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# **Financial Report 2021/22 Hartlepool Borough Council**





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## **SECTION 1 : Narrative Report**

### **INTRODUCTION**

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

The narrative report sets out:

- Our Strategy and Objectives
- Our Performance 2021/22
- Risk Management Arrangements
- Financial Performance 2021/22
- Financial Outlook – General Fund 2022/23 to 2025/26
- Borrowing Facilities and Investment Strategy
- Statement of Accounts

### **OUR STRATEGY AND OBJECTIVES**

The current Council Plan 2021/22 – 2023/24 was approved by Council in February 2021. The Plan, as set out below, establishes a clear vision for Hartlepool and identifies what the delivery of that vision will mean. This reflects what was identified through consultation with residents, elected members and our public, voluntary, community and private sector partners whilst also recognising the emerging and continually evolving challenges the Council faces from the pandemic. The Council Plan has and will continue to shape our services and our financial strategies. The Council Plan, Medium Term Financial Strategy and the 5 year Capital Plan have been developed as three parts of a single plan to ensure the links between the three are strengthened.

## SECTION 1 : Narrative Report

### Our vision

Hartlepool will be a place...

... where people are enabled to live healthy, independent and prosperous lives.

... where those who are vulnerable will be safe and protected from harm.

... of resilient and resourceful communities with opportunities for all.

... that is sustainable, clean, safe and green.

... that has an inclusive and growing economy.

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

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

What that will mean...

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

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

What that will mean...

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

## SECTION 1 : Narrative Report

### **Of resilient and resourceful communities with opportunities for all**

What that will mean...

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

### **That is sustainable, clean, safe and green**

What that will mean...

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

### **That has an inclusive and growing economy**

What that will mean...

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

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

What that will mean...

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

## SECTION 1 : Narrative Report

### OUR PERFORMANCE 2021/22

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

##### COVID-19 Care Homes Support

Support has been given to Care Homes throughout 2021/22. The period since the Christmas and New Year break saw a significant increase in COVID-19 infections in Hartlepool care homes. This coincided with a national increase in the incidence of infection due to the Omicron variant of the virus, which was considered by UKHSA epidemiologists to be significantly more infectious than the previously dominant Delta variant. National and regional tables published by the media also indicated the increase in cases since December in the general population. This was reflected in an increase in cases in care home staff and initially outbreaks in care homes were, for the most part, related to infected staff members. However, subsequent outbreaks were associated with infection in both staff and residents. In December prior to Christmas there were three care homes for the elderly out of the 16 within the LA area reporting minor outbreaks whereas at one point in January, there were only three not reporting outbreak situations.

In recognition of the pressures placed on providers by COVID-19, additional financial support to care homes and providers of home care, including staff retention payments, continued during 2021/22.

##### COVID-19 School Support

Support was provided to schools from across the Council (Public Health, Health and Safety, Human Resources and Communications) as they managed outbreaks of COVID-19 in their settings. This support involved providing advice on the management of cases within the school, including advice on testing, isolation periods and outbreaks. As there was a significant increase in the number of cases following the Christmas break, a school drop in was set up so that it was possible to maximise the time to deal with general queries.

##### COVID-19 Vaccination Roll out

The Council have continued to support the delivery and promotion of the COVID-19 vaccination programme and in particular the booster programme. Regular pop up clinics have been held in the town enabling people easy access to the vaccine and we have also supported communications to encourage uptake. Prior to Christmas the numbers of people attending clinics were regularly at around 1,000 per session. However since Christmas the number of people accessing vaccinations this way declined. In response the Council looked at alternative ways to provide the vaccinations, working with our NHS and primary care partners.

##### Obesity prevention

As part of the Government's COVID-19 Recovery Plan the Council was allocated £0.101m in 2021 to tackle adult obesity by providing Adult Weight Management services. Services needed to be commissioned in line with guidance from the National Institute for Health and Social Care Excellence (NICE), with the allocated funding spent by the end of June 2022. Three new evidence based adult weight management services have been commissioned for adults who live or work in Hartlepool to support them with weight loss.

Slimming World and WW (formerly known as Weightwatchers) commenced in September 2021 and offer a free 12 week weight management programme. The Fit Fans programme has been commissioned in partnership with Hartlepool Community Sports Foundation and the English Football League (EFL) Trust. Known locally as 'Fit Poolies', this 12 week programme is delivered by Hartlepool Community Sports Foundation at Hartlepool Football Club and targets men aged 28 – 65, providing a programme of healthy diet and exercise.

As part of the Family Time project the Council launched the Seaton Interactive Trail to encourage walking and physical activity for families, with plans to develop further trails if the approach is successful.

##### Leisure Facility Development

The development of the new leisure facility, the Highlight, is progressing well. In recent months detailed proposals have moved on significantly with Members provided with a briefing in December 2021. An informal planning application was submitted in 2021 which has formed the outline requirements of the full planning application which was submitted in Spring 2022. An expression of interest has been submitted to Sport England with the aim of securing funding for the project.

##### British Cycling Project - Summerhill

Planning permission has been granted for the British Cycling funded development at Summerhill which will see a new 750m track for riders of all ages and abilities. Work has started on site and it is anticipated that the fenced and floodlit track will be completed by May 2022.

##### Shared Lives

The Shared Lives model of social care has been promoted through social media. Six potential shared lives carers who can provide long term care or short breaks for adults with learning disabilities have been identified.



## SECTION 1 : Narrative Report

### **Mental Health**

Investment of Tees Valley Mental Health Resilience funding and Public Health England funding totalling £0.490m has supported 20 small local projects aimed at improving mental health and wellbeing.

### **Autism Accreditation**

Council services that support adults with disabilities based at the Centre for Independent Living (CIL) and Waverley Terrace Allotment have been reassessed and have retained their National Autism Society (NAS) Accreditation. Achieving accreditation proves that they are committed to understanding autism and setting the standard for autism practice.

### **Support for carers**

All new carers identified at first contact or via social workers are now directed to Hartlepool Carers for a good conversation, a light touch assessment and access to community led support. Where the impact of caring is more substantial and community led support has not provided solutions, a full carers assessment is completed and when appropriate, a direct payment or support service is offered.

### **Digital Inclusion Team**

A Digital Inclusion Team has been established to support people with access to equipment, training and support to enable access to key services and opportunities for some of the most vulnerable and isolated people in our communities.

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

### **Victoria Ward Community Support Team**

The Community Support Team continues to build positive and strong community engagement and the appointment of a development worker from the voluntary and community sector is adding value to the work. This team is piloting a new way of delivering care and support services to vulnerable children and will be evaluated in 2022.

### **Multi Agency Child Exploitation Hub**

The Hub went live on 5th October 2021 to prevent and reduce risk to those children and young people at risk of exploitation and harm outside of their families. The team is made up of professionals from the police, children's social care, youth service and youth offending team and is reviewing all intelligence where children may be at risk on a daily basis. This is leading to a real time response to the presenting harm and activity is focused around disruption of perpetrators and diversion of young people from harm. The Council has received funding (to March 2022) from the Department of Education to pilot new approaches to protecting children at risk of extra familial harm focused on strengthening education as a protective factor and engaging with families. Delivery of this work plan is well underway and yielding positive results.

### **Special Educational Needs and Disabilities (SEND)**

The Council is working with the National Development Team for Inclusion (NDTi) to improve the experiences and outcomes for children and young people with special educational needs and disabilities in Hartlepool. During quarter three workshops were facilitated by NDTi to complete a review of local arrangements and identify recommendations for the local area to develop the climate that enables all schools to be inclusive and a place where all children can flourish.

### **Adult Safeguarding**

The Council promoted National Safeguarding Adult Week in November 2021 & Self Neglect Week in February 2022 using radio adverts, bus stop and social media campaigns. This resulted in a 572% increase in people viewing safeguarding material. Nationally, through a coordinated approach with the Ann Craft Trust the campaign reached 79 million people.

### **Quality Care and Support**

Ensuring that commissioned services are rated good or better by Ofsted or the Care Quality Commission (CQC) is an important priority for the Council and the latest data shows a positive picture. The proportion of children's homes operated by the Council that are rated good or outstanding by Ofsted for overall experiences and progress of children and young people remains at 100%. The percentage of adult social care providers in the Borough rated as 'Good' or 'Outstanding' by CQC is 97.8%.

## SECTION 1 : Narrative Report

### Of resilient and resourceful communities with opportunities for all

#### The Holiday Activities and Food (HAF) Programme

The holiday activities and food (HAF) programme delivered during the Easter, Summer and Christmas holiday periods offered a wide range of activities and nutritional meals to children and young people across Hartlepool. Provision included an ice rink, festive crafts, Christmas parties, swimming, a forest school, sports, music, cooking, a roller disco, creative technology sessions using 3D printers and laser cutting, yoga and Pokemon-themed maths sessions. The HAF provides children and young people with a range of new and enriching experiences and helps them discover new hobbies and skills, make new friends and build their confidence, plus they get a tasty and nutritious meal. Over the Christmas holidays the programme was delivered across 28 providers and over 3,000 children participated in the sessions offered. Feedback about the offer received through social media was extremely positive. The programme has now had the next three years of funding confirmed for delivery across the three main school holidays. The offer will now be further refined and developed with the confirmation of sustained funding.

#### Early Years Strategy

A new Early Years Strategy has been developed with input from a wide range of stakeholders including Council Officers, Head Teachers, early years settings, early years leads and parents. The Strategy was approved for implementation by the Children's Services Committee in January 2022 and delivery will be overseen by the Early Years Partnership.

#### Poverty

The Council's Audit and Governance Committee have undertaken a scrutiny investigation into child poverty and their findings and recommendations are to be presented to Finance and Policy Committee in the new municipal year.

The Bread and Butter Thing is providing a sustainable solution to food poverty, supporting 250-300 people each week to access affordable food across five sites.

#### Community Pot

The Community Pot was allocated to a range of voluntary and community sector organisations to address some of the impacts of the COVID-19 pandemic. This includes financial advice and support, digital inclusion, supported housing and counselling as well as the Community Led Inclusion Partnership (CLIP).

#### Test and Trace

From October 2020 the Council administered the Test and Trace Support Payments on behalf of the Department for Health and Social Care. This was a significant undertaking with a number of significant peaks in applications as COVID-19 waves occurred, making resource planning difficult. The scheme has now ended with over 1,500 payments being made providing £0.756m to residents within Hartlepool.

#### Education

Following Ofsted inspections of schools this year there are now more schools judged to be good which has improved the number of schools in Hartlepool who are rated as good or better to over 90%.

There has been a significant improvement in the number of care leavers who are in higher education and, with this year's intake, there are now 12 care leavers studying at University compared with 7 last year.

In total 99% of Year 11 students and 95% of Year 12 students received an 'offer of learning' for the following year of their studies otherwise known as the September Guarantee. Both are above the regional and national average.

#### Community Hubs

The Community Hub offer has developed further since the relaunch event. The first contact point for adult social care is now located within the Central Hub along with the Occupational Therapy demonstration suite and a weekly programme of events is developing to meet local needs.

A new community based approach to support people with mental health needs is being piloted at Central Hub as part of the NHS community transformation programme. This will bring together primary care, secondary care, the voluntary and community sector, adult social care and preventative and community based services to offer people community led support.

#### Events

As COVID-19 restrictions eased it has been possible to provide sporting and cultural events including the summer and Christmas pantomimes at the Borough Hall, Hartlepool Waterfront Festival, Summer at Seaton and the Big Lime Triathlon. We also hosted Luke Jerram's 'In Memoriam'; an art installation commemorating those who lost their lives to COVID-19.

## SECTION 1 : Narrative Report

### **That is sustainable, clean, safe and green**

#### **Domestic Abuse**

The Domestic Abuse Local Partnership Board has been strengthened to include representation of those with lived experience of domestic abuse and organisations representing groups with protected characteristics. The Hartlepool Domestic Abuse Needs Assessment has been prepared and a draft strategy developed. Public consultation on both of these was undertaken during quarter three and the Domestic Abuse Strategy 2021-2025 was approved by Finance and Policy Committee in March 2022.

#### **Conservation Areas**

Funding has been secured from Heritage England for improvements to the Seaton Carew and Headland Conservation Areas.

#### **Elwick Bypass**

During 2021/22 officers have progressed negotiations with both National Highways and Land Owners. The design team have been working towards agreeing outline details with National Highways in relation to the grade separated junction. Although progress has been limited at times due to a number of mitigating factors outside of the Council's control, recently movement has been seen on both fronts and it is hoped that this can continue through 2022. Once the Walking, Cycling and Horse Riding Assessment is agreed the scheme can then progress to Road Safety Audit Stage 1 which will assess the two proposed designs of the scheme, which differ due to the width of the bridge overpass.

#### **Headland Amphitheatre**

In late 2021, works to bring the Headland Amphitheatre, Elephant Rock, back into use were completed. The site was opened to the public in November and has received positive feedback from residents. The scheme was submitted for the Small Project: Value Under £1m Category of the Institution of Civil Engineers North East Awards and was announced as the winner at the Awards Ceremony on 8th April 2022.

#### **Planning**

The Planning & Development service continued to exceed government targets in terms of the speed and quality of its decision making on planning applications.

A number of major developments have been approved including two applications for a total of 268 houses at Wynyard, an application for 162 houses at High Tunstall, a major urban regeneration scheme incorporating 48 homes in the area of Lynn Street, a concrete batching plant at Hartlepool Dock and the change of use of the Vision Retail Park to accommodate the expansion of National Museum of the Royal Navy.

#### **Community Safety**

The Community Safety Plan for 2021-2023 has been approved by Council. The Plan sets out three priorities that the Safer Hartlepool Partnership will focus on over the next three years: drugs and alcohol, anti-social behaviour and domestic violence.

Funding has been received from Thirteen Group to fund two further civil enforcement officer posts within the Integrated Community Safety Team. Both these posts have now been recruited to. In addition the Team has worked to complete a closure notice in connection with a property in Dent Street being used as a drug den.

A five year review of the Integrated Community Safety Team was completed this year and the findings report has been presented to the Safer Hartlepool Partnership. Although generally positive a number of recommendations were identified which are currently being progressed.

#### **Housing – Energy Efficiency**

In December 2021 the Council were awarded £1.25 million following a successful bid to the Government's Sustainable Warmth competition which will fund green home upgrades to around 150 lower income households. This will help residents cut energy bills and reduce carbon emissions. The Government's Sustainable Warmth competition is intended to improve the energy efficiency of some of the poorest performing homes in the country – those rated between D and G on their Energy Performance Certificates (EPCs). Upgrades will include external wall insulation, loft insulation, heat pumps and solar panels. These changes could save the average household £200 a year on their energy bills. The scheme will be available to households in receipt of some means tested benefits, or on a total household income of less than £30,000. The Council will be working with Hartlepower to promote the scheme and provide energy efficiency advice and guidance.

Work has continued with installers delivering Energy Company Obligation funding to carry out a range of insulation measures and replacement gas boilers and in recognition of this work the Council were awarded "Council of the Year" at the regional Energy Efficiency Association Awards in October 2021.

## SECTION 1 : Narrative Report

Through the Warm Homes Funding programme (delivered on our behalf by Stockton Borough Council) free first time central heating has been installed to a number of properties including a significant number at Mariners Point which included working with Northern Gas Networks to put gas connections into the building.

Work is underway on the Green Homes Grant Local Authority Delivery Scheme Phase 2 to deliver energy efficiency improvements to 79 homes. These include loft insulation, external wall insulation, air source heat pumps and solar panels. E.ON have been appointed to deliver this work through their local subcontractors.

Through this work the total number of homes improved through energy efficiency measures in 2021/22 was 645.

### **Hartlepool Train Station – Second Platform Scheme**

It is anticipated that work will start on site for the second platform scheme in Summer 2022, and it is hoped that the platform will be open by June 2023 in time for Tall Ships Race, although the overall project will be completed sometime after this date.

### **Local Transport Plan**

Various schemes/ initiatives have been implemented during 2021/22 as part of the ongoing programme. This has included repairs to Council owned bus shelters, contributions toward the Local Cycling and Walking Infrastructure Plan (A689 Queens Meadow to Wolviston); Signage Improvements including vehicle activated signage on A689 & A179; refurbishment works to west side / basement car parks and street lighting column upgrades on West View Road and Catcote Road.

### **Footpaths**

Several footpath resurfacing schemes have been completed, totalling over 2,000m<sup>2</sup>. Locations include St. David's Walk, Thomlinson Road, College Close in Dalton Piercy, Dalton Piercy to the A19, Butts Lane in Hart, South View in Hart and North Lane in Elwick.

## **That has an inclusive and growing economy**

### **Business Support**

The Economic Growth and Regeneration Team at the Council continue to provide tailored and specialist assistance to businesses that are starting, growing or relocating in Hartlepool. In January 2022 the Team supported the first ever Hartlepool Restaurant Week to promote local hospitality businesses with 21 venues taking part.

### **Business Grants**

The Council continued to administer the various Business Support Grants on behalf of the government during 2021/22, including the Omicron Hospitality and Leisure Grant that was introduced in January 2022. In total, across the various streams, the Council paid out £7.182m to Hartlepool businesses during the year. The Council continues to undertake extensive post assurance work, in conjunction with BEIS, in order to minimise any fraud and error within these scheme.

### **Towns Fund**

Hartlepool has been successful in securing a £25m Town Deal from the Government. Business case development on the 5 projects is now well underway. The Council is aiming to submit 2 projects in May and the remaining 3 in July for the Government to consider. Once they have signed off the projects the grant will be released to enable the Council to move forward to deliver the projects.

### **Town Centre Masterplan**

The Town Centre Masterplan was adopted in November 2021 and sets out a long-term framework for Hartlepool, with individual projects and interventions identified across the town centre. Delivery will need to involve a variety of partner organisations and funding mechanisms including the Towns Fund.

### **Economic Growth Strategy**

The renewal of the Economic Growth Strategy was commissioned in November 2021 and consultation with Hartlepool businesses has taken place. The new strategy will set the town's economic priorities for recovery and growth for the coming years.

### **Tall Ships 2023**

The countdown to the Tall Ships event has begun and the Hartlepool leg of the 2023 event has been confirmed for Thursday 6 July to Sunday 9 July. Detailed planning is underway and key posts that will work with the Event Director have been recruited.

## SECTION 1 : Narrative Report

### **Youth Employment Initiative (YEI)**

The Council was recently successful in extending the programme until the end of December 2023 alongside securing additional funding which makes the Overall Contract Value £31.9m. To date, there have already been 10,337 economically inactive young people aged 15-29 supported across Tees Valley including nearly 2,000 in Hartlepool. The youth employment rate for Hartlepool is currently 8.7% and whilst that is significantly higher than the national rate of 5%, it has fallen over the last 12 months from 14.8% in March 2021.

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

#### **Promotion Campaigns**

During 2021/22 there have been a variety of activities undertaken to promote key local and national campaigns and days of importance including the COVID-19 vaccination campaign, COVID-19 grants such as test and trace and hospitality support, Green Flags Award, Volunteer Hartlepool opportunities, World Mental Health Day in October and the Community Hubs rebrand. On Armistice Day in November the Victory Square, Redheugh Gardens and Seaton Carew War Memorials were all lit up in red to allow residents the opportunity to pay tribute to the sacrifices made by Hartlepool's service men and women.

#### **Staff Safety**

The safety and wellbeing of our workforce is important and with this in mind the Council have agreed a new Staff Safety Policy and an agreed list of sanctions that can be pursued if the safety or wellbeing of our employees is threatened. To mark the launch of the new policy the Leader of the Council and the Managing Director jointly signed a declaration in March 2022 setting out the commitment to staff safety and a promotional campaign was undertaken.

#### **Hybrid Working**

When the pandemic hit in March 2020 the Council moved quickly to enable as many employees as possible to work from home. As the pandemic continued it became clear that the changes that had been made to working practices could have longer term benefits for the organisation and for the wellbeing of our employees. In order to hold on to the positive benefits of the new approach the Council has sought to move towards a model of hybrid working. In order to ensure that all employees had an opportunity to influence the new model of working a pilot approach was introduced in September 2021 and a programme of engagement activity with employees was delivered. The findings of the pilot and engagement exercise were used to inform the development of hybrid working across the organisation ready for the launch of the second pilot of hybrid working in April 2022.

#### **Disability Confident**

The Council has maintained Disability Confident Committed status and is looking to progress to the next stage of the award.

#### **Information Communication Technology and Cyber Security**

Investment in the Council's ICT infrastructure has been agreed which will see the replacement of VDI units with laptops for employees. Combined with a roll out of Microsoft licences this will enable more effective hybrid working across the organisation.

A Value for Money exercise has been undertaken as part of the review of the ICT contract and this will inform the delivery of the contract over the last 18 months and how performance is measured.

In light of cyber-attacks on other Councils and public sector organisations across the country the Council continues to focus on cyber security improvements in partnership with our ICT provider, NEC (formerly known as Northgate). Regular communications with employees are used as reminders about the potential for cyber-attacks and the action that employees can take to reduce the risk to the organisation.

#### **Consultation and Engagement**

The Council's Your Say consultation and engagement platform continues to develop and recent activity has included community hubs, traffic calming schemes, allotments, domestic abuse, Town Deal, Pharmaceutical Needs Assessment, Early Years Strategy, Community Safety Plan and the Face the Public events for the Health and Wellbeing Board and Safer Hartlepool Partnership.

In addition to the public facing element of the platform a Staff Hub has been developed which enables employees to get involved in consultation and engagement activities. Recent activity has included the quarterly workforce survey and engagement on the Hybrid Working Pilot.

## SECTION 1 : Narrative Report

### Digital Progression

Over the last few years the Council has been developing its digital offer and has been providing increasing opportunities for residents to contact the Council through digital channels. Examples of recent digital projects include applications and bookings for the Household Support Fund, various COVID-19 related grants, flu vaccinations, Christmas tree collections and Hartlepool Holiday Fun programme. In addition a Councillor Portal was launched at the end of May 2021 to ensure that reports are being dealt with on a timely basis. At the end of quarter 3 there had been 22,980 self-online accounts created and by the end of quarter 4 there had been 296,842 transactions delivered digitally.

### **COUNCIL PLAN PERFORMANCE 2021/22**

|                                                                                                                                                               |                                                                                                            |                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| Over 90% of schools judged as 'good' or better by Ofsted                                                                                                      | <b>Council Plan Performance<br/>2021/22</b>                                                                | Youth unemployment rate reduced to 8.7%, down from 14.8% in March 2021                                                       |
| 100% of Children's Homes operated by the Council rated as 'good' or 'outstanding' by Ofsted for overall experiences and progress of children and young people | 97.8% of adult social care providers rated as 'good' or 'outstanding' by the Care Quality Commission (CQC) | Nearly 2,000 economically inactive young people (15-29 years old) supported by the Youth Employment Initiative (YEI) to date |
| +11.3% Council Tax Base Growth since 2014/15                                                                                                                  | 33.5% Council spend to local suppliers                                                                     | 99% of Year 11 and 95% of Year 12 pupils received a September Guarantee                                                      |
| 21 venues took part in the first ever Hartlepool Restaurant Week                                                                                              | 22,980 self-online accounts created and 296,842 digital transactions made                                  | 91.6% Council Tax collection rate (long term rate 99%)<br>96.5% Business Rates collections (long term rate 99%)              |
| 645 homes improved through energy efficiency                                                                                                                  | Planning approved for over 450 new homes                                                                   | Over 2,000m <sup>2</sup> of footpaths resurfaced                                                                             |



## **SECTION 1 : Narrative Report**

### **RISK MANAGEMENT ARRANGEMENTS**

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

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

Our 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;

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

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

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

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

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

### **FINANCIAL PERFORMANCE 2021/22**

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 2021/22 – Approved Budget**

The Council prepared a two year medium term financial strategy covering 2021/22 to 2022/23. The reduced period, in comparison to previous years, reflected the immediacy of dealing with the COVID-19 pandemic and the uncertainty this created for Council finances in the short term. The Government, as in the previous year, only provided a one year grant settlement for 2021/22 and delayed major national reforms to the system for funding councils. Against this background the Council therefore prepared a detailed balanced budget for 2021/22 with indicative forecasts for the following year. The Council has subsequently reverted to a three year MTFS period, recognising the need to plan into the medium term despite the current uncertainty within local government funding.

The Council continued to face a challenging financial position for 2021/22, not least as a result of the additional pressures that had arisen during the Covid-19 pandemic. Budget pressures continued to arise within the Children's Social Care service area, being a combination of increased caseload, both in terms of the complexity and number of

## SECTION 1 : Narrative Report

vulnerable children needing support, but also the subsequent increased staffing capacity. Ultimately the Council faced a budget deficit of £5.2m.

Continuing the shift in Council funding from central grants to a greater reliance on local resources, the Government announced a 2% core Council Tax plus a 3% Adult Social Care precept referendum limit. Recognising the pressure on household finances the Council made the difficult decision to forgo a rise in Council Tax and to fully defer the potential increase in the Adult Social Care precept. As such Council Tax did not increase for 2021/22 and ultimately the Council has permanently lost recurring funding.

The Local Council Tax Support Scheme (LCTS) was again maintained at 12% mitigating the cost of Council Tax on low income households. In recognition of the forecast economic conditions and the planned ending of the Universal Credit £20 uplift, a cautious approach was taken to the Council Tax Base with a reduction forecast reflecting anticipated increases in LCTS costs.

