

# AUDIT AND GOVERNANCE COMMITTEE

## AGENDA



**Thursday 1 October 2020**

**at 2.00 pm**

**in the Civic Centre, Hartlepool.**

**PLEASE NOTE: this will be a 'remote meeting', a web-link to the public stream will be available on the Hartlepool Borough Council website at least 24 hours before the meeting.**

MEMBERS: AUDIT AND GOVERNANCE COMMITTEE

Councillors Buchan, Cassidy, Hall, Hamilton, Harrison, James and Loynes.

Standards Co-opted Independent Member: Ms Clare Wilson.

Standards Co-opted Parish Council Representatives: Parish Councillor John Littlefair (Hart) and Parish Councillor Alan O'Brien (Greatham).

Local Police Representative: Superintendent Sharon Cooney.

**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 10 September 2020 (*to follow*)

**4. AUDIT ITEMS**

4.1 Annual Governance Statement 2019/20 – *Director of Resources and Development*

4.2 Role of the Chief Finance Officer (CFO) in Public Service Organisations – *Director of Resources and Development*

4.3 Role of the Head of Internal Audit in Local Government – *Director of Resources and Development*

**CIVIC CENTRE EVACUATION AND ASSEMBLY PROCEDURE**

In the event of a fire alarm or a bomb alarm, please leave by the nearest emergency exit as directed by Council Officers. A Fire Alarm is a continuous ringing. A Bomb Alarm is a continuous tone.

The Assembly Point for everyone is Victory Square by the Cenotaph. If the meeting has to be evacuated, please proceed to the Assembly Point so that you can be safely accounted for.

- 4.4 Internal Audit Outcome Report 2019/20 – *Head of Audit and Governance*
- 4.5 Amended Internal Audit Plan 2020/21 – *Head of Audit and Governance*
- 4.6 Letter to those Charged with Governance – Compliance with Laws and Regulations/Fraud – *Director of Resources and Development*
- 4.7 The 2019/20 Financial Report (including the 2019/20 Statement of Accounts) – *Director of Resources and Development*

## **5. STANDARDS ITEMS**

- 5.1 Recruitment of Independent Persons – *Chief Solicitor and Monitoring Officer*

## **6. STATUTORY SCRUTINY ITEMS**

- 6.1 Introduction to Scrutiny – *Statutory Scrutiny Manager*
- 6.2 Dedicated Overview and Scrutiny Budget – 2019/20 - Outturn – *Statutory Scrutiny Manager*
- 6.3 Appointment to Committees Forums – *Statutory Scrutiny Manager*
- 6.4 Scrutiny Work Programme 2020/21 – *Statutory Scrutiny Manager (to follow)*

### **Health**

- 6.5 Director of Public Health Annual Report – *Acting Director of Public Health*

### **Crime and Disorder**

- 6.6 Verbal Update – Outcome of consideration of Anti-Social Behaviour in Hartlepool Investigation report by the Safer Hartlepool Partnership - *Chair of Audit and Governance Committee*

## **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**

No items.

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

No items.

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

No items.

## **11. REGIONAL HEALTH SCRUTINY UPDATE**

No items.



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

No items.

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

For information:

Dates and times of future meetings currently diaried: -

Thursday 7 January, 2021 at 10.00 am



# **AUDIT AND GOVERNANCE COMMITTEE**

## **MINUTES AND DECISION RECORD**

### **10 SEPTEMBER 2020**

The meeting commenced at 10.00 am and was an online remote meeting in compliance with the Council Procedure Rules Relating to the holding of Remote Meetings and the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

**Present:**

Councillor: Ged Hall (In the Chair).

Councillors: Tom Cassidy, Lesley Hamilton, Brenda Harrison and Marjorie James.

Also Present: In accordance with Council Procedure Rule 4.2, Councillor Cameron Stokell was in attendance as substitute for Councillor Brenda Loynes.

Officers: Craig Blundred, Acting Director of Public Health  
Sylvia Pinkney, Assistant Director, Regulatory Services  
Rachel Parker, Community Safety Team Leader  
Joan Stevens, Statutory Scrutiny Manager  
Angela Armstrong, Scrutiny Support Officer  
David Cosgrove and Jo Stubbs, Democratic Services Team

## **1. Apologies for Absence**

Apologies for absence were received from: -  
Councillor Brenda Loynes  
Standards Co-opted Members:  
Ms Clare Wilson – Independent Member  
Parish Councillors Alan O'Brien (Greatham) and John Littlefair (Hart).

## **2. Declarations of Interest**

None.

## **3. Minutes of the meetings held on 5 March and 12 March 2020**

Confirmed.

#### **4. Local Government Association Model Draft Member Code of Conduct – Consultation** *(Statutory Scrutiny Manager)*

The Statutory Scrutiny Manager reported that the Local Government Association (LGA) undertakes an annual review of the Model Member Code of Conduct to ensure that it continues to be fit-for-purpose, particularly with respect to advances in technology, social media and any relevant changes in legislation.

A reviewed Draft Model Member Code of Conduct has this year been produced and a consultation exercise undertaken between the 8 June 2020 and 17 August 2020.

All Members were made aware of the ability to comment on the draft code via an online consultation (with the assistance of supporting webinars). Over and above this, views were also sought from Members of the Audit and Governance Committee, as the body responsible for promoting the maintenance of high standards of conduct by Elected Members, with the aim of formulating a committee narrative response.

The Statutory Scrutiny Officer reported that no views / comments were received to inform a narrative response from the Committee.

##### **Recommended**

That the report be noted.

#### **5. Regulation of Investigatory Powers Act 2000 (RIPA) – Quarterly Update** *(Chief Solicitor)*

The Principal Democratic Services Officer reported that Hartlepool Borough Council has powers under the Regulation of Investigatory Powers Act 2000 (RIPA) to conduct authorised covert surveillance and was required to provide Members with a quarterly update as to the use of those powers. Members were informed that in the quarter ending 31 August 2020, there had been no RIPA Authorisations sought.

##### **Recommended**

That the report be noted.

## 6. **Coronavirus in Hartlepool - Update (Presentation)** (Acting Director of Public Health)

The Acting Director of Public Health gave a presentation to the Committee on the ongoing coronavirus situation in Hartlepool at 6 September 2020. The following issues were addressed in the presentation:-

- Hartlepool and UK Covid 19 cases rate per 100,000 population
- Weekly Covid cases comparison between rate in England and Hartlepool
- Covid cases rolling averages
- Hartlepool and England Covid 19 related death rates per 100,000 population
- Geographical locations of Covid cases in Hartlepool

The Acting Director highlighted that many of the locations of Covid outbreaks were linked to care homes. The rate of testing was slightly lower than the national rate but the rate of positive results was higher reflecting a rising rate of infections in the town. The Infection Control Board was working with businesses on ensuring social distancing and social distancing and the wearing of masks.

Members discussed the problems associated with the night-time economy and propensity of young people to go out simply to get drunk with social distancing simply ending. There was sympathy with young people expressed as the government had encouraged people to go out with the Eat Out To Help Out Scheme but there were concerns that many businesses were not following the track and trace rules.

The Acting Director stated that young people should not be seen to be blamed for the increasing infection rates; there were many factors and much more work needed to be done with businesses and workplaces. The Assistant Director, Regulatory Services added that officers had been working with businesses in the town, particularly the hospitality sector and there were visits scheduled to licensed premises over the weekend to check on compliance and highlight the change in regulations and providing advice.

There was discussion on the availability of testing with Members expressing a wish for a more robust system of track and trace in the town. The Assistant Director stated that officers were working hard with the NHS on increasing the availability of testing in the town.

### **Recommended**

That the presentation and discussions be noted and that further updates be provided at future meetings as appropriate.

**7. Community Safety Plan 2020-2021** (*Assistant Director (Environment and Neighbourhood Services)*)

The Assistant Director, Regulatory Services reported that the process to develop an new three-year Community Safety Plan was due to commence earlier in the year by the Safer Hartlepool Partnership but had been ‘over-taken’ by the Coronavirus Pandemic. Due to this delay and the additional work required to produce a three-year plan it was agreed that a one-year plan for 2020-21 be developed with a new three-year plan deferred to next year.

The proposed strategic objective for 2020-21 was “To make Hartlepool a safe, prosperous and enjoyable place to live, work and visit”. The key priorities for the Partnership in 2020/21 were Drugs and Alcohol; Anti-social Behaviour; and Domestic Violence. The draft plan had been approved by the Safer Hartlepool Partnership at its meeting on 4 September and was submitted to this Committee as part of an eight week consultation period which would utilise a wide range of mechanisms including local press and social media.

Members commented that they would wish to see homelessness and begging in the priorities. During the lockdown in spring the homeless were brought into places of care and safety but were now returning from those and incidents of begging were being seen. The Assistant Director that begging was covered by the anti-social behaviour priorities and Members should be aware that many of those begging had a home or place of safety to return to each evening.

**Recommended**

That the report and comments be noted.

**8. Safer Hartlepool Partnership Performance – Quarter 3** (*Assistant Director (Environment and Neighbourhood Services)*)

**9. Safer Hartlepool Partnership Performance – Quarter 4** (*Assistant Director (Environment and Neighbourhood Services)*)

The Community Safety Team Leader presented the two quarterly reports whose submission to the Partnership due to the Coronavirus Pandemic. The data was somewhat out of date and future quarterly reports would be based on a new data set driven by the priorities in the draft plan for 2020/21.

A Member expressed concern that reports such as this and the meetings that they were reported to did not need to be postponed as the situation had changed since March and meetings could now easily be held online. There

were instances where there was a clear democratic deficit particularly among the Policy Committees and Members needed to reassert their position as decision makers.

### **Recommended**

That the quarterly reports be noted.

## **10. 2020/21 Scrutiny Activity** (*Statutory Scrutiny Manager*)

The Statutory Scrutiny Manager reported that under normal circumstances, the Audit and Governance Committee would in June / July of each year establish an annual work programme to fulfil its health and crime and disorder overview and scrutiny responsibilities. Identified topics timetabled to run alongside the Committee's other statutory responsibilities and any emergency issuers that may need to be considered on an ad hoc basis. Overview and Scrutiny work programmes are designed to be flexible to accommodate items which may arise throughout the year. For 2020/21 this flexibility is essential to enable the scrutiny function to respond to the changing landscape of the COVID-19 Pandemic.

This process was been justifiably delayed as a result of the coronavirus pandemic and a considerable portion of the 2020/21 municipal year has been lost. However, meeting of the Audit and Governance Committee are now restarting in September and in addition to the Committee continuing to fulfil its statutory audit and standards responsibilities, consideration needs to be given to the form and focus of scrutiny for the remainder of the municipal year.

The Centre for Public Scrutiny (CfPS) has produced guidance on approaches to scrutiny during the crisis and the report also outlined the approach being taken in neighbouring authorities. The CfPS supports the view that there is a critical role for scrutiny in reflecting on the crisis and reviewing / advising on recovery plans. These are distinct, but connected, responsibilities and it is felt that only by reflecting on the crisis that effective plans for recovery can be put in place. Whilst this would usually an operational process led by professionals it is felt that the nature of this crisis is very different, demanding a more strategic and ideally member-led approach. Scrutiny could be a key tool in this.

Whilst continuing to fulfil its audit and standards responsibilities, the Audit and Governance Committee would need to as a base line to timetable:

- Monitoring of recommendations from completed investigations;
- Statutory health and crime and disorder items (as detailed in appendix A to the report); and
- Accommodate any emergency issuers that may need to be considered on an ad-hoc basis.

Over and above this, the Statutory Scrutiny Manager sought a view from the Committee as to whether consideration of any none Covid-19 related topic suggestions should be deferred to 2021/22 and activities for the remainder of 2020/21 should focus on Covid-19 related issues around:

- Reflecting on the crisis and reviewing the response; and
- Monitor recovery plans.

Members supported the view that a review of the decisions and approach taken during the early phases of the pandemic were essential to determining how the Council and the town moved forward during the next phases of the pandemic. Members commented that it was essential that decision making return to Members through the committee structure and away from the emergency decision making that had been implemented during the early days of the pandemic to meet a rapidly changing situation.

Members commented that the Council's response to the pandemic had been good but that did not mean there were not aspects that could be improved upon, particularly if there was to be a second wave of the Coronavirus. It was important to review how the elderly were protected and shielded but also how isolation and anxiety had impacted of the younger generations.

The Chair welcomed Members comments and indicated that the meeting in October would look to instigating this process.

### **Recommended**

1. The focus of scrutiny activities for the remainder of 2020/21 on Covid-19 related issues around:
  - Reflecting on the crisis and reviewing the response; and
  - Monitor recovery plans.
2. The deferral of any none Covid-19 related topic suggestions to 2021/22.
3. That a report be submitted to the next meeting to formalisation a scrutiny programme for the remainder of 2020/21.

## **11. Councillor Call for Action** (*Statutory Scrutiny Manager*)

The Statutory Scrutiny Manager submitted a detailed report outlining a Councillor Call for Action (CCfA) that had been received earlier in the year but consideration of it by Committee had been delayed due to the Coronavirus Pandemic. The Statutory Scrutiny Manager outlined the procedure and criteria for a CCfA and reported on the CCfA submission, and supporting documents, was received on the 26th April 2020 from Councillors Tony Richardson, Lee Cartwright and Bob Buchan.

The Statutory Scrutiny Manager highlighted to Members that the submission received related to noise complaints from the local community and the details set out in the appendices to the report contained exempt information under Schedule 12A Local Government Act 1972 (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, Information relating to any individual or Information which is likely to reveal the identity of an individual).

Members debated the matter in some detail though without referring to the details set out in the confidential appendices to the report. Members considered that the matter had continued for quite a protracted period of time and some Members stated that they had been involved in similar situations with residents in their wards.

Some Members did feel that if the situation was as intolerable as reported, then residents would have taken all the steps possible to resolve the situation and this included having the Council's own noise monitoring equipment installed in their home to record the nuisance. The Assistant Director, Regulatory Services commented that while there were noise monitoring apps being utilised by other local authorities, if any noise complaint issue was to be brought to court, evidence gathered on accredited and calibrated noise monitoring equipment, as used by the Council, would be required. It was the only evidence Courts would recognise.

After a lengthy debate including input from two of the Members that had brought the CCfA, the Committee agreed that the CCfA as submitted did not fully meet the criteria for a CCfA as set out in the Constitution. Members did feel, however, that the issue provided a fortuitous opportunity for Members to review the processes around such noise complaints and their resolution so that the Committee could produce guidance to help train and advise Members in the future.

In accordance with Rule 8 of the Council's Procedure Rules Relating to the Holding of Remote Meetings, a recorded vote was taken on the recommendations set out in the report.

On the matter of whether the submitted CCfA met the criteria for consideration.

Those for:  
None.

Those abstaining:  
None.

Those against:  
Councillors Tom Cassidy, Lesley Hamilton, Ged Hall, Brenda Harrison, Marjorie James and Cameron Stokell.

On the proposal that details of the incident, contained within the CCfA, be utilised by the Committee as a training exercise around the member / officer response to public noise complaints and general role of CCfAs:

Those for:

Councillors Tom Cassidy, Lesley Hamilton, Ged Hall, Brenda Harrison, Marjorie James and Cameron Stokell.

Those abstaining:

None.

Those against:

None.

### **Recommended**

1. That as the submitted Councillor Call for Action did not meet the specific criteria for action, no specific further action be taken by this Committee.
2. That the details of the submitted Councillor Call for Action be utilised by the Committee as a training exercise around the member / officer response to public noise complaints and general role of CCfAs.

## **12. Minutes of the Meetings of the Health and Wellbeing Board held on 2 December 2019 and 9 March and 26 June 2020**

Received.

## **13. Minutes of the Meeting of the Safer Hartlepool Partnership held on 10 January and 20 March 2020**

Received.

## **14. Any Other Items which the Chairman Considers are Urgent**

None.

The Committee noted that the next meeting would be held on Thursday 1 October 2020 commencing at 2.00 pm.

The meeting concluded at 11.50 am.

CHAIR

# AUDIT AND GOVERNANCE COMMITTEE

01 October 2020



**Report of:** Director of Resources and Development

**Subject:** ANNUAL GOVERNANCE STATEMENT  
2019/20

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## 1. PURPOSE OF REPORT

1.1 To inform Members of the implications to the Council of the Accounts and Audit Regulations (England) 2015 requirement; that the Council publish an Annual Governance Statement (AGS) with the Financial Statements and the action undertaken by the Council to meet its obligations within the scope of the Regulations. The 2019/20 AGS is attached as Appendix A.

1.2 The report considers the following areas:

- Why the Council needs an AGS,
- Who is responsible,
- How the AGS was produced.

## 2. WHY

2.1 To clearly demonstrate to stakeholders, that the Council has adequate arrangements in place to ensure that it effectively manages and controls its financial and operational responsibilities in accordance with acknowledged best practice. Paragraphs 2.2 to 2.3 detail positive benefits to the Council of achieving this end.

2.2 Statutory Requirement

The Accounts and Audit Regulations require that: “the Council ensures that its financial management is adequate and effective and that there is a sound system of internal control which effectively facilitates its functions and which includes arrangements for the management of risk. The Council shall conduct a review at least once a year of the effectiveness of its internal controls and shall include a statement on internal control with any statement of accounts it is obliged to publish”.

## 2.3 Good Governance

Production and publication of an AGS are the final stages of an ongoing review of internal control and are not activities which can be planned and viewed in isolation. Compilation of an AGS involved the Council in:

- Reviewing the adequacy of its governance arrangements,
- Knowing where it needs to improve those arrangements, and
- Communicating to users and stakeholders how better governance leads to better quality public services.

## 3. WHO

### 3.1 Corporate Responsibility

The Council's system of internal control must reflect its overall control environment, not just financial, which encompasses its organisational structure. Internal control is a corporate responsibility and the scope of internal control accordingly spans the whole range of the Council's activities and includes controls designed to ensure:

- The Council's policies are put into practice and its values are met,
- Laws and regulations are complied with,
- Required processes are adhered to,
- Financial statements and other information are accurate and reliable,
- Human, financial and other resources are managed efficiently and effectively, and
- High quality services are delivered efficiently and effectively.

### 3.2 Contributors to the AGS

- Audit and Governance Committee
- CMT
- Director of Finance and Development
- Assistant Director of Finance and Customer Services
- Monitoring Officer
- External Auditors and other Review Bodies
- Internal Audit and
- Management.

## 4. HOW

- 4.1 Having established a system of internal control, it is then necessary to consider which of these controls are key in mitigating against significant risk. By obtaining assurance on the effective operation of these key controls the Council is able to conclude on the effectiveness of the systems and identify where improvement is needed.

The review of internal control and AGS assurance gathering included:

- Establishing obligations and objectives,
- Identifying principal risks,
- Identifying and evaluating key controls to manage risks,
- Obtaining assurances on the effectiveness of controls,
- Evaluating assurances,
- Action planning to correct issues and continuously improve.

4.2 In practice the Council already had most of the necessary internal controls in place, what was required was to incorporate them into a framework for producing an AGS that met the requirements of the Regulations. In order to do this the Council has:

- Identified roles and responsibilities,
- Provided training,
- Gone through a process of establishing objectives, identifying risks and recording controls,
- Gathered and retained evidence for inspection,
- Drafted the AGS.

4.3 The AGS will form part of the Councils Statement of Accounts and will be publicised and available on the Councils Website or by request to the Councils Contact Centre.

4.4 In order to support members in the process of approving the Annual Governance Statement the Better Governance Forum has provided briefing papers for Audit and Governance Committee members in public sector bodies. The briefing paper is attached after the statement for members consideration in relation to issues they may want assurance on regarding the content and process followed in producing the statement. This committee report has been drafted in such a way as to answer the questions posed within the Better Governance Forum Briefing.

## **5. RISK IMPLICATIONS**

5.1 There is a risk that Members of the Audit and Governance Committee do not receive the information needed to enable a full and comprehensive review of governance arrangements at the Council, leading to the Committee being unable to fulfil its remit.

## **6. FINANCIAL CONSIDERATIONS**

6.1 There are no financial considerations.

## **7. LEGAL CONSIDERATIONS**

7.1 There are no legal considerations.

**8. CHILD AND FAMILY POVERTY CONSIDERATIONS**

8.1 There are no child and family poverty considerations.

**9. EQUALITY AND DIVERSITY CONSIDERATIONS**

9.1 There are no equality and diversity considerations.

**10. STAFF CONSIDERATIONS**

10.1 There are no staff considerations.

**11. ASSET MANAGEMENT CONSIDERATIONS**

11.1 There are no asset management considerations.

**12. RECOMMENDATIONS**

12.1 That Members review and approve the attached 2019/20 Annual Governance Statement.

**13. REASONS FOR RECOMMENDATIONS**

13.1 In order for members to fulfil the remit of the committee it is important they review and approve the Annual Governance Statement in the context of all reports and information received over the course of the municipal year.

**14. BACKGROUND PAPERS**

14.1 Accounts and Audit Regulations 2015;  
CIPFA/Solace Good Governance Framework;  
Internal Audit Opinion/Reports;  
External Audit Reports.

**15. CONTACT OFFICER**

15.1 Chris Little  
Director of Resources and Development  
Civic Centre  
Victoria Road  
Hartlepool  
T24 8AY

Tel: 01429 523003  
Email: [chris.little@hartlepool.gov.uk](mailto:chris.little@hartlepool.gov.uk)

## Appendix A

## **HARTLEPOOL BOROUGH COUNCIL** **ANNUAL GOVERNANCE STATEMENT**

### **1 Scope of Responsibility**

- 1.1 Hartlepool Borough Council is responsible for ensuring that:
- Its business is conducted in accordance with the law and proper standards,
  - Public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.2 The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In discharging these overall responsibilities, Hartlepool Borough Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.4 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 the Councils Contact Centre. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, Part 2 6(1) (a), which requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with the statement of accounts. Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015, require that for a local authority that statement is an Annual Governance Statement (AGS).

### **2 The Purpose of the Governance Framework**

- 2.1 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.

- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically. The governance framework has been in place at the Council for the year ended 31<sup>st</sup> March 2020 and up to the date of approval of the statement of accounts.
- 2.3 In order to facilitate the completion of the Statement, an officer working group has been formed and a programme of work developed. To ensure that the Statement has been given sufficient corporate priority and profile, the working group included both the Director of Finance and Development, the Assistant Director (Finance and Customer Services) and the Assistant Director (Corporate 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).

### **3 Significant Governance Issues Update from 2018/19 Statement**

- 3.1 Progress has been made over the course of 2019/20 to actively manage and address issues identified as part of the 2018/19 process. This approach ensures the Council actively manages these issues. The table below identifies action that has been taken to mitigate the areas identified.

Issue Raised	Action Undertaken
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 2019/20 and 2020/21 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 2019/20 has been largely delivered and is monitored by CMT on a quarterly basis and reported to Members via Finance and Policy Committee on a 6 monthly basis. A wraparound on the Hartlepool Life and Hartlepool Mail was published in

	<p>September 2019 promoting the achievements of the Council Plan to the public. 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 16<sup>th</sup> March 2017 and the mid-term review of the Plan was agreed by Finance and Policy Committee on 9<sup>th</sup> October 2018.</p> <p>During late 2019/20 a new, three year Council Plan to cover the period 2020-2023 was developed following public consultation in September/October 2019 and January/February 2020. The proposed Council Plan aimed to build upon the achievements of the 2017-2020 Plan and respond to emerging areas of priority. It was again developed alongside the MTFS and Capital Plan. The proposed Plan was agreed by Finance and Policy Committee on 9<sup>th</sup> March 2020 and was due to be considered by Council on 19<sup>th</sup> March 2020. Due to the restrictions imposed in relation to the COVID-19 pandemic the Council meeting did not go ahead as planned. The Council Plan was therefore deferred and will be considered during the 2020/21 municipal year.</p>
Managing corporate risk areas.	<p>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.</p> <p>A new Strategic Risk Register for the Council was presented to Finance and Policy Committee in August 2019. This includes the key risks facing the organisation and the delivery of the Council Plan. Risks are reviewed on a quarterly basis by CMT and reported to Elected Members via Finance and Policy Committee on a 6 monthly basis.</p>
Delivery of Regeneration/ Capital Programme on time and budget in line with key Council objectives.	<p>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.</p>
Boundary Review Impact	CMT sighted on the outcome of the review,

	which will increase number of councillors to 36. Risk addressed through member training on key corporate issues and regular update reports provided to committees. Arrangements to implement review will be enacted once issues around coronavirus pandemic are established.
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#### **4 The Governance Framework**

##### **4.1 The key elements of the Council's Governance Framework are as follows:**

Hartlepool Borough Council has adopted a Constitution, which sets out how the Council operates, how decisions are made, the procedures that are followed to ensure that these decisions are efficient and transparent, and sets out the terms of reference for the Committee structure. The Constitution was developed in accordance with the Local Government Act 2000 and it sets out the delegated responsibilities to key officers such as the Monitoring Officer and Section 151 Officer.

In accordance with the Council's Constitution at Article 14, the Monitoring Officer continues to monitor and review the operation of the Constitution to ensure that the aims and principles of the Constitution are given full effect. A report to the Constitution Committee on 25 November 2019 addressed issues which had arisen since the previous review reported to Full Council on 21 March. A further report was submitted to the Constitution Committee on 27 January which addressed issues raised in relation to the Articles, Procedure Rules and Referrals by Full Council.

Officer Decision Records continue to be published on the internet and Officer Guidance has been circulated in relation to Key Decision Forward Plan Consultation to give clarity to officers on when and how consultation should be undertaken on Key Decision matters to be considered by Policy Committees.

A programme of Members' Seminars has been developed by the Corporate Management Team (CMT) to ensure Members are updated/briefed on key strategic issues.

##### **4.2 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.

- 4.3 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.
- 4.4 The constitution contains financial and contract procedure rules, and code of conduct for Members, which have been formally approved. Financial procedure rules have been updated and agreed by Council and contract procedure rules have also been updated to take into account new procurement procedures 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 9<sup>th</sup> January 2020 and referred to Council for approval on 20<sup>th</sup> February 2020 for the financial year 2020/21. 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 Development 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).
- 4.5 The full range of Member committees regularly meet to review specific policy areas, to consider plans, reports and progress of the Council.
- 4.6 Human Resources 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.
- 4.7 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 14<sup>th</sup> 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.

- 4.8 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.
- 4.9 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 16<sup>th</sup> March 2017 and the mid-term review of the Plan was agreed by Finance and Policy Committee on 9<sup>th</sup> 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. During late 2019/20 a new, three year Council Plan to cover the period 2020-2023 was developed following public consultation in September/October 2019 and January/February 2020. The proposed Council Plan aimed to build upon the achievements of the 2017-2020 Plan and respond to emerging areas of priority. It was again developed alongside the MTFS and Capital Plan. The proposed Plan was agreed by Finance and Policy Committee on 9<sup>th</sup> March 2020 and was due to be considered by Council on 19<sup>th</sup> March 2020. Due to the restrictions imposed in relation to the COVID-19 pandemic the Council meeting did not go ahead as planned. The Council Plan was therefore deferred and will be considered during the 2020/21 municipal year.
- 4.10 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.
- 4.11 Key performance indicators are identified in the Council Plan. These indicators are monitored throughout the year and quarterly reports are presented Members on to their direction of travel and their position in relation to near neighbour and national comparators where available.
- 4.12 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.

- 4.13 The Council agreed new Risk Management Framework on 24<sup>th</sup> June 2019. 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 has been identified within the performance management framework and changes are reported to Elected Members regularly through the monitoring of the Council Plan.
- 4.14 The Risk Management Framework and an Officer Toolkit are available to all staff via the intranet. Key staff have undergone appropriate training and departmental risk champions lead on communicating the process to all relevant staff in their departments.
- 4.15 There is corporate support at senior management level for development of Risk Management with risk assessment procedures published and training given to officers. Risk introduction/refresher sessions are offered as and when individual departments/teams require them. Each department also has a risk co-ordinator.
- 4.16 The Finance and Policy Committee is responsible for ensuring the consideration of risk across and for reviewing the progress made in the management of strategic risks. The Audit and Governance Committee is responsible for reviewing the effectiveness of risk management arrangements and providing comment and challenge on risk management activity and progress. Risks and control measures relating to the Council Plan are analysed within 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.
- 4.17 The Council's Corporate Strategy and Performance Team hold information on the Council's Strategic Risks. Risk registers are also maintained for significant projects. Officers that manage risks are notified that risks need to be reviewed and progress is monitored on a 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.
- 4.18 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.

- 4.19 The Council has long-standing, nationally and regionally recognised emergency planning arrangements through the Cleveland Emergency Planning Unit (CEPU). The Council's Emergency Management Response Team (EMRT) meets bi-monthly and contributes to the makeup of the Council's Major Incident Plan which is tested annually.
- 4.20 Responsibility for updating and implementing Corporate Business Continuity has transferred to the Assistant Director (Environment and Neighbourhood Services). A significant amount of work has been progressed to address the concerns highlighted by internal audit with arrangements having been reviewed to reflect current best practice. These revised arrangements have been rolled out across each Council department to ensure that accurate up to date information is held to assist in the recovery of services, should it be necessary. Tests are planned to ensure that these plans are fit for purpose and any lessons learnt from these exercises will be incorporated into future plans.
- 4.21 The Equality Act 2010 came into force on 1<sup>st</sup> 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.
- 4.22 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 31<sup>st</sup> January each year; and
  - Develop and publish equality objectives by 6<sup>th</sup> April, 2012 and then every four years.
- 4.23 In order to demonstrate our compliance with the above requirements, we have produced a Workforce Equality Information Report 2018/19 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 9<sup>th</sup> October 2018.

- 4.24 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.
- 4.25 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.
- 4.26 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", one school is judged "inadequate". A CQC Local System Review of services for older people in October 2017 identified multiple 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 implemented. These changes have delivered significant improvements in performance in relation to delayed transfers of care and the proportion of people having their needs assessed in a hospital setting. Survey feedback from both people who use services and carers continues to be positive with satisfaction rates comparing favourably regionally and nationally. Over 90% of services that are commissioned for adults with care and support needs are rated 'good' by CQC with no services rated inadequate. An Ofsted inspection of Adult Education in December 2017 rated the service as good. Hartlepool Connect has achieved the Customer Service Excellence standard.  
In their 2018/19 Annual Audit Letter, Mazars, the Councils External Auditor, issued an unqualified opinion on the financial statements and value for money conclusion at the Council.

## 5 Review of Effectiveness

- 5.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the 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.
- 5.2 The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:
- Corporate Management Team agreed process for the review of the internal control environment. The risk inherent in meeting departmental objectives and the controls to mitigate those risks are 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 Development – 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 following an independent external assessment 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 (2019).
- The Head of Audit and Governance provides an independent opinion on the adequacy and effectiveness of the system of internal control, quarterly update reports and an annual internal audit performance report to the Audit and Governance Committee.
- Internal audit plans are formulated from an approved risk assessment package and Internal Audit continues to provide assurance across a broad range of Council activities and functions through the audits it completes.
- External Audit – in their 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.

5.3 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.

## 6 **Significant Governance Issues**

6.1 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 2020/21 MTFS includes savings proposals and other measures, including the use of reserves which enabled the 2020/21 budget to be set. The report also highlighted the significant deficit facing the Council for 2021/22, which makes this the most challenging financial year the Council has ever faced. Detailed proposals for addressing the 2021/22 deficit will be developed during 2020/21. 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 2020, 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.	2019/20 – 2021/22	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.	2020/21	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.	2020/21	CMT
4	All out elections leading to a potential lack of experience or knowledge if a significant number of new members are elected for the first time.	CMT to address risk through general member induction training and bespoke member training on key corporate issues. Regular update reports will be provided to committees over the course of the municipal year.	2020/21	CMT
5	Implementation of senior management structure review.	Ongoing officer review focussing on implementation and bedding down of new structure.	20/21	CMT

6	Covid 19 Virus effecting the health and wellbeing of the Borough, service delivery and the financial stability of the Council.	Dedicated Corporate Management Team response team setup to co-ordinate and manage the Council's strategic response, including implementation of national guidance at a local level. Emergency plans implemented. New functions established delivering vital services within the borough. Vulnerable people and businesses supported in line with Government guidance and local solutions. Safe working arrangements implemented at the Council in line with Government advice. Financial implications and risks are being managed and monitored. Communication strategy implemented.	2020 onwards.	CMT
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- 6.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed on behalf of Hartlepool Borough Council:**

.....  
Managing Director

.....  
Chair of Audit and Governance Committee

## Reviewing the Annual Governance Statement or Statement on Internal Control

### ***What is an Annual Governance Statement (AGS)?***

The AGS is a public statement, normally included with your statement of accounts, which explains how your organisation manages its governance and control arrangements. They are produced by both public and private sector organisations.

### ***What does my organisation need to have?***

Confusingly not all public bodies have the same requirement! While CIPFA recommends that all local government bodies in the UK have an Annual Governance Statement, this is only a statutory requirement in England and Northern Ireland. Welsh authorities have a Statement on Internal Control although an AGS is likely to be required from 2010/11 as the Welsh Assembly Government have consulted on this. In Scotland authorities are required to have a Statement on Internal Financial Control. Central government bodies and health authorities are all required to have a Statement on Internal Control.

### ***What's included in these statements?***

Although the names are different, there are many similarities between these statements as they all evolved out of the Statement on Internal Financial Control. And there are common features in all good statements. A good statement is open and honest, stating what works well and where improvements are needed. It includes a plan, showing who is responsible for taking action and when they will take action by. It also outlines progress against previous action plans. Whilst the focus of an SIFC is on financial controls, the other statements cover the full range of internal controls and the AGS covers wider governance matters such as ethics and leadership too. The statement summarises the key processes for delivering good systems of control and governance and indicates who is responsible for what. Processes are likely to include internal audit activity, risk management, performance management and other types of review and challenge. Responsibility lies with management, especially senior management, and the audit committee has an important role to play in providing challenge and oversight.

### ***What does the Audit Committee do?***

The audit committee has an on-going role in delivering good governance. Every time it reviews an audit report (internal or external) or holds an officer to account for his or her action (or inaction), it is helping to deliver good governance. In relation to the statement itself, the audit committee should take a robust and challenging approach, ensuring that:

- The statement reflects the organisation and is an honest self-assessment. Members should review evidence and challenge it where they believe it to be inaccurate or incomplete.
- They have sufficient assurance from enough separate parts of the organisation (this is known as 'triangulation' in audit circles) to be confident that, where controls and governance are deemed to be good, they are good and, where weaknesses are identified, the statement contains an accurate assessment of those weaknesses.
- The statement itself is well written and would be understood by someone with no knowledge of your organisation. In other words, it should be in plain English, with no jargon and it should include sufficient explanations.
- The action plan addresses all identified problem areas, including those identified in previous years where actions remain incomplete. Actions should be SMART (specific, meaningful, allocated, realistic and timely).

### ***What makes for good governance?***

Good practice approaches include:

- Creating and regularly reviewing a vision and direction for your organisation so that everyone understands what they are there to deliver.
- Indicating the level of service to be delivered – you can't be excellent at everything so what will you concentrate on and what can be good enough?
- Board / Member and officer roles are clearly defined, with schemes of delegation and codes of practice/conduct, so that everyone understands what they should and should not be doing.
- Having standing orders, financial regulations and guidance notes so that everyone knows what procedures are to be followed.
- A robust, challenging and supporting audit committee to provide oversight and review.
- Arrangements to ensure that you comply with laws and regulations and identify and act on changes promptly.
- Appropriate and flexible whistle-blowing arrangements.
- Methods to identify and act on officer and member development needs.
- Excellent and open communication with your community.
- Ways to ensure good governance in all your partnerships.
- Promotion of the values of good governance and ethical standards.

### ***How do you draw up a good statement?***

- Review and map your assurance framework to make sure that it covers all areas, including the hard to reach ones such as partnerships, and that you do not have any duplication in assurance.
- Obtain wide engagement – not just the head of audit or governance doing everything, but getting mini-governance or assurance statements from directors and heads of service that contribute to the overarching statement and/or setting up a working group to develop the statement.
- Be open and honest – it's about improvement and adding value, not about looking good.
- Be prepared to challenge yourself and look for areas for improvement, perhaps by benchmarking or comparing yourself with other organisations.
- Compare the assurances received to the strategic risk register. Are there any high risk areas that have not been adequately covered?
- Look for any inconsistencies or discrepancies. For example, has assurance been provided that there are no significant problems in an area but you have conflicting evidence from elsewhere (audit, risk, performance, complaints, fraud, etc)?
- Check progress against action plans during the year so problems can be dealt with quickly and governance becomes part of the way we do things round here, not just a once-a-year activity.
- Ensure that the action plan is widely known and understood in the organisation and beyond so that those charged with action are held to account and delivery is more likely.
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### **Key questions to ask:**

- 1. What process has the organisation gone through to gather evidence to support the AGS? Has it involved staff from across the organisation?**
- 2. Have assurance statements already gone through a process of challenge and review prior to presentation to the audit committee? What did this show?**
- 3. Does the action plan flow out of the statement and identify the major issues we need to address as an organisation?**
- 4. Does the action plan include actions outstanding from previous years, prioritised as necessary?**
- 5. How will the action plan be communicated to staff, stakeholders and the public?**

# AUDIT AND GOVERNANCE COMMITTEE

01 October 2020



**Report of:** Director of Resources and Development

**Subject:** ROLE OF THE CHIEF FINANCE OFFICER  
(CFO) IN PUBLIC SERVICE ORGANISATIONS

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## 1. PURPOSE OF REPORT

- 1.1 To inform Members of the CIPFA statement – ‘The Role of the CFO in Public Service Organisations’, and how the Council complies with this guidance. As Director of Finance and Development, I am the Council's nominated Section 151 Officer.

## 2. BACKGROUND

- 2.1 The role of the CFO is a fundamental building block of good corporate governance and the Local Government Act 1972 (section 151) requires ‘every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs’. This statutory requirement is reinforced by the Local Government and Housing Act 1989 (section 6) which requires that the Section 151 officer is a qualified accountant and a member of an accountancy body approved by the Secretary of State.
- 2.2 The two critical aspects of the CFO's role are stewardship and probity in the use of resources; and performance, extracting the most value from the use of those resources. The CFO, as the organisation's most senior executive role charged with leading and directing financial strategy and operations, occupies a pivotal role, both for external stakeholders and within the Leadership Team. CFOs everywhere have a responsibility to ensure that their organisations control and manage money well, and that strategic planning and decision making are supported by sound analysis.
- 2.3 In the public service context, CFOs must also meet the demands of openness and accountability in decision making, balance competition for limited resources across a range of worthwhile objectives, deliver value for money and safeguard taxpayers' money. Delivering these requires a range of personal qualities, as well as support from both the finance function and the organisation as a whole. It is these expectations, combined with the personal qualities and leadership skills

needed for them to be met, that have shaped the CIPFA Statement on the Role of the CFO in Public Service Organisations (the statement).

- 2.4 The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them. Successful implementation of each of the principles requires the right ingredients in terms of:

- The Organisation;
- The Role: and
- The Individual.

- 2.5 For each principle the Statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the CFO role within the organisation. Many of the day-to-day responsibilities may in practice be delegated or in some authorities may even outsource, but the CFO should maintain oversight and control. Summaries of personal skills and professional standards then detail the leadership skills and technical expertise organisations can expect from their CFO. These include the key requirements of CIPFA and the other professional accountancy bodies' codes of ethics and professional standards to which the CFO as a qualified professional is bound. The personal skills described have been aligned with the most appropriate principle, but in many cases can support other principles as well.

### **3. CIPFA STATEMENT ON THE ROLE OF THE CFO IN PUBLIC SERVICE ORGANISATIONS**

#### **3.1 The CFO in a public service organisation:**

- 1** is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
- 2** must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and
- 3** must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

**To deliver these responsibilities the CFO:**

- 4 must lead and direct a finance function that is resourced to be fit for purpose; and
- 5 must be professionally qualified and suitably experienced.

- 3.2 Appendix A of the report details how the Council ensures that the requirements of the statement are met.

**4. RISK IMPLICATIONS**

- 4.1 There is a risk that if Members of the Audit and Governance Committee do not receive the information needed to enable a full and comprehensive review of governance arrangements at the Council, this could lead to the Committee being unable to fulfil its remit.

**5. FINANCIAL CONSIDERATIONS**

- 5.1 There are no financial considerations.

**6. LEGAL CONSIDERATIONS**

- 6.1 There are no legal considerations.

**7. CHILD AND FAMILY POVERTY CONSIDERATIONS**

- 7.1 There are no child and family poverty considerations.

**8. EQUALITY AND DIVERSITY CONSIDERATIONS**

- 8.1 There are no equality and diversity considerations.

**9. STAFF CONSIDERATIONS**

- 9.1 There are no staff considerations.

**10. ASSET MANAGEMENT CONSIDERATIONS**

- 10.1 There are no asset management considerations.

**11. RECOMMENDATION**

- 11.1 It is recommended that Members:
  - i) note that I have reviewed the CIPFA statement – ‘The Role of the CFO in Public Service Organisations’ and can advise Members that the Council complies with these requirements as detailed in Appendix A.

**12. REASON FOR RECOMMENDATIONS**

- 12.1 To ensure that the Audit and Governance Committee meets its remit, it is important that it is kept up to date with best practice in relation to the information it receives from officers.

**13. BACKGROUND PAPERS**

- 13.1 CIPFA Statement on the Role of the CFO in Public Sector Organisations.

