

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

### **HERITAGE ASSETS**

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

### **HOUSING REVENUE ACCOUNT**

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

### **IMPAIRMENT**

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

### **INFRASTRUCTURE ASSETS**

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

### **INTANGIBLE ASSETS**

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

### **INTEREST COST (PENSIONS)**

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

### **INTERNATIONAL ACCOUNTING STANDARDS (IAS)**

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

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

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

### **INVENTORIES**

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

Inventories comprises the following categories:

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

## SECTION 6 : Glossary of Terms

### INVESTMENT PROPERTIES

Interest in land and/or buildings:

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

### INVESTMENTS (PENSIONS FUND)

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

### LIQUID RESOURCES

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

### LONG TERM CONTRACTS

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

### MINIMUM REVENUE PROVISION (MRP)

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

### NET BOOK VALUE

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

### NET CURRENT REPLACEMENT COST

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

### NET DEBT

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

### NET REALISABLE VALUE

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

### NON-CURRENT ASSET

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

## SECTION 6 : Glossary of Terms

### **NON-OPERATIONAL ASSETS**

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

### **OPERATING LEASES**

A lease other than a finance lease.

### **OPERATIONAL ASSETS**

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

### **PAST SERVICE COST**

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

### **PRIOR PERIOD ADJUSTMENTS**

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

### **PROJECTED UNIT METHOD**

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

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

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

### **PROPERTY, PLANT & EQUIPMENT**

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

## SECTION 6 : Glossary of Terms

### PROVISION

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

### RELATED PARTIES

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

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

Examples of related parties of an authority include:

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

Examples of related parties of a pension fund include its:

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

These lists are not intended to be comprehensive

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

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

### RELATED PARTY TRANSACTION

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

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

This list is not intended to be comprehensive.

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



## SECTION 6 : Glossary of Terms

### REMUNERATION

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

### RESERVES

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

### RESIDUAL VALUE

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

### RETIREMENT BENEFITS

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

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

### REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

### SAFETY-NET GRANT

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

### SCHEME LIABILITIES

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

### SERVICE REPORTING CODE OF PRACTICE

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

### SETTLEMENT

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

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

## SECTION 6 : Glossary of Terms

### **USEFUL LIFE**

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

### **FURTHER INFORMATION**

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







The #LoveHartlepool campaign is all about singing our town's praises and promoting our successes far and wide.

It's a wide-ranging campaign - everything from keeping the town clean and boosting recycling to improving people's health and encouraging enterprise and promoting our local businesses.

**#LoveHartlepool**

**For more information about Hartlepool Borough Council:**



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**HARTLEPOOL**  
**BOROUGH COUNCIL**

### Checklist of questions to assist with the understanding of the Council's Financial Report (Appendix A)

<b>Comprehensive Income and Expenditure Statement (page 19) and Note 7 Expenditure and Funding Analysis (page 43).</b>	
1	Is the purpose of the Comprehensive Income and Expenditure Statement clear (i.e. does it show actual financial performance under accounting standards before fiscal adjustments)?
2	Do the service net expenditure figures clearly demonstrate the financial performance of the services on the face of the Comprehensive Income and Expenditure Statement during the year?
3	Are the material items of income and expenditure in the Comprehensive Income and Expenditure Statement presented separately on the face of the Statement or explained in the notes?
4	Do the notes to the Comprehensive Income and Expenditure Statement provide easily understandable information relating to the Statement (or lines within the Statement)?
5	Are there any unexplained significant variances between current and previous year information?
6	Have any significant differences between budget reports and net expenditure chargeable to General Fund balances been explained?
7	Are the major statutory adjustments clearly explained and easily understood?
<b>Movement in Reserves Statement (page 18)</b>	
8	Can the major movements in net worth that occur within the Movement in Reserves Statement be easily identified? Are these explained within the financial statements or Narrative Report?
9	Do the opening balances in the Movement in Reserves Statement match with the closing balances of the preceding year? Are any adjustments to opening balances explained on the face of the Statement and/or in the notes?
10	Is there a clear explanation of the statutory adjustments in the adjustments from income and expenditure charged under the accounting basis to the funding basis line in the Movement in Reserves Statement? (Note this may be linked with the Expenditure and Funding Analysis.)
11	Do the entries on the statutory adjustment line net to nil?
12	Do the related notes on reserves clearly explain the purpose for holding reserves?
13	Does the Total Comprehensive Income and Expenditure line in the Movement in Reserves Statement agree with the information in the Comprehensive Income and Expenditure Statement?
14	How have the balances of usable reserves moved during the year? Are these balances sufficient to support the Council's financial plans in the immediate future and over the medium term?

<b>Balance Sheet (page 20)</b>	
15	Does the property, plant and equipment information tell the story of the Council's property portfolio during the year (including the major movements in that portfolio i.e. major disposals and acquisitions)? Do these balances reflect the Council's asset management strategy?
16	Has there been any substantial movement in the pension asset or liability? If yes, has the reason for such a movement been explained and the subsequent consequences described in the financial statements or the Narrative Report?
17	Have there been any new provisions or significant movements in provisions in the year? If yes, have the reasons for making these provisions been set out in the financial statements or any material movements been explained?
18	Have there been any significant movements in the Council's borrowings during the year? Are these movements reflected in the Council's borrowing strategy and what impact will this have on the prudential indicators or future investment plans?
19	Are there any significant movements in the Council's investment portfolio? Do these agree with the plans in the Council's treasury management strategies and statutory investment plans?
20	Are there any other significant movements in balances in the balance sheet that are not clearly explained?
21	Do the balance sheet reserves agree with the totals in the Movement in Reserves Statement?
<b>Cash Flow Statement (page 21)</b>	
22	Do the cash balances in the cash flow statement agree with the relevant balances in the balance sheet?
23	Are the Council's balances reflected adequately in the council's treasury management strategies?

# AUDIT AND GOVERNANCE COMMITTEE

27 JUNE 2019



**Report of:** Chief Solicitor

**Subject:** REGULATION OF INVESTIGATORY POWERS ACT  
2000 (RIPA) QUARTERLY UPDATE

## 1. PURPOSE OF REPORT

- 1.1 To provide members with a quarterly update on activities relating to surveillance by the Council and policies under the Regulation of Investigatory Powers Act 2011.

## 2. BACKGROUND

- 2.1 Hartlepool Borough Council has powers under the Regulation of Investigatory Powers Act 2000 (RIPA) to conduct authorised covert surveillance.
- 2.2 This report is submitted to members as a result of the requirement to report to members under paragraph 4.47 of the Covert Surveillance and Property Interference Revised Code of Practice (August 2018) which states that:

*Elected members of a local authority should review the authority's use of the 1997 Act and the 2000 Act and set the policy at least once a year. They should also consider internal reports on use of the 1997 Act and the 2000 Act on a regular basis to ensure that it is being used consistently with the local authority's policy and that the policy remains fit for purpose.*

Members were previously updated via performance and risks reports submitted quarterly to Finance and Policy Committee. However following a review of the Council's arrangements it was considered more appropriate for use of RIPA provisions to be reported to this Committee.

## 3. RIPA AUTHORISATIONS

- 3.1 In the quarter to 31 March 2019:

Communications Data	Nil
CHIS	Nil
Directed Surveillance	Nil



**4. RECOMMENDATION**

- 4.1 That the quarterly report be noted.

**5. REASONS FOR RECOMMENDATIONS**

- 5.1 To enable the Council to monitor the RIPA system effectively and as required by law and guidance.

**6. CONTACT OFFICER**

- 6.1 Hayley Martin  
Chief Solicitor and Senior Responsible Officer for RIPA  
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01429 523003

# AUDIT AND GOVERNANCE COMMITTEE

27 June 2019



**Report of:** Statutory Scrutiny Manager

**Subject:** SELECTION OF POTENTIAL TOPICS FOR  
INCLUSION IN THE 2019/20 STATUTORY SCRUTINY  
WORK PROGRAMME

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## 1. PURPOSE OF REPORT

### 1.1 To:-

- i) Outline the process for the determination of the Overview and Scrutiny Work Programme for the 2019/20 Municipal Year; and
- ii) Seek consideration of potential topics for inclusion into the Statutory Scrutiny Work Programme for the 2019/20 Municipal Year.

## 2. STATUTORY SCRUTINY WORK PROGRAMME 2019/20

2.1 The Council's Audit and Governance Committee has responsibility for two areas of statutory scrutiny. These two areas are health and crime and disorder.

2.2 Each year Overview and Scrutiny identifies, implements and completes an annual work programme as a means of fulfilling its responsibilities. Members are asked to consider the development of the 2019/20 Work Programme, identifying potential topics for investigation and indicative timeframes covering both areas of statutory scrutiny.

2.3 As part of this process, it is important to focus resources / committee time, and allow sufficient time to respond to other issues. On this basis, work programmes have in the past generally focused on one primary investigation for each service area and Members are asked to bear this in mind in the selection of topics. It is also suggested that Members retain capacity for consideration of:

- Emerging issues - on an ad hoc basis; and
- Mandatory topics - These topics are either statutory requirements, or have been agreed by the Committee in previous years. Details of these are outlined in **Appendix A**.

### Health Statutory Scrutiny

- 2.4 In considering the development of a potential work programme item relating to **health** issues, the Director of Public Health, the Director of Children's and Joint Commissioning Services, Director of Adult's and Community Bases Services, HealthWatch, Hartlepool and Stockton-on-Tees Clinical Commissioning Group, North Tees and Hartlepool NHS Foundation Trust (NTHFT) and Members have been consulted and no specific issues identified for inclusion in the Committees Work Programme.
- 2.5 In addition to the mandatory topics, the topics below have been suggested as potential items for consideration by the Committee in relation to Health. In order for the Committee to identify a suitable topic for investigation a PICK scoring system has been utilised which measures each topic using 4 areas, public interest; impact; council performance and efficiency; and keep in context. An explanation of the scoring system is attached as **Appendix B**.

TOPIC	Director of Public Health / Director of Children's and Joint Commissioning Services, Director of Adult's and Community Bases Services	Clinical Commissioning Group	North Tees and Hartlepool NHS Foundation Trust	Health watch	Councillors	Other	Matrix Score
Podiatry ( <b>Appendix C</b> )					X		3

- 2.6 In considering potential work programme items for 2019/20, Members may also wish to update the 3 year rolling work programme for this Committee. The establishment of the rolling work programme is considered best practice as outlined in the health scrutiny guidance. This is to enable local partners to be aware in advance of forthcoming priorities of the Audit and Governance Committee. (see below)

ROLLING HEALTH SCRUTINY WORK PROGRAMME	Matrix Score
Drug Rehabilitation (For further details see <b>Appendix D</b> )*	9
Diet, Nutrition and Diabetes (For further details see <b>Appendix E</b> )	7
Healthy Eating / Obesity (For further details see <b>Appendix F</b> )	8

\*Potential for combined investigation incorporating Neighbourhood Policing and Anti-Social Behaviour

### Crime and Disorder Statutory Scrutiny

- 2.7 In considering the development of a potential work programme item relating to **crime and disorder** issues, the Director of Regeneration and Neighbourhoods

and Members have been approached for topic discussions. On the basis of discussions and in meeting the requirements of crime and disorder committee legislation, a list of mandatory items to be considered by the Committee is attached at **Appendix A**.

- 2.8 In addition to the mandatory topics, the below topics have been suggested as potential items for consideration by the Committee in relation to crime and disorder.

TOPIC	Director of Regeneration and Neighbourhoods	Councillors	Matrix Score
Anti-Social Behaviour by Young People*(For further details see <b>Appendix G</b> )		X	11
Violent Crime (For further details see <b>Appendix H</b> )	X		6
Allocation of Police Resources (officer and assets) across Hartlepool* (For further details see <b>Appendix I</b> )		X	11

\*Potential for combined investigation incorporating Neighbourhood Policing, Anti-Social Behaviour and Drug issues.

- 2.9 In setting the Work Programme for 2019/20 consideration also needs to be given to the following Budget and Policy Framework documents, which will be presented to the Committee during the course of the year.