Council agreed a budget strategy to meet this deficit via the use of Reserves and one-off government grant funding. This enabled the Council to continue its focus on supporting residents and the community in recovering from the COVID-19 pandemic. These measures in effect deferred the budget deficit from 2021/22 to 2022/23 and work progressed early in 2021/22 to address the deficit position.

### **General Fund 2021/22 – Actual Outturn**

The economic impact arising from the COVID-19 pandemic continued to have a significant negative financial impact on all councils, including Hartlepool. As well as increased expenditure, service income levels continued to be reduced as a result of service areas being closed, or operating with reduced capacity, for example leisure facilities and car parking income. The emergence of the Omicron variant, placing a further hindrance on recovery. Throughout, the Government has provided a financial support package that reflected the scale and impact of the pandemic, supporting Councils to mitigate the unprecedented financial impact. For the immediate period of the COVID-19 pandemic the Council has managed the detrimental financial position with support from these government grants. However, it is still too early to assess the medium to longer term economic scarring on councils and their communities – this will therefore continue to be an issue into 2022/23 and the development of our Medium Term Financial Plan over the coming years.

In relation to Business Rates and Council Tax, the Collection Fund shortfall arising at 31 March 2021 was addressed over a three year period (2021/22 to 2023/24) following the Government's implementation of temporary regulations to enable councils to do so. However, collection rates continue to be under significant strain, in part as a result of the additional burden of administering various business grant schemes. They are likely to remain so for some time yet given the emerging economic conditions. Nevertheless, good progress was made on eliminating the deficit position thanks to positive arrears collection and prudent base projections.

The Council has sought to mitigate non COVID-19 budget pressures as far as possible during the year, maximising use of grants and additional funding as appropriate. This strategy has enabled the Council to earmark funding at year end for emerging utility and general inflation pressures that are anticipated to have a significant impact over the short to medium term. Given the level of uncertainty on both costs and local government funding, we will continue to follow this approach into 2022/23.

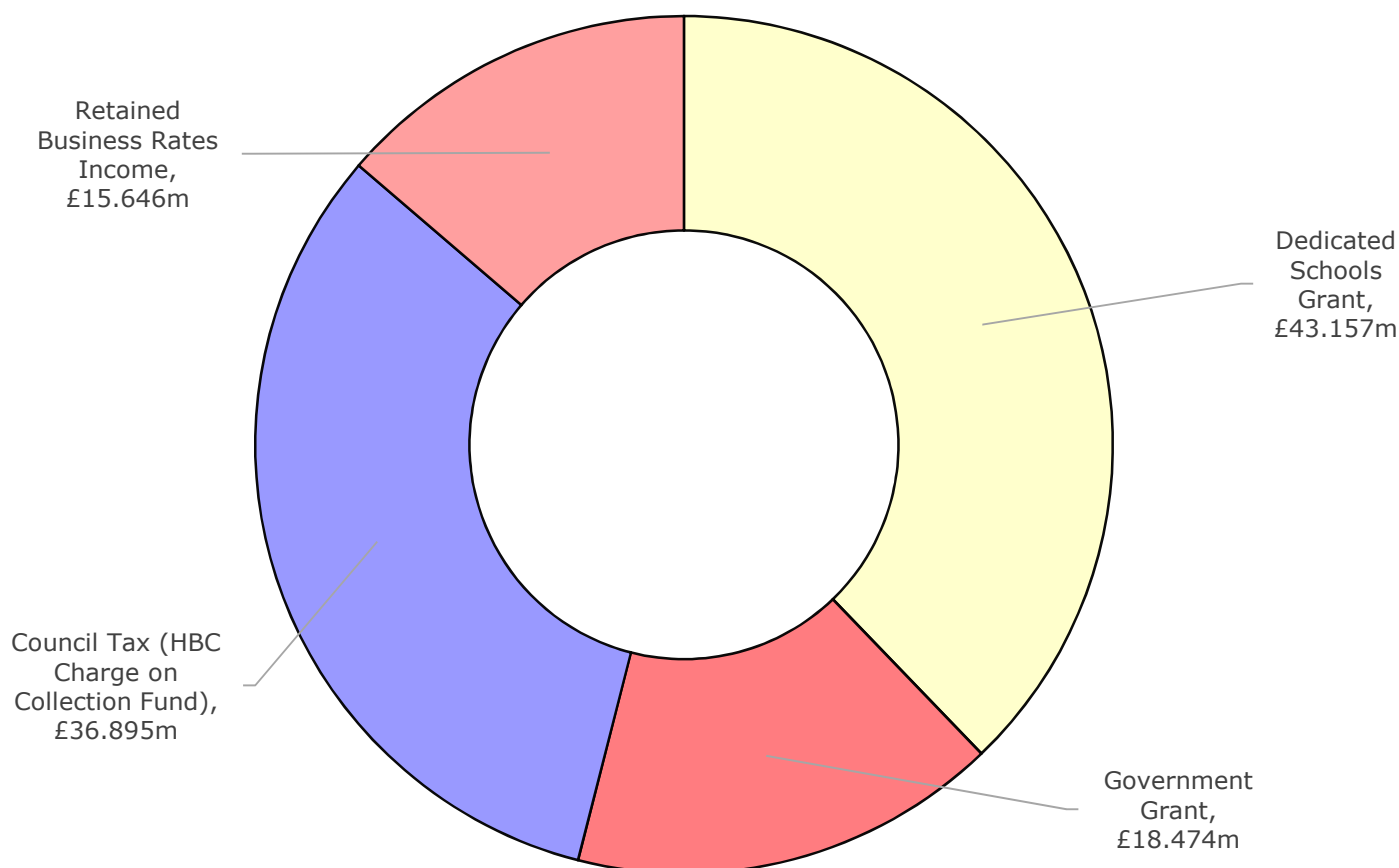
The outturn position is summarised in the table overleaf.



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| Description of Expenditure                       | 2021/2022<br>Approved Budget<br>£000 | 2021/2022 Actual<br>Expenditure /<br>Income<br>£000 | 2021/2022<br>Variance Adverse<br>/ (Favourable)<br>£000 |
|--------------------------------------------------|--------------------------------------|-----------------------------------------------------|---------------------------------------------------------|
| Departmental Expenditure                         |                                      |                                                     |                                                         |
| Adult & Community Based                          | 34,217                               | 33,760                                              | (457)                                                   |
| Children's & Joint Commissioning                 | 26,245                               | 26,140                                              | (105)                                                   |
| Neighbourhoods and Regulatory                    | 18,243                               | 18,755                                              | 512                                                     |
| Resources and Development                        | 4,925                                | 4,591                                               | (334)                                                   |
| Dedicated Schools Grant Related Expenditure      | 43,157                               | 43,157                                              | 0                                                       |
| <b>Total Departmental Position</b>               | <b>126,787</b>                       | <b>126,403</b>                                      | <b>(384)</b>                                            |
| Non Departmental Expenditure                     | (12,615)                             | (12,517)                                            | 98                                                      |
| Housing Revenue Account (HRA)                    | 0                                    | 0                                                   | 0                                                       |
| <b>Final Contribution to Budget Support Fund</b> | <b>114,172</b>                       | <b>113,886</b>                                      | <b>(286)</b>                                            |

The Council's budget of £114.172m, including the Dedicated Schools Grant of £43.157m, was funded from the following sources:



## SECTION 1 : Narrative Report

### 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 2021/22 HRA is NIL which agrees to the budgeted position. Within this net NIL position there is a small amount of £0.036m unrecovered income due to less income being generated from solar panels of £0.016m and less rental income of £0.020m due to void properties. The overall expenditure thus decreased by £0.036m owing to various incremental savings and debt management and depreciation charges due to the stock numbers increasing slower than forecast with the impact of COVID-19. The HRA reserve remains at £0.495m. As at 31 March 2022 the HRA has 309 properties of which 3 were acquired during 2021/22 and 1 property was disposed of through a 'Right to Buy' sale.

### 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 Tees Valley Clinical Commissioning Group. Further details are provided in Note 56.

### Capital Expenditure

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

In 2021/22 the Council had a total Capital Programme of £75.943m and incurred expenditure totalling £18.624m. An analysis of the 2021/22 capital expenditure is shown below, together with an analysis of how it was financed.

|                                     | £000          | %           |
|-------------------------------------|---------------|-------------|
| <b>Expenditure</b>                  |               |             |
| Other Schemes                       | 6,490         | 35%         |
| School Improvements                 | 5,291         | 28%         |
| Highways Maintenance & Construction | 2,754         | 15%         |
| Housing Investment Programme        | 2,352         | 13%         |
| Disabled Facility Grant             | 1,282         | 7%          |
| DSO Vehicle Purchase                | 455           | 2%          |
| <b>Total Expenditure</b>            | <b>18,624</b> | <b>100%</b> |
| <b>Capital Financing</b>            |               |             |
| Capital Grant                       | 11,029        | 59%         |
| Borrowing                           | 7,525         | 41%         |
| Capital Receipts                    | 55            | 0%          |
| Capital Funding Reserves            | 15            | 0%          |
| <b>Total Capital Financing</b>      | <b>18,624</b> | <b>100%</b> |

As at 31 March 2022, the Council had rephased capital expenditure totalling £57.319m into 2022/23. This will be funded from the following rephased resources.

|                          | £000          |
|--------------------------|---------------|
| Borrowing                | 36,970        |
| Government Grants        | 14,388        |
| Capital Funding Reserves | 5,751         |
| Capital Receipts         | 210           |
|                          | <b>57,319</b> |

## SECTION 1 : Narrative Report

The rephased capital expenditure of £57.319 includes the following schemes:

| <b>Rephased Scheme</b>                                                                  | <b>£000</b>   |
|-----------------------------------------------------------------------------------------|---------------|
| The A19/Elwick Road/North Lane Junction and Elwick Road/Hartlepool Western Link Project | 10,595        |
| HRA                                                                                     | 8,809         |
| Waterfront New Leisure Centre                                                           | 7,707         |
| DSO Vehicle Purchase                                                                    | 4,146         |
| RML Exhibition Centre Development                                                       | 3,400         |
| Wingfield Castle                                                                        | 2,982         |
|                                                                                         | <b>37,639</b> |

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

### Capital Receipts

The Council received gross receipts of £0.189m in 2021/22 from the sale of assets.

### **FINANCIAL OUTLOOK – GENERAL FUND 2022/23 TO 2025/26**

As detailed earlier the Council's progressed with its budget strategy early in 2021/22 so as to reduce the reliance on use of reserves to balance the Council's budget.

At a national level the Government's 2022/23 funding arrangements for councils provided additional funding for Social Care in addition to a new one-off services grant distributed through the existing Settlement Funding Assessment criteria. Government figures show the settlement is the best for many years, however the settlement continued to be based on the assumption of maximising Council Tax with the core Council Tax referendum principle set at 2% and the Adult Social Care (ASC) precept set at 1%, plus the balance of the 2021/22 ASC precept. For Hartlepool, 36% of the governments assumed funding increase was to be funded by Council Tax increases. As a one-year settlement this continued the trend of recent years, providing a lack of certainty for future budgets.

The Council determined to increase core Council Tax by 1.9% and only apply the balance of the 2021/22 ASC precept, thus increasing Council Tax overall by 4.9%. Taken over the two year period, this was significantly below the maximum increased allowable of 8%. Furthermore difficult decisions were made allowing savings to be identified in order to substantially close the budget gap. Ultimately reserves were used, but in a planned and measured way in order to smooth the deficit position over the period of the Medium Term Financial Strategy. The £7.3m deficit was funded by:

|                                |       |
|--------------------------------|-------|
| Savings                        | £2.6m |
| Council Tax and ASC Precept    | £2.1m |
| Increase in Government Funding | £1.5m |
| Reserves                       | £1.1m |

The Council's budgets are continuing to face increased pressures on the budget position for 2022/23 owing to the continuing impact of the pandemic, especially in relation to continued income shortfalls. Additionally, the emergence from the pandemic combined with the war in Ukraine has created significant inflationary pressures that require careful management in year and are likely to result in on-going pressures over the period.

The financial position for 2023/24 onwards will continue to be impacted by the inflationary pressures, particularly Government funding proposals in response to the pressure. Additionally, uncertainty remains regarding funding reforms in general and the national funding arrangements for Adult Social Care. At a local level the Business Rates position continues to be under strain given appeals and the scheduled closure of the Nuclear Power station in 2024/25.

The Council will develop a strategy for 2023/24 to 2025/26 during the current year.

### **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. Total borrowing remains below the CFR and the strategy continues an element of netting down investments and borrowing.

## SECTION 1 : Narrative Report

This is at a level that is forecast to be sustainable. However owing to the unprecedented financial environment it may be appropriate to take out further borrowing and the position will be kept under constant review.

The interest earned on Council investments remained low during 2021/22; 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 2022 there was a deficit on the Pensions Reserve of £160.009m (£210.094m in 2020/21). This was offset by a Pensions Liability of the same value. The net Pensions Liability has reduced mainly owing to a net increase in the fair value of plan assets.

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 52 and 53 to the Statement of Accounts.

### **STATEMENT OF ACCOUNTS**

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

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

#### **Balance Sheet**

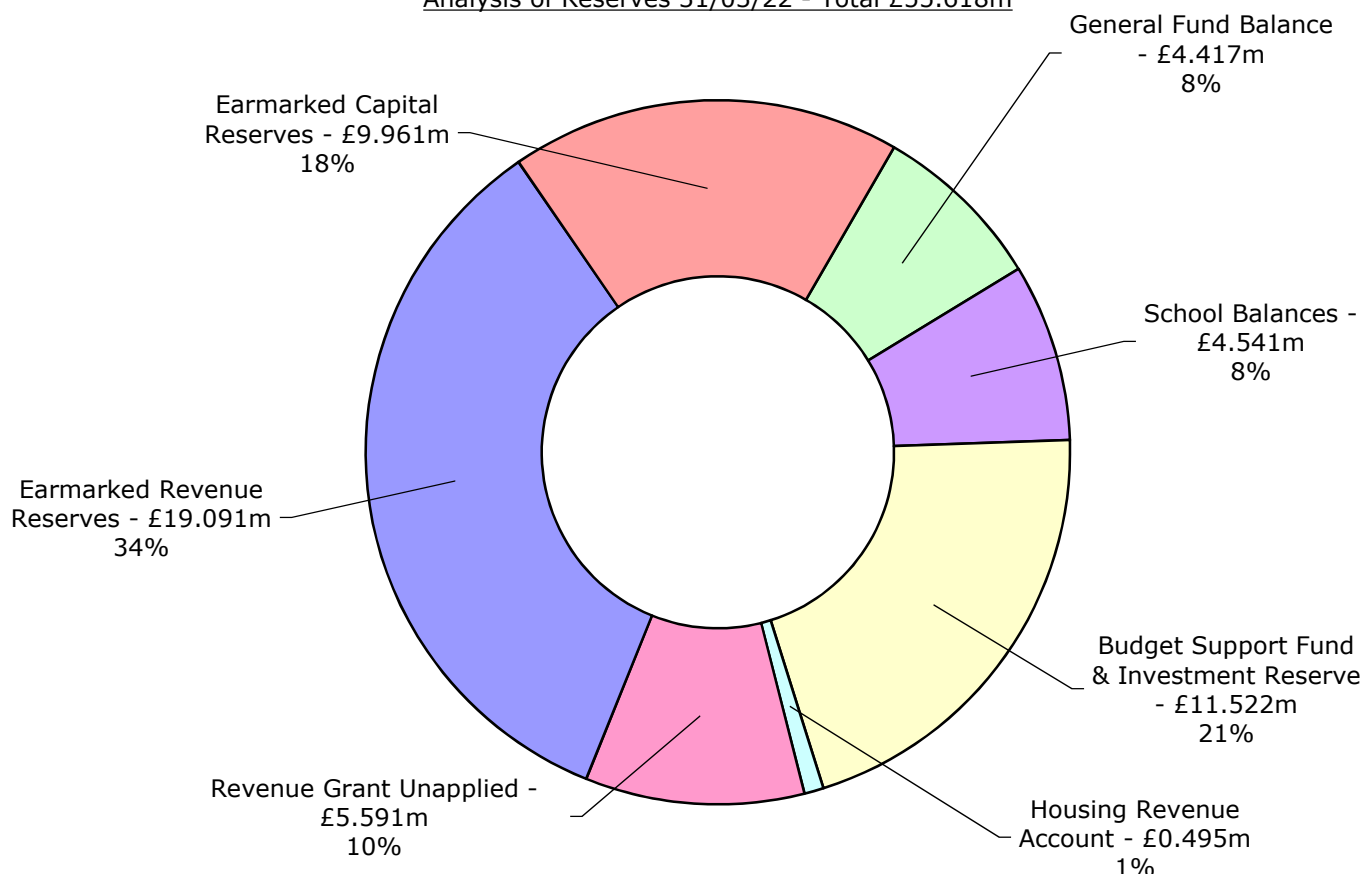
The Balance Sheet shows the value of the assets and liabilities at 31 March 2022. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are classified in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserve includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

The major movements on the Balance Sheet are as follows:

- Property, Plant and Equipment, Investment Properties, Assets Held for Sale and Heritage Assets – the Council's total fixed assets have decreased by £5.859m which comprises expenditure on fixed assets, downward revaluations of existing assets, less depreciation and disposals.
- Short Term Debtors - totalled £36.586m as at 31 March 2022 (£38.505m at 31 March 2021). The decrease primarily relates to year end entries required in relation to the Collection Fund.
- Short Term Creditors – as at 31 March 2022 was £29.536m (£28.605m at 31 March 2021). The increase primarily relates to year end entries required in relation to the Collection Fund.
- Capital Grant Receipts in advance – as at 31 March 2022 was £14.379m (£9.933m at 31 March 2021). The increase relates to a variety of capital grants received in advance, including from the Tees Valley Combined Authority.
- Revenue Grant Receipts in advance – as at 31 March 2022 was £2.322m (£3.983m at 31 March 2021). The decrease primarily relates to the COVID-19 Grants Local Authority Support Grants which have now been used throughout the current year.
- Other long term liabilities – as at 31 March 2022 was £160.324m (£210.400m at 31 March 2021). The majority of this decrease related to the Council's defined benefit pension scheme.
- At the 31 March 2022 the Authority had usable reserves of £55.618m (£49.253m at 31 March 2021). Full details of the Council's reserves are provided in Notes 30 to 37 and include the following key reserves:

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Analysis of Reserves 31/03/22 - Total £55.618m



This excludes £7.390m of grant funding the Government has provided to meet Collection Fund deficits arising from the impact of COVID-19. This funding will be used over the period 2022/23 to 2023/24 to reflect the statutory arrangements from managing Collection Fund deficits as described in Note 35 of the accounts.

### Cash Flow Statement

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

### Collection Fund

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

The total Council Tax for the year was £2,097.07 (£2,090.38 in 2020/21) for Band D properties, excluding parish precepts where these applied. This comprised £1,751.01 for the Council's own services, £265.73 for the Police and Crime Commissioner and £80.33 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 34,380 Band D properties. When setting the charge a 1.5% allowance for non-collection was made.

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

## SECTION 1 : Narrative Report

|                                                     | £000          | %    |
|-----------------------------------------------------|---------------|------|
| <b>Expenditure</b>                                  |               |      |
| Hartlepool Council Precept                          | 42,737        | 51%  |
| Police and Crime Commissioner Precept               | 6,480         | 8%   |
| Cleveland Fire Authority Precept                    | 1,959         | 2%   |
| Central Government's Share Non Domestic Rates       | 15,965        | 19%  |
| Hartlepool Council Non Domestic Rates Precept       | 15,646        | 19%  |
| Cleveland Fire Authority Non Domestic Rates Precept | 319           | 0%   |
| Other                                               | 453           | 1%   |
|                                                     | <b>83,559</b> | 100% |
| <b>Income</b>                                       |               |      |
| Council Tax                                         | 52,343        | 65%  |
| NNDR from Rate Payers                               | 28,483        | 35%  |
|                                                     | <b>80,826</b> | 100% |
| <b>Net Deficit / (Surplus) in Year</b>              | <b>2,733</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 2021/22 financial year the inspection period was 27 June 2022 to 5 August 2022.



Chris Little CPFA  
Director of Finance and Policy  
Date: 24 June, 2022

## 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 Resources and Development;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets, and;
- approve the Statement of Accounts.

I confirm that the accounts set out in this document were approved by the Audit and Governance Committee at the meeting held on xx xxx 2022.

Chair of Audit and Governance Committee

Date: xx/xx/2022

### 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 2021/22, 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 2022.



Chris Little CPFA

Director of Resources and Development

Date: 24 June 2022

## SECTION 3 : Statement of Accounts

### Movement in Reserves Statement for the year ended 31 March 2022

|                                                                                          | Unearmarked<br>General Fund<br>Balance | School,<br>Budget<br>Support and<br>Investment<br>Reserves | Earmarked<br>Revenue &<br>Capital<br>Reserves | Housing<br>Revenue<br>Account | Major<br>Repairs<br>Reserve | Capital<br>Receipts<br>Reserve | Capital<br>Grants<br>Unapplied | Total<br>Usable<br>Reserves | Unusable<br>Reserves | Total<br>Reserves |
|------------------------------------------------------------------------------------------|----------------------------------------|------------------------------------------------------------|-----------------------------------------------|-------------------------------|-----------------------------|--------------------------------|--------------------------------|-----------------------------|----------------------|-------------------|
|                                                                                          | £000s                                  | £000s                                                      | £000s                                         | £000s                         | £000s                       | £000s                          | £000s                          | £000s                       | £000s                | £000s             |
| <b>Balance at 31 March 2020<br/>carried forward</b>                                      | 4,417                                  | 5,407                                                      | 24,600                                        | 391                           | 837                         | -                              | 20                             | 35,672                      | 38,368               | 74,040            |
| <b><u>Movement in reserves<br/>during 2020/21</u></b>                                    |                                        |                                                            |                                               |                               |                             |                                |                                |                             |                      |                   |
| Surplus or (deficit) on<br>provision of services                                         | (8,428)                                | -                                                          | -                                             | (196)                         | -                           | -                              | -                              | (8,624)                     | -                    | (8,624)           |
| Other Comprehensive Income<br>and Expenditure                                            | -                                      | -                                                          | -                                             | -                             | -                           | -                              | -                              | -                           | (21,260)             | (21,260)          |
| <b>Total Comprehensive<br/>Income and Expenditure</b>                                    | (8,428)                                | -                                                          | -                                             | (196)                         | -                           | -                              | -                              | (8,624)                     | (21,260)             | (29,884)          |
| Adjustments between<br>accounting basis & funding<br>basis under regulations (note<br>5) | 32,172                                 | -                                                          | -                                             | 468                           | 167                         | -                              | (12)                           | 32,795                      | (32,795)             | -                 |
| <b>Net Increase/(Decrease)<br/>before Transfers to<br/>Earmarked Reserves</b>            | 23,744                                 | -                                                          | 0                                             | 272                           | 167                         | 0                              | (12)                           | 24,171                      | (54,055)             | (29,884)          |
| Transfers to/(from) Earmarked<br>Reserves                                                | (23,744)                               | 13,330                                                     | 10,413                                        | (168)                         | 168                         | -                              | -                              | (1)                         | 1                    | -                 |
| <b>Increase/(Decrease) in<br/>Year</b>                                                   | -                                      | 13,330                                                     | 10,413                                        | 104                           | 335                         | -                              | (12)                           | 24,170                      | (54,054)             | (29,884)          |
| <b>Balance at 31 March 2021<br/>carried forward</b>                                      | <b>4,417</b>                           | <b>18,737</b>                                              | <b>35,013</b>                                 | <b>495</b>                    | <b>1,172</b>                | <b>-</b>                       | <b>8</b>                       | <b>59,842</b>               | <b>(15,686)</b>      | <b>44,156</b>     |
| <b><u>Movement in reserves<br/>during 2021/22</u></b>                                    |                                        |                                                            |                                               |                               |                             |                                |                                |                             |                      |                   |
| Surplus or (deficit) on<br>provision of services                                         | (15,160)                               | -                                                          | -                                             | 155                           | -                           | -                              | -                              | (15,005)                    | -                    | (15,005)          |
| Other Comprehensive Income<br>and Expenditure                                            | -                                      | -                                                          | -                                             | -                             | -                           | -                              | -                              | -                           | 71,441               | 71,441            |
| <b>Total Comprehensive<br/>Income and Expenditure</b>                                    | (15,160)                               | -                                                          | -                                             | 155                           | -                           | -                              | -                              | (15,005)                    | 71,441               | 56,436            |
| Adjustments between<br>accounting basis & funding<br>basis under regulations (note<br>5) | 17,932                                 | -                                                          | -                                             | (11)                          | 187                         | 63                             | -                              | 18,171                      | (18,171)             | -                 |
| <b>Net Increase/(Decrease)<br/>before Transfers to<br/>Earmarked Reserves</b>            | 2,772                                  | -                                                          | -                                             | 144                           | 187                         | 63                             | -                              | 3,166                       | 53,270               | 56,436            |
| Transfers to/(from) Earmarked<br>Reserves                                                | (2,772)                                | (2,674)                                                    | 5,447                                         | (144)                         | 144                         | -                              | -                              | -                           | -                    | -                 |
| <b>Increase/(Decrease) in<br/>Year</b>                                                   | -                                      | (2,674)                                                    | 5,447                                         | -                             | 331                         | 63                             | -                              | 3,166                       | 53,270               | 56,436            |
| <b>Balance at 31 March 2022<br/>carried forward</b>                                      | <b>4,417</b>                           | <b>16,063</b>                                              | <b>40,460</b>                                 | <b>495</b>                    | <b>1,503</b>                | <b>63</b>                      | <b>8</b>                       | <b>63,008</b>               | <b>37,584</b>        | <b>100,592</b>    |

For detail on Usable and Unusable Reserves see Notes 30 to 38.