**14. CONTACT OFFICER**

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## Appendix A

**How the Five Principles Are Met**

**Principle 1** – The CFO is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.

<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core CFO responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
Set out a clear statement of the respective roles and responsibilities of the Leadership Team and its members individually.	Constitution, Delegated Powers, Job Descriptions in place and clearly define roles and responsibilities.	Contributing to the effective leadership of the organisation, maintaining focus on its purpose and vision through rigorous analysis and challenge.	Corporate Management Team role, delegated powers. Director of Finance and Development (DFD) leads on all financial matters and ensures Finance and Policy Committee and Corporate Management Team (CMT) buy-in in to Medium Term Financial Strategy and supporting strategies. DFD is also Deputy Managing Director.	Role model, energetic, determined, positive, robust and resilient leadership, able to inspire confidence and respect, and exemplify high standards of conduct.	Actively engaged in the Leadership and Management Development Programme (LMDP). Provides training regarding financial issues to members and staff. Mentors senior finance staff and has regular Finance Management Team meetings and 1 to 1 meeting with senior finance staff.
Ensure that the CFO reports directly to the Chief Executive and is a member of the Leadership Team with a status at least equivalent to other members.	DFD reports directly to Managing Director. Has regular 1 to 1 meetings with Managing Director. Is a member of Corporate Management Team. DFD is also Deputy Managing Director.	Contributing to the effective corporate management of the organisation, including strategy implementation, cross organisational issues, integrated business and resource planning, risk management and	See Above	Adopt a flexible leadership style, able to move through visioning to implementation and collaboration/consultation to challenge as appropriate.	See Above.

		performance management.			
If different organisational arrangements are adopted, explain the reasons publicly, together with how these deliver the same impact.	Not applicable - see Above	Supporting the effective governance of the organisation through development of – corporate governance arrangements, risk management and reporting framework; and – corporate decision making arrangements.	Responsible for the provision an adequate and effective Internal Audit service. Key role in formulating the Annual Governance Statement and Code of Corporate Governance.	Build robust relationships both internally and externally.	See Above. Regular meetings with Directors and other senior managers facilitate establishment of robust relationships. Active member of Tees Valley Strategic Finance Officers Group, ANEC Finance Group and CIPFA Municipal Treasurers Group. Regular meetings with external auditors.
Determine a scheme of delegation and reserve powers, including a formal schedule of those matters specifically reserved for collective decisions by the Board, and ensure that it is monitored and updated.	Constitution and Scheme of Delegation in place.	Leading or promoting change programmes within the organisation.	Key role in Business Transformation Programme and Service Delivery Options.	Work effectively with other Leadership Team members with political awareness and sensitivity.	Member of CMT. Regular contact with all members including Leader, Policy Committee Chairs and Audit and Governance Committee.
Ensure that organisation's governance arrangements allow the CFO: – to bring influence to bear on all	Constitution and Scheme of Delegation in place as well as defined reporting arrangements.	Leading development of a medium term financial strategy and the annual budgeting process to ensure financial balance and a monitoring process to ensure its	Responsibility for Medium Term Financial Strategy (MTFS) and budgetary control processes matters and ensuring Members and Corporate Management Team	Support collective ownership of strategy, risks and delivery.	Member of CMT. Represented on Performance and Risk Management Group. Member of Annual Governance Statement Group.

material business decisions; and – direct access to the Chief Executive, other Leadership Team members, the Audit Committee and external audit.		delivery.	(CMT) buy-in in to Medium Term Financial Strategy and supporting strategies, such as Business Transformation Programme.		
Review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised.	Review of corporate financial management through Business Transformation Programme has focused CFO role on core financial management to ensure and effective strategy is developed and implemented to address the financial challenges facing the Council over the next few years.	Ensuring the medium term financial strategy reflects joint planning with partners and other stakeholders.	Wide consultation undertaken with all relevant stakeholders.	Address and deal effectively with difficult situations.	Peer review carried out by Managing Director. Ongoing review of skills via LMDP.
Assess the financial skills required by members of the Leadership Team and commit to develop those skills to enable their roles to be carried out effectively.	Overarching Leadership and Management Development Programme (LMDP).			Implement best practice in change management and leadership.	Ongoing development through LMDP/ and peer review/mentoring. Involvement in SDO reviews.
				Balance conflicting pressures and needs, including short and longer term trade-offs.	Responsibility for Medium Term Financial Strategy (MTFS) and budgetary control processes.

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Demonstrate strong commitment to innovation and performance improvement.	Key role in Business Transformation Programme and Service Delivery Options.
Manage a broad portfolio of services to meet the needs of diverse communities.	Responsible for full range of financial services aligned with corporate priorities and needs through MTFS.
Maintain an appropriate balance between the deeper financial aspects of the CFO role and the need to develop and retain a broader focus on the environment and stakeholder expectations and needs.	See Above.
Comply with the IFAC Code of Ethics for Professional Accountants, as implemented by local regulations and accountancy bodies, as well as other ethical standards that are applicable to them by reason of their professional status. The fundamental principles set out in the Code are integrity, objectivity, professional competence and due care, confidentiality, and	Professional standards integral to role. Commitment to Professional CPD and LMDP.

professional behaviour. Impartiality is a further fundamental requirement of those operating in the public services.	
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**Principle 2** – The CFO must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation’s overall financial strategy.

Governance requirements	HBC Arrangements	Core CFO responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Establish a medium term business and financial planning process to deliver the organisation’s strategic objectives, including: – a medium term financial strategy to ensure sustainable finances; – a robust annual budget process that ensures financial balance; and – a monitoring process that enables this to be delivered.	MTFS in place, monitoring arrangements and role of Council, Policy and Finance Committee and Audit and Governance Committee enshrined in the Constitution.	<b>Responsibility for financial strategy:</b> Agreeing the financial framework with sponsoring organisations and planning delivery against the defined strategic and operational criteria.	Responsibility for the production, implementation and monitoring of the MTFS.	Implement appropriate management, business and strategic planning techniques.	Responsibility for MTFS and budgetary control processes.
Ensure that professional advice on matters that have financial implications is available and recorded well in	The reporting of key decisions is enshrined within the Constitution.	Maintaining a long term financial strategy to underpin the organisation’s financial viability within the agreed performance	See Above.	Link financial strategy and overall strategy.	Responsibility for MTFS and budgetary control processes.

advance of decision making and used appropriately.		framework.			
Ensure that those making decisions are provided with information that is fit for the purpose – relevant, timely and giving clear explanations of financial issues and their implications.	See Above	Implementing financial management policies to underpin sustainable long-term financial health and reviewing performance against them.	Responsibility for the production, implementation and monitoring of Financial Procedure Rules (FPRs) and Standing Orders.	Demonstrate a willingness to take and stick to difficult decisions – even under pressure.	Key role in Business Transformation Programme and Service Delivery Options.
		Appraising and advising on commercial opportunities and financial targets.	Budget monitoring process and Budget Strategy, key decision advice.	Take ownership of relevant financial and business risks.	Represented on Performance and Risk Management Group. Member of Annual Governance Statement Group
		Developing and maintaining an effective resource allocation model to deliver business priorities.	See Above	Network effectively within the organisation to ensure awareness of all material business decisions to which CFO input may be necessary.	Member of CMT. Regular contact with Managing Director, Directors, other senior officers, members, Trade unions,
		Co-ordinating the planning and budgeting processes.	See Above. Annual budget timetable well established and enshrined in constitution.	Role model persuasive and concise communication with a wide range of audiences internally and externally.	See Above. Externally represent Council in meeting with Business sector and various resident groups/ad –hoc budget consultation events.
		<b>Influencing decision making:</b> Ensuring that	Budget Strategy and monitoring process, key decision advice in relation	Provide clear, authoritative and impartial professional advice and	Addressed in MTFS and associated presentation to Finance and Policy

## 4.2

opportunities and risks are fully considered and decisions are aligned with the overall financial strategy.	to financial and governance matters.	objective financial analysis and interpretation of complex situations.	Committee and other groups. Ongoing development through LMDP and management review/mentoring.
Providing professional advice and objective financial analysis enabling decision makers to take timely and informed business decisions.	Key decision advice in relation to financial and governance matters.	Apply relevant statutory, regulatory and professional standards both personal and organisational.	See Above.
Ensuring that the organisation's capital projects are chosen after appropriate value for money analysis and evaluation using relevant professional guidance.	Member of Strategic Asset Management Programme Team (SCRAPT).	Demonstrate a strong desire to innovate and add value.	
Checking, at an early stage, that innovative financial approaches comply with regulatory requirements.	Close working relationship with CMT ensure early involvement with innovative approaches to services and financial arrangements to ensure compliance with regulatory requirement and proposals are based on robust business cases.	Challenge effectively, and give and receive constructive feedback.	Ongoing development through LMDP and management review/mentoring. 1 to 1 meetings with Managing Director and key financial staff.
<b>Financial information for decision makers:</b> Monitoring and reporting on financial performance that is linked to related	Budget Strategy and monitoring process, key decision advice in relation to financial and governance matters.	Operate with sensitivity in a political environment.	Ongoing development through LMDP and peer review/mentoring. Regular contact with members, TU's local

performance information and strategic objectives that identifies any necessary corrective decisions.	Corporate Plan aligned with financial PI's.		business and the community.
Preparing timely management accounts.	Final Accounts timetable.		
Ensuring the reporting envelope reflects partnerships and other arrangements to give an overall picture.	Effective and wide ranging consultation process in place.		

**Principle 3** – The CFO must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.

Governance requirements	HBC Arrangements	Core CFO responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Make the CFO responsible for ensuring that appropriate advice is given on all financial matters, for keeping financial records and accounts, and for maintaining an effective system of financial control.	Delegated Powers, FPRs and Standing Orders enshrined within Constitution.	<b>Promotion of financial management:</b> Assessing the organisation's financial management style and the improvements needed to ensure it aligns with the organisation's strategic direction.	Strategic direction reflected in MTFS.	Generate 'buy-in' to, and support delivery of, good financial management across the organisation.	Achieved through detailed involvement of Finance and Policy Committee and CMT in development of financial management strategy and procedures for ensuring good financial management arrangements are in place.
Ensure that systems and processes for financial administration, financial control and protection of the organisation's	Delegated Powers, FPRs and Standing Orders enshrined within Constitution. Audit and Governance Committee in line with legislative arrangements.	Actively promoting financial literacy throughout the organisation.	Allocation of named financial leads to support named budget holders promotes close working relationship and ensure financial management arrangements are	Develop and sustain partnerships, and engage effectively in collaboration.	

resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.			effective. Influencing force behind LMDP.		
Address the organisation's arrangements for financial and internal control and for managing risk in Annual Governance Reports.	Delegated Powers, FPRs and Standing Orders enshrined within Constitution. Audit and Governance Committee in line with legislative arrangements. Internal Audit Section adequately resourced.	<b>Value for money:</b> Challenging and supporting decision makers, especially on affordability and value for money, by ensuring policy and operational proposals with financial implications are signed off by the finance function.	Advisory role in terms of CMT and all key committee decisions in respect of financial matters.	Deploy effective facilitation and meeting skills.	
Publish annual accounts on a timely basis to communicate the organisation's activities and achievements, its financial position and performance.	Delegated Powers and Final Accounts process.	Developing and maintaining appropriate asset management and procurement strategies.	Key member of SCRAPT (Strategic Capital Resource and Asset Programme Team) and Corporate Procurement Group.	Build and demonstrate commitment to continuous improvement and innovative, but risk-aware, solutions.	
Maintain and resource an effective internal audit function.	Audit and Governance Committee remit and effective internal audit assessment carried out annually.	Managing long term commercial contract value.		Place stewardship and probity as the bedrock for management of the organisation's finances.	Budget Strategy and monitoring process, key decision advice in relation to financial and governance matters. Corporate Plan aligned

					with financial PI's.
Develop and maintain an effective Audit Committee.	Audit and Governance Committee role and responsibility enshrined in Constitution. Regular training of Audit and Governance Committee members.	<b>Safeguarding public money:</b> Applying strong internal controls in all areas of financial management, risk management and asset control.	Direct line management responsibility for all audit matters.		
Ensure that the organisation makes best use of resources and that taxpayers and/or service users receive value for money.	Delegated Powers relating to Budget Strategy and Budget Monitoring Process.	Establishing budgets, financial targets and performance indicators to help assess delivery.	Budget Strategy and Budget Management Process aligned to corporate plan.		
Embed financial competencies in person specifications and appraisals.	Corporate competencies framework, job descriptions and person specifications.	Implementing effective systems of internal control that include standing financial instructions, operating manuals, and compliance with codes of practice to secure probity.	Direct line management responsibility for all audit matters, FPR's and Standing Orders.		
Assess the financial skills required by managers and commit to develop those skills to enable their roles to be carried out effectively.	See Above	Ensuring that delegated financial authorities are respected.	Performance review mechanisms PI's, Direct line management responsibility for all audit matters.		
		Promoting arrangements to identify	Performance and Risk Management Group, Line		

	and manage key business risks, including safeguarding assets, risk mitigation and insurance.	management responsibility for Insurance matters.
	Overseeing of capital projects and post completion reviews.	Direct line management responsibility for capital accounting and member of SCRAPT.
	Applying discipline in financial management, including managing cash and banking, treasury management, debt and cash flow, with appropriate segregation of duties.	Direct line management responsibility for all audit matters, FPR's and Standing Orders. DFD personally involved in development and implementation of Treasury Management strategy.
	Implementing appropriate measures to prevent and detect fraud and corruption.	Direct line management responsibility for all audit matters, FPR's and Standing Orders. Money Laundering Reporting Officer (MLRO) responsibilities.
	Establishing proportionate business continuity arrangements for financial processes and information.	Corporate lead on Business Continuity.
	Ensuring that any partnership arrangements are underpinned by clear and well documented	Direct line management responsibility for all audit matters, FPR's and Standing Orders.

internal controls.	
<b>Assurance and scrutiny:</b> Reporting performance of both the organisation and its partnerships to the board and other parties as required.	Performance review mechanisms PI's, Direct line management responsibility for all audit matters.
Supporting and advising the Audit Committee and relevant scrutiny groups.	Regular attendance enshrined in job specification.
Preparing published budgets, annual accounts and consolidation data for government-level consolidated accounts.	Responsibility for the production, implementation and monitoring of the MTFS, publishing budget information on Council Tax leaflet and Hartbeat. Responsible for preparing accounts and consolidated government returns.
Liaising with the external auditor.	Direct line management responsibility for all audit matters. Regular meeting with external auditor.

<b>Principle 4 – The CFO must lead and direct a finance function that is resourced to be fit for purpose.</b>					
<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core CFO responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
Provide the finance function with the resources, expertise and systems necessary to perform its role effectively.	Delegated Powers, FPRs and Standing Orders enshrined within Constitution.	Leading and directing the finance function so that it makes a full contribution to and meets the needs of the business.	Direct line management responsibility for all corporate financial matters.	Create, communicate and implement a vision for the finance function.	Responsibility for the production, implementation and monitoring of the MTFS. Regular 1 to 1 with senior finance officers
Ensure there is a line of professional accountability to the CFO for finance staff throughout the organisation.	Structural makeup enshrined in Delegated Powers. FPRs and Standing Orders enshrined within Constitution.	Determining the resources, expertise and systems for the finance function that are sufficient to meet business needs and negotiating these within the overall financial framework.	Delegated powers regarding all financial and governance matters.	Role model a customer focussed culture within the finance function.	Leads by example in approach with Directors and other senior managers that finance function role is to help achieve organisations objectives, whilst ensuring compliance with best practice and legislative requirements.
		Implementing robust processes for recruitment of finance staff and/or outsourcing of functions.	See Above. Recruitment follows corporate proceeds and based on job descriptions and person specification.	Establish an open culture, built on effective coaching and a “no blame” approach.	Regular 1 to 1 meetings with senior finance staff. Open door policy for all staff. DFD accepts responsibility for actions of all team members and encourages staff to use learn from experiences in a ‘no blame’ environment.
		Reviewing the performance of the finance function and ensuring that the	Council Plan reviewed and monitored. 1 to 1 meetings with senior finance manager and	Promote effective communication within the finance department, across the broader	Finance Management Team meetings for internal communication. All finance staff briefing

## 4.2

services provided are in line with the expectations and needs of its stakeholders.	regular performance appraisals.	organisation and with external stakeholders.	as and when appropriate. Presentations to external groups as appropriate. Article in Hartbeat.
Seeking continuous improvement in the finance function.	Departmental plans constantly monitored. Key role in BTP.	Apply strong project planning and process management skills.	
Identifying and equipping finance staff, managers and the Leadership Team with the financial competencies and expertise needed to manage the business both currently and in the future.	1 to 1 meetings with finance managers. Full engagement of CMT in development of financial strategies. Lead officer in financial aspects of LMDP.	Set and monitor meaningful performance objectives for the finance team.	Corporate appraisal system in place. Regular 1-2-1's
Ensuring that the Head of Profession role for all finance staff in the organisation is properly discharged.	Delegated Section 151 responsibilities enshrined in Constitution. All finance staff report directly to DFD.	Role model effective staff performance management.	Mentor key finance staff across the Division/regular 1-2-1's. Encourage CPD involvement.
Acting as the final arbiter on application of professional standards.	See Above	Coach and support staff in both technical and personal development.	As above.
		Promote high standards of ethical behaviour, probity, integrity and honesty.	Mentor key finance staff across the Division/regular 1-2-1's. Encourage CPD involvement.
		Ensure, when necessary, that outside expertise is called upon for specialist	Actively seek professional expertise where needed i.e.

advice not available within the finance function.	Treasury management, complex taxation issues etc.
Promote discussion on current financial and professional issues and their implications.	Mentor key finance staff across the Division/regular 1-2-1's. Encourage CPD involvement.

**Principle 5 – The CFO in a public service organisation must be professionally qualified and suitably experienced.**

Governance requirements	HBC Arrangements	Core CFO responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Appoint a professionally qualified CFO whose core responsibilities include those set out under the other principles in this Statement and ensure that these are properly understood throughout the organisation.	Constitution and delegated powers in operation. Job description and person specification for DFD.			Be a member of an accountancy body recognised by the International Federation of Accountants (IFAC), qualified through examination, and subject to oversight by a professional body that upholds professional standards and exercises disciplinary powers.	DFD is member of CIPFA and meets CPD requirements.
Ensure that the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non-financial areas of their role.	See Above.			Adhere to international standards set by IFAC on: – ethics – Continuing Professional Development.	As above.
				Demonstrate IT literacy.	CFO has required IT

## 4.2

	skills for role and is able to manage and challenge the departmental IT experts to ensure they are able to effectively discharge their responsibilities.
Have relevant prior experience of financial management in the public services or private sector.	DFD qualified with CIPFA in 1993 and has held a variety of position with Hartlepool, before appointment as DFD in 2020 was Director of Finance and Policy in 2016, was appointed CFO in 2010. Roles include Chief Accountant and ACFO (Corporate Finance). Since 1996 the current DFP has acted as lead finance officer for financial services provided to Cleveland Fire Authority (CFA) and in April 2014 was appointed Treasurer to the CFA.
Understand public service finance and its regulatory environment.	DFD has 27 years' post qualification experience and sound understanding of public service finance and its regulatory environment.
Apply the principles of	See above

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corporate finance, economics, risk management and accounting.	
Understand personal and professional strengths.	DFD has a clear understanding of these issues and is committed to continuous improvements. These issues addressed through performance appraisal.
Undertake appropriate development or obtain relevant experience in order to meet the requirements of the non-financial areas of the role.	DFD role has been refocused on core financial responsibilities to ensure financial challenges faces the Council can be managed. DFD has clear understanding of no-financial areas affecting his role.

# AUDIT AND GOVERNANCE COMMITTEE

01 October 2020



**Report of:** Director of Resources and Development

**Subject:** ROLE OF THE HEAD OF INTERNAL AUDIT IN  
LOCAL GOVERNMENT

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## 1. PURPOSE OF REPORT

- 1.1 To inform Members of the CIPFA statement – “The Role of the Head of Internal Audit in Local Government”, and to demonstrate how the Council complies with this guidance.

## 2. BACKGROUND

- 2.1 The Statement describes the role of the Head of Internal Audit (HIA) in local government. CIPFA believes the HIA occupies a critical position in a local authority, helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role in promoting good corporate governance. Local authorities need to know that they have strong arrangements for controlling their resources and for delivering their objectives. CIPFA believes that HIA's have a unique role to play here. They are senior managers whose business is objectively assessing these arrangements and the risks that authorities face and giving appropriate assurances. HIA's must also provide leadership, promoting good governance and helping authorities to address future challenges.
- 2.2 HIA's need to review the whole system of control, both financial and non-financial, and focus on the areas where assurance is most needed. The HIA also has to give an annual opinion on the adequacy and effectiveness of the control environment; this is used by Chief Executives as a primary source of evidence for their annual governance statement.
- 2.3 HIA's must also be able to show that they can meet the needs of stakeholders such as Chief Executives and Audit Committees, adding value by helping to improve services whilst retaining their objectivity. They also need to work well with partners and other auditors. Authorities should see the Statement as best practice and use it to assess their HIA arrangements to drive up audit quality and governance arrangements.

### 3. THE KEY ROLE PLAYED BY THE HIA

- 3.1 Internal audit is one of the cornerstones of effective governance. The HIA is responsible for reviewing and reporting on the adequacy of the authority's control environment, including the arrangements for achieving value for money. Through the annual internal audit opinion and other reports the HIA gives assurance to the Leadership Team and others, and makes recommendations for improvement.
- 3.2 The HIA's role is a unique one, providing objective challenge and support and acting as a catalyst for positive change and continual improvement in governance in all its aspects. The role is particularly important when authorities are facing uncertain or challenging times. Fulfilling the role requires a range of personal qualities. The HIA has to win the support and trust of others, so that he/she is listened to, and the HIA's role as a critical friend means that sometimes difficult messages must be given and acted on. It is these expectations, combined with the professional, personal and leadership skills required, that have shaped the CIPFA Statement on the role of the HIA in Local Government.
- 3.3 **Primary audience**  
The primary audience for this Statement is those who rely on the HIA's assurances – the Leadership Team and the Audit and Governance Committee. CIPFA recommends that they should examine their own authority against this Statement to satisfy themselves that they have effective HIA arrangements in place.
- 3.4 **Local government context**  
CIPFA has drawn up a separate Statement for local government because of the statutory responsibility of specific post holders regarding internal audit and governance. In local government the 'Section 151' officer (the Chief Financial Officer or CFO) is a statutory post as is the Monitoring Officer (often the Head of Legal Services) and the Head of Paid Service (often the Chief Executive). The HIA needs to work well with these post holders and lines of responsibility need to be clear.
- 3.5 The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the HIA in local government and the organisational arrangements needed to support them. Successful implementation of each of the principles requires the right ingredients in terms of:
- the organisation;
  - the role; and
  - the individual.

For each principle the Statement sets out the governance arrangements required within an authority to ensure that HIAs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the HIA. Summaries of personal skills and professional standards then detail the leadership skills and technical expertise authorities can expect from their HIA. These include the requirements of CIPFA and the other professional bodies' codes of ethics and professional standards to which the HIA as a qualified professional is bound. The personal skills described have been aligned with the most appropriate principle, but in many cases support other principles as well.

### 3.6 **Demonstrating compliance**

The Statement supports CIPFA's work to strengthen governance, risk management and internal audit across public services. It is intended to allow the Leadership Team of a local authority to benchmark its existing arrangements against a defined framework.

- 3.7 CIPFA recommends that authorities use the Statement as the framework to assess their existing arrangements and that they should report publically on compliance to demonstrate their commitment to good practice. CIPFA also proposes that authorities should report publicly where their arrangements do not conform to the compliance framework in this Statement, explaining the reasons for this, and how they achieve the same impact.

## 4. **CIPFA STATEMENT ON THE ROLE OF THE HIA IN LOCAL GOVERNMENT**

**The Head of Internal Audit in a local authority plays a critical role in delivering the authority's strategic objectives by:**

1 – championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and

2 – giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

**To perform this role the Head of Internal Audit:**

3 – must be a senior manager with regular and open engagement across the authority, particularly with the Leadership Team and with the Audit Committee;

4 – must lead and direct an internal audit service that is resourced to be fit for purpose; and

5 – must be professionally qualified and suitably experienced.

## **5. PROCESS FOLLOWED**

- 5.1 The review is undertaken annually in line with best practice requirements. Appendix A of the report details how the Council ensures that the requirements of the statement are met. Details of the requirements of the statement are outlined along with how the arrangements in place at the council satisfy those requirements.

## **6. RISK IMPLICATIONS**

- 6.1 There is a risk that Members of the Audit and Governance Committee do not receive the information needed to enable a full and comprehensive review of governance arrangements at the Council, leading to the Committee being unable to fulfil its remit.

## **7. FINANCIAL CONSIDERATIONS**

- 7.1 There are no financial considerations.

## **8. LEGAL CONSIDERATIONS**

- 8.1 There are no legal considerations.

## **9. CHILD AND FAMILY POVERTY CONSIDERATIONS**

- 9.1 There are no child and family poverty considerations.

## **10. EQUALITY AND DIVERSITY CONSIDERATIONS**

- 10.1 There are no equality and diversity considerations.

## **11. STAFF CONSIDERATIONS**

- 11.1 There are no staff considerations.

## **12. ASSET MANAGEMENT CONSIDERATIONS**

- 12.1 There are no asset management considerations.

## **13. RECOMMENDATION**

- 13.1 It is recommended that Members
- i) Note that I have reviewed the CIPFA statement – “The Role of the Head of Internal Audit in Local Government” and can advise Members that the Council complies with these requirements as detailed in Appendix A.

**14. REASON FOR RECOMMENDATIONS**

- 14.1 To ensure that the Audit and Governance Committee meets its remit, it is important that it is kept up to date with current best practice in relation to the information it receives from officers.

**15 BACKGROUND PAPERS**

- 15.1 CIPFA statement – “The Role of the Head of Internal Audit in Local Government”.

**16. CONTACT OFFICER**

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**How the Five Principles Are Met**

**Principle 1 – The HIA in a local authority plays a critical role in delivering the authority’s strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.**

<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core HIA responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
Set out the HIA’s role in good governance and how this fits with the role of others, in particular the CFO, the Monitoring Officer and the Head of Paid Service.	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual.</i>	Working with others (including the CFO, the Monitoring Officer and the Head of Paid Service) to promote the benefits of good governance throughout the organisation.	<i>Relationships with key officers detailed in agreed protocols i.e. Relationship between Director of Finance and Development (DFD) and Assistant Director of Finance and Customer Services (ADFCS).</i>	Provide leadership by giving practical examples of good governance that will inspire others.	<i>HIA undertakes proactive role on relevant working parties and officer groups i.e. Performance and Risk Management Group.</i>
Ensure that the importance of good governance is stressed to all in the authority, through policies, procedures and training.	<i>Code of Corporate Governance agreed by the Audit and Governance Committee And adopted by Council. Job descriptions and Management Academy training programme cover governance requirements.</i>	Giving advice to the Leadership Team and others on the control arrangements and risks relating to proposed policies, programmes and projects.	<i>Regularly report to Audit and Governance Committee and Senior Management through DFD, ADFCS and CMT on all aspects of governance arrangements.</i>	Deploy effective facilitating and negotiating skills.	<i>HIA undergoes Continuous Professional Development (CPD) tailored to requirements of the role i.e. CIPFA Certificate in Investigatory Practices.</i>
Ensure that the HIA is consulted on all proposed major projects, programmes and policy initiatives.	<i>Protocols in place to ensure regular liaison with key officers and CMT.</i>	Promoting the highest standards of ethics and standards across the authority based on the principles of integrity, objectivity, competence and confidentiality.	<i>HIA role as per CIPFA Code of Practice for Internal Audit in Local Government as enshrined in the Audit Manual.</i>	Build and demonstrate commitment to continuous improvement.	<i>As above</i>

## 4.3

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Require staff to report suspected or detected fraud, corruption or impropriety to the HIA.	<i>Corporate Anti-Fraud and Corruption Strategy agreed by Audit and Governance Committee</i>	Demonstrating the benefits of good governance for effective public service delivery and how the HIA can help.	<i>HIA undertakes proactive role on relevant working parties and officer groups i.e. Performance and Risk Management Group.</i>	Demonstrate consultancy skills as appropriate – analytical, problem solving, influencing and communicating.	As above
		Offering consultancy advice where the HIA considers that it is appropriate, drawing up clear terms of reference for such assignments.	<i>Resource built into Audit Plan for advice and guidance to be provided, within strictly agreed scope, terms of reference and outcomes.</i>		

**Principle 2 – The HIA in a local authority plays a critical role in delivering the authority’s strategic objectives by giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.**

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Set out the responsibilities of the HIA, which should not include the management of operational areas	<i>Job Description in place. Audit Strategy and Charter sets out terms of reference as agreed by Audit and Governance Committee.</i>	Giving assurance on the control environment. This includes risk and information management and internal controls across all systems.	<i>Annual opinion provided to Audit and Governance Committee in line with Public Sector Internal Audit Standards, covering all aspects of governance arrangements.</i>	Give clear, professional and objective advice.	<i>Reporting arrangements agreed with management based on a shared understanding of requirements.</i>
Ensure that internal audit is independent of external audit.	<i>Internal and External Audit protocol in place.</i>	Reviewing the adequacy of key corporate arrangements including e.g. risk strategy, risk register, anti fraud and corruption strategy, corporate plan.	<i>All aspects of governance arrangements covered in the annual Internal Audit Plan as agreed by management and the Audit and Governance Committee.</i>	Report on what is found, without fear or favour.	<i>Reporting arrangements enshrined within the Audit Strategy and Charter as reflected in the Audit Manual in line with best practice.</i>
Where the HIA does have operational responsibilities the	<i>Not Applicable.</i>	Producing evidence based annual internal audit opinion on the	<i>Annual opinion report HIA is produced and presented to the Audit</i>	Demonstrate integrity to staff and others in the authority.	<i>HIA undergoes CPD tailored to requirements of the role i.e. CIPFA</i>

### 4.3

<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core HIA responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
HIA's line manager and the Audit Committee should specifically approve the IA strategy for these and associated plans and reports and ensure the work is independently managed.		authority's control environment.	<i>and Governance Committee by the HIA.</i>		<i>Certificate in Investigatory Practices.</i>
Establish clear lines of responsibility for those with an interest in governance (e.g. Head of Paid Service, Monitoring Officer, Head of Paid Service, Audit Committee, Members). This covers responsibilities for drawing up and reviewing key corporate strategies, statements and policies.	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual. Code of Corporate Governance outlines responsibilities with regard to governance arrangements.</i>	Working closely with others to ensure that sufficient and relevant evidence is used. Where relying on others, clarifying the degree and basis for the reliance.	<i>Reporting arrangements compliant with Public Sector Internal Audit Standards.</i>	Exercise sound judgement in identifying weaknesses in the authority's control environment and a balanced view on how significant these are.	<i>Experience gained over 27 year Internal Audit career. Professional guidance followed in relation to risk measurement.</i>
Establish clear lines of reporting to the Leadership Team and to the Audit Committee where the HIA has significant concerns.	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual. Rights of access to key members and officers detailed.</i>	Reviewing significant partnership arrangements and major services provided by third parties and the controls in place to promote and protect the authority's interests.	<i>Internal Audit plan encompasses partnership arrangements and highlighted as key area of concern of Audit and Governance Committee.</i>	Work well with others with specific responsibilities for internal control, risk management and governance including the Head of Paid Service, the Monitoring Officer, the CFO, Audit Committee and	<i>Relationships with key officers detailed in agreed protocols i.e. Relationship between DFD and ADFCS and IA. Relationships built up over a number of years.</i>

### 4.3

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
		Assessing whether lines of responsibility and assurance are clear.		Members.	
Agree the terms of reference for internal audit with the HIA, the Audit Committee and the CFO, as well as with the Leadership Team.	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual.</i>	Liaising closely with the external auditor to share knowledge and to use audit resources most effectively.	<i>Protocol in place for joint working with External Audit.</i>	Be concerned for action - influencing the Leadership Team, Audit Committee and others to ensure that the HIA's recommendations are implemented.	<i>As above</i>
Set out the basis on which the HIA can give assurances to other organisations and the basis on which the HIA can place reliance on assurances from others.	<i>Audit Manual sets out roles and levels of assurances.</i>	Producing an internal audit strategy that fits with and supports the authority's objectives.	<i>Strategy produced and agreed by management and Audit and Governance Committee.</i>	Be a role model, dynamic, determined, positive, robust and with resilient leadership, able to inspire confidence and respect and exemplify high standards of conduct.	<i>Experience gained over 27 year Internal Audit career. HIA CPD tailored to requirements of the role.</i>
Ensure that comprehensive governance arrangements are in place, with supporting documents covering e.g. risk management, corporate planning, anti fraud and corruption and whistle blowing.	<i>Production of Annual Governance Statement in line with best practice covering all aspects of the governance framework and supporting documentation in place.</i>	Reviewing the authority's risk maturity (including the authority's own assessment) and reflecting this in the strategy.	<i>Key member of Performance and Risk Management Group reviewing risk strategy, maturity and tolerance.</i>		
Ensure that the annual internal audit opinion and report are issued in the name of the HIA.	<i>Reported independently by the HIA to the Audit and Governance Committee.</i>	Consulting stakeholders, including senior managers and Members on the internal audit strategy.	<i>Internal Audit Strategy agreed by senior management before approval sought from the Audit and Governance</i>		

### 4.3

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
			<i>Committee.</i>		
Include awareness of governance in the competencies required by members of the Leadership Team.	<i>Job descriptions and CIPFA's "Excellent Auditor Framework" covering governance requirements</i>	Setting out how the HIA plans to rely on others for assurance on the authority's controls and risks and taking account of any limitations in assurance given by others.	<i>Internal Audit Strategy and Charter in place with Public Sector Internal Audit Standards detailing day to day arrangements.</i>		
Set out the framework of assurance that supports the annual governance statement and identify internal audit's role within it. The HIA should not be responsible for preparing the report.	<i>Included in the Annual Governance Statement which is produced by senior management.</i>	Liaising with external inspectors and review agencies where appropriate when drawing up the internal audit strategy.	<i>The process followed is recorded in the Audit Manual.</i>		
Ensure that the internal audit strategy is approved by the Audit Committee and endorsed by the Leadership Team.	<i>Internal Audit Strategy agreed by senior management before approval by the Audit and Governance Committee.</i>	Liaising with the external audit on the internal audit strategy, but not being driven by external audit's own priorities.	<i>Protocol in place for joint working with External Audit.</i>		

**Principle 3 – The HIA in a local authority must be a senior manager with regular and open engagement across the authority, particularly with the Leadership Team and with the Audit Committee.**

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Designate a named individual as HIA in line with the	<i>HIA designated individual employed within the Authority.</i>	Escalating any concerns through the line manager, CFO,	<i>Protocols in place and enshrined in Internal Audit Charter and Strategy for</i>	Network effectively to raise the profile and status of internal audit.	<i>Relationships built up over a number of years backed up by regular</i>

### 4.3

<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core HIA responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
principles in this Statement. The individual could be someone from another organisation where internal audit is contracted out or shared. Where this is the case then the roles of the HIA and the client manager must be clearly set out in the contract or agreement.		Monitoring Officer, Head of Paid Service, Audit Committee, Leadership Team and external auditor as appropriate.	<i>escalation of concerns.</i>		<i>meetings, 1-2-1s with key officers.</i>
Ensure that where the HIA is an employee that they are sufficiently senior and independent within the authority's structure to allow them to carry out their role effectively and be able to provide credibly constructive challenge to the Management Team.	<i>HIA senior manager within the Finance function reporting directly to the ADFCS with access to key officers as detailed in the Internal Audit Strategy Charter and Councils Constitution.</i>	Supporting the Audit Committee in reviewing its own effectiveness and advising the Chair and line manager of any suggested improvements.	<i>Audit and Governance Committee provided with advice and guidance to enable it to fulfil its function.</i>	Adopt a flexible style, being able to collaborate and advise but also able to challenge as appropriate.	<i>Experience gained over 26 year Internal Audit career. HIA undergoes CPD tailored to requirements of the role. Regular 1-2-1s with ADFCS in order to support development in all areas.</i>
Ensure that where the HIA is an employee the HIA is line managed by a member of the Management Team. Where the HIA is not an employee then	<i>HIA senior manager within the Finance function reporting directly to the ADFCS.</i>	Consulting stakeholders, including senior managers and Members on the internal audit strategy.	<i>Internal Audit Strategy agreed by senior management before approval by the Audit and Governance Committee.</i>	Deploy effective facilitation and meeting skills.	<i>As above</i>

### 4.3

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
the reporting line must be clearly set out in the contract or agreement with the internal audit supplier.					
Establish an Audit Committee in line with guidance and good practice.	<i>Audit and Governance Committee established in line with CIPFA guidelines.</i>			Build and demonstrate commitment to continuous improvement and innovative, but risk-aware, solutions.	<i>As above</i>
Set out the HIA's relationship with the Audit Committee and its Chair.	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual.</i>			Place stewardship and probity as the bedrock for management of the organisation's finances.	<i>Leads by example in approach with Directors and other senior managers that Internal Audit function role is to help achieve organisations objectives, whilst ensuring compliance with best practice and legislative requirements.</i>
Ensure that the authority's governance arrangements allow the HIA: □ to bring influence to bear on material decisions reflecting governance □ direct access to the Chief Executive, other Leadership Team members, the Audit Committee and external audit	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual. Rights of access to key members and officers detailed.</i>			Build productive relationships both internally and externally.	<i>Relationships built up over a number of years backed up by regular meetings, 1-2-1s with key officers.</i>

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
□ to attend meetings of the Leadership Team and Management Team where the HIA considers this to be appropriate.					
Set out unfettered rights of access for internal audit to all papers and all people in the organisation, as well as appropriate access in (significant) partner organisations.	<i>Councils Constitution details access arrangements for Internal Audit, reflected in the Audit Manual.</i>			Work effectively with the Leadership Team and Audit Committee with political awareness and sensitivity.	<i>Experience gained over 27 year Internal Audit career. HIA undergoes CPD tailored to requirements of the role. Regular 1-2-1s with ADFCS in order to support development in all areas.</i>
Set out the HIA's responsibilities relating to partners including joint ventures and outsourced and shared services.	<i>Major ventures undertaken detail rights of access to Internal Audit for governance opinion purposes.</i>			Be seen to be objective and independent but also pragmatic where appropriate.	<i>As above</i>

**Principle 4 – The HIA in a local authority must lead and direct an internal audit service that is resourced to be fit for purpose.**

Governance requirements	HBC Arrangements	Core HIA Responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Provide the HIA with the resources, expertise and systems necessary to perform their role effectively.	<i>Internal Audit Strategy and Charter details the resource implications and responsibilities for ensuring they are met.</i>	Leading and directing the internal audit service so that it makes a full contribution to and meets the needs of the authority and external	<i>Approval and consultation process for the Internal Audit plan ensures that it adds value to the organisation. HIA responsible for facilitating</i>	Demonstrate leadership and be an ambassador for internal audit.	<i>HIA undergoes CPD tailored to requirements of the role i.e. CIPFA Certificate in Investigatory Practices.</i>

### 4.3

<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core HIA Responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
		stakeholders.	<i>this process.</i>		
Ensure that the Audit Committee sets out a performance framework for the HIA and their team and assesses performance and takes action as appropriate.	<i>Internal Audit report annually to the Audit and Governance Committee on a wide range of performance measures.</i>	Determining the resources, expertise, qualifications and systems for the internal audit service that are required to meet internal audit's objectives; using a full range of resourcing options including consultancy, working with others and buying in where appropriate.	<i>Internal Audit Strategy and Charter details the resource implications and responsibilities for ensuring they are met.</i>	Create, communicate and implement a vision for the internal audit service.	<i>HIA has a clear understanding of these issues and is committed to continuous improvements. These issues addressed through performance appraisal.</i>
Ensure that there is a regular external review of internal audit quality.	<i>Constant review by ADFCS via performance monitoring and appraisal system. Currently considering how to comply with Public Sector Internal Audit Standards regarding four yearly reviews.</i>	Informing the CFO, the Leadership Team and Audit Committee if there are insufficient resources to carry out a satisfactory level of internal audit, and the consequence for the level of assurance that may be given.	<i>Internal Audit Strategy and Charter details the resource implications and responsibilities for ensuring they are met and reporting arrangements if shortfalls are anticipated.</i>	Create a customer focused internal audit service	<i>HIA has a clear understanding of these issues and is committed to continuous improvements.</i>
Ensure that where the HIA is from another organisation that they do not also provide the external audit service.	<i>Not Applicable.</i>	Implementing robust processes for recruitment of internal audit staff and/or the procurement of internal audit services from external suppliers.	<i>Corporate recruitment process followed for any appointments made.</i>	Establish an open culture, built on effective coaching and a constructive approach.	<i>HIA undergoes CPD tailored to requirements of the role.</i>
		Ensuring that the professional and personal training needs for staff are assessed and seeing that these needs are met.	<i>Professional guidance implemented in respect of training needs and development issues are addressed.</i>	Promote effective communication within internal audit, across the broader organisation and with external stakeholders.	<i>HIA has a clear understanding of these issues and is committed to continuous improvements.</i>

### 4.3

<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core HIA Responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
		Developing succession plans and helping staff with their career progression.	<i>As above</i>	Set and monitor meaningful performance objectives for staff.	<i>CIPFA “Excellent Auditor Framework” implemented within section for all training and development needs.</i>
		Establishing a quality assurance and improvement programme that includes: ensuring that professional internal audit standards are complied with; reviewing the performance of internal audit and ensuring that the service provided is in line with the expectations and needs of its stakeholders; providing an efficient and effective internal audit service – demonstrating this by agreeing key performance indicators and targets with the line manager and Audit Committee; annually reporting achievements against targets; putting in place adequate ongoing monitoring and periodic review of internal audit work and supervision and review of files, to ensure that	<i>CIPFA guidance in relation to continuous improvement followed.</i>	Manage and coach staff effectively	<i>As above.</i>

### 4.3

Governance requirements	HBC Arrangements	Core HIA Responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
		audit plans, work and reports are evidence based and of good quality; ensuring that any internal auditors declare any interests that they have; seeking continuous improvement in the internal audit service.			
		Keeping up to date with developments in governance, risk management, control and internal auditing, including networking with other HIA's and learning from them, implementing improvements where appropriate.	<i>Member of Technical Information Service, CIPFA NE IA Group, North East Fraud Forum and National Anti Fraud Network in order to ensure up to date with current best practice and ideas.</i>	Comply with professional standards and ethics	<i>Professional standards and ethics outlined within Audit Manual and also bound Public Sector Internal Audit Standards.</i>
		Demonstrating how internal audit adds value to the authority.	<i>Annual report to the Audit and Governance Committee.</i>	Require the highest standards of ethics and standards within internal audit based on the principles of integrity, objectivity, competence and confidentiality. In particular, ensuring that internal auditors identify and report any conflicts of interest and act appropriately	<i>As above as well as procedures for the identification and recording of conflicts of interest are detailed in the Audit Manual.</i>
				Ensure, when necessary, that outside expertise is called upon for specialist advice not available within	<i>Arrangements in place to ensure specialist services can be procured as and when</i>

Governance requirements	HBC Arrangements	Core HIA Responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
				the internal audit service. Promote discussion on current governance and professional issues and their implications.	<i>necessary.</i> <i>HIA mentors audit staff undertaking regular team meetings to facilitate discussion. Role on various working groups ensures topics are discussed and disseminated.</i>

**Principle 5 – The HIA in a local authority must be professionally qualified and suitably experienced**

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Appoint a professionally qualified HIA whose core responsibilities include those set out under the other principles in this Statement and ensure that these are properly understood throughout the organisation.	<i>Job description and recruitment process ensure only appropriately qualified and experienced individuals considered.</i>			Be a full member of an appropriate professional body and have an active programme for personal professional development.	<i>HIA qualified with CIPFA in 1997 and actively participates in mandatory CPD scheme</i>
Ensure that the HIA has the skills, knowledge, experience and resources to perform effectively in the role	<i>As above, monitoring and mentoring role undertaken by ADFCS in his role as Deputy Section 151 officer ensures compliance.</i>			Adhere to professional internal auditing (and where appropriate accounting and auditing) standards.	<i>HIA member of CIPFA for 23 years and is bound by all relevant professional and personal requirements.</i>
				Demonstrate a range of skills including communicating, managing	<i>HIA undergoes CPD tailored to requirements of the role as well as</i>

### 4.3

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
				and influencing, as well as an understanding of IT and consultancy.	<i>mentoring by ADFCS.</i>
				Have prior experience of working in internal audit.	<i>HIA has held a variety of position within Local Government, before appointment as HIA in 2008, including Group Auditor at HBC and Head of Audit at a district council.</i>
				Understand and have experience of strategic objective setting and management.	<i>HIA undergoes CPD tailored to requirements of the role as well as mentoring by ADCFS.</i>
				Understand the internal audit and regulatory environment applicable to public service organisations.	<i>HIA has 23 years' post qualification experience and sound understanding of public service governance arrangements and its regulatory environment.</i>
				Demonstrate a comprehensive understanding of governance, risk management and internal control.	<i>Regularly advises management on these issues and is a key member of the Performance and risk Management Group.</i>
				Undertake appropriate development or obtain relevant experience as appropriate in order to demonstrate an understanding of the full range of the authority's activities and processes.	<i>HIA undergoes CPD tailored to requirements of the role as well as mentoring by ADFCS.</i>

# AUDIT AND GOVERNANCE COMMITTEE

01 October 2020



**Report of:** Head of Audit and Governance

**Subject:** INTERNAL AUDIT OUTCOME REPORT  
2019/20

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## 1. PURPOSE OF REPORT

- 1.1 This report provides members with the Head of Audit and Governance assurance opinion on the adequacy and effectiveness of the Council's internal control environment.
- 1.2 The report also informs members of the outcomes of audit work covering the period April 2019 to March 2020.