BUDGET AND POLICY FRAMEWORK ITEMS	ESTIMATED TIMETABLE FOR CONSIDERATION
Joint Health and Wellbeing Strategy (Refresh)	October or December 2019
Community Safety Plan – Annual Refresh	July 2019
Youth Justice Strategic Plan (Biannual review)	Not this year

- 2.10 The Committee is also advised to be cautious in setting an overly ambitious Work Programme for which it may be unable to deliver. In order to assist Members, **Appendix J** maps the meetings of the Audit and Governance Committee alongside the issues already identified for consideration in Appendix A.
- 2.11 A copy of Hartlepool and Stockton-on-Tees Clinical Commissioning Group's (CCG) Annual Report 2017/18 can be viewed at <http://www.hartlepoolandstocktonccg.nhs.uk/?s=annual+report>. The

Performance section of the report describes the CCG's work and assesses how they have performed over the last year. The Committee may wish to discuss various aspects contained within the Strategic section of the Annual Report to raise potential areas for consideration.

- 2.12 Once the Committee has identified its Scrutiny topics, anticipated time frames need to be applied. It is recognised that the Committee's workload needs to be managed carefully, with due consideration given to the allocation of appropriate time to allow effective exploration of the identified health and crime and disorder topics. In order to assist in achieving this, it is suggested that the Committee considers the potential value of establishing working groups to carry out work relating to the topics.
- 2.13 Evidence gathered by the groups outside of the normal scheduled Committee meetings, could then be reported back to the full Committee, maximising the use of resources and time, assisting in the collection of evidence to inform investigations and helping manage the duration of formal meetings. To assist in consideration of this suggestion, Members views are to be fed into discussions at today's meeting, including potential groupings, for consideration by the Committee.
- 2.14 It is also suggested to the Committee that a standard template for applying time allocations should be treated with caution as when scoping a subject a number of complexities may arise, therefore the anticipated duration should be allocated to the subjects on an individual basis.

### **3. RECOMMENDATIONS**

- 3.1 The Audit and Governance Committee is requested to:
- (a) consider the wide range of information detailed within this report to assist in the determination of its 2019/20 Work Programme, utilising the tables provided;
  - (b) consider choosing a maximum of one/ two topics for the coming year, which will allow for flexibility in its work programme for emerging issues and referrals;
  - (c) consider the items on the rolling programme and agree whether to maintain the current items or remove / add topics; and
  - (d) consider the working group proposal (as detailed in Section 2.12), to assist in the collection of evidence and effectively manage the duration of formal Audit and Governance Committee meetings.

#### **4. REASONS FOR RECOMMENDATIONS**

- 4.1 To develop an effective Audit and Governance Work Programme which will to complement the work of other bodies.

#### **BACKGROUND PAPERS**

The following backgrounds papers were used in the preparation of this report:-

- (i) Community Safety Plan
- (ii) Durham, Darlington, Teesside, Hambleton, Richmondshire and Whitby Sustainability and Transformation Plan
- (iii) Hartlepool Joint Health and Wellbeing Strategy (2018-2020)
- (iv) Hartlepool Matters – Shaping the Future of Health and Social Care in Hartlepool
- (v) JSNA -<http://www.teesjsna.org.uk/hartlepool/>

**Contact Officer:-** Joan Stevens – Statutory Scrutiny Manager  
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**Health Items**

<b>ITEM TO BE CONSIDERED</b>	<b>Details</b>	<b>Estimated Timetable for Consideration by the Forum</b>
<b>North Tees &amp; Hartlepool NHS Foundation Trust Quality Account for 2018/19</b>	Annual reflection on the 2018/19 Quality Account and contribution towards the 2019/20 Quality Account for North Tees and Hartlepool NHS Foundation Trust (NTHFT).	March 2020
<b>Director of Public Health – Annual Report</b>	Annual Report produced by the Director of Public Health	January 2020
<b>Health Inequalities</b>	Annual update on Health Inequalities, focusing on women's life expectancy, as agreed by the Health Scrutiny Forum in 2009.	January 2020
<b>Health and Wellbeing Board Performance Reports (including sub group performance)</b>	Details of the quarterly performance monitoring reports of the Health and Wellbeing Board will be presented to the Audit and Governance Committee on a regular basis.	TBC
<b>Tees, Esk and Wear Valleys NHS Foundation Trust – Quality Account</b>	Annual reflection on the 2017/18 Quality Account and contribution towards the 2018/19 Quality Account for Tees, Esk and Wear Valleys NHS Foundation Trust.	March 2020
<b>North East Ambulance Service - Quality Account</b>	Annual reflection on the 2017/18 Quality Account and contribution towards the 2018/19 Quality Account for the North East Ambulance Service.	March 2020
<b>Independent Complaints Advocacy Update</b>	Complaints Update	September 2019 and March 2020

**Crime and Disorder Items**

<b>ITEM TO BE CONSIDERED</b>	<b>Details</b>	<b>Estimated Timetable for Consideration by the Forum</b>
<b>Community Safety Partnership</b>	<b>Performance Monitoring Reports</b> Details of the quarterly performance monitoring reports of the Safer Hartlepool Partnership will be presented to the Audit and Governance Committee on a regular basis.	Q1 – October 2019 Q2 - December 2019 Q3 – March 2020 Q4 – July 2019
<b>Community Safety Plan</b>		September 2019

**Appendix B****PICK Priority Setting****P for Public Interest**

Members' representative roles are an essential feature of Scrutiny. They are the eyes and ears of the public, ensuring that the policies, practice and services delivered to the people of the District, by both the Council and external organisations, are meeting local needs and to an acceptable standard. The concerns of local people should therefore influence the issues chosen for scrutiny. This could include current issues. For example, dignity is consistently cited as a high priority for service users (e.g. Mid Staffordshire Enquiry, care in Winterbourne hospital) and scrutiny committees are well placed to influence the agenda locally and drive forward better quality services). Members themselves will have a good knowledge of local issues and concerns. Surgeries, Parish Councils, Residents Associations and Community Groups are all sources of resident's views. Consultation and Surveys undertaken by the Council and others can also provide a wealth of information.

**I for Impact**

Scrutiny is about making a difference to the social, economic and environmental well-being of the area. Not all issues of concern will have equal impact on the well-being of the community. This should be considered when deciding the programme of work, giving priority to the big issues that have most impact. To maximise impact, particularly when scrutinising external activity, attention should also be given to how the committee could influence policy and practice. Sharing the proposed programme of reviews with Members, officer and key partners will assist this process.

**C for Council Performance**

Scrutiny is about improving performance and ensuring the Council's customers are served well. With the abolition of external inspection regimes, scrutiny has an even more important role to play in self regulation. Members will need good quality information to identify areas where the Council, and other external organisations, are performing poorly. Areas where performance has dropped should be our priority. As well as driving up Council performance, scrutiny also has an important role in scrutinising the efficiency and value for money of Council services and organizational development.

**K for Keep in Context**

To avoid duplication or wasted effort priorities should take account of what else is happening in the areas being considered. Is there another review happening or planned? Is the service about to be inspected by an external body? Are there major legislative or policy initiatives already resulting in change? If these circumstances exist Members may decide to link up with other approaches or defer a decision until the outcomes are known or conclude that the other approaches will address the issues. Reference should also be made to proposed programmes of work in the Council's plans and strategies



**Appendix B****PICK Scoring System**

- **P**ublic Interest: the concerns of local people should influence the issues chosen

Score	Measure
0	no public interest
1	low public interest
2	medium public interest
3	high public interest

- **I**mpact: priority should be given to the issues which make the biggest difference to the social, economic and environmental well-being of the area

Score	Measure
0	no impact
1	low impact
2	medium impact
3	high impact

- **C**ouncil Performance and efficiency: priority should be given to the areas in which the Council, and other agencies, are not performing well or proposals which will support the current Efficiency, Improvement and Transformation Programme.

Score	Measure
0	'Green' on or above target performance
1	'Amber',
2	low performance 'Red'

- **K**eep in Context: work programmes must take account of what else is happening in the areas being considered to avoid duplication or wasted effort.

Score	Measure
0	Already dealt with/ no priority
1	Longer term aspiration or plan
2	Need for review acknowledged and worked planned elsewhere
3	Need for review acknowledged

Each topic will be scored under each category as indicated above. Where a category is not applicable, no score will be given.

## Appendix C

<b>Topic:</b> Podiatry Service	
<b>Background Information</b> – Following a review of the Podiatry Service, a number of resident concerns have been expressed regarding access to the new service. A review of the impact of changes to the service on Hartlepool residents would be beneficial.	
<b>AREAS FOR CONSIDERATION</b>	<b>PICK Scoring System</b>
<b>Public Interest</b> – the concerns of local people should influence the issues chosen.	<b>1</b> <b>Low public interest</b>
<b>Impact</b> – priority should be given to the issues which make the biggest difference to the social, economic and environmental, and health and well-being of the area.	<b>1</b> <b>Low impact</b>
<b>Council Performance and Efficiency</b> – priority should be given to the areas in which the Council, and other agencies, are not performing well or proposals which will support budget proposals.	<b>1</b> <b>'Amber'</b>
<b>Keep in Context</b> – work programmes must take into account what else is happening in other areas, to avoid duplication or wasted effort.	<b>0</b> <b>Already dealt with/ no priority</b>

**TOTAL SCORE: 3**

## Appendix D

**Topic:**

Drug Rehabilitation / Impact on Communities

**Background Information**

Drug and alcohol dependency in Hartlepool causes significant harm to both individuals and communities. Investment in prevention, treatment and recovery interventions helps to reduce this burden. For example, drug and alcohol users accessing substance misuse treatment services are less likely to be prone to illness and diseases and commit fewer crimes. Furthermore, treatment does not only improve the lives of those in receipt of services, but also that of their families and the communities in which they live.

Currently, Hartlepool has one of the highest death rates from drug misuse and alcohol related liver disease in the North East region. Substance misuse is also a major factor in the rising demand for children's social care services with high numbers of children becoming subject to child protection plans or looked after as a consequence of parental substance misuse.

Figures released by the Office for National Statistics (ONS) in August found between 2015 and 2017, 46 drug poisoning fatalities were registered in Hartlepool, at a rate of 17.4 in every 100,000 people. The national rate was 6.6 per 100,000 people.

With reference to the potential for inclusion of elements of this issue in a combined investigation, incorporating Neighbourhood Policing and Anti-Social Behaviour, useful data is provided below.

Current data (Safer Hartlepool Partnership performance for Quarter 3 – October 2018 – December 2018)

Indicator Name	Baseline 2017/18	Local Directional Target 2018/19	Oct - Dec 17	Current Position Oct 18-Dec 18	Year to Date 2018/19	Actual Difference	% Difference
Number of substance misusers going into effective treatment – Opiate	659	3% increase (TBC)	639	626	651	-13	-2%
Proportion of substance misusers that successfully complete treatment - Opiate	6.8%	12% (TBC)	6.1%	5.3%	--	-0.008	-13.1%
Proportion of substance misusers who successfully complete treatment and represent back into treatment within 6 months of leaving treatment	26.5%	10% (TBC)	29.6%	20%	--	-0.096	-32.4%
Reduction in the rate of alcohol related harm hospital admissions	Data unavailable	Data unavailable	Data unavailable	Data unavailable	Data unavailable		
Number of young people found in possession of alcohol	8	Reduce	0	0	0	0	0%

## Appendix D

**Recorded Crime in Hartlepool October - December 2018 – Crimes against society**

All police-recorded crimes where there are no direct individual victims. This includes public disorder, drug offences, possession of weapons and other items, handling stolen goods and other miscellaneous offences committed against the state. The rates for some crime types within this category could be increased by proactive police activity, for example searching people and finding them in possession of drugs or weapons.