## SECTION 3 : Statement of Accounts

### Comprehensive Income and Expenditure Statement for the year ended 31 March 2022

| 2020/21     |           |               | 2021/22                                                             |                |                  |                     |
|-------------|-----------|---------------|---------------------------------------------------------------------|----------------|------------------|---------------------|
| £000s       | £000s     | £000s         | £000s                                                               | £000s          | £000s            |                     |
| Expenditure | Income    | Net           | Expenditure                                                         | Income         | Net              | Note                |
| 78,733      | (40,527)  | 38,206        | <b>Continuing operations:</b>                                       |                |                  |                     |
| 101,497     | (75,492)  | 26,005        | Adult and Community Based Services                                  | 80,110         | (42,212)         | <b>37,898</b> 7     |
| 18,029      | (34,227)  | (16,198)      | Children's and Joint Commissioning                                  | 101,394        | (69,183)         | <b>32,211</b> 7     |
| 41,265      | (10,231)  | 31,034        | Corporate                                                           | 15,519         | (20,671)         | <b>(5,152)</b> 7    |
| 36,567      | (29,403)  | 7,164         | Neighbourhoods and Regulatory Services                              | 41,024         | (17,500)         | <b>23,524</b> 7     |
| 1,246       | (1,382)   | (136)         | Resources & Development                                             | 37,784         | (29,508)         | <b>8,276</b> 7      |
| 277,337     | (191,262) | 86,075        | HRA                                                                 | 832            | (1,318)          | <b>(486)</b> 7      |
| 1,036       | (280)     | 756           | <b>Cost of Services</b>                                             | <b>276,663</b> | <b>(180,392)</b> | <b>96,271</b>       |
| 17,916      | (10,588)  | 7,328         | Other Operating Expenditure                                         | 468            | (378)            | <b>90</b> 8         |
| -           | (85,535)  | (85,535)      | Financing and Investment Income and Expenditure                     | 17,826         | (11,901)         | <b>5,925</b> 9      |
| 296,289     | (287,665) | 8,624         | Taxation and Non-Specific Grant Income                              | -              | (87,281)         | <b>(87,281)</b> 10  |
|             |           |               | <b>(Surplus) / Deficit on Provision of Services</b>                 | <b>294,957</b> | <b>(279,952)</b> | <b>15,005</b>       |
|             |           |               |                                                                     |                |                  |                     |
|             |           | (372)         | (Surplus) / Deficit on Revaluation of Property, Plant and Equipment |                |                  | (1,343) 38 Table 1  |
|             |           | 21,632        | Remeasurement of net defined benefit liability / (asset)            |                |                  | (70,098) 38 Table 3 |
|             |           | <b>21,260</b> | <b>Other Comprehensive Income and Expenditure</b>                   |                |                  | <b>(71,441)</b>     |
|             |           | <b>29,884</b> | <b>Total Comprehensive Income and Expenditure</b>                   |                |                  | <b>(56,436)</b>     |

## SECTION 3 : Statement of Accounts

### Balance Sheet as at 31 March 2022

| 31 March 2021<br>£000s |                                                                            | 31 March 2022<br>£000s | Note |
|------------------------|----------------------------------------------------------------------------|------------------------|------|
| 286,684                | Property, Plant and Equipment                                              | 289,829                | 14   |
| 17,735                 | Heritage Assets                                                            | 17,751                 | 17   |
| 8,859                  | Investment Property                                                        | 9,804                  | 16   |
| 429                    | Intangible Assets                                                          | 277                    | 18   |
| 197                    | Long Term Investments                                                      | 197                    | 19   |
| 3,363                  | Long Term Debtors                                                          | 3,771                  | 20   |
| 317,267                | <b>Long Term Assets</b>                                                    | <b>321,629</b>         |      |
| 5,002                  | Short Term Investments                                                     | 40,015                 | 45   |
| 390                    | Inventories                                                                | 549                    | 21   |
| 38,505                 | Short Term Debtors                                                         | 36,586                 | 22   |
| 16,961                 | Cash and Cash Equivalents                                                  | 6,229                  | 24   |
| 283                    | Assets Held for Sale                                                       | 365                    | 25   |
| 61,141                 | <b>Current Assets</b>                                                      | <b>83,744</b>          |      |
| (1,721)                | Bank Overdraft                                                             | (3,336)                | 24   |
| (2,222)                | Provisions                                                                 | (2,485)                | 27   |
| (3,502)                | Short Term Borrowing                                                       | (1,378)                | 45   |
| (28,605)               | Short Term Creditors                                                       | (29,536)               | 26   |
| (9,933)                | Capital Grants Receipts in Advance                                         | (14,379)               | 29   |
| (3,983)                | Revenue Grant Receipts in Advance                                          | (2,322)                | 29   |
| (49,966)               | <b>Current Liabilities</b>                                                 | <b>(53,436)</b>        |      |
| (1,194)                | Provisions                                                                 | (1,154)                | 27   |
| (72,692)               | Long Term Borrowing                                                        | (89,866)               | 45   |
| (210,400)              | Other Long Term Liabilities                                                | (160,324)              | 28   |
| (284,286)              | <b>Long Term Liabilities</b>                                               | <b>(251,344)</b>       |      |
| 44,156                 | <b>Net Assets:</b>                                                         | <b>100,593</b>         |      |
| 4,417                  | Unearmarked General Fund Balances                                          | 4,417                  | 30   |
| 15,050                 | Budget Support Fund & Investment Reserves                                  | 11,522                 | 31   |
| 5,236                  | Revenue Grants Unapplied                                                   | 5,591                  | 32   |
| 13,371                 | Earmarked Revenue Reserves                                                 | 19,091                 | 33   |
| 6,997                  | Earmarked Capital Reserves                                                 | 9,961                  | 34   |
| 3,687                  | Schools Balances                                                           | 4,541                  | 36   |
| 495                    | Housing Revenue Account                                                    | 495                    | 37   |
| 10,588                 | COVID-19 Council Tax and Business Rates<br>Collection Fund Deficit Reserve | 7,390                  | 35   |
| (15,685)               | Unusable Reserves                                                          | 37,585                 | 38   |
| 44,156                 | <b>Total Reserves:</b>                                                     | <b>100,593</b>         |      |

## SECTION 3 : Statement of Accounts

### Statement Of Cash Flows For The Year Ended 31 March 2022

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>2020/21</b><br><b>£000s</b> |                                                                                                                                        | <b>2021/22</b><br><b>£000s</b> | <b>Note</b> |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-------------|
| (8,624)                        | Net Surplus / (Deficit) on the Provision of Services                                                                                   | (15,005)                       |             |
| 19,040                         | Adjustments to Net Surplus / (Deficit) on the Provision of Services for Non-cash Movements                                             | 33,585                         | 48          |
| (8,042)                        | Adjustments for items included in the Net Surplus / (Deficit) on the Provision of Services that are Investing and Financing Activities | (11,218)                       | 49          |
| <b>2,374</b>                   | <b>Net Cash (Outflow) /Inflow from Operating Activities</b>                                                                            | <b>7,362</b>                   |             |
| (1,065)                        | <b>Investing Activities</b>                                                                                                            | (32,160)                       | 50          |
| (2,850)                        | <b>Financing Activities</b>                                                                                                            | 12,451                         | 51          |
| (1,541)                        | Net Increase / (Decrease) in Cash and Cash Equivalents                                                                                 | (12,347)                       |             |
| 16,781                         | Cash and Cash Equivalents at the beginning of the reporting period                                                                     | 15,240                         |             |
| <b>15,240</b>                  | <b>Cash and Cash Equivalents at the end of the reporting period</b>                                                                    | <b>2,893</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 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22, 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

### 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**

### **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

### Post Employment Benefits

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

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

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

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

#### The Local Government Pension Scheme

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

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

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

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

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

**Service cost**, comprising:-

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

**Remeasurements**, comprising:

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

## SECTION 3 : Statement of Accounts

**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

### 10. Interests in Companies and Other Entities

Under Local Government Reorganisation the Council was allocated 2.47% of the shares in Teesside International Airport, which has reduced to 1% upon the sale of the airport to Goosepool 2019 Ltd (jointly owned by the Tees Valley Combined Authority (75%) and Stobart Holding Limited (25%)), and 3.3% of the former County Council's shareholding in Suez Recycling and Recovery Tees Valley Limited.

The Council holds minority shares in Teesside International 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

### 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

### 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

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

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

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

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

### 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

### 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 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2021/22 Code. The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would, therefore result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2022/23 Code are:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year)
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

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

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

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

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government beyond 2021/22. 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 Council has undertaken a review of all schools in Hartlepool and their accounting treatment. There are 38 schools in Hartlepool;
  - One Voluntary Aided (VA) School which is 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.
  - Twenty-three 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 2022 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 £0.084m 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 £12.950m, however, the assumptions interact in complex ways. During 2021/22, the Council's actuaries advised that the net pension liability for funded LGPS benefits had increased by £13.603m as a result of updating financial assumptions, increased by £4.326m as a result of changes in demographic assumptions and decreased by £2.266m attributable to liability experience. Actual pension rates are determined on an actuarial basis every 3 years. The latest valuation has determined the employer's contribution for 3 years from 31st March 2019. A 0.1% increase in this rate would increase the Council's revenue budget requirement for pension costs by £61,000. |

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

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

The Statement of Accounts was authorised for issue by the Director of Resources and Development on 24 June 2022. Two Schools were due to convert to academy status on the 31 March 2022. Owing to technical issues there was a delay in conversion and they did not convert until May 2022. This delay in conversion will be accounted for in the 2022/23 accounts.

## 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.

| 2021/22                                                                                                                                                  | Usable Reserves                                 |                                                                  |                                                        |                                        |                                      |                                         |                                         |                                              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------|--------------------------------------|-----------------------------------------|-----------------------------------------|----------------------------------------------|
|                                                                                                                                                          | Unearmarked<br>General Fund<br>Balance<br>£000s | School, Budget<br>Support and<br>Investment<br>Reserves<br>£000s | Earmarked<br>Revenue &<br>Capital<br>Reserves<br>£000s | Housing<br>Revenue<br>Account<br>£000s | Major<br>Repairs<br>Reserve<br>£000s | Capital<br>Receipts<br>Reserve<br>£000s | Capital<br>Grants<br>Unapplied<br>£000s | Movement in<br>Unusable<br>Reserves<br>£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                                                                                            | 8,946                                           | -                                                                | -                                                      | 212                                    | -                                    | -                                       | -                                       | (9,158)                                      |
| Charges for Revaluation losses on Property Plant and Equipment                                                                                           | 2,330                                           | -                                                                | -                                                      | (78)                                   | -                                    | -                                       | -                                       | (2,252)                                      |
| Movements in the Market Value of Investment Properties                                                                                                   | (1,005)                                         | -                                                                | -                                                      | -                                      | -                                    | -                                       | -                                       | 1,005                                        |
| Capital Grants and Contributions                                                                                                                         | (11,029)                                        | -                                                                | -                                                      | -                                      | -                                    | -                                       | -                                       | 11,029                                       |
| Direct Revenue Funding                                                                                                                                   | (1)                                             | -                                                                | -                                                      | -                                      | -                                    | -                                       | -                                       | 1                                            |
| Revenue Expenditure Funded from Capital Under Statute                                                                                                    | 5,219                                           | -                                                                | -                                                      | -                                      | -                                    | -                                       | -                                       | (5,219)                                      |
| 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 | 306                                             | -                                                                | -                                                      | -                                      | -                                    | -                                       | -                                       | (306)                                        |
| <u>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>                                                |                                                 |                                                                  |                                                        |                                        |                                      |                                         |                                         |                                              |
| Provision for the Financing of Capital Investment (MRP)                                                                                                  | (2,647)                                         |                                                                  |                                                        |                                        |                                      |                                         |                                         | 2,647                                        |
| <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                       | (189)                                           | -                                                                | -                                                      | -                                      | -                                    | 189                                     | -                                       | -                                            |
| Use of Capital Receipts Reserve to finance new capital expenditure                                                                                       | -                                               | -                                                                | -                                                      | -                                      | -                                    | (126)                                   | -                                       | 126                                          |
| Use of Capital Receipts to repay prudential borrowing                                                                                                    |                                                 |                                                                  |                                                        |                                        |                                      |                                         |                                         |                                              |
| <b>Adjustments primarily involving the major Repairs Reserve:</b>                                                                                        |                                                 |                                                                  |                                                        |                                        |                                      |                                         |                                         |                                              |
| Transfer to Major Repairs Reserve                                                                                                                        | -                                               | -                                                                | -                                                      | (201)                                  | 201                                  | -                                       | -                                       | -                                            |
| Use of Major Repairs Reserve to finance new capital expenditure                                                                                          | -                                               | -                                                                | -                                                      | -                                      | (14)                                 | -                                       | -                                       | 14                                           |

## SECTION 3 : Statement of Accounts

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

| 2021/22                                                                                                                                                                                                               | Unearmarked<br>General Fund<br>Balance<br>£000s | School, Budget<br>Support and<br>Investment<br>Reserves<br>£000s | Earmarked<br>Revenue &<br>Capital<br>Reserves<br>£000s | Housing<br>Revenue<br>Account<br>£000s | Major<br>Repairs<br>Reserve<br>£000s | Capital<br>Receipts<br>Reserve<br>£000s | Capital<br>Grants<br>Unapplied<br>£000s | Movement in<br>Unusable<br>Reserves<br>£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                                                                                             | 27,521                                          | -                                                                | -                                                      | 75                                     | -                                    | -                                       | -                                       | (27,596)                                     |
| Employer's Pension Contributions and Direct Payments to Pensioners payable in year                                                                                                                                    | (7,564)                                         | -                                                                | -                                                      | (19)                                   | -                                    | -                                       | -                                       | 7,583                                        |
| <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            | (3,802)                                         | -                                                                | -                                                      | -                                      | -                                    | -                                       | -                                       | 3,802                                        |
| <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 | (153)                                           | -                                                                | -                                                      | -                                      | -                                    | -                                       | -                                       | 153                                          |
| <b>Total Adjustments</b>                                                                                                                                                                                              | <b>17,932</b>                                   | <b>-</b>                                                         | <b>-</b>                                               | <b>(11)</b>                            | <b>187</b>                           | <b>63</b>                               | <b>-</b>                                | <b>(18,171)</b>                              |

#### Usable Reserves

| 2020/21                                                                                                                                                  | Unearmarked<br>General Fund<br>Balance<br>£000s | School, Budget<br>Support and<br>Investment<br>Reserves<br>£000s | Earmarked<br>Revenue &<br>Capital<br>Reserves<br>£000s | Housing<br>Revenue<br>Account<br>£000s | Major<br>Repairs<br>Reserve<br>£000s | Capital<br>Receipts<br>Reserve<br>£000s | Capital<br>Grants<br>Unapplied<br>£000s | Movement in<br>Unusable<br>Reserves<br>£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                                                                                            | 11,417                                          | -                                                                | -                                                      | 197                                    | -                                    | -                                       | -                                       | (11,614)                                     |
| Charges for Revaluation losses on Property Plant and Equipment                                                                                           | 243                                             | -                                                                | -                                                      | 424                                    | -                                    | -                                       | -                                       | (667)                                        |
| Movements in the Market Value of Investment Properties                                                                                                   | 1,160                                           | -                                                                | -                                                      | -                                      | -                                    | -                                       | -                                       | (1,160)                                      |
| Capital Grants and Contributions                                                                                                                         | (7,895)                                         | -                                                                | -                                                      | -                                      | -                                    | -                                       | -                                       | 7,895                                        |
| Direct Revenue Funding                                                                                                                                   | (360)                                           | -                                                                | -                                                      | -                                      | -                                    | -                                       | -                                       | 360                                          |
| Revenue Expenditure Funded from Capital Under Statute                                                                                                    | 2,441                                           | -                                                                | -                                                      | -                                      | -                                    | -                                       | -                                       | (2,441)                                      |
| 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 | 879                                             | -                                                                | -                                                      | -                                      | -                                    | -                                       | -                                       | (879)                                        |
| <u>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>                                                |                                                 |                                                                  |                                                        |                                        |                                      |                                         |                                         |                                              |
| Provision for the Financing of Capital Investment (MRP)                                                                                                  | (2,729)                                         | -                                                                | -                                                      | -                                      | -                                    | -                                       | -                                       | 2,729                                        |

## SECTION 3 : Statement of Accounts

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

| 2020/21                                                                                                                                                                                                               | Unearmarked<br>General Fund<br>Balance<br>£000s | School, Budget<br>Support and<br>Investment<br>Reserves<br>£000s | Earmarked<br>Revenue &<br>Capital<br>Reserves<br>£000s | Housing<br>Revenue<br>Account<br>£000s | Major<br>Repairs<br>Reserve<br>£000s | Capital<br>Receipts<br>Reserve<br>£000s | Capital<br>Grants<br>Unapplied<br>£000s | Movement in<br>Unusable<br>Reserves<br>£000s |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------|--------------------------------------|-----------------------------------------|-----------------------------------------|----------------------------------------------|
| <b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>                                                                                                                                          |                                                 |                                                                  |                                                        |                                        |                                      |                                         |                                         |                                              |
| Application of grants to capital financing transferred to the Capital Adjustment Account                                                                                                                              | -                                               | -                                                                | -                                                      | -                                      | -                                    | -                                       | (12)                                    | 12                                           |
| <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                                                                                    | (155)                                           | -                                                                | -                                                      | -                                      | -                                    | 155                                     | -                                       | -                                            |
| Use of Capital Receipts Reserve to finance new capital expenditure                                                                                                                                                    | -                                               | -                                                                | -                                                      | -                                      | -                                    | (155)                                   | -                                       | 155                                          |
| Use of Capital Receipts to repay prudential borrowing                                                                                                                                                                 | -                                               | -                                                                | -                                                      | -                                      | -                                    | -                                       | -                                       | -                                            |
| <b>Adjustments primarily involving the major Repairs Reserve:</b>                                                                                                                                                     |                                                 |                                                                  |                                                        |                                        |                                      |                                         |                                         |                                              |
| Transfer to Major Repairs Reserve                                                                                                                                                                                     | -                                               | -                                                                | -                                                      | (185)                                  | 185                                  | -                                       | -                                       | -                                            |
| Use of Major Repairs Reserve to finance new capital expenditure                                                                                                                                                       | -                                               | -                                                                | -                                                      |                                        | (18)                                 | -                                       | -                                       | 18                                           |
| <b>Adjustments primarily involving the Pensions Reserve:</b>                                                                                                                                                          |                                                 |                                                                  |                                                        |                                        |                                      |                                         |                                         |                                              |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement                                                                                             | 21,800                                          | -                                                                | -                                                      | 48                                     | -                                    | -                                       | -                                       | (21,848)                                     |
| Employer's Pension Contributions and Direct Payments to Pensioners payable in year                                                                                                                                    | (7,425)                                         | -                                                                | -                                                      | (16)                                   | -                                    | -                                       | -                                       | 7,441                                        |
| <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            | 9,334                                           | -                                                                | -                                                      | -                                      | -                                    | -                                       | -                                       | (9,334)                                      |
| <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 | 3,460                                           | -                                                                | -                                                      | -                                      | -                                    | -                                       | -                                       | (3,460)                                      |
| <b>Total Adjustments</b>                                                                                                                                                                                              | <b>32,172</b>                                   | <b>-</b>                                                         | <b>-</b>                                               | <b>468</b>                             | <b>167</b>                           | <b>-</b>                                | <b>(12)</b>                             | <b>(32,795)</b>                              |

## SECTION 3 : Statement of Accounts

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

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22. Further details are provided in Notes 30 to 37.

|                                                                                | Balance at 31<br>March 2020 | Transfer<br>Between<br>Reserves | Transfers Out<br>2020/21 | Transfers In<br>2020/21 | Balance at 31<br>March 2021 | Transfer<br>Between<br>Reserves | Transfers Out<br>2021/22 | Transfers In<br>2021/22 | Balance at 31<br>March 2022 |
|--------------------------------------------------------------------------------|-----------------------------|---------------------------------|--------------------------|-------------------------|-----------------------------|---------------------------------|--------------------------|-------------------------|-----------------------------|
|                                                                                | £000s                       | £000s                           | £000s                    | £000s                   | £000s                       | £000s                           | £000s                    | £000s                   | £000s                       |
| <b>Unearmarked General Fund Balance</b>                                        |                             |                                 |                          |                         |                             |                                 |                          |                         |                             |
| General Fund Balance                                                           | 4,417                       | -                               | -                        | -                       | 4,417                       | -                               | -                        | -                       | 4,417                       |
|                                                                                | 4,417                       | -                               | -                        | -                       | 4,417                       | -                               | -                        | -                       | 4,417                       |
| <b>Budget Support &amp; Investment Reserves</b>                                |                             |                                 |                          |                         |                             |                                 |                          |                         |                             |
| Budget Support Fund 22/23 to 24/25                                             | 4,513                       | (1,685)                         | -                        | 4,863                   | 7,691                       | -                               | -                        | 286                     | 7,977                       |
| Budget Support Fund 21/22                                                      | -                           | 4,312                           | -                        | -                       | 4,312                       | -                               | (4,312)                  | -                       | -                           |
| COVID-19 Recovery Reserve                                                      | -                           | 500                             | -                        | 1,153                   | 1,653                       | -                               | -                        | 714                     | 2,367                       |
| Looked After Children Reserve                                                  | 528                         | -                               | -                        | 533                     | 1,061                       | -                               | -                        | -                       | 1,061                       |
| Budget Support Fund - Invest to Save                                           | -                           | 333                             | -                        | -                       | 333                         | -                               | (216)                    | -                       | 117                         |
|                                                                                | 5,041                       | 3,460                           | -                        | 6,549                   | 15,050                      | -                               | (4,528)                  | 1,000                   | 11,522                      |
| <b>Revenue Grants Unapplied</b>                                                |                             |                                 |                          |                         |                             |                                 |                          |                         |                             |
| Revenue Grants Unapplied                                                       | 3,823                       | -                               | (225)                    | 1,298                   | 4,896                       | -                               | (295)                    | 711                     | 5,312                       |
| COVID-19 Grants Reserve                                                        | -                           | -                               | -                        | 340                     | 340                         | -                               | (170)                    | 109                     | 279                         |
|                                                                                | 3,823                       | -                               | (225)                    | 1,638                   | 5,236                       | -                               | (465)                    | 820                     | 5,591                       |
| <b>Earmarked Revenue Reserves</b>                                              |                             |                                 |                          |                         |                             |                                 |                          |                         |                             |
| Business Rates Risk Reserve                                                    | -                           | 2,478                           | -                        | 522                     | 3,000                       | -                               | -                        | -                       | 3,000                       |
| Insurance Fund                                                                 | 2,212                       | -                               | -                        | 74                      | 2,286                       | -                               | (2)                      | 83                      | 2,367                       |
| Treasury Management Risk Reserve                                               | 1,489                       | -                               | -                        | 246                     | 1,735                       | -                               | -                        | 400                     | 2,135                       |
| Strategic Change Reserve                                                       | 1,161                       | -                               | (49)                     | 304                     | 1,416                       | -                               | (240)                    | 738                     | 1,914                       |
| Energy Pressures                                                               | -                           | -                               | -                        | -                       | -                           | -                               | -                        | 1,820                   | 1,820                       |
| Adult Social Care Reserve                                                      | 1,211                       | -                               | (171)                    | -                       | 1,040                       | -                               | (245)                    | 464                     | 1,259                       |
| Inflation Reserve                                                              | -                           | -                               | -                        | -                       | -                           | -                               | -                        | 1,000                   | 1,000                       |
| Better Care Fund (Pooled Budget)                                               | -                           | -                               | -                        | 444                     | 444                         | -                               | -                        | 550                     | 994                         |
| Income Risk Reserve                                                            | 309                         | -                               | -                        | -                       | 309                         | -                               | -                        | 680                     | 989                         |
| Public Health Grant Reserve                                                    | 333                         | -                               | (16)                     | 197                     | 514                         | -                               | -                        | 440                     | 954                         |
| Community Pot Reserve                                                          | -                           | 73                              | -                        | 239                     | 312                         | -                               | -                        | 54                      | 366                         |
| Waste Equalisation Reserve                                                     | -                           | -                               | -                        | -                       | -                           | -                               | -                        | 330                     | 330                         |
| Education Improvement Strategy Reserve                                         | 419                         | -                               | (103)                    | -                       | 316                         | -                               | -                        | -                       | 316                         |
| Support for Local Council Tax Support Scheme                                   | 300                         | -                               | -                        | -                       | 300                         | -                               | -                        | -                       | 300                         |
| Better Care Fund Reserve                                                       | 220                         | -                               | -                        | -                       | 220                         | -                               | -                        | -                       | 220                         |
| Concessionary Fares                                                            | 20                          | -                               | -                        | 282                     | 302                         | -                               | (94)                     | -                       | 208                         |
| ICT Contract Reserve                                                           | -                           | -                               | -                        | -                       | -                           | -                               | -                        | 200                     | 200                         |
| Events Reserve                                                                 | 303                         | (25)                            | (26)                     | 13                      | 265                         | -                               | (76)                     | 2                       | 191                         |
| School Attainment Reserve                                                      | 125                         | -                               | -                        | 50                      | 175                         | -                               | -                        | -                       | 175                         |
| Trading Account Reserve                                                        | 78                          | -                               | -                        | 140                     | 218                         | -                               | (90)                     | -                       | 128                         |
| Supporting Family Poverty                                                      | 139                         | (47)                            | (31)                     | 16                      | 77                          | -                               | -                        | 16                      | 93                          |
| National Museum of the Royal Navy Reserve                                      | 38                          | -                               | -                        | -                       | 38                          | -                               | -                        | -                       | 38                          |
| Museums Acquisition                                                            | 28                          | -                               | -                        | 1                       | 29                          | -                               | -                        | -                       | 29                          |
| Environmental Apprenticeships Scheme                                           | 17                          | -                               | -                        | -                       | 17                          | -                               | -                        | -                       | 17                          |
| Tees Education & Skills Reserve - Held in Trust                                | 7                           | -                               | -                        | 4                       | 11                          | -                               | -                        | 4                       | 15                          |
| Works in Default Empty Homes                                                   | 15                          | -                               | -                        | -                       | 15                          | -                               | -                        | -                       | 15                          |
| Funding for Modern Apprentices                                                 | 13                          | -                               | -                        | -                       | 13                          | -                               | -                        | -                       | 13                          |
| CECA Trading Equalisation Reserves                                             | 5                           | -                               | -                        | -                       | 5                           | -                               | -                        | -                       | 5                           |
| Strategic One Off Costs                                                        | 2,692                       | (2,692)                         | -                        | -                       | -                           | -                               | -                        | -                       | -                           |
| Brexit Funding                                                                 | 315                         | -                               | -                        | -                       | 315                         | (315)                           | -                        | -                       | -                           |
|                                                                                | 11,449                      | (213)                           | (396)                    | 2,532                   | 13,372                      | (315)                           | (747)                    | 6,781                   | 19,091                      |
| <b>Earmarked Capital Reserves</b>                                              |                             |                                 |                          |                         |                             |                                 |                          |                         |                             |
| Capital Funding Reserve                                                        | 9,328                       | (3,151)                         | (2,383)                  | 2,023                   | 5,817                       | 315                             | (312)                    | 2,567                   | 8,387                       |
| HRA Major Repairs Reserve                                                      | 837                         | -                               | (18)                     | 353                     | 1,172                       | -                               | (14)                     | 345                     | 1,503                       |
| Capital Grants Unapplied                                                       | 20                          | -                               | (12)                     | -                       | 8                           | -                               | -                        | -                       | 8                           |
| Capital Receipts Unapplied                                                     | -                           | -                               | (155)                    | 155                     | -                           | -                               | (126)                    | 189                     | 63                          |
|                                                                                | 10,185                      | (3,151)                         | (2,568)                  | 2,531                   | 6,997                       | 315                             | (452)                    | 3,101                   | 9,961                       |
| <b>COVID-19 Council Tax and Business Rates Collection Fund Deficit Reserve</b> |                             |                                 |                          |                         |                             |                                 |                          |                         |                             |
| COVID-19 Council Tax and Business Rates<br>Collection Fund Deficit Reserve     | -                           | -                               | -                        | 10,588                  | 10,588                      | -                               | (5,989)                  | 2,791                   | 7,390                       |
|                                                                                | -                           | -                               | -                        | 10,588                  | 10,588                      | -                               | (5,989)                  | 2,791                   | 7,390                       |
| <b>School Balances</b>                                                         |                             |                                 |                          |                         |                             |                                 |                          |                         |                             |
| Balances held by delegation schools under a<br>scheme of delegation            | (246)                       | -                               | (2,049)                  | 4,349                   | 2,054                       | -                               | (2,275)                  | 3,151                   | 2,930                       |
| Dedicated Schools Grant Reserves                                               | 269                         | -                               | (53)                     | 1,040                   | 1,256                       | -                               | (418)                    | 391                     | 1,229                       |
| Ring Fenced Grants Reserves - Held in Trust for<br>Schools                     | 247                         | -                               | (248)                    | 378                     | 377                         | -                               | (379)                    | 384                     | 382                         |
|                                                                                | 270                         | -                               | (2,350)                  | 5,767                   | 3,687                       | -                               | (3,072)                  | 3,926                   | 4,541                       |
| <b>Housing Revenue Account Balance</b>                                         |                             |                                 |                          |                         |                             |                                 |                          |                         |                             |
| HRA Balance                                                                    | 391                         | -                               | -                        | 104                     | 495                         | -                               | -                        | -                       | 495                         |
|                                                                                | 391                         | -                               | -                        | 104                     | 495                         | -                               | -                        | -                       | 495                         |