## 2. BACKGROUND

- 2.1 This report provides accountability for Internal Audit delivery and performance and allows Members to monitor the application of the delegated authority for ensuring an effective and satisfactory internal audit function.
- 2.2 The Public Sector Internal Audit Standards (PSIAS) established in 2013 are the agreed professional standards for internal audit in local government. PSIAS was the Code under which the Internal Audit Service operated during 2019/2020. It sets out the requirement for the Head of Audit and Governance to report to officers and the Audit and Governance Committee to help inform their opinions on the effectiveness of the Internal Control environment in operation within the Council.
- 2.3 Auditors are instructed to declare if they have any links to the subject matter of any audits undertaken or relationships with auditees that could compromise the impartiality or objectivity of the work undertaken.
- 2.4 Information for Members on the standards of financial administration and management arrangements operating within the Authority is detailed in this report, together with a progress report on the extent of implementation of audit action plans. The consideration and effective implementation of audit action plans is fundamental in ensuring

effective financial stewardship and robust financial systems, controls and procedures.

- 2.5 This report also details the performance of Internal Audit in 2019/20 on a range of key performance indicators.
- 2.6 Hartlepool Borough Council also provides audit services to Cleveland Fire Authority. In addition to the audits detailed in Appendix A, Internal Audit completed 15 major systems and probity reviews for the CFA during 2019/20.

### **3. AUDIT INPUTS 2019/20**

- 3.1 There were 1090 audit days allocated at 01.04.19 to planned and responsive activities during 2019/20.
- 3.2 Staffing resources were as anticipated, ensuring that all high-risk functions were reviewed and a balanced program of work covering all Council departments was achieved for 2019/20.

### **4. OUTCOMES**

- 4.1 Appendix A schedules all the planned audits undertaken in 2019/20. At the time this report was completed end of year work was being finalised on Council Tax, however, sufficient reliance could be placed on testing completed for the purposes of the 2019/20 audit opinion
- 4.2. Based on the work undertaken during the year 2019/20, I have reached the opinion that reliance can be placed on the adequacy and effectiveness of internal controls operating across the Council in 2019/20. Given the constant extent of change the Council continues to face, the reduction in resources and the ever increasing diverse nature of the Internal Audit Plan this assurance opinion should be regarded as positive. The timing of the Covid 19 lockdown has had little effect on the opinion given for 2019/20 as the majority of fundamental systems work was complete at that time. The impact of the lockdown and subsequent effect on Council services will be greater moving forward in to 2020/21 with the Committee being kept fully up to date on any impact on the nature of risk facing the Council and how Internal Audit proposes to deal with this.
- 4.3 A number of audits were assessed as limited assurance over the course of the year and this reflects some weaknesses and evidence of ineffective controls. For this reason this has been raised as a significant governance issue in the 2019/20 Annual Governance Statement.
- 4.4 All of the risks raised within Internal Audit reports have been accepted. All proposed actions made by Management in response to the risk issues, have been agreed to be implemented. Full implementation of

the agreed actions will realise the benefits of the control improvements detailed in each individual audit report.

- 4.5 No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance; this statement is intended to provide reasonable assurance. These risks are reflected in the audit plan and are the subject of separate reports issued during the course of 2019/20.

## 5. FOLLOW UP

- 5.1 Audit reports are issued to auditees following a discussion of any audit findings and risks. Each report includes an Action Plan developed by management and agreed with Internal Audit, recording:

- Action taken to revise systems, procedures and operating arrangements;
- A timescale for introducing the action plan improvements.

- 5.2 In accordance with PSIAS, a system of follow up of agreed action plans is in operation to monitor what action has been taken by management in response to audit work. During 2019/20, all audits completed, that had reached the date when a follow up was due, have been the subject of follow up activity.

This position is positive and indicates a commitment by management to further improve controls and financial systems throughout the Authority. Further follow up work is planned in 2020/21 for those actions not yet implemented.

## 6. MONITORING INTERNAL AUDIT PERFORMANCE

- 6.1 Internal Audit is committed to the delivery of a quality service, which accords with the UK PSIAS, and to being responsive to the needs of service departments. In common with other central service providers, a number of core performance indicators for Internal Audit Services have been determined for 2019/20. Performance against these targets is detailed below:

### Internal Audit Performance Indicators

Indicator	Target Set for 2019/20	Actual Performance 2019/20
Completion of fundamental systems audits provides assurance that financial procedures are operating effectively.	90%	92%
In addition to the managing auditor reviews, quality reviews of Teammate working paper files and evidence by the Head of Audit and		

Governance to ensure compliance with the standards laid down in Codes of Practice and adopted in the Internal Audit Manual.	10%	10%
Percentage of Audit Reports issued within 10 working days of audit completion.	87.5%	100%
Percentage of Action Plans followed up within 6 months of completion of the audit.	100%	100%
Annual Report to Members by 30 <sup>th</sup> June following year-end.	30.06.20	01.10.20

- 6.2 As per PSIAS requirements, an External Assessment of HBC Internal Audit must be completed once every five years. The PSIAS has six core standards with three hundred areas of compliance across these standards. A self-assessment was undertaken and then externally peer reviewed by Stockton and Darlington Internal Audit Service. The external assessment concluded:

“It is my opinion that the service conforms with the standards in all significant aspects and is free to state as much in all of its communications”

## **7. RISK IMPLICATIONS**

- 7.1 There is a risk that Members of the Audit and Governance Committee do not receive the information needed to enable a full and comprehensive review of governance arrangements at the Council, leading to the Committee being unable to fulfil its remit.

## **8. FINANCIAL CONSIDERATIONS**

- 8.1 There are no financial considerations.

## **9. LEGAL CONSIDERATIONS**

- 9.1 There are no legal considerations.

## **10. CHILD AND FAMILY POVERTY CONSIDERATIONS**

- 10.1 There are no child and family poverty considerations.

## **11. EQUALITY AND DIVERSITY CONSIDERATIONS**

- 11.1 There are no equality and diversity considerations.

## **12. STAFF CONSIDERATIONS**

- 12.1 There are no staff considerations.

## **13. ASSET MANAGEMENT CONSIDERATIONS**

13.1 There are no asset management considerations.

#### **14. RECOMMENDATION**

14.1 That Members note the contents of the report.

#### **15. REASONS FOR RECOMMENDATIONS**

15.1 The information in the report allows members of the committee to review the opinion of the Head of Audit and Governance and fulfils the statutory requirement of the Head of Audit and Governance.

#### **16. BACKGROUND PAPERS**

16.1 Internal Audit Reports;  
Internal Audit Quarterly Updates;  
CIPFA Code of Practice for Internal Audit in Local Government;  
UK Public Sector Internal Audit Standards (PSIAS 2013).

#### **17. CONTACT OFFICER**

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## Appendix A

**Summary of Internal Audit Planned Work Undertaken for 2019/20**

<b>Audit</b>	<b>Assurance Level</b>
Rossmere Primary	Satisfactory
High Tunstall Secondary	Satisfactory
Clavering Primary	Satisfactory
Fens Primary	Satisfactory
Procurement Cards	Satisfactory
National Non Domestic Rates	Satisfactory
Budgetary Control	Satisfactory
Centre for Excellence in Teaching and Learning	Satisfactory
Integra IT System	Satisfactory
Contact Centre Firmstep	Satisfactory
Centre for Excellence in Creative Arts	Satisfactory
Health and Safety	Limited
Free School Meals	Satisfactory
I World IT System	Satisfactory
Abandoned Vehicles/Fly Tipping	Satisfactory
Disabled Facilities Grant	Limited
Backups IT System	Satisfactory
General Data Protection Regulations	Satisfactory
Social Fund/Welfare Payments	Satisfactory
Loans and Investments	Satisfactory
Syrian Resettlement Grant	Satisfactory
Local Council Tax Support Scheme	Satisfactory
Home to School Transport	Satisfactory
Court of Protection	Satisfactory
Creditors	Satisfactory
Gifts and Hospitalities	Satisfactory
VAT	Satisfactory
Greatham Primary	Satisfactory
Springwell	Satisfactory
Building Maintenance Contract	Satisfactory
Cash/Bank	Satisfactory
Salaries	Satisfactory
Stores	Satisfactory
Mobile Phones	Limited
Independent Safety Advisory Group	Satisfactory
Private Lettings	Satisfactory
Carlton Centre	Satisfactory
Members Allowances	Satisfactory
Church Street Scheme	Satisfactory
Trade Refuse	Satisfactory
Troubled Families Grant	Satisfactory
Youth Employment Initiative Grant	Satisfactory
St Hilds Secondary	Satisfactory
Home Care Contract	Satisfactory
Officer Expenses	Limited
Debtors	Satisfactory

Community Infrastructure Levy	Satisfactory
Youth Employment Initiative Grant	Satisfactory
Troubled Families Grant	Satisfactory
Main Accounting System	Satisfactory
Children Services Capital	Satisfactory
Children Services Computer Audit	Satisfactory
Sacred Heart Primary	Satisfactory
Pupil Referral Unit (PRU)	Satisfactory
Throston Primary	Satisfactory
Flexi Scheme	Satisfactory
Internet/Email Controls	Limited
Direct Payments	Limited
Public Health Contracts	Limited
Energy Management	Satisfactory
Housing Benefit	Satisfactory
Open Spaces	Satisfactory
Discretionary Housing Payments	Satisfactory
Employee Code of Conduct	Satisfactory
Catering	Satisfactory
Public Health Grant Overheads	Satisfactory
Operator's License	Satisfactory
Job Evaluation Process	Satisfactory
Centre for Excellence in Creative Arts	Satisfactory
Transparency Code of Conduct	Satisfactory
Routes to Work Grant	Satisfactory

# AUDIT AND GOVERNANCE COMMITTEE

01 October 2020



**Report of:** Head of Audit and Governance

**Subject:** AMENDED INTERNAL AUDIT PLAN 2020/21

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## 1. PURPOSE OF REPORT

- 1.1 To inform Members of the proposed changes to the Annual Internal Audit Plan for 2020/2021 due to the Covid 19 crisis, and to seek approval of those changes (Appendix A).

## 2. BACKGROUND

- 2.1 Under the Accounts and Audit Regulations 2015, the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, in compliance with Public Sector Internal Audit Standards (PSIAS). At Hartlepool, the authority for ensuring this responsibility is met has been delegated to the Director of Finance and Policy. The Audit and Governance Committee approved the 2020/2021 Internal Audit Plan at its meeting of 12.03.20

## 3. PROPOSED CHANGES TO THE INTERNAL AUDIT PLAN 2020/2021

- 3.1 The lockdown measures imposed by the Government on 23<sup>rd</sup> March have had a fundamental impact on how Hartlepool Borough Council operates. This has led to a fundamental change in the risks the organisation faces in terms of the services it delivers and the nature of that service delivery.
- 3.2 This fundamental change in risk has meant that in order for the Internal Audit section to fulfil its statutory role of providing an independent opinion on the governance arrangements in operation at the Council, a reassessment of its annual plan was needed. This is a rare occurrence and reflects the enormity of the challenges that the Council has faced since lockdown was announced.
- 3.3 Guidance was produced by the Internal Audit Standards Advisory Board (IASAB) to assist audit sections comply with UK Public Sector Internal Audit Standards (PSIAS) and safe guard the longer term position of Internal Audit.

This guidance has been followed when assessing proposed changes to the Internal Audit plan. The guidance identified the following key steps to take:

- Advise the audit committee and other key stakeholders in the governance process of the changes to the audit plan and operations of the internal audit team.
- Maintain regular and constructive communications with external audit. This will help external audit understand how delivery of assurance is being progressed and provide information on changes in the organisation's system of governance and control
- Keep clear records of the changes to roles and plans. These will help key stakeholders understand the revised arrangements and will help resolve any conflicts of interest later.
- Remember the Mission of Internal Audit and act in accordance with it. When the immediate crisis is over the head of internal audit should be able to demonstrate how the operation of internal audit has helped fulfilment of the Mission. (To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.)
- At all times Internal Auditors should comply with Government advice, and that of their organisation, regarding health and safety during the coronavirus pandemic.

3.4 Regular dialogue has taken place with the Director of Finance and Policy and access to all relevant records of meetings and decisions made available to Internal Audit to ensure compliance with the key task outlined above. This has led to a thorough understanding of the change in risk faced by the Council and ensured the changes to the internal audit plan are focussed on the risks now faced.

3.5 The table in Appendix A of the report outlines the proposed changes to the Internal Audit Plan. It highlights the original plan previously agreed, the post Covid assessment that has taken place and the resulting change in proposed audit coverage.

#### **4. FINANCIAL CONSIDERATIONS**

4.1 There are no financial considerations.

#### **5. LEGAL CONSIDERATIONS**

5.1 There are no legal considerations.

#### **6. CHILD AND FAMILY POVERTY CONSIDERATIONS**

6.1 There are no child and family poverty considerations.

#### **7. EQUALITY AND DIVERSITY CONSIDERATIONS**

7.1 There are no equality and diversity considerations.

**8. STAFF CONSIDERATIONS**

8.1 There are no staff considerations.

**9. ASSET MANAGEMENT CONSIDERATIONS**

9.1 There are no asset management considerations.

**10. RECOMMENDATION**

10.1 It is recommended that Members review and approve the amended 2020/21 Internal Audit Plan.

**11. REASON FOR RECOMMENDATIONS**

11.1 To ensure that the Audit and Governance Committee meets its remit, it is important that it satisfies itself that Internal Audit coverage is adequate and effective given the changes in risk face by the organisation due to the Covid crisis.

**12. BACKGROUND PAPERS**

12.1 - Accounts and Audit Regulations 2015.  
- Internal Audit Standards Advisory Board Conformance with the PSIAS during the Coronavirus Pandemic.  
- UK Public Sector Internal Audit Standards (PSIAS).

**13. CONTACT OFFICER**

13.1 Noel Adamson  
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## Appendix A

Department Name	Auditable Area	Original Days	Post Covid Assessment	New Total Days
		2020/21		2020/21
Chief Executives	Benefits - Housing	25	No Change	25
Regeneration and Neighbourhoods	BIS	10	No Change	10
Children's and Joint Commissioning	Bluebell Meadow Primary School Academy	5	No Change	5
Chief Executives	Budgetary Control	15	No Change	15
Regeneration and Neighbourhood	Car Parking - Income	5	No Change	5
Chief Executives	Cash/Bank	10	No Change	10
Children's and Joint Commissioning	Childrens Homes	15	0	0
Chief Executives	Communication - Mobile Phones	10	0	0
Chief Executives	Computer Audit	50	20	70
Chief Executives	Council Tax	15	No Change	15
Chief Executives	Creditors	15	5	20
Chief Executives	Data Quality - GDPR	15	No Change	15
Chief Executives	Debtors	15	No Change	20
Chief Executives	Disclosure and Barring Scheme	0	10	10
Chief Executives	Employee Protection/Violence Register	10	0	0
Regeneration and Neighbourhoods	Energy Management	10	0	0
Regeneration and Neighbourhoods	Environmental Enforcement - Abandoned Vehicles/Fly Tipping	5	0	0
Regeneration and Neighbourhoods	Environmental Enforcement - Dog Fouling Income	5	0	0
Regeneration and Neighbourhoods	Environmental Enforcement - Dog Warden Service	5	0	0
Children's and Joint Commissioning	Eskdale Academy	5	No Change	5
Chief Executives	Fraud Awareness	25	15	40
Children's and Joint Commissioning	Golden Flatts Primary School	6	No Change	6
Adults and Community	GP Referral Service	10	0	0
Chief Executives	Health and Safety	0	10	10
Adults and Community	Holiday Hunger Scheme	10	No Change	10
Regeneration and Neighbourhoods	Housing Revenue Account	15	No Change	15
Children's and Joint Commissioning	In House Looked After Allowances	10	0	0
Adults and Community	Information Management-Performance Reporting Review	15	0	0
Chief Executives	Insurances	10	No Change	10
Children's and Joint Commissioning	Jesmond Gardens Primary Academy	5	No Change	5
Children's and Joint Commissioning	Kingsley Primary School	6	No Change	6
Children's and Joint Commissioning	Leaving Care Allowances	10	0	0
Regeneration and Neighbourhoods	Licencing	10	No Change	10

Chief Executives	Loans & Investments	5	No Change	5
Chief Executives	Local Council Tax Support Scheme	15	No Change	15
Children's and Joint Commissioning	Lynnfield Primary School	6	No Change	6
Chief Executives	Main Accounting	15	No Change	15
Chief Executives	Members Allowances/Travel/Subsistence	5	No Change	5
Chief Executives	Members Code of Conduct-Declarations	5	No Change	5
Chief Executives	NFI	20	No Change	20
Chief Executives	NNDR	15	No Change	15
Chief Executives	Officers Expenses	10	No Change	10
Chief Executives	Procurement	25	15	40
Children's and Joint Commissioning	Public Health Contracting Arrangements	10	0	0
Adults and Community	Public Mental Health Services	10	0	0
Children's and Joint Commissioning	Pupil Support/Admissions	10	No Change	10
Children's and Joint Commissioning	Rift House Primary School	6	No Change	6
Chief Executives	Risk Management	5	No Change	5
Regeneration and Neighbourhoods	Routes To Work	20	No Change	20
Chief Executives	Salaries and Wages	15	No Change	15
Children's and Joint Commissioning	Section 17 Payments	10	0	0
Adults and Community	Social Care - Direct Payments	10	0	0
Adults and Community	Social Care - Financial Assessments	20	0	0
Adults and Community	Social Care - Nursing and Residential Care	10	0	0
Children's and Joint Commissioning	Special Educational Needs	10	0	0
Adults and Community	Sport England Families Fund Grant	10	0	0
Children's and Joint Commissioning	St. Cuthberts Primary School	6	No Change	6
Children's and Joint Commissioning	St. Helens Primary School	6	No Change	6
Children's and Joint Commissioning	St. Hilds Secondary School	6	No Change	6
Children's and Joint Commissioning	St. John Vianney Primary School	6	No Change	6
Children's and Joint Commissioning	St. Josephs Primary School	6	No Change	6
Children's and Joint Commissioning	St. Teresa's Primary School	6	No Change	6
Regeneration and Neighbourhoods	Staff Lottery	5	No Change	5
Children's and Joint Commissioning	Stranton Primary School Academy	5	No Change	5
Regeneration and Neighbourhoods	Trading Standards	10	No Change	10
Children's and Joint Commissioning	Troubled Families Grant	20	No Change	20
Chief Executives	V.A.T.	5	No Change	5
Regeneration and Neighbourhoods	Waste Data Flow	10	0	0
Regeneration and Neighbourhoods	Youth Employment Initiative Grant	20	No Change	20
Corporate	Income Analysis	0	15	15
Corporate	Expenditure Analysis	0	15	15

Corporate	Transport	0	15	15
Corporate	Emergency Assistance	0	25	25
Corporate	Business Grant Assurance	0	25	25
Corporate	Central Hub	0	10	10
Corporate	Education Costs	0	20	20
			755	755
	<b>ADMINISTRATION</b>			
Corporate	Training/Development	60		
Corporate	Administration	75		
Corporate	Contingency/Advice/Support/ Special Investigations	100		235
	<b>CFA</b>			100
	<b>TOTAL</b>			1090
	Holidays	155		
	Contingency	25		
	Bank Holidays	40		

# AUDIT AND GOVERNANCE COMMITTEE

01 October 2020



**Report of:** Director of Resources and Development

**Subject:** LETTER TO THOSE CHARGED WITH  
GOVERNANCE - COMPLIANCE WITH LAWS AND  
REGULATIONS/ FRAUD

---

## 1. PURPOSE OF REPORT

- 1.1 To inform Members of the proposal to reply to the report received from the Director and Engagement Lead of our External Auditor, Mazars, to those charged with governance regarding compliance with laws and regulations and fraud.

## 2. BACKGROUND

- 2.1 In carrying out the annual accounts audit, Mazars have to demonstrate compliance with International Standards for Auditing (UK and Ireland). The Standard requires Mazars to gain each year, an understanding of how the Committee exercises oversight of management's processes for identifying and responding to the risks of fraud and the internal controls established to mitigate them.
- 2.2 Mazars must also gain a general understanding of the legal and regulatory framework applicable to the audited body and how the audited body is complying with that framework. After gaining a general understanding auditors need to undertake audit procedures to help identify instances of non-compliance with those laws and regulations where this impacts on preparing the financial statements. This includes:
- Enquiring of management whether they have complied with all relevant laws and regulations;
  - Written representation from management that they have disclosed to the auditor all known actual or possible areas of non-compliance; and
  - Enquiring with "those charged with governance" whether they are aware of any possible instances of non-compliance.

### **3. AUDIT AND GOVERNANCE COMMITTEE RESPONSE**

- 3.1 Attached as Appendix A is a letter to Mazars from the Chair of the Committee detailing how the committee has complied with the requirements of International Standards for Auditing.

### **4. RISK IMPLICATIONS**

- 4.1 There is a risk that Members of the Audit and Governance Committee do not receive the information needed to enable a full and comprehensive review of governance arrangements at the Council, leading to the Committee being unable to fulfil its remit.

### **5. FINANCIAL CONSIDERATIONS**

- 5.1 There are no financial considerations.

### **6. LEGAL CONSIDERATIONS**

- 6.1 There are no legal considerations.

### **7. CHILD AND FAMILY POVERTY CONSIDERATIONS**

- 7.1 There are no child and family poverty considerations.

### **8. EQUALITY AND DIVERSITY CONSIDERATIONS**

- 8.1 There are no equality and diversity considerations.

### **9. STAFF CONSIDERATIONS**

- 9.1 There are no staff considerations.

### **10. ASSET MANAGEMENT CONSIDERATIONS**

- 10.1 There are no asset management considerations.

### **11. RECOMMENDATION**

- 11.1 It is recommended that Members agree the contents of the letter to Mazars outlining how the activities of the Committee comply with the requirements of International Standards for Auditing.

### **12. REASON FOR RECOMMENDATIONS**

- 12.1 To ensure that in order for Mazars to comply with legislative requirements, those charged with governance supply the requested information.

**13. BACKGROUND PAPERS**

- 13.1 Letter to Those Charged With Governance - Compliance with Laws and Regulations/ Fraud

**14. CONTACT OFFICER**

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## Appendix A

**Cllr Gerard Hall**  
*Audit and Governance Committee Chair*  
Civic Centre  
Hartlepool  
TS24 8AY

Tel: 01429 266522  
[www.hartlepool.gov.uk](http://www.hartlepool.gov.uk)  
Our Ref:  
Your Ref:

01.10.20

Gavin Barker,  
Director, Public Services,  
Mazars,  
Salvus House,  
Aykley Heads,  
Durham.  
DH1 5TS.

Dear Gavin,

Further to your report to those charged with governance – Request for Declarations; in relation to understanding how Mazars gains assurance from management, I have outlined below in the answers to the questions posed, how the Audit and Governance Committee exercise oversight of the processes in place to prevent and detect fraud and gains assurance that all relevant laws and regulations are complied with.

### *1) Questions about arrangements for preventing and detecting fraud*

As the Audit and Governance Committee we review the Council's Financial Statements and take advice from both officers' internally and externally regarding the accounting statements and processes in place to ensure they are a true and fair view of the Council's financial position. We are regularly updated in relation to issues regarding potential fraud and review and approve the Council's Anti Fraud and Corruption Strategy. The Audit and Governance Committee review and approve the Council's Code of Corporate Governance and also the Council's Risk Management Strategy. As an independent committee of the Council, the Audit and Governance Committee can at any time seek explanation from any officer of the Council regarding issues it considers.

The Committee is not aware of any entries made in the accounting records of the authority that we believe or suspect are false or intentionally misleading. We do not believe any assets, liabilities or transactions have been improperly included or omitted from the accounts of the Authority. The Committee takes assurance from both its internal and external audit coverage of the Council's accounting records and is satisfied that sufficient checks and balances are in place.

We considered Internal Audit Plan 2019/20 Updates. Four of these reports were reviewed by the committee during the year which allowed members to be kept up to date with the ongoing progress of the Internal Audit section in completing its

annual audit plan. These reports allowed the committee to review the outcomes of all completed internal audit reports and comment upon any areas of concern. As a Committee we are not aware of any breaches of internal control during 2019/20, and will consider those significant governance issues highlighted in the Annual Governance Statement in the context of our knowledge and understanding of the Council over the financial year.

The Committee is aware of fraud perpetrated against the Council in respect of benefit claims and the Council's participation in the National Fraud Initiative data matching exercise and the role of the Benefit Fraud Investigator. The Committee does not suspect fraud may be occurring in other areas within the Authority and is satisfied that adequate arrangements are in place to tackle suspected fraud.

The Committee is satisfied that the Council has adequate governance arrangements in place in relation to its internal control environment and gains assurance from the work of its internal and external auditors.

The Council has a well established and publicised Whistleblowing Policy in place as well as an up to date Anti Fraud and Corruption plan. Employees are expected to report all instances of suspected fraud and corruption and are encouraged to do so.

The Committee is not aware of any related party relationships or transactions that could give rise to instances of fraud. The Committee is assured that adequate arrangements are in place for the recording and declaration of any relationships or interests that may raise cause for concern.

## *2) Questions about arrangements for complying with law and regulations responsibilities*

As detailed above we considered Internal Audit Plan 2019/20 updates. Four of these reports were reviewed by the committee during the year which allowed members to be kept up to date with the ongoing progress of the Internal Audit section in completing its annual audit plan. These reports allowed the committee to review the outcomes of all completed internal audit reports and comment upon any areas of concern.

Members of the Audit and Governance Committee are active in other areas of Council activity and bring that knowledge and experience to the Audit and Governance Committee in relation to the Council's operation. The Audit and Governance Committee reviews performance and risk management arrangements in place through the work of Internal Audit and other reports received and is not aware of any non compliance with relevant laws or regulations during 2019/20. The Committee has approved an updated Risk Management Strategy.

The Committee is not aware of any new significant litigation or claims or changes to any existing litigation / claim that would affect the financial statements.

## *3) Questions about the appropriateness of the going concern assumption*

Having reviewed the reports and information provided to the Committee over the course of the year, including reviewing the Councils Financial Statements and Annual Governance Statement, the Committee has no significant doubt as to the Councils ability to continue as a going concern.

In addition to those processes and procedures detailed above, the Committee has also considered the information outlined below:

- *Considered the 2019/20 Internal Audit Plan* – This informed the committee of the direction of Internal Audit activity and sought approval of the annual operational Internal Audit Plan for 2019/20. It also provided accountability for internal audit services allowing the committee to monitor the application of the delegated authority for ensuring an effective and satisfactory internal audit function in accordance with the Accounts and Audit Regulations 2015 and UK Public Sector Internal Audit Standards.
- *Reviewed the Internal Audit Outcome Report 2019/20* – This provides accountability for internal audit delivery and performance and allowed the committee to monitor the application of the delegated authority for ensuring an effective and satisfactory Internal Audit function in accordance with the Accounts and Audit Regulations 2015 and UK Public Sector Internal Audit Standards.
- *Treasury Management Strategy 2020/21* – To enable the Audit and Governance Committee to consider the proposed Treasury Management Strategy for 2020/21 prior to the strategy being referred to Council in February 2020.
- *Review of External Auditor Reports.*

Members of this Committee are fully apprised of the Councils financial position via the Director of Finance and Policy's reporting of the medium term financial plan to the Finance and Policy Committee and Council, and also the report presented to this Committee by your auditors concerning the positive Value for Money Opinion in the Annual Audit Letter. There have been no significant issues raised with the Audit and Governance Committee during the year that cast doubt on financial assumptions made when forming a view on the going concern assumption.

The Committee considers those posts dealing with all aspects of procurement and cash handling to be high risk in relation to ongoing assumptions made. The Committee takes assurance from the fact that risk assessment of posts is undertaken and training is provided to staff and that the Council has sufficiently skilled and experienced staff to deliver the Councils objectives.

The Committee takes assurance from the governance arrangements the Council has in place and the independent assurance it receives over the course of the year that these arrangements are working in practice.

Due to the unprecedented nature of the national Covid 19 Pandemic the Committee is aware of the Councils response to this and the ongoing nature of the developing risks the Council faces. I am satisfied that Council officers have designed the Councils response to this taking into consideration the controls and processes needed to protect public funds whilst delivering vital services to the

community. Any significant changes to risks and governance arrangements will be reported to the Committee.

Yours Faithfully

**Cllr Gerard Hall**

*Audit and Governance Committee Chair*

# AUDIT AND GOVERNANCE COMMITTEE

1 October 2020



**Report of:** Director of Resources and Development

**Subject:** THE 2019/2020 FINANCIAL REPORT  
(INCLUDING THE 2019/20 STATEMENT OF  
ACCOUNTS)

---

## 1. PURPOSE OF THE REPORT

1.1 The purposes of this report are to:-

- i) present Mazars' Audit Completion Report;
- ii) enable Members to approve the final audited 2019/20 Financial Report. .

1.2 This will be achieved by considering the following:-

- i) Background;
- ii) Audit Completion Report
- iii) the final 2019/2020 Financial Report; and,
- iv) Recommendations.

## 2. BACKGROUND

2.1 In accordance with the Accounts and Audit Regulations 2015, updated for (Coronavirus) (Amendment) regulations 2020 all Local Authorities were are required to produce the draft annual Statement of Accounts by 31<sup>st</sup> August 2020. These regulations have temporarily relaxed the previous deadlines for producing the draft accounts and completion of final audited accounts.

2.2 The Financial Report presents the Council's financial position for 2019/20 in a specified format and reflects the Outturn Strategy previously approved by the Council.

2.3 The Council completed the drafts accounts by 30<sup>th</sup> June 2020. Members of this Committee were e mailed a copy of the draft accounts on 2<sup>nd</sup> July 2020 to enable Members to familiarise themselves with this document and provide the opportunity to ask questions before today's committee.

For Members' information no issues have been brought to my attention by Members of the Committee.

### **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:
- Uncertainty regarding the implementation of major national reforms to Local Government funding.
  - Financial impact of COVID-19.
- 3.2 The actual outturn for all Departmental budgets was an over spend of **£0.727m**, which highlights the financial and service pressures faced by the Council during 2019/20. This was offset by underspends on non-departmental budgets.
- 3.3 A comprehensive report on the Councils financial position for 2020/21 and future years was presented to Finance and Policy Committee on the 13<sup>th</sup> August 2020, and then referred to Council for information. The report advised Members of the financial impact of COVID, the forecast 2021/22 budget deficit and the proposed strategy for managing this position.

### **4. AUDIT COMPLETION REPORT**

- 4.1 As Members will be aware the purposes of the Audit Completion Report (ACR) are:
- to share information to assist both the auditor and those charged with governance (i.e. Members of the Audit and Governance Committee) to fulfil their respective responsibilities;
  - to provide constructive observations arising from the audit process to those charged with governance;
  - to ensure as part of a two way communication process the external auditors, gain an understanding of the attitude and views of those charged with governance at the Council of internal and external operational, financial, compliance and other risks which might affect the accounts, including the likelihood of those risks materialising and how they are managed; and,
  - to receive feedback from those charged with governance on the performance of the engagement team.
- 4.2 A copy of the ACR is attached at Appendix A. However, it should be noted that whilst the External Auditors have substantially completed their work the audit is not complete. This Committee will be provided with an

update in relation to any outstanding matters in a follow-up letter prior to the auditor's report being signed. The external Auditors will be present to explain the ACR and answer any questions.

4.3 Key positive issues reported in the ACR include:

- confirmation that the draft accounts were received on time and were of a good quality and that the supporting working papers were also of a good quality;
- that Mazars anticipate issuing an unqualified opinion on the statement of accounts; and
- that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of resources

## 5. FINAL 2019/20 FINANCIAL REPORT

5.1 A small number of disclosure amendments were identified by the Auditor during the audit and I have agreed to amend the Accounts to reflect these issues detailed in Section 4 (page11) of the ACR.

5.2 The Auditor identified three proposed changes which I am recommending are not implemented as these issues are not material in accounting terms and therefore do not impact on the position reported in the Accounts, or the level of General Fund Balances.

4.4 These issues and the reason I am proposing they are not implemented are detailed in the table below and also in the Letter of Representation attached at Appendix B to this report. The detail below has been discussed with Mazars and they will issue an unqualified opinion on the basis of the information provided in the Letter of Representation. Members need to formally consider these issues and my recommendation that these issues do not need to be amended.

Issue not Amended	Reasons for not Amending
Unused COVID-19 Grant recognised as Revenue Grants Receipts in Advance instead of a Ring- Fenced Reserve.	This has not been amended as it is a Balance Sheet category error and amending would not change the financial position of the Council.
Property, Plant and Equipment valuation error as incorrect areas has been used in the calculation (the BCIS figure righter than floor area of the building) resulting in an overstatement in the asset value of £0.533m	This is not a material amount in relation to the overall value of the Councils Property, Plant and Equipment assets of £290m.

Contribution to a Provision which should have been a contribution to a Reserve.	This has not been amended as it is a Balance Sheet category error and amending would not change the financial position of the Council. .
---	--

## 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 Audit of the 2019/2020 Accounts will be complete by the time this Committee meets. Any issues have either been reported as part of the ACR, or will be included in the update letter presented to this Committee, which includes the specific issues that the Committee will need to consider before approving the final Financial Report.

## 7. RECOMMENDATIONS

- 7.1 It is recommended that Members:-
- i) Consider the matters raised in Mazars' Audit Completion Report (ACR) detailed in Appendix A;
  - ii) Note the adjustments to the financial statements set out Section 5 of the ACR under Disclosure amendments,
  - iii) Approve the reasons I have detailed in the Letter of Representation (Appendix B) to this document for not amending the Statement of Accounts to reflect the unadjusted misstatements in the accounts;

- iv) Recommend that Members note the Letter of Representation at Appendix B.
- v) Approve the final 2019/20 Financial Report (Appendix C) and note that this document will be published before the 31<sup>st</sup> October 2020 statutory deadline.

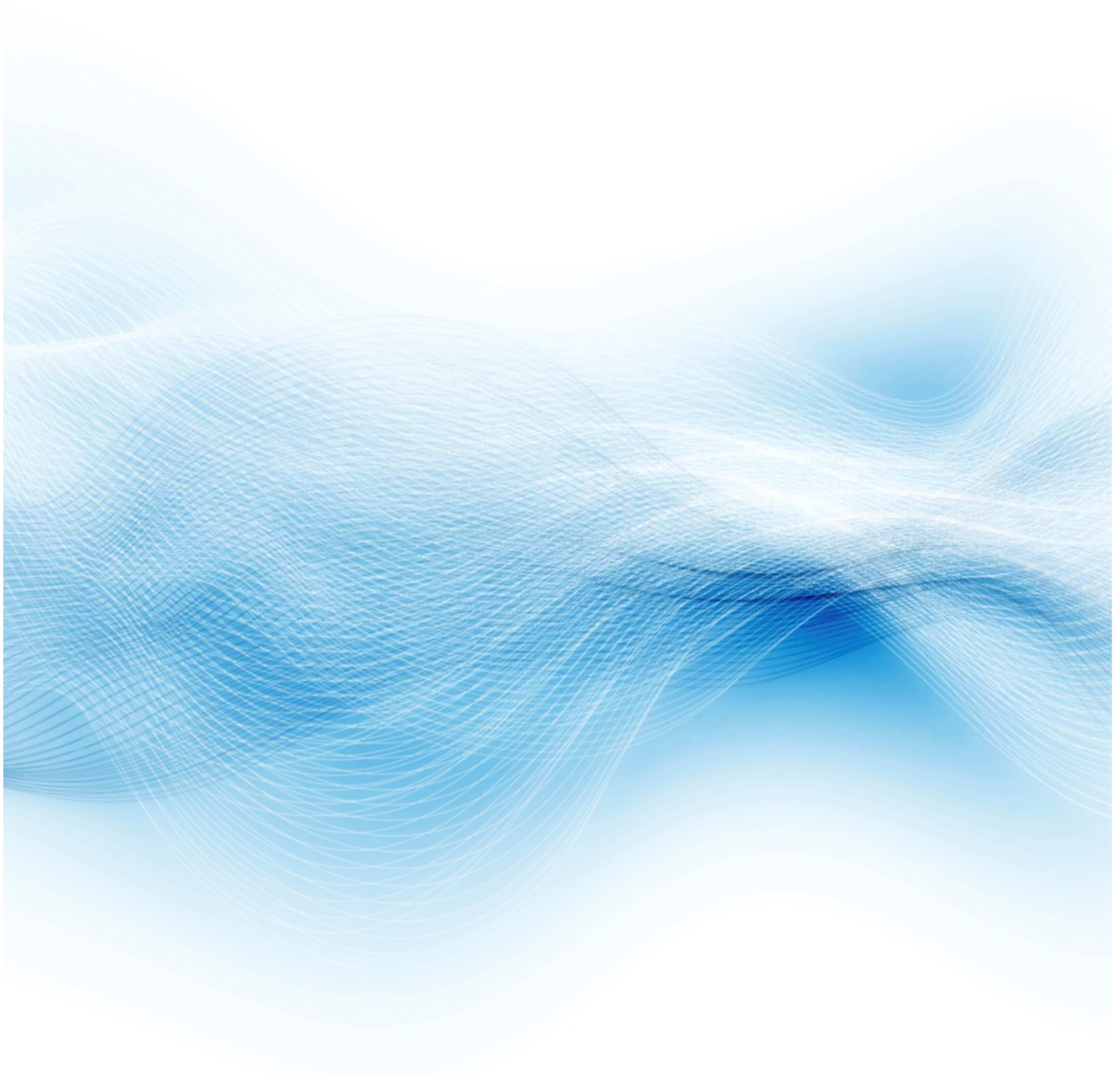
## **8. CONTACT OFFICER**

Chris Little  
Director of Resources and Development  
Tel: 01429 523003  
Email: [chris.little@hartlepool.gov.uk](mailto:chris.little@hartlepool.gov.uk)



# Audit Completion Report

Hartlepool Borough Council  
Year ending 31 March 2020





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1. Executive summary
2. Significant findings
3. Internal control recommendations
4. Summary of misstatements
5. Value for Money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor's report

Appendix C – Independence

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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Audit and Governance Committee  
Hartlepool Borough Council  
Civic Centre  
Victoria Road  
Hartlepool  
TS24 8AY

14 September 2020

Dear Members

**Audit Completion Report – Year ended 31 March 2020**

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented to the Audit and Governance Committee on 12 March 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Council was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. We would like to express our thanks for the assistance of your team in preparing accounts and enabling us to substantially complete our audit well within the revised timetable.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07896 684771.

Yours faithfully

*Gavin Barker*

Gavin Barker  
Mazars LLP

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861.  
VAT number: 839 8356 73

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# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Hartlepool Borough Council ('the Council') for the year ended 31 March 2020, and forms the basis for discussion at the Audit and Governance Committee meeting on 1 October 2020.

The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control
- Valuation of land and buildings; and
- Defined benefit liability valuation.

## Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

### Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

### Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

### Whole of Government Accounts (WGA)

The NAO have not yet issued group instructions so the timing of our review of your WGA submission is to be confirmed. We will report the results in our Annual Audit Letter.

### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. Further details on the exercise of our wider powers are provided in section 2.

Executive summary

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for Money  
conclusion

Appendices

# 1. EXECUTIVE SUMMARY

## Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Pensions	●	We are awaiting assurance from the pension fund auditor. We will not be able to issue our audit opinion and VFM conclusion until the pension fund auditor assurance has been received.
Related party transactions	●	Resolution of a follow up query.
Income and expenditure, debtors and creditors	●	Follow up of detailed work on sample testing.
WGA	●	We are awaiting group instructions from the National Audit Office. This may impact on the timing of issuing our audit certificate to formally conclude and close the audit.
Closing Procedures	●	Review and closure processes, including final consideration of post balance sheet events.

### Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Audit and Governance Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

## Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2020. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

We set materiality at the planning stage of the audit at £5.682m using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £5.924m using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit and Governance Committee) at £178k based on 3% of overall materiality.

## 2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 7 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- Significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

### Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

#### Significant risk

Management override of controls

#### Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

#### How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

#### Audit conclusion

Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. There is no indication of management override of controls.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant risk

Property, Plant and Equipment (PPE) Valuation

### Description of the risk

The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE. Although the Council uses an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We therefore identified the valuation of PPE to be an area of significant risk.

### How we addressed this risk

We addressed this risk by considering the Council's arrangements for ensuring that PPE values are reasonable and engaged our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the internal valuer. We also assessed the competence, skills and experience of the valuer.

We discussed methods used with the valuer and examined supporting information. We used indices provided by our own expert to confirm the assets not revalued are unlikely to have materially changed in value. We tested revaluations in year to valuation reports and supporting calculation sheets and re-performed the calculations to ensure that they were correct and source data agreed with floor plans and relevant indices. We also considered the impact of COVID-19 on the valuations to gain additional assurance on their reasonableness.

### Audit conclusion

The valuer disclosed a "material valuation uncertainty" in relation to the valuation of the Council's surplus assets and investment properties, arising from the potential impact of covid-19 on values. This has been disclosed in note 3 of the final version of the financial statements. We plan, in line with normal practice, to include reference to this disclosure as an 'emphasis of matter' in our audit report. The purpose of this paragraph is to draw attention to this disclosure, it is not a qualification and does not modify our proposed unqualified opinion on the financial statements.

Our draft Auditor's Report at Appendix B includes a draft emphasis of matter paragraph (as highlighted on page 18 of this report). The draft wording is subject to our internal review processes, and if this wording subsequently changes we will provide an update in the follow up letter to the Audit and Governance Committee when the audit is completed, as noted on page 4 of this report.