<b>Police Generated Offences</b>				
<b>Crime Category/Type</b>	<b>Oct 17 – Dec 17</b>	<b>Oct 18 – Dec 18</b>	<b>Change</b>	<b>% Change</b>
<b>Public Disorder</b>	<b>87</b>	<b>178</b>	<b>91</b>	<b>104.6%</b>
<b>Drug Offences</b>	<b>48</b>	<b>75</b>	<b>27</b>	<b>56.3%</b>
Trafficking of drugs	13	18	5	38.5%
Possession/Use of drugs	34	80	46	135.3%
<b>Possession of Weapons</b>	<b>18</b>	<b>31</b>	<b>13</b>	<b>72.2%</b>
<b>Misc. Crimes Against Society</b>	<b>34</b>	<b>80</b>	<b>46</b>	<b>135.3%</b>
<b>Total Police Generated Crime</b>	<b>187</b>	<b>364</b>	<b>177</b>	<b>94.7%</b>
<b>TOTAL RECORDED CRIME IN HARTLEPOOL</b>	<b>2735</b>	<b>3205</b>	<b>470</b>	<b>17.2%</b>

<b>AREAS FOR CONSIDERATION</b>	<b>PICK System Scoring</b>
<p><b>Public Interest</b> – the concerns of local people should influence the issues chosen</p> <p>High public interest</p>	<p><b>3</b> <b>High public interest</b></p>
<p><b>Impact</b> – priority should be given to the issues which make the biggest difference to the social, economic and environmental, and health and well-being of the area</p> <p>This issue will have a high impact as outcomes will contribute to improving the health and wellbeing of Hartlepool residents.</p>	<p><b>3</b> <b>High impact</b></p>
<p><b>Council Performance and Efficiency</b> – priority should be given to the areas in which the Council, and other agencies, are not performing well or proposals which will support budget proposals</p> <p>There is a high prevalence of opiate and/or crack use, which is higher than the England average.</p> <p>(Health profile 2015)</p>	<p><b>2</b> <b>Below England average</b></p>

## Appendix D

<p><b>Keep in Context</b> – work programmes must take into account of what else is happening in the areas being considered to avoid duplication or wasted effort</p> <p>Scrutiny has not investigated this topic in previous years. This topic is on the rolling programme.</p>	<p><b>1</b></p> <p><b>Longer term aspiration or plan</b></p>
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TOTAL SCORE: 9

## Appendix E

<b>Topic:</b>  Diet, Nutrition and Diabetes	
<b>Background Information</b>  Good nutrition has a key role to play both in the prevention and management of diet related diseases such as cardiovascular disease, cancer, diabetes and obesity. (www.teesjsna.org.uk)	
<b>AREAS FOR CONSIDERATION</b>	<b>PICK Scoring System</b>
<b>Public Interest</b> – the concerns of local people should influence the issues chosen  This is in the public interest.	<b>3</b> <b>High public interest</b>
<b>Impact</b> – priority should be given to the issues which make the biggest difference to the social, economic and environmental, and health and well-being of the area  This issue will have a high impact as outcomes will contribute to improving the health and wellbeing of Hartlepool residents.	<b>3</b> <b>High impact</b>
<b>Council Performance and Efficiency</b> – priority should be given to the areas in which the Council, and other agencies, are not performing well or proposals which will support budget proposals  N/A	<b>N/A</b>
<b>Keep in Context</b> – work programmes must take into account of what else is happening in the areas being considered to avoid duplication or wasted effort  Scrutiny has not investigated this topic in previous years. This topic is on the rolling programme.	<b>1</b> <b>Longer term aspiration or plan</b>

TOTAL SCORE: 7

## Appendix F

<b>Topic:</b>  Healthy Eating / Obesity	
<b>Background Information</b>  Within Hartlepool, 29.9% of adults are classified as obese and results from the National Child Measurement Programme show that by year six, 35% of children are either overweight or obese. These levels of obesity are significantly higher than the English average, illustrating the scale of the problem.	
<b>AREAS FOR CONSIDERATION</b>	<b>PICK Scoring System</b>
<b>Public Interest</b> – the concerns of local people should influence the issues chosen  This is in the public interest.	<b>3</b> <b>High public interest</b>
<b>Impact</b> – priority should be given to the issues which make the biggest difference to the social, economic and environmental, and health and well-being of the area  This issue will have a high impact as outcomes will contribute to improving the health and wellbeing of Hartlepool residents.	<b>3</b> <b>High impact</b>
<b>Council Performance and Efficiency</b> – priority should be given to the areas in which the Council, and other agencies, are not performing well or proposals which will support budget proposals  In Year 6, 24.4% (245) of children are classified as obese, worse than the average for England.  30.6% of adults are Obese in Hartlepool, worse than the average for England.	<b>2</b> <b>Higher than English average</b>
<b>Keep in Context</b> – work programmes must take into account of what else is happening in the areas being considered to avoid duplication or wasted effort  Scrutiny has not investigated this topic in previous years. This topic is on the rolling programme. The Health and Wellbeing Board (HWBB) have developed a 10 Year Healthy Weight Strategy.	<b>0</b> <b>Being looked at by HWBB</b>

TOTAL SCORE: 8

**Topic:**

Anti-Social Behaviour by Young People\*

\* Potential for combined investigation incorporating Neighbourhood Policing and Drug Rehabilitation services.

**Background Information** – Concern was expressed regarding the impact of anti-social behaviour by young people on communities.

Current data (Safer Hartlepool Partnership performance for Quarter 3 – October 2018 – December 2018) is as follows.

**Anti-social Behaviour in Hartlepool October - December 2018**

Indicator Name	Baseline 2017/18	Local Directional Target 2018/19	Oct - Dec 17	Current Position Oct 18- Dec 18	Year to Date 2018/19	Actual Difference	% Difference
Anti-social Behaviour Incidents reported to the Police	6801	Reduce	1658	1183	4442	-475	-28.6%
Deliberate Fires	416	Reduce	97	170	469	97	170
Criminal Damage to Dwellings	627	Reduce	168	210	513	42	25%
Hate Incidents	176	Increase	25	34	118	9	36%

Incident Category	Oct 17 - Dec 17	Oct 18 – Dec 18	Change	% Change
AS21 - Personal	504	331	-173	-34.3%
AS22 - Nuisance	1117	830	-287	-25.7%
AS23 - Environmental	37	22	-15	-40.5%
<b>Total</b>	<b>1658</b>	<b>1183</b>	<b>-475</b>	<b>-28.6%</b>

Incident Category	H'POOL		REDCAR		M'BORO		STOCKTON		CLEVELAND	
	ASB	Per 1,000 pop	ASB	Per 1,000 pop	ASB	Per 1,000 pop	ASB	Per 1,000 pop	ASB	Per 1,000 pop
AS21 - Personal	331	3.6	357	2.7	622	4.5	506	2.7	1816	3.3
AS22 - Nuisance	830	9.1	1048	7.8	1845	13.5	1734	9.2	5457	9.9
AS23 - Environmental	22	0.2	34	0.3	75	0.5	62	0.3	193	0.4
<b>Total</b>	<b>1183</b>	<b>13.0</b>	<b>1439</b>	<b>10.7</b>	<b>2542</b>	<b>18.6</b>	<b>2302</b>	<b>12.2</b>	<b>7466</b>	<b>13.6</b>
<b>Quarterly Year on Year Comparison</b>	<b>Reduced by 28.6%</b>		<b>Reduced by 38.7%</b>		<b>Reduced by 25.8%</b>		<b>Reduced by 23.7%</b>		<b>Reduced by 25.4%</b>	



AREAS FOR CONSIDERATION	PICK Scoring System
<p><b>Public Interest</b> – the concerns of local people should influence the issues chosen</p>	<p><b>3</b> <b>High public interest</b></p>
<p><b>Impact</b> – priority should be given to the issues which make the biggest difference to the social, economic and environmental, and health and well-being of the area</p> <p>This issue will have a high impact as outcomes will contribute to improving the environmental and health / wellbeing of Hartlepool residents.</p>	<p><b>3</b> <b>High impact</b></p>
<p><b>Council Performance and Efficiency</b> – priority should be given to the areas in which the Council, and other agencies, are not performing well or proposals which will support budget proposals</p>	<p><b>2</b> low performance 'Red'</p>
<p><b>Keep in Context</b> – work programmes must take into account of what else is happening in the areas being considered to avoid duplication or wasted effort.</p> <p>Scrutiny has not investigated to topic of anti-social behaviour since 2004 and is unaware of any detailed investigations being undertaken.</p>	<p><b>3</b> Need for review acknowledged</p>

TOTAL SCORE: 11

## Appendix H

**Topic:** Violent Crime

**Background Information** – Reference was made to levels of violent crime and the work being undertaken to address the situation through the Violent Crime Summit and work of the Police and Crime Commissioner.

Current Data - Safer Hartlepool Partnership Performance - Quarter 3 (October 2018 – December 2018)

Indicator Name	Baseline 2017/18	Local Directional Target 2018/19	Oct - Dec 17	Current Position Oct 18- Dec 18	Year to Date 2018/19	Actual Difference	% Difference
All Recorded Crime	10769	Reduce	2735	3205	9033	470	17.2%
Residential Burglary	880	Reduce	286	206	556	-80	-28%
Vehicle Crime	1259	Reduce	380	157	504	-223	-58.7%
Shoplifting	1534	Reduce	353	507	1438	154	43.6%
Local Violence	2431	Reduce	574	1049	2735	502	91.8%
Repeat Cases of Domestic Violence – MARAC	33.25%	Reduce	27%	28%	29%	0.01	3.7%

**Recorded Crime in Hartlepool October - December 2018 - Victim-based crime** - All police-recorded crimes where there is a direct victim. This victim could be an individual, an organisation or corporate body. This category includes violent crimes directed at a particular individual or individuals, sexual offences, robbery, theft offences (including burglary and vehicle offences), criminal damage and arson (Over the page).

## Appendix H

Publicly Reported Crime (Victim based Crime)				
Crime Category/Type	Oct 17 – Dec 17	Oct 18 – Dec 18	Change	% Change
<b>Violence against the person</b>	<b>574</b>	<b>1049</b>	<b>502</b>	<b>91.8%</b>
Homicide	0	1	1	100%
Death or Injury Due to Driving	0	0	0	0%
Violence with injury	226	254	28	12.4%
Violence without injury	240	331	91	37.9%
Stalking and Harassment	108	463	355	328.7%
<b>Sexual Offences</b>	<b>56</b>	<b>76</b>	<b>20</b>	<b>35.7%</b>
Rape	20	39	19	95%
Other Sexual Offences	36	37	1	2.8%
<b>Robbery</b>	<b>24</b>	<b>24</b>	<b>0</b>	<b>0%</b>
Business Robbery	4	6	2	50%
Personal Robbery	20	18	-2	-10%
<b>Acquisitive Crime</b>	<b>1503</b>	<b>1236</b>	<b>-267</b>	<b>-17.8%</b>
Burglary - Residential	286	206	-80	-28%
Burglary – Business and Community	124	50	-74	-59.7%
Bicycle Theft	46	31	-5	-12.2%
Theft from the Person	16	11	-5	-31.3%
Vehicle Crime (Inc Inter.)	380	157	-223	-58.7%
Shoplifting	353	507	154	43.6%
Other Theft	298	274	-24	-8.1%
<b>Criminal Damage &amp; Arson</b>	<b>391</b>	<b>456</b>	<b>65</b>	<b>16.6%</b>
<b>Total</b>	<b>2548</b>	<b>2841</b>	<b>293</b>	<b>11.5%</b>

Other crimes against society - All police-recorded crimes where there are no direct individual victims. This includes public disorder, drug offences, possession of weapons and other items, handling stolen goods and other miscellaneous offences committed against the state. The rates for some crime types within this category could be increased by proactive police activity, for example searching people and finding them in possession of drugs or weapons.

Police Generated Offences				
Crime Category/Type	Oct 17 – Dec 17	Oct 18 – Dec 18	Change	% Change
<b>Public Disorder</b>	<b>87</b>	<b>178</b>	<b>91</b>	<b>104.6%</b>
<b>Drug Offences</b>	<b>48</b>	<b>75</b>	<b>27</b>	<b>56.3%</b>
Trafficking of drugs	13	18	5	38.5%
Possession/Use of drugs	34	80	46	135.3%
<b>Possession of Weapons</b>	<b>18</b>	<b>31</b>	<b>13</b>	<b>72.2%</b>
<b>Misc. Crimes Against Society</b>	<b>34</b>	<b>80</b>	<b>46</b>	<b>135.3%</b>
<b>Total Police Generated Crime</b>	<b>187</b>	<b>364</b>	<b>177</b>	<b>94.7%</b>
<b>TOTAL RECORDED CRIME IN HARTLEPOOL</b>	<b>2735</b>	<b>3205</b>	<b>470</b>	<b>17.2%</b>

**Data from the Hartlepool – Joint Strategic Needs Assessment**

[\(http://www.teesjsna.org.uk/hartlepool/\)](http://www.teesjsna.org.uk/hartlepool/)

**Violent Crime** - Crime and the fear of crime are key factors that affect people's quality of life and sense of well-being.