## SECTION 3 : Statement of Accounts

### Note 7: Expenditure and Funding Analysis

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

| Net Expenditure Chargeable to the General Fund and HRA | 2020/21                                                                                     |          | Net Expenditure in the Comprehensive Income and Expenditure Statement |  | 2021/22                                                |                                                                                             | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|--------------------------------------------------------|---------------------------------------------------------------------------------------------|----------|-----------------------------------------------------------------------|--|--------------------------------------------------------|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
|                                                        | Adjustments Between the General Fund and 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 |                                                                       |
| £000s                                                  | £000s                                                                                       | £000s    |                                                                       |  | £000s                                                  | £000s                                                                                       | £000s                                                                 |
| 34,867                                                 | 3,339                                                                                       | 38,206   | Adult & Community Based Services                                      |  | 33,760                                                 | 4,138                                                                                       | 37,898                                                                |
| 24,012                                                 | 1,993                                                                                       | 26,005   | Children's & Joint Commissioning Services                             |  | 26,140                                                 | 6,071                                                                                       | 32,211                                                                |
| (6,735)                                                | (9,463)                                                                                     | (16,198) | Corporate                                                             |  | (12,517)                                               | 7,365                                                                                       | (5,152)                                                               |
| 20,677                                                 | 10,357                                                                                      | 31,034   | Neighbourhood and Regulatory Services                                 |  | 18,755                                                 | 4,769                                                                                       | 23,524                                                                |
| 4,911                                                  | 2,253                                                                                       | 7,164    | Resources and Development                                             |  | 4,591                                                  | 3,685                                                                                       | 8,276                                                                 |
| (104)                                                  | (32)                                                                                        | (136)    | HRA                                                                   |  | -                                                      | (486)                                                                                       | (486)                                                                 |
| 48,647                                                 | (48,647)                                                                                    | -        | Schools                                                               |  | 43,157                                                 | (43,157)                                                                                    | -                                                                     |
| 126,275                                                | (40,200)                                                                                    | 86,075   | <b>Net Cost of Services</b>                                           |  | <b>113,886</b>                                         | <b>(17,615)</b>                                                                             | <b>96,271</b>                                                         |
| (126,379)                                              | 48,928                                                                                      | (77,451) | Other Income and Expenditure                                          |  | (114,172)                                              | 32,906                                                                                      | (81,266)                                                              |
| (104)                                                  | 8,728                                                                                       | 8,624    | <b>(Surplus) or Deficit</b>                                           |  | <b>(286)</b>                                           | <b>15,291</b>                                                                               | <b>15,005</b>                                                         |
| 4,808                                                  |                                                                                             |          | <b>Opening General Fund &amp; HRA Balance</b>                         |  | 4,912                                                  |                                                                                             |                                                                       |
| -                                                      |                                                                                             |          | <b>Less/Plus Surplus or (Deficit) on General Fund Balance in Year</b> |  | (286)                                                  |                                                                                             |                                                                       |
| -                                                      |                                                                                             |          | <b>Transfer Between Earmarked &amp; General Fund Reserves</b>         |  | 286                                                    |                                                                                             |                                                                       |
| 104                                                    |                                                                                             |          | <b>Less/Plus Surplus or (Deficit) on HRA Balance in Year</b>          |  | -                                                      |                                                                                             |                                                                       |
| -                                                      |                                                                                             |          | <b>Transfer Between Earmarked &amp; HRA Reserves</b>                  |  | -                                                      |                                                                                             |                                                                       |
| 4,912                                                  |                                                                                             |          | <b>Closing General Fund &amp; HRA Balance at 31 March</b>             |  | <b>4,912</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                                                        | 2021/22                                   |                                                  |                                      |                                         |                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------------------------------------------------|--------------------------------------|-----------------------------------------|-------------------|
|                                                                                                                                                              | 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                                                                                                                           | 859                                       | 3,239                                            | (25)                                 | 65                                      | 4,138             |
| Children and Joint Commissioning                                                                                                                             | 3,991                                     | 6,694                                            | 27                                   | (4,641)                                 | 6,071             |
| Corporate                                                                                                                                                    | 1,453                                     | -                                                | -                                    | 5,912                                   | 7,365             |
| Resources and Development                                                                                                                                    | -                                         | 2,019                                            | 203                                  | 1,463                                   | 3,685             |
| Neighbourhood and Regulatory Services                                                                                                                        | 4,233                                     | 3,504                                            | (358)                                | (2,610)                                 | 4,769             |
| HRA                                                                                                                                                          | (67)                                      | 43                                               | (144)                                | (318)                                   | (486)             |
| Schools                                                                                                                                                      | -                                         | -                                                | -                                    | (43,157)                                | (43,157)          |
| <b>Net Cost of Services</b>                                                                                                                                  | <b>10,469</b>                             | <b>15,499</b>                                    | <b>(297)</b>                         | <b>(43,286)</b>                         | <b>(17,615)</b>   |
| Other Income and Expenditure from the Expenditure and Funding Analysis                                                                                       | (8,604)                                   | 4,514                                            | (3,802)                              | 40,798                                  | 32,906            |
| <b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b> | <b>1,865</b>                              | <b>20,013</b>                                    | <b>(4,099)</b>                       | <b>(2,488)</b>                          | <b>15,291</b>     |

| Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts                                                        | 2020/21                                   |                                                  |                                      |                                         |                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------------------------------------------------|--------------------------------------|-----------------------------------------|-------------------|
|                                                                                                                                                              | 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                                                                                                                           | 305                                       | 2,178                                            | 761                                  | 95                                      | 3,339             |
| Children and Joint Commissioning                                                                                                                             | 2,494                                     | 4,585                                            | 638                                  | (5,724)                                 | 1,993             |
| Corporate                                                                                                                                                    | 939                                       | -                                                | -                                    | (10,402)                                | (9,463)           |
| Neighbourhood and Regulatory Services                                                                                                                        | 5,695                                     | 2,356                                            | 1,743                                | 563                                     | 10,357            |
| Resources and Development                                                                                                                                    | 11                                        | 1,343                                            | 319                                  | 580                                     | 2,253             |
| HRA                                                                                                                                                          | 436                                       | 25                                               | -                                    | (493)                                   | (32)              |
| Schools                                                                                                                                                      | -                                         | -                                                | -                                    | (48,647)                                | (48,647)          |
| <b>Net Cost of Services</b>                                                                                                                                  | <b>9,880</b>                              | <b>10,487</b>                                    | <b>3,461</b>                         | <b>(64,028)</b>                         | <b>(40,200)</b>   |
| Other Income and Expenditure from the Expenditure and Funding Analysis                                                                                       | (4,083)                                   | 3,920                                            | 9,334                                | 39,757                                  | 48,928            |
| <b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b> | <b>5,797</b>                              | <b>14,407</b>                                    | <b>12,795</b>                        | <b>(24,271)</b>                         | <b>8,728</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:

| 2020/21<br>£000  | Expenditure/Income                                     | 2021/22<br>£000  |
|------------------|--------------------------------------------------------|------------------|
|                  | <b>Expenditure</b>                                     |                  |
| 105,495          | Employee Benefits Expenses                             | 112,502          |
| 155,652          | Other Services Expenses                                | 158,086          |
| 17,803           | Support Service Recharges                              | 10,434           |
| 13,441           | Depreciation, Impairment, Revaluation Losses           | 10,405           |
| 2,863            | Interest Payments                                      | 3,063            |
| 156              | Precepts and Levies                                    | 161              |
| 879              | Gain/Loss on the disposal of assets                    | 306              |
| <u>296,289</u>   | <b>Total Expenditure</b>                               | <u>294,957</u>   |
|                  | <b>Income</b>                                          |                  |
| (45,093)         | Fees Charges and Other Service Income                  | (48,988)         |
| (10,568)         | Interest and Investment Income                         | (11,901)         |
| (49,968)         | Income from Council Tax and Non Domestic Rates         | (56,344)         |
| (182,036)        | Government Grants and Contributions                    | (162,719)        |
| <u>(287,665)</u> | <b>Total Income</b>                                    | <u>(279,952)</u> |
| <u>8,624</u>     | <b>Surplus or deficit on the provision of services</b> | <u>15,005</u>    |

### Note 7C: Segmental Income

Income received on a segmental basis is analysed below.

| 2020/21          |                              |                                           | 2021/22          |                              |
|------------------|------------------------------|-------------------------------------------|------------------|------------------------------|
| Fees & Charges   | Interest & Investment Income |                                           | Fees & Charges   | Interest & Investment Income |
| £000             | £000                         |                                           | £000             | £000                         |
| (24,804)         | -                            | Adult & Community Based Services          | (27,273)         | -                            |
| (4,181)          | (302)                        | Resources and Development                 | (5,702)          | (320)                        |
| (55,322)         | -                            | Children's & Joint Commissioning Services | (46,619)         | -                            |
| (6,966)          | (196)                        | Corporate                                 | (16,595)         | (206)                        |
| (1,382)          | (29)                         | HRA                                       | (1,318)          | (40)                         |
| (26,498)         | -                            | Neighbourhoods and Regulatory Services    | (32,313)         | -                            |
| <u>(119,153)</u> | <u>(527)</u>                 |                                           | <u>(129,820)</u> | <u>(566)</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.

| 2020/21<br>£000s |                                                      | 2021/22<br>£000s |
|------------------|------------------------------------------------------|------------------|
| 156              | Parish council precepts and levies                   | 161              |
| (124)            | Receipts from Sale of Former Council Houses          | (189)            |
| 214              | Loss resulting from Transfer of School Assets        | 13               |
| 510              | (Gain) or loss on the disposal of non-current assets | 105              |
| <u>756</u>       |                                                      | <u>90</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.

| 2020/21<br>£000s |                                                             | 2021/22<br>£000s | Note |
|------------------|-------------------------------------------------------------|------------------|------|
| 2,853            | Interest payable and similar charges on borrowing           | 3,044            | 45   |
| 10               | Finance lease Interest payable                              | 19               | 45   |
| 3,920            | Pensions Interest Cost & Expected Return on Pensions Assets | 4,514            | 53   |
| (146)            | Interest Receivable and Similar Income                      | (111)            | 45   |
| (469)            | Net (Gain) / Loss on Investment Properties                  | (536)            | 16   |
| 1,160            | Changes in fair values of investment properties             | (1,005)          | 16   |
| <u>7,328</u>     |                                                             | <u>5,925</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.

| 2020/21<br>£000s |                                   | 2021/22<br>£000s | Note |
|------------------|-----------------------------------|------------------|------|
| 41,622           | Council Tax Income                | 43,442           |      |
| 8,346            | NNDR Distribution                 | 12,902           |      |
| 29,591           | Non-ring Fenced Government Grants | 23,201           |      |
| 5,976            | Capital Grants and Contributions  | 7,736            |      |
| <u>85,535</u>    |                                   | <u>87,281</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 2021/22.

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

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

#### Basic and Special Responsibility Allowances

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

On 22nd June 2017 Council considered a report from the Independent Remuneration Panel (IRP) detailing recommendations in relation to the Basic Allowance and Special Responsibility Allowances payable from 1st 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 also recommended annual indexing of the allowances in line with the national Local Government pay award up to April 2020. For 2020/21 this resulted in a Basic Allowance of £8,330 and this continued for 2021/22. As summarised below Hartlepool has the third lowest Basic Allowance in the Tees Valley and the fourth lowest in the North East:

#### Summary of Basic Allowances paid by North East Councils 2021/22

| Authority            | Basic Allowance<br>£ |
|----------------------|----------------------|
| Northumberland       | 13,329               |
| Durham               | 13,300               |
| Gateshead            | 11,477               |
| North Tyneside       | 10,643               |
| Redcar and Cleveland | 9,813                |
| Stockton             | 9,300                |
| Newcastle            | 9,200                |
| Sunderland           | 8,369                |
| Hartlepool           | 8,330                |
| Darlington           | 8,188                |
| South Tyneside       | 7,667                |
| Middlesbrough        | 7,608                |

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. Travel costs outside the borough continue to be paid. The recommendations of the IRP were approved by Council. A few 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 2021/22  |
|---------------------------------------|-----------------|----------------------------------|----------------|---------------------|----------------|
|                                       | £               | £                                | £              | £                   | £              |
| Akers-Belcher C (01.04.21-10.05.21)   | 918             | 918                              | -              | -                   | <b>1,836</b>   |
| Akers-Belcher S J (01.04.21-10.05.21) | 918             | -                                | -              | -                   | <b>918</b>     |
| Ashton H (10.05.21-31.03.22)          | 7,434           | -                                | -              | -                   | <b>7,434</b>   |
| Boddy M (10.05.21-31.03.22)           | 7,434           | -                                | -              | -                   | <b>7,434</b>   |
| Brash J (10.05.21-31.03.22)           | 7,434           | -                                | -              | -                   | <b>7,434</b>   |
| Brewer J (01.04.21-10.05.21)          | 918             | -                                | -              | -                   | <b>918</b>     |
| Brown P                               | 8,330           | 7,076                            | -              | -                   | <b>15,406</b>  |
| Buchan B (01.04.21-10.05.21)          | 918             | 551                              | -              | -                   | <b>1,469</b>   |
| Cartwright L (01.04.21-10.05.21)      | 918             | -                                | -              | -                   | <b>918</b>     |
| Cassidy T                             | 8,330           | 4,246                            | -              | -                   | <b>12,576</b>  |
| Clayton B (10.05.21-31.03.22)         | 7,434           | -                                | -              | -                   | <b>7,434</b>   |
| Cook R (10.05.21-31.03.22)            | 7,434           | 7,076                            | -              | -                   | <b>14,510</b>  |
| Cowie B (10.05.21-31.03.22)           | 7,434           | -                                | -              | -                   | <b>7,434</b>   |
| Cranney G (10.05.21-31.03.22)         | 7,434           | -                                | -              | -                   | <b>7,434</b>   |
| Creevy R (10.05.21-31.03.22)          | 7,434           | -                                | -              | -                   | <b>7,434</b>   |
| Elliott J (10.05.21-31.03.22)         | 7,434           | -                                | -              | -                   | <b>7,434</b>   |
| Falconer A (10.05.21-31.03.22)        | 7,434           | -                                | -              | -                   | <b>7,434</b>   |
| Feeney T (10.05.21-31.03.22)          | 7,434           | -                                | -              | -                   | <b>7,434</b>   |
| Fleming T                             | 8,330           | 7,076                            | -              | -                   | <b>15,406</b>  |
| Groves C (10.05.21-31.03.22)          | 7,434           | -                                | -              | -                   | <b>7,434</b>   |
| Hall G G                              | 8,330           | 1,388                            | -              | -                   | <b>9,718</b>   |
| Hamilton L (01.04.21-10.05.21)        | 918             | -                                | -              | -                   | <b>918</b>     |
| Hargreaves P (10.05.21-31.03.22)      | 7,434           | -                                | -              | -                   | <b>7,434</b>   |
| Harrison B                            | 8,330           | 3,240                            | -              | -                   | <b>11,570</b>  |
| Howson H                              | 7,948           | -                                | -              | -                   | <b>7,948</b>   |
| Hunter D (01.04.21-10.05.21)          | 656             | -                                | -              | -                   | <b>656</b>     |
| Jackson P (10.05.21-31.03.22)         | 7,434           | -                                | -              | -                   | <b>7,434</b>   |
| James M A (01.04.21-10.05.21)         | 918             | -                                | -              | -                   | <b>918</b>     |
| King K (01.04.21-10.05.21)            | 918             | -                                | -              | -                   | <b>918</b>     |
| Lauderdale J (01.04.21-10.05.21)      | 918             | -                                | -              | -                   | <b>918</b>     |
| Lindridge J                           | 8,330           | 7,076                            | -              | -                   | <b>15,406</b>  |
| Little S                              | 8,330           | 1,254                            | -              | -                   | <b>9,584</b>   |
| Loynes B (01.04.21-08.02.22)          | 7,140           | 7,140                            | -              | -                   | <b>14,280</b>  |
| Loynes D (10.05.21-31.03.22)          | 7,434           | -                                | -              | -                   | <b>7,434</b>   |
| Marshall A (01.04.21-10.05.21)        | 918             | -                                | -              | -                   | <b>918</b>     |
| Moore S (see Note 1)                  | 8,330           | 24,990                           | -              | -                   | <b>33,320</b>  |
| Nicholson D (10.05.21-31.03.22)       | 7,434           | -                                | -              | -                   | <b>7,434</b>   |
| Nicholson V (10.05.21-31.03.22)       | 7,434           | -                                | -              | -                   | <b>7,434</b>   |
| Picton S (10.05.21-31.03.22)          | 7,434           | -                                | -              | -                   | <b>7,434</b>   |
| Prince D (10.05.21-31.03.22)          | 7,434           | -                                | -              | -                   | <b>7,434</b>   |
| Prince A                              | 8,330           | -                                | -              | -                   | <b>8,330</b>   |
| Richardson A (01.04.21-10.05.21)      | 656             | -                                | -              | -                   | <b>656</b>     |
| Richardson C                          | 6,428           | -                                | -              | -                   | <b>6,428</b>   |
| Riddle J (10.05.21-31.03.22)          | 7,434           | -                                | -              | -                   | <b>7,434</b>   |
| Smith L                               | 8,330           | 1,907                            | -              | -                   | <b>10,237</b>  |
| Stokell C                             | 8,330           | 7,076                            | -              | -                   | <b>15,406</b>  |
| Tennant J (01.04.21-10.05.21)         | 918             | 918                              | -              | -                   | <b>1,836</b>   |
| Thomas S (01.04.21-10.05.21)          | 918             | -                                | -              | -                   | <b>918</b>     |
| Tiplady K (10.05.21-31.03.22)         | 7,434           | -                                | -              | -                   | <b>7,434</b>   |
| Ward B (01.04.21-10.05.21)            | 918             | -                                | -              | -                   | <b>918</b>     |
| Young M                               | 8,330           | 8,330                            | -              | -                   | <b>16,660</b>  |
| <b>Totals for 2021/22</b>             | <b>290,845</b>  | <b>90,262</b>                    | -              | -                   | <b>381,107</b> |
| Total 2020/21                         | 245,414         | 92,093                           | -              | -                   | 337,507        |

There were 3 additional Councillors in 2021/22 in comparison to 2020/21.

## SECTION 3 : Statement of Accounts

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

#### Notes to Table 1

(1) Councillor S Moore Special responsibility Allowance (SRA) is the Leader of Council/Chair of Finance and Policy Committee SRA from 01.04.21 to 31.03.22.

#### 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 £2,786 (2020/21: £0). An analysis of the payments is detailed below.

| Councillor                | Conference<br>Travel<br>£ | Conference Fees<br>£ | Conference<br>Accommodation<br>£ | Total<br>2021/22<br>£ |
|---------------------------|---------------------------|----------------------|----------------------------------|-----------------------|
| Cassidy T                 | -                         | 350                  | 140                              | 490                   |
| Lindridge J               | 169                       | -                    | -                                | 169                   |
| Moore S                   | 167                       | 700                  | 280                              | 1,147                 |
| Stokell C                 | -                         | 700                  | 280                              | 980                   |
| <b>Totals for 2021/22</b> | <b>336</b>                | <b>1,750</b>         | <b>700</b>                       | <b>2,786</b>          |
| Totals for 2020/21        | 0                         | 0                    | 0                                | 0                     |

#### 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.

| Cleveland Fire Authority |                          |                   |
|--------------------------|--------------------------|-------------------|
| Councillor               | Basic<br>Allowances<br>£ | Period of Office  |
| Cassidy T                | 1,846                    | 04.06.21-31.03.22 |
| Clayton B                | 1,846                    | 04.06.21-31.03.22 |
| Fleming T                | 2,238                    | 01.04.21-31.03.22 |
| James M                  | 241                      | 01.04.21-09.05.21 |
| Thomas S                 | 241                      | 01.04.21-09.05.21 |
|                          | <b>6,412</b>             |                   |

#### Table 4 - The Council's appointed representative on River Tees Port Authority

Councillor R Cook was elected Chair of River Tees Port Health Authority for 2021/22. A Special Responsibility Allowance of £1,378 is payable for that period.

| River Tees Port Authority |                                             |                   |
|---------------------------|---------------------------------------------|-------------------|
| Councillor                | Special<br>Responsibility<br>Allowance<br>£ | Period of Office  |
| Cook R W                  | 1,378                                       | 10.05.21-31.03.22 |

## SECTION 3 : Statement of Accounts

### Note 12 - Officers' Remuneration

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

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

The Council employed one senior officer, the Managing Director, with a salary above £150,000 during 2021/22.