One immaterial error by the valuer in applying source data was identified and disclosed as an unadjusted error on page 11.

Our work to date has provided the assurance we sought and has not identified any other matters to report in relation to property, plant and equipment valuations.

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## 2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Defined benefit liability valuation	The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. Moreover, in 2019/20 the local government pension fund assets and liabilities were subject to triennial revaluation. This resulted in an increased risk of material misstatement.

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### How we addressed this risk

We discussed with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls that you have in place to assess the reasonableness of the figures provided by the Actuary and considered the reasonableness of the Actuary's output, referring to our expert's report on all actuaries nationally.

We reviewed the appropriateness of the key assumptions included within the valuations, compared them to expected ranges and reviewed the methodology applied in the valuation. We also considered the adequacy of disclosures in the financial statements.

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### Audit conclusion

Subject to the completion of outstanding work, our work has provided the assurance sought. At this stage we have not identified any errors in respect of the valuation of pensions, but await assurance from the pension fund auditor.

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## 2. SIGNIFICANT FINDINGS (CONTINUED)

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

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 30 June 2020 and were of a good quality, and comprehensive working papers were also provided and were likewise of good quality.

### Significant matters discussed with management

Once again, there have been significant issues this year relating to accounting for pensions. These issues are not specific to the Council, but are national issues impacting on all local government, police and fire bodies, to varying degrees. There have been two issues raised this year with respect to pension accounting, these relate to the ongoing implications of the McCloud Judgement which was also an issue last year and a new case, the Goodwin case, and each are discussed separately below.

#### **McCloud Judgement**

The McCloud judgement relates to potential age discrimination arising from transitional protections offered to some existing members of public service pension schemes that were not made available to younger members. In July 2019, Treasury confirmed that the difference in treatment between older and younger members of public service pension schemes would need to be removed in order to remove the discrimination. Estimates for the additional pension liabilities arising from the McCloud case were included in the IAS 19 pensions disclosures for the Council in 2018/19 and 2019/20. At the time of making this estimate actuaries were required to estimate what the proposed remedy would be. In July 2020 Treasury initiated a consultation on the proposed remedy for public service pensions and MHCLG released a consultation into the proposed remedy for the LGPS, which set out the estimation basis for the impact of the judgement.

Your actuary has confirmed that the estimate made in your 2019/20 IAS 19 reports for LGPS included a methodology not dissimilar to that in the consultations and as such your actuary does not expect there to be a material difference, meaning that a recalculation based on the consultation remedies was not required.

#### **Goodwin Case**

A case was made against the Teachers Pensions Scheme in relation to sexual orientation discrimination. The discrimination occurs because there is a difference in survivor benefits payable depending upon whether the member was in a same-sex marriage or civil partnership or an opposite-sex marriage or civil partnership. The government concluded that changes are required to the Teachers' Pension Scheme to address the discrimination. The government believes that this difference in treatment will also need to be remedied in those other public service pension schemes, where the husband or male civil partner of a female scheme member is in similar circumstances.

Your actuary has confirmed that there will be an additional liability arising from the Goodwin judgement. Full information is not yet available to accurately calculate the impact, however, based on an estimation, your actuary has indicated that the impact is likely to be in the region of 0.2% of the LGPS Fund's total liability. For the Council this would amount to an increased liability of £348k. As the impact of this is below materiality, no adjustment to the financial statements has been made. As these issues relate to the refinement of an estimate rather than an error, they have not been reported as unadjusted misstatements on page 11.

### Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. Officers have been very helpful and responsive in addressing our audit queries, and we are grateful for the assistance provided.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

Given the Government's COVID-19 instruction for the public to work from home if possible, our audit was completed remotely but this did not cause significant difficulties during the audit because:

- we used technology, such as video conferencing, to ensure the audit was completed to the required standards;
- all working papers provided were electronic and of a good standard;
- we used a team of public sector audit specialists with the same engagement lead, senior manager and team leader as in 2018/19; and
- Officers were responsive which meant we were able to conclude our fieldwork in line with the agreed timetable.

### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2019/20 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have not received any questions or objections in respect of Hartlepool Borough Council.

### 3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our work this year has not identified any issues to bring to your attention.

#### **Follow up of previous internal control points**

We did not raise any internal control points in the prior year.

## 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified during the course of the audit, above the level of trivial threshold of £178k.

The table below outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

There were no misstatements that have been adjusted by management during the course of the audit.

### Unadjusted misstatements 2019/20

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Revenue Grant Receipts in Advance Cr: CIES - Corporate - Income at Cost of Services level		3,343	3,343	
The Council has recognised the Covid-19 Local Authority Support Grant as revenue grant receipts in advance. However it is not linked to a specific year, there are no conditions attached and it is not ring-fenced. Therefore the £3.404m funding received in March 2020 should be recognised fully in 2019/20 with the unused balance going to an earmarked reserve or held as part of GF balances. The Director of Resources and Development has indicated the Council will fully commit this revenue grant to partly offset the financial impact of Covid-19. This position has been reported to Finance and Policy Committee and the report identified a funding shortfall in relation to the financial impact of Covid-19 on the Council. The report also detailed a strategy for managing the forecast funding shortfall, in the event that additional Government funding is not provided.				
2 Dr: Unusable Reserves - Revaluation Reserve Cr: Property, Plant and Equipment			533	533
In the valuation of Borough Hall, the incorrect area had been used in the calculation (the BCIS figure rather than the floor area of the building) resulting in an overstatement of the building value by £482k. As the land value is linked to the building valuation, this was also overstated by £51.1k.				
3 Dr: Provisions Cr: Looked After Children Reserve			393	393
Provision created in error, should have been added to LAC reserve				
<b>Total unadjusted misstatements</b>		<b>3,343</b>	<b>4,269</b>	<b>926</b>

### Disclosure amendments

Note 45 - Financial Instruments (Liquidity Risk). The Liquidity Risk disclosure did not include finance lease liabilities, as disclosed in Note 42 of the draft financial statements. Current liabilities of £104k and non-current liability of £97k omitted from note.

The valuer disclosed a "material valuation uncertainty" in relation to the valuation of the Council's surplus assets and investment properties, arising from the potential impact of covid-19 on values. This has now been disclosed in Note 3 of the financial statements.

## 5. VALUE FOR MONEY CONCLUSION

### Our approach to Value for Money

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, 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.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

It is important to clarify that the arrangements we consider in reaching this year's conclusion are those in place for the 2019/20 financial year.

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>We reviewed financial, performance and risk management reports throughout the year and attended meetings of the Audit and Governance Committee. We did not identify any concerns regarding data quality or the decision-making process.</p> <p>The Council reviewed budget monitoring reports and updates to the medium term financial strategy through the year and took early and effective action to address financial pressures.</p> <p>We considered the following aspects of proper arrangements specified by the National Audit Office as part of our risk assessment, and, based on our risk-based approach, we did not identify any significant issues or exceptions in the Council's arrangements:</p> <p>a) Acting in the public interest, through demonstrating and applying the principles and values of sound governance;</p> <p>b) Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management;</p> <p>c) Reliable and timely financial reporting that supports the delivery of strategic priorities; and</p> <p>d) Managing risks effectively and maintaining a sound system of internal control.</p>	Yes

## 5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>Financial and performance reports demonstrate a history of achieving cost reductions without adversely affecting services to date and a balanced medium term financial strategy is in place. The fair funding review has been delayed once again but the Council has a strategy in place to meet several different funding scenarios.</p> <p>We considered the following aspects of proper arrangements specified by the National Audit Office as part of our risk assessment, and, based on our risk-based approach, we did not identify any significant issues or exceptions in the Council's arrangements:</p> <ul style="list-style-type: none"> <li>a) Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions;</li> <li>b) Managing and utilising assets effectively to support the delivery of strategic priorities; and</li> <li>c) Planning, organising and developing the workforce effectively to deliver strategic priorities.</li> </ul>	Yes
Working with partners and other third parties	<p>The Council has a good record of working with partners and other third parties.</p> <p>We considered the following aspects of proper arrangements specified by the National Audit Office as part of our risk assessment, and, based on our risk-based approach, we did not identify any significant issues or exceptions in the Council's arrangements:</p> <ul style="list-style-type: none"> <li>a) Working with third parties effectively to deliver strategic priorities;</li> <li>b) Commissioning services effectively to support the delivery of strategic priorities; and</li> <li>c) Procuring supplies and services effectively to support the delivery of strategic priorities.</li> </ul>	Yes

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

### Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risk. The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
<p><b>Risk heading</b></p> <p>The Council was forecasting a net overspend on the 2019/20 budget and had identified a gross budget deficit for 2020/21 estimated at £6.3m. The Council had analysed expected changes in funding and had identified savings to address the gross deficit, but there are no easy choices as any measures that might impact minimally on front line services have already been taken. The measures already taken to address the deficit include a council tax increase, including Adult Social Care precept, which sustains the Council's future resource base.</p> <p>We need to ensure our knowledge of the Council's financial planning arrangements and its monitoring of the planned delivery of savings, remains up to date in order to ensure we give the correct VFM conclusion.</p>	<p>The measures the Council has taken in securing its financial sustainability through the 2020/21 budget process and beyond, has been a key area of audit focus in our 2019/20 value for money audit work.</p> <p>The Council was able to contain in-year financial pressures in services for looked after children from managed in-year savings in other areas and a review of grant regimes. This allowed the Council to avoid the use of additional reserves.</p>	<p>It is clear that the Council continues to face difficult decisions in balancing the budget going forwards, especially given the impact of the COVID-19 pandemic.</p> <p>Although the Council does have reserves available to minimise any immediate pressures, in accordance with the Council's own strategy, these are a temporary or transitional cushion while the savings needed are identified and delivered.</p> <p>In addition, the reserves available to support the budget are limited and the available balances are close to the minimum needed to deal with unforeseen circumstances and risk, and will not be available to support the revenue budget in the way that they did in previous years.</p> <p>The position beyond 2020/21 is very uncertain as much depends on the outcome of the comprehensive spending review, fair funding review and the measures that will be taken in relation to the future operation of the business rates system. However, it seems unlikely that the overall financial position for the Council will improve sufficiently to allow it to defer any of the difficult decisions that are needed.</p> <p>Action to bridge the budget gap over the medium term remains a key priority for the Council.</p>

During March 2020, the significant impact of the COVID-19 pandemic began to have far reaching implications for us all, including an impact on the Council. In particular, following the lockdown from 26 March 2020, the Council needed to respond to the impact of the pandemic on its communities and also needed to adapt to new ways of working.

Our 2019/20 value for money conclusion is focused on the arrangements in place during the 2019/20 financial year. Given the timing of the major impact of the pandemic one week before the end of the financial year, the Council did not have time to review its arrangements for informed decision making, sustainable resource deployment or working with partners and other third parties during the financial year under review. Consequently, we did not identify an additional significant risk relating to the COVID-19 pandemic in our 2019/20 value for money conclusion work.

The Council's response to the pandemic will be a major focus of our 2020/21 audit. With this in mind, we have continued to liaise with officers and gain an understanding of the arrangements that have been put in place in the new financial year.

### Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2019/20 financial year.

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# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

To:  
Mr Gavin Barker  
Director  
Mazars LLP  
Salvus House  
Ayckley Heads  
Durham DH1 5TS

Date: October 2020

### Hartlepool Borough Council - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of Hartlepool Borough Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

#### My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

#### My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from me for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Financial Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

#### Accounting records

I confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

#### Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider them appropriate for the year.

#### Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

#### Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

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## DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

### Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

### Fraud and error

I acknowledge my responsibility as Chief Financial Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

### Related party transactions

I confirm that all related party relationships, transactions and balances (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

### Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

### Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

### Future commitments

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

### Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

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## DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

### Going concern

I confirm that I have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties and I am satisfied that the going concern assumption remains appropriate and that no material uncertainty has been identified.

To the best of my knowledge there is nothing to indicate that the Council will cease to continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

### Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours sincerely

Chief Finance Officer / s151 officer

Date.....

PLEASE ADD THE APPENDIX OF UNADJUSTED MISSTATEMENTS TO THIS LETTER

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# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Independent auditor's report to the members of Hartlepool Borough Council

#### Report on the financial statements

##### Opinion

We have audited the financial statements of Hartlepool Borough Council for the year ended 31 March 2020, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Statement of Cash Flows, the Housing Revenue Account, the Collection Fund and the notes to the financial statements, including a 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Hartlepool Borough Council as at 31<sup>st</sup> March 2020 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

##### 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.

#### THE WORDING OF THIS PARAGRAPH IS SUBJECT TO INTERNAL REVIEW AND IS SUBJECT TO CHANGE

##### Emphasis of Matter

##### Material uncertainty relating to valuations of surplus assets and investment properties

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the material valuation uncertainty statements made by the Council's valuer.

##### 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 Resources and Development's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Resources and Development 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 Resources and Development is responsible for the other information. The other information comprises the information included in the Financial Report, 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.

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## DRAFT AUDITOR'S REPORT

### Responsibilities of the Director of Resources and Development for the financial statements

As explained more fully in the Statement of the Director of Resources and Development's Responsibilities, the Director of Resources and Development 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 2019/20, and for being satisfied that they give a true and fair view. The Director of Resources and Development is also responsible for such internal control as the Director of Resources and Development 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 Resources and Development is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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 Resources and Development 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.

### 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.

### Conclusion on Hartlepool Borough 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 April 2020, 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 2020.

#### 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 April 2020, 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 2020.

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.

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## APPENDIX B

# DRAFT AUDITOR'S REPORT

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice 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.

### **Use of the audit report**

This report is made solely to the members of Hartlepool Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

### **THE FOLLOWING SECTION WILL DEPEND ON WHETHER WE HAVE BEEN ABLE TO REPORT ON WGA BEFORE WE ISSUE OUR REPORT EITHER:**

#### **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.

#### **OR:**

#### **Delay in certification of completion of the audit**

We can not formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

**IF THERE IS A DELAY IN ISSUING A CERTIFICATE, A CERTIFICATE WILL BE ISSUED AT A LATER DATE WHEN THE WGA REPORT HAS BEEN COMPLETED.**

[Signature]

Gavin Barker  
For and on behalf of Mazars LLP  
Salvus House  
Aykley Heads  
Durham  
DH1 5TS

[Insert date]

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## APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

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Our Ref:  
Your Ref:

Contact Officer: Mr Chris Little (01429) 523003



Mr Gavin Barker  
Director  
Mazars LLP  
Salvus House  
Aykley Heads  
Durham DH1 5TS

01 October 2020

**Hartlepool Borough Council - audit for year ended 31 March 2020**

This representation letter is provided in connection with your audit of the financial statements of Hartlepool Borough Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

**My responsibility for the statement of accounts and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

**My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from me for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Resources and Development that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

**Accounting records**

I confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

**Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider them appropriate for the year.

**Accounting estimates, including those measured at fair value**

I confirm that any significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

**Contingencies**

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

**Laws and regulations**

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

**Fraud and error**

I acknowledge my responsibility as Director of Resources and Development for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

### **Related party transactions**

I confirm that all related party relationships, transactions and balances (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

### **Impairment review**

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

### **Charges on assets**

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

### **Future commitments**

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

### **Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### **Going concern**

I confirm that I have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties and I am satisfied that the going concern assumption remains appropriate and that no material uncertainty has been identified.

To the best of my knowledge there is nothing to indicate that the Council will cease to continue as a going concern in the foreseeable future. The period to which I have paid particular

attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

### Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. The issues are detailed below.

Issue not Amended	Reasons for not Amending
Unused COVID-19 Grant recognised as Revenue Grants Receipts in Advance instead of a Ring- Fenced Reserve.	This has not been amended as it is a Balance Sheet category error and amending would not change the financial position of the Council.
Property, Plant and Equipment valuation error as incorrect areas has been used in the calculation (the BCIS figure righter than floor area of the building) resulting in an overstatement in the asset value of £0.533m	This is not a material amount in relation to the overall value of the Councils Property, Plant and Equipment assets of £290m.
Contribution to a Provision which should have been a contribution to a Reserve.	This has not been amended as it is a Balance Sheet category error and amending would not change the financial position of the Council. .

Yours sincerely

Director of Resources and Development

Date: 01 October 2020

## APPENDIX C

# Financial Report 2019/20 Hartlepool Borough Council





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### **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 2019/20
- Our Governance and Decision Making
- Our Organisational Model
- Risk Management Arrangements
- Financial Performance 2019/20
- Financial Outlook – General Fund 2020/21 to 2021/22
- 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 was 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 have completed 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 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 leisure facilities.
- 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.
- Deliver a wider range and choice of supported accommodation for care leavers and vulnerable adults.

## SECTION 1 : Narrative Report

- 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 route ways 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?

- 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.
- 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.

## SECTION 1 : Narrative Report

### 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 route ways 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.

### 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.

### 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.

## **SECTION 1 : Narrative Report**

### **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 2019/20

#### GROWING OUR JOBS, ECONOMY AND SKILLS

- Launched Seymour's Construction Academy as a Centre of Excellence.
- Worked in partnership with the Centre for Economic Strategies (CLES) to promote the opportunities of Local Wealth Building to public sector partners with the aim of increasing spending within Hartlepool. 36.5% of council spend went to Hartlepool suppliers in 2018/19 an increase of just under 3% on the previous year.
- Hosted a series of summer events to stimulate the local economy in Church Street and Church Square including Hartlepool Live and the Armed Forces Day Parade.
- Completed enforcement action which resulted in the demolition of the Longscar Centre, Seaton Carew. Officers continue to negotiate regarding the future use of the site.

#### REGENERATING OUR TOWN

- Officially opened The BIS – a new centre for business start-ups in the creative industries sector-delivering £3m of external investment. Twenty eight units are now available for the creative industries at the BIS, with current tenants including photographers, film makers, jewellery makers, sculptors and artists some of which are newly-created business and some expanding existing businesses.
- Won several awards for the Headland Coastal Defence Scheme including the North East Constructing Excellence Awards for Innovation, Sustainability and Value and the National Constructing Excellence Award for Innovation. The scheme was also Highly Commended in both award schemes.
- Delivered pedestrian and gateway improvements to Stockton Street and the Town Centre to create a sense of arrival.
- Completed restoration works to Christ Church Tower.
- Completed the beach chalets and crazy golf course in Seaton Carew enhancing the leisure facilities available to visitors.
- Recorded 3.66 million visitors to Hartlepool in 2018.
- Recorded a 40% increase in visitor numbers at the National Museum of the Royal Navy (NMRN) Hartlepool in August 2019, compared to the same time the previous year.
- Held another successful Waterfront Festival in July 2019 with 20,000 attending.
- Launched the Way of St. Hild, an interactive walk from St. Hilda's on the Headland to Whitby Abbey.

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

- Completed improvement schemes on the Headland including a footpath at Redheugh Gardens, improvements to the Town Square and restoration of the fish railings on Union Street.
- Completed phase 1 of works at Rossmere Park.
- The Green, delivered by Placefirst at Carr and Hopps Street, won three awards at the Sunday Times British Homes Awards for Development of the Year (under £10m), Development Transformation of the Year and Judges' Award for Excellence.
- Hartlepool Community Safety Team held a series of days of action across the town in response to information received from residents and businesses. Several hundred victims of crime and anti-social behaviour have also been supported by the Victim Care and Advice Service (VCAS) Officer.
- The #LoveHartlepool campaign, which is all about singing our town's praises and promoting our success far and wide, has continued to grow and an independently chaired Leadership Group has been established.

#### DEVELOPING NEW SERVICES FOR PEOPLE AND COMMUNITIES

- The first cohort of learners began the new integrated health and social care Level 3 qualification in April 2019 as part of the Health & Care Academy development.
- A significant investment in sport and leisure facilities within the town has been approved as part of the Councils budget. Over 1,000 people contributed to the related public consultation in September 2019.
- The proportion of commissioned adult social care providers that are rated as good or better has increased to 97.8%, an increase of almost 10% on last year and 8.5% above the North East regional average.
- Secured £280k to deliver the Families Fund project to widen family participation in sport and leisure activities.
- Expanded the range of services delivered through Community Hubs enabling people to access health and wellbeing support, financial advice, social activities and Community Kitchens in their local communities.

## SECTION 1 : Narrative Report

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

- Hartlepool now has the best primary results in the North East.
- High Tunstall College of Science and English Martyrs School and Sixth Form College opened new builds following the Council successfully attracting funding into the town.
- Increased the number of apprentices taken on by the Council, further recognising that young people are our future.
- Currently 87% of Hartlepool schools are judged as good or better. This breaks down to 93% of primary school and 40% of secondary schools.
- Ofsted inspections have judged that children's social care and children's homes delivered by the Council are good and outstanding.

### PROVIDING EFFECTIVE LEADERSHIP BASED ON INNOVATION AND EFFICIENCY

- The Efficiency and Innovation Programme has identified significant savings across overheads and with further income generation this means that front line services have been protected.
- Hartlepool Borough Council Online continues to develop enabling residents to request and receive services any day of the week and at a time that's convenient to them. There are now 85 council services available on line. A total of 10,117 people have registered for a HBC online account. A total of 25,357 online transactions have been carried out by people in the last 12 months. The bin day checker has been used more than 140,000 times.

Growing our economy, jobs and skills	Regenerating our town	Developing and promoting Hartlepool as a great place to live	Developing new services for people and communities	Building better beginnings and better futures for our children and young people	Provide effective leadership based upon innovation and efficiency
<b>64.1%</b> overall employment rate (working age) <b>43</b> new business registration rate per 10,000 population aged 16 and above <b>£80.63m</b> rateable value of businesses <b>9.8%</b> youth unemployment (16-24 years) <b>36.5%</b> Council spend that goes to local suppliers	<b>3.66m</b> visitor numbers	<b>141</b> affordable homes delivered (gross) <b>+11.46%</b> Council Tax base growth since 2014/15 <b>36.6%</b> household waste sent for reuse, recycling and composting <b>131.4</b> overall crime rate per 1,000 head of population	<b>97.8%</b> commissioned adult social care providers that are rated good or outstanding by the Care Quality Commission <b>84.0%</b> of older people achieving independence for older people through rehabilitation / intermediate care	<b>87%</b> schools rates good or outstanding by Ofsted <b>-0.34</b> average progress 8 score per pupil <b>3.5%</b> of 16-17 year olds Not in Employment, Education or Training (NEET) <b>34.1%</b> children in poverty (after housing costs) <b>159.6</b> rate of looked after children per 10,000 population <b>90%</b> of 2 year olds immunised for Measles, Mumps and Rubella	<b>95.2%</b> Council Tax collection rate <b>98.6%</b> Business Rates collections <b>27.18%</b> voter turnout at local elections <b>78%</b> staff who feel satisfied about working for the Council <small>No key = data is latest available i.e. 2019/20 or Q4 2019/20.  + Latest data available = Q3 2019/20  &lt; Latest data available = Q2 2019/20  ^ Latest data is 12 months ending Dec 2019  # Latest data available = 2018/19  ~ Latest data available = 2017/18  At the point of publication this data is provisional.</small>

## **SECTION 1 : Narrative Report**

### **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.

### **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

## SECTION 1 : Narrative Report

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. The Council agreed a new Risk Management Framework on 24th June 2019. 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 has been identified at a corporate level within the performance management framework and changes are reported to Elected Members regularly through the monitoring of the Council Plan.

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

Our 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.

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

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

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

### **FINANCIAL PERFORMANCE 2019/20**

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 2019/20 – Approved Budget**

The Council had prepared a four year financial strategy covering 2016/17 to 2019/20, the same period as the previous four year grant settlement provided by the Government. This strategy was rolled forward to include 2020/21 and 2021/22.

## SECTION 1 : Narrative Report

In relation to 2019/20 the financial strategy reflected a further reduction in the amount of Government funding received by the Council of £2.8m, a reduction of 13%. This was the ninth 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 nine 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 inflationary 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 £8.3m, the Council made budget cuts of £2.4m, built in additional Council Tax income from housing growth of £0.7m - which was achieved, and allocated one off resources of £3.7m to provide a longer lead time to implement budget reductions.

In line with the Government's current Council Tax policy the Council implemented an overall Council Tax increase of 3.9% for 2019/20, including the 2% Social Care precept, to bridge the remaining gap of £1.5m. 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 2019/20 – 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 of £0.640m. The actual overspend was £0.727m, which was slightly higher than forecast and reflected increased Looked after Children costs. In line with the approved outturn strategy developed during the year the over spend was offset from managed in-year savings and a review grant regimes. This strategy avoided having to fund the over spend from reserves, which would have reduced future financial flexibility. The budget for 2020/21 includes an increased allocation for Looked after Children as the increased caseload is anticipated to continue.

The outturn position is summarised below:

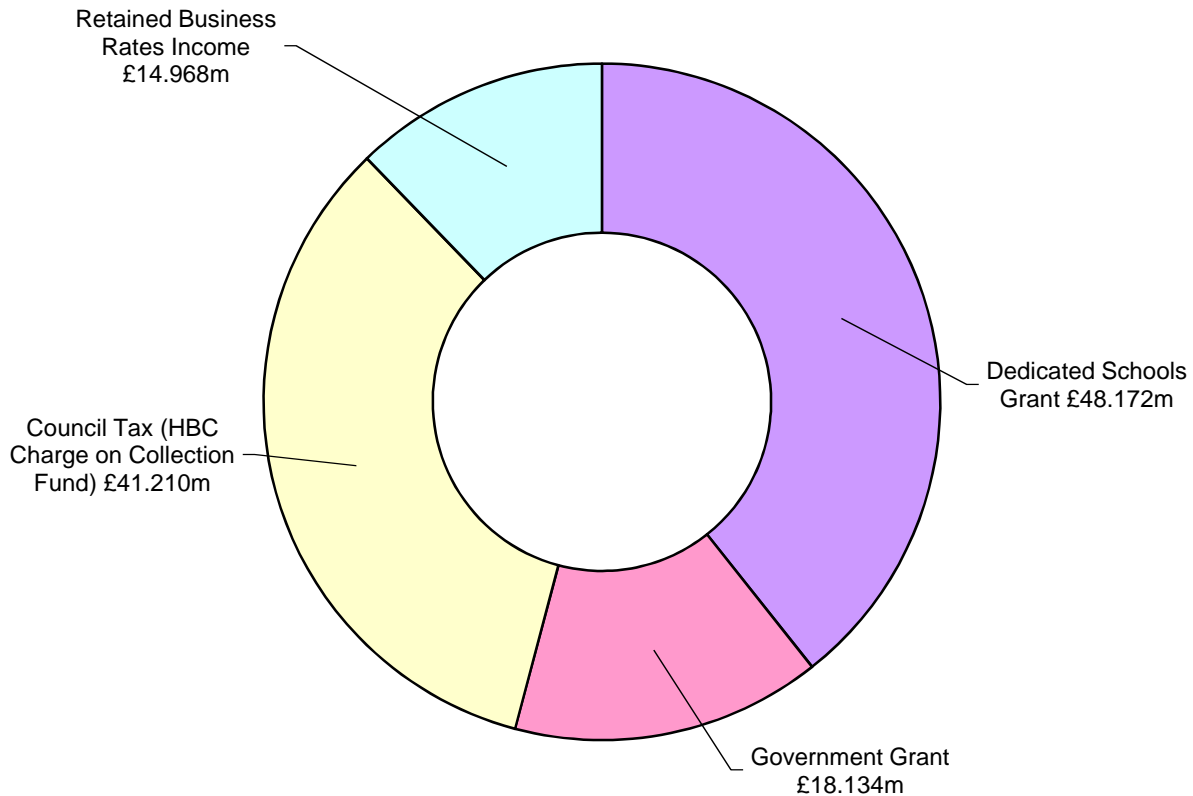
Description of Expenditure	2019/2020 Approved Budget £000	2019/2020 Actual Expenditure / Income £000	2019/2020 Variance Adverse / (Favourable) £000
<u>Departmental Expenditure</u>			
Adult & Community Based	32,388	32,331	(57)
Chief Executives Department	4,449	4,101	(348)
Children's & Joint Commissioning	22,138	22,925	787
Regeneration & Neighbourhoods	19,498	19,843	345
Dedicated Schools Grant Related Expenditure	48,172	48,172	0
<b>Total Departmental Position</b>	<b>126,645</b>	<b>127,372</b>	<b>727</b>
Non Departmental Expenditure	(4,161)	(4,888)	(727)
Housing Revenue Account (HRA)	0	(44)	(44)
	122,484	122,440	(44)
Contribution to HRA Reserve	0	44	44
<b>Final Contribution to Budget Support Fund</b>	<b>122,484</b>	<b>122,484</b>	<b>0</b>

The main budget variances relate to:

- Chief Executives – an underspend of £0.348m owing to temporary staffing vacancies;
- Children's and Joint Commissioning – an overspend of £0.787m owing to an increase in the number of Looked after Children;
- Regeneration and Neighbourhoods – an overspend of £0.345m owing to higher transport costs for Children with Special Educational Needs and income shortfalls.

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The Council's budget of £122.484m, including the Dedicated Schools Grant of £48.172m, was funded from the following sources:



### Housing Revenue Account (HRA)

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

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

The final outturn for the 2019/20 HRA shows a surplus of £0.044m compared to the budgeted deficit of £0.053m. This 1.5% income increase can mainly be attributed to additional income being generated from solar panels and void property management, a total of £0.057m; and a reduction of 20% in relation to repairs and maintenance owing to the lower property turnover and overall £0.040m reduction in expenditure. The surplus has increased the HRA reserve to £0.391m. As at 31 March 2020 the HRA has 301 properties of which 25 were purchased during 2019/20, 8 were new build, however some of the empty property purchases are undergoing refurbishment works and additional rental income in relation to these properties will be generated during 2020/21.

### 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's) to establish and maintain pooled budgets to support the outcomes of the BCF. The Council has entered into a pooled budget arrangement with NHS Hartlepool and Stockton Clinical Commissioning Group. Further details are provided in Note 55.

### 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 2019/20 the Council had a total Capital Programme of £51.329m and incurred expenditure totalling £23.515m.

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An analysis of the 2019/20 capital expenditure is shown below, together with an analysis of how it was financed.

	<b>£000</b>	<b>%</b>
<b>Expenditure</b>		
School Improvements	6,140	26%
Highway Maintenance & Construction	5,587	24%
Housing Investment Programme	2,204	9%
Innovation and Skills Quarter	1,434	6%
Disabled Facility Grant	1,271	6%
Other Schemes	6,879	29%
<b>Total Expenditure</b>	<b>23,515</b>	<b>100%</b>
<b>Capital Financing</b>		
Capital Grant	13,701	58%
Borrowing	7,629	32%
Capital Funding Reserves	1,778	8%
Capital Receipts	407	2%
<b>Total Capital Financing</b>	<b>23,515</b>	<b>100%</b>

As at 31 March 2020, the Council had rephased capital expenditure totalling £27.814m into 2020/21. This will be funded from the following rephased resources.

<b>Capital Financing</b>	<b>£000</b>
Borrowing	16,282
Government Grants	7,283
Capital Funding Reserves	4,249
	<b>27,814</b>

### Capital Receipts

The Council received gross receipts of £1.563m in 2019/20 from the sale of assets.

### **FINANCIAL OUTLOOK – GENERAL FUND 2020/21 TO 2021/22**

As detailed earlier the Council deferred a significant deficit from 2019/20 to 2020/21 by using reserves. This strategy was designed to provide a longer lead time to address this position by delaying budget savings until 2020/21. After reflecting the deficit deferred from 2019/20, increased Looked after Children pressures, inflation and provision for a forecast national pay award from April 2020 the Council faced a budget deficit of £7.414m for 2020/21.

This deficit was bridged through a combination of measures, including a Council Tax increase in line with the Government's Council Tax referendum limit. The Council remained concerned that the continued reliance on increasing Council Tax, including the Adult Social Care precept, is not sustainable and raises less recurring income for more deprived communities, including Hartlepool, than it does for councils in more affluent areas.

In summary the 2020/21 budget deficit was addressed by the following measures:

£2.448m - Increase in Government funding for Social Care pressures;  
 £2.089m - Budget savings;  
 £0.700m - Forecast increase in Council Tax income from housing growth;  
 £0.836m - 2% Adult Social Care precept;  
 £0.794m - 1.9% core Council Tax increase;  
 £0.547m - Use of Reserves.

Limiting the use of reserves to balance the 2020/21 budget provided a more robust basis for the 2021/22 budget and a 2021/22 budget deficit of £1.3m was forecast in February 2020, which included £0.547m deferred from 2020/21 by using reserves.

## **SECTION 1 : Narrative Report**

The Council is incurring significant additional costs in 2020/21 as a result of the Covid 19 pandemic and also facing significant income reductions. The Government has provided additional funding towards these issues. However, at the time this document was prepared the Council faced a significant potential shortfall in funding and this was the position facing councils across the country. The Local Government Association were in negotiations with the Ministry for Communities, Housing and Local Government for additional funding to address this situation as Government Ministers' have previously indicated they will fully support councils to meet the financial impact of Covid 19. In the event that additional funding is not provided for Local Authorities the Council will need to develop a strategy for meeting the resulting funding shortfall and if this is necessary details will be reported to a future Finance and Policy Committee.

It is anticipated that the Covid 19 pandemic will increase the 2021/22 budget deficit. However, the position is uncertain as major reforms of the Local Government Finance system (i.e. Fair Funding Review and increase in Business Rates Retention from 50% to 75%) have been deferred from 2021/22 to 2022/23. The pandemic has highlighted the fragility of Adult Social Care funding arrangements and national reforms of these arrangements have also been delayed. It is hoped that the Government will provide additional Social Care funding for 2021/22, as it did in 2020/21. The Council will update the budget strategy for 2021/22 during the summer and this will include a review of reserves and other one-off initiatives to support the 2021/22 budget position. These details will be reported to Finance and Policy Committee to enable a budget strategy to be approved to address the financial challenges facing the Council in 2021/22.

### **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 2019/20; 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 2020 there was a deficit on the Pensions Reserve of £174.055m (£127.227m in 2018/19). 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 employees. A separate Pension Fund valuation is carried out every three years to determine the Council's contribution rate.

Further information is included in Notes 51 and 52 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**

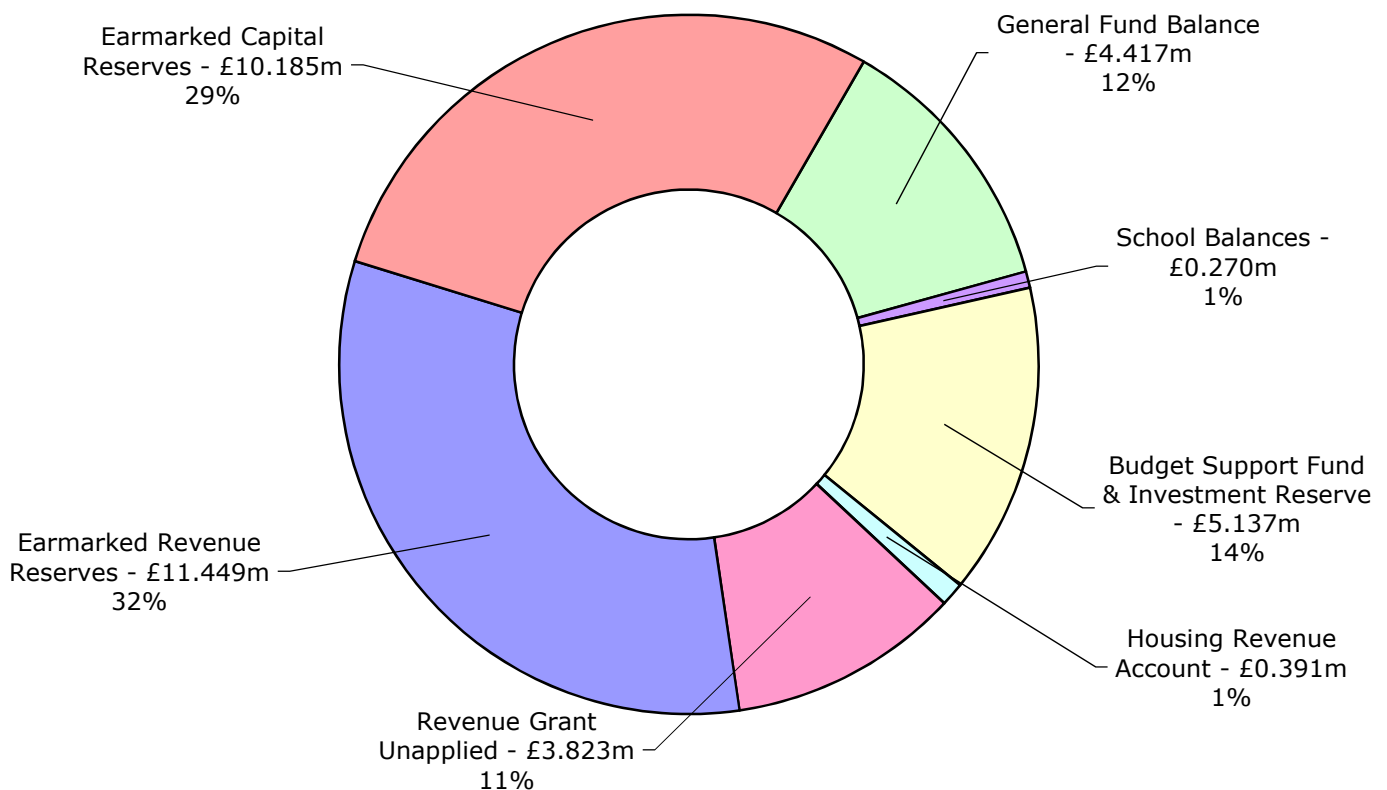
The Balance Sheet shows the value of the assets and liabilities at 31 March 2020. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are classified in two categories. The first category of reserves are usable reserves, i.e. those reserves 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

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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 £7.099m which comprises expenditure on fixed assets, downward revaluations of existing assets, less depreciation and disposals.
- Short Term Investments – totalled £5.010m as at 31 March 2020 (£33.085m at 31 March 2019). The decrease relates to a reduction in the number of investments at 31 March 2020 as a result of the profile of cash flows at year end. There has been an increase in cash and cash equivalents.
- Short Term Debtors - totalled £22.006m as at 31 March 2020 (£19.060m at 31 March 2019). The increase primarily relates to an increase in Council Tax and NNDR arrears owed to the Council.
- Cash and cash equivalents – totalled £16.781m as at 31 March 2020 (£5.066m at 31 March 2019). The increase can be partly explained by a reduction in short term investments.
- Short Term Borrowing – as at 31 March 2020 was £3.464m (£9.516m at 31 March 2019). The decrease is owing to a reduction in short term borrowing during 2019/20 and the profile of principal repayments in relation annuity loans.
- Capital Grant Receipts in advance – as at 31 March 2020 was £7.262m (£9.333m at 31 March 2019). The decrease relates to reduction in a variety of grants received in advance.
- Revenue Grant Receipts in advance – as at 31 March 2020 was £8.408m (£2.212m at 31 March 2019). £3.343m of the increase relates to the Covid 19 Local Authority Support Grant received in advance.
- Other long term liabilities – as at 31 March 2020 was £174.152m (£127.377m at 31 March 2019). The majority of this increase related to the Council's defined benefit pension scheme.
- At the 31 March 2020 the Authority had reserves of £35.672m (£41.467m at 31 March 2019). Full details of the Council's reserves are provided in Notes 30 to 37 and include the following key reserves:

Analysis of Reserves 31/03/20 - Total £35.672m



### 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

## SECTION 1 : Narrative Report

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 £2,013.18 (£1,923.74 in 2018/19) for Band D properties, excluding parish precepts where these applied. This comprised £1,685.28 for the Council's own services, £250.54 for the Police and Crime Commissioner and £77.36 for Cleveland Fire Authority. Each Authority determined its own tax and made a precept on the Collection Fund.

The Council Tax for the Council's services was determined on the basis of an equated number of 34,052 Band D properties. When setting the charge a 1.5% allowance for non-collection was made.

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

	£000	%
<b>Expenditure</b>		
Hartlepool Council Precept	41,174	53%
Police and Crime Commissioner Precept	6,116	8%
Cleveland Fire Authority Precept	1,888	2%
Central Government's Share Non Domestic Rates	15,498	20%
Hartlepool Council Non Domestic Rates Precept	15,231	19%
Cleveland Fire Authority Non Domestic Rates Precept	311	0%
Other	(1,829)	(2%)
	<b>78,389</b>	<b>100%</b>
<b>Income</b>		
Council Tax	49,007	60%
NNDR from Rate Payers	33,446	41%
Transitional Protection Refund	(541)	(1%)
	<b>81,912</b>	<b>100%</b>
<b>Net Deficit / (Surplus) in Year</b>	<b>(3,523)</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 2019/20 financial year the inspection period is 1 July 2020 to 11 August 2020.

Chris Little CPFA  
Director of Resources and Development  
Date: 1 October, 2020

## **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 1 October 2020.

Chair of Audit and Governance Committee

Date: 1 October 2020

### **The Director of Resources and Development's Responsibilities**

The Director of Resources and Development 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 Resources and Development 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 Resources and Development 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 Resources and Development**

In accordance with the requirements of the Accounts and Audit Regulations 2015, I certify that Section 1 to 3 of the Financial Report 2019/20, 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 2020.

Chris Little CPFA

Director of Resources and Development

Date: 1 October 2020

## SECTION 3 : Statement of Accounts

### Movement in Reserves Statement for the year ended 31 March 2020

	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 2018 carried forward</b>	4,417	11,178	31,110	537	361	-	20	47,623	59,015	106,638
<b><u>Movement in reserves during 2018/19</u></b>										
Surplus or (deficit) on provision of services	(15,888)	-	-	(1,017)	-	-	-	(16,905)	-	(16,905)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	32,932	32,932
<b>Total Comprehensive Income and Expenditure</b>	(15,888)	-	-	(1,017)	-	-	-	(16,905)	32,932	16,027
Adjustments between accounting basis & funding basis under regulations (note 5)	11,524	-	(1,885)	827	255	28	-	10,749	(10,749)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	(4,364)	-	(1,885)	(190)	255	28	-	(6,156)	22,183	16,027
Transfers to/(from) Earmarked Reserves	4,364	78	(4,442)	-	-	-	-	-	-	-
<b>Increase/(Decrease) in Year</b>	-	<b>78</b>	<b>(6,327)</b>	<b>(190)</b>	<b>255</b>	<b>28</b>	-	<b>(6,156)</b>	<b>22,183</b>	<b>16,027</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>81,198</b>	<b>122,665</b>
<b><u>Movement in reserves during 2019/20</u></b>										
Surplus or (deficit) on provision of services	(26,332)	-	-	(308)	-	-	-	(26,640)	-	(26,640)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(21,985)	(21,985)
<b>Total Comprehensive Income and Expenditure</b>	(26,332)	-	-	(308)	-	-	-	(26,640)	(21,985)	(48,625)
Adjustments between accounting basis & funding basis under regulations (note 5)	20,716	-	(614)	493	65	185	-	20,845	(20,845)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	(5,616)	-	(614)	185	65	185	-	(5,795)	(42,830)	(48,625)
Transfers to/(from) Earmarked Reserves	5,616	(5,849)	431	(141)	156	(213)	-	-	-	-
<b>Increase/(Decrease) in Year</b>	-	<b>(5,849)</b>	<b>(183)</b>	<b>44</b>	<b>221</b>	<b>(28)</b>	-	<b>(5,795)</b>	<b>(42,830)</b>	<b>(48,625)</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>4,417</b>	<b>5,407</b>	<b>24,600</b>	<b>391</b>	<b>837</b>	-	<b>20</b>	<b>35,672</b>	<b>38,368</b>	<b>74,040</b>

For detail on Usable and Unusable Reserves see Notes 30 to 37.