There is a direct link to health through such things as violent injury, rape and other offences against the person, and less directly via the psychological trauma of experiencing crimes such as burglary or vandalism.

Fear of crime affects the health of the wider community via, for example, restrictions on unsupervised outdoor play for children and social isolation of older people.

It has been acknowledged that the actual risk of becoming a victim of crime is much lower than the perceived fear of crime and victimisation. Fear of crime can have a devastating effect on quality of life and more focus is being placed upon providing reassurance to residents and ensuring that they know how best to protect themselves from becoming a victim without raising fear unnecessarily.

Crime reduces the effectiveness of healthcare systems through violence against NHS staff, damage to property, and costs of replacement, repairs and security. Alcohol and illegal drug dependency increase crime, and have an impact on health care services.

## 1. Main Issues

Within the north east, Hartlepool had the third highest rate of hospital admissions for violence 2014/15-2016/17.

### 1.12i - Violent crime (including sexual violence) - hospital admissions for violence 2014/15 - 16/17 Directly standardised rate - per 100,000

Area	Count	Value	95% Lower CI	95% Upper CI
England	72,684	42.9	42.6	43.2
North East region	4,642	58.6	56.9	60.3
Sunderland	626	74.5	69.0	81.0
Middlesbrough	311	69.9	62.2	78.3
Hartlepool	187	68.5	58.9	79.1
Gateshead	368	60.4	54.4	67.0
South Tyneside	263	60.2	53.1	68.0
County Durham	920	59.2	55.4	63.2
North Tyneside	345	58.7	52.6	65.2
Newcastle upon Tyne	533	54.3	49.5	59.3
Darlington	166	54.2	46.3	63.2
Northumberland	444	54.2	49.2	59.5
Redcar and Cleveland	194	51.7	44.6	59.5
Stockton-on-Tees	285	48.8	43.3	54.8

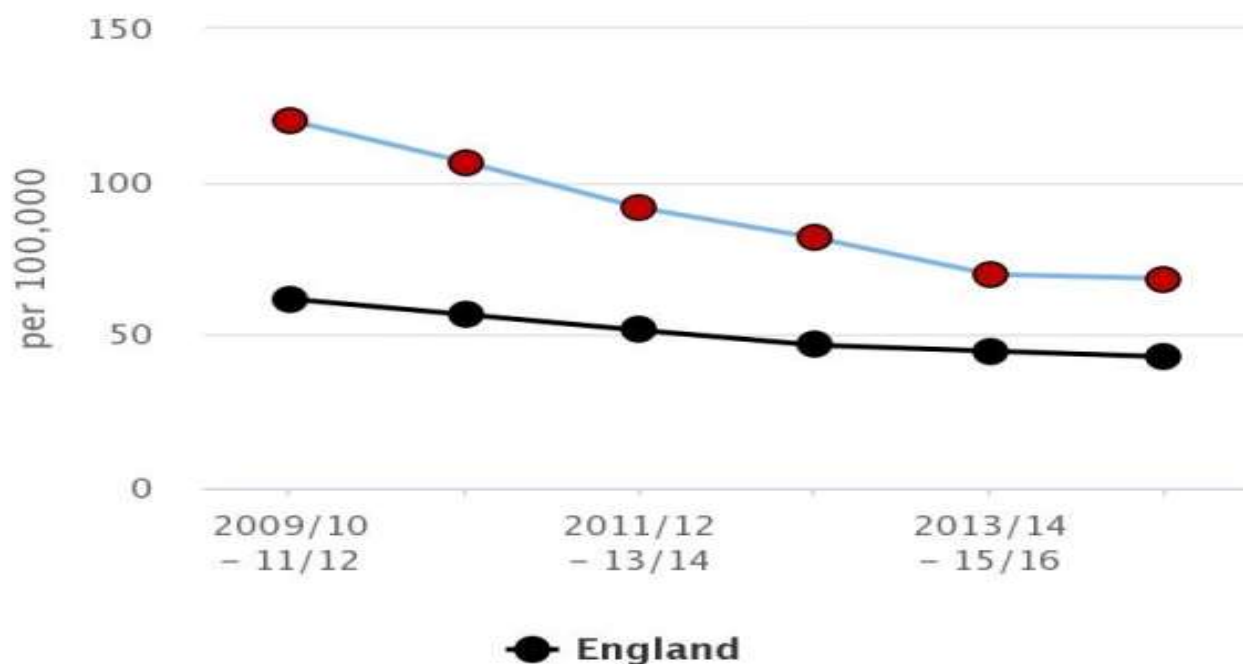
Source: Hospital Episode Statistics (HES), Health and Social Care Information Centre for the respective financial year; England: Hospital Episode Statistics (HES) Copyright © 2017. Re-used with the permission of The Health and Social Care Information Centre. All rights reserved. Local Authority estimates of resident population; Office for National Statistics (ONS) Unrounded mid-year population estimates produced by ONS and supplied to the Public Health England

Hartlepool's rate of 68.5 per 100,000 population in 2014/15-2016/17 is the lowest rate for Hartlepool across the 6 year reporting period. Hartlepool's rate is still significantly larger than the England average, however the gap between England and Hartlepool is 34% smaller than it was in 2009/10-2011/12. Across the same period against the north east average, Hartlepool has closed the gap from 25.5

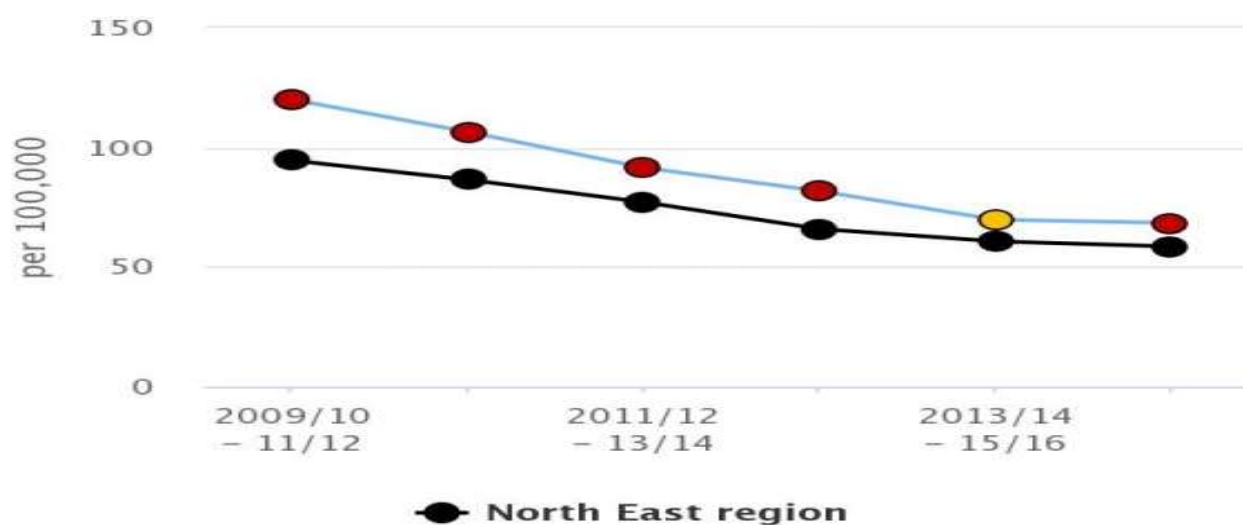
## Appendix H

per 100,000 in 2009/10-2011/12 to 10.1 per 100,000 in 2014/15-2016/17. Hartlepool had reached a level of statistical similarity to the north east average in 2013/14-2015/16, however by 2014/15-2016/17 Hartlepool had fallen back to a position of statistical inferiority.

**1.12i – Violent crime (including sexual violence) – hospital admissions for violence – Hartlepool**



**1.12i – Violent crime (including sexual violence) – hospital admissions for violence – Hartlepool**



For violent offences, Hartlepool has the 4th lowest rate in the north east in 2017/18.

## Appendix H

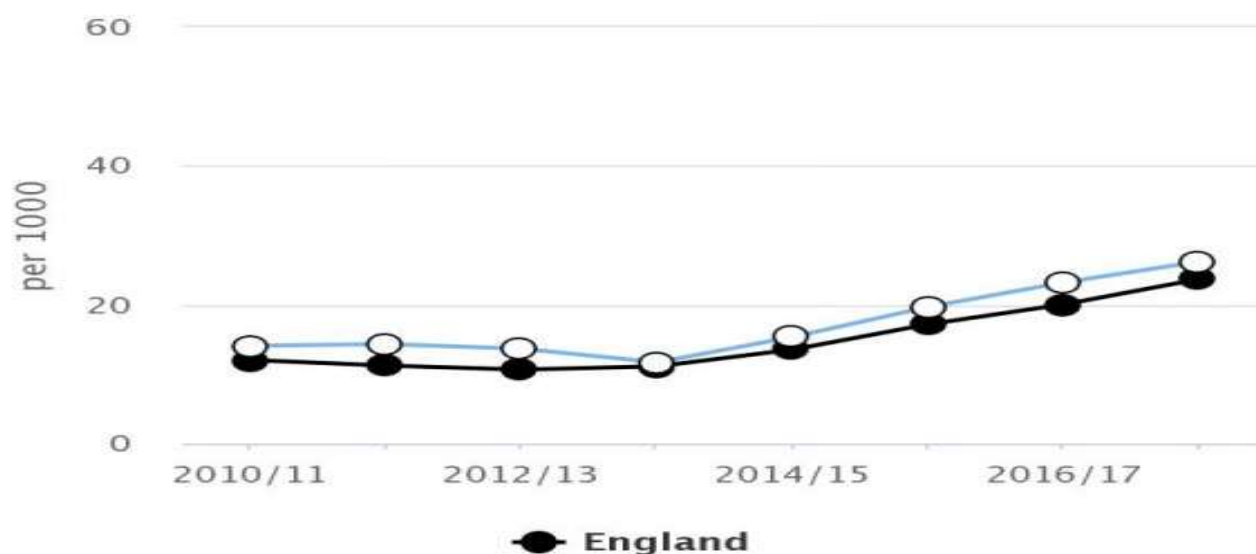
**1.12ii - Violent crime (including sexual violence) - violence offences per 1,000 population 2017/18**

Crude rate - per 1000

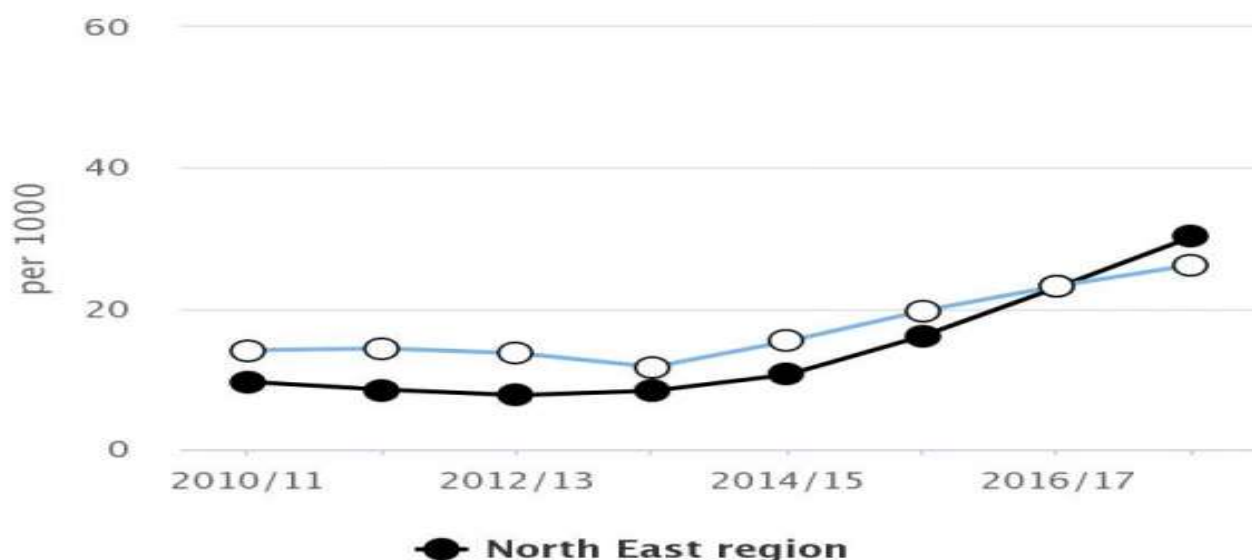
Area	Count	Value	95% Lower CI	95% Upper CI
England	1,309,524	23.7	23.7	23.7
North East region	79,726	30.2	30.0	30.4
Darlington	4,134	38.9	37.7	40.1
Newcastle upon Tyne	10,810	36.8	36.1	37.5
Middlesbrough	4,876	34.8	33.8	35.7
Sunderland	9,195	33.2	32.5	33.8
County Durham	17,157	32.9	32.4	33.4
South Tyneside	4,830	32.4	31.5	33.3
North Tyneside	5,838	28.7	27.9	29.4
Gateshead	5,720	28.2	27.5	29.0
Hartlepool	2,433	26.2	25.2	27.3
Northumberland	7,841	24.7	24.2	25.3
Stockton-on-Tees	4,375	22.3	21.7	23.0
Redcar and Cleveland	2,517	18.6	17.9	19.3

Source: Figures calculated by PHE Knowledge and Intelligence Team (North West) using crime data supplied by the Home Office and population data supplied by Office for National Statistics (ONS).