The Managing Director is the senior officer who leads and takes responsibility for the work of the 2,260 (2,385 in 2020/21) full-time equivalent employees, including schools, and runs the Local Authority on a day to day basis. The role of Managing Director is a full time appointment.

Permanent post holders are selected on merit, against objective criteria and are appointed by the whole Council.

As Head of Paid Service, the Managing Director 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 Managing Director**

During 2021/22, the Council employed 7 Senior Officers, including the Managing Director.

The Managing Director is the Council's Head of Paid Service. Although the Director of Public Health does not report directly to the Managing Director, 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 overleaf:

Director of Children's and Joint Commissioning Services - responsible for a gross annual revenue budget of £92m (including Dedicated Schools Grant) and managing 475 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 £72m and managing 394 full-time equivalent employees who provide a diverse range of services, including adult protection services, caring for older people, people with mental health issues, people with physical or learning disabilities, community hubs, sport and recreation and cultural services.

Director of Neighbourhoods & Regulatory Services - responsible for a gross annual revenue budget of £46m and managing 532 full-time equivalent employees who provide a diverse range of services, including planning and building control, community safety, refuse collection, street cleansing, highways maintenance and car parks.

Director of Resources and Development - responsible for a gross annual revenue budget of £39m and managing 197 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, Corporate Strategy and economic development and regeneration.

The Chief Solicitor reports to the Managing Director and is responsible for a gross annual revenue budget of £2m and management of 27 full-time equivalent employees.

## SECTION 3 : Statement of Accounts

### Note 12 - Officers' Remuneration

#### 2021/22 - TABLE A

| Post Holder Information (Post Title and Name)           | Salary<br>(including fees and allowances)<br>£ | Pension<br>Contributions<br>£ | Total Remuneration<br>including Pension<br>Contributions 2021/22<br>£ | Note |
|---------------------------------------------------------|------------------------------------------------|-------------------------------|-----------------------------------------------------------------------|------|
| Managing Director - Denise McGuckin                     | 154,959                                        | 19,215                        | <b>174,174</b>                                                        | 1    |
| Director of Children's and Joint Commissioning Services | 121,753                                        | 15,097                        | <b>136,850</b>                                                        | 2    |
| Director of Adults and Community Based Services         | 118,618                                        | 14,709                        | <b>133,327</b>                                                        | 2    |
| Director of Neighbourhood and Regulatory Services       | 111,940                                        | 13,881                        | <b>125,821</b>                                                        | 2    |
| Director of Resources and Development                   | 120,093                                        | 14,892                        | <b>134,985</b>                                                        | 2    |
| Director of Public Health                               | 91,518                                         | 11,348                        | <b>102,866</b>                                                        | 3    |
| Chief Solicitor                                         | 91,518                                         | 11,348                        | <b>102,866</b>                                                        | 4    |
|                                                         | <b>810,399</b>                                 | <b>100,490</b>                | <b>910,889</b>                                                        |      |

#### 2020/21- TABLE B

| Post Holder Information (Post Title and Name)                             | Salary<br>(including fees and allowances)<br>£ | Pension<br>Contributions<br>£ | Total Remuneration<br>including Pension<br>Contributions 2019/20<br>£ |
|---------------------------------------------------------------------------|------------------------------------------------|-------------------------------|-----------------------------------------------------------------------|
| Managing Director Denise McGuckin (from 6 September 2020)                 | 86,534                                         | 10,727                        | 97,261                                                                |
| Chief Executive (1 April to 6 September 2020)                             | 70,519                                         | 8,744                         | 79,263                                                                |
| Director of Children's and Joint Commissioning Services                   | 119,591                                        | 14,829                        | 134,420                                                               |
| Director of Adults and Community Based Services                           | 114,684                                        | 14,221                        | 128,905                                                               |
| Director of Regeneration and Neighbourhoods (1 April to 6 September 2020) | 51,987                                         | 6,446                         | 58,433                                                                |
| Director of Neighbourhood and Regulatory Services (from 7 September 2020) | 61,795                                         | 7,663                         | 69,458                                                                |
| Director of Resources and Development                                     | 116,139                                        | 14,401                        | 130,540                                                               |
| Director of Public Health (April 2020 to June 2020)                       | 28,677                                         | 2,959                         | 31,636                                                                |
| Director of Public Health (from June 2020)                                | 69,879                                         | 8,665                         | 78,544                                                                |
| Chief Solicitor                                                           | 90,166                                         | 11,181                        | 101,347                                                               |
|                                                                           | <b>809,971</b>                                 | <b>99,836</b>                 | <b>909,807</b>                                                        |



## SECTION 3 : Statement of Accounts

### Note 12 - Officers' Remuneration

#### Notes to Table A & B

(1) The single point salary scale for the Managing Director for 2021/22 is £154,959 (£152,669 in 2020/21).

(2) The salary scale for the Director posts for 2021/22 is £110,686 to £121,753 (£109,050 to £119,954 in 2020/21). Post holders are appointed at the bottom of the pay scale and receive annual increments until they reach the top of the pay scale.

(3) The salary scale for the Director of Public Health for 2021/22 is £85,416 to £91,518 (£84,154 to £90,166 in 2020/21).

(4) The salary scale for the Chief Solicitor for 2021/22 is £85,416 to £91,518 (£84,154 to £90,166 in 2020/21).

#### 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 £73,196. 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**

| 2020/21<br>No. of Non-School Employees |                     |              | Remuneration Band (£) | 2021/22<br>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> |
| 26                                     | -                   | 26           | 50,000 to 54,999      | 30                                     | -                   | 30           |
| 8                                      | -                   | 8            | 55,000 to 59,999      | 6                                      | 3                   | 9            |
| 4                                      | -                   | 4            | 60,000 to 64,999      | 3                                      | -                   | 3            |
| 2                                      | -                   | 2            | 65,000 to 69,999      | 1                                      | -                   | 1            |
| -                                      | -                   | -            | 70,000 to 74,999      | 1                                      | -                   | 1            |
| 2                                      | -                   | 2            | 75,000 to 79,999      | 3                                      | -                   | 3            |
| 2                                      | -                   | 2            | 80,000 to 84,999      | 2                                      | 1                   | 3            |
| 2                                      | -                   | 2            | 85,000 to 89,999      | 2                                      | 1                   | 3            |
| 2                                      | -                   | 2            | 90,000 to 94,999      | 4                                      | 1                   | 5            |
| 48                                     | -                   | 48           |                       | 52                                     | 6                   | 58           |

**TABLE D - SCHOOL EMPLOYEES**

| 2020/21<br>No. of School Employees |                     |              | Remuneration Band (£) | 2021/22<br>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> |
| 8                                  | -                   | 8            | 50,000 to 54,999      | 11                                 | -                   | 11           |
| 5                                  | 1                   | 6            | 55,000 to 59,999      | 4                                  | -                   | 4            |
| 3                                  | -                   | 3            | 60,000 to 64,999      | 4                                  | -                   | 4            |
| -                                  | -                   | -            | 65,000 to 69,999      | 2                                  | -                   | 2            |
| 7                                  | -                   | 7            | 70,000 to 74,999      | 2                                  | -                   | 2            |
| 3                                  | -                   | 3            | 75,000 to 79,999      | 5                                  | -                   | 5            |
| 1                                  | -                   | 1            | 80,000 to 84,999      | 2                                  | -                   | 2            |
| 27                                 | 1                   | 28           |                       | 30                                 | -                   | 30           |

## SECTION 3 : Statement of Accounts

### Note 13: Termination Costs

In 2021/22 a total of 23 employees (29 in 2020/21) either took voluntary redundancy or were made compulsorily redundant. The 2021/22 costs of this involved payments of £0.211m (£0.164m in 2020/21) to employees in the form of redundancy payments and £0.203m (£0.000m in 2020/21) to the pension fund in respect of retirement benefits. These payments incorporate schools and further details are provided in Note 53.

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 2021/22 the average pay back period was 23 months (4 months in 2020/21). In 2021/22 this has enabled the authority to achieve permanent salary savings of £0.151m (£0.084m in 2020/21).

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**

| 2020/21                             |                                    |                                        |                                            | Remuneration<br>Band (£) | 2021/22                             |                                    |                                        |                                            |
|-------------------------------------|------------------------------------|----------------------------------------|--------------------------------------------|--------------------------|-------------------------------------|------------------------------------|----------------------------------------|--------------------------------------------|
| No of<br>compulsory<br>redundancies | No of<br>voluntary<br>redundancies | Total no of<br>redundancies<br>by band | Total cost of<br>redundancies<br>by band £ |                          | No of<br>compulsory<br>redundancies | No of<br>voluntary<br>redundancies | Total no of<br>redundancies<br>by band | Total cost of<br>redundancies<br>by band £ |
| 15                                  | -                                  | 15                                     | 75,880                                     | 0 to 20,000              | 19                                  | 1                                  | 20                                     | 136,628                                    |
| -                                   | -                                  | -                                      | -                                          | 20,001 to 40,000         | -                                   | -                                  | -                                      | -                                          |
| -                                   | -                                  | -                                      | -                                          | 40,001 to 60,000         | -                                   | -                                  | -                                      | -                                          |
| -                                   | -                                  | -                                      | -                                          | 60,001 to 80,000         | -                                   | -                                  | -                                      | -                                          |
| -                                   | -                                  | -                                      | -                                          | 80,001 to 100,000        | -                                   | -                                  | -                                      | -                                          |
| -                                   | -                                  | -                                      | -                                          | 100,001 to 120,000       | 1                                   | -                                  | 1                                      | 101,682                                    |
| -                                   | -                                  | -                                      | -                                          | 120,001 to 140,000       | -                                   | 1                                  | 1                                      | 171,388                                    |
| 15                                  | -                                  | 15                                     | 75,880                                     |                          | 20                                  | 2                                  | 22                                     | 409,698                                    |

**TABLE F - SCHOOLS EMPLOYEES**

| 2020/21                             |                                    |                                        |                                            | Remuneration<br>Band (£) | 2021/22                             |                                    |                                        |                                            |
|-------------------------------------|------------------------------------|----------------------------------------|--------------------------------------------|--------------------------|-------------------------------------|------------------------------------|----------------------------------------|--------------------------------------------|
| No of<br>compulsory<br>redundancies | No of<br>voluntary<br>redundancies | Total no of<br>redundancies<br>by band | Total cost of<br>redundancies<br>by band £ |                          | No of<br>compulsory<br>redundancies | No of<br>voluntary<br>redundancies | Total no of<br>redundancies<br>by band | Total cost of<br>redundancies<br>by band £ |
| 10                                  | 3                                  | 13                                     | 64,612                                     | 0 to 20,000              | 1                                   | -                                  | 1                                      | 3,902                                      |
| -                                   | 1                                  | 1                                      | 23,039                                     | 20,001 to 40,000         | -                                   | -                                  | -                                      | -                                          |
| 10                                  | 4                                  | 14                                     | 87,651                                     |                          | 1                                   | -                                  | 1                                      | 3,902                                      |

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 2021/22.

#### Movements in 2021/22

|                                                                                                    | Council<br>Dwellings | Other Land<br>&<br>Buildings | Vehicles,<br>Plant &<br>Equipment | Infrastructure<br>Assets | Community<br>Assets | Surplus<br>Assets | PP&E Under<br>Construction | Total          |
|----------------------------------------------------------------------------------------------------|----------------------|------------------------------|-----------------------------------|--------------------------|---------------------|-------------------|----------------------------|----------------|
|                                                                                                    | £000s                | £000s                        | £000s                             | £000s                    | £000s               | £000s             | £000s                      | £000s          |
| <b>Cost or Valuation</b>                                                                           |                      |                              |                                   |                          |                     |                   |                            |                |
| As at 1 April 2021                                                                                 | 9,084                | 165,741                      | 40,452                            | 155,838                  | 5,579               | 9,083             | 5,460                      | <b>391,237</b> |
| Additions                                                                                          | 471                  | 841                          | 1,439                             | 2,585                    | 4                   | 1,471             | 6,577                      | <b>13,388</b>  |
| Accumulated Depreciation Written<br>Off to Gross Carrying Amount                                   | (89)                 | (869)                        | -                                 | -                        | -                   | (143)             | -                          | <b>(1,101)</b> |
| Accumulated Impairment Written<br>Off to Gross Carrying Amount                                     | (14)                 | -                            | -                                 | -                        | -                   | -                 | -                          | <b>(14)</b>    |
| Revaluation Increases/(decreases)<br>recognised in the Revaluation<br>Reserve                      | 143                  | 3,016                        | -                                 | -                        | -                   | (1,815)           | -                          | <b>1,344</b>   |
| Revaluation Increases/(decreases)<br>recognised in the Surplus/Deficit on<br>Provision of Services | 78                   | (405)                        | -                                 | -                        | -                   | (1,926)           | -                          | <b>(2,253)</b> |
| Derecognition-Disposals                                                                            | (49)                 | (32)                         | (811)                             | -                        | -                   | -                 | (218)                      | <b>(1,110)</b> |
| Reclassified (to)/from Held for Sale                                                               | -                    | -                            | -                                 | -                        | -                   | (82)              | -                          | <b>(82)</b>    |
| Reclassified (to)/from Investment<br>Property                                                      | -                    | 7                            | -                                 | -                        | (8)                 | 50                | -                          | <b>49</b>      |
| Other movements in Cost or<br>Valuation                                                            | 410                  | (1,044)                      | -                                 | 299                      | 513                 | 2,306             | (2,484)                    | <b>(0)</b>     |
| <b>At 31 March 2022</b>                                                                            | <b>10,034</b>        | <b>167,255</b>               | <b>41,080</b>                     | <b>158,722</b>           | <b>6,088</b>        | <b>8,944</b>      | <b>9,335</b>               | <b>401,458</b> |

#### Accumulated Depreciation and Impairment

|                                                                  |              |                |                 |                 |          |            |          |                  |
|------------------------------------------------------------------|--------------|----------------|-----------------|-----------------|----------|------------|----------|------------------|
| As at 1 April 2021                                               | (314)        | (4,398)        | (29,647)        | (70,168)        | -        | (26)       | -        | <b>(104,553)</b> |
| Depreciation Charge                                              | (170)        | (2,092)        | (1,841)         | (3,663)         | -        | (16)       | -        | <b>(7,782)</b>   |
| Depreciation written out to the<br>Revaluation Reserve           | (31)         | (1,167)        | -               | -               | -        | (15)       | -        | <b>(1,213)</b>   |
| Accumulated Depreciation Written<br>Off to Gross Carrying Amount | 89           | 869            | -               | -               | -        | 143        | -        | <b>1,101</b>     |
| Accumulated Impairment Written<br>Out to Gross Carrying Amount   | 3            | -              | -               | -               | -        | -          | -        | <b>3</b>         |
| Derecognition - Disposals                                        | 3            | 1              | 810             | -               | -        | -          | -        | <b>814</b>       |
| Reclassified (to) / from Investment<br>Property                  | -            | -              | -               | -               | -        | -          | -        | <b>-</b>         |
| Other movements in Depreciation<br>and Impairment                | -            | 88             | -               | -               | -        | (88)       | -        | <b>-</b>         |
| <b>At 31 March 2022</b>                                          | <b>(420)</b> | <b>(6,699)</b> | <b>(30,678)</b> | <b>(73,831)</b> | <b>-</b> | <b>(2)</b> | <b>-</b> | <b>(111,630)</b> |

#### Net Book Value

|                                |              |                |               |               |              |              |              |                |
|--------------------------------|--------------|----------------|---------------|---------------|--------------|--------------|--------------|----------------|
| At 31 March 2022               | 9,614        | 160,556        | 10,402        | 84,891        | 6,088        | 8,942        | 9,335        | <b>289,828</b> |
| <b>Nature of Asset Holding</b> |              |                |               |               |              |              |              |                |
| Owned                          | 9,614        | 160,556        | 9,994         | 84,891        | 6,088        | 8,943        | 9,335        | <b>289,421</b> |
| Finance Lease                  | -            | -              | 408           | -             | -            | -            | -            | <b>408</b>     |
| <b>Total</b>                   | <b>9,614</b> | <b>160,556</b> | <b>10,402</b> | <b>84,891</b> | <b>6,088</b> | <b>8,943</b> | <b>9,335</b> | <b>289,829</b> |

## SECTION 3 : Statement of Accounts

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

#### Movements in 2020/21

|                                                                                              | 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 2020                                                                           | 8,222             | 166,442                | 38,373                      | 151,541               | 5,578            | 9,519          | 5,730                   | <b>385,405</b>   |
| Additions                                                                                    | 214               | 847                    | 2,286                       | 3,030                 | -                | 82             | 2,271                   | <b>8,730</b>     |
| Accumulated Depreciation Written Off to Gross Carrying Amount                                | (100)             | (6)                    | -                           | -                     | -                | (11)           | -                       | <b>(117)</b>     |
| Accumulated Impairment Written Off to Gross Carrying Amount                                  | (16)              | (1,450)                | -                           | -                     | -                | (90)           | -                       | <b>(1,556)</b>   |
| Revaluation Increases/(decreases) recognised in the Revaluation Reserve                      | 85                | 156                    | -                           | -                     | -                | 131            | -                       | <b>372</b>       |
| Revaluation Increases/(decreases) recognised in the Surplus/Deficit on Provision of Services | (424)             | 6                      | -                           | -                     | -                | (249)          | -                       | <b>(667)</b>     |
| Derecognition-Disposals                                                                      | -                 | (315)                  | (228)                       | -                     | -                | (35)           | (1)                     | <b>(579)</b>     |
| Reclassified (to)/from Held for Sale                                                         | -                 | -                      | -                           | -                     | -                | (283)          | -                       | <b>(283)</b>     |
| Reclassified (to)/from Investment Property                                                   | -                 | -                      | -                           | -                     | -                | (69)           | -                       | <b>(69)</b>      |
| Other movements in Cost or Valuation                                                         | 1,103             | 61                     | 21                          | 1,267                 | 1                | 88             | (2,540)                 | <b>1</b>         |
| <b>At 31 March 2021</b>                                                                      | <b>9,084</b>      | <b>165,741</b>         | <b>40,452</b>               | <b>155,838</b>        | <b>5,579</b>     | <b>9,083</b>   | <b>5,460</b>            | <b>391,237</b>   |
| <b>Accumulated Depreciation and Impairment</b>                                               |                   |                        |                             |                       |                  |                |                         |                  |
| As at 1 April 2020                                                                           | (231)             | (1,277)                | (28,023)                    | (65,443)              | -                | (5)            | -                       | <b>(94,979)</b>  |
| Depreciation Charge                                                                          | (152)             | (2,137)                | (1,831)                     | (4,725)               | -                | (16)           | -                       | <b>(8,861)</b>   |
| Depreciation written out to the Revaluation Reserve                                          | (34)              | (1,181)                | -                           | -                     | -                | (14)           | -                       | <b>(1,229)</b>   |
| Accumulated Depreciation Written Off to Gross Carrying Amount                                | 100               | 6                      | -                           | -                     | -                | 11             | -                       | <b>117</b>       |
| Accumulated Impairment Written Out to Gross Carrying Amount                                  | 3                 | 181                    | -                           | -                     | -                | -              | -                       | <b>184</b>       |
| Derecognition - Disposals                                                                    | -                 | 7                      | 207                         | -                     | -                | -              | -                       | <b>214</b>       |
| Reclassified (to) / from Investment Property                                                 | -                 | -                      | -                           | -                     | -                | 1              | -                       | <b>1</b>         |
| Other movements in Depreciation and Impairment                                               | -                 | 3                      | -                           | -                     | -                | (3)            | -                       | <b>-</b>         |
| <b>At 31 March 2021</b>                                                                      | <b>(314)</b>      | <b>(4,398)</b>         | <b>(29,647)</b>             | <b>(70,168)</b>       | <b>-</b>         | <b>(26)</b>    | <b>-</b>                | <b>(104,553)</b> |
| <b>Net Book Value</b>                                                                        |                   |                        |                             |                       |                  |                |                         |                  |
| At 31 March 2021                                                                             | 8,770             | 161,343                | 10,805                      | 85,670                | 5,579            | 9,057          | 5,460                   | <b>286,684</b>   |
| <b>Nature of Asset Holding</b>                                                               |                   |                        |                             |                       |                  |                |                         |                  |
| Owned                                                                                        | 8,770             | 161,343                | 10,424                      | 85,670                | 5,579            | 9,057          | 5,460                   | <b>286,303</b>   |
| Finance Lease                                                                                | -                 | -                      | 381                         | -                     | -                | -              | -                       | <b>381</b>       |
| <b>Total</b>                                                                                 | <b>8,770</b>      | <b>161,343</b>         | <b>10,805</b>               | <b>85,670</b>         | <b>5,579</b>     | <b>9,057</b>   | <b>5,460</b>            | <b>286,684</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 £5.219m (£2.441m in 2020/21) has been charged to Services and is shown as a reconciling item within Note 5 (Adjustments between Accounting Basis and Funding Basis under Regulations). This was financed by capital grants of £3.293m (£1.918m in 2020/21), capital receipts of £0.003m (£0.007m in 2020/21) and prudential borrowing of £1.923m (£0.516m in 2020/21).

#### Capital Commitments

As at 31 March, 2022, the Council had rephased capital expenditure totalling £57.319m into 2022/23, of which £14.388m will be funded from grant, £36.970m will be funded by prudential borrowing, £0.210m will be funded from capital receipts and the remaining £5.751m will be funded from the Council's own resources. The comparable rephased capital expenditure at 31 March, 2021 was £32.669m. The Council has entered into a number of contracts for which capital monies are committed. The major commitments are:

| Scheme                             | Total<br>Project<br>Budget | Expenditure<br>over Years to<br>31 March 22 | Commitment |
|------------------------------------|----------------------------|---------------------------------------------|------------|
|                                    | £000s                      | £000s                                       | £000s      |
| Lynn Street Housing Scheme         | 6,610                      | 313                                         | 6,297 *    |
| Hill View, Greatham Housing Scheme | 2,168                      | 1,604                                       | 564 *      |
| Brenda Road Housing Scheme         | 2,094                      | 32                                          | 2,062 *    |
| Sustainable Warmth LAD3            | 1,254                      | 1                                           | 1,253      |

\* The three housing schemes include grants to be received in 2022/23 which are not included in the rephased amount above.

#### Surplus Assets - Fair Value Disclosures

Details of the authority's surplus assets and information about the fair value hierarchy at 31 March 2022 are as follows:

|                                             | Quoted prices in<br>active markets<br>for identical<br>assets (Level 1) | Other<br>significant<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) | Fair Value<br>as at<br>31 March 2022 |
|---------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|--------------------------------------|
|                                             | £000s                                                                   | £000s                                                     | £000s                                              | £000s                                |
| Recurring fair value<br>measurements using: |                                                                         |                                                           |                                                    |                                      |
| Surplus Assets                              | -                                                                       | 6,127                                                     | 2,816                                              | <b>8,943</b>                         |
| Total                                       | -                                                                       | <b>6,127</b>                                              | <b>2,816</b>                                       | <b>8,943</b>                         |

Twenty 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. Previous valuations had a significant allowance for Covid uncertainty which has not been used this year. 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.

## SECTION 3 : Statement of Accounts

### 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 2020/21. In 2021/22 the estimation of the fair value of the Council's Surplus Assets is based on Fair Value Market Value.

## 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 (£6.088m), Heritage Assets (£17.751m), Infrastructure Assets (£84.891m), Intangible Assets (£0.277m), Assets held for sale (£0.365m) and Property, Plant and Equipment under construction (£9.335m). The basis for the valuation is set out in the Statement of Accounting Policies.

|                                       | Operational Assets |                        |                             |                |                |
|---------------------------------------|--------------------|------------------------|-----------------------------|----------------|----------------|
|                                       | Council Dwellings  | Other Land & Buildings | Vehicles, Plant & Equipment | Surplus Assets | Total          |
|                                       | £000s              | £000s                  | £000s                       | £000s          | £000s          |
| <b>Valued at Historical Cost</b>      | -                  | -                      | 10,402                      | -              | 10,402         |
| <b>Valued at current value as at:</b> |                    |                        |                             |                |                |
| <u>Current Year</u>                   |                    |                        |                             |                |                |
| 2021/2022                             | 9,614              | 22,821                 |                             | 8,848          | 41,283         |
| 2020/2021                             | -                  | 257                    |                             | 94             | 351            |
| 2019/2020                             | -                  | 104,185                |                             | -              | 104,185        |
| 2018/2019                             | -                  | 15,585                 |                             | -              | 15,585         |
| 2017/2018                             | -                  | 17,708                 |                             | -              | 17,708         |
| <b>Total</b>                          | <b>9,614</b>       | <b>160,556</b>         | <b>10,402</b>               | <b>8,942</b>   | <b>189,514</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, 2022 would have been:

|                        | £000s  |
|------------------------|--------|
| Council Dwellings      | 7,138  |
| Other Land & Buildings | 15,064 |
| Surplus Assets         | 5,023  |

## 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.

| 2020/21<br>£000s |                        | 2021/22<br>£000s |
|------------------|------------------------|------------------|
| 1,471            | Council Dwellings      | 1,574            |
| 60,262           | Other Land & Buildings | 60,709           |
| 7                | Community Assets       | 7                |
| 4,348            | Surplus Assets         | 3,878            |
| 1,018            | Investment Properties  | 1,010            |
| 7,451            | Heritage Assets        | 7,451            |
| 197              | Assets Held for Sale   | 225              |
| <b>74,754</b>    |                        | <b>74,854</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:

| 2020/21<br>£000s |                                                            | 2021/22<br>£000s |
|------------------|------------------------------------------------------------|------------------|
| (593)            | Rental income from investment property                     | (722)            |
| 124              | Direct operating expenses arising from investment property | 186              |
| <b>(469)</b>     | <b>Net (gain)/loss</b>                                     | <b>(536)</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:

| 2020/21<br>£000s |                                                  | 2021/22<br>£000s |
|------------------|--------------------------------------------------|------------------|
| 9,951            | Balance at the start of the year                 | 8,859            |
| -                | Additions: Acquisitions                          | -                |
| -                | Additions: Subsequent expenditure                | -                |
| -                | Disposals                                        | (11)             |
| (1,160)          | Net Gains/(Losses) from fair value adjustments   | 1,005            |
| 68               | Transfers: (To)/from Property, Plant & Equipment | (49)             |
| <b>8,859</b>     | <b>Balance at the end of the year</b>            | <b>9,804</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 2022 are as follows:

|                                                     | Quoted prices in<br>active markets<br>for identical<br>assets (Level 1) | Other<br>significant<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) | Fair Value<br>as at<br>31 March<br>2022 |
|-----------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|-----------------------------------------|
| <i>Recurring fair value<br/>measurements using:</i> | <b>£000s</b>                                                            | <b>£000s</b>                                              | <b>£000s</b>                                       | <b>£000s</b>                            |
| Office Units                                        | -                                                                       | 248                                                       | 1,250                                              | <b>1,498</b>                            |
| Commercial Units                                    | -                                                                       | 7,365                                                     | 941                                                | <b>8,306</b>                            |
| <b>Total</b>                                        | <b>-</b>                                                                | <b>7,613</b>                                              | <b>2,191</b>                                       | <b>9,804</b>                            |

Three properties transferred from Level 3 to Level 2 during the year. This occurred because a lesser degree of valuer judgement was employed in this valuation. Previous valuations had a significant allowance for COVID-19 uncertainty not used this year. 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.