## SECTION 3 : Statement of Accounts

### Comprehensive Income and Expenditure Statement for the year ended 31 March 2020

2018/19			2019/20				
£000s Expenditure	£000s Income	£000s Net		£000s Expenditure	£000s Income	£000s Net	Note
			<b>Continuing operations:</b>				
68,510	(32,084)	36,426	Adult and Community Based Services	64,684	(29,292)	<b>35,392</b>	7
41,616	(35,473)	6,143	Chief Executives	37,116	(31,448)	<b>5,668</b>	7
97,854	(69,924)	27,930	Children and Joint Commissioning	98,274	(70,544)	<b>27,730</b>	7
9,289	(6,315)	2,974	Corporate	12,419	(8,918)	<b>3,501</b>	7
51,045	(23,561)	27,484	Regeneration and Neighbourhood Services	48,995	(21,459)	<b>27,536</b>	7
1,732	(1,057)	675	HRA	1,503	(1,565)	<b>(62)</b>	7
270,046	(168,414)	101,632	<b>Cost of Services</b>	<b>262,991</b>	<b>(163,226)</b>	<b>99,765</b>	
721	(374)	347	Other Operating Expenditure	1,495	(1,798)	<b>(303)</b>	8
1,415	-	1,415	Transfer of School Assets (see Note (a) below)	4,532	-	<b>4,532</b>	8
18,629	(12,643)	5,986	Financing and Investment Income and Expenditure	27,190	(12,967)	<b>14,223</b>	9
-	(92,475)	(92,475)	Taxation and Non-Specific Grant Income	-	(91,577)	<b>(91,577)</b>	10
290,811	(273,906)	16,905	<b>(Surplus) / Deficit on Provision of Services</b>	<b>296,208</b>	<b>(269,568)</b>	<b>26,640</b>	
	(18,623)		(Surplus) / Deficit on Revaluation of Property, Plant and Equipment			(12,107)	37 Table 1
	(14,309)		Remeasurement of net defined benefit liability / (asset)			34,092	37 Table 4
	<b>(32,932)</b>		<b>Other Comprehensive Income and Expenditure</b>			<b>21,985</b>	
	<b>(16,027)</b>		<b>Total Comprehensive Income and Expenditure</b>			<b>48,625</b>	

Note (a) - In 2019/20 Barnard Grove Primary School converted to Academy status. As a consequence the assets owned by the Council relating to this school were transferred to the Academy and 'written out' of the Council's accounts. This totalled £4.532m for 2019/20.

## SECTION 3 : Statement of Accounts

### Balance Sheet as at 31 March 2020

31 March 2019 £000s		31 March 2020 £000s	Note
279,615	Property, Plant and Equipment	290,426	14
17,674	Heritage Assets	17,674	17
14,178	Investment Property	9,951	16
625	Intangible Assets	581	18
197	Long Term Investments	197	19
3,901	Long Term Debtors	3,601	20
<b>316,190</b>	<b>Long Term Assets</b>	<b>322,430</b>	
33,085	Short Term Investments	5,010	44
270	Inventories	423	21
19,060	Short Term Debtors	22,006	22
5,066	Cash and Cash Equivalents	16,781	24
-	Assets Held for Sale	515	25
<b>57,481</b>	<b>Current Assets</b>	<b>44,735</b>	
(3,194)	Provisions	(2,799)	27
(9,516)	Short Term Borrowing	(3,464)	44
(19,559)	Short Term Creditors	(20,209)	26
(9,333)	Capital Grants Receipts in Advance	(7,262)	29
(2,212)	Revenue Grant Receipts in Advance	(8,408)	29
<b>(43,814)</b>	<b>Current Liabilities</b>	<b>(42,142)</b>	
(1,291)	Provisions	(1,194)	27
(78,524)	Long Term Borrowing	(75,637)	44
(127,377)	Other Long Term Liabilities	(174,152)	28
<b>(207,192)</b>	<b>Long Term Liabilities</b>	<b>(250,983)</b>	
<b>122,665</b>	<b>Net Assets:</b>	<b>74,040</b>	
4,417	Unearmarked General Fund Reserve	4,417	30
10,119	Budget Support Fund & Investment Reserves	5,137	31
1,137	Schools Balances	270	32
347	Housing Revenue Account Reserve	391	33
3,909	Revenue Grant Unapplied	3,823	34
12,412	Earmarked Revenue Reserves	11,449	35
9,126	Earmarked Capital Reserves	10,185	36
81,198	Unusable Reserves	38,368	37
<b>122,665</b>	<b>Total Reserves:</b>	<b>74,040</b>	

## SECTION 3 : Statement of Accounts

### Statement Of Cash Flows For The Year Ended 31 March 2020

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>2018/19 £000s</b>		<b>2019/20 £000s</b>	<b>Note</b>
(16,905)	Net Surplus / (Deficit) on the Provision of Services	(26,640)	
32,020	Adjustments to Net Surplus / (Deficit) on the Provision of Services for Non-cash Movements	38,900	47
(19,959)	Adjustments for items included in the Net Surplus / (Deficit) on the Provision of Services that are Investing and Financing Activities	16,291	48
<b>(4,844)</b>	<b>Net Cash (Outflow) / Inflow from Operating Activities</b>	<b>28,551</b>	
2,863	<b>Investing Activities</b>	(7,206)	49
2,587	<b>Financing Activities</b>	(9,630)	50
606	Net Increase / (Decrease) in Cash and Cash Equivalents	11,715	
4,460	Cash and Cash Equivalents at the beginning of the reporting period	5,066	
<b>5,066</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	<b>16,781</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 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20, 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 XPS Pensions Group in partnership with Middlesbrough Council.

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

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

### 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 Resources and Development 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 Fair Value through Profit or Loss ( FVPL)

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

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

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

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

The Council currently holds no assets at FVPL.

## SECTION 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 financial instruments revaluation reserve is credited / debited to the surplus or deficit on the provision of services.

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

#### Expected Credit Loss Model

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

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

### 25. Fair Value Measurements

The Council 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 2020/21 Code.

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures. The adoption of this standard is not expected to have a material impact on the Council's financial statements.
- Annual Improvements to IFRS Standards 2015–2017 Cycle. IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes, IAS 23 Borrowing Costs. The adoption of these updates standard is not expected to have a material impact on the Council's financial statements.
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement. The adoption of this standard is not expected to have a material impact on the Council's financial statements.
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is no recognition for low-value and short-term leases). CIPFA/LASAAC have however deferred implementation of IFRS16 for local government to 1 April 2021 due to the impact of Covid 19.

The Code requires implementation from 1 April 2020 and therefore there is no impact on the 2019/20 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 2020/21. 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 2020 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 £0.080m 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 £11.884m, however, the assumptions interact in complex ways. During 2019/20, the Council's actuaries advised that the net pension liability for funded LGPS benefits had increased by £12.075m as a result of updating financial assumptions, increased by £17.428m as a result of changes in demographic assumptions and increased by £7.025m 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 31 March 2019. A 0.1% increase in this rate would increase the Council's revenue budget requirement for pension costs by £59,000.
Income Shortfalls	Owing to the current economic downturn the Council continues to face income shortfalls in relation to car park income, shopping centre income and land charges.	The Council has determined that the income shortfalls will continue in future years and has therefore created an Income Risk Reserve of £0.309m.
Arrears	At 31 March 2020, the Council had a balance of £18.026m on general, Council Tax Payers, NNDR Payers and Trade debtors. A review of these balances suggested that an impairment of doubtful debts of £5.233m 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 £0.180m.

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

#### **PPE Revaluations**

The Councils Valuer included this statement to support the revaluation of Investment and Surplus Assets valued on the basis of Fair Value Market Value as they were deemed most susceptible to the extraordinary market circumstances being witnessed.

"The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, I consider that I can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. My valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to my valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the property market, I recommend that the valuation of properties impacted by COVID-19 uncertainty is kept under frequent review"

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

The Statement of Accounts was authorised for issue by the Director of Resources and Development on 1 October 2020. 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 2020, 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.

2019/20	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>								
<u>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>								
Charges for Depreciation and Impairment of Non-current Assets	9,892	-	-	195	-	-	-	(10,087)
Charges for Revaluation losses on Property Plant and Equipment	-	-	-	709	-	-	-	(709)
Movements in the Market Value of Investment Properties	9,297	-	-	-	-	-	-	(9,297)
Capital Grants and Contributions	(13,724)	-	-	(279)	-	-		14,003
Direct Revenue Funding	(27)	-	(614)	-	-	-	-	641
Revenue Expenditure Funded from Capital Under Statute	2,196	-	-	-	-	-	-	(2,196)
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	6,279	-	-	-	-	-	-	(6,279)
<u>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>								
Provision for the Financing of Capital Investment (MRP)	(2,525)	-	-	-	-	-	-	2,525
<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	(1,563)	-	-	-	-	1,563	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	(212)	-	-	-	-	(195)	-	407
Use of Capital Receipts to repay prudential borrowing	-	-	-	-	-	(1,183)	-	1,183
<b>Adjustments primarily involving the major Repairs Reserve:</b>								
Transfer to Major Repairs Reserve	-	-	-	(167)	167	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	-	(102)	-	-	102

## SECTION 3 : Statement of Accounts

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

2019/20	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	21,807	-	-	57	-	-	-	(21,864)
Employer's Pension Contributions and Direct Payments to Pensioners payable in year	(9,106)	-	-	(22)	-	-	-	9,128
<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	(1,608)	-	-	-	-	-	-	1,608
<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	10	-	-	-	-	-	-	(10)
<b>Total Adjustments</b>	<b>20,716</b>	<b>-</b>	<b>(614)</b>	<b>493</b>	<b>65</b>	<b>185</b>	<b>-</b>	<b>(20,845)</b>

#### Usable Reserves

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 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	9,647	-	-	194	-	-	-	(9,841)
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)
<u>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>								
Provision for the Financing of Capital Investment (MRP)	(2,347)	-	-	-	-	-	-	2,347

## SECTION 3 : Statement of Accounts

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

#### Adjustments primarily involving the Capital Grants Unapplied Account:

Application of grants to capital financing transferred to the Capital Adjustment Account

- - - - -

#### Adjustments primarily involving the Capital Receipts Reserve:

Transfer of Cash Sale Proceeds Credited as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement

(264) - - - - 264 - -

Use of Capital Receipts Reserve to finance new capital expenditure

(236) 236

#### Adjustments primarily involving the major Repairs Reserve:

Transfer to Major Repairs Reserve

- - - (293) 293 - - -

Use of Major Repairs Reserve to finance new capital expenditure

- - - (38) - - 38

2018/19

Unearmarked General Fund Balance	Support and Investment Reserves	Revenue & Capital Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s

#### Adjustments primarily involving the Pensions Reserve:

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement

25,058 - - 66 - - - (25,124)

Employer's Pension Contributions and Direct Payments to Pensioners payable in year

(8,404) - - (21) - - - 8,425

#### Adjustments Primarily involving the Collection Fund Adjustment Account:

Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax and income calculated for the year in accordance with statutory requirements

337 - - - - - (337)

#### Adjustments primarily involving the Accumulated Absences Adjustment Account:

Amount by which Officer Remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements

(69) - - - - - 69

#### Total Adjustments

11,524 - (1,885) 827 255 28 - (10,749)

## 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 2019/20. Further details are provided in Note 30 to 36.

	Restated Balance at 31 March 2018	Restated Transfer Between Reserves	Restated Transfers Out 2018/19	Restated Transfers In 2018/19	Restated Balance at 31 March 2019	Transfer Between Reserves	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2020
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b><u>Unearmarked General Fund Balance</u></b>									
General Fund Balance	4,417	-	-	-	4,417	-	-	-	4,417
	4,417	-	-	-	4,417	-	-	-	4,417
<b><u>Budget Support &amp; Investment Reserves</u></b>									
Budget Support Fund	2,605	8,135	(1,948)	52	8,844	-	(4,331)	-	4,513
Looked After Children Reserve	-	-	-	-	-	-	-	528	528
Business Rates Levy	-	-	-	430	430	-	(430)	96	96
MTFS Investment Reserve	845	-	-	-	845	-	(845)	-	-
Looked After Children Reserve	1,170	-	-	(1,170)	-	-	-	-	-
Adult Social Care Reserve	2,152	(2,575)	-	423	-	-	-	-	-
Business Rates Risk Reserve	2,439	(1,914)	(525)	-	-	-	-	-	-
	9,211	3,646	(2,473)	(265)	10,119	-	(5,606)	624	5,137
<b><u>School Balances</u></b>									
Balances held by schools under a scheme of delegation	1,127	-	(4,464)	3,400	63	-	(4,395)	4,086	(246)
Ring Fenced Grants Reserves - Held in Trust for Schools	249	-	(250)	247	246	-	(247)	248	247
Dedicated Schools Grant Reserves	591	-	-	237	828	-	(674)	115	269
	1,967	-	(4,714)	3,884	1,137	-	(5,316)	4,449	270
<b><u>Housing Revenue Account Balance</u></b>									
HRA Balance	537	-	(190)	-	347	-	-	44	391
	537	-	(190)	-	347	-	-	44	391
<b><u>Revenue Grants Unapplied</u></b>									
Revenue Grants Unapplied	4,195	(80)	(405)	199	3,909	-	(540)	454	3,823
	4,195	(80)	(405)	199	3,909	-	(540)	454	3,823
<b><u>Earmarked Revenue Reserves</u></b>									
Strategic One Off Costs	3,323	-	-	-	3,323	-	(631)	-	2,692
Insurance Fund	4,468	(2,200)	(44)	2	2,226	-	(14)	-	2,212
Treasury Management Risk Reserve	795	-	-	311	1,106	-	-	383	1,489
Adult Social Care Reserve	-	1,333	-	-	1,333	-	(122)	-	1,211
Strategic Change Reserves	1,207	(73)	(269)	418	1,283	-	(219)	97	1,161
EIS Reserve	-	453	(3)	-	450	-	(31)	-	419
Public Health Grant Reserve	1,406	(169)	(606)	45	676	-	(343)	-	333
Brexit Funding	-	-	-	105	105	-	-	210	315
Income Risk Reserve	400	-	-	-	400	-	(91)	-	309
Lotteries Reserve	411	(81)	(77)	10	263	-	(94)	134	303
Support for Local Council Tax Support Scheme	300	-	-	-	300	-	-	-	300
Better Care Fund Reserve	220	-	-	-	220	-	-	-	220
Supporting Family Poverty	358	-	(303)	20	75	-	(87)	151	139
School Attainment Reserve	402	(251)	(8)	-	143	-	(18)	-	125
Trading Account Reserves	245	(123)	(9)	-	113	-	(35)	-	78
National Museum of the Royal Navy Reserve	295	-	(153)	-	142	-	(104)	-	38
Museums Acquisition	70	-	(43)	2	29	-	-	(1)	28
Concessionary Fare	38	(18)	-	-	20	-	-	-	20
Environmental Apprenticeships Scheme	17	-	-	-	17	-	-	-	17
Works in Default Empty Homes	15	-	-	-	15	-	-	-	15
Funding for Modern Apprentices	48	-	(20)	-	28	-	(15)	-	13
Tees Education & Skills Reserve - Held in Trust	217	(23)	(89)	-	105	-	(101)	3	7
CECA Trading Equalisation Reserves	-	-	-	5	5	-	-	-	5
Members Ward Budget Reserve	41	-	(6)	-	35	-	(35)	-	-
Capital Risk Strategy Reserve	901	(901)	-	-	-	-	-	-	-
Regeneration Projects	324	-	(324)	-	-	-	-	-	-
Education Commission Reserve	118	(33)	(85)	-	-	-	-	-	-
	15,619	(2,086)	(2,039)	918	12,412	-	(1,940)	977	11,449
<b><u>Earmarked Capital Reserves</u></b>									
Capital Funding Reserve	9,816	-	(3,156)	1,802	8,462	-	(3,720)	4,586	9,328
Capital Receipts Unapplied	-	-	(236)	264	28	-	(1,590)	1,562	-
HRA Major Repairs Reserve	361	-	(38)	293	616	-	(102)	323	837
Capital Grants Unapplied	20	-	-	-	20	-	-	-	20
	10,197	-	(3,430)	2,359	9,126	-	(5,412)	6,471	10,185
<b><u>Safety Grant Reserve</u></b>									
Business Rates Safety Net Grant Reserve	1,480	(1,480)	-	-	-	-	-	-	-
	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.

2018/19			2019/20		
Net Expenditure Chargeable to the General Fund and HRA	Adjustments Between the General Fund and the Comprehensive Income and Expenditure Statement	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA	Adjustments Between the General Fund and the Comprehensive Income and Expenditure Statement	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000s	£000s	£000s	£000s	£000s	£000s
31,421	5,005	<b>36,426</b>	32,331	3,061	<b>35,392</b>
4,083	2,060	<b>6,143</b>	4,101	1,567	<b>5,668</b>
22,009	5,921	<b>27,930</b>	22,925	4,805	<b>27,730</b>
(1,593)	4,567	<b>2,974</b>	(4,888)	8,389	<b>3,501</b>
19,094	8,390	<b>27,484</b>	19,843	7,693	<b>27,536</b>
190	485	<b>675</b>	(44)	(18)	<b>(62)</b>
47,889	(47,889)	-	48,172	(48,172)	-
-	-	-	-	-	-
<b>123,093</b>	<b>(21,461)</b>	<b>101,632</b>	<b>122,440</b>	<b>(22,675)</b>	<b>99,765</b>
(122,954)	38,228	<b>(84,726)</b>	(122,484)	49,359	<b>(73,125)</b>
<b>139</b>	<b>16,767</b>	<b>16,905</b>	<b>(44)</b>	<b>26,684</b>	<b>26,640</b>
4,954			4,764		
54			-		
(54)			-		
(190)			44		
-			-		
<b>4,764</b>			<b>4,808</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	2019/20				
	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Statutory Differences (Note 3)	Other Non-Statutory Difference (Note 4)	Total Adjustments
	£000s	£000s	£000s	£000s	£000s
Adult and Community Based Services	244	1,635	1	1,181	3,061
Chief Executives	-	1,167	(13)	413	1,567
Children and Joint Commissioning	2,160	4,240	15	(1,610)	4,805
Corporate	113	15	-	8,261	8,389
Regeneration and Neighbourhood Services	5,758	2,708	7	(780)	7,693
HRA	457	27	-	(502)	(18)
Schools	-	-	-	(48,172)	(48,172)
Transfer To/from Earmarked Reserves	-	-	-	-	-
<b>Net Cost of Services</b>	<b>8,732</b>	<b>9,792</b>	<b>10</b>	<b>(41,209)</b>	<b>(22,675)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	1,578	2,944	(1,608)	46,445	49,359
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>10,310</b>	<b>12,736</b>	<b>(1,598)</b>	<b>5,236</b>	<b>26,684</b>

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	2018/19				
	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Statutory Differences (Note 3)	Other Non-Statutory Difference (Note 4)	Total Adjustments
	£000s	£000s	£000s	£000s	£000s
Adult and Community Based Services	645	2,328	34	1,998	5,005
Chief Executives	-	1,606	117	337	2,060
Children and Joint Commissioning	2,208	5,858	(62)	(2,083)	5,921
Corporate	(1,105)	21	-	5,651	4,567
Regeneration and Neighbourhood Services	5,456	3,712	(158)	(620)	8,390
HRA	904	36	-	(455)	485
Schools	-	-	-	(47,889)	(47,889)
Transfer To/from Earmarked Reserves	-	-	-	-	-
<b>Net Cost of Services</b>	<b>8,108</b>	<b>13,561</b>	<b>(69)</b>	<b>(43,061)</b>	<b>(21,461)</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>(3,986)</b>	<b>16,699</b>	<b>268</b>	<b>3,786</b>	<b>16,767</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:

2018/19 £000	Expenditure/Income	2019/20 £000
	<b>Expenditure</b>	
105,878	Employee Benefits Expenses	103,868
151,633	Other Services Expenses	146,611
17,932	Support Service Recharges	16,273
10,351	Depreciation, Impairment, Revaluation Losses	20,093
2,970	Interest Payments	2,933
147	Precepts and Levies	151
1,900	Gain/Loss on the disposal of assets	6,279
<u>290,811</u>	<b>Total Expenditure</b>	<u><b>296,208</b></u>
	<b>Income</b>	
(47,618)	Fees Charges and Other Service Income	(46,820)
(12,641)	Interest and Investment Income	(12,967)
(53,802)	Income from Council Tax and Non Domestic Rates	(57,786)
(159,845)	Government Grants and Contributions	(151,995)
<u>(273,906)</u>	<b>Total Income</b>	<u><b>(269,568)</b></u>
<u>16,905</u>	<b>Surplus or deficit on the provision of services</b>	<u><b>26,640</b></u>

### Note 7C: Segmental Income

Income received on a segmental basis is analysed below.

2018/19			2019/20	
Fees & Charges	Interest & Investment Income		Fees & Charges	Interest & Investment Income
£000	£000		£000	£000
(21,885)	-	Adult and Community Based Services	(21,816)	-
(4,398)	(18)	Chief Executives	(4,621)	(18)
(6,255)	-	Children's and Joint Commissioning Services	(7,757)	-
(4,134)	(486)	Corporate	(4,635)	(636)
(1,057)	(22)	HRA	(1,286)	(23)
(35,234)	(263)	Regeneration and Neighbourhood Services	(30,953)	(279)
<u>(72,963)</u>	<u>(789)</u>		<u><b>(71,068)</b></u>	<u><b>(956)</b></u>

## 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.

2018/19 £000s		2019/20 £000s
147	Parish council precepts and levies	151
(110)	Receipts from Sale of Former Council Houses	(235)
1,415	Loss resulting from Transfer of School Assets	4,532
310	(Gain) or loss on the disposal of non-current assets	(219)
<u>1,762</u>		<u>4,229</u>

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

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

2018/19 £000s		2019/20 £000s	Note
2,956	Interest payable and similar charges on borrowing	2,919	44
14	Finance lease Interest payable	13	44
3,137	Pensions Interest Cost & Expected Return on Pensions Assets	2,945	52
(383)	Interest Receivable and Similar Income	(363)	44
(421)	Net (Gain) / Loss on Investment Properties	(588)	16
683	Changes in fair values of investment properties	9,297	16
<u>5,986</u>		<u>14,223</u>	

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

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

2018/19 £000s		2019/20 £000s	Note
39,147	Council Tax Income	40,921	
14,655	NNDR Distribution	16,865	
24,157	Non-ring Fenced Government Grants	21,746	
14,516	Capital Grants and Contributions	12,045	
<u>92,475</u>		<u>91,577</u>	29

## 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 2019/20.

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 22 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 2019/20

Authority	Basic Allowance £
Northumberland	14,379
Durham	13,300
Gateshead	10,977
North Tyneside	10,358
Redcar and Cleveland	9,550
Stockton	9,300
Newcastle	9,000
Sunderland	8,369
Darlington	8,188
Hartlepool	8,107
South Tyneside	7,667
Middlesbrough	6,955

The IRP recommended that 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 £8,107 from 1 April 2019.

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	2019/20	Note
	£	£	£	£	£		
Akers-Belcher C	8,107	10,373	212	-	<b>18,692</b>		1
Akers-Belcher S J	8,107	2,137	-	-	<b>10,244</b>		
Barclay A (01.04.19 - 07.05.19)	1,177	1,177	-	-	<b>2,354</b>		
Belcher S (01.04.19 - 07.05.19)	806	-	-	-	<b>806</b>		
Black J	6,193	752	-	-	<b>6,945</b>		
Brewer J	8,107	-	-	-	<b>8,107</b>		
Brown P	8,107	2,428	-	-	<b>10,535</b>		
Buchan B	8,107	4,184	-	-	<b>12,291</b>		
Cartwright P L (07.05.19 - 31.03.20)	5,361	-	-	-	<b>5,361</b>		
Cassidy T	8,107	-	-	-	<b>8,107</b>		
Cook R W (01.04.19 - 07.05.19)	806	806	-	-	<b>1,612</b>		
Cranney K H (01.04.19 - 07.05.19)	806	806	-	-	<b>1,612</b>		
Fleming T	8,107	-	-	-	<b>8,107</b>		
Hall G G	8,107	6,974	-	-	<b>15,081</b>		
Hamilton L	8,107	-	-	-	<b>8,107</b>		
Harrison B	5,953	832	-	-	<b>6,785</b>		
Howsen H	7,157	-	-	-	<b>7,157</b>		
Hunter D	5,953	-	-	-	<b>5,953</b>		
James M A	8,107	-	46	-	<b>8,153</b>		
Johnson A (26.07.19 - 31.03.20)	4,065	-	-	-	<b>4,065</b>		2
King K (07.05.19 - 31.03.20)	7,301	-	-	-	<b>7,301</b>		
Lauderdale J	8,107	-	-	-	<b>8,107</b>		
Lindridge J	7,792	-	-	-	<b>7,792</b>		
Little S	5,953	6,974	-	-	<b>12,927</b>		
Loynes B	8,107	8,107	-	-	<b>16,214</b>		
Marshall A	8,107	-	-	-	<b>8,107</b>		
McLaughlin M (01.04.19 - 07.05.19)	688	-	-	-	<b>688</b>		
Mincher D (07.05.19 - 10.12.19)	3,521	-	-	-	<b>3,521</b>		
Moore S	8,107	20,921	23	-	<b>29,051</b>		
Morris G (01.04.19 - 07.05.19)	937	-	-	-	<b>937</b>		
Prince A (07.05.19 - 31.03.20)	7,157	-	-	-	<b>7,157</b>		
Richardson A	5,953	-	-	-	<b>5,953</b>		
Richardson C	6,256	-	-	-	<b>6,256</b>		
Robinson J (01.04.19 - 05.06.19)	1,464	-	-	-	<b>1,464</b>		
Smith L	6,256	6,974	-	-	<b>13,230</b>		
Stokell C (07.05.19 - 31.03.20)	7,301	-	-	-	<b>7,301</b>		
Tennant J	7,792	7,156	-	-	<b>14,948</b>		
Thomas S	6,256	874	-	-	<b>7,130</b>		
Trueman K (01.04.19 - 07.05.19)	937	-	-	-	<b>937</b>		
Ward B (07.05.19 - 31.03.20)	7,301	-	-	-	<b>7,301</b>		
Young M	8,107	7,654	-	-	<b>15,761</b>		
<b>Total 2019/20</b>	<b>242,747</b>	<b>89,129</b>	<b>281</b>	-	<b>332,157</b>		
Total 2018/19	242,594	82,274	697	-	325,565		

#### Notes to Table 1

(1) Councillor C Akers-Belcher Special responsibility Allowance (SRA) consists of Leader SRA for period 01.04.19 to 21.05.19 and Policy Committee SRA for period 22.05.19 - 31.03.20.

(2) Councillor Ann Johnson resigned with effect from 28.05.20.

## 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 £9,020 (2018/19: £13,745). An analysis of the payments is detailed below.

Councillor	Conference Travel £	Conference Fees £	Conference Accommodation £	Total 2019/20 £
Akers-Belcher C	551	1,750	809	<b>3,110</b>
Akers-Belcher S J	-	2,100	929	<b>3,029</b>
Belcher S	-	350	120	<b>470</b>
Cranney K H	-	350	120	<b>470</b>
James M A	178	545	197	<b>920</b>
Moore S	178	545	298	<b>1,021</b>
<b>Totals for 2019/20</b>	<b>907</b>	<b>5,640</b>	<b>2,473</b>	<b>9,020</b>
Totals for 2018/19	1,668	7,391	4,686	13,745

**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	218	01.04.19 - 06.05.19
Flemming T	1,828	07.06.19 - 31.03.20
James M	2,238	01.04.19 - 31.03.20
Thomas S	1,828	07.06.19 - 31.03.20
Young M	401	01.04.19 - 06.06.19
	<b>6,513</b>	

**Table 4 - The Council's appointed representatives on River Tees Port Authority**

Councillor B Harrison was re-elected Vice-Chair of River Tees Port Health Authority for 2019/20. A Special Responsibility Allowance of £1,200 is payable for that period.

Councillor	River Tees Port Authority	
	Special Responsibility Allowance £	Period of Office
Harrison B	1,200	01.04.19 - 31.03.20

## SECTION 3 : Statement of Accounts

### Note 12 - Officers' Remuneration

In accordance with the requirements of the Accounts and Audit Regulations 2015 the Council is required to disclose details of remuneration for Senior Employees and those earning more than £50,000. Senior Employees are defined as the 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 2019/20.

The Chief Executive is the senior officer who leads and takes responsibility for the work of the 2,580 (2,492 in 2018/19) 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 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 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 2019/20, 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 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 of £93m (including Dedicated Schools Grant) and managing 423 full-time equivalent employees (excluding schools) who provide a diverse range of services, including public health, education and early years related services, services for vulnerable children and families including looking after children at risk, child protection services, young offenders, children's fostering and adoption services.

Director of Adults and Community Based Services - responsible for a gross annual revenue budget of £62m and managing 349 full-time equivalent employees (excluding schools) 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 £48m and managing 653 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 Resources and Development - responsible for a gross annual revenue budget of £42m and managing 216 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

#### 2019/20 - 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 - Gill Alexander	160,191	45,799	71,448	-	<b>277,438</b>	1
Director of Children's and Joint Commissioning Services	114,268	-	17,711	-	<b>131,979</b>	2
Director of Adult and Community Based Services	109,535	-	16,971	-	<b>126,506</b>	2
Director of Regeneration & Neighbourhoods	116,810		18,096		<b>134,906</b>	2
Director of Resources and Development	110,907	-	17,191	-	<b>128,098</b>	2
Director of Public Health	96,528	-	14,962	-	<b>111,490</b>	3
Chief Solicitor	84,827	-	13,148	-	<b>97,975</b>	4
	<b>793,066</b>	<b>45,799</b>	<b>169,527</b>	<b>-</b>	<b>1,008,392</b>	

#### 2018/19 - 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 2018/19	Note
	£	£	£	£	£	
Chief Executive - Gill Alexander	151,587	-	23,341	-	<b>174,928</b>	
Director of Children's and Joint Commissioning Services	109,947	-	16,932	-	<b>126,879</b>	
Director of Adult and Community Based Services	105,264	-	16,211	-	<b>121,475</b>	
Director of Regeneration & Neighbourhoods	114,562		17,626	-	<b>132,188</b>	
Director of Finance and Policy	106,651	-	16,424	-	<b>123,075</b>	
Interim Director of Public Health (Apr 18 - Jan 19)	-	-	-	150,325	<b>150,325</b>	5
Director of Public Health (Feb 19 - March 19)	14,928	-	2,299	-	<b>17,227</b>	5
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>	
	<b>683,005</b>	<b>-</b>	<b>105,199</b>	<b>150,325</b>	<b>938,529</b>	

## SECTION 3 : Statement of Accounts

### Note 12 - Officers' Remuneration

#### Notes to Table A & B

(1) The salary scale for the Chief Executive for 2019/20 is £148,583 to £159,197 (£145,670 to £156,075 in 2018/19). The Chief Executive is the Council's designated Returning Officer for elections. Payment of £3,450 relating to Returning Office duties in June 2019 for the UK Parliamentary European Election is included in total remuneration. The Council's Finance and Policy Committee approved a revised senior management structure on 9th March 2020 and Council confirmed the deletion of the Chief Executive post. The Chief Executive will leave the Council on 6th September 2020 and the associated financial cost is shown under 'Compensation for Loss of Office' and included in 'Pension Contributions' in table A. The restructure provides a recurring saving of approximately £46k per annum and the payback

(2) The salary scale for the Director posts for 2019/20 is £106,131 to £116,744 (£104,050 to £114,455 in 2018/19). Post holders are appointed at the bottom of the payscale and receive annual increments until they reach the top of the payscale. Where the amount in table A and B exceeds the maximum salary, this relates to taxable business mileage.

(3) The salary scale for the Director of Public Health for 2019/20 is £81,902 to £87,753 (£80,296 to £86,032 in 2018/19) with a 10% market supplement to £96,528 (£94,635 in 2018/19).

(4) The salary scale for the Chief Solicitor for 2019/20 is £81,902 to £87,753 (£80,296 to £86,032 in 2018/19).

(5) The Council employed an Interim Director of Public Health via an external agency until the end of January 2019. The value at Table B represents the total cost to the Council, as opposed to salary equivalent. The Director of Public Health was appointed 4 February 2019.

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

In accordance with the Accounts and Audit Regulations 2015, the number of employees including school employees employed by the Council whose remuneration was £50,000 or greater is detailed in the table below in bands of £5,000. This table excludes details of senior officers set out in the previous tables. The bandings have been used since 2002/03 and are not indexed and therefore do not make any adjustment for inflationary increases each year. If the starting banding had been indexed for cost of living increases for Council employees then it would be £70,012. 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 employee pension contributions), plus compensation for loss of office and any other payments receivable on the termination of employment in line with the Code guidance.

**TABLE C - NON-SCHOOLS EMPLOYEES**

2018/19 No. of Non-School Employees			Remuneration Band (£)	2019/20 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>
19	-	19	50,000 to 54,999	24	1	25
5	2	7	55,000 to 59,999	7	2	9
2	1	3	60,000 to 64,999	5	-	5
1	-	1	65,000 to 69,999	1	-	1
3	-	3	70,000 to 74,999	-	-	-
4	-	4	75,000 to 79,999	2	1	3
1	-	1	80,000 to 84,999	3	-	3
1	-	1	85,000 to 89,999	2	-	2
-	1	1	90,000 to 94,999	-	-	-
36	4	40		44	4	48

**TABLE D - SCHOOL EMPLOYEES**

2018/19 No. of School Employees			Remuneration Band (£)	2019/20 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>
9	-	9	50,000 to 54,999	10	-	10
4	-	4	55,000 to 59,999	4	1	5
-	-	-	60,000 to 64,999	-	-	-
8	-	8	65,000 to 69,999	1	-	1
4	-	4	70,000 to 74,999	9	-	9
-	-	-	75,000 to 79,999	1	-	1
25	-	25		25	1	26

## SECTION 3 : Statement of Accounts

### Note 13: Termination Costs

In 2019/20 a total of 32 employees (36 in 2018/19) either took voluntary redundancy or were made compulsorily redundant. The 2019/20 costs of this involved payments of £0.358m (£0.384m in 2018/19) to employees in the form of redundancy payments and £0.285m (£0.289m in 2018/19) to the pension fund in respect of retirement benefits. The Council also incurred other costs of £0.001m (£0.001m in 2018/19). 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 2019/20 the average pay back period was 10 months (10 months in 2018/19). In 2019/20 this has enabled the authority to achieve permanent salary savings of £0.669m (£0.772m in 2018/19).

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**

2018/19					2019/20				
No of compulsory redundancies	No of voluntary redundancies	Total no of redundancies by band	Total cost of redundancies by band £	Remuneration Band (£)	No of compulsory redundancies	No of voluntary redundancies	Total no of redundancies by band	Total cost of redundancies by band £	
2	14	16	91,255	0 to 20,000	12	2	14	81,179	
-	4	4	115,718	20,001 to 40,000	2	4	6	197,393	
-	6	6	270,909	40,001 to 60,000	-	-	-	-	
-	-	-	-	60,001 to 80,000	1	2	3	213,337	
-	2	2	170,178	80,001 to 100,000	1	-	1	89,027	
<b>2</b>	<b>26</b>	<b>28</b>	<b>648,060</b>		<b>16</b>	<b>8</b>	<b>24</b>	<b>580,936</b>	

**TABLE F - SCHOOLS EMPLOYEES**

2018/19					2019/20				
No of compulsory redundancies	No of voluntary redundancies	Total no of redundancies by band	Total cost of redundancies by band £	Remuneration Band (£)	No of compulsory redundancies	No of voluntary redundancies	Total no of redundancies by band	Total cost of redundancies by band £	
5	3	8	24,965	0 to 20,000	5	3	8	61,327	
5	3	8	24,965		<b>5</b>	<b>3</b>	<b>8</b>	<b>61,327</b>	

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 2019/20.

#### Movements in 2019/20

	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 2019	7,352	154,108	36,155	144,948	5,630	11,012	9,578	<b>368,783</b>
Additions	1,396	6,068	2,853	5,333	-	976	4,545	<b>21,171</b>
Accumulated Depreciation Written Off to Gross Carrying Amount	(91)	(3,175)	-	-	-	(50)	-	<b>(3,316)</b>
Accumulated Impairment Written Off to Gross Carrying Amount	(33)	-	-	-	-	-	-	<b>(33)</b>
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	101	11,689	-	-	-	317	-	<b>12,107</b>
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(709)	472	-	-	-	(472)	-	<b>(709)</b>
Derecognition-Disposals	-	(4,590)	(762)	-	(52)	(1,259)	(403)	<b>(7,066)</b>
Reclassified (to)/from Held for Sale	-	-	-	-	-	(515)	-	<b>(515)</b>
Reclassified (to)/from Investment Property	-	235	-	-	-	(5,190)	-	<b>(4,955)</b>
Other movements in Cost or Valuation	206	1,635	127	1,260	-	4,700	(7,990)	<b>(62)</b>
<b>At 31 March 2020</b>	<b>8,222</b>	<b>166,442</b>	<b>38,373</b>	<b>151,541</b>	<b>5,578</b>	<b>9,519</b>	<b>5,730</b>	<b>385,405</b>
<b>Accumulated Depreciation and Impairment</b>								
As at 1 April 2019	(160)	(1,466)	(26,548)	(60,978)	-	(16)	-	<b>(89,168)</b>
Depreciation Charge	(131)	(2,034)	(2,160)	(4,465)	-	(17)	-	<b>(8,807)</b>
Depreciation written out to the Revaluation Reserve	(36)	(1,076)	-	-	-	(17)	-	<b>(1,129)</b>
Accumulated Depreciation Written Off to Gross Carrying Amount	91	3,175	-	-	-	50	-	<b>3,316</b>
Accumulated Impairment Written Out to Gross Carrying Amount	5	-	-	-	-	-	-	<b>5</b>
Derecognition - Disposals	-	103	685	-	-	-	-	<b>788</b>
Reclassified (to) / from Investment Property	-	-	-	-	-	14	-	<b>14</b>
Other movements in Depreciation and Impairment	-	21	-	-	-	(19)	-	<b>2</b>
<b>At 31 March 2020</b>	<b>(231)</b>	<b>(1,277)</b>	<b>(28,023)</b>	<b>(65,443)</b>	<b>-</b>	<b>(5)</b>	<b>-</b>	<b>(94,979)</b>
<b>Net Book Value</b>								
At 31 March 2020	7,991	165,165	10,350	86,098	5,578	9,514	5,730	<b>290,426</b>
<b>Nature of Asset Holding</b>								
Owned	7,991	165,165	9,875	86,098	5,578	9,514	5,730	<b>289,951</b>
Finance Lease	-	-	475	-	-	-	-	<b>475</b>
<b>Total</b>	<b>7,991</b>	<b>165,165</b>	<b>10,350</b>	<b>86,098</b>	<b>5,578</b>	<b>9,514</b>	<b>5,730</b>	<b>290,426</b>

## SECTION 3 : Statement of Accounts

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

#### 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	16,285	-	-	-	(341)	-	<b>16,014</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>154,108</b>	<b>36,155</b>	<b>144,948</b>	<b>5,630</b>	<b>11,012</b>	<b>9,578</b>	<b>368,783</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)	(2,087)	(2,388)	(4,249)	-	(18)	-	<b>(8,870)</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>(1,466)</b>	<b>(26,548)</b>	<b>(60,978)</b>	<b>-</b>	<b>(16)</b>	<b>-</b>	<b>(89,168)</b>
<b>Net Book Value</b>								
At 31 March 2019	7,192	152,642	9,607	83,970	5,630	10,996	9,578	<b>279,615</b>
<b>Nature of Asset Holding</b>								
Owned	7,192	152,642	9,140	83,970	5,630	10,996	9,578	<b>279,148</b>
Finance Lease	-	-	467	-	-	-	-	<b>467</b>
<b>Total</b>	<b>7,192</b>	<b>152,642</b>	<b>9,607</b>	<b>83,970</b>	<b>5,630</b>	<b>10,996</b>	<b>9,578</b>	<b>279,615</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 £2.196m (£6.240m in 2018/19) 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 £0.298m (£0.509m in 2018/19), capital grants of £1.656m (£5.179m in 2018/19), capital receipts of £0.212m (£0.236m in 2018/19) and prudential borrowing of £0.030m (£0.316m in 2018/19).

#### Capital Commitments

As at 31 March 2020, the Council had rephased capital expenditure totalling £27.814m into 2020/21, of which £7.283m will be funded from grant, £16.282m will be funded by prudential borrowing, £0.353m will be funded from capital receipts and the remaining £3.896m will be funded from the Council's own resources. The comparable rephased capital expenditure at 31 March 2019 was £37.953m. The Council has entered into a number of contracts for which capital monies are committed.

The major commitments are:

Scheme	Total Project Budget £000s	Expenditure over Years to 31 March 20 £000s	Commitment £000s
A19 Grade Separated Junction Elwick By-Pass and Hartlepool Western Link	11,826	1,164	10,662
Empty Property Purchasing Scheme - Phase 2	5,377	4,640	737
Empty Property Purchasing Scheme - Phase 3	2,332	1,611	721

#### Surplus Assets - Fair Value Disclosures

Details of the authority's surplus assets and information about the fair value hierarchy at 31 March 2020 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 2020
	£000s	£000s	£000s	£000s
Recurring fair value measurements using:				
Surplus Assets	-	5,768	3,746	9,514
Total	-	5,768	3,746	9,514

Four properties 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 2018/19. In 2019/20 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 (£5.578m), Heritage Assets (£17.674m), Infrastructure Assets (£86.098m), Intangible Assets (£0.581m), Assets held for sale (£0.515m) and Property, Plant and Equipment under construction (£5.730m). 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>	-	-	10,350	-	10,350
<b>Valued at current value as at:</b>					
<u>Current Year</u>					
2019/2020	7,967	125,725	-	3,792	137,485
2018/2019	-	16,352	-	50	16,402
2017/2018	-	18,991	-	1,871	20,862
2016/2017	24	2,694	-	3,784	6,502
2015/2016	-	1,403	-	17	1,420
<b>Total</b>	<b>7,991</b>	<b>165,165</b>	<b>10,350</b>	<b>9,514</b>	<b>193,021</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 2020 would have been:

	<b>£000s</b>
Other Land & Buildings	78,960
Council Dwellings	6,563
Surplus Assets	1,937

## 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.

2018/19 £000s		2019/20 £000s
1,368	Council Dwellings	1,427
55,374	Other Land & Buildings	61,503
7	Community Assets	7
5,840	Surplus Assets	4,460
748	Investment Properties	1,018
7,451	Heritage Assets	7,451
-	Assets Held for Sale	302
<b>70,788</b>		<b>76,168</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:

2018/19 £000s		2019/20 £000s
(466)	Rental income from investment property	(759)
45	Direct operating expenses arising from investment property	171
<b>(421)</b>	<b>Net (gain)/loss</b>	<b>(588)</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:

2018/19 £000s		2019/20 £000s
14,201	Balance at the start of the year	14,178
331	Additions: Acquisitions	-
-	Additions: Subsequent expenditure	67
(683)	Net Gains/(Losses) from fair value adjustments	(9,297)
329	Transfers: (To)/from Property, Plant & Equipment	4,941
-	Other changes	62
<b>14,178</b>	<b>Balance at the end of the year</b>	<b>9,951</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 2020 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 2020
<i>Recurring fair value measurements using:</i>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Office Units	-	109	1,465	<b>1,574</b>
Commercial Units	-	3,252	5,124	<b>8,376</b>
<b>Total</b>	<b>-</b>	<b>3,361</b>	<b>6,589</b>	<b>9,950</b>

Nine properties transferred from Level 2 to Level 3 during the year and one transferred from Level 3 to Level 2. The increases from Level 2 to 3 occurred following the outbreak of the Covid 19, less weight can be attached to previous market evidence for comparison purposes to form opinions of value meaning greater market valuation uncertainty. There were no other transfers between levels during the year.