However, Hartlepool's 2017/18 rate is the highest level in the 8 year reporting period. Hartlepool's rate 2017/18 of 26.2 per 1,000 population is 86% larger than the 2010/11 rate of 14.1 per 1,000. Across the reporting period the gap between Hartlepool and England has remained quite stable, and currently sits at 2.5 per 1,000. This was largely also true for the gap between Hartlepool and the north east, however in the 2017/18 data Hartlepool is now below the north east average for the first time in the reporting period, as the north east rate has increased with greater intensity than both Hartlepool and England since 2014/15.

**1.12ii - Violent crime (including sexual violence) - violence offences per 1,000 population - Hartlepool**

### 1.12ii – Violent crime (including sexual violence) – violence offences per 1,000 population – Hartlepool



Cleveland Police data from the 12 month period November 2017 to October 2018 shows that Hartlepool's violent crime figures display a general increase throughout the year.

### Crime levels in this area between November 2017 and October 2018

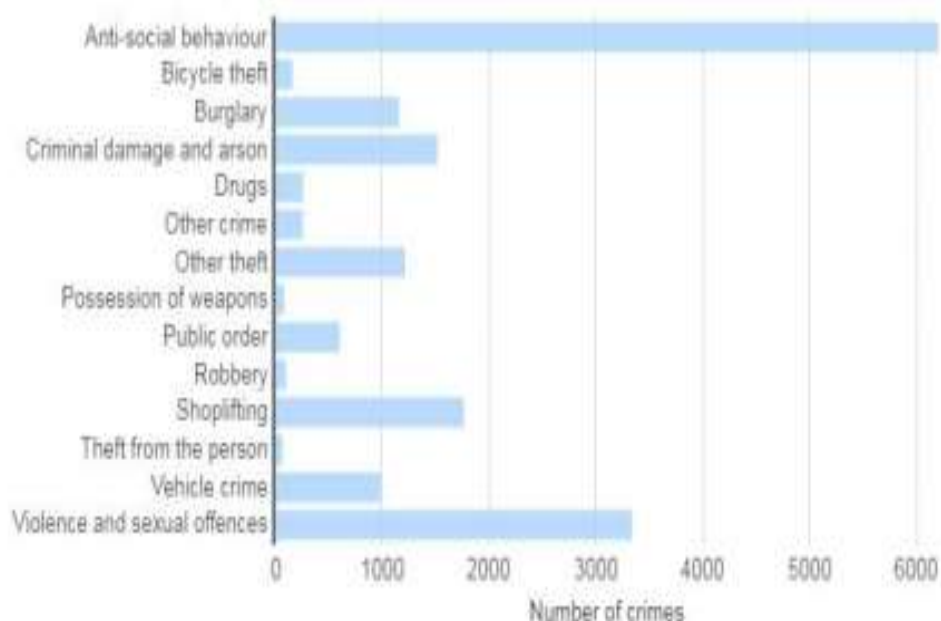
#### Violence and sexual offences



There was a month on month increase 8 times throughout the reporting year, and the level of violent crime at the end of the reporting period is 93% larger than it was at the beginning.

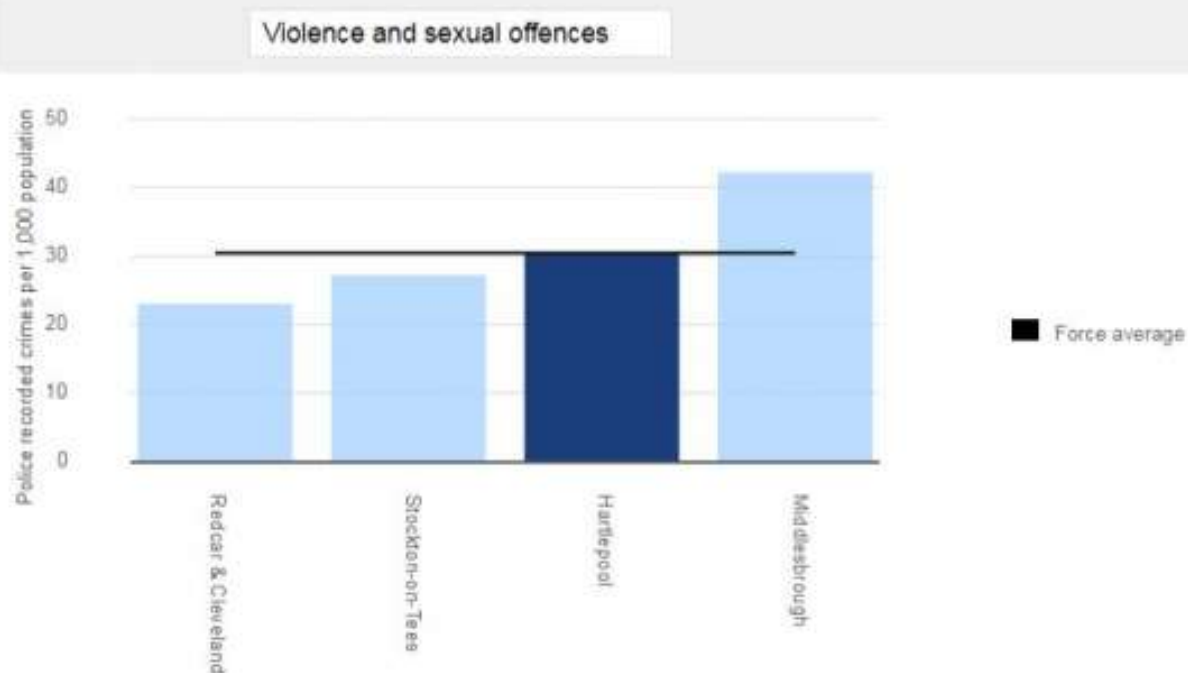


## Comparison of crime types in this area between November 2017 and October 2018



Violent crime is the second largest type of crime in Hartlepool, only anti-social behaviour is more frequent. Violent offences account for 18.84% of offences in Hartlepool during this period.

## Crime in Hartlepool compared with crime in the Cleveland force area

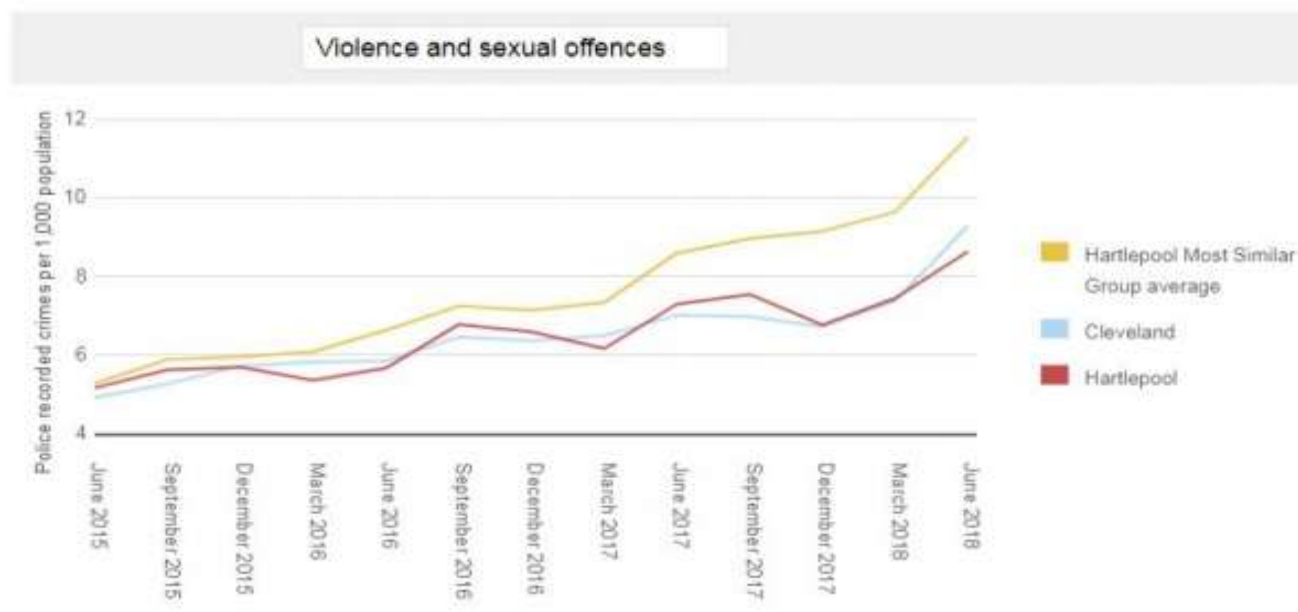




## Appendix H

Hartlepool had the second largest violent crime rate within the Cleveland Police area, larger than both Stockton and Redcar, but substantially smaller than the Middlesbrough rate.

### Crime changes over time in Hartlepool and in the Cleveland force area



In June 2018 violent offences are 1.6 times the recorded frequency than they were in June 2015 in Hartlepool. Across this period Hartlepool's increase in violent offences is smaller than both the Cleveland Police force area, and that of the group of most similar areas

## Appendix H

AREAS FOR CONSIDERATION	PICK Scoring System
<b>Public Interest</b> – the concerns of local people should influence the issues chosen	<b>3</b> <b>High public interest</b>
<b>Impact</b> – priority should be given to the issues which make the biggest difference to the social, economic and environmental, and health and well-being of the area	<b>1</b> <b>Low impact</b>
<b>Council Performance and Efficiency</b> – priority should be given to the areas in which the Council, and other agencies, are not performing well or proposals which will support budget proposals	<b>1</b> 'Amber',
<b>Keep in Context</b> – work programmes must take into account of what else is happening in the areas being considered to avoid duplication or wasted effort  Scrutiny has not investigated this topic in previous years. However, the issue is being considered via the Police and Crime Commissioner (Violent Crime Summit).	<b>1</b> Need for review acknowledged

TOTAL SCORE: 6

<b>Topic:</b>  Allocation of Police Resources (officer and assets) across Hartlepool*  <i>* Potential for combined investigation incorporating Neighbourhood policing, Drug Rehabilitation services and Anti-Social Behaviour.</i>	
<b>Background Information</b>  Concern was expressed regarding increasing levels of crime in Hartlepool and the allocation of resources (including police officers, vehicles and PCSO's) across the Cleveland Police Force Area. Particular emphasis was placed upon the importance of neighbourhood policing, prevention and the profile of policing.	
<b>AREAS FOR CONSIDERATION</b>	<b>PICK Scoring System</b>
<b>Public Interest</b> – the concerns of local people should influence the issues chosen	<b>3</b> <b>High public interest</b>
<b>Impact</b> – priority should be given to the issues which make the biggest difference to the social, economic and environmental, and health and well-being of the area	<b>3</b> <b>High impact</b>
<b>Council Performance and Efficiency</b> – priority should be given to the areas in which the Council, and other agencies, are not performing well or proposals which will support budget proposals	<b>2</b> low performance 'Red'
<b>Keep in Context</b> – work programmes must take into account of what else is happening in the areas being considered to avoid duplication or wasted effort  Scrutiny has not undertaken a specific investigation into the topic in previous years. Members have received updates in relation to policing levels and the allocation of resources – most recently an all Members Briefing from the Police and Crime Commissioner and Chief Constable. The Committee is not aware of any other detailed investigation into this issue at this time.	<b>3</b> Need for review acknowledged

TOTAL SCORE: 11

## Appendix J

[illegible]

## AUDIT AND GOVERNANCE COMMITTEE

27 June 2019



**Report of:** Statutory Scrutiny Manager

**Subject:** DEDICATED OVERVIEW AND SCRUTINY BUDGET  
- 2018/19 - OUTTURN

### 1. PURPOSE OF REPORT

- 1.1 To provide the Audit and Governance Committee with an up-to-date position of the expenditure of the Dedicated Overview Scrutiny Budget for the 2018/19 financial year.