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

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

| 2021/22                 | Museum Exhibits & Art Collection | Civic Collection | Sculptures, Monuments & War Memorials | Total         |
|-------------------------|----------------------------------|------------------|---------------------------------------|---------------|
| Cost or Valuation       |                                  |                  |                                       |               |
|                         | £000s                            | £000s            | £000s                                 | £000s         |
| At 1 April 2021         | 15,986                           | 354              | 1,395                                 | 17,735        |
| Additions               | -                                | -                | 16                                    | 16            |
| Disposals               | -                                | -                | -                                     | -             |
| Revaluations            | -                                | -                | -                                     | -             |
| <b>At 31 March 2022</b> | <b>15,986</b>                    | <b>354</b>       | <b>1,411</b>                          | <b>17,751</b> |

| 2020/21                 | Museum Exhibits & Art Collection | Civic Collection | Sculptures, Monuments & War Memorials | Total         |
|-------------------------|----------------------------------|------------------|---------------------------------------|---------------|
| Cost or Valuation       |                                  |                  |                                       |               |
|                         | £000s                            | £000s            | £000s                                 | £000s         |
| At 1 April 2020         | 15,981                           | 354              | 1,339                                 | 17,674        |
| Additions               | 5                                | -                | 56                                    | 61            |
| Disposals               | -                                | -                | -                                     | -             |
| Revaluations            | -                                | -                | -                                     | -             |
| <b>At 31 March 2021</b> | <b>15,986</b>                    | <b>354</b>       | <b>1,395</b>                          | <b>17,735</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.

The Council also holds collections relating to Hartlepool's maritime heritage and social history. These include ship models, photographs, company records, ephemera and equipment. This also contains around 35,000 plans for the building of approximately 300 ships including the Wingfield Castle. Almost all of the plans relate to ships built by Gray's shipyard from 1927 to the yards closure in 1961. When the shipyard closed, the plans were still of importance and often bought by other ship builders. In the mid 1980s many of the plans were returned to Hartlepool and now feature in the collection.

#### Civic Collection

The Civic Collection includes the Civic Regalia, ceremonial silverware, and a number of decorative artefacts. The Books of Remembrance have been included within the Civic Collection and are held at Historic Cost. The collection was revalued in 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.

#### Sculptures, Monuments & War Memorials

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

#### Policy and Management

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

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

The Authority accounts for its software as intangible assets and includes the purchase of software licences. All software is given a finite useful life of 5 years. This is based on the assessment of the period that the software is expected to be of use to the Authority and is in line with the Authority's accounting policy.

The carrying amount of intangible assets is amortised on a straight line basis. No amortisation is recognised in the year of purchase. Amortisation of £0.152m (£0.152m in 2020/21) was charged to Corporate in the Comprehensive Income and Expenditure Statement.

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

| 2020/21<br>£000s |                                           | 2021/22<br>£000s |
|------------------|-------------------------------------------|------------------|
|                  | Balance at the start of the year          |                  |
| 706              | Gross carrying amounts                    | 706              |
| (125)            | Accumulated amortisation                  | (277)            |
| 581              | Net carrying amount at end of year        | 429              |
| -                | Additions:                                | -                |
| -                | Purchases:                                | -                |
| (152)            | Amortisation for the period               | (152)            |
| 429              | <b>Net carrying amount at end of year</b> | 277              |
|                  | <b>Comprising</b>                         |                  |
| 706              | Gross carrying amounts                    | 706              |
| (277)            | Accumulated amortisation                  | (429)            |
| 429              | <b>Net carrying amount at end of year</b> | 277              |

### Note 19: Long Term Investments

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

| 2020/21<br>£000s |                                                 | 2021/22<br>£000s |
|------------------|-------------------------------------------------|------------------|
| -                | Teesside International Airport                  | -                |
| 197              | Suez Recycling and Recovery Tees Valley Limited | 197              |
| 197              |                                                 | 197              |

The Council owns 1% of the shares in Teesside International Airport. The shares have been valued at £nil for 2021/22 (£nil 2020/21).

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

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

Further details of the Council's long term investments are included in Note 39 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 2022.

| 2020/21<br>£000s |                                                 | 2021/22<br>£000s |
|------------------|-------------------------------------------------|------------------|
| 6                | Housing Advances                                | 6                |
| 77               | Trincomalee Trust Loan and Advances             | 77               |
| 132              | Car Loans to Employees                          | 77               |
| 579              | NDC Trust Loan                                  | 573              |
| 1,224            | Northern School of Art                          | 1,162            |
| 802              | Suez Recycling and Recovery Tees Valley Limited | 535              |
| 543              | Other                                           | 1,341            |
| <b>3,363</b>     |                                                 | <b>3,771</b>     |

The Suez Recycling and Recovery Tees Valley Limited 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 2022.

| 2020/21<br>£000s |                                  | 2021/22<br>£000s |
|------------------|----------------------------------|------------------|
| 423              | Balance at 1 April               | 390              |
| 1,434            | Purchases                        | 1,005            |
| (1,388)          | Recognised as an expense in year | (876)            |
| (91)             | Written off balances             | (17)             |
| 12               | Written back balances            | 47               |
| <b>390</b>       | <b>Balance at 31 March</b>       | <b>549</b>       |

### Note 22: Short Term Debtors

This note sets out amounts owed to the Council as at 31 March 2022.

| 2020/21<br>£000s |                                               | 2021/22<br>£000s |
|------------------|-----------------------------------------------|------------------|
| 14,136           | Central Government Bodies                     | 9,294            |
| 4,329            | Other Local Authorities                       | 3,926            |
| 809              | NHS Bodies                                    | 1,646            |
|                  | <b>Bodies external to general government:</b> |                  |
| 3,581            | General and Other Debtors                     | 5,649            |
| 6,306            | Payments in Advance                           | 4,485            |
| 6,879            | Council Tax Payers                            | 8,505            |
| 841              | NNDR Payers                                   | 909              |
| 1,624            | Trade Debtors                                 | 2,172            |
| <b>38,505</b>    |                                               | <b>36,586</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:

| 2020/21<br>£000s |                  | 2021/22<br>£000s |
|------------------|------------------|------------------|
| 3,611            | Less than 1 year | 4,114            |
| 9,377            | More than 1 year | 10,800           |
| <b>12,988</b>    |                  | <b>14,914</b>    |

The above analysis does not include bad debt provision of £5.500m (£5.268m in 2020/21).

### 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.

| 2020/21<br>£000s |                               | 2021/22<br>£000s |
|------------------|-------------------------------|------------------|
| 1,507            | <b>Assets</b>                 | 466              |
| 15,454           | Bank and Imprests             | 5,763            |
| <b>16,961</b>    | Liquidity Investment Accounts | <b>6,229</b>     |
|                  | <b>Liabilities</b>            |                  |
| (1,721)          | Bank Overdraft                | (3,336)          |
| <b>15,240</b>    |                               | <b>2,893</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.

| 2020/21<br>£000s |                                                  | 2021/22<br>£000s |
|------------------|--------------------------------------------------|------------------|
| 515              | <b>Balance at 1 April</b>                        | 283              |
|                  | <b>Assets newly classified as Held for Sale:</b> |                  |
| 283              | Property, Plant and Equipment                    | 82               |
| (515)            | Asset sold                                       | -                |
| <b>283</b>       | <b>Balance at 31 March</b>                       | <b>365</b>       |

### Note 26: Short Term Creditors

This note sets out amounts owed by the Council as at 31 March 2022.

| 2020/21<br>£000s |                                               | 2021/22<br>£000s |
|------------------|-----------------------------------------------|------------------|
| 10,456           | Central Government Bodies                     | 9,751            |
| 2,578            | Other Local Authorities                       | 2,151            |
| 285              | NHS Bodies                                    | 886              |
|                  | <b>Bodies external to General Government:</b> |                  |
| 5,289            | General and Other Creditors                   | 6,995            |
| 1,551            | Trade Creditors                               | 2,165            |
| 4,959            | Employee Absences                             | 4,806            |
| 2,094            | Income in Advance                             | 1,035            |
| 876              | Council Tax Payers                            | 906              |
| 517              | NNDR Payers                                   | 841              |
| <b>28,605</b>    |                                               | <b>29,536</b>    |

## SECTION 3 : Statement of Accounts

### Note 27: Provisions

Total provisions at 31 March 2022, were £3.639m, (£3.416m in 2020/21), as detailed below.

#### Current Liabilities

| 2020/21        |                                    | 2021/22           |                            |                              | Total        |
|----------------|------------------------------------|-------------------|----------------------------|------------------------------|--------------|
|                |                                    | Other<br>(Note 1) | Rating Appeals<br>(Note 2) | MMI<br>Insurance<br>(Note 3) |              |
| £000s          |                                    | £000s             | £000s                      | £000s                        | £000s        |
| <b>2,799</b>   | <b>Balance at 1 April</b>          | 690               | 1,533                      | -                            | <b>2,223</b> |
| <b>1,488</b>   | Additional provisions made in year | 106               | 156                        | -                            | <b>262</b>   |
| <b>(1,150)</b> | Amounts used in year               | -                 | -                          | -                            | -            |
| -              | Transfer in Year                   | -                 | -                          | -                            | -            |
| <b>(915)</b>   | Unused amounts reversed in year    | -                 | -                          | -                            | -            |
| <b>2,222</b>   | <b>Balance at 31 March</b>         | <b>796</b>        | <b>1,689</b>               | <b>-</b>                     | <b>2,485</b> |

#### Long Term Liabilities

| 2020/21      |                                 | 2021/22                          |                              | Total        |
|--------------|---------------------------------|----------------------------------|------------------------------|--------------|
|              |                                 | Contaminated<br>Land<br>(Note 4) | MMI<br>Insurance<br>(Note 3) |              |
| £000s        |                                 | £000s                            | £000s                        | £000s        |
| <b>1,194</b> | <b>Balance at 1 April</b>       | 634                              | 560                          | <b>1,194</b> |
| -            | Transfers in Year               | -                                | -                            | -            |
| -            | Amounts used in year            | -                                | (40)                         | <b>(40)</b>  |
| -            | Unused amounts reversed in year | -                                | -                            | -            |
| <b>1,194</b> | <b>Balance at 31 March</b>      | <b>634</b>                       | <b>520</b>                   | <b>1,154</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 - 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 43 Finance Leases. The finance lease liability has decreased as a result of repayments of the lease principal, exceeding additions in year. The net pensions liability has increased. See Note 53 for further information.

| 2020/21<br>£000s |                         | 2021/22<br>£000s | Note |
|------------------|-------------------------|------------------|------|
| 306              | Finance lease liability | 315              | 43   |
| 210,094          | Net Pensions liability  | 160,009          | 38   |
| <b>210,400</b>   |                         | <b>160,324</b>   |      |

### 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 2021/22.

| 2020/21<br>£000s |                                                                 | 2021/22<br>£000s |
|------------------|-----------------------------------------------------------------|------------------|
| 41,622           | Council Tax Income                                              | 43,442           |
| 8,346            | NNDR Redistribution                                             | 12,902           |
| 10,525           | NNDR - Top-Up                                                   | 10,525           |
| 7,905            | Revenue Support Grant                                           | 7,948            |
| 1,099            | Capital - Tees Valley Combined Authority                        | 2,945            |
| 1,974            | Capital - Other Capital Grants & Contributions                  | 2,419            |
| 5,615            | Section 31 Relief                                               | 2,303            |
| 2,366            | Business Rates Relief                                           | 2,014            |
| 671              | Capital - Devolved Formula Capital Grant                        | 884              |
| 262              | Capital - Homes England                                         | 583              |
| 1,800            | Capital - Tees Valley Combined Authority / Local Transport Plan | 570              |
| 1,067            | New Homes Bonus Grant                                           | 349              |
| 57               | Capital - Other DfE Grants                                      | 326              |
| 2,113            | 75% Tax Income Guarantee Compensation                           | 61               |
| 20               | Capital - Environment Agency                                    | 10               |
| 53               | Capital - Department for Transport                              | -                |
| 40               | Capital - Building Schools for the Future                       | -                |
| <b>85,535</b>    | <b>Total</b>                                                    | <b>87,281</b>    |

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### Note 29: Grant Income & Taxation

#### Credited to Services

| 2020/21<br>£000s |                                                                     | 2021/22<br>£000s |
|------------------|---------------------------------------------------------------------|------------------|
| 48,647           | Dedicated Schools Grant                                             | 43,157           |
| 26,284           | Housing Benefit Subsidy                                             | 24,714           |
| 9,025            | Public Health Grant                                                 | 9,104            |
| 8,030            | Better Care Fund                                                    | 8,456            |
| 5,201            | Improved Better Care Fund (iBCF)                                    | 5,201            |
| 2,170            | Other Grants                                                        | 4,491            |
| 3,099            | Social Care Support Grant                                           | 3,972            |
| 9,264            | Covid 19 Local Authority Support Grant                              | 3,179            |
| 3,948            | Pupil Premium                                                       | 3,103            |
| 5,242            | Other Department for Education Grants                               | 2,995            |
| 1,970            | Other COVID-Related Grants                                          | 2,914            |
| 2,991            | Youth Employment Initiative                                         | 2,518            |
| 2,206            | Adult Social Care Infection Control Grant                           | 2,026            |
| 2,199            | Contain Outbreak Management Fund                                    | 1,965            |
| 1,864            | COVID - Local Council Tax Support Grant                             | 1,870            |
| 2,882            | Business Rates Refunds                                              | 1,596            |
| 1,263            | Education Funding Agency/ Skills Funding Agency                     | 1,580            |
| 952              | Department for Levelling Up, Housing and Communities                | 1,346            |
| 823              | Disabled Facility Grant                                             | 1,282            |
| -                | Household Support Fund                                              | 993              |
| 836              | Department for Work & Pensions                                      | 916              |
| 1,811            | Home Office                                                         | 852              |
| -                | COVID Additional Relief Fund (CARF)                                 | 777              |
| 446              | Housing Benefit and Local Council Tax Support Administration        | 673              |
| 582              | Independent Living Fund                                             | 582              |
| 157              | Department of Health and Social Care                                | 572              |
| 534              | Supporting Families (formerly known as Troubled Families)           | 506              |
| 4,043            | COVID - Income Compensation Scheme for lost sales, fees and charges | 442              |
| <b>146,469</b>   | <b>Total</b>                                                        | <b>131,782</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)

| 2020/21<br>£000s |                                                       | 2021/22<br>£000s |
|------------------|-------------------------------------------------------|------------------|
| -                | Section 106/278                                       | 4,358            |
| 617              | Tees Valley Combined Authority                        | 3,929            |
| 2,701            | Other Department for Education Grants                 | 2,133            |
| 1,848            | Tees Valley Combined Authority / Local Transport Plan | 1,526            |
| -                | Department for Business, Energy & Industrial Strategy | 1,253            |
| 3,607            | Other Capital Grants & Contributions                  | 553              |
| 485              | Disabled Facilities Grant                             | 441              |
| 148              | Environment Agency                                    | 187              |
| 527              | Homes England                                         | -                |
| <b>9,933</b>     | <b>Total</b>                                          | <b>14,380</b>    |

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### Grant Receipts in Advance (Revenue Grants)

| 2020/21<br>£000s |                                                 | 2021/22<br>£000s |
|------------------|-------------------------------------------------|------------------|
| 798              | Other Department for Education                  | 673              |
| -                | Home Office                                     | 435              |
| -                | Department of Health & Social Care              | 392              |
| 1,822            | Other Grants                                    | 344              |
| -                | Council Tax Rebate Grant                        | 269              |
| 1,263            | COVID 19 - Contain Outbreak Management Fund     | 118              |
| 85               | Tees Valley Combined Authority                  | 64               |
| 16               | Education Funding Agency/ Skills Funding Agency | 27               |
| <b>3,983</b>     | <b>Total</b>                                    | <b>2,322</b>     |

### Note 30: Unearmarked General Fund Reserve

The General Fund Balance of £4.417m held at 31 March 2022 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.

| 2020/21<br>£000s |                      | 2021/22<br>£000s |
|------------------|----------------------|------------------|
| 4,417            | General Fund Balance | 4,417            |
| <b>4,417</b>     |                      | <b>4,417</b>     |

### Note 31: Budget Support & Investment Reserves

This note sets out the Budget Support & Investment Reserves balances at 31 March 2022.

| 2020/21<br>£000s |                                        | 2021/22<br>£000s | Note |
|------------------|----------------------------------------|------------------|------|
| 7,691            | Budget Support Fund 2022/23 to 2024/25 | 7,977            | 1    |
| 4,312            | Budget Support Fund 2021/22            | -                | 1    |
| 1,653            | COVID-19 Recovery Reserve              | 2,367            | 2    |
| 1,061            | Looked After Children Reserves         | 1,061            | 3    |
| 333              | Invest to Save                         | 117              | 4    |
| <b>15,050</b>    |                                        | <b>11,522</b>    |      |

- 1 This reserve will be used to support the budget including funding of one off costs of achieving recurring budget savings.
- 2 This reserve is earmarked to meet the costs of any further COVID outbreaks including testing, contact tracing and compliance measures.
- 3 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.
- 4 This reserve supports the delivery of Invest to Save initiatives.

### Note 32: Revenue Grant Unapplied

Revenue Grants unapplied are grants received for specific commitments in 2022/23 or future years in accordance with grant conditions.

| 2020/21<br>£000s |                          | 2021/22<br>£000s |
|------------------|--------------------------|------------------|
| 4,896            | Revenue Grants Unapplied | 5,312            |
| 340              | COVID-19 Grants Reserve  | 279              |
| <b>5,236</b>     |                          | <b>5,591</b>     |



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### Note 33: Earmarked Revenue Reserves

This note sets out the balances held in Earmarked Revenue Reserves as at 31 March 2022.

| 2020/21<br>£000s |                                                        | 2021/22<br>£000s | Note |
|------------------|--------------------------------------------------------|------------------|------|
| 3,000            | Business Rates Risk Reserve                            | 3,000            | 1    |
| 2,286            | Insurance Fund                                         | 2,367            | 2    |
| 1,735            | Treasury Management Risk Reserve                       | 2,135            | 3    |
| 1,416            | Strategic Change Reserves                              | 1,913            | 4    |
| -                | Energy Pressures                                       | 1,820            | 5    |
| 1,040            | Adult Social Care Reserve                              | 1,259            | 6    |
| -                | Inflation Pressures                                    | 1,000            | 7    |
| 444              | Better Care Fund (Pooled Budget)                       | 994              | 8    |
| 309              | Income Risk Reserve                                    | 989              | 9    |
| 514              | Public Health Grant Reserve                            | 954              | 10   |
| 312              | Community Pot Reserve                                  | 366              | 11   |
| -                | Waste Equalisation Reserve                             | 330              | 12   |
| 316              | Education Improvement Strategy Reserve                 | 316              | 13   |
| 300              | Support for Local Council Tax Support Scheme           | 300              | 14   |
| 220              | Better Care Fund Reserve                               | 220              | 15   |
| 302              | Concessionary Fares                                    | 208              | 16   |
| -                | ICT Contract                                           | 200              | 17   |
| 265              | Events Reserve                                         | 191              | 18   |
| 175              | School Attainment Reserve                              | 175              | 19   |
| 218              | Trading Account Reserves                               | 128              | 20   |
| 77               | Supporting Family Poverty                              | 93               | 21   |
| 38               | National Museum of the Royal Navy Reserve              | 38               | 22   |
| 29               | Museums Acquisition                                    | 30               | 23   |
| 17               | Environmental Apprenticeships Scheme                   | 17               | 24   |
| 11               | Tees Education & Skills Reserve                        | 15               | 25   |
| 15               | Works in Default Empty Homes                           | 15               | 26   |
| 13               | Funding for Modern Apprentices                         | 13               | 27   |
| 5                | Centre of Excellence in Creative Arts Trading Reserves | 5                | 28   |
| 315              | Brexit Funding                                         | -                | 29   |
| <b>13,372</b>    |                                                        | <b>19,091</b>    |      |

- 1 This reserve is earmarked to manage the impact of the closure of the Power Station currently scheduled for 2024/25 and other Business Rates risks arising from the economic impact of COVID-19.
- 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 Strategic Change Reserves have been established to enable departments to meet one-off costs that will arise from strategic changes to improve services, or reduce costs, without affecting the level of services in the year.
- 5 This reserve is earmarked to smooth the impact of increased energy prices during 2022/23 and future years.
- 6 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.
- 7 This reserve is earmarked to help fund inflationary pressures during 2022/23.
- 8 This is a ring-fenced Better Care Fund Reserve arising from additional CCG contributions to the Pooled Budget. See Note 56.
- 9 This reserve is earmarked to offset in year income shortfalls to support services recovery from the impact of Covid restrictions.
- 10 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 years.
- 11 This reserve has been committed to provide grants to various Voluntary and Community Sector organisations to deliver interventions that will address hardship arising from COVID-19 that is impacting on communities in Hartlepool.
- 12 This reserve was created to mitigate fluctuating costs in relation to waste disposal and income generated from recycling.
- 13 This reserve is earmarked for the Education Improvement Strategy.
- 14 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.
- 15 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.

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- 16 This reserve is to cover the tri-annual cost of replacing Concessionary Fare passes.
- 17 This reserve was created to fund one off costs of the new ICT Contract.
- 18 The Events Reserves is an earmarked reserve to fund the delivery of the 5 year events programme.
- 19 This reserve was created towards improving School Attainment.
- 20 This reserve is earmarked to manage future financial risks on Trading Operations.
- 21 This reserve was created to Support Family Poverty over the period of the MTFS.
- 22 This reserve was created to fund the contributions required to support the developments with the National Museum of the Royal Navy (NMRN).
- 23 The Museums Acquisition reserve was set up from external donations for the acquisition of items for the Museum.
- 24 This reserve was created to fund costs over more than one financial year in relation to Apprentices.
- 25 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 underperformance and deliver a first class education and skills system.
- 26 This reserve has been created to provide a cash backed fund for the completion of housing works in default.
- 27 This reserve is earmarked to fund Modern Apprenticeships over the period of the MTFS.
- 28 This reserve has been established to mitigate risk of any Centre for Creative Arts income shortfalls in future
- 29 This reserve which was earmarked for potential future costs relating to Brexit has now been transferred and the balance is nil.

### Note 34: Earmarked Capital Reserves

This note sets out the balances held in Earmarked Capital Reserves as at 31 March 2022.

| 2020/21<br>£000s |                            | 2021/22<br>£000s | Note |
|------------------|----------------------------|------------------|------|
| 5,817            | Capital Funding Reserve    | 8,387            | 1    |
| -                | Capital Receipts Unapplied | 63               | 2    |
| 1,172            | HRA Major Repairs Reserve  | 1,503            | 3    |
| 8                | Capital Grants Unapplied   | 8                | 4    |
| <u>6,997</u>     |                            | <u>9,961</u>     |      |

- 1 The Capital Funding Reserve is earmarked to finance capital expenditure rephased to 2022/23.
- 2 Capital Receipts Unapplied are earmarked to finance capital expenditure rephased to 2022/23.
- 3 This reserve is ring-fenced to the HRA and can only be used to fund major repairs or repayments of borrowing.
- 4 These are capital grants that will be used to finance capital expenditure in future years.