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

##### Significant Observable Inputs - Level 2

The office and commercial units located in the local authority area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the 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>2019/20</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 2019	15,981	354	1,339	17,674
Revaluations	-	-	-	-
<b>At 31 March 2020</b>	<b>15,981</b>	<b>354</b>	<b>1,339</b>	<b>17,674</b>

<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>

#### 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 2019/20.

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.

#### 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:

2018/19 £000s		2019/20 £000s
-	Carrying amount brought forward	625
	<b>Additions</b>	
625	Purchases	81
-	Amortisation for the period	(125)
625	Net carrying amount at end of year	581
	<b>Comprising</b>	
625	Gross carrying amounts	706
-	Accumulated amortisation	(125)
625		581

### Note 19: Long Term Investments

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

2018/19 £000s		2019/20 £000s
-	Durham and Tees Valley Airport Limited	-
197	Suez Recycling and Recovery Tees Valley Limited (formerly SITA Tees Valley Limited)	197
197		197

The Council owns 1.1% of the shares in Durham Tees Valley Airport Limited. The shares have been valued at nil for 2019/20 (nil 2018/19).

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 44 and 45 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 2020.

2018/19 £000s		2019/20 £000s
6	Housing Advances	6
77	Trincomalee Loan and Advances	77
54	Car Loans to Employees	31
591	NDC Trust Loan	586
1,341	Northern School of Art	1,283
1,337	Suez Recycling and Recovery Ltd	1,070
495	Other	548
<b>3,901</b>		<b>3,601</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 has been reviewed by the Director of Resources and Development (Hartlepool Borough Council) and Vice Principal (Resources) (Northern School of Art) and agreed to continue with the loan.

The Suez Recycling and Recovery Tees Valley waste debtor reflects a payment in advance that was made in order to secure static gate fees for Energy for 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 2020.

2018/19 £000s		2019/20 £000s
233	Balance at 1 April	270
2,104	Purchases	2,505
(2,064)	Recognised as an expense in year	(2,340)
(18)	Written off balances	(29)
15	Written back balances	17
<b>270</b>	<b>Balance at 31 March</b>	<b>423</b>

### Note 22: Short Term Debtors

This note sets out amounts owed to the Council as at 31 March 2020.

2018/19 £000s		2019/20 £000s
4,178	Central Government Bodies	4,344
1,712	Other Local Authorities	1,698
409	NHS Bodies	452
	<b>Bodies external to general government:</b>	
3,133	General and Other Debtors	3,155
2,021	Payments in Advance	2,718
5,358	Council Tax Payers	6,321
375	NNDR Payers	1,452
1,874	Trade Debtors	1,866
<b>19,060</b>		<b>22,006</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:

2018/19 £000s		2019/20 £000s
2,383	Less than 1 year	3,240
6,078	More than 1 year	7,725
<b>8,461</b>		<b>10,965</b>

The above analysis does not include bad debt provision of £3.192m (£2.728m in 2018/19).

### 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.

2018/19 £000s		2019/20 £000s
	<b>Assets</b>	
2,010	Bank and Imprests	8,981
3,056	Liquidity Investment Accounts	7,800
<b>5,066</b>		<b>16,781</b>

### Note 25: Assets Held for Sale (Less than one year)

This note shows the movement of items of property, plant or equipment, or groups of assets and liabilities whose carrying amount is to be recovered principally through a sale rather than its continued use by the Council.

2018/19 £000s		2019/20 £000s
-	<b>Balance at 1 April</b>	-
	<b>Assets newly classified as Held for Sale:</b>	
-	Property, Plant and Equipment	515
-	<b>Balance at 31 March</b>	<b>515</b>

### Note 26: Short Term Creditors

This note sets out amounts owed by the Council as at 31 March 2020.

2018/19 £000s		2019/20 £000s
5,124	Central Government Bodies	4,193
2,138	Other Local Authorities	3,403
62	NHS Bodies	204
	<b>Bodies external to General Government:</b>	
5,739	General and Other Creditors	5,357
3,263	Trade Creditors	2,488
1,488	Employee Absences	1,498
736	Income in Advance	1,577
687	Council Tax Payers	707
322	NNDR Payers	782
<b>19,559</b>		<b>20,209</b>

## SECTION 3 : Statement of Accounts

### Note 27: Provisions

Total provisions at 31 March 2020, were £3.994m, (£4.485m in 2018/2019), as detailed below.

#### Current Liabilities

		2019/20			Total
		Other (Note 1)	Rating Appeals (Note 2)	MMI Insurance (Note 3)	
2018/19					
£000s		£000s	£000s	£000s	£000s
2,757	<b>Balance at 1 April</b>	685	2,509	-	<b>3,194</b>
1,226	Additional provisions made in year	1,582	-	-	<b>1,582</b>
(718)	Amounts used in year	(150)	(540)	-	<b>(690)</b>
-	Transfer in Year	-	-	-	-
(71)	Unused amounts reversed in year	(144)	(1,143)	-	<b>(1,287)</b>
3,194	<b>Balance at 31 March</b>	1,973	826	-	<b>2,799</b>

#### Long Term Liabilities

		2019/20			Total
		Custodian Authority Property Charges (Note 4)	Contaminated Land (Note 5)	MMI Insurance (Note 3)	
2018/19					
£000s		£000s	£000s	£000s	£000s
1,291	<b>Balance at 1 April</b>	97	634	560	<b>1,291</b>
-	Transfers in Year	-	-	-	-
-	Unused amounts reversed in year	(97)	-	-	<b>(97)</b>
1,291	<b>Balance at 31 March</b>	-	634	560	<b>1,194</b>

Note 1 - Other - this provision has been created to cover planning appeals, other potential legal cost liabilities and school deficits on conversion to academy status. 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 has been released as per the MTFs.

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 28: Other Long Term Liabilities

The Finance lease liability relates to the outstanding principal on the Council's finance leases. Further details are included in Note 42 Finance Leases. The finance lease liability has decreased as a result of repayments of the lease principal, exceeding additions in year. The net pensions liability has increased. See Note 52 for further information.

2018/19 £000s		2019/20 £000s	Note
150	Finance lease liability	97	42
127,227	Net Pensions liability	174,055	37
<u>127,377</u>		<u>174,152</u>	

### Note 29: Grant Income & Taxation

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

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20.

2018/19 £000s		2019/20 £000s
10,800	Revenue Support Grant	7,778
39,147	Council Tax Income	40,921
14,655	NNDR Redistribution	16,865
10,125	NNDR - Top-Up	10,357
1,612	New Homes Bonus Grant	1,299
1,621	Business Rates Relief	2,313
588	Capital - Environment Agency	-
8,892	Capital - Tees Valley Combined Authority / Local Transport Plan	3,891
1,220	Capital - Other DfE Grants	761
699	Capital - Homes & Communities Agency	740
73	Capital - Devolved Formula Capital Grant	92
10	Capital - Building Schools for the Future	-
-	Capital - Centre for Excellence in Creative Arts Grant	3,782
3,033	Other Capital Grants & Contributions*	2,778
<u>92,475</u>	<b>Total</b>	<u>91,577</u>

## SECTION 3 : Statement of Accounts

### Note 29: Grant Income & Taxation

#### Credited to Services

Restated 2018/19 £000s		2019/20 £000s
47,889	Dedicated Schools Grant	48,172
32,182	Housing Benefit Subsidy	28,083
8,764	Public Health Grant	8,533
6,949	Better Care Fund	7,229
5,757	Other Department for Education Grants	3,123
2,075	Other Grants	4,481
3,892	Pupil Premium	4,107
3,737	Improved Better Care Fund (iBCF)	4,700
2,888	Youth Employment Initiative (Department for Work & Pensions)	1,931
1,149	Disabled Facility Grant	1,249
1,033	Home Office	1,238
846	Education Funding Agency/ Skills Funding Agency	951
-	Social Care Support Grant	856
744	Ministry of Housing, Communities & Local Government	711
765	Department for Work & Pensions	575
646	Housing Benefit and Council Tax Benefit Administration	625
615	Ministry of Housing, Communities & Local Government - Troubled Families	366
601	Independent Living Fund	582
501	Winter Pressures Funding for Adult Social Care	501
139	Department of Health Grants	130
-	Covid 19 Local Authority Support Grant	61
<b>121,172</b>	<b>Total</b>	<b>118,204</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)

2018/19 £000s		2019/20 £000s
2,794	Other Department for Education Grants	2,789
3,614	Other Capital Grants & Contributions	2,705
2,713	Tees Valley Combined Authority / Local Transport Plan	1,557
119	Environment Agency	118
53	Department for Transport	53
40	Building Schools for the Future	40
<b>9,333</b>	<b>Total</b>	<b>7,262</b>

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

2018/19 £000s		2019/20 £000s
641	Other Grants	3,396
-	Covid 19 Local Authority Support Grant	3,343
-	Youth Employment Initiative (Department for Work & Pensions)	800
526	Other Department for Education	604
951	Tees Valley Combined Authority	205
94	Education Funding Agency/ Skills Funding Agency	60
<b>2,212</b>	<b>Total</b>	<b>8,408</b>

## SECTION 3 : Statement of Accounts

### Note 30: Unearmarked General Fund Reserve

The General Fund Balance of £4.417m held at 31 March 2020 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.

2018/19 £000s		2019/20 £000s
4,417	General Fund Balance	4,417
<u>4,417</u>		<u>4,417</u>

### Note 31: Budget Support & Investment Reserves

This note sets out the Budget Support & Investment Reserves balances at 31 March 2020.

2018/19 £000s		2019/20 £000s	Note
8,844	Budget Support Fund	4,513	1
-	Looked After Children Reserves	528	2
430	Business Rates Levy	96	3
845	MTFS Investment Reserve	-	4
<u>10,119</u>		<u>5,137</u>	

- 1 This reserve will be used to support the budget.
- 2 This reserve will be used to contribute towards financial pressures arising from increases in the number and costs of looked after children over and above the budgeted allocation.
- 3 This amount is the Council's share of the one-off Business Rates Levy account funding distributed by the Government.
- 4 This reserve was used to fund the five year capital plan including works at the Borough Hall, Church Square, Seaton Waterfront and building condition issues.

### Note 32: School Balances

This note sets out the Schools Reserves at 31 March 2020.

Restated 2018/19 £000s		2019/20 £000s	Note
	<b>School Balances</b>		
63	Balances held by schools under a scheme of delegation	(246)	1
246	School Ring Fenced Grants Reserves	247	2
828	Dedicated Schools Grant Reserves	269	3
<u>1,137</u>		<u>270</u>	

- 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 reserves relate to ring-fenced grants to Schools.
- 3 Dedicated Schools Grant reserves position.

## SECTION 3 : Statement of Accounts

### Note 33: 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.

2018/19 £000s		2019/20 £000s
347	HRA Balance	391
<u>347</u>		<u>391</u>

### Note 34: Revenue Grant Unapplied

Revenue Grants unapplied are grants received for specific commitments in 2020/21 or future years in accordance with grant conditions.

2018/19 £000s		2019/20 £000s
3,909	Revenue Grant Unapplied	3,823
<u>3,909</u>		<u>3,823</u>

### Note 35: Earmarked Revenue Reserves

This note sets out the balances held in Earmarked Revenue Reserves as at 31 March 2020.

2018/19 £000s		2019/20 £000s	Note
3,323	Strategic One Off Costs	2,692	1
2,226	Insurance Fund	2,212	2
1,106	Treasury Management Risk Reserve	1,489	3
1,333	Adult Social Care Reserve	1,211	4
1,283	Strategic Change Reserves	1,161	5
450	Education Improvement Strategy Reserve	419	6
676	Public Health Grant Reserve	333	7
105	Brexit Funding	315	8
400	Income Risk Reserve	309	9
263	Lotteries Reserve	302	10
300	Support for Local Council Tax Support Scheme	300	11
220	Better Care Fund Reserve	220	12
75	Supporting Family Poverty	139	13
143	School Attainment Reserve	125	14
113	Trading Account Reserves	78	15
142	National Museum of the Royal Navy Reserve	38	16
29	Museums Acquisition	28	17
20	Concessionary Fares	20	18
17	Environmental Apprenticeships Scheme	17	19
15	Works in Default Empty Homes	15	20
28	Funding for Modern Apprentices	13	21
105	Tees Education & Skills Reserve	8	22
5	Centre of Excellence in Creative Arts Trading Reserves	5	23
35	Members Ward Budget Reserve	-	24
<u>12,412</u>		<u>11,449</u>	

## SECTION 3 : Statement of Accounts

### Note 35: 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 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.
- 4 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.
- 5 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.
- 6 This reserve is earmarked for the Education Improvement Strategy approved by Children's Services Committee on 13th November 2018.
- 7 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
- 8 This reserve is earmarked for potential future costs relating to Brexit.
- 9 This reserve was created as part of the 2013/14 MTFS approved by Council 4th February 2013 and is earmarked to offset in-year income shortfalls.
- 10 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 to partly mitigate the impact of the change to the Council Tax Benefit regime and the resulting cut in Government Grant.
- 12 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.
- 13 This reserve was created to Support Family Poverty over the period of the MTFS.
- 14 This reserve was created towards improving School Attainment.
- 15 This reserve is earmarked to manage future financial risks on Trading Operations.
- 16 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).
- 17 The Museums Acquisition Reserve was set up from external donations for the acquisition of items for the Museum.
- 18 This reserve is to cover the tri-annual cost of replacing Concessionary Fare passes.
- 19 This reserve was created to fund costs over more than one financial year in relation to Apprentices.
- 20 This reserve has been created to provide a cash backed fund for the completion of housing works in default.
- 21 This amount will be used over the period of the MTFS to provide Modern Apprenticeships.
- 22 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.
- 23 This reserve has been established to mitigate risk of any Centre of Excellence in Creative Arts income shortfalls in future years.
- 24 This reserve was used by Members to support minor works within their Wards.

### Note 36: Earmarked Capital Reserves

This note sets out the balances held in Earmarked Capital Reserves as at 31 March 2020.

2018/19 £000s		2019/20 £000s	Note
8,462	Capital Funding Reserve	9,328	1
28	Capital Receipts Unapplied	-	
616	HRA Major Repairs Reserve	837	2
20	Capital Grants Unapplied	20	3
<u>9,126</u>		<u>10,185</u>	

- 1 The Capital Funding Reserve is earmarked to finance capital expenditure rephased to 2020/21.
- 2 This reserve is Ringfenced to the HRA and can only be used to fund major repairs or repayments of borrowing.
- 3 These are capital grants that will be used to finance capital expenditure in future years.

## SECTION 3 : Statement of Accounts

### Note 37: Unusable Reserves

The Unusable Reserves are shown below.

2018/19 £000s		2019/20 £000s	Table
70,789	Revaluation Reserve	76,168	1
-	Available for Sale Financial Instruments Reserve	-	2
139,848	Capital Adjustment Account	136,868	3
(127,227)	Pensions Reserve	(174,055)	4
366	Deferred Capital Receipts Reserve	366	5
(1,286)	Collection Fund Adjustment Account	322	6
(1,488)	Accumulated Absences Account	(1,498)	7
197	Financial Instruments Revaluation Reserve	197	8
<b>81,199</b>		<b>38,368</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.

2018/19 £000s		2019/20 £000s
53,910	<b>Balance at 1 April</b>	<b>70,789</b>
21,850	Upward revaluation of assets	14,388
(3,227)	Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	(2,281)
-	Impairment losses not charged to the Surplus/Deficit on the Provision of Services	-
18,623	Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	12,107
(887)	Difference between fair value depreciation and historical cost depreciation	(1,129)
(37)	Write off of Revaluation Reserve following Category Transfer	(311)
(820)	Accumulated gains/(losses) on assets sold, scrapped or decommissioned	(5,288)
(1,744)	Amount written off to the Capital Adjustment Account	(6,728)
<b>70,789</b>	<b>Balance at 31 March</b>	<b>76,168</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.

2018/19 £000s		2019/20 £000s
197	<b>Balance at 1 April</b>	-
(197)	Transfer to Financial Instruments Revaluation Reserve	-
-	<b>Balance at 31 March</b>	-

## 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.

2018/19 £000s		2019/20 £000s
131,885	<b>Balance at 1 April</b>	<b>139,848</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(9,841)	- Charges for depreciation and impairment of non-current assets	(10,088)
195	- Revaluation gains/(losses) on Property, Plant and Equipment	(709)
(6,240)	- Revenue expenditure funded from capital under statute	(2,196)
(1,923)	- 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	(6,279)
(17,809)		<b>(19,272)</b>
1,745	Adjusting amounts written out of the Revaluation Reserve	6,728
(16,064)	Net written out amount of the cost of non-current assets consumed in the year	<b>(12,544)</b>
	Capital financing applied in the year:	
236	- Use of the Capital Receipts Reserve to finance new capital expenditure	407
38	- Use of the Major Repairs Reserve to finance new capital expenditure	102
-	- Use of the Capital Receipts Reserve to repay prudential borrowing	1,183
19,695	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	14,003
-	- Application of grants to capital financing from the Capital Grants Unapplied Account	-
2,347	- Statutory provision for the financing of capital investment charged against the General Fund	2,525
2,394	- Direct revenue funding credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	641
24,710		<b>18,861</b>
(683)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(9,297)
139,848	<b>Balance at 31 March</b>	<b>136,868</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.

2018/19 £000s		2019/20 £000s
(124,837)	<b>Balance at 1 April</b>	(127,227)
13,498	Remeasurement of defined liability on pensions assets and liabilities	(34,092)
811	Net Acquisition/(disposal) of pensions assets and liabilities	-
(25,124)	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	(21,864)
8,425	Employer's pensions contributions and direct payments to pensioners payable in the year	9,128
(127,227)	<b>Balance at 31 March</b>	<b>(174,055)</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.

2018/19 £000s		2019/20 £000s
366	<b>Balance at 1 April</b>	366
-	Transfers in Year	-
366	<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.

2018/19 £000s		2019/20 £000s
(949)	<b>Balance at 1 April</b>	<b>(1,286)</b>
(337)	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	1,608
(1,286)	<b>Balance at 31 March</b>	<b>322</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 2018. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2018/19 £000s		2019/20 £000s
(1,557)	<b>Balance at 1 April</b>	(1,488)
1,557	Settlement or cancellation of accrual made at the end of the preceding year	1,488
(1,488)	Amounts accrued at the end of the current year	(1,498)
69	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	(10)
(1,488)	<b>Balance at 31 March</b>	<b>(1,498)</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.

2018/19 £000s		2019/20 £000s
-	<b>Balance at 1 April</b>	197
197	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 adopted IFRS 9 Financial Instruments. As a result of the implementation of IFRS 9, the Available for Sale Financial Instruments Reserve was decommissioned and the balance held transferred to the Financial Instruments Revaluation Reserve. The Council transferred the balance in relation to the Suez Recycling and Recovery Tees Valley Ltd.

### 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 grant receipts outstanding at 31 March 2020, are shown in Note 29.

#### Members

Members of the Council have direct control over the Council's Financial and Operating Policies. The total of Members' allowances paid in 2019/20 is shown in Note 11.

The Council pays grants and/or makes contractual payments to voluntary organisations/charities where an individual Councillor(s) may sit on the management board. In addition, as required by the Health and Social Care Act 2012, the Council has entered into a contract with Healthwatch Hartlepool for a value of £116,150 (£106,485 in 2018/19). Two of our elected Members are employed by Healthwatch Hartlepool, however, they were not involved in any decisions relating to this funding. In addition, the Council also awarded contracts to Paul's Travel for a value of £85,382 (£89,954 in 2018/19). One of our elected members is employed by Pauls 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.

### Note 38: Related Party Transactions

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

In 2019/20 the Council provided various support services, predominantly in relation to financial services, to Cleveland Fire Authority for which it received income of £0.192m (£0.192m in 2018/19). In particular, the Director of Resources and Development 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 £0.216m (£0.475m in 2018/19) 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 £0.067m (£0.110m in 2018/19).

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 £2.097m (£2.073m in 2018/19).

The Council deliver 'The Childrens Hub' on behalf of Stockton Borough Council. The Children's Hub is an integrated single point of access across North Tees providing multi-agency triage and assessment of enquiries about children. Other integrated partners within The Children's Hub include Cleveland Police, Harbour, North Tees and Hartlepool NHS Trust and Children and Adolescence Mental Health Services (CAMHS). Stockton Council contributed £0.639m, (£0.624m in 2018/19 ) towards the cost of this service.

From April 2019 the existing Hartlepool Safeguarding Children Board (HSCB) and Stockton Local Safeguarding Children Board (SLSCB) ceased to exist, being replaced by the new Hartlepool and Stockton-on-Tees Safeguarding Children Partnership (HSSCP). This is a multi-agency partnership involving both Local Authority's, the Clinical Commissioning Group and the chief officer of the police, to co-ordinate their safeguarding services and act as a strategic leadership group. In 2019/20 Stockton Council contributed £0.069m, the CCG £0.085m and the Police and Crime Commissioner (PCC) £0.031m.

#### Other

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

The Council's shareholding in Teesside 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 2019/20 (£nil in 2018/19). The airport was sold to Tees Valley Combined Authority in 2019/20.

Issues of note include a deficit on the Profit and Loss Account of £4.290m (previous year restated loss of £1.590m) and a net asset position of £16.738m (previous year restated net asset position of £2.320m). Further information and copies of their accounts are available from their Registered Office – Cavendish House, Teesdale Business Park, Stockton On Tees, Tees Valley, TS17 6QY.

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 2018, that includes a profit on the Profit and Loss Account of £6.495m. (£3.971m in 2017) and a net asset position of £59.587m (£51.990m in 2017). Further information on their accounts is available from the Registered Office, Suez House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES. Two of our Members have Interests in Suez, this has been properly disclosed in the Register of Member Interests.

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

## SECTION 3 : Statement of Accounts

### Note 39: External Audit Costs

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

2018/19 £000s		2019/20 £000s
84	Fees payable in respect of external audit services carried out by the appointed auditor for the year	84
20	Fees payable for the certification of grant claims and returns for the year	17
<u>104</u>		<u>101</u>

This reflects the actual costs incurred. A refund from Public Sector Audit Appointments (PSAA) of £0.010m was received in February 2020 and is not reflected above.

### Note 40: Dedicated Schools Grant

The Council's expenditure on schools is primarily funded by grant monies provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). The ESFA recouped the funding for all existing and new academies in the Borough. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2020. 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 2019/20 are as follows: -

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2019/20 before Academy recoupment			81,814
Academy figure recouped for 2019/20			<u>33,674</u>
Total DSG after academy recoupment for 2019/20			48,140
Plus: Brought Forward from 2018/19			<u>828</u>
Less: Carry forward to 2020/21 agreed in advance			(54)
Agreed Initial Budget Distribution in 2019/20	16,554	32,360	48,914
In Year Adjustments	212	(346)	(134)
Final Budget Distribution for 2019/20	16,766	32,014	48,780
Less: Actual Central Expenditure	(16,551)		(16,551)
Less Actual Individual Schools Budget Deployed to Schools		(32,014)	(32,014)
Plus Local authority contribution for 2019/20		-	-
Carried forward to 2020/21	<b>215</b>	<b>-</b>	<b>269</b>

The £0.269m carried forward to 2020/21 includes £0.054m growth funding agreed in advance, along with £0.215m central expenditure.

The total DSG for 2019/20 of £81.814m excludes the final adjusted allocation for the Early Years Block that is expected in June 2020. As per regulations, this amount is shown as an in-year adjustment for 2019/20.

Individual School Budgets were reduced by £0.094m in 2019/20 to reflect permanently excluded pupils and the clawback of pupil funding permitted in the regulations. The reduction is included within the value of in-year adjustments.

A transfer of £0.621m from DSG Schools Block to the High Needs Block was approved by the Secretary of State under disapplication in 2019/20. Schools' Forum also approved a transfer of £0.369m from the Central School Services Block to the Schools Block in 2019/20. Both funding transfers are shown as in-year adjustments.

## SECTION 3 : Statement of Accounts

### Note 41: Operating Leases

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

#### **Council as lessee**

<u>2018/19</u> <u>£000s</u>	<b>Future minimum lease payments due</b>	<u>2019/20</u> <u>£000s</u>
192	Not later than one year	195
268	Later than one year & not later than five years	228
45	Later than five years	37
<u>505</u>		<u>460</u>

#### **Council as lessor**

<u>2018/19</u> <u>£000s</u>	<b>Future minimum lease payments receivable</b>	<u>2019/20</u> <u>£000s</u>
427	Not later than one year	625
1,327	Later than one year & not later than five years	1,217
172	Later than five years	1,541
<u>1,926</u>		<u>3,383</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.
- for the provision of housing accommodation as a result of leasing 35 of its renovated former empty properties to Mears.

The Council has sub-let some of the office accommodation held under these operating leases. At 31 March 2020 the minimum payments expected to be received under non-cancellable sub-leases was £0.020m (£0.030m as at 31 March 2019).

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

<u>2018/19</u> <u>£000s</u>	<b>Payments recognised as an expense</b>	<u>2019/20</u> <u>£000s</u>
261	Minimum lease payments	1,656
(119)	Sub-lease payments	(165)
<u>142</u>	<b>Total</b>	<u>1,491</u>

## SECTION 3 : Statement of Accounts

### Note 42: Finance Leases

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

#### Council as lessee

2018/19 £000s		2019/20 £000s
	<b>Value of Assets held under Finance Leases</b>	
467	Vehicles, Plant & Equipment	475
467	<b>Total</b>	<b>475</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:-

2018/19 £000s		2019/20 £000s
	<b>Future minimum lease payments due</b>	
118	Current	104
150	Non-current	97
18	Finance costs payable in the future	21
286	<b>Total minimum lease payments</b>	<b>222</b>

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

2018/19			2019/20	
Minimum Lease Payments £000s	Finance Lease Liabilities £000s		Minimum Lease Payments £000s	Finance Lease Liabilities £000s
127	118	<b>Payable:</b>	114	104
159	150	Not later than one year	107	97
		Later than one year & not later than five years		
286	268	<b>Total</b>	<b>221</b>	<b>201</b>

## SECTION 3 : Statement of Accounts

### Note 43: Capital Expenditure and Financing

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

2018/19 £000s		2019/20 £000s
101,992	<b>Brought Forward Opening Capital Financing Requirement</b>	103,436
	<b>Capital investment</b>	
19,012	Property, Plant and Equipment	21,171
625	Intangible Assets	81
331	Investment Properties	67
-	Heritage Assets	-
6,240	Revenue Expenditure Funded from Capital under Statute	2,196
(54)	Long Term Debtors	(64)
	<b>Sources of Finance</b>	
(236)	Capital receipts	(407)
-	Application of Capital Receipts to Repay Borrowing	(1,183)
-	Application of Capital Grant to fund HRA Appropriation	(279)
(38)	Major Repairs Reserve	(102)
-	Grants to repay Borrowing	(23)
(19,695)	Government Grants and Other Contributions	(13,701)
	<i>Sums set aside from revenue:</i>	
(2,394)	Direct Revenue Contributions	(641)
(2,347)	Minimum Revenue Position (MRP)	(2,525)
<u>103,436</u>	<b>Closing Capital Financing Requirement</b>	<u>108,026</u>
	<b>Explanation of movements in year</b>	
-	Application of Capital Receipts to Repay Borrowing	(1,183)
-	Application of Capital Grant to fund HRA Appropriation	(279)
-	Grant to repay Borrowing	(23)
(54)	Repayments by Long Term Debtors	(64)
(1,774)	Conversion of Loan to Grant	-
88	Increase in Finance Lease Obligations	50
5,532	Increase in borrowing unsupported by government financial assistance	8,614
(2,347)	Minimum Revenue Provision (MRP)	(2,525)
<u>1,445</u>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<u>4,590</u>

## SECTION 3 : Statement of Accounts

### Note 44: Financial Instruments

#### Categories of Financial Instruments

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

31 March 2019			31 March 2020	
Long Term	Current		Long Term	Current
£000s	£000s		£000s	£000s
		<b>Investments at Amortised Cost</b>		
-	33,085	Loans and receivables at Amortised Cost	-	5,010
-	3,056	Liquidity Accounts included in Cash Equivalents	-	7,800
-	36,141	Total Investments at Amortised Cost	-	12,810
197	-	Assets at Fair Value through Other Comprehensive Income (Note 1)	197	-
197	36,141	<b>Total Investments</b>	197	12,810
		<b>Debtors</b>		
3,901	6,839	Financial Assets (including Trade Debtors and General and Other Debtors and Long Term Debtors)	3,601	7,061
3,901	6,839	<b>Total debtors</b>	3,601	7,061
		<b>Borrowings at Amortised Cost</b>		
78,524	9,516	Financial liabilities at amortised cost (Note 2)	75,637	3,464
78,524	9,516	<b>Total Borrowings at Amortised Costs</b>	75,637	3,464
		<b>Other Long Term Liabilities</b>		
150	-	Finance lease liabilities	97	104
150	-	<b>Total Other Long Term Liabilities</b>	97	104
		<b>Creditors</b>		
-	9,003	Financial liabilities carried at contract amount (Trade Creditors and General and Other Creditors)	-	7,845
-	9,003	<b>Total Creditors</b>	-	7,845

Note 1 - 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. 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 2 - As required accrued interest relating to long term borrowing is disclosed within the short term borrowing figure on the balance sheet.

## SECTION 3 : Statement of Accounts

### Note 44: Financial Instruments

#### Income, Expense, Gains and Losses

This note comprises details of income, expenses and revaluation losses that relate specifically to financial instruments. Interest expense, interest income and gains or losses on revaluations are included along with other non financial instrument related income and expenditure within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

2019/20			
Financial Liabilities measured at amortised cost	Finance Lease Payments	Financial Assets: Loans and receivables at amortised cost	Total
£000s	£000s	£000s	£000s
Interest expense	2,919	13	-
Interest income	-	-	(363)
<b>Net (gain)/loss for the year</b>	<b>2,919</b>	<b>13</b>	<b>(363)</b>

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>

## SECTION 3 : Statement of Accounts

### Note 44: 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 2019			31 March 2020	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000s	£000s		£000s	£000s
		<b>Financial Liabilities</b>		
51,379	99,555	Market Loans	45,383	123,276
36,661	48,832	Public Works Loan Board	33,718	42,469
9,003	9,003	Trade Creditors and General and Other Creditors	7,845	7,845
150	150	Long Term Finance Lease Liability	97	97
97,193	157,540		87,043	173,687
		<b>Financial Assets</b>		
36,141	36,141	Money market loans < 1 year	12,813	12,813
6,839	6,839	Short term debtors	7,061	7,061
3,901	3,901	Long term debtors	3,601	3,601
46,881	46,881		23,475	23,475

## SECTION 3 : Statement of Accounts

### Note 44: Financial Instruments

The fair value of Public Works Loan Board (PWLB) loans of £42.469m 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 £33.718m would be valued at £38.559m. 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 £33.718m plus a penalty charge of £8.751 totalling £42.469m.

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 2020) 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 authority's financial assets are measured in the balance sheet at fair value through Other Comprehensive Income. As these share holdings originated through policy initiatives with other Local Authorities and are not held for trading or income generation the Council have elected to designate the equity as Fair Value through Other Comprehensive Income. These assets are described in the following table which includes the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	Fair Value	
			31 March 2019	31 March 2020
			£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
			<u>197</u>	<u>197</u>

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

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

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 21 February, 2019 and is available on the Council website. The key issues within the strategy were:

- the Authorised Limit for the 2019/20 was set at £142m (£137m in 2018/19). This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £132m (£127m in 2018/19). 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 2018/19).
- 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 2018/19).

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 & Governance Committee to include the scrutiny of treasury activities.

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

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

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

The Investment Strategy for 2019/20 was approved by Full Council on the 21 February 2019 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 £7.800m 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 2020 that this was likely to crystallise.

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

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

**Amounts Arising from Expected Credit Losses**

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

	Asset Class: Debtors (Financial Assets) <b>£000</b>
Opening balance	(1,833)
Amounts written off	26
Changes in Impairment of Financial Assets	(235)
Closing balance	<b><u>(2,042)</u></b>

## SECTION 3 : Statement of Accounts

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

The Council does not generally allow credit for customers, such that £1.654m of the £7.061m Debtors (Financial Assets) balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31 March 2019 £000s		31 March 2020 £000s
340	Less than three months	575
258	Three to six months	262
70	Six months to one year	295
670	More than one year	522
<b>1,338</b>		<b>1,654</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 happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the maturity structure of its fixed rate borrowing during specified periods. The limits have been set to enable maximum flexibility as experience has shown it is possible to move from 100% long term borrowing to 100% short term borrowing and then back to 100% long term borrowing over a period of two years. Therefore the lower limit was set to nil and the upper limit to £132m, equal to the operational boundary.

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

31 March 2019 £000s		31 March 2020 £000s
9,027	Less than one year	2,991
7,377	Between one and five years	5,250
4,070	Between five and ten years	4,122
3,975	Between ten and fifteen years	3,956
2,790	Between fifteen and twenty years	2,451
2,227	Between twenty and twenty-five years	2,251
2,557	Between twenty-five and thirty years	2,648
3,044	Between thirty and thirty-five years	6,525
6,554	Between thirty-five and forty years	2,725
807	Between forty and forty-five years	654
45,217	More than forty-five years	45,151
<b>87,645</b>		<b>78,724</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 45: Nature and Extent of Risks Arising from Financial Instruments

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

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

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

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

According to this assessment strategy, at 31 March 2020, 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	(791)
Increase in interest receivable on variable rate investments	(128)
Impact on Surplus or Deficit on the Provision of Services	<b>(919)</b>
	<b>£000s</b>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Comprehensive Income and Expenditure Statement)	<b>(40,145)</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 46: Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2018/19 £000s		2019/20 £000s
380	Interest Received	363
(2,952)	Interest Paid	(2,961)

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

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

2018/19 £000s		2019/20 £000s
9,752	Depreciation	10,059
(106)	Impairment and Downward Valuations	737
683	Downward / (Upward) Valuation of Investment Property	9,297
436	Increase / (Decrease) in Provisions	(492)
(135)	Increase / (Decrease) in Creditors	8,595
2,805	(Increase) / Decrease in Debtors	(4,376)
(37)	(Increase) / Decrease in Inventories	(153)
16,699	Pension Liability	12,736
1,923	Carrying amount of Non-Current Assets Sold	6,279
-	Other non-cash items charged to the net surplus or deficit on the provision of services	(3,782)
32,020		38,900

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

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

2018/19 £000s		2019/20 £000s
(19,695)	Capital Grants credited to surplus or deficit on the provision of services	(10,221)
(264)	Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(1,563)
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	28,075
(19,959)		16,291

### Note 49: Cash Flow Statement - Investing Activities

2018/19 £000s		2019/20 £000s
(19,432)	Purchase of Property, Plant and Equipment and Investment Property	(17,942)
-	Purchase of Short-term and Long-term Investments	-
(1,406)	Other Payments for Investing Activities	(52)
264	Proceeds from the sale of property, plant and equipment, investment property	1,563
4,000	Proceeds from the sale of Short-term and Long-term Investments	-
19,437	Other Receipts from Investing Activities	9,225
2,863	<b>Net cash flows from investing activities</b>	<b>(7,206)</b>

## SECTION 3 : Statement of Accounts

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

2018/19 £000s		2019/20 £000s
3,127	Cash receipts of short-term and long-term borrowing	-
(415)	Council Tax and NNDR adjustment	(618)
(125)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(102)
-	Repayments of short and long-term borrowing	(8,910)
2,587	<b>Net cash flows from financing activities</b>	<b>(9,630)</b>

### Note 51: Pensions Schemes Accounted for as Defined Contribution Schemes

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

This is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating employers' contribution rate paid by local authorities. The last valuation was completed as at 31st March 2016.

The scheme has in excess of 11,100 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 31st March 2020, the Council's own contributions equate to approximately 0.06%.

The Council's contribution to the Teacher's Pension Scheme in 2019/20 amounted to £3.573m (£2.792m in 2018/19) which represented 16.48% of pensionable pay up to 31st August 2019 and 23.68% of pensionable pay from 1st September 2019 (both include 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 £4.308m, this is based on 23.68% of pensionable pay (including a 0.08% administration levy).

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

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

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

This is a defined benefit scheme. Although the scheme is unfunded, it is subject to a full actuarial valuation. The latest valuation was undertaken as at 31st March 2016 and determined current contribution rates for employers and scheme members. The scheme has in excess of 8,400 employing bodies and it is not possible for the Council to identify a share of underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the NHS Pension Scheme during the year ending 31st March 2020, the Council's own contributions equate to approximately 0.0018%.

The Council's contribution to the NHS Pension Scheme in 2019/20 amounted to £0.202m (£0.173m in 2018/2019). This represented 16.88% (including a 0.08% administrative levy) of pensionable pay. The actual employer contributions were increased on 1st April 2019 to 20.68% of pensionable pay (this includes a 0.08% administration levy) from 14.38% (also including a 0.08% administration levy) in 2018/19. As per national guidance issued by the Department of Health and Social Care this increase was broken down into an 'unforeseen' element (3.8%) and a 'foreseen' element (2.5%). The costs of the unforeseen element have been funded and paid directly into the fund by the Department of Health and Social Care. This arrangement is continuing in 2020/21. The contributions due to be paid in the next financial year are estimated to be £0.206m. There were no contributions remaining payable at the year-end.

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

## SECTION 3 : Statement of Accounts

### Note 52: Defined Benefit Pension Schemes

#### Participation in Pension Schemes

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

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

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

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

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund 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 we are 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	
	2018/19 £000s	2019/20 £000s	2018/19 £000s	2019/20 £000s	2018/19 £000s	2019/20 £000s
<b>Comprehensive Income and Expenditure Statement</b>						
Cost of Services:						
· Current Service cost	14,953	18,477	-	-	14,953	18,477
· Past Service Costs (inc. curtailments)	7,034	443	-	-	7,034	443
Financing and Investment Income and Expenditure:						
· Net Interest Expense	2,819	2,666	318	278	3,137	2,944
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>24,806</b>	<b>21,586</b>	<b>318</b>	<b>278</b>	<b>25,124</b>	<b>21,864</b>
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)	(24,145)	71,190	-	-	(24,145)	71,190
· Actuarial (gains) and losses arising from changes in financial assumptions	32,891	(12,075)	302	(91)	33,193	(12,166)
· Actuarial (gains) and losses arising from changes in demographic assumptions	(22,943)	(17,428)	(513)	(423)	(23,456)	(17,851)
· Actuarial (gains) and losses owing to liability experience	875	(7,025)	36	(56)	911	(7,081)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>11,484</b>	<b>56,248</b>	<b>143</b>	<b>(292)</b>	<b>11,627</b>	<b>55,956</b>

## SECTION 3 : Statement of Accounts

### Note 52: Defined Benefit Pension Schemes

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2018/19 £000s	2019/20 £000s	2018/19 £000s	2019/20 £000s	2018/19 £000s	2019/20 £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	(24,806)	(21,586)	(318)	(278)	(25,124)	(21,864)

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

· Employers' contribution payable to scheme	7,763	8,267	-	-	7,763	8,267
· Retirement Benefits payable to pensioners	-	-	662	861	662	861
<b>Transfer from Pension Reserve</b>	<b>(17,043)</b>	<b>(13,319)</b>	<b>344</b>	<b>583</b>	<b>(16,699)</b>	<b>(12,736)</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	
	2018/19 £000s	2019/20 £000s	2018/19 £000s	2019/20 £000s	2018/19 £000s	2019/20 £000s
Fair value of plan assets	495,204	431,002	-	-	495,204	431,002
Present value of the defined benefit obligation	(610,404)	(594,183)	(12,027)	10,874	(622,431)	(605,057)
<b>Net liability arising from defined benefit obligation</b>	<b>(115,200)</b>	<b>(163,181)</b>	<b>(12,027)</b>	<b>10,874</b>	<b>(127,227)</b>	<b>(174,055)</b>

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2018/19 £000s	2019/20 £000s	2018/19 £000s	2019/20 £000s	2018/19 £000s	2019/20 £000s
Opening fair value of assets	(454,808)	(495,204)	-	-	(454,808)	(495,204)
Interest Income on assets	(11,794)	(11,830)	-	-	(11,794)	(11,830)
Remeasurement gains/(losses):						
· Return on plan assets (excl amount in net interest)	(24,145)	71,190	-	-	(24,145)	71,190
Contributions by the employer	(7,763)	(8,267)	(662)	(861)	(8,425)	(9,128)
Contributions by participants	(3,060)	(3,236)	-	-	(3,060)	(3,236)
Net benefits paid out	13,447	16,345	662	861	14,109	17,206
Net increase in Assets from Acquisitions	(7,081)	-	-	-	(7,081)	-
<b>Closing fair value of assets</b>	<b>(495,204)</b>	<b>(431,002)</b>	<b>-</b>	<b>-</b>	<b>(495,204)</b>	<b>(431,002)</b>

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2018/19 £000s	2019/20 £000s	2018/19 £000s	2019/20 £000s	2018/19 £000s	2019/20 £000s
Opening balance at 1 April	(567,099)	(610,405)	(12,546)	(12,027)	(579,645)	(622,432)
Current Service Cost	(14,953)	(18,477)	-	-	(14,953)	(18,477)
Interest Cost	(14,613)	(14,496)	(318)	(278)	(14,931)	(14,774)
Contributions from scheme participants	(3,060)	(3,236)	-	-	(3,060)	(3,236)
Remeasurement gains/(losses):						
· Actuarial gains and (losses) on liabilities - financial assumptions	(32,891)	12,075	(302)	91	(33,193)	12,166
· Actuarial gains and (losses) on liabilities - demographic assumptions	22,943	17,428	513	423	23,456	17,851
· Actuarial gains and (losses) on liabilities - experience	(875)	7,025	(36)	56	(911)	7,081
Past Service Costs (inc. curtailments)	(7,034)	(443)	-	-	(7,034)	(443)
Net increase in Liabilities from Acquisitions	(6,270)	-	-	-	(6,270)	-
Benefits paid	13,447	16,345	662	861	14,109	17,206
<b>Closing present value of assets</b>	<b>(610,405)</b>	<b>(594,184)</b>	<b>(12,027)</b>	<b>(10,874)</b>	<b>(622,432)</b>	<b>(605,058)</b>

## SECTION 3 : Statement of Accounts

### Note 52: Defined Benefit Pension Schemes

#### Local Government Pension Scheme Assets

The Local Government Pension Scheme's assets comprised:

	2018/19 £'000	2019/20 £'000
Equity investments	374,374	313,339
Property	42,588	38,359
Government Bonds	-	-
Corporate Bonds	-	-
Cash	65,367	57,754
Other Investments	12,875	21,550
	<b>495,204</b>	<b>431,002</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 2019.

Principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2018/19	2019/20	2018/19	2019/20
Long-term expected rate of return on assets in the scheme:				
Equities	2.4%	<b>2.3%</b>	-	-
Property	2.4%	<b>2.3%</b>	-	-
Government Bonds	2.4%	<b>2.3%</b>	-	-
Corporate Bonds	2.4%	<b>2.3%</b>	-	-
Cash	2.4%	<b>2.3%</b>	-	-
Other	2.4%	<b>2.3%</b>	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.2	<b>21.8</b>	22.2	<b>21.8</b>
Women	24.1	<b>23.5</b>	24.1	<b>23.5</b>
Longevity at 65 for future pensioners:				
Men	23.9	<b>23.2</b>	-	-
Women	25.9	<b>25.3</b>	-	-
Other assumptions:				
Rate of inflation - CPI	2.2%	<b>2.0%</b>	2.2%	<b>2.0%</b>
Rate of general increase in salaries	3.2%	<b>3.0%</b>	0.0%	-
Rate of increase in pensions - deferred and pensions in payment	2.2%	<b>2.0%</b>	2.2%	<b>2.0%</b>
Rate for discounting scheme liabilities	2.4%	<b>2.3%</b>	2.4%	<b>2.3%</b>

### Note 52: Defined Benefit Pension Schemes

#### Sensitivity Analysis

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

The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e.. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

LGPS Funded Benefits Only	Impact on Defined Benefit Obligation in the Scheme	
	Increase in Assumption £000s	Decrease in Assumption £000s
Adjustment to Discount rate (+/- 0.1%)	(11,884)	11,884
Adjustment to Salary increase rate (+/- 0.1%)	1,188	(1,188)
Adjustment to Pension increase rate (+/- 0.1%)	10,695	(10,695)
Adjustment to Longevity (decrease/increase 1 year)	19,608	(19,014)

#### 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 115%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022.

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

The Council anticipated to pay £7.327m expected contributions to the scheme in 2020/2021.

The weighted average duration of the defined benefit obligation for scheme members is 20.3 years in 2019/20 (17.9 years in 2018/19).

### **Note 53: Contingent Liabilities**

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

The Council is responsible for the Claxton Site which is a closed landfill. There is a possible obligation arising relating to de-contamination of the site; it is not possible at this stage to quantify the potential liability or when the works may be required. The site is regularly tested to ensure compliance with the Environment Protection Act 1990.

### **Note 54: Financial Guarantees**

In 1989 the Council gave a loan guarantee of £3m to North Housing Association (now Home Housing Association) for sums borrowed on the money markets that would come into operation should the housing association default on the loan terms. Provision is included in the agreement for any such payments to be secured on North Housing Association property. It is anticipated that this guarantee will exist until the loan is repaid in 2049. The likelihood of this guarantee being called upon is remote and therefore no amounts have been recognised in the balance sheet in respect of this guarantee.

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

## SECTION 3 : Statement of Accounts

### Note 55: Pooled Budgets

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

On 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

2018/19 £000s		2019/20 £000s
	<b>Revenue Funding provided to the Pooled Budget:</b>	
(1,432)	Hartlepool Borough Council - Improved Better Care Fund (iBCF)	(709)
(6,949)	NHS Hartlepool and Stockton Clinical Commissioning Group (iBCF)	(7,229)
(8,381)		<b>(7,938)</b>
	<b>Expenditure met from the Pooled Budget:</b>	
5,802	Hartlepool Borough Council	6,047
1,147	NHS Hartlepool and Stockton Clinical Commissioning Group	1,182
1,320	Hartlepool Borough Council - Improved Better Care Fund (iBCF)	603
112	NHS Hartlepool and Stockton Clinical Commissioning Group (iBCF)	106
8,381		<b>7,938</b>
-	<b>Balance carried forward</b>	-

#### Capital Pooled Budget

2018/19 £000s		2019/20 £000s
	<b>Capital Funding provided to the Pooled Budget:</b>	
(115)	Balance brought forward	(55)
(998)	Hartlepool Borough Council	(1,077)
-	NHS Hartlepool and Stockton Clinical Commissioning Group	-
(1,113)		<b>(1,132)</b>
	<b>Expenditure met from the Pooled Budget:</b>	
1,058	Hartlepool Borough Council	1,132
-	NHS Hartlepool and Stockton Clinical Commissioning Group	-
1,058		<b>1,132</b>
(55)	<b>Balance carried forward</b>	-



## SECTION 3 : Statement of Accounts

### NOTES TO THE HRA

#### Note 1: Depreciation and Revaluation

Included within The HRA is a total depreciation charge of £0.167m (2018/19 £0.171m) which transfers funding into the Major Repairs Reserve to meet the cost of future major repairs. The loss on revaluation for the year was £0.709m (2018/19 £0.881m). In previous years a "proxy" charge was applied however from 2017/18 a "true" depreciation charge was required to be calculated and transferred to the MRR. This represents an amount equivalent to the total depreciation charges for all the HRA assets. Under statute an adjustment between accounting basis and funding basis on the 'Movement on the HRA MRR' allows any difference between the depreciation credit on the reserve and the amount required for the major repairs for the year to be transferred back to the HRA.

#### Note 2: Capital Expenditure and Financing

2018/19 £000s	2019/20 £000s
1,557 Acquisition and renovation of Council Dwellings	2,094
38 Major Repairs	102
1,595	2,196
Funded by:	
48 Corporate Resources	-
699 Homes & Communities Agency Grant	740
810 S.106 Contributions	1,354
38 Major Repairs Reserve	102
1,595	2,196

#### Note 3: Number and Value of Council Dwellings

There were 301 Council Dwellings held as at 31 March 2020 (274 in 2018/19), of which 15 have been classified as work in progress. The number of empty properties included in the above figures is 18, of which 9 are under refurbishment (included in the work in progress figure) and 9 are void. Out of the total 301 council housing stock, 125 were purchased as new build, 175 as empty properties and 1 was original stock. 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.

1st April 2019 £000's	31st March 2020 £000's
7,191 Balance Sheet Value	7,991

The vacant possession value of HRA dwellings as at 1 April 2019 is £18.161m (£16.343m as at 1 April 2018)

#### Note 4: Rent Arrears

The level of rent arrears as at 31 March 2020 was £0.216m (31 March 2019 £0.164m), these figures include rent, service charge and rechargeable repair arrears.

The Bad Debt provision required in respect of these uncollectable debts is £0.144 (2018/19 £0.096m)

**31st March 2020**  
**£000's**

(216)

(144)

## 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.

2018/19 £000		2019/20 £000	Notes
	<b>INCOME</b>		
	<b>Council Tax :</b>		
(46,129)	Billed to tax payers	(49,007)	
(46,129)		(49,007)	1
	<b>Non Domestic Rates :</b>		
(31,549)	Income Collectable from Business Ratepayers	(33,446)	2
1,167	Transitional Protection Payment	541	
(30,382)		(32,905)	
(76,511)		(81,912)	
	<b>TOTAL INCOME</b>		
		<b>(81,912)</b>	
	<b>EXPENDITURE</b>		
	<b>Council Tax :</b>		
38,995	Precepts Hartlepool Borough Council	41,174	
5,442	Police & Crime Commissioner	6,116	
1,806	Cleveland Fire Authority	1,888	
(293)	Increased Provision for Non-Payment of Council Tax	132	
45,950		49,310	
	<b>Non Domestic Rates :</b>		
	Payment of Non Domestic Rates to Preceptors		
14,878	Hartlepool Borough Council	15,231	
304	Cleveland Fire Authority	311	
15,111	Payment of Non Domestic Rates to Central Government	15,498	
115	Cost of Collection Allowance	112	
(59)	Change in Provision for Non-Payment of NNDR	719	
336	Change in Provision for Non Domestic Rating Appeals	(3,436)	
71	Enterprise Zone Relief	44	
83	Disregarded Amounts	1,093	
30,839		29,572	
	<b>Contributions for previous years estimated</b>		
	<b>Collection Fund Surplus/(Deficit) - Council Tax</b>		
127	Hartlepool Borough Council	37	
18	Police & Crime Commissioner	5	
6	Cleveland Fire Authority	2	
151		44	
	<b>Contributions for previous years estimated</b>		
	<b>Collection Fund Surplus/(Deficit) - Non-Domestic Rates:</b>		
138	Hartlepool Borough Council	(263)	
3	Cleveland Fire Authority	(5)	
141	Central Government	(269)	
282		(537)	
77,222		<b>78,389</b>	
711		<b>(3,523)</b>	
	<b>TOTAL EXPENDITURE</b>		
		<b>78,389</b>	
	<b>NET TOTAL</b>		
		<b>(3,523)</b>	
	<b>Movement on Fund Balances</b>		
	<b>Council Tax:</b>		
(28)	(Surplus)/Deficit for the year	347	
(17)	(Surplus)/Deficit brought forward	(45)	
(45)	(Surplus)/Deficit carried forward	<b>302</b>	
	<b>Non Domestic Rates:</b>		
739	(Surplus)/Deficit for the year	(3,870)	
1,985	(Surplus)/Deficit brought forward	2,724	
2,724	(Surplus)/Deficit carried forward	<b>(1,146)</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 Income and Expenditure Account. It is also used to finance Hartlepool's share of the Police and Fire Authorities' expenditure, through precepts made on the Council's Collection Fund. The level of Council Tax in any year is determined by estimating the income required by the Council and the Police and Fire Authorities, and dividing this by the Council Tax base, which comprises residential properties banded by value and charged accordingly.

To allow for comparison between years and authorities the tax base is expressed as the number of Band D properties in the district, which is calculated by multiplying the number of properties in a band by an appropriate weighting, ranging from 6/9 to 18/9.

There were 34,052 Band D equivalents in 2019/20 (33,781 for 2018/19) and the basic amount of Council Tax for a Band D property was £2,013.18 (£1,923.74 in 2018/19).

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	23,459	15,639	1,123.52	167.03	51.57	1,342.12	31,485
B	7/9	7,311	5,686	1,310.77	194.86	60.17	1,565.80	11,448
C	8/9	6,183	5,496	1,498.03	222.70	68.76	1,789.49	11,064
D	9/9	3,251	3,251	1,685.28	250.54	77.36	2,013.18	6,545
E	11/9	1,685	2,059	2,059.79	306.22	94.55	2,460.56	4,146
F	13/9	709	1,024	2,434.29	361.89	111.74	2,907.92	2,062
G	15/9	460	767	2,808.80	417.57	128.93	3,355.30	1,543
H	18/9	65	130	3,370.56	501.08	154.72	4,026.36	262
<b>TOTALS</b>		<b>43,123</b>	<b>34,052</b>					<b>68,555</b>

The income of £49.007m for 2019/20 (£46.129m for 2018/19) is receivable from the following sources:

2018/19 £000		2019/20 £000
64,987	Opening Liability	68,555
1,721	Net increase/(decrease) in liability	1,966
(114)	Disabled Relief	(124)
(6,670)	Discounts	(7,006)
(1,438)	Exemptions	(1,591)
(162)	Write Offs	(141)
(12,195)	Council Tax Support Scheme	(12,652)
<u>46,129</u>		<u>49,007</u>

**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 49.1p in 2019/20 (48p in 2018/19) and, the Non Domestic Rate Multiplier which was 50.4p in 2019/20 (49.3p in 2018/19). 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 £80.628m.

The NNDR income collectable from Ratepayers is shown below.

2018/19		2019/20
£000		£000
37,447	Gross Rates payable	39,843
(6,733)	Mandatory Reliefs	(6,744)
1,167	Transitional Relief	541
(332)	Write Offs	(194)
<u>31,549</u>		<u><b>33,446</b></u>

## SECTION 4 : Annual Governance Statement

### **Scope of Responsibility**

Hartlepool Borough Council is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards,
- Public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016. A copy of the code is on our website at [www.Hartlepool.gov.uk](http://www.Hartlepool.gov.uk) or can be obtained from the Councils Contact Centre. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, Part 2 6(1) (a), which requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with the statement of accounts. Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015, require that for a local authority that statement is an Annual Governance Statement (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 2020 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 Resources and Development, the Assistant Director (Finance and Customer Services) and the Assistant Director (Corporate 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 2018/19 Statement**

Progress has been made over the course of 2019/20 to actively manage and address issues identified as part of the 2018/19 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 2019/20 and 2020/21 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 2019/20 has been largely delivered and is monitored by CMT on a quarterly basis and reported to Members via Finance and Policy Committee on a 6 monthly basis. A wraparound on the Hartlepool Life and Hartlepool Mail was published in September 2019 promoting the achievements of the Council Plan to the public. 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. During late 2019/20 a new, three year Council Plan to cover the period 2020-2023 has been developed following public consultation in September/October 2019 and January/February 2020. This new Council Plan builds upon the achievements of the 2017-2020 Plan and responds to emerging areas of priority and was adopted by Council on 19th March 2020. It has again been developed alongside the MTFS and Capital Plan.

## SECTION 4 : Annual Governance Statement

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. A new Strategic Risk Register for the Council was presented to Finance and Policy Committee in August 2019. This includes the key risks facing the organisation and the delivery of the Council Plan. Risks are reviewed on a quarterly basis by CMT and reported to Elected Members via Finance and Policy Committee on a 6 monthly basis.
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.
Boundary Review Impact	CMT sighted on the outcome of the review, which will increase number of councillors to 36. Risk addressed through member training on key corporate issues and regular update reports provided to committees.

### **The Governance Framework**

The key elements of the Council's Governance Framework are as follows:

Hartlepool Borough Council has adopted a Constitution, which sets out how the Council operates, how decisions are made, the procedures that are followed to ensure that these decisions are efficient and transparent, and sets out the terms of reference for the Committee structure. The Constitution was developed in accordance with the Local Government Act 2000 and it sets out the delegated responsibilities to key officers such as the Monitoring Officer and Section 151 Officer. In accordance with the Council's Constitution at Article 14, the Monitoring Officer continues to monitor and review the operation of the Constitution to ensure that the aims and principles of the Constitution are given full effect. A report to the Constitution Committee on 25 November 2019 addressed issues which had arisen since the previous review reported to Full Council on 21 March. A further report was submitted to the Constitution Committee on 27 January which addressed issues raised in relation to the Articles, Procedure Rules and Referrals by Full Council. Officer Decision Records continue to be published on the internet and Officer Guidance has been circulated in relation to Key Decision Forward Plan Consultation to give clarity to officers on when and how consultation should be undertaken on Key Decision matters to be considered by Policy Committees. A programme of Members' Seminars has been developed by the Corporate Management Team (CMT) to ensure Members are updated/briefed on key strategic issues.

Effective procedures to identify, evaluate, communicate, implement, comply with and monitor legislative change exist and are used. Legal Division procedures exist for monitoring new legislation, advising relevant departments, and members where appropriate. Workforce Services policies identify suitable recruitment methods and ensure appropriate job descriptions exist for legal staff. 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.

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 9th January 2020 and referred to Council for approval on 20th February 2020 for the financial year 2020/21. 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 Resources and Development 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.

## SECTION 4 : Annual Governance Statement

Human Resources 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. During late 2019/20 a new, three year Council Plan to cover the period 2020-2023 has been developed following public consultation in September/October 2019 and January/February 2020. This new Council Plan builds upon the achievements of the 2017-2020 Plan and responds to emerging areas of priority. It has again been developed alongside the MTFS and Capital Plan.

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 Members on to their direction of travel and their position in relation to near neighbour and national comparators where available.

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 new Risk Management Framework on 24th June 2019. 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 has been identified within the performance management framework and changes are reported to Elected Members regularly through the monitoring of the Council Plan.

The Risk Management Framework and an Officer Toolkit are available to all staff via the intranet. Key staff have undergone appropriate training and departmental risk champions lead on communicating the process to all relevant staff in their departments.

There is corporate support at senior management level for development of Risk Management with risk assessment procedures published and training given to officers. Risk introduction/refresher sessions are offered as and when individual departments/teams require them.

The Finance and Policy Committee Chair is Hartlepool Borough Council's risk 'champion'. Each department also has a risk co-ordinator. Risks and control measures relating to the Council Plan are analysed within the quarterly reports to help ensure that risk and performance reporting are linked. The Council Plan 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 Strategic Risks. Risk registers are also maintained for significant projects. Officers that manage risks are notified that risks need to be reviewed and progress is monitored on a quarterly basis through the service planning process. Departments have access to a central funding pot for risk management to assist in the financing of risk mitigation.

## SECTION 4 : Annual Governance Statement

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

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.

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 2018/19 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.

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", one school is judged "inadequate". A CQC Local System Review of services for older people in October 2017 identified multiple 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 implemented. These changes have delivered significant improvements in performance in relation to delayed transfers of care and the proportion of people having their needs assessed in a hospital setting. Survey feedback from both people who use services and carers continues to be positive with satisfaction rates comparing favourably regionally and nationally. Over 90% of services that are commissioned for adults with care and support needs are rated 'good' by CQC with no services rated inadequate. An Ofsted inspection of Adult Education in December 2017 rated the service as good. Hartlepool Connect has achieved the Customer Service Excellence standard. In their 2018/19 Annual Audit Letter, Mazars, the Councils External Auditor, issued an unqualified opinion on the financial statements and value for money conclusion at the Council.

## SECTION 4 : Annual Governance Statement

### **Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Audit and Governance's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

- Corporate Management Team agreed process for the review of the internal control environment. The risk inherent in meeting departmental objectives and the controls to mitigate those risks are recorded as part of the corporate service planning process at a departmental level. This has brought together risk management, control identification and the process for compiling the evidence needed to produce the AGS. This enables managers to provide documented evidence regarding the controls within their service units as part of the service planning process. The controls in place are designed to negate the identified and recorded risks of not achieving service, departmental or corporate objectives. In order to ensure adequate controls are in place the procedures, processes and management arrangements in place to mitigate identified risks and the officers responsible for them are also documented. Gaps in controls can be addressed as part of the regular reviews of departmental risks and control measures.
- Director of Resources and Development – 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 following an independent external assessment 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 (2019).
  - The Head of Audit and Governance provides an independent opinion on The adequacy and effectiveness of The system of Internal control, quarterly update reports and an annual Internal Audit performance report to The Audit and Governance Committee.
  - Internal Audit plans are formulated from an approved risk assessment package and Internal Audit continues to provide assurance across a broad range of Council activities and functions through the audits it completes.
- External Audit – in their 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 2020/21 MTFS includes savings proposals and other measures, including the use of reserves which enabled the 2020/21 budget to be set. The report also highlighted the significant deficit facing the Council for 2021/22, which makes this the most challenging financial year the Council has ever faced. Detailed proposals for addressing the 2021/22 deficit will be developed during 2020/21. 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 2020, 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.	2019/20 – 2021/22	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.	2020/21	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.	2020/21	CMT
4	All out elections leading to a potential lack of experience or knowledge if a significant number of new members are elected for the first time.	CMT to address risk through general member induction training and bespoke member training on key corporate issues. Regular update reports will be provided to committees over the course of the municipal year.	2020/21	CMT
5	Implementation of senior management structure review.	Ongoing officer review focussing on implementation and bedding down of new structure.	2020/21	CMT
6	Covid 19 Virus effecting the health and wellbeing of the Borough, service delivery and the financial stability of the Council.	Dedicated Corporate Management Team response team setup to co-ordinate and manage the Council's strategic response, including implementation of national guidance at a local level. Emergency plans implemented. New functions established delivering vital services within the borough. Vulnerable people and businesses supported in line with Government guidance and local solutions. Safe working arrangements implemented at the Council in line with Government advice. Financial implications and risks are being managed and monitored. Communication strategy implemented.	2020/21	CMT

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

**Signed on behalf of Hartlepool Borough Council:**

**Managing Director**

**Chair of Audit and Governance Committee**

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

#### Report on the financial statements

##### Opinion

We have audited the financial statements of Hartlepool Borough Council for the year ended 31 March 2020, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Statement of Cash Flows, the Housing Revenue Account, the Collection Fund and the notes to the financial statements, including a 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Hartlepool Borough Council as at 31st March 2020 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

##### 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.

##### Emphasis of Matter

##### Material uncertainty relating to valuations of surplus assets and investment properties

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the material valuation uncertainty statements made by the Council's valuer.

##### 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 Resources and Development's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Resources and Development 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 Resources and Development is responsible for the other information. The other information comprises the information included in the Financial Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

#### Responsibilities of the Director of Resources and Development for the financial statements

As explained more fully in the Statement of the Director of Resources and Development's Responsibilities, the Director of Resources and Development 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 2019/20, and for being satisfied that they give a true and fair view. The Director of Resources and Development is also responsible for such internal control as the Director of Resources and Development 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 Resources and Development is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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 Resources and Development 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.

#### 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.

#### Conclusion on Hartlepool Borough 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 April 2020, 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 2020.

## SECTION 5 : Independent Auditor's Report

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

#### 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 April 2020, 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 2020.

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.

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice 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.

#### Use of the audit report

This report is made solely to the members of Hartlepool Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

#### 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.

OR

#### Delay in certification of completion of the audit

We can not formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

### **DEBTORS**

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

### **DEFINED BENEFIT SCHEME**

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

### **DEFINED CONTRIBUTION SCHEME**

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

### **DEPRECIATION**

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

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

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

This list is not intended to be comprehensive.

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

## 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.

# AUDIT AND GOVERNANCE COMMITTEE

1 October 2020



**Report of:** Chief Solicitor and Monitoring Officer

**Subject:** INDEPENDENT PERSONS RECRUITMENT

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## 1. PURPOSE OF REPORT

- 1.1 The Committee's approval is sought to make arrangements for the recruitment and selection of up to three Independent Persons whose appointment must then be approved by a majority of Elected Members at Full Council.
- 1.2 The report serves as a reminder of the requirement for, and the role of, the Independent Persons and provides a suggested recruitment and selection process to be carried out to enable the Authority to make appointments at the start of the 2021/22 Municipal year.

## 2. BACKGROUND

- 2.1 The Committee is aware that Sections 28(7) to (10) of the Localism Act 2011 require the Council to appoint at least one "Independent Person" – essentially not a current Officer, Member or Co-opted Member of the Council, or a person who has been an Officer, Member or Co-opted Member of the Council within the past 5 years, or a relative or close friend of either of the aforementioned categories. The Localism Act provides that the views of an Independent Person must "be sought, and taken into account" by the Council "before it makes a decision on an allegation that it has decided to investigate". In addition the Localism Act provides that the views of an Independent Person may be sought by the Council when deciding how to deal with a new allegation.
- 2.2 More recently the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 introduced an additional formal statutory role for Independent Persons, requiring them to work together as a Panel in advising the Council prior to any vote on whether to dismiss the Council's Head of Paid Service, Monitoring Officer and Chief Finance Officer, ('Protected Officers'). Under these regulations, the Independent Advisory Panel must contain at least two Independent Persons. The recently

published Redmond Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting recommends consideration being given to the appointment of at least one suitably qualified independent member, to the Audit Committee.

### **3. PROPOSALS/ISSUES FOR CONSIDERATION**

- 3.1 Since 2013 the current and former Monitoring Officers have worked effectively and efficiently with the Independent Persons appointed by Council in accordance with the requirements of the Localism Act. To date there has been no requirement for them to advise Council in relation to the dismissal of Protected Officers.
- 3.2 Previously the Council appointed three Independent Persons, however following the resignation of Norman Rollo and Stan Cronin, we are currently operating with one, namely Clare Wilson whose term of office is due to end in July 2021. Audit and Governance Committee's approval is sought to enable the Monitoring Officer to make the appropriate arrangements for the recruitment and selection of up to three Independent Persons with a term of office commencing in May 2021. As part of this process, Clare Wilson will have the opportunity to apply to renew her current appointment. In order to comply with the Redmond Review it is suggested if possible, one of the three Independent Persons have relevant financial experience in order to strengthen transparency and accountability.
- 3.3 The recruitment pack to be utilised for this purpose is attached at Appendix 1 and Members' views are sought. In line with ongoing Government consultation it is suggested that the Independent Persons appointment be for a term of office of 2 years. It is hoped that the timetable can be undertaken to enable the Independent Persons to take up their role from May 2021.
- 3.4 It is suggested that the vacancies be advertised on social media and in local newspapers and on the Council website. A shortlisting exercise and subsequent interview panel will then be conducted by the Chair and Vice Chair of the Audit and Governance Committee with the Chief Solicitor and Monitoring Officer and Director of Resources and Development. The Panel's proposals will be presented to Council in May 2021 for approval.

### **4. RECOMMENDATIONS**

- 4.1 That the Audit and Governance Committee approve the recruitment process for up to three Independent Persons to undertake the role as provided in Appendix 1.

**5. REASONS FOR RECOMMENDATIONS**

- 5.1 To ensure the Council complies with Sections 28(7) to (10) of the Localism Act 2011 along with the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015.

**6. BACKGROUND PAPERS**

Localism Act 2011

Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015

Redmond Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting

**7. CONTACT OFFICER**

Hayley Martin  
Chief Solicitor and Monitoring Officer  
Hartlepool Borough Council  
Civic Centre  
Hartlepool, TS24 8AY

Tel: 01429 523003

# **RECRUITMENT PACK FOR APPOINTMENT OF INDEPENDENT PERSONS**

**HARTLEPOOL BOROUGH COUNCIL**  
**APPOINTMENT OF INDEPENDENT PERSONS**  
**TO THE AUDIT AND GOVERNANCE COMMITTEE AND INDEPENDENT**  
**ADVISORY COMMITTEE**

Under the Localism Act, 2011, the Borough Council are required to appoint Independent Persons as part of their arrangements in the promotion and maintenance of high standards of conduct affecting its Elected Members and those members of a Parish Council within its area. In addition, the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 provides an additional formal statutory role for Independent Persons, requiring them to work together as an Independent Advisory Panel in advising the Council prior to any vote on whether to dismiss the Council's Head of Paid Service, Monitoring Officer and Chief Finance Officer, ('Protected Officers'). Under these regulations, the advisory Panel must contain at least two Independent Persons.

Applications are therefore invited from members of the public to undertake the role of Independent Persons as noted above, particularly from those with experience in either a regulatory, commercial, financial, professional or voluntary sector with an interest in the proper and effective ethical and good governance of an organisation.

Training will be provided and reasonable travel and subsistence expenses will be payable.

Applicants should not within the past five years have been an Elected Member, Co-Opted Member or Officer of the Borough Council or of a Parish Council within the Council's area, or a relative or close friend of such persons.

An application pack, including application form and role description is available upon request. For an informal discussion about these posts please contact Hayley Martin, Chief Solicitor and Monitoring Officer, Hartlepool Borough Council on 01429 523003.

Completed applications should be returned to:

Hayley Martin  
Chief Solicitor and Monitoring Officer  
Hartlepool Borough Council  
Civic Centre  
Victoria Road  
Hartlepool  
TS24 8AY

[hayley.martin@hartlepool.gov.uk](mailto:hayley.martin@hartlepool.gov.uk)

**INDEPENDENT PERSON ON THE AUDIT AND GOVERNANCE COMMITTEE,  
INDEPENDENT ADVISORY COMMITTEE SELECTION CRITERIA**

**SKILLS AND COMPETENCIES**

The Independent Person will have:

- a keen interest in standards in public life.
- a wish to serve the local community and uphold local democracy.
- the ability to be objective, independent and impartial.
- sound decision making skills.
- leadership qualities, particularly in respect of exercising sound judgement.

The Independent Person will:

- be a person in whose impartiality and integrity the public can have confidence.
- understand and comply with confidentiality requirements.
- have a demonstrable interest in local issues.
- have an awareness of the importance of ethical behaviours.
- be a good communicator.

Desirable additional criteria are:

- working knowledge/experience of local government or other public service and/or of large complex organisations and awareness of and sensitivity to the political process.
- knowledge and understanding of judicial/quasi-judicial, complaints and audit processes.
- relevant financial knowledge/experience in either the public or private sector that would aid the understanding and review of financial and audit reports.
- 

You should demonstrate in your application how you meet the above criteria as this will assist any short-listing process.

Means of assessment will be by application form and by interview.

NOTE: You will be required to be contactable at all times during normal working hours by telephone or by email and to be available to attend hearings which may be held in the day time and at relatively short notice.

**Eligibility for Appointment**

A person cannot be appointed as an Independent Person if they are actively engaged in local party political activity in any way or, if they are or were within a period of 5 years prior to the appointment:

- An Elected Member, co-opted member or officer of the Authority.
- An Elected Member, co-opted member or officer of a parish council in the Borough Council's area, or a relative or close friend of the above.

## **ROLE OF INDEPENDENT PERSON**

### **ROLE DESCRIPTION**

Responsible to: The Council

Liaison with: Monitoring Officer, Members of the Audit and Governance Committee, Director of Resources and Development, Officers and Members of the Council, and parish councillors within the Borough, key stakeholders within the community.

1. To assist the Council in promoting high standards of conduct by Elected and Co-opted Members of the Council and parish councillors and in particular to uphold the Code of Conduct adopted by the Council including the principles of public office, namely; selflessness, honesty, integrity, objectivity, accountability, openness and leadership.
2. To review and approve the work of the Authority's internal auditors and review the plans of the external auditor and the internal audit team to ensure that Audit work is co-ordinated. Ensure adequate corporate governance arrangements in respect of risk management and fraud prevention are in place and operate effectively.
3. To be consulted by the Council through the Monitoring Officer and/or the Audit and Governance Committee before it makes a decision on an investigated allegation and to be available to attend meetings of the Hearing Sub-Committee of the Audit and Governance Committee for this purpose.
4. To be available for consultation by the Monitoring Officer and/or the Audit and Governance Committee before a decision is taken as to whether to investigate a complaint or to seek local resolution of the same.
5. To be available for consultation by any Elected Member, including parish councillors who is the subject of a complaint.
6. To develop a sound understanding of the ethical framework as it operates within the Council and Parish Councils within the Borough.
7. To participate in an Independent Advisory Committee to provide advice to the Council prior to any vote on whether to dismiss the Council's Head of Paid Service, Monitoring Officer and Chief Finance Officer, ('Protected Officers').
8. To participate in training events to develop skills, knowledge and experience and in networks developed for Independent Persons.
9. To attend training events organised and promoted by the Council.
10. To act as advocate and ambassador for the Council in promoting ethical behaviour.

**EXTRACT  
COUNCIL'S CODE OF CONDUCT**

# CODE OF CONDUCT FOR ELECTED MEMBERS AND CO-OPTED MEMBERS

## 1. INTRODUCTION

This Code of Conduct is a key part of the Authority's discharge of its statutory duty to promote and maintain high standards of conduct by its Elected Members, Co-opted Members and Independent Persons. The code is part of the Council's Constitution and is to be considered in conjunction with other Codes of Conduct included in Part 5 of the Constitution, particularly the protocol on Member/Officer relations.

This code applies to you as an Elected Member of Hartlepool Borough Council and when you act in your role as an Elected Member it is your responsibility to comply with the provisions of this code. The code will also have application to voting Co-opted Members and to those Independent Persons appointed to the Audit and Governance Committee.

You are a representative of this Authority and the public will view you as such. Therefore your actions impact on how the Authority as a whole is viewed and your actions can have both positive and negative impacts on the Authority.

## 2. NOLAN PRINCIPLES OF PUBLIC LIFE

This Code is adopted through the requirement for Hartlepool Borough Council to promote and maintain high standards of conduct by its Elected Members/Co-opted Members, under Section 27 of the Localism Act 2011. The Code has application to those "principles of public life" as set out below under paragraphs (i) – (vii) as specified under the Localism Act 2011 and the Council has decided to incorporate the additional principles as set out within paragraphs (viii) – (x).

The principles of public life apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally and all people appointed to work in the civil service, local government, the police, courts and probation services, Non Departmental Public Bodies, and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also have application to all those in other sectors delivering public services.

### (i) Selflessness

Holders of public office should act solely in terms of the public interest

### (ii) Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their

family, or their friends. They must declare and resolve any interests and relationships.

**(iii) Objectivity**

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

**(iv) Accountability**

Holders of public office are accountable to the public for their decisions and actions to the public and must submit themselves to the scrutiny necessary to ensure this.

**(v) Openness**

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

**(vi) Honesty**

Holders of public office should be truthful and declare any private interests which might affect their work for the Council.

**(vii) Leadership**

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

**(viii) Respect for Others**

Members should promote equality by not discriminating unlawfully against any person and by treating people with respect, regardless of their race, age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the Authority's Statutory Officers and its other employees.

**(ix) Duty to Uphold the Law**

Members should uphold the law and on all occasions act in accordance with the trust that the public is entitled to place in them. This principle (which is to have general application) is intended to apply through a Member's election and their acceptance of the office of Elected Member and following the appointment of a Co-opted Member to the Authority.

**(x) Personal Judgement**

Members may take account the view of others, including their political groups but should reach their conclusion on the issues before them and act in accordance with those conclusions.

As a Member your conduct will in particular address the statutory principles of this Code of Conduct as set out above by:

- Championing the needs of residents – the whole community and in a special way my constituents, including those who did not vote for me – and putting their interests first.
- Dealing with representations or enquiries from residents, members of our communities and visitors fairly, appropriately and impartially.
- Not allowing other pressures, including the financial interests of myself or others connected to me, to deter me from pursuing constituents' casework, the interests of the Authority's area or the good governance of the Authority in a proper manner.
- Exercising independent judgement and not compromising my position by placing myself under obligations to outside individuals or organisations who might seek to influence the way I perform my duties as an Elected Member/Co-opted member of this Authority.
- Listening to the interests of all parties, including relevant advice from statutory and other professional Officers, taking all relevant information into consideration, remaining objective and making decisions on merit.
- Being accountable for my decisions and co-operating when scrutinised internally and externally, including by local residents.
- Contributing to making this Authority's decision-making processes as open and transparent as possible to enable residents to understand the reasoning behind those decisions and to be informed when holding me and other Members to account but restricting access to information when the wider public interest or the law requires it.
- Behaving in accordance with all our legal obligations, alongside any requirements contained within this Authority's policies, protocols and procedures, including on the use of the Authority's resources.
- Valuing my colleagues and staff and engaging with them in an appropriate manner and one that underpins the mutual respect between us that is essential to good local government.
- Always treating people with respect, including the organisations and public and engage with and those I work alongside.
- Providing leadership through behaving in accordance with these principles when championing the interests of the community with other organisations as well as within this Authority.

*[Extracted from the Local Government Association 'Template Code and Guidance Note on Conduct'.]*

## **General Obligations**

1. When acting in your role as a Member of the Authority
  - 1.1 You must treat others with respect.
  - 1.2 You must not conduct yourself in a manner which is contrary to the Authority's duty to promote and maintain high standards of conduct amongst its Members.
  - 1.3 You must not disclose information given to you in confidence by anyone, or information acquired by you which you believe or are reasonably aware, is of a confidential nature, except where –
    - (i) you have the consent of the person authorised to give it;
    - (ii) you are required by law to do so;
    - (iii) the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or
    - (iv) the disclosure is –
      - (a) reasonable and in the public interest; and
      - (b) made in good faith and in compliance with the reasonable requirements of the Authority; and
      - (c) you have consulted with the Authority's Monitoring Officer prior to its release.
  - 1.4 You must not prevent any other person from gaining access to information to which that person is entitled by law.
  - 1.5 Members should be responsible for the Health and Safety of themselves, colleagues and officers of the Authority.
  - 1.6 Members should consider this code in conjunction with the Officer/Member protocol.

## **2. Resources**

- 2.1 When using or authorising the use by others of the resources of the Authority –
  - (i) You must act in accordance with the Authority's reasonable requirements including the requirements of the Authority's applicable information technology policy and those related policies, copies of which have been provided to you and which are deemed to have been read;
  - (ii) You must ensure that such resources are not used improperly for political purposes (including party political purposes); and
  - (iii) You have regard to any applicable Code of Recommended Practice on Local Authority Publicity issued under Section 4 of the Local Government Act, 1986.

## **3. Use of Social Media by Elected Members/Co-opted Members**

- 3.1 The growing popularity of personal web logs (blogs) and social networking sites, such as Facebook and Twitter, may raise issues for the Authority, particularly

where Elected Members/Co-opted Members choose to write about their work and the Authority in which they are appointed.

- 3.2 Internet access for personal use is at the Authority's discretion and must not affect an Elected Members/Co-opted Members performance or productivity when at work as a Member.
- 3.3 The Authority may monitor the use of the internet for legitimate business reasons, including compliance with this Code. By using the internet Elected Members/Co-opted Members are deemed to have consented to the monitoring, recording and auditing of internet use.

**You must:**

- ✓ adhere to the Authority's **Personal Information Security Policy** and the **Corporate Social Media Policy** when using social networking sites for personal use.
- ✓ make it clear when posting information or comments on social networking sites that any personal views expressed do not represent those of the Authority.
- ✓ inform the Monitoring Officer within good time if you have acted inappropriately when using social media, even if the mistake has since been resolved.
- ✓ report to the Monitoring Officer any instances where you believe another Member has posted inappropriate or offensive comments on social networking sites.

**You must not:**

- ✗ post information on social networking sites which is confidential to the Authority, its suppliers, customers or contractors.
- ✗ post entries on social networking sites about colleagues, managers/officers, customers, contractors, service users or any other person linked to the Authority which are derogatory, defamatory, confidential, discriminatory or offensive in any way or which could bring the Authority into disrepute.

- 3.4 Member's should ensure that they do not publish or incite or allow anyone else to publish material which may criticise a fellow Member, Officer or body which would bring the Authority into disrepute.
- 3.5 Further guidance on social media is attached as Appendix 1 to this Code.

#### **4. Registration of Interests**

- 4.1 You must register in the Authority's Register of Elected Members/Co-opted Members Interests information about your registerable personal interests. In this code of conduct 'your registerable personal interests' means:

- (a) any Disclosable Pecuniary Interest as set out in **Appendix 2**; or

- (b) any other interest held by you as set out in **Appendix 3**.

You must register information about your registerable personal interests by giving written notice to the Monitoring Officer, who maintains the Register, within 28 days of:

- your appointment as a member of the Authority; and
- any change taking place in your registerable personal interests.

- 4.2 Where you think that disclosure of the details of any of your registerable personal interests could lead to you, or a person connected with you, being subject to violence or intimidation, the Monitoring Officer may at your request make a note on the Register that you have a personal interest, details of which are withheld.

## **5. Non-Registerable Interests**

- 5.1 You will have a non-registerable personal interest (Prejudicial) when you attend a meeting of Full Council, or one of their committees or sub-committees, and you are, or ought reasonably to be, aware that a decision in relation to an item of business which is to be transacted might reasonably be regarded as affecting your wellbeing or financial position, or the wellbeing or financial position of a person described in paragraph 5.2 to a greater extent than most inhabitants of the area affected by the decision.

- 5.2 The persons referred to in paragraph 5.1 are:

- (a) a member of your family;
- (b) any person with whom you have a close association;
- (c) in relation to persons described in (a) and (b), their employer, any firm in which they are a partner, or company of which they are a director or shareholder.

“A member of your family” means: your partner (i.e. your spouse, civil partner or anyone with whom you live in a similar capacity); your parent or parent-in-law; any child, stepchild or sibling of you or your partner; your grandparent, grandchild, aunt, uncle, nephew or niece; and the partners of any of those people.

You have a “close association” with someone if your relationship is such that a reasonable member of the public might think you would be prepared to favour or disadvantage that person when deciding a matter which affects them).

- 5.3 When you attend a meeting of Full Council or one of their committees or sub-committees, and you are aware that you have a non-registerable interest in an item of business (as defined in paragraph 5.1) you must disclose that interest to the meeting before consideration of that item begins or (if later) when you become aware of the interest.

## **6. Non-Participation in Authority Business**

- 6.1 When you attend a meeting of Full Council, or one of their committees or sub-committees, and you are aware that the criteria set out in paragraph 6.2 are satisfied in relation to any matter to be considered, or being considered at that meeting, you must:
- (a) Declare that fact to the meeting;
  - (b) Not participate (or further participate) in any discussion of the matter at the meeting;
  - (c) Not participate in any vote (or further vote) taken on the matter at the meeting; and
  - (d) Leave the room whilst the matter is being discussed.
- 6.2. The criteria for the purposes of paragraph 6.1 are that:
- (a) You have a registerable or non-registerable personal interest (prejudicial) in the matter which is such that a member of the public knowing the relevant facts would reasonably think it so significant that it is likely to prejudice your judgement of the public interest; and either
  - (b) The matter will affect the financial position of yourself or one of the persons or bodies referred to in paragraph 5.2 or in any of your register entries; or
  - (c) The matter concerns a request for any permission, licence, consent or registration sought by yourself or any of the persons referred to in paragraph 5.2 or in any of your register entries.
- 6.3. If an Authority function can be discharged by you as a member acting alone and you are aware you have a registerable or non-registerable personal interest in any matter to be dealt with by you in that way which meets the criteria set out in paragraph 6.2, you shall not deal with that matter in any way (except to enable it to be dealt with by someone else).
- 6.4. Paragraphs 6.1 to 6.3 do not apply if:
- (i) you have a relevant dispensation under section 33 of the Localism Act 2011 or
  - (ii) the matter in question relates to any of the following functions of the Authority:
    - (a) housing, where you are a Council tenant provided the matter does not relate particularly to your tenancy or lease;
    - (b) school meals or school transport, where you are a parent or guardian of a child in full-time education or a parent governor of a school, unless the matter relates particularly to the school your child attends;
    - (c) statutory sick pay where you are in receipt of, or entitled to receipt of, such pay;
    - (d) an allowance, payment or indemnity given to Elected Members;
    - (e) any ceremonial honour given to Elected Members; and
    - (f) setting council tax or a precept under the Local Government Finance Act 1992.

## **7. Pre – Determination or Bias**

- 7.1 Where you have been involved in campaigning in your political role on an issue which does not impact on your personal and/or professional life you should not be prohibited from participating in a decision in your political role as Member, however you should not place yourself under any financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.
- 7.2 At all meetings, when making a decision, you need to consider the matter with an open mind and on the facts before the meeting at which the decision is to be taken.