### 2. BACKGROUND INFORMATION

- 2.1 In 2013, a budget of £5000 per year was allocated to the Overview and Scrutiny function. The purpose of the budget is to provide support for the delivery of the work programme and development of the function. An agreed procedure is in place for the authorisation for budget spends through this Committee and is utilised by Members in considering the appropriateness of funding requested.

### 3. BUDGET SPEND FOR THE 2018/19 FINANCIAL YEAR

- 3.1 Details of funding from the dedicated budget during the course of each year are reported to this Committee. The Committee is advised that during 2018/19 the following request was agreed for funding from the available £5,000 budget:-

£95.00 – Room hire as part of the preventative mental health investigation

### 4. RECOMMENDATION

- 4.1 It is recommended that the Audit and Governance Committee notes the dedicated scrutiny budget position for the 2018/19 financial year.

**Contact Officer:-** Joan Stevens – Statutory Scrutiny Manager  
Chief Executive's Department – Legal Services  
Hartlepool Borough Council  
Tel: 01429 284141  
Email: [joan.stevens@hartlepool.gov.uk](mailto:joan.stevens@hartlepool.gov.uk)

**BACKGROUND PAPERS** - No background papers were used in the preparation of this report.

## Extract – Finance and Policy Committee – 11<sup>th</sup> March 2019

### **113. Reshaping Drug and Alcohol Treatment Services**

*(Director of Children and Joint Commissioning Services and Director of Public Health)*

#### **Type of decision**

Key Decision (test (i) & (ii) apply) Forward Plan Reference No. CJCS082/18

#### **Purpose of report**

To seek Finance and Policy Committee approval to the model for the future delivery of Drug and Alcohol Treatment Services and the procurement process.

#### **Issue(s) for consideration**

The Director of Children's and Joint Commissioning Services reported that drug and alcohol dependency in Hartlepool causes significant harm to both individuals and communities. Investment in prevention, treatment and recovery interventions helps to reduce this burden. For example, drug and alcohol users accessing substance misuse treatment services are less likely to be prone to illness and diseases and commit fewer crimes. Furthermore, treatment does not only improve the lives of those in receipt of services, but also that of their families and the communities in which they live.

Currently, Hartlepool has one of the highest death rates from drug misuse and alcohol related liver disease in the North East region. Substance misuse is also a major factor in the rising demand for children's social care services with high numbers of children becoming subject to child protection plans or looked after as a consequence of parental substance misuse.

On 25 July 2016, the Committee received a report detailing an option appraisal for the future delivery of substance misuse treatment and support. Members approved option two as the preferred model for service delivery and in April 2017 the Council moved to an in house delivery model for recovery support with the service transferring into the Council from the previous providers, Lifeline. At the same time, the Council exercised its right to invoke the extension clause on the clinical service commissioned from Addaction and this was further extended again in April 2018. There are no further extension options available within this contract which expires on 31 March 2019. However, to ensure appropriate provision is in place whilst future service provision is considered an exemption from the Contract Procedure Rules has been approved to extend the service for a further six months.

Hartlepool's Health and Wellbeing Board asked for a "needs assessment" to be conducted during 2018 to inform the future strategic planning for the delivery of the substance misuse support and treatment service and that assessment has been completed. The needs assessment identified that there should be a transformative approach to the delivery of drug and alcohol treatment services in Hartlepool which would bring about significant change in behaviours, reducing levels of dependency and increasing the preventative offer.

The ambition was to deliver a single site offer in facilities that would be conducive to meeting the clinical and treatment support needs of those who use the service in a way that achieved the requirements outlined in the needs assessment. Any potential bid to deliver these services would need to outline how the provider would meet the accommodation requirements of the centralised service from new premises.

Taking into consideration the needs assessment and future requirements of a substance misuse treatment and support service, the following options for the future provision of services had been identified:

- Option 1: Current service model – In-house provision of psychosocial support and commissioned provision for clinical prescribing element with pharmacy contracts for needle exchange.
- Option 2: Bring all services in house – including clinical elements, under Council-employed head of drug and alcohol service.
- Option 3: Contract out all services – engage external providers with view to entering into a contract with one experienced provider to provide the entire service.
- Option 4: Enhanced current service (variant on option 1) – retain and strengthen in-house element (under experienced leadership) to receive all new referrals and provide immediate social and psychological support, and engage with external providers to provide the clinical element (prescribing, sexual health, blood-borne virus screening, wound care, primary care).

These options were appraised against the needs assessment and specification in detail in the report. Having completed the option appraisal officer advice was that option 4 provides the most effective and integrated model for the delivery of services that would achieve the ambition of the Council to move resources towards

prevention. This option retained and strengthened the in-house element around a psycho-social key worker model and was ambitious to deliver a strengthened prevention offer particularly with young people.

A Member questioned the choice of bringing services in-house through option 4 when option 3, on paper, seemed to mitigate the Council's risk. The Director indicated that option 3 would push all services back out to contract when the Council had already brought services back in-house. Option 4 allowed for a better integration of services. The Member questioned how the delivery of the needle exchange service was working now as there had been considerable problems with drug paraphernalia being discarded around the town. The Director stated that the difficulties that existed last year with the service had been rectified and the new offer would provide the ability to wrap services around drug users through a key worker model.

A Member questioned whether there was a cost difference between the models. The Director stated that the cost envelope for the service would remain the same as at present. The ambition was that through the key worker model and wrap around services there would be greater ability to reduce the costs of acute services to reinvest in prevention services over time.

The Chair commented that in his role as Chair of the Health and Wellbeing Board and the Safer Hartlepool Partnership he saw clearly how this service cut across so many services and agencies and affected everything from housing through worklessness and the numbers of looked after children. The Chair moved the adoption of Option 4.

## **Decision**

That the recommendation to support option 4 as the preferred option for service delivery be supported as it provided the most effective and integrated model for the delivery of substance misuse treatment and support services.



## Tees Valley Joint Health Scrutiny Committee

A meeting of Tees Valley Joint Health Scrutiny Committee was held on Monday, 11th March, 2019.

**Present:** Cllr Lisa Grainge (Chair)(SBC),

Cllr John Tennant (HBC), Cllr Evaline Cunningham (SBC), Cllr Lynn Hall (SBC), Cllr Lorraine Tostevin (DBC), Cllr Eddie Heslop (DBC), Cllr Wendy Newall (DBC), Cllr Ian Jeffrey, Cllr Norah Cooney (R&C BC)

**Officers:** Michael Henderson, Peter Mennear (SBC), Joan Stevens(HBC), Caroline Breheny (MBC)

**Also in attendance:** Karen Hawkins(Darlington and Hartlepool and Stockton CCGs), Julie Bailey, Alex Sinclair (South Tees CCG), Graeme Nivern (South Tees, Darlington and Hartlepool and Stockton CCGs) Leanne McCrindle, Chris Lanigan, Dominic Gardner(TEWV)

**Apologies:** Cllr Eddie Dryden (MBC), Cllr McGee, Cllr Jan Taylor

### **TVH 23/18      Declarations of Interest**

There were no declarations of interest.

### **TVH 24/18      Minutes of the meeting held on 11 December 2018**

The minutes of the meeting held on 11 December 2018 were confirmed as a correct record.

### **TVH 25/18      Tees Esk and Wear Valleys NHS Foundation Trust Quality Account**

Members were reminded that NHS Trusts were under a duty to produce yearly Quality Accounts, which set out:

- what an organisation was doing well;
- where improvements in service quality were required;
- what the priorities for improvement were for the coming year;
- how the organisation had involved service users, staff and others, with an interest in that organization, in determining those priorities for improvement.

Each year the Tees Valley Joint Health Committee had the opportunity to review the performance of Tees, Esk and Wear Valleys NHS Foundation Trust. The Committee was provided with a presentation, at the meeting.

TEWV's draft Quality Account would be produced in mid-April, and this would be provided to Members in due course.

It was explained that, if it agreed, the Joint Scrutiny Committee could provide a statement of assurance to be included in the published version of the Quality Account.

## Discussion:

In relation to the Performance against the core Quality Metrics, Members requested further details regarding comparative information where appropriate.

It was noted that data from the National Patient Survey existed for some of the metrics, and this would be circulated to the Committee.

Members would support more follow up with patients, to further understand the reasons behind responses to questions on how safe they felt on wards, and whether they would recommend the Trust to friends and family. It was noted that this varied due to individual circumstances and different sites.

Members queried the performance in relation to the number of incidents of restraint. The Trust noted that this varied between wards, and was more common within CAMHS, on Teesside, which included the Eating Disorder service which was hosted by the Trust and was one of four such wards in the country. Members received assurances that the use of restraint, in Teesside, aside from the Eating Disorders service was in line with the rest of the Trust.

The Trust was not meeting its targets in relation to average length of stay in Mental Health Services for Older People. It was noted the data varies across the Trust, with some care home capacity issues in the Tees area having an impact.

Members did recognise that the Trust had set itself challenging targets; these were to be achieved over three years and were aspirational.

In terms of its Quality Priorities, it was noted that care planning needed to have a greater focus on the voice of the patient, and the intention was for plans to be written in the patient's own words.

Service provision for substance misuse was now more fragmented and often delivered through third sector providers. Although TEWV was no longer the provider of these services, the increase in patients with a dual diagnosis of substance misuse affecting their mental health, has led to the Trust to improve its links with the service providers, and rebuild its expertise on these issues. This was a particular issue in the Tees area, and pathways of care were being reviewed. Substance misuse services were also being recommissioned across Tees.

The most overt issues were linked with drug use rather than alcohol.

The Trust was continuing to review its Urgent Care services and this priority had been suggested by its Local Authority stakeholders. The Crisis Suite at Roseberry Park was seen as innovative practice.

Both ambulance services covered by the Trust were due to have the facility to see whether patients they attend have mental health crisis plans in place. Mental health nurses were located in the police control and there was positive acute liaison relationships in place.

The NHS Long Term Plan committed to looking further at this issue and localities were to take forward more joint working.

RESOLVED that:

1. a statement be produced to reflect Member comments on TEWV's performance.
2. a draft statement be circulated to the Committee, with final agreement delegated to Chair and Vice-Chair..

**TVH  
26/18**

### **Task and Finish Group - Roseberry Park**

Members were provided with a draft report, prepared by the Joint Committee's Task and Finish Group, that had examined the impact of works at Roseberry Park, particularly with regard to the affect the works had had on service delivery, patients, their families, carers and staff.

The Chair of the Task and Finish Group, Councillor Ian Jeffrey, introduced the report to the Joint Committee.

It was explained that the Group had spoken with members of staff, carers, and had sought views from interested parties including the Clinical Commissioning Groups (CCGs), Adult Social Care, and Members of Parliament. All concerned had recognised the seriousness of the initial situation, the potential for serious harm to patients and staff, and the need to find a remedy.

In relation to service delivery, Members had found that, through the efforts of the Trust and its staff, the situation had been well managed, with the impact on service users, and their families, minimized, as far as possible.

Members had been particularly impressed by the efforts and approach of staff associated with the affected wards, with all feedback to the Group indicating that the teams had gone above and beyond, in their continued delivery of care.