### Note 35: COVID-19 Council Tax and Business Rates Collection Fund Deficit Reserve

This Government has provided grant funding in 2021/22 to meet Collection Fund deficits arising from the impact of COVID-19. This reserve will be used over the period 2021/22 to 2023/24 to reflect the statutory arrangements from managing Collection Fund deficits.

| 2020/21<br>£000s |                                                                         | 2021/22<br>£000s |
|------------------|-------------------------------------------------------------------------|------------------|
| 10,588           | COVID-19 Council Tax and Business Rates Collection Fund Deficit Reserve | 7,390            |
| <u>10,588</u>    |                                                                         | <u>7,390</u>     |

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### Note 36: School Balances

This note sets out the Schools Reserves at 31 March 2022.

| 2020/21<br>£000s |                                                       | 2021/22<br>£000s | Note |
|------------------|-------------------------------------------------------|------------------|------|
| 2,054            | Balances held by schools under a scheme of delegation | 2,930            | 1    |
| 1,256            | Dedicated Schools Grant Reserves                      | 1,229            | 2    |
| 377              | School Ring Fenced Grants Reserves                    | 382              | 3    |
| <u>3,687</u>     |                                                       | <u>4,541</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 Dedicated Schools Grant reserves position.
- 3 These reserves relate to ring-fenced grants to Schools.

### Note 37: Housing Revenue Account Balance

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

| 2020/21<br>£000s |             | 2021/22<br>£000s |
|------------------|-------------|------------------|
| 495              | HRA Balance | 495              |
| <u>495</u>       |             | <u>495</u>       |

## Note 38: Unusable Reserves

The Unusable Reserves are shown below.

| 2020/21<br>£000s |                                           | 2021/22<br>£000s | Table |
|------------------|-------------------------------------------|------------------|-------|
| 74,754           | Revaluation Reserve                       | 74,854           | 1     |
| 133,062          | Capital Adjustment Account                | 132,192          | 2     |
| (210,094)        | Pensions Reserve                          | (160,009)        | 3     |
| 366              | Deferred Capital Receipts Reserve         | 366              | 4     |
| (9,012)          | Collection Fund Adjustment Account        | (5,210)          | 5     |
| (4,958)          | Accumulated Absences Account              | (4,805)          | 6     |
| 197              | Financial Instruments Revaluation Reserve | 197              | 7     |
| <b>(15,685)</b>  |                                           | <b>37,585</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.

| 2020/21<br>£000s |                                                                                                                             | 2021/22<br>£000s |
|------------------|-----------------------------------------------------------------------------------------------------------------------------|------------------|
| 76,168           | <b>Balance at 1 April</b>                                                                                                   | <b>74,754</b>    |
| 376              | Upward revaluation of assets                                                                                                | 5,480            |
| (4)              | Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services                              | (4,137)          |
| 372              | Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | 1,343            |
| (1,237)          | Difference between fair value depreciation and historical cost depreciation                                                 | (1,216)          |
| -                | Write off of Revaluation Reserve following Category Transfer                                                                | (5)              |
| (549)            | Accumulated gains/(losses) on assets sold, scrapped or decommissioned                                                       | (22)             |
| (1,786)          | Amount written off to the Capital Adjustment Account                                                                        | <b>(1,243)</b>   |
| <b>74,754</b>    | <b>Balance at 31 March</b>                                                                                                  | <b>74,854</b>    |

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**Table 2 -Capital Adjustment Account**

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

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 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.

| 2020/21<br>£000s |                                                                                                                                                            | 2021/22<br>£000s |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| 136,868          | <b>Balance at 1 April</b>                                                                                                                                  | <b>133,062</b>   |
|                  | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:                               |                  |
| (11,614)         | - Charges for depreciation and impairment of non-current assets                                                                                            | (9,158)          |
| (667)            | - Revaluation gains/(losses) on Property, Plant and Equipment                                                                                              | (2,252)          |
| (2,441)          | - Revenue expenditure funded from capital under statute                                                                                                    | (5,219)          |
| (879)            | - 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 | (306)            |
| (15,601)         |                                                                                                                                                            | <b>(16,935)</b>  |
| 1,786            | Adjusting amounts written out of the Revaluation Reserve                                                                                                   | 1,243            |
| (13,815)         | Net written out amount of the cost of non-current assets consumed in the year                                                                              | <b>(15,692)</b>  |
|                  | Capital financing applied in the year:                                                                                                                     |                  |
| 155              | - Use of the Capital Receipts Reserve to finance new capital expenditure                                                                                   | 55               |
| 18               | - Use of the Major Repairs Reserve to finance new capital expenditure                                                                                      | 14               |
| -                | - Use of the Capital Receipts Reserve to repay prudential borrowing                                                                                        | 71               |
| 7,895            | - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing              | 11,029           |
| 12               | - Application of grants to capital financing from the Capital Grants Unapplied Account                                                                     | -                |
| 2,729            | - Statutory provision for the financing of capital investment charged against the General Fund                                                             | 2,647            |
| 360              | - Direct revenue funding credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing                        | 1                |
| 11,169           |                                                                                                                                                            | <b>13,817</b>    |
| (1,160)          | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement                           | 1,005            |
| <b>133,062</b>   | <b>Balance at 31 March</b>                                                                                                                                 | <b>132,192</b>   |

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**Table 3 - Pensions Reserve**

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

| 2020/21<br>£000s |                                                                                                                                                                                    | 2021/22<br>£000s        |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| (174,055)        | <b>Balance at 1 April</b>                                                                                                                                                          | (210,094)               |
| (21,632)         | Remeasurement of defined liability on pensions assets and liabilities                                                                                                              | 70,098                  |
| (21,848)         | 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 | (27,596)                |
| 7,441            | Employer's pensions contributions and direct payments to pensioners payable in the year                                                                                            | 7,583                   |
| <u>(210,094)</u> | <b>Balance at 31 March</b>                                                                                                                                                         | <u><b>(160,009)</b></u> |

**Table 4 - 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.

| 2020/21<br>£000s |                            | 2021/22<br>£000s  |
|------------------|----------------------------|-------------------|
| 366              | <b>Balance at 1 April</b>  | 366               |
| -                | Transfers in Year          | -                 |
| <u>366</u>       | <b>Balance at 31 March</b> | <u><b>366</b></u> |

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**Table 5 - Collection Fund Adjustment Account**

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

| 2020/21<br>£000s |                                                                                                                                                                                                                                                        | 2021/22<br>£000s |
|------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| 322              | <b>Balance at 1 April</b>                                                                                                                                                                                                                              | <b>(9,012)</b>   |
| (9,334)          | 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 | 3,802            |
| <b>(9,012)</b>   | <b>Balance at 31 March</b>                                                                                                                                                                                                                             | <b>(5,210)</b>   |

**Table 6 - Accumulated Absences Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2022. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| 2020/21<br>£000s |                                                                                                                                                                                                                         | 2021/22<br>£000s |
|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| (1,498)          | <b>Balance at 1 April</b>                                                                                                                                                                                               | (4,958)          |
| 1,498            | Settlement or cancellation of accrual made at the end of the preceding year                                                                                                                                             | 4,958            |
| (4,959)          | Amounts accrued at the end of the current year                                                                                                                                                                          | (4,805)          |
| (3,460)          | 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 | 153              |
| <b>(4,958)</b>   | <b>Balance at 31 March</b>                                                                                                                                                                                              | <b>(4,805)</b>   |

**Table 7 - Financial Instruments Revaluation Reserve**

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

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

| 2020/21<br>£000s |                                                                   | 2021/22<br>£000s |
|------------------|-------------------------------------------------------------------|------------------|
| 197              | <b>Balance at 1 April</b>                                         | 197              |
| -                | Transfer from the Available for Sale Financial Instrument Account | -                |
| <b>197</b>       | <b>Balance at 31 March</b>                                        | <b>197</b>       |

### Note 39: 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 2022, 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 2021/22 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 £86,596 (£116,150 in 2020/21).

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 39: Related Party Transactions

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

In 2021/22 the Council provided services to Cleveland Fire Authority amounting to £0.231m. This included various support services, predominantly in relation to financial services, for which the Council received net income of £0.194m (£0.190m in 2020/2021). The Director of Resources and Development holds the position of Treasurer for the Fire Authority.

The Council continues to provide a range of support services to Thirteen Group such as Legionella Management. The income from these services amounted to £0.051m (£0.193m in 2020/21) which represented the cost of the service provided.

The Council receives income from 'Right to Buy' receipts in relation to the sale of former Council dwellings under the terms of the Large Scale Voluntary Transfer (LSVT) of its council housing stock to Thirteen Group in 2004. Sales in 2021/22 amounted to £0.189m (£0.124m in 2020/21).

The Council provides a range of Support Services to Hartlepool Academies, including Property Services, Payroll Services, Building Cleaning and School Catering. The income from these services amounted to £3.390m (£1.902m in 2020/21).

The Council delivers 'The Childrens Hub' on behalf of Stockton-On-Tees Borough Council. The Children's Hub is an integrated single point of access across North Tees providing multi-agency triage and assessment of enquiries about children. Other integrated partners within The Children's Hub include Cleveland Police, Harbour, Harrogate and District NHS Trust and Children and Adolescence Mental Health Services (CAMHS). Stockton Council contributed £0.645m, (£0.645m in 2020/2021) towards the cost of this service.

The Hartlepool and Stockton Local Safeguarding Children Partnership (HSSCP) is a multi-agency partnership involving both Local Authority's, the Clinical Commissioning Group and Cleveland Police to co-ordinate their safeguarding services and act as a strategic leadership group. In 2020/21 Stockton Council contributed £0.091m (£0.091m in 2020/21), the CCG £0.065m (£0.065m 2020/21) and the Police and Crime Commissioner (PCC) £0.065m (£0.065m in 2020/21).

#### Other

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

The Council's shareholding in Teesside International Airport Ltd is 1%. The Council has assessed a number of factors in detail and determined the valuation of the shares at £nil for 2021/22 (£nil in 2020/21).

Issues of note include a deficit on the Profit and Loss Account of £12.904m (previous year deficit of £1.239m) and a net asset position of £1.843m (previous year net asset position of £14.748m). Further information and copies of their accounts are available from their Registered Office – Teesside International Airport Limited, Darlington, Durham, DL2 1LU.

In addition, the Council holds shares in Suez Recycling and Recovery 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 2019, that includes a profit on the Profit and Loss Account of £3.647m (£6.495m in 2018) and a net asset position of £63.233m (£59.587m in 2018). Further information on their accounts is available from the Registered Office, Suez House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES.

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

## SECTION 3 : Statement of Accounts

### Note 40: External Audit Costs

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

| RESTATED<br>2020/21<br>£000s |                                                                                                      | 2021/22<br>£000s |
|------------------------------|------------------------------------------------------------------------------------------------------|------------------|
| 128                          | Fees payable in respect of external audit services carried out by the appointed auditor for the year | 128              |

This reflects the actual costs incurred. A refund from Public Sector Audit Appointments (PSAA) of £0.060m was received in March 2022 and is not reflected above.

### Note 41: 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 2021. 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 2021/22 are as follows: -

|                                                                | Central<br>Expenditure<br>£000s | Individual<br>Schools<br>Budget<br>£000s | Total<br>£000s |
|----------------------------------------------------------------|---------------------------------|------------------------------------------|----------------|
| Final DSG for 2021/22 before academy and high needs recoupment |                                 |                                          | 92,138         |
| Academy and high needs figure recouped for 2021/22             |                                 |                                          | 49,010         |
| Total DSG after academy and high needs recoupment for 2021/22  |                                 |                                          | 43,128         |
| Plus: Brought Forward from 2020/21                             |                                 |                                          | 1,256          |
| Less: Carry forward to 2022/23 agreed in advance               |                                 |                                          | (50)           |
| Agreed Initial Budget Distribution in 2021/22                  | 20,293                          | 24,041                                   | 44,334         |
| In Year Adjustments                                            | (170)                           | 211                                      | 41             |
| Final Budget Distribution for 2021/22                          | 20,123                          | 24,252                                   | 44,375         |
| Less: Actual Central Expenditure                               | (19,186)                        |                                          | (19,186)       |
| Less Actual Individual Schools Budget Deployed to Schools      |                                 | (24,252)                                 | (24,252)       |
| Plus Local authority contribution for 2021/22                  | -                               | -                                        | -              |
| Carried forward to 2022/23                                     | <b>937</b>                      | <b>-</b>                                 | <b>987</b>     |

The £0.987m carried forward to 2022/23 includes £0.050m growth funding agreed in advance, along with £0.937m central expenditure.

The total DSG for 2021/22 of £92.138m excludes the final adjusted allocation for the Early Years Block that is expected in June 2022. As per regulations, this amount is shown as an in-year adjustment for 2021/22.

Individual School Budgets were increased by £0.012m in 2021/22 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

Schools' Forum approved a transfer of £0.199m from the Central School Services Block to the Schools Block in 2021/22. The funding transfer is shown as in-year adjustment.

## SECTION 3 : Statement of Accounts

### Note 42: Operating Leases

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

#### **Council as lessee**

| 2020/21<br>£000s | Future minimum lease payments due               | 2021/22<br>£000s |
|------------------|-------------------------------------------------|------------------|
| 117              | Not later than one year                         | 221              |
| 181              | Later than one year & not later than five years | 58               |
| 35               | Later than five years                           | 27               |
| <u>333</u>       |                                                 | <u>306</u>       |

#### **Council as lessor**

| 2020/21<br>£000s | Future minimum lease payments receivable        | 2021/22<br>£000s |
|------------------|-------------------------------------------------|------------------|
| 562              | Not later than one year                         | 570              |
| 1,311            | Later than one year & not later than five years | 1,019            |
| 1,351            | Later than five years                           | 1,242            |
| <u>3,224</u>     |                                                 | <u>2,831</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 22 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 2022 the minimum payments expected to be received under non-cancellable sub-leases was £0.020m (£0.020m as at 31 March 2021).

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

| 2020/21<br>£000s |                                          | 2021/22<br>£000s |
|------------------|------------------------------------------|------------------|
|                  | <b>Payments recognised as an expense</b> |                  |
| 1,435            | Minimum lease payments                   | 1,313            |
| (104)            | Sub-lease payments                       | (91)             |
| <u>1,331</u>     | <b>Total</b>                             | <u>1,222</u>     |

## SECTION 3 : Statement of Accounts

### Note 43: Finance Leases

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

#### Council as lessee

| 2020/21<br>£000s |                                                  | 2021/22<br>£000s |
|------------------|--------------------------------------------------|------------------|
|                  | <b>Value of Assets held under Finance Leases</b> |                  |
| 381              | Vehicles, Plant & Equipment                      | 408              |
| 381              | <b>Total</b>                                     | <b>408</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:-

| 2020/21<br>£000s |                                          | 2021/22<br>£000s |
|------------------|------------------------------------------|------------------|
|                  | <b>Future minimum lease payments due</b> |                  |
| 104              | Current                                  | 104              |
| 97               | Non-current                              | 315              |
| 21               | Finance costs payable in the future      | 54               |
| 222              | <b>Total minimum lease payments</b>      | <b>473</b>       |

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

| 2020/21                               |                                          |                                                 | 2021/22                               |                                          |
|---------------------------------------|------------------------------------------|-------------------------------------------------|---------------------------------------|------------------------------------------|
| Minimum<br>Lease<br>Payments<br>£000s | Finance<br>Lease<br>Liabilities<br>£000s |                                                 | Minimum<br>Lease<br>Payments<br>£000s | Finance<br>Lease<br>Liabilities<br>£000s |
| 98                                    | 79                                       | <b>Payable:</b>                                 | 124                                   | 104                                      |
| 341                                   | 306                                      | Not later than one year                         | 347                                   | 314                                      |
|                                       |                                          | Later than one year & not later than five years |                                       |                                          |
| 439                                   | 385                                      | <b>Total</b>                                    | <b>471</b>                            | <b>418</b>                               |

## SECTION 3 : Statement of Accounts

### Note 44: Capital Expenditure and Financing

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

| 2020/21<br>£000s |                                                                        | 2021/22<br>£000s |
|------------------|------------------------------------------------------------------------|------------------|
| 108,026          | <b>Brought Forward Opening Capital Financing Requirement</b>           | 108,023          |
|                  | <b>Capital investment</b>                                              |                  |
| 8,730            | Property, Plant and Equipment                                          | 13,388           |
| 61               | Heritage Assets                                                        | 16               |
| 2,441            | Revenue Expenditure Funded from Capital under Statute                  | 5,219            |
| (66)             | Long Term Debtors                                                      | (68)             |
|                  | <b>Sources of Finance</b>                                              |                  |
| (155)            | Capital receipts                                                       | (55)             |
| -                | Application of Capital Receipts to Repay Borrowing                     | (71)             |
| -                | Application of Capital Grant to fund HRA Appropriation                 | -                |
| (12)             | Application of Capital Grant from the Capital Grants Unapplied Account | -                |
| (18)             | Major Repairs Reserve                                                  | (14)             |
| -                | Grants to repay Borrowing                                              |                  |
| (7,895)          | Government Grants and Other Contributions                              | (11,029)         |
|                  | <i>Sums set aside from revenue:</i>                                    |                  |
| (360)            | Direct Revenue Contributions                                           | (1)              |
| (2,729)          | Minimum Revenue Position (MRP)                                         | (2,647)          |
| 108,023          | <b>Closing Capital Financing Requirement</b>                           | <b>112,761</b>   |
|                  | <b>Explanation of movements in year</b>                                |                  |
| -                | Application of Capital Receipts to Repay Borrowing                     | (71)             |
| (66)             | Repayments by Long Term Debtors                                        | (68)             |
| 288              | Increase in Finance Lease Obligations                                  | 113              |
| 2,504            | Increase in borrowing unsupported by government financial assistance   | 7,411            |
| (2,729)          | Minimum Revenue Provision (MRP)                                        | (2,647)          |
| (3)              | <b>Increase/(decrease) in Capital Financing Requirement</b>            | <b>4,738</b>     |

## SECTION 3 : Statement of Accounts

### Note 45: 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 2021 |         |                                                                                                    | 31 March 2022 |         |
|---------------|---------|----------------------------------------------------------------------------------------------------|---------------|---------|
| Long Term     | Current |                                                                                                    | Long Term     | Current |
| £000s         | £000s   |                                                                                                    | £000s         | £000s   |
|               |         | <b>Investments at Amortised Cost</b>                                                               |               |         |
| -             | 5,002   | Loans and receivables at Amortised Cost                                                            | -             | 40,015  |
| -             | 15,454  | Liquidity Accounts included in Cash Equivalents                                                    | -             | 5,763   |
| -             | 20,456  | Total Investments at Amortised Cost                                                                | -             | 45,778  |
| 197           | -       | Assets at Fair Value through Other Comprehensive Income (Note 1)                                   | 197           | -       |
| 197           | 20,456  | <b>Total Investments</b>                                                                           | 197           | 45,778  |
|               |         | <b>Debtors</b>                                                                                     |               |         |
| 3,363         | 8,124   | Financial Assets (including Trade Debtors and General and Other Debtors and Long Term Debtors)     | 3,771         | 10,966  |
| 3,363         | 8,124   | <b>Total debtors</b>                                                                               | 3,771         | 10,966  |
|               |         | <b>Borrowings at Amortised Cost</b>                                                                |               |         |
| 72,692        | 3,502   | Financial liabilities at amortised cost (Note 2)                                                   | 89,866        | 1,378   |
| 72,692        | 3,502   | <b>Total Borrowings at Amortised Costs</b>                                                         | 89,866        | 1,378   |
|               |         | <b>Other Long Term Liabilities</b>                                                                 |               |         |
| 306           | 79      | Finance lease liabilities                                                                          | 314           | 104     |
| 306           | 79      | <b>Total Other Long Term Liabilities</b>                                                           | 314           | 104     |
|               |         | <b>Creditors</b>                                                                                   |               |         |
| -             | 6,840   | Financial liabilities carried at contract amount (Trade Creditors and General and Other Creditors) | -             | 9,160   |
| -             | 6,840   | <b>Total Creditors</b>                                                                             | -             | 9,160   |

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

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

## SECTION 3 : Statement of Accounts

### Note 45: Financial Instruments

#### Income, Expense, Gains and Losses

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

|                                     | 2021/22                                          |                        |                                                           |              |
|-------------------------------------|--------------------------------------------------|------------------------|-----------------------------------------------------------|--------------|
|                                     | Financial Liabilities measured at amortised cost | Finance Lease Payments | Financial Assets: Loans and receivables at amortised cost | Total        |
|                                     | £000s                                            | £000s                  | £000s                                                     | £000s        |
| Interest expense                    | 3,044                                            | 19                     | -                                                         | <b>3,063</b> |
| Interest income                     | -                                                | -                      | (111)                                                     | <b>(111)</b> |
| <b>Net (gain)/loss for the year</b> | <b>3,044</b>                                     | <b>19</b>              | <b>(111)</b>                                              | <b>2,952</b> |

|                                     | 2020/21                                          |                        |                                                           |              |
|-------------------------------------|--------------------------------------------------|------------------------|-----------------------------------------------------------|--------------|
|                                     | Financial Liabilities measured at amortised cost | Finance Lease Payments | Financial Assets: Loans and receivables at amortised cost | Total        |
|                                     | £000s                                            | £000s                  | £000s                                                     | £000s        |
| Interest expense                    | 2,853                                            | 10                     | -                                                         | 2,863        |
| Interest income                     | -                                                | -                      | (146)                                                     | (146)        |
| <b>Net (gain)/loss for the year</b> | <b>2,853</b>                                     | <b>10</b>              | <b>(146)</b>                                              | <b>2,717</b> |

## SECTION 3 : Statement of Accounts

### Note 45: Financial Instruments

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

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

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

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

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

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

The fair values are calculated as follows:

| 31 March 2021                |                |                                                 | 31 March 2022   |                |
|------------------------------|----------------|-------------------------------------------------|-----------------|----------------|
| Carrying Amount              | Fair Value     |                                                 | Carrying Amount | Fair Value     |
| £000s                        | £000s          |                                                 | £000s           | £000s          |
| <b>Financial Liabilities</b> |                |                                                 |                 |                |
| 45,378                       | 99,580         | Market Loans                                    | 62,283          | 100,717        |
| 30,816                       | 43,306         | Public Works Loan Board                         | 28,667          | 37,561         |
| -                            | -              | Non-Market Loans                                | 294             | 179            |
| 6,840                        | 6,840          | Trade Creditors and General and Other Creditors | 9,160           | 9,160          |
| 306                          | 306            | Long Term Finance Lease Liability               | 314             | 314            |
| <b>83,340</b>                | <b>150,032</b> |                                                 | <b>100,718</b>  | <b>147,931</b> |
|                              |                |                                                 |                 |                |
| 31 March 2021                |                |                                                 | 31 March 2022   |                |
| Carrying Amount              | Fair Value     |                                                 | Carrying Amount | Fair Value     |
| £000s                        | £000s          |                                                 | £000s           | £000s          |
| <b>Financial Assets</b>      |                |                                                 |                 |                |
| 20,456                       | 20,456         | Money market loans < 1 year                     | 45,778          | 45,778         |
| 8,124                        | 8,124          | Short term debtors                              | 10,966          | 10,966         |
| 3,363                        | 3,363          | Long term debtors                               | 3,771           | 3,771          |
| <b>31,943</b>                | <b>31,943</b>  |                                                 | <b>60,515</b>   | <b>60,515</b>  |



## SECTION 3 : Statement of Accounts

### Note 45: Financial Instruments

The fair value of Public Works Loan Board (PWLB) loans of £37.561m 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 £28.667m would be valued at £32.857m. But, 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 £28.667m plus a penalty charge of £8.894 totalling £37.561m.

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 2022) 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 2021 | 31 March 2022 |
|                                                                     |                                     |                                                                                                                         | £000s         | £000s         |
| Equity shareholdings in Teesside International Airport              | 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 Ltd | Level 3                             | Face value (see below)                                                                                                  | 197           | 197           |
|                                                                     |                                     |                                                                                                                         | <u>197</u>    | <u>197</u>    |

#### Equity shareholdings in Teesside International Airport

The Authority's shareholding in Teesside International Airport - 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 Ltd

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

#### Changes in Valuation Technique

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

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

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

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 25 February 2021 and is available on the Council website. The key issues within the strategy were:

- the Authorised Limit for 2021/22 was set at £142m (£155m in 2020/21). This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £132m (£145m in 2020/21). 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 2020/21).
- 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 2020/21).

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

**Note 46: Nature and Extent of Risks Arising from Financial Instruments****Credit Risk**

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

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

The Investment Strategy for 2021/22 was approved by Full Council on 25 February 2021 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 £5.763m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, however there was no evidence at 31 March 2022 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                           | (2,919)        |
| Amounts written off                       | 45             |
| Changes in Impairment of Financial Assets | (271)          |
| Closing balance                           | <b>(3,145)</b> |

## SECTION 3 : Statement of Accounts

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

The Council does not generally allow credit for customers, such that £4.155m of the £10.966m 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<br>2021<br>£000s |                        | 31 March<br>2022<br>£000s |
|---------------------------|------------------------|---------------------------|
| 1,423                     | Less than three months | 2,561                     |
| 266                       | Three to six months    | 349                       |
| 329                       | Six months to one year | 226                       |
| 1,053                     | More than one year     | 1,019                     |
| <b>3,071</b>              |                        | <b>4,155</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<br>2021<br>£000s |                                      | 31 March<br>2022<br>£000s |
|---------------------------|--------------------------------------|---------------------------|
| 3,024                     | Less than one year                   | 892                       |
| 3,294                     | Between one and five years           | 3,734                     |
| 4,115                     | Between five and ten years           | 4,469                     |
| 3,815                     | Between ten and fifteen years        | 3,509                     |
| 2,250                     | Between fifteen and twenty years     | 2,214                     |
| 2,313                     | Between twenty and twenty-five years | 2,391                     |
| 2,742                     | Between twenty-five and thirty years | 3,132                     |
| 6,166                     | Between thirty and thirty-five years | 6,336                     |
| 2,723                     | Between thirty-five and forty years  | 19,050                    |
| 467                       | Between forty and forty-five years   | 268                       |
| 45,112                    | More than forty-five years           | 45,076                    |
| <b>76,021</b>             |                                      | <b>91,071</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.