## **8. Statutory Scrutiny Committee Meetings**

- 8.1 In any business before Statutory Scrutiny Committee of your Authority (or of a Sub-Committee of such a Committee) where –
- (a) that business relates to a decision made (whether implemented or not) or action taken by the Authority's Committees, Sub-Committees, Joint Committees or Joint Sub-Committees; and
  - (b) at the time the decision was made or action was taken, you were a member of a Committee, Sub-Committee, Joint Committees or Joint Sub-Committee mentioned in paragraph (a) and you were present when that decision was made or action was taken,

You may only attend a meeting of the Statutory Scrutiny Committee for the purpose of answering questions or giving evidence relating to the business, and you must leave the room thereafter, if requested to do so by the Statutory Scrutiny Committee.

## **9. Offences**

- 9.1 Under Section 34 of the Localism Act, 2011, a person commits an offence if, without reasonable excuse, that person fails to comply with an obligation imposed on them in respect of the disclosure of pecuniary interests on taking office and must disclose that interest (other than in the case of certain sensitive interests, to which a different procedure applies) or participate in any discussion or votes or takes any steps in contravention of the above. The person will therefore commit an offence if they provide information that is false or misleading and the person knows that that information is false or misleading or is reckless as to whether the information is true and not misleading. A person guilty of an offence under this Section is liable on summary conviction to a fine not exceeding level 5 on the standard scale and a Court may order the disqualification of that person from being or becoming an Elected Member or Co-opted Member of a relevant authority for a period not exceeding five years.'

## **APPENDIX 1**

### **GUIDANCE ON USE OF SOCIAL MEDIA BY ELECTED MEMBERS/ CO-OPTED MEMBERS**

Social media is a collective term used to describe easy ways to create and publish on the internet. People generally use the term to describe how organisations and individuals share content – text, video and pictures – and create conversations on the web.

**It has grown substantially over recent years as a means of communicating and sharing information.** Popular sites include [Twitter](#), [Facebook](#), [Pinterest](#), [Blogger](#), [Wordpress](#) and [YouTube](#)

The important thing to remember about social media is that it's social. It's about communication.

Training is available via the Elected Members Development Programme which explains what social media is and how you can protect yourself when using it.

#### **1. Maintaining good 'netiquette'**

Elected Members/Co-opted Members, just like anyone, should take due regard of internet security and to ensure that communications remain proper and appropriate, the following practical points may assist:

- Make your commenting policy clear

You will need to take note of the comments that other people make on your site. It may be a fine line to tread, but if you allow offensive or disrespectful comments to stand on your site then it can put off other members of your community, and you may even be called to account under the Code of Conduct for Elected Members and Co-opted Members. For blogs, the easiest way to handle this is to moderate comments and to state clearly on your site that you're doing so and reasons why comments may be rejected. For Facebook or other social networks, including multi-media sites like YouTube and Flickr where people can post public or semi-public messages to your profile, you will need to regularly check on messages (you can be notified by email) or disable message posting.

- Allow disagreement

Some comments may not accord with your views but on the other hand deleting the comments of people who disagree with you will backfire. You cannot stop them from posting the same comment elsewhere then linking back to your site and saying you are gagging those who disagree with you.

- Think before you publish

Words cannot be unspoken and even if you delete a hastily fired off blog post or tweet it will probably have already been read and will be referenced or duplicated in places on the web beyond your reach.

- “Following” and “friending”

Some of the terminology in social media, like ‘following’ or ‘friending’ can imply an intimacy that’s not really there. Both terms just mean you have linked your account to someone else so you can share information. Experienced internet users are used to this but some members of the public may feel uneasy when their Member begins following them on Twitter before establishing some sort of online relationship. Some Members wait to be followed themselves first.

Do make use of other communication functions that social media allows you. Twitter’s ‘list’ function, for example, can help you to follow local people in a less direct way. Bloggers are, however, almost invariably happy for you to link to them.

You must think carefully about who you request to be ‘friends’ with or accept ‘friend’ requests from. Requesting or accepting, for example, an officer of the Authority as a ‘friend’ on a social network site must not compromise the professional and impartial relationship between officers and Elected Members/Co-opted Members. Generally this should be avoided.

- If you make a mistake:

Social media is transparent, the best bloggers admit mistakes rather than try to cover them up (which is not possible online). Amending your text and acknowledging your mistake – perhaps by putting a line through the offending words and inserting a correction, or providing an update section at the bottom of a blog post - shows you are not pretending it never happened and it’s much better than just deleting it when dealing with online misfires.

- Avoid the difficult users

As you begin to use social media, you’ll find some argumentative characters out there. Don’t get bogged down. You don’t have to respond to everything. Ignore if necessary.

## **2. Legal Considerations**

In the main Elected Members/Co-opted Members have the same legal duties online as anyone else (see below) but failures to comply with the law may have more serious consequences. There are some additional duties around using a Member’s website for electoral campaigning and extra care needs to be taken when writing on planning, licensing and other quasi-judicial matters.

### **a) Libel**

If you publish an untrue statement about a person which is damaging to their reputation they may take a libel action against you. This will also apply if you allow someone else to publish something libellous on your website if you know about it and don’t take prompt action to remove it. A successful libel claim will result in an award of damages against you.

b) Copyright

Placing images or text on your site from a copyrighted source (for example extracts from publications or photos) without permission is likely to breach copyright. Avoid publishing anything you are unsure about, or seek permission in advance. Breach of copyright may result in an award of damages against you.

c) Data Protection

Avoid publishing the personal data of individuals unless you have their express written permission.

d) Bias and pre-determination

If you are involved in determining planning or licensing applications or other quasi-judicial decisions avoid publishing anything on your blog that might suggest you don't have an open mind about a matter you may be involved in determining. If not, the decision runs the risk of being invalidated.

e) Obscene material

It goes without saying that you should avoid publishing anything in your blog that people would consider obscene. Publication of obscene material is a criminal offence.

f) Bullying and Discriminatory comments

Behaving in a discriminatory, bullying or harassing way towards any individual, including making offensive or derogatory comments relating to sex, gender reassignment, race (including nationality), disability, sexual orientation, religion or belief or age via social media by posting images or links or comments could, in certain circumstances, result in criminal sanction.

g) Electoral periods

The Electoral Commission requires that candidates provide a return of expenditure on any form of advertising or campaign literature and that includes web advertising. There are additional requirements, such as imprint standards for materials, which can be downloaded from a website. Full guidance for candidates can be found at [www.electoralcommission.org.uk](http://www.electoralcommission.org.uk).

While the above list is not exhaustive it does highlight some of the more obvious issues. If you are in any doubt, speak to the Monitoring Officer. Almost all of these pitfalls can be avoided if your online content is objective, balanced, informative and accurate.

### **3. The Elected Members/Co-opted Members' Code of Conduct**

It is worth pointing out that Elected Members/Co-opted Members can have 'blurred identities' when they have a social media account where they comment

both as a Member and as a private individual. For example you may have a Facebook account where you've posted about a great night out (in your personal/private capacity) and another time explained the Authority's position on pothole repair (in your Member capacity). It may be clear in your mind when you are posting in a private capacity or as a Member but it could be less clear to others.

Such blurred identities might, for example, have implications where your views are taken as those of the Authority or political party, rather than your personal opinion. So it is important to be clear in your social media accounts/profiles then you can be confident as to what you can and cannot say while you are representing the Authority or political party.

How you use your online identity will also determine how online content will be treated in respect of the Elected Members/Co-opted Members' Code of Conduct. Elected Members/Co-opted Members are expected to communicate politically. As explained above there is a difference between communicating on behalf of the Authority, for example blogging as Mayor/Elected Member/Co-opted Member or as a private citizen, and the former will be held to a higher standard than the latter.

The key to whether your online activity is subject to the Code of Conduct for Elected Members/Co-opted Members is whether you are giving the impression that you are acting as a Member and that is the case whether you are in fact acting in an official capacity or simply giving the impression that you are doing so.

One way to separate your personal/private business from your activities as a Member is to have two separate accounts. One for personal/private business and the other for Member activities. The latter account would have the title of Councillor in the profile name to clearly identify the role you are undertaking when using that account. This separation of accounts will assist in managing friends lists and the content of any tweets/post etc.

Aspects of the Elected Members/Co-opted Members' Code of Conduct will apply to your online activity in the same way it does to other written or verbal communication you undertake. Elected Members/Co-opted Members should comply with the general principles of the Code in what they publish and what they allow others to publish.

You will need to be particularly aware of the following sections of the Code:

- Treating others with respect. Avoid personal attacks and any disrespectful, rude or offensive comments.
- Refraining from publishing anything you have received in confidence.
- Ensuring you do not bring the Authority, or your Member role, into disrepute.

Further information in relation to this guidance is available from the Authority's Monitoring Officer.

## APPENDIX 2

### SCHEDULE – DISCLOSABLE PECUNIARY INTERESTS

A “disclosable pecuniary interest” is an interest of yourself or your partner (which means spouse or civil partner, a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners) within the following descriptions:

(In the extracts from the Regulations below, ‘M’ means you and ‘relevant person’ means you and your partner, as above)

<i>Subject</i>	<i>Prescribed description</i>
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	<p>Any payment or provision of any other financial benefit (other than from the relevant period in respect of any expenses incurred by M in carrying out duties as a Member, or towards the election expenses of M.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992(a).</p>
Contracts	<p>Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority –</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licenses	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.

## Corporate tenancies

Any tenancy where (to M's knowledge) –

- (a) the landlord is the relevant authority; and
- (b) the tenant is a body in which the relevant person has a beneficial interest.

## Securities

Any beneficial interest in securities of a body where –

- (a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and
- (b) either –
  - (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body: or
  - (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

[Extract from 'The Relevant Authorities (Disclosable Pecuniary Interests) Regulations, 2012]

### **Appendix 3**

#### **Other Registerable Personal Interests**

The other interests which you must register under paragraph 4.1(b) of the code are:

1. Any body of which you are a member (or in a position of general control or management) to which you are appointed or nominated by the Authority;
2. Any body which (i) exercises functions of a public nature or (ii) has charitable purposes or (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a member (or in a position of general control or management);
3. Any person from whom you have received within the previous three years a gift or hospitality with an estimated value of more than £50 which is attributable to your position as an Elected or Co-opted Member of the Authority.

Note: These mean only your interests and not those of your spouse or civil partner



**APPLICATION FOR THE POSITION OF INDEPENDENT PERSON**

Individuals who wish to be considered for appointment as Independent Person are requested to provide the following information to support their application. All information provided will be treated in the strictest confidence and will only be used for the purposes of selection. Please feel free to use a separate continuation page if you wish to expand upon your answer to any question outlined below.

**1. PERSONAL DETAILS**

**Name:**

**Address:**

**Postcode:**

**National Insurance Number:**

**Contact Details:**

**Daytime Telephone Number:**

**Email Address:**

**2. QUALIFICATIONS**

(Please list in particular any qualifications which you think are relevant to these roles)

**3. SUMMARY OF EXPERIENCE**

(Please give a brief account of your experience including career, public and voluntary work together with the nature of your current or most recent occupation)

**4. RELEVANT EXPERTISE/SKILLS**

(Please outline briefly any knowledge or expertise which you believe would be particularly relevant having regard to the selection criteria and role descriptions)

**5. Why do you wish to be considered for appointment and what particular attributes do you believe you would bring to these roles?**

**6. Please provide any additional information you may wish to give in support of your application:**

**7. References will be taken up for all applicants who are invited for interview**

<p>1. Name: .....</p> <p>Address: .....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>Telephone No. ....</p>	<p>2. Name: .....</p> <p>Address: .....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>Telephone No. ....</p>
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I wish to apply to be an Independent Person.

In submitting this application, I declare that:

**EITHER**

- I am not and have not during the past five years been an Elected Member or Officer of the Borough Council.
- I am not related to, or a close friend of, any Elected Member or Officer of the Borough Council.
- I am not currently an Officer or Elected Member of any other relevant authority (this includes parish, unitary councils and Police and Fire Authorities).
- I am not actively engaged in local party political activity.

Signed: .....

Date: .....

Please return this application form marked **PRIVATE AND CONFIDENTIAL** and addressed to:

Hayley Martin  
Chief Solicitor & Monitoring Officer  
Hartlepool Borough Council  
Civic Centre  
Victoria Road  
Hartlepool  
TS24 8AY

Or email the completed form to [hayley.martin@hartlepool.gov.uk](mailto:hayley.martin@hartlepool.gov.uk)

# AUDIT AND GOVERNANCE COMMITTEE

1 October 2020



**Report of:** Statutory Scrutiny Officer

**Subject:** INTRODUCTION TO SCRUTINY

---

## 1. PURPOSE OF REPORT

- 1.1 To provide an overview of the role and functions of the Audit and Governance Committee in fulfilling its statutory scrutiny responsibilities

## 2. BACKGROUND INFORMATION

- 2.1 Within the Council's Constitution, responsibility for the authority's statutory scrutiny functions is delegated to the Audit and Governance Committee. These statutory scrutiny functions relate to the areas of health and crime and disorder.

### Statutory Health Scrutiny

- 2.2 In fulfilling the requirements of the Health and Social Care Act 2012, the Council has a statutory responsibility to review and scrutinise matters relating to the planning, provision and operation of health services at both local and regional levels. In doing this, local authorities not only look at themselves (i.e. in relation to public health), but also at all health service providers and any other factors that affect people's health.
- 2.3 The Audit and Governance Committee will review / scrutinise and make reports with recommendations to the Council (and / or Finance and Policy Committee where appropriate), a 'responsible person' (that being relevant NHS body or health service provider) and other relevant agencies about possible improvements in service in the following areas:-
- (i) health issues identified by, or of concern to, the local population;
  - (ii) proposed substantial development or variation in the provision of health services in the local authority area (except where a decision has been taken as a result of a risk to safety or welfare of patients or staff);
  - (iii) the impact of interventions on the health of local inhabitants;

- (iv) an overview of delivery against key national and local targets, particularly those which improve the public's health;
- (v) the development of integrated strategies for health improvement; and
- (vi) The accessibility of services that impact on the health of local people to all parts of the local community.

**Additional Responsibilities:**

- Recommend to Council that a referral be made to the Secretary of State where there are concerns over insufficient consultation on major changes to services.
- Participates in, and develops, the Tees Valley Joint Health Scrutiny Committee and other joint arrangements with neighbouring authorities.

- 2.4 Health Scrutiny Regulations enable the Committee to request the attendance of 'a responsible person' to answer questions. The responsible person is under a duty to comply with these requests.

A responsible person - NHS body or relevant health service provider.

NHS bodies – NHS Foundation Trusts, Clinical Commissioning Groups, NHS England, all NHS Trusts including acute or hospital trusts, mental health and learning disability trusts, ambulance trusts and care trusts.

Relevant service providers - Private, independent or third sector providers delivering services under contract to the NHS or to the local authority.

**Statutory Crime and Disorder Scrutiny**

- 2.5 In fulfilling the requirements of the Police and Justice Act 2006, the Council has a statutory responsibility to establish a Crime and Disorder Scrutiny Committee with the power to review or scrutinise decisions made or other action taken by the Safer Hartlepool Partnership. This function is fulfilled through the Audit and Governance Committee, which has responsibility for:-

- (i) Scrutiny of the work of the partners (insofar as their activities relate to the partnership itself);
- (ii) The review or scrutiny of decisions made or other action taken in connection with the discharge, by responsible authorities, of their crime and disorder functions (in this context responsible authorities means the Council, the Police, the Fire Authority and the Health Bodies) and make reports or recommendations to the Council or the appropriate Policy

Committee with regard to the discharge of those functions. Key areas for review or scrutiny being:

- Policy development – including in-depth reviews;
  - Contribution to the development of strategies;
  - Holding to account at formal hearings; and
  - Performance management.
- (iii) Making reports and recommendations to the Council or to the appropriate Policy Committee on any local crime and disorder matter (as defined by section 19 of the Police and Justice Act 2006) which has been referred to it by a Member of the Council as a Councillor Call for Action.

### 3. RECOMMENDATIONS

3.1 The Audit and Governance Committee is requested to note the report.

### BACKGROUND PAPERS

No background papers were used in the preparation of this report.

**Contact Officer:-** Joan Stevens – Statutory Scrutiny Manager  
Chief Executive's Department – Legal Services  
Hartlepool Borough Council  
Tel: 01429 284142  
Email: joan.stevens@hartlepool.gov.uk

## AUDIT AND GOVERNANCE COMMITTEE

1 October 2020



**Report of:** Statutory Scrutiny Officer

**Subject:** DEDICATED OVERVIEW AND SCRUTINY BUDGET  
– 2019/20 - OUTTURN

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### 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 2019/20 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 the funding requested.

### 3. BUDGET SPEND FOR THE 2019/20 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 2019/20, costs totalling £446.79 were incurred as part of the Anti-Social Behaviour Investigation.

### 4. RECOMMENDATION

- 4.1 It is recommended that the Audit and Governance Committee notes the dedicated scrutiny budget position for the 2019/20 financial year.

**Contact Officer:-** Joan Stevens – Statutory Scrutiny Manager  
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Hartlepool Borough Council  
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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.

## AUDIT AND GOVERNANCE COMMITTEE

1 October 2020



**Report of:** Statutory Scrutiny Manager

**Subject:** APPOINTMENT TO COMMITTEES / FORUMS

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### 1. PURPOSE OF THE REPORT

- 1.1 In line with the continuation in memberships across all Council Committees and Outside Body Appointments for 2020/21, the various additional outside organisation appointments of Councillors from the Audit and Governance Committee will continue.
- 1.2 Further to the report considered by the Committee in December 2019, a vacancy remains on the following: Durham Darlington and Teesside, Hambleton, Richmondshire and Whitby STP Joint Health Scrutiny Committee

### 2. BACKGROUND INFORMATION

- 2.1 Durham Darlington and Teesside, Hambleton, Richmondshire and Whitby STP Joint Health Scrutiny Committee - The Sustainability and Transformation Partnership (STP) replaced the Better Health Programme in developing health services to meet patient needs now and in the future with constantly improving health and social care delivered in the best place. Commissioners want to make sure that:
  - We improve results for patients;
  - Care is of the same high standard wherever, and whenever it is provided;
  - Services have the resources to be sustainable for the next 10 -15 years;
  - We can provide services across 7 days a week where necessary;
  - We make services easier for patients to understand and use;
  - We improve life expectancy and quality of life for everyone in Darlington, Durham and Tees.
- 2.2 The programme aimed to continue improving the services available in Durham Darlington and Teesside, Hambleton, Richmondshire and Whitby but in doing so, key challenges have been identified including:
  - The changing health needs of local people;
  - Meeting recommended clinical standards;
  - Availability of highly trained and skilled staff;
  - High quality seven-day services;
  - Providing care closer to home; and
  - Making the best use of our money.

- 2.3 The Durham Darlington and Teesside, Hambleton, Richmondshire and Whitby STP Joint Health Scrutiny Committee was established in 2017, as the body through which it is proposed that the respective Local Authorities respond to consultations as part of the STP process. A full copy of the Committees Terms of Reference is attached at **Appendix 1**.
- 2.4 Going forward, the Committee is asked to note that STP's have now evolved into Integrated Care Systems (ICSs), which are 'autonomous systems in which local bodies take collective responsibility for the health and social care of their populations within a defined budget'. Integrated Care Partnerships (ICPs) have also been established under ICS's, as bodies through which providers can work collaboratively, rather than competing to build on the new care models programme and pre-existing collaborations between services.
- 2.5 On this basis, the Durham Darlington and Teesside, Hambleton, Richmondshire and Whitby STP has now evolved into the South Integrated Care Partnership (ICP), the purpose of which is to be 'a new type of even closer collaboration, whereby NHS organisations, in partnership with local councils and others, take collective responsibility for managing resources, delivering NHS standards, and improving the health of the population they serve'.
- 2.6 To reflect this, the title of the Durham Darlington and Teesside, Hambleton, Richmondshire and Whitby STP Joint Health Scrutiny Committee is to change in the coming year to the 'Durham Darlington and Teesside, Hambleton, Richmondshire and Whitby ICP Joint Health Scrutiny Committee'. However, in the meantime, the Committee is requested to appoint three members to the Durham Darlington and Teesside, Hambleton, Richmondshire and Whitby STP Joint Health Scrutiny Committee. The Committee meets a minimum of four times a year, with its first meeting for 2019/20 held on the 12<sup>th</sup> June 2019.
- 2.7 The appointments should reflect the Council's political balance and the following were made earlier this year: Labour – Councillor Hall, Independent Union and Conservative – Councillor Loynes. To maintain the political balance, the vacancy should be from within Socialist Labour and a nomination is sought.

### 3. RECOMMENDATIONS

- 3.1 Members agree to fill the vacancy to the Durham, Darlington and Teesside, Hambleton, Richmondshire and Whitby STP Joint Health Scrutiny Committee.

Contact Officers:- Joan Stevens – Statutory Scrutiny Manager  
 Chief Executive's Department – Legal Services  
 Tel: 01429 284142  
 Email: [joan.stevens@hartlepool.gov.uk](mailto:joan.stevens@hartlepool.gov.uk)

David Cosgrove – Democratic Services Team  
Chief Executive's Department – Legal Services  
Tel: 01429 523019  
Email: [david.cosgrove@hartlepool.gov.uk](mailto:david.cosgrove@hartlepool.gov.uk)

## **BACKGROUND PAPERS**

HBC Constitution Part 7; Appointments to Outside organisations and other bodies.

## APPENDIX 1

### **Durham Darlington Teesside Hambleton Richmondshire and Whitby STP Joint Committee**

#### **Terms of Reference**

1. To consider the draft Durham Darlington Teesside Hambleton Richmondshire and Whitby STP (hereafter called STP).
2. To consider proposals for substantial development and variation to health services as contained in and/ or developed from the STP and as proposed by the following:
  - a) Darlington Clinical Commissioning Group (CCG);
  - b) Durham Dales, Easington and Sedgefield CCG;
  - c) Hartlepool and Stockton-on-Tees CCG;
  - d) South Tees CCG;
  - e) Hambleton Richmondshire and Whitby CCG.
3. To consider the following in advance of the formal public consultation:
  - The aims and objectives of the STP, the constituent workstreams therein including those proposals formerly developed as part of the Better Health Programme;
  - The plans and proposals for public and stakeholder consultation and engagement;
  - Any options for service change identified as part of the STP including those considerations made as part of any associated options appraisal process.
4. To consider the STP's substantive proposals during the period of formal public consultation, and produce a formal consultation response, in accordance with the protocol for the Joint Health Scrutiny Committee and the consultation timetable established by the relevant NHS Bodies.
5. In order to be able to formulate and provide views to the relevant NHS bodies on the matters outlined above, the Joint Committee may:-
  - a) Require the relevant NHS Bodies to provide information about the proposals the subject of the consultation with the constituent local authorities and the Joint Committee; and
  - b) Require an officer of the relevant NHS Bodies to attend meetings of the Joint Committee, in order to answer such questions as appear to them to be necessary for the discharge of their functions in connection with the consultation.
6. To ensure the formal consultation response of the Joint Committee includes, in full, the views of all of the constituent authorities, with the specific reasons for those views, regarding those areas where there is no consensus, as well

as the constituent authorities' views in relation to those matters where there is a consensus.

7. To oversee the implementation of any proposed service changes agreed as part of the STP/Better Health Programme process.
8. The Joint Committee does not have the power of referral to the Secretary of State.

# AUDIT AND GOVERNANCE COMMITTEE

1<sup>st</sup> October 2020



**Report of:** Statutory Scrutiny Manager

**Subject:** SCRUTINY WORK PROGRAMME 2020/21

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## 1. PURPOSE OF REPORT

- 1.1 To agree the Committee's meeting timetable, and process to allow reflection on Hartlepool's Covid-19 response and monitoring of recovery and renewal activities, for the remainder of the 2020/21 municipal year.

## 2. BACKGROUND

- 2.1 We are in unprecedented times and as the body responsible for the Council's statutory scrutiny activities, the Audit and Governance Committee scrutiny has a key role to play in:
- Supporting the local authority response to the pandemic;
  - Leading the debrief process; and
  - Providing a space for candid and public reflection on experiences from professionals, politicians and local people.
- 2.2 The Committee at its meeting on the 10<sup>th</sup> September 2020 considered the form and focus of its scrutiny activities for the remainder of the 2020/21 municipal year. With recognition of the need for scrutiny to be undertaken in a way that is flexible, timely, supportive, proportionate and minimises demands on officers during these challenging times, it was agreed that:-
- i) Proactive scrutiny activities for the remainder of 2020/21 would focus on Covid-19 related issues around:
- Reflecting on the response; and
  - Monitoring of recovery and renewal plans.
- ii) Alongside audit and standards responsibilities, the following would need to be accommodated within the Committee's meeting timetable:
- Monitoring of recommendations from completed investigations;
  - Statutory health and crime and disorder items; and

- Any emergency issuers that may need to be considered on an ad-hoc basis.

iii) Consideration of any non Covid-19 related scrutiny topic suggestions would be deferred for inclusion in the 2021/22 work programming process.

- 2.3 At the time of the Committee's decision, Hartlepool's 7 day case rate per 100,000 population was 42.7 (up to the 6th September). Data now shows that this represented the start of an upward trend in cases with 108 cases per 100,000 recorded in the 7 days up to the 24<sup>th</sup> September. Whilst recovery work has commenced and the Hartlepool COVID-19 Recovery and Renewal Plan has been endorsed by the Finance and Policy Committee, the increase in cases, and designation of Hartlepool as an Area of Enhanced Support has again required renewed a focus response activities.
- 2.4 This further emphasises the need for scrutiny to be flexible, timely and reflective of demands on officers. With this in mind consideration is sought of a potential meeting timetable that allocates potential time for Covid-19 related activities and identifies required activity across the Committee's statutory responsibilities.

### 3. SCRUTINY WORK PROGRAMME

- 3.1 As a starting point for the establishment of a realistic programme of activity indicative dates / months for consideration of audit, standards and other statutory items have been included in the table at **Appendix A**. Over and above this, in order to incorporate the opportunity for scrutiny to reflection on Hartlepool's Covid-19 response and monitoring of recovery and renewal plans a number of factors need to be taken in to consideration.
- 3.2 The Council has a critical role to play in responding to the pandemic and shaping a recovery plan as the social and economic impacts of Covid-19 will be profound and far reaching. The Finance and Policy Committee on the 13<sup>th</sup> August 2020 endorsed the Hartlepool COVID-19 Recovery and Renewal Plan which took in to account the issues raised during consultation and the forecast longer term social and economic impact of the virus in Hartlepool.
- 3.3 The Plan sets out strategic objectives and a framework for engaging partner agencies across the following themes (**Appendix B**):
- Health and Social Care
  - Business Economy, Skills & Jobs
  - Community Wellbeing and Financial Inclusion
  - Education and Vulnerable Children
  - Environment and Infrastructure
  - Organisational Change and Resilience
  - Communications
  - Financial Recovery

- 3.4 These themes are proposed to form the basis for discussions to allow the Committee to reflect on the Council's response, and monitor recovery / renewal plans, whilst minimising additional workload on officers. Working groups have been created to develop and deliver dynamic action plans against these themes, which will adapt to changing circumstances, and it is these action plans that it is proposed will be monitored through the Audit and Governance Committee.
- 3.5 It is, however, recognised that the growing number of cases will require the renewal of response activities and impact on the progression of recovery plans. As such, consideration needs to be given to the appropriate, and flexible, timetabling of scrutiny with the potential deferral of consideration of the Council's response to the beginning 2021 to allow officers to focus on the provision of the ongoing response.
- 3.6 Given the number of months remaining in the municipal year, Members are asked to consider the potential of selecting a number of specific themes upon which to focus their attention. Members are asked to consider:
- Receipt of an initial overview presentation on the Council's Recovery and Renewal Plan, and its timetable going forward, at its November / December meeting;
  - Identification of a maximum of two work themes for consideration to coincide with the availability of action plans; and
  - Deferring reflection on the Council's response, in relation to the agreed themes, to the beginning 2021 in order to allow officers to focus on the provision of the ongoing response.

#### **4. RECOMMENDATION**

- 4.1 That the Audit and Governance Committee agrees the timetable of statutory activity outlined in Appendix A, with the addition of appropriate meeting dates.
- 4.2 That the Audit and Governance Committee considers:
- Receipt of an initial overview presentation on the Council's Recovery and Renewal Plan, and its timetable going forward, at its November / December meeting;
  - Identification of a maximum of two work themes for consideration to coincide with the availability of action plans; and
  - Deferring reflection on the Council's response, in relation to the agreed themes, to the beginning 2021 in order to allow officers to focus on the provision of the ongoing response.

**5. REASONS FOR RECOMMENDATIONS**

- 5.1 To support the agreement of a process for the identification of scrutiny activity for the remainder of 2020/21.

**6. CONTACT OFFICER**

- 6.1 Joan Stevens – Statutory Scrutiny Manager  
Chief Executive's Department – Legal Services  
Hartlepool Borough Council  
Tel: 01429 284142  
Email: joan.stevens@hartlepool.gov.uk

**7. BACKGROUND PAPERS**

Finance and Policy Committee - 13<sup>th</sup> August 2020 - Hartlepool COVID-19 Recovery and Renewal Plan

Full Council on the 10<sup>th</sup> June 2020 – Covid-19 Response Report

<b>TIMETABLE 2020/21</b>	10/09/2020	01/10/2020	? /11/2020	?/12/2020	07/01/2021	?/02/2021	?/03/2021
<b>Statutory Scrutiny</b>							
Statutory Scrutiny Work Programming / Meeting Timetable							
Memberships of other Committees and Outside Bodies							
Covid-19 (response and recovery monitoring)			Overview				
<b>Crime and Disorder Scrutiny</b>							
Community Safety Partnership – Performance	Q3-4		Performance monitoring arrangements to be confirmed				
Community Safety Plan 2020/21 (B&PF)							
ASB Investigation - Recommendation Monitoring							
<b>Health Scrutiny</b>							
Quality Accounts (TEWV, NEAS and NT&HFT)			TEWV - TBC				
Director of Public Health – Annual Report							
Independent Complaints Advocacy Update							
Assisted Reproduction Unit Update							
Maternity Investigation – Update							
<b>Audit</b>							
Draft 18/19 Statement of Accounts							
Role of the Chief Finance Officer / Head of Internal Audit							
Annual Audit Letter			Nov / Dec - TBC				
Treasury Management Strategy							
Quarterly Internal Audit Updates							
Internal Audit Plan 20/21							
Internal Audit Outcome Report							
Annual Governance Statement							
Audit Progress Report			Nov / Dec - TBC				
Letter to those Charged with Governance							
Business Continuity			Date to be confirmed				
<b>Governance and Standards</b>							
Regulation of Investigatory Powers Act 2000	Q1/Q2		Annual	Q3			Q4
Risk Management Framework (CG)							
Appointment and training of Independent Person							
Intro to Standards & Amendment of Forms (as required)							
Complaint Investigation (as required)							
DCLG guidance reports (as required)							

# HEALTH AND WELLBEING BOARD

# HARTLEPOOL RECOVERY CO-ORDINATING GROUP

# COUNCIL AND COMMITTEES



## Organisational Change and Resilience

- Restart council services within COVID-19 secure premises and operating procedures
- Improve infrastructure and support for those working from home
- Develop an agile, resilient and healthy workforce
- Progress an office accommodation strategy to create more efficient, carbon-neutral, accessible and flexible workspace



## Health and Social care

- Build a resilient and community-based health and social care system
- Review and strengthen arrangements for managing the safe discharge of patients into the community
- Develop new community-based approaches to tackling social isolation and access to support for the elderly and vulnerable adults
- Help people protect themselves from the virus by living healthy lives
- Increase community based access to treatment services and remote consultations
- Improve community access to mental health services, advice and support



## Business, economy, jobs and skills

- Protect and support Hartlepool Businesses to re-start and adapt to operating digitally within COVID19 secure guidelines
- Establish a jobs and skills taskforce to develop new skill pathways into growth sectors, maximise apprenticeships and provide joined up support to those experiencing complex barriers to entering employment
- Re-animate the Borough's culture, heritage and tourism sector
- Establish a task force to maximise opportunities to use public sector purchasing power to build the local economy
- Attract inward investment to grow new jobs
- Attract investment into creating a connected and vibrant town centre



## Community wellbeing and financial inclusion

- Establish a partnership and community-based approach to addressing the root causes and impact of food, fuel and digital poverty and to facilitate routes to work.
- Re-purpose our approach to providing financial advice and access to hardship support to meet changing and growing demand
- Mark the way our communities and public services responded during the COVID-19 crisis by gathering the stories of how Hartlepool came together
- Develop a co-ordinated approach to the provision of supported and independent accommodation for those at risk of rough sleeping and homelessness that provide integrated mental health, substance misuse and employment support
- Increase the availability of quality affordable social housing that meets diverse needs by building more council houses and working in partnership with Hartlepool based social housing providers



## Education and Vulnerable Children

- Support the re-opening of schools through the provision of health and safety advice and the development of a recovery curriculum, catch up programme and 'blended learning'
- Implement a new model between the local authority, schools and health to support children in their early years
- Strengthen transition between schools at all stages to support children and young people emotionally and academically
- Refocus, re-organise and improve arrangements for children's social care delivery to protect children from harm and safely reduce numbers of children in care by addressing the drivers of demand
- Improve the multi-agency arrangements and education provision for meeting the emotional and mental health needs of children and young people
- Co-ordinate a new out-of-school and holiday programme for children and young people



## Environment and Infrastructure

- Introduce a team of street ambassadors to promote and advise people on maintaining physical distancing in key areas
- Develop a climate change strategy and action plan
- Create safer streets, cycle ways and footpaths
- Improve connectivity by investing in our transport and local road network
- Invest in the physical environment and public realm in our neighbourhoods to strengthen the retail offer and improve opportunities for leisure and play
- Build the capacity of the integrated community safety team to tackle anti-social behaviour and enable people to feel safe on our streets, public spaces. and neighbourhoods
- Strengthen our approach to enforcement action on litter, dog fouling and illegal car parking.



## Finance

Develop and deliver a recovery budget for the Council and ensure the capital programme is delivered on time and on budget



## Communications

Work with partners to deliver a shared communication strategy which provides effective and timely public information through a diverse range of channels and reaches those with specific communication needs



**HARTLEPOOL  
BOROUGH COUNCIL**

# AUDIT AND GOVERNANCE COMMITTEE

1<sup>st</sup> October 2020



**Report of:** Acting Director of Public Health

**Subject:** ANNUAL REPORT OF THE DIRECTOR OF PUBLIC  
HEALTH - 2019

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## 1. PURPOSE OF REPORT

- 1.1 To present the Director of Public Health's Annual Report for 2019.

## 2. BACKGROUND

- 2.1 The requirement for the Director of Public Health to write an Annual Report on the health status of the town, and the Local Authority duty to publish it, is specified in the Health and Social Care Act 2012.
- 2.2 Director of Public Health Annual Reports have over the last five years covered a range of themes from how public health priorities have changed over the past 40 years, the importance of how work and employment influence health and wellbeing, aging well and starting well.
- 2.3 The theme of the 2019 Annual Report is 'Obesity Prevention and Physical Activity in Hartlepool'. It is presented for the first time, in an innovative electronic format which can be accessed via the following link.

[www.hartlepool.gov.uk/DPH-annual-report](http://www.hartlepool.gov.uk/DPH-annual-report)

## 3. RECOMMENDATIONS

- 3.1 Health and Wellbeing Board is asked to note the report and its conclusions.

## 4. REASONS FOR RECOMMENDATIONS

- 4.1 Ensures compliance with the statutory duties under the Health and Social Care Act 2012 for the Director of Public Health to produce a report and the Local Authority to publish it.

**5. BACKGROUND PAPERS**

- 5.1 Director of Public Health's Annual Report for 2019 (**Appendix A**)

**6. CONTACT OFFICER**

Craig Blundred  
Acting Director of Public Health  
[Craig.blundred@hartlepool.gov.uk](mailto:Craig.blundred@hartlepool.gov.uk)  
01429 284104

Welcome to this Hartlepool Director of Public Health Annual Report.

It's focus is how people of all ages in Hartlepool can achieve and maintain a healthy weight and improve their physical activity.

Both of these are of the utmost importance for your health and wellbeing as they have a particular impact in terms of your quality and length of life.

Being overweight or obese is linked to a number of very

serious conditions including diabetes, cardiovascular disease and a number of cancers.

Conversely, increasing your physical activity has a significant positive impact on not only your physical health but also your mental health, and this report tells the story of how, here in Hartlepool, we are doing this.

It's an inspiring story about real people who are making a real difference to their health and to their lives.

## Obesity



Obesity refers to an unhealthy weight that corresponds with an increase in body fat.

The main way to measure obesity is by using the body mass index (BMI). This measures your weight and height and gives you a score.

For most adults a BMI of:

18.5 to 24.9 means you're a healthy weight  
25 to 29.9 means you're overweight  
30 to 39.9 means you're obese  
40 or above means you're severely obese

Another useful way to measure excess fat is to look at your waist size. Men with a waist size of 94cm and women with a waist size of 80cm are more likely to experience obesity-related problems.

Children should be measured differently – the National Child Measurement Programme (NCMP) has been set up to measure children in reception and Year 6. Children of different ages and sexes develop differently which makes measuring complex. Because of this the NCMP uses a different method which compares a child's BMI with a reference weight.

Here's Gemma Ptak, the Council's Assistant Director (Preventative and Community-Based Services), to tell you more about Hartlepool's obesity problem and how it's being tackled.

Also, [click here](#) for a more detailed breakdown of health in Hartlepool.

## Working in Partnership

Local authorities across the country have been engaged in piloting the whole systems approach to obesity prevention. We are learning from them what has worked and also what doesn't work in order to ensure we are using the best possible evidence to develop our work programmes.

We can take our lead by looking at what has been successful elsewhere. A programme of work developed in Amsterdam (the Amsterdam Healthy Weight Programme) has been highlighted as being a good example of an urban level system-wide approach to tackling obesity.

Early indications from the city suggested success in reducing obesity using a range of approaches. These included focusing on the first 1,000 days, working in schools, community-based approaches, working with businesses and helping children to lose weight. This is an example of working together in partnership to achieve our goals.

Here's Craig Blundred, Hartlepool's Deputy Director of Public Health, to tell you more.



## Badminton

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Hartlepool Borough Council has a range of activities at its local centres that are accessible for all sections of the community. Sports like badminton are key components of the range of activities we provide across the town.

Physical activity is a key element of our obesity prevention strategy. Whether you play organised sport or simply build cycling or walking in to your everyday life, physical activity can help improve your physical and mental health.

Keen badminton regulars Eileen Mennear and Sue Jukes explain why the sessions are important to them.

## Junior Funability

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We are developing a range of initiatives focusing on building healthy eating and physical activity into everyday lives as well as ensuring services meet the needs of the population.

Examples of this include implementing an infant feeding strategy to support new mothers and children, working with planning colleagues to continue to tackle the problem of the density of takeaways, working with health colleagues to ensure there is a clear pathway for weight management services and ensuring that the system partners work together to ensure a joined-up approach to tackling obesity.

Ensuring children of all ages and abilities are able to access physical activity opportunities is key to increasing participation. Activities like Junior Funability engage children in fun activities that increase their physical activity.

Here's sports coach Katie Gofton to tell you more about the benefits of the Funability sessions at Brierton Sports Centre.



## Social Dance

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It's important to start early to get into the habit of eating healthily and participating in physical activity.

This doesn't mean, however, that you should stop as you get older. Maintaining physical activity in later life not only helps to prevent obesity but improves bone health, cardiovascular health and also contributes to improving your mental health as well.

We should all maintain physical activity as we age – activities such as social dance also increase our opportunities to meet people and socialise. It's also never too late to start – the most benefits are had if you move from a sedentary lifestyle to moderate physical activity.

June Ions and Tony Pearson, featured here, are two of the people who are enjoying major benefits from social dance.

## Planning

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The Hartlepool Local Plan states that the Council is committed to ensuring that residents have the best possible opportunities to live a healthy lifestyle.

One way for this to be achieved is through planning controls on fast food takeaways. Public Health England has identified that Hartlepool has a high density of hot food takeaways. These shops, serving energy-dense food, contribute to the ongoing obesity epidemic.

When a planning application for an A5 use is received, if applicable the current floor space is reviewed and if the new development exceeds the threshold, it will generally be refused. Comments on planning applications are also received from key stakeholders including the Council's Public Health team.

Here's Helen Smith, the Council's Senior Planning Officer, to tell you more.



## Fiit Mums

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Our Fiit Mums bootcamp at Brierton Sports Centre is really popular and is a great example of how physical activity can be lots of fun too.

Mums meet up at this weekly exercise class and use bars, bikes, ropes and other equipment to build their strength and increase their fitness levels.

Best of all – their babies and children are welcome.

Check it out!

## Stagecoach

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Working age people spend a lot of time in the workplace, so we are keen to see initiatives that help people to be as healthy as they can be at work.

This is particularly important for those occupations where there are limited opportunities to either eat healthily or to take part in physical activity.

The Better Health at Work Award in Hartlepool supports businesses and employers to engage with their workforce to improve its health and wellbeing.

Stagecoach is committed to supporting its staff to enjoy healthy lives, as Assistant Operations Manager Shaun Anderson explains.



# Beating Holiday Hunger

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School holidays should be a happy time for families, but for some it can be a time of very considerable financial strain.

Local organisations can play a key role in helping and supporting vulnerable families during this time.

An example is the Filling The Holiday Gap scheme – also known as the ‘Holiday Hunger’ scheme – which provides resources to public sector and voluntary and community sector (VCS) organisations and other charitable groups to help them ensure that families with school-aged children they are working with don’t suffer acute food poverty during school holiday periods.

The scheme is provided throughout Christmas, Easter and summer school

holiday periods and has seen an increasing take-up.

There is the risk that without targeted provision of foods for children during school holiday time, health inequalities across the town may widen. It is still a fact that families normally entitled to free school meals in the most deprived areas of Hartlepool may become malnourished over the school holiday period, often resorting to very poor quality food high in fat, salt and sugar. This contributes to poor nutritional outcomes and rising obesity levels.

Teresa Driver, Development Officer at The Wharton Trust, talks here about how the scheme is delivered and the many benefits it brings.

## Exercise Referral

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The Exercise Referral Scheme in Hartlepool provides a wide range of physical activity programmes that support people with the following conditions:

- Heart problems
- Pulmonary respiratory illness
- Mobility problems and chronic back pain
- Stress, anxiety and depression
- Diabetes
- Stroke
- Parkinson’s
- Muscular sclerosis
- Pre and post-surgery

A variety of different activities are provided to support people to improve their health and reduce their health risks.

Dorothy Luff is a great advocate of our Exercise Referral sessions.



## Conclusion

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Where are we going from here?

Here’s Craig Blundred again to sum up.