The Group had agreed that the commitment of staff represented the best of public service. The Group was also clear that this situation should never have arisen in the first place, and would support all efforts to make sure that other services were not affected in this way, both locally and across the country.

It was noted that the Chancellor had announced, as a part of the 2018 Budget, that future public investment projects would no longer be funded via Private Finance Initiatives. Whatever future funding arrangements were agreed, nationally, the Group highlighted the need to ensure that any future building projects, in the NHS, were both safe and high quality, and delivered in a financially sustainable way.

RESOLVED that:

1. the Group's appreciation of the commitment of the Trust's staff, at Roseberry

Park, be supported by the Joint Committee and forwarded to the relevant Teams, by the Trust;

2. the Tees Valley Joint Health Committee receive updates on the progress of the works at Roseberry Park.

3. the widest possible distribution of the report be undertaken, including circulation to local Members of Parliament, Local Authorities, the Secretary of State for Health and Shadow Secretary of State for Health.

**TVH  
27/18**

### **Clinical Commissioning Group Updates**

Members were reminded that, at the September meeting of the Joint Committee, an update had been provided on the local GP workforce. A range of work on primary care sustainability was discussed and it was agreed to consider the issues in more detail, at a future meeting. During discussion, reference had been made to additional NHS funding that had been announced, at national level, and Members had requested further details of the local allocations, for this funding, when available.

Given the above, Members were provided with presentations on Primary Care Sustainability and the new funding allocation for the NHS.

#### **Primary Care Sustainability**

Members were provided with details of:

- GP Staffing Levels.
- GPs who were eligible for retirement in the next 10 years.
- Average number of Patients per GP
- GP Vacancies

The Joint Committee was informed of schemes that had been developed to assist with primary care sustainability, including:

- Practice Manager development
- Behavioural health coaching
- GP retention programme
- General Practice Resilience Programme
- on line consultations

The Committee considered details of Primary Care Networks which were a major part of the NHS's long term Plan. The Networks would bring general practices together, to work at scale, and were expected to be established by 1 July 2019.

Discussion/Issues raised by members:

- It was recognized that fewer people were training, with the intention of being GPs. HEE was working to change this trend and work was on going to attract GPs to the North East.
- Primary Care Networks (PCNs) had to make sense in terms of their geography

and the population they served. Services had to wrap around the communities within the PCN.

- PCNs would be monitored by the CCG.
- PCN contracts would require them to deliver seven specific national services. Integrated Community based teams and community and mental health services would configure their services around network boundaries.

## Finance

Members were provided with comprehensive information about the allocation of £20.5 billion to address current financial pressures, demand growth and new priorities.

It was noted that the NHS would receive average financial growth of 3.4% over 5 years but had to return to balances over the same period and create a minimum of 1.1% productivity growth per annum.

Other commitments, associated with receiving the additional money, included reducing growth in demand through better integration and prevention, reduction of unwarranted variation in performance, better use of existing assets and capital investment to drive transformation.

Details of how changes in formula and other factors, such as pace of change, would affect allocation to the local STP and CCGs was provided to the Committee. Members also received details of overall, total place based allocations across CCG core allocations, Primary Care and Specialized Commissioning.

## Discussion /areas highlighted by members:

- members queried the weighting placed on allocations and were informed that deprivation was a factor, as was population projections. Population growth in the local area was less than other areas nationally and this was reflected in the allocation.
- the Committee recognized that the NHS had to deliver a number of asks and it could not achieve them in isolation. Strong, local, joint working would be essential to success.

RESOLVED that the update and discussion be noted.

**TVH  
28/18**

## **Committee Work Programme**

Members noted the Committee's Forward Plan for 2018/2019.

**Durham Darlington Teesside Hambleton Richmondshire and  
Whitby STP Joint Health Scrutiny Committee**

At a meeting of the **Durham Darlington Teesside Hambleton  
Richmondshire and Whitby STP Joint Health Scrutiny Committee** was  
held in the Council Chamber, Town Hall, Darlington on **Tuesday 27  
November 2018 at 2.00p.m.**

**Present:**

Councillors W Newall and L Tostevin (Darlington Borough  
Council) Councillors J Robinson, J Chaplow and R Bell  
(Durham County Council) Councillors B Loynes and G Hall  
(Hartlepool Borough Council) Councillors J Blackie and H  
Moorhouse (North Yorkshire County Council) Councillors S  
Bailey and L Hall (Stockton-on-Tees Borough Council)

**Scrutiny Officers**

Peter Mennear (Stockton-on-Tees  
Borough Council) Alison Pearson (Redcar  
and Cleveland Council) Stephen Gwilym  
(Durham County Council)  
Caroline Breheny (Middlesbrough  
Borough Council) Joan Stevens  
(Hartlepool Council)

**Other Officers**

Christine Shields, Assistant Director of Commissioning, Performance and  
Transformation, Darlington Borough Council

**NHS STP, Trust and CCG Representatives**

Alan Foster, STP/ICS Lead  
Sue Jacques, Chief Executive, County Durham and Darlington NHS  
Foundation Trust  
Siobhan McArdle, Chief Executive, South Tees Hospitals NHS Foundation  
Trust Deepak Dwarakanath, Medical Director, North Tees and Hartlepool  
NHS Foundation Trust  
Stewart Findley, Chief Officer, North Durham, DDES, Darlington, Hartlepool  
and Stockton and South Tees CCGs  
Mary Bewley, Head of Communications and Engagement, North  
of England Commissioning Support

**Apologies**

Councillor J Taylor (Darlington Borough Council)  
Councillors B Brady, E Dryden and A Hellaoui (Middlesbrough Council)  
Councillor J Clark (North Yorkshire County Council)  
Councillors N Cooney, M Ovens and R Goddard (Redcar and Cleveland  
Borough Council)  
Councillor L Grainge (Stockton-on-Tees Borough)

Council) Daniel Harry, North Yorkshire County Council  
Julie Gillon, Chief Executive, North Tees and Hartlepool NHS Foundation Trust

## **17. Substitute Members**

None.

## **18. Declarations of Interest by Members**

None.

## **19. Minutes**

**Agreed** that the minutes of the meeting held on 25 September 2018 be confirmed and signed by the Chair as a correct record.

## **20. An integrated Care System for the North East and North Cumbria**

### **(i) Developing Integrated Health and Care Partnerships**

Alan Foster, STP/Integrated Care System Lead gave a presentation regarding the development of an Integrated Care System (ICS) and associated Integrated Care Partnerships (ICP) across North Cumbria and the North East Region.

The Committee were advised that the North East and North Cumbria had declared their position as an aspirant Integrated Care System under a programme developed by NHS England and NHS Improvement. The North Cumbria and North East region currently consisted of 3 STP footprints which, under the ICS Programme, would develop a shared ambition to the best in England and Europe for health and care outcomes.

Mr Foster stated that the Cumbria and North East was a relatively high performing area for health and care albeit with some performance and finance challenges. It has a long established geography with a positive history of joint working across a highly interdependent system of clinical services where patient flows remain mostly within this area. Members have been advised in previous reports of service sustainability and configuration issues which have remained unresolved and fragmentation following the Health and Social Care Act 2012 that has made system wide decision making difficult.

The Committee noted that faster progress on improving health outcomes for the population was needed with more empowered patients supported by fully integrated health and social care. The system also needed to deliver a sustainable, equitable and affordable core offer of acute services as well as a strengthened collective decision making process for “at scale” improvement initiatives.

The presentation reaffirmed a unanimous commitment from NHS bodies to become an Integrated Care system with robust governance arrangements. The ICS would develop a vision and strategy supported by a suite of enabling workstreams. The ICS would create 4 Integrated Care Partnerships based upon existing population density/patient flows and hospital sites whilst preserving place

based clinical leadership. These ICPs would be empowered to deliver sustainable acute services through managed clinical networks across multiple sites.

Mr Foster stressed that an ICS was not a statutory organisation in itself but rather an agreed partnership of individual organisations working to improve health and care based upon:-

- Developing a shared vision and high-level plan across NHS organisations;
- Reaching a formal agreement with NHSE/I to implement faster improvements in population health outcomes;
- Taking devolved responsibility for key NHS resources, and
- Collaborating across boundaries, e.g. clinical staff from different organisations working in networks 'horizontally' across hospitals but also integrating 'vertically' with GP and community services.

Integrated Care Partnerships were alliances of NHS Providers that work together with local commissioners to deliver care by agreeing to collaborate rather than compete. In this context providers could include hospitals, community services, mental health services and GPs as well as social care, independent and third sector providers.

Mr Foster also referenced plans by NHS England and NHS Improvement to develop seven joint regional teams led by directors tasked with developing more integrated local leadership. One of these teams would cover the North East and Yorkshire footprint. He stated that the ICS wanted to take more control over the resources it received and also take local decisions around staff recruitment, training and retention.

Members then considered the emerging outline of ICP geography with 4 ICPs being set up based around population density, patient flows and existing hospital sites. These would be for North Cumbria; North; Central and South.

In setting out the ICS approach to planning, Mr Foster indicated that a five year revenue budget settlement was anticipated for the NHS covering 2019-20 to 2023-24 which should provide a degree of certainty in developing the NHS Long Term plan. The new NHS approach to planning would include a review of standards, new financial architecture and more effective workforce and physical capacity planning. It will then be for the ICS to develop their own strategic plan which will deliver the NHS Long Term Plan and set out how the local NHS system will be run using available resources. In preparation for this all organisations (commissioners and providers) will be required to aggregate their plans into a single operating plan. This whole system plan for North Cumbria and the North East would in turn be signed off by all organisations by summer 2019.

Councillor Blackie stressed the dependency of rural communities in the area he represented upon those acute services provided at Darlington Memorial Hospital, James Cook Hospital, Middlesbrough and the Friarage Hospital, Northallerton. In acknowledging the development of the ISC and ICPs he stated that assurances were needed that acute services will be provided across the whole region equitably.

Councillor Moorhouse, whilst acknowledging and agreeing the development of



ICPs based around existing population density, highlighted the different population demographics across the North Cumbria and North East SC footprint and the importance of health and social care providers and commissioners developing services that meet specific needs of local communities. She gave the area of Hambleton, Richmondshire and Whitby as an example of a locality where there was a greater elderly population with highly complex health needs which would require a different approach to some more urbanised areas of the region. She stated that for such people it was more likely that care was provided in a more community based service model rather than at acute hospital centres.

Mr Foster referenced the excellent work being undertaken across the Hambleton, Richmondshire and Whitby CCG locality in respect of “frail elderly” and this being an example of the desire to provide care more locally. He advised the Committee that demand placed upon the health and social care system by frail elderly and the increase in such work was at the forefront of a specific workstream.

Councillor Bell referenced the proposal for a North East and Yorkshire regional development team and what that may mean for the 3 site acute centre model previously discussed by the Committee. He asked whether an emerging ICS would include North Yorkshire colleagues who sit on the STP Joint OSC at present. In response, Mr Foster indicated that Yorkshire was potentially to be covered by 3 ICS which added to the complexity of partnership working and the development of relationships across multiple provider and commissioning organisations. He stressed however that no “iron curtain” would descend upon patients seeking treatment within the region and that above all else patients would be put first. Councillor Bell welcomed that reassurance.

Cllr Robinson suggested that with the development of ICS and ICP structures there appeared to be a move back to the 1970’s structures within the NHS of Regional and Area health authorities. He asked whether County Durham was definitely to be included in the Central ICP? Mr Foster indicated that this was still being discussed and that a letter had been sent by the Leader and Chief Executive of Durham County Council seeking clarification on this issue.

Mr Foster stressed that the development of ICPs would not necessarily determine where patients would go for acute services but was rather about developing the opportunity for joint working amongst the NHS across organisational boundaries.

In response to a question from Councillor Loynes, Mr Foster stressed that the ICP boundaries on the map within the presentation were merely indicative of population density and all areas of the region would be covered by an ICP.

Councillor Tostevin expressed some doubt about the ability to develop and manage sustainable relationships under the ICS/ICP system as she felt this was much easier to achieve within a single organisational structure. Mr Foster acknowledged that the agenda for change was considerable and that to deliver the changes necessary, partnerships needed to work. He stressed that whilst there was no suggestion that Local Government structures would change under the ICP development programme it was evident that relationships across the NHS were developing and delivering increased collaborative arrangements which was a particular strength within the region. Councillor Tostevin responded that she was also worried about the reality of the timeframes potentially being discussed for the

establishment of ICS/ICPs given the huge amount of work currently being undertaken across the NHS and Local Government in terms of health and social care integration.

## **(ii) Clinical Strategy Development – South Integrated Care Partnership**

Siobhan McArdle, Chief Executive, South Tees Hospitals NHS Foundation Trust gave a presentation regarding clinical strategy development and the work proposed under the South Integrated Care Partnership (ICP). Ms McArdle explained that a vision and scope had been developed for the South ICP. The vision was to “work collaboratively to maintain local access with a focus on delivering out of hospital care and ensuring the sustainability of safe clinical services to meet the needs of the population.” The scope of the programme was “to develop a clinical strategy for the South Integrated Care Partnership with the aim of achieving and sustaining high quality hospital care across the area.” The scope of this work included the following acute provider organisations:

- County Durham and Darlington NHS FT
- North Tees and Hartlepool NHS FT
- South Tees Hospitals NHS FT

The Programme would cover acute health services commissioned and provided for the people of Darlington, Tees, Durham, Dales and Easington, Hambleton, Richmondshire and Whitby. University Hospital North Durham will continue to provide the existing range of services.

Ms. McArdle reported that the clinical strategy for the South ICP would focus on how the following services would be delivered:-

- Urgent & Emergency Care
- Paediatric, Maternity (Gynaecology modelling interdependencies)
- Elective care:
- Spinal
- Breast
- Urology
- Frailty services
- Stroke services

It was intended that the clinical strategy would be brought back to the Committee in January 2019 for consideration.

Members were informed that the programme work builds on that undertaken as part of the Better Health Programme which had been reviewed to ensure a clear audit trail and evidence of previous stakeholder engagement. The starting point for the ICP was a working list of ideas that will be appraised against ‘must have’ criteria for viability. Thereafter modelling workshops would take place to build up and discuss scenarios. Ms. McArdle stressed that clinical standards were a key driver to improving quality and patient outcomes and indicated that viable ideas would be subject to robust financial and activity modelling (value impact assessment) and further evaluation through stakeholder engagement. As part of

this work, individual service clinical case for change will develop the draft case for change with credible scenarios being identified for formal consultation.

As part of this process, the Committee were informed that the following operating principles had been put forward by the programme leads:-

- The needs of people will have priority over organisational interests;
- We will work in clinical networks across hospital sites - sharing scarce resources to maintain local services;
- We will work collaboratively, urgently and with pace on system reform and transformation;
- Costs will only be reduced by improving co-ordinated care;
- Waste will be reduced, duplication avoided and activities stopped which have limited value or where benefit to our population is disproportionate to cost.

As previously reported, Ms. McArdle confirmed that clinicians were currently developing the clinical strategy. In doing so she stated that the programme would preserve each hospital into the future by using them differently and in a more joined up way to benefit all patients. It was suggested that some changes and improvements may be necessary to services currently provided from different hospital sites. All three NHS Trusts wanted to introduce new ways of working so that clinicians can work easily across multiple organisations and clinical sites. They were also committed to expanding the use of new roles and care models that would assist in managing demand and drive an improvement in health outcomes.

The presentation concluded with a proposed timeline which included the proposed clinical review of the Value Impact Assessments developed for the services in question during December 2018. At the same time a strategic Oversight Group would meet to review the draft clinical strategy. Following any comments made as part of that process the Group would meet again in January to approve the final draft clinical strategy. Thereafter the various scenarios developed and the proposed pre-engagement activity and emerging plans for formal consultation and engagement would need to be brought back to the DDTHRW STP Joint OSC for consideration and comment. Ms. McArdle suggested that this could be done towards the end of January 2019. The proposed timeline concluded with plans for a formal launch of service reconfiguration with staff, external stakeholder and public engagement scheduled for March 2019.

Members were advised that there were 6 key phases proposed in the programme timetable namely:-

- Phase 1 – Clinical Strategy Development
- Phase 2 – Pre-consultation engagement and develop business case
- Phase 3 – Public Consultation
- Phase 4 – Period of reflection
- Phase 5 – Decision making process
- Phase 6 – Final Business Case

Ms. McArdle concluded by emphasising that the programme was currently at Phase 1.

The Chairman then invited questions from members of the Committee.

Councillor Bell referred to previous discussions that had taken place in

the

development of a 3 acute hospital site model as part of the Better Health Programme and asked whether there had been “in principle” agreement to retain that model and were clinicians sited on and have an for a collaborative working model across multiple hospital sites?

Deepak Dwarakanath, Medical Director, North Tees and Hartlepool NHS Foundation Trust reported that clinicians across the South ICP were pushing for change to improve the quality of care available and delivered to patients. They also recognised that current workforce pressures being experienced across the clinical areas being reviewed would not allow for these services to be delivered across all sites. He referenced current problems being experienced in respect of gaps in workforce rotas, increased shifts for current staff and the reliance on locum clinicians.

Councillor Blackie placed on record his thanks to the NHS organisations across the area who had delivered life-saving treatment to himself and expressed the fervent wish that the NHS Services in the area were not stretched to the point that they “fell down”. In discussing possible future service models, Mr Dwrarkanath suggested that most services would remain available in the three major sites (Darlington Memorial Hospital; University Hospital of North Tees and James Cook Hospital) and that ambulatory services/care was a key element in facilitating this. He also stressed that any changes advocated by clinicians would aim to future proof services across the region and that this would include enhanced IT provision.

Councillor Blackie asked whether 24/7 Accident and Emergency and Maternity and Paediatrics services would be available from the three sites as there have been many concerns expressed about potential changes in acute services along with the development of specialist centres and the importance of having appropriate and effective patient transport systems that facilitate access to these services. Ms McArdle reiterated the comments of Mr Dwrarkanath and the input of clinicians and stressed that work was ongoing across the North Yorkshire and South Tees NHS FT area in this respect.

Councillor Hall welcomed the reference to working at pace and stressed the importance of North Tees and Hartlepool NHS FT and South Tees NHS FT working collaboratively to improve services. She stated that it had been this lack of pace which had frustrated members of this committee particularly in terms of the absence of information about what services are planned for future delivery. In responding, Ms McArdle agreed with and noted the concerns around the pace of change, emphasising the importance of NHS Partners keeping local authorities engaged at the same pace.

Regarding transportation links and accessibility to services, Councillor Moorhouse referenced the Esk Valley Railway line which whilst being underused and poorly

maintained was a potential asset that could be utilised to improve accessibility to services from North Yorkshire.

The Chair referred to the proposed Value Impact assessments that are being drafted in respect of Urgent & Emergency Care; Maternity Paediatrics; Stroke, Frailty, Breast, Spinal and Urology services and urged care in how the delivery and publication of these was to be managed to avoid adverse public reaction and also the risk of premature referrals to the Secretary of State for Health and Social Care.

Mr Dwrarkanath stated that the region's two main trauma centres would remain at Newcastle and Middlesbrough and that it was anticipated that no other A&E facilities would close. He also suggested that there would be no probable change with Maternity/Paediatrics services. He did recognise that the medical leaders/professionals had been poor at promoting and managing maternity services.

Councillor Bailey emphasised the importance and need for robust public consultations for any potential service changes and continued local authority involvement and engagement in that process.

Councillor Bell referred to the involvement and engagement of local authorities in public consultation and suggested that NHS partners would need to give consideration to the potential impact that local authority election purdah may have on any consultation timeframes.

Councillor Loynes asked what any future proposals would mean for University Hospital Hartlepool. She referenced the loss of several acute services from the hospital including A&E and the apparent running down of maternity services at the hospital with women discouraged from giving birth at UHH. In echoing the sentiments of Cllr Loynes, the Chair suggested that alongside the potential service development proposals for North Tees University Hospital, James Cook Hospital and Darlington Memorial Hospital, there needed to be comprehensive long term strategies for University Hospital Hartlepool, Bishop Auckland Hospital and the Friarage Hospital, Northallerton.

In response, Ms McArdle indicated that those latter three points of service delivery referenced by the Chair were vital to the future of the former. She also stressed that the value impact assessments being drafted would aim to retain as much local access to services as possible.

At the conclusion of the discussions the following action was agreed:

1. The report be noted; and
2. The Value Impact Assessments and associated engagement plans be brought back to a future meeting of the Committee in February 2019.

**21. Darlington; Durham Dales Easington and Sedgfield;  
Hartlepool and Stockton; North Durham and South Tees CCGs  
Collaborative**

Stewart Findley, Chief Officer, North Durham, DDES, Darlington, Hartlepool and Stockton and South Tees CCGs gave members a

presentation setting out proposals for increased collaborative working arrangements across Darlington; Durham Dales Easington and Sedgefield; Hartlepool and Stockton; North Durham and South Tees CCGs.

He reminded members that the Health and Social Care Act 2012 established the statutory role of the Clinical Commissioning Group and sets out the statutory duties and requirements including those roles which are considered 'statutory' requirements, namely, that appointment of a Chair of the Governing Body, a Chief Officer, a Chief Finance Officer and an Executive Nurse.

Dr Findley indicated that many CCGs around the country are now either merging or creating joint committees and collaborative arrangements with a single agreed leader/Accountable Officer. The annual leadership assessment of CCGs by NHS England now also includes a focus on collaborative working. As a result, he indicated that the 5 CCGs in Durham and the Tees Valley (NHS Darlington CCG, NHS Durham Dales, Easington and Sedgefield CCG, NHS Hartlepool and Stockton-on-Tees CCG, North Durham CCG and NHS South Tees CCG) had agreed to develop joint leadership and management arrangements. They appointed a single Accountable Officer from 1st October 2018 supported by two Chief Officers and a highly skilled Director team. He confirmed that the new accountable officer was Dr. Neil O'Brien.

Members were also advised that NHS Hambleton, Richmondshire and Whitby CCG would also work closely with the 'collaborative' on areas of mutual interest, such as acute services commissioning.

Dr Findley explained the relationships between proposed Integrated Care Partnership footprints and existing CCG boundaries.

The Committee was informed that the CCGs had identified a number of benefits to be derived from working more collaboratively including:-

- Working together to share expertise and capacity presents the opportunity to learn quickly, shorten delivery timescales and achieve stretching ambitions.
- Shared responsibility and delivery of the STP, working as key system leaders within a complex health and care system supporting the development of an Integrated Care System and Integrated Care Partnerships.
- Potential for greater overall clinical engagement and input.
- Support for both clinical and managerial succession planning across all CCGs.
- Greater potential for influence locally, regionally and nationally.
- An opportunity to re-focus, re-energise and align the team to support both the local and wider complex and significant transformation agenda by working at scale.
- Reputational benefits for CCGs as joint working brings shared benefits for delivery and improved performance.

- Management efficiencies in preparation for any running cost allowance reductions.

Members were advised that under the collaborative arrangement, place based commissioning would continue. This would be important as CCGs further develop integrated working with local authority and provider partners; develop and extend primary care and community services and ensure that services are responsive to local need and reduce the reliance on hospital based care. Dr Findley confirmed that each CCG would retain a strong local clinical voice and leadership whilst also retaining their individual statutory status.

Dr Findley reported that a robust governance framework would be developed which addressed statutory requirements at CCG level and also reflected an integrated approach across CCG and other partners as new relationships and ways of working were embedded. He stressed however that there would be no change to partnership working, existing governance and decision making, including the requirements for individual and joint consultation and engagement on service change proposals.

During the discussion which followed, Dr Findley reported that there were now requirements that 20% of CCG running costs needed to move into clinical improvement and/or transformation. This equated to around £4m across the collaborative.

Members noted that the collaborative proposals positioned the CCGs well to deal with finance and performance challenges and support transformation plans. Local place-based teams would be supported by more robust integrated and at scale “support” functions which would free capacity for local engagement and shared working with partners.

Agreed that the report and information be noted.

## **22. Chairman’s Urgent Items**

None.

## **23. Any other business**

None.

## **24. Date and Time of next meeting**

The next meeting date was to be confirmed but would be around the beginning of February 2019.

The meeting ended at 3.45 pm.