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

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

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

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

The view of the Director of Resources and Development 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 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

|                                                                                                                               | <b>£000s</b>  |
|-------------------------------------------------------------------------------------------------------------------------------|---------------|
| Increase in interest receivable on variable rate investments                                                                  | (458)         |
| Increase in interest payable on borrowings                                                                                    | 912           |
| Impact on Surplus or Deficit on the Provision of Services                                                                     | <b>454</b>    |
|                                                                                                                               | <b>£000s</b>  |
| Decrease in fair value of fixed rate borrowings liabilities (no impact on the Comprehensive Income and Expenditure Statement) | <b>28,067</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 Teesside International Airport Limited and SUEZ Recycling and Recovery Tees Valley Limited. These shares are all classified as Assets at Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve.

Foreign Exchange Risk

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

Collateral Risk

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

## SECTION 3 : Statement of Accounts

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

The cash flows for operating activities include the following items:

| 2020/21<br>£000s |                   | 2021/22<br>£000s |
|------------------|-------------------|------------------|
| 146              | Interest Received | 72               |
| (2,883)          | Interest Paid     | (3,063)          |

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

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

| 2020/21<br>£000s |                                                      | 2021/22<br>£000s |
|------------------|------------------------------------------------------|------------------|
| 10,242           | Depreciation                                         | 9,147            |
| 2,039            | Impairment and Downward Valuations                   | 2,263            |
| 1,160            | Downward / (Upward) Valuation of Investment Property | (1,005)          |
| (577)            | Increase / (Decrease) in Provisions                  | 223              |
| 3,856            | Increase / (Decrease) in Creditors                   | (1,729)          |
| (12,999)         | (Increase) / Decrease in Debtors                     | 4,525            |
| 33               | (Increase) / Decrease in Inventories                 | (159)            |
| 14,407           | Pension Liability                                    | 20,013           |
| 879              | Carrying amount of Non-Current Assets Sold           | 306              |
| <b>19,040</b>    |                                                      | <b>33,584</b>    |

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

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

| 2020/21<br>£000s |                                                                                                                                                                  | 2021/22<br>£000s |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| (7,895)          | Capital Grants credited to surplus or deficit on the provision of services                                                                                       | (11,029)         |
| (155)            | Proceeds from the Sale of Property, Plant and Equipment and Investment Property                                                                                  | (189)            |
| 8                | Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries) | -                |
| <b>(8,042)</b>   |                                                                                                                                                                  | <b>(11,218)</b>  |

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

| 2020/21<br>£000s |                                                                              | 2021/22<br>£000s |
|------------------|------------------------------------------------------------------------------|------------------|
| (8,817)          | Purchase of Property, Plant and Equipment and Investment Property            | (12,940)         |
| -                | Purchase of Short-term and Long-term Investments                             | (35,000)         |
| (96)             | Other Payments for Investing Activities                                      | (395)            |
| 155              | Proceeds from the sale of property, plant and equipment, investment property | 189              |
| -                | Proceeds from the sale of Short-term and Long-term Investments               | -                |
| 7,693            | Other Receipts from Investing Activities                                     | 15,986           |
| <b>(1,065)</b>   | <b>Net cash flows from investing activities</b>                              | <b>(32,160)</b>  |

## SECTION 3 : Statement of Accounts

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

| 2020/21<br>£000s |                                                                                           | 2021/22<br>£000s     |
|------------------|-------------------------------------------------------------------------------------------|----------------------|
| 133              | Council Tax and NNDR adjustment                                                           | (2,521)              |
| -                | Cash receipts from short and long term borrowing                                          | 17,000               |
| (96)             | Cash payments for the reduction of the outstanding liabilities relating to finance leases | (78)                 |
| (2,887)          | Repayments of short and long-term borrowing                                               | (1,950)              |
| <u>(2,850)</u>   | <b>Net cash flows from financing activities</b>                                           | <u><b>12,451</b></u> |

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

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

This is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating employers' contribution rate paid by local authorities. The last valuation was effective from 1 September 2019.

The scheme has in excess of 11,800 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2022, the Council's own contributions equate to approximately 0.04%.

The Council's contribution to the Teacher's Pension Scheme in 2021/22 amounted to £3.026m (£3.913m in 2020/21) which represented 23.68% of pensionable pay (including a 0.08% administration levy). There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £3.000m, 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 31 March 2016 and determined current contribution rates for employers and scheme members. The scheme has in excess of 8,050 employing bodies and it is not possible for the Council to identify a share of underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the NHS Pension Scheme during the year ending 31 March 2022, the Council's own contributions equate to approximately 0.0012%.

The Council's contribution to the NHS Pension Scheme in 2021/22 amounted to £0.202m (£0.183m in 2020/21). This represented 20.68% of pensionable pay (including a 0.08% administration levy). The contributions due to be paid in the next financial year are estimated to be £0.202m. There were no contributions remaining payable at the year-end.

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

**Note 53: Defined Benefit Pension Schemes**
**Participation in Pension Schemes**

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

The Council participates in the Local Government Pension Scheme, administered locally by the Teesside Pension Fund. This is a funded defined benefit 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 the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

|                                                                                                     | Local Government Pension Scheme |                  | Discretionary Benefit Arrangements |                  | Total            |                  |
|-----------------------------------------------------------------------------------------------------|---------------------------------|------------------|------------------------------------|------------------|------------------|------------------|
|                                                                                                     | 2020/21<br>£000s                | 2021/22<br>£000s | 2020/21<br>£000s                   | 2021/22<br>£000s | 2020/21<br>£000s | 2021/22<br>£000s |
| <b>Comprehensive Income and Expenditure Statement</b>                                               |                                 |                  |                                    |                  |                  |                  |
| Cost of Services:                                                                                   |                                 |                  |                                    |                  |                  |                  |
| · Current Service cost                                                                              | 17,750                          | 24,497           | -                                  | -                | 17,750           | 24,497           |
| · Past Service Costs (inc. curtailments)                                                            | 178                             | 89               | -                                  | -                | 178              | 89               |
| Financing and Investment Income and Expenditure:                                                    | -                               | (1,504)          | -                                  | -                | -                | (1,504)          |
| · Net Interest Expense                                                                              | 3,680                           | 4,300            | 240                                | 214              | 3,920            | 4,514            |
| <b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b> | 21,608                          | 27,382           | 240                                | 214              | 21,848           | 27,596           |
| 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)                                  | (96,252)                        | (54,435)         | -                                  | -                | (96,252)         | (54,435)         |
| · Actuarial (gains) and losses arising from changes in financial assumptions                        | 124,120                         | (13,484)         | 709                                | (119)            | 124,829          | (13,603)         |
| · Actuarial (gains) and losses arising from changes in demographic assumptions                      | -                               | (4,286)          | -                                  | (40)             | -                | (4,326)          |
| · Actuarial (gains) and losses owing to liability experience                                        | (6,580)                         | 2,207            | (365)                              | 59               | (6,945)          | 2,266            |
| <b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>  | 42,896                          | <b>(42,616)</b>  | 584                                | <b>114</b>       | 43,480           | <b>(42,502)</b>  |



## SECTION 3 : Statement of Accounts

### Note 53: Defined Benefit Pension Schemes

|                                                                                                                                               | Local Government Pension Scheme |          | Discretionary Benefit Arrangements |         | Total    |          |
|-----------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------|------------------------------------|---------|----------|----------|
|                                                                                                                                               | 2020/21                         | 2021/22  | 2020/21                            | 2021/22 | 2020/21  | 2021/22  |
|                                                                                                                                               | £000s                           | £000s    | £000s                              | £000s   | £000s    | £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 | (21,608)                        | (27,382) | (240)                              | (214)   | (21,848) | (27,596) |

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

|                                             |                 |                 |            |            |                 |                 |
|---------------------------------------------|-----------------|-----------------|------------|------------|-----------------|-----------------|
| · Employers' contribution payable to scheme | 6,590           | 6,728           | -          | -          | 6,590           | 6,728           |
| · Retirement Benefits payable to pensioners | -               | -               | 851        | 855        | 851             | 855             |
| <b>Transfer from Pension Reserve</b>        | <b>(15,018)</b> | <b>(20,654)</b> | <b>611</b> | <b>641</b> | <b>(14,407)</b> | <b>(20,013)</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            |                  |
|--------------------------------------------------------------|---------------------------------|------------------|------------------------------------|----------------|------------------|------------------|
|                                                              | 2020/21                         | 2021/22          | 2020/21                            | 2021/22        | 2020/21          | 2021/22          |
|                                                              | £000s                           | £000s            | £000s                              | £000s          | £000s            | £000s            |
| Fair value of plan assets                                    | 531,264                         | 586,110          | -                                  | -              | 531,264          | 586,110          |
| Present value of the defined benefit obligation              | (730,751)                       | (736,253)        | (10,607)                           | (9,866)        | (741,358)        | (746,119)        |
| <b>Net liability arising from defined benefit obligation</b> | <b>(199,487)</b>                | <b>(150,143)</b> | <b>(10,607)</b>                    | <b>(9,866)</b> | <b>(210,094)</b> | <b>(160,009)</b> |

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

|                                                       | Local Government Pension Scheme |                  | Discretionary Benefit Arrangements |          | Total            |                  |
|-------------------------------------------------------|---------------------------------|------------------|------------------------------------|----------|------------------|------------------|
|                                                       | 2020/21                         | 2021/22          | 2020/21                            | 2021/22  | 2020/21          | 2021/22          |
|                                                       | £000s                           | £000s            | £000s                              | £000s    | £000s            | £000s            |
| Opening fair value of assets                          | (431,002)                       | (531,264)        | -                                  | -        | (431,002)        | (531,264)        |
| Interest Income on assets                             | (9,849)                         | (11,067)         | -                                  | -        | (9,849)          | (11,067)         |
| Remeasurement gains/(losses):                         |                                 |                  |                                    |          |                  |                  |
| · Return on plan assets (excl amount in net interest) | (96,252)                        | (54,435)         | -                                  | -        | (96,252)         | (54,435)         |
| Effect of Settlement                                  | -                               | 2,105            | -                                  | -        | -                | 2,105            |
| Contributions by the employer                         | (6,590)                         | (6,728)          | (851)                              | (855)    | (7,441)          | (7,583)          |
| Contributions by participants                         | (3,296)                         | (3,346)          | -                                  | -        | (3,296)          | (3,346)          |
| Net benefits paid out                                 | 15,725                          | 18,625           | 851                                | 855      | 16,576           | 19,480           |
| <b>Closing fair value of assets</b>                   | <b>(531,264)</b>                | <b>(586,110)</b> | <b>-</b>                           | <b>-</b> | <b>(531,264)</b> | <b>(586,110)</b> |

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

|                                                                         | Local Government Pension Scheme |                  | Discretionary Benefit Arrangements |                | Total            |                  |
|-------------------------------------------------------------------------|---------------------------------|------------------|------------------------------------|----------------|------------------|------------------|
|                                                                         | 2020/21                         | 2021/22          | 2020/21                            | 2021/22        | 2020/21          | 2021/22          |
|                                                                         | £000s                           | £000s            | £000s                              | £000s          | £000s            | £000s            |
| Opening balance at 1 April                                              | (594,184)                       | (730,752)        | (10,874)                           | (10,607)       | (605,058)        | (741,359)        |
| Current Service Cost                                                    | (17,750)                        | (24,497)         | -                                  | -              | (17,750)         | (24,497)         |
| Interest Cost                                                           | (13,529)                        | (15,367)         | (240)                              | (214)          | (13,769)         | (15,581)         |
| Contributions from scheme participants                                  | (3,296)                         | (3,346)          | -                                  | -              | (3,296)          | (3,346)          |
| Remeasurement gains/(losses):                                           |                                 |                  |                                    |                |                  |                  |
| · Actuarial gains and (losses) on liabilities - financial assumptions   | (124,120)                       | 13,484           | (709)                              | 119            | (124,829)        | 13,603           |
| · Actuarial gains and (losses) on liabilities - demographic assumptions | -                               | 4,286            | -                                  | 40             | -                | 4,326            |
| · Actuarial gains and (losses) on liabilities - experience              | 6,580                           | (2,207)          | 365                                | (59)           | 6,945            | (2,266)          |
| Past Service Costs (inc. curtailments)                                  | (178)                           | (89)             | -                                  | -              | (178)            | (89)             |
| Liabilities extinguished on settlements                                 | -                               | 3,609            | -                                  | -              | -                | 3,609            |
| Benefits paid                                                           | 15,725                          | 18,625           | 851                                | 855            | 16,576           | 19,480           |
| <b>Closing present value of assets</b>                                  | <b>(730,752)</b>                | <b>(736,254)</b> | <b>(10,607)</b>                    | <b>(9,866)</b> | <b>(741,359)</b> | <b>(746,120)</b> |

## SECTION 3 : Statement of Accounts

### Note 53: Defined Benefit Pension Schemes

#### Local Government Pension Scheme Assets

The Local Government Pension Scheme's assets comprised:

|                    | 2020/21<br>£'000 | 2021/22<br>£'000      |
|--------------------|------------------|-----------------------|
| Equity investments | 423,949          | <b>395,536</b>        |
| Property           | 39,844           | <b>46,078</b>         |
| Cash               | 39,844           | <b>94,537</b>         |
| Other Investments  | 27,626           | <b>49,960</b>         |
|                    | <u>531,263</u>   | <u><b>586,111</b></u> |

#### 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 Solutions UK Limited, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31st March 2019.

Principal assumptions used by the actuary have been:

|                                                                 | Local Government Pension Scheme |             | Discretionary Benefit Arrangements |             |
|-----------------------------------------------------------------|---------------------------------|-------------|------------------------------------|-------------|
|                                                                 | 2020/21                         | 2021/22     | 2020/21                            | 2021/22     |
| Long-term expected rate of return on assets in the scheme:      |                                 |             |                                    |             |
| Equities                                                        | 2.1%                            | <b>2.7%</b> | -                                  | -           |
| Property                                                        | 2.1%                            | <b>2.7%</b> | -                                  | -           |
| Government Bonds                                                | 2.1%                            | <b>2.7%</b> | -                                  | -           |
| Corporate Bonds                                                 | 2.1%                            | <b>2.7%</b> | -                                  | -           |
| Cash                                                            | 2.1%                            | <b>2.7%</b> | -                                  | -           |
| Other                                                           | 2.1%                            | <b>2.7%</b> | -                                  | -           |
| Mortality assumptions:                                          |                                 |             |                                    |             |
| Longevity at 65 for current pensioners:                         |                                 |             |                                    |             |
| Men                                                             | 21.9                            | <b>21.7</b> | 21.9                               | <b>21.7</b> |
| Women                                                           | 23.6                            | <b>23.5</b> | 23.6                               | <b>23.5</b> |
| Longevity at 65 for future pensioners:                          |                                 |             |                                    |             |
| Men                                                             | 23.3                            | <b>22.9</b> | -                                  | -           |
| Women                                                           | 25.4                            | <b>25.3</b> | -                                  | -           |
| Other assumptions:                                              |                                 |             |                                    |             |
| Rate of inflation - CPI                                         | 2.7%                            | <b>3.2%</b> | 2.7%                               | <b>3.2%</b> |
| Rate of general increase in salaries                            | 3.7%                            | <b>4.2%</b> | -                                  | -           |
| Rate of increase in pensions - deferred and pensions in payment | 2.7%                            | <b>3.2%</b> | 2.7%                               | <b>3.2%</b> |
| Rate for discounting scheme liabilities                         | 2.1%                            | <b>2.7%</b> | 2.1%                               | <b>2.7%</b> |

## SECTION 3 : Statement of Accounts

### Sensitivity Analysis

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

The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e.. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

| LGPS Funded Benefits Only                          | Impact on Defined Benefit Obligation in the Scheme |                                    |
|----------------------------------------------------|----------------------------------------------------|------------------------------------|
|                                                    | Increase<br>in Assumption<br>£000s                 | Decrease<br>in Assumption<br>£000s |
| Adjustment to Discount rate (+/- 0.1%)             | (12,950)                                           | 12,950                             |
| Adjustment to Salary increase rate (+/- 0.1%)      | 1,830                                              | (1,830)                            |
| Adjustment to Pension increase rate (+/- 0.1%)     | 11,003                                             | (11,003)                           |
| Adjustment to Longevity (decrease/increase 1 year) | 29,845                                             | (29,845)                           |

### 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 in 2022/23 based on the position as at 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 anticipates to pay £7.309m in expected contributions to the scheme in 2022/2023.

The weighted average duration of the defined benefit obligation for scheme members is 20 years in 2022/23 (20.3 years in 2021/22).

### Note 54: Contingent Liabilities

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

The Council is responsible for the Claxton Site which is a closed landfill. There is a possible obligation arising relating to de-contamination of the site; it is not possible at this stage to quantify the potential liability or when the works may be required. The site is regularly tested to ensure compliance with the Environment Protection Act 1990.

### Note 55: Financial Guarantees

In 1989 the Council gave a loan guarantee of £3m to North Housing Association (now Home Housing Association) for sums borrowed on the money markets that would come into operation should the housing association default on the loan terms. Provision is included in the agreement for any such payments to be secured on North Housing Association property. It is anticipated that this guarantee will exist until the loan is repaid in 2049. The likelihood of this guarantee being called upon is remote and therefore no amounts have been recognised in the balance sheet in respect of this guarantee.

A guarantee was given to the Teesside Pension Scheme for the staff transferred to Housing Hartlepool in 2004 in the event that Housing Hartlepool had financial difficulties. The likelihood of this guarantee being called upon is remote and therefore no amounts have been recognised in the balance sheet in respect of this guarantee.

## SECTION 3 : Statement of Accounts

### Note 56: Pooled Budgets

The Better Care Fund (BCF) was established by the Government to support the introduction of a fully integrated health and social care system.

On 1 April 2015 the Council entered into a pooled budget arrangement with NHS Tees Valley Clinical Commissioning Group (CCG) for the provision of services in accordance with the requirements of the Better Care Fund.

This is an annual agreement made in accordance with Section 75 of the National Health Service Act 2006. This is a jointly controlled pooled budget which is hosted by the Council on behalf of both partners in line with the agreement.

The 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).

#### Revenue Pooled Budget

| 2020/21<br>£000s |                                                                        | 2021/22<br>£000s |
|------------------|------------------------------------------------------------------------|------------------|
|                  | <b>Revenue Funding provided to the Pooled Budget:</b>                  |                  |
| -                | Balance brought forward                                                | (444)            |
| (5,201)          | Hartlepool Borough Council - Improved Better Care Fund (iBCF)          | (5,201)          |
| (7,612)          | NHS Tees Valley Clinical Commissioning Group                           | (8,038)          |
| (418)            | NHS Tees Valley Clinical Commissioning Group - Additional Contribution | (418)            |
| (13,231)         |                                                                        | <b>(14,101)</b>  |
|                  | <b>Expenditure met from the Pooled Budget:</b>                         |                  |
| 6,365            | Hartlepool Borough Council                                             | 6,656            |
| 1,221            | NHS Tees Valley Clinical Commissioning Group                           | 1,251            |
| 5,095            | Hartlepool Borough Council - Improved Better Care Fund (iBCF)          | 5,095            |
| 106              | NHS Tees Valley Clinical Commissioning Group (iBCF)                    | 106              |
| 12,787           |                                                                        | <b>13,108</b>    |
| (444)            | <b>Balance carried forward</b>                                         | <b>(993)</b>     |

#### Capital Pooled Budget

| 2020/21<br>£000s |                                                       | 2021/22<br>£000s |
|------------------|-------------------------------------------------------|------------------|
|                  | <b>Capital Funding provided to the Pooled Budget:</b> |                  |
| -                | Balance brought forward                               | (399)            |
| (1,222)          | Hartlepool Borough Council                            | (1,222)          |
| (1,222)          |                                                       | <b>(1,621)</b>   |
|                  | <b>Expenditure met from the Pooled Budget:</b>        |                  |
| 823              | Hartlepool Borough Council                            | 1,267            |
| 823              |                                                       | <b>1,267</b>     |
| (399)            | <b>Balance carried forward</b>                        | <b>(354)</b>     |

## SECTION 3 : Statement of Accounts

### HOUSING REVENUE ACCOUNT (HRA)

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

| 2020/21<br>£000s |                                                                                                                                      | 2021/22<br>£000s |
|------------------|--------------------------------------------------------------------------------------------------------------------------------------|------------------|
|                  | <b>Expenditure</b>                                                                                                                   |                  |
| 198              | Repairs and maintenance                                                                                                              | 217              |
| 357              | Supervision and management                                                                                                           | 411              |
| 33               | Rents, rates, taxes and other charges                                                                                                | 38               |
| 1                | Discretionary Housing Payments                                                                                                       | 2                |
| 25               | Movement in the allowance for bad debts                                                                                              | 20               |
| 10               | Debt Management Expenses                                                                                                             | 10               |
| 621              | Depreciation, impairment and revaluation losses of non-current assets                                                                | 134              |
| 1,245            | <b>Total Expenditure</b>                                                                                                             | <b>832</b>       |
|                  | <b>Income</b>                                                                                                                        |                  |
| (1,257)          | Dwelling Rents                                                                                                                       | (1,291)          |
| 1                | Charges for services and facilities (net of voids)                                                                                   | (3)              |
| (126)            | Other Income                                                                                                                         | (24)             |
| (1,382)          | <b>Total Income</b>                                                                                                                  | <b>(1,318)</b>   |
| (137)            | <b>Net Expenditure or (Income) of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b> | <b>(486)</b>     |
|                  |                                                                                                                                      |                  |
|                  | 355 Interest payable                                                                                                                 | 358              |
|                  | (29) Interest and investment income                                                                                                  | (40)             |
|                  | 7 Net interest on the net defined benefit liability                                                                                  | 13               |
| 196              | <b>Deficit/(Surplus) for the year on HRA services</b>                                                                                | <b>(155)</b>     |

### MOVEMENT ON THE HRA STATEMENT

| 2020/21<br>£000s |                                                                               | 2021/22<br>£000s |
|------------------|-------------------------------------------------------------------------------|------------------|
| (391)            | <b>Opening balance on the HRA</b>                                             | (495)            |
| 196              | (Surplus) or Deficit for the year on the HRA Income and Expenditure Statement | (155)            |
|                  | Adjustments between accounting basis and funding basis under statute :        |                  |
| (424)            | - Revaluations (losses)/gain                                                  | 78               |
| (12)             | - Impairment losses                                                           | (11)             |
| (32)             | - IAS19 Pensions Adjustment                                                   | (56)             |
| (185)            | - Depreciation                                                                | (201)            |
| 185              | - Transfer to Major Repairs Reserve                                           | 201              |
| (272)            | <b>Net (increase) or decrease before transfers to or from reserves</b>        | <b>(144)</b>     |
| 168              | Transfers to or (from) earmarked reserves                                     | 144              |
| (104)            | <b>(Increase) or decrease in the year on the HRA</b>                          | <b>-</b>         |
| (495)            | <b>Closing balance on the HRA</b>                                             | <b>(495)</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 £0.201m (2020/21 £0.186m) which transfers funding into the Major Repairs Reserve to meet the cost of future major repairs. The gain on revaluation for the year was £0.078m (2020/21 £0.424m loss). 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

| 2020/21<br>£000s                                    | 2021/22<br>£000s |
|-----------------------------------------------------|------------------|
| 536 Acquisition and renovation of Council Dwellings | 1,919            |
| 80 Appropriation of land                            | -                |
| <u>18 Major Repairs</u>                             | <u>14</u>        |
| 634                                                 | <b>1,933</b>     |
| Funded by:                                          |                  |
| (147) Borrowing                                     | (1,073)          |
| (32) Homes England Grant                            | (563)            |
| (231) Brownfield Homes Grant                        | (127)            |
| (206) S.106 Contributions                           | (156)            |
| <u>(18) Major Repairs Reserve</u>                   | <u>(14)</u>      |
| (634)                                               | <b>(1,933)</b>   |

#### Note 3: Number and Value of Council Dwellings

There were 309 Council Dwellings held as at 31 March 2022 (307 in 2020/21). The number of empty properties included in the above figures is 32, of which some are undergoing repairs, some on hold for refugee housing and others are standard voids.

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 2021<br>£000's  | 31st March 2022<br>£000's |
|---------------------------|---------------------------|
| 8,770 Balance Sheet Value | <b>9,614</b>              |

The vacant possession value of HRA dwellings as at 1 April 2022 is £21.850m.

#### Note 4: Rent Arrears

The level of rent arrears as at 31 March 2022 was £0.155m (31 March 2021 £0.162m), these figures include rent, service charge and rechargeable repair arrears. The Bad Debt provision required in respect of these uncollectable debts is £0.103m (2020/21 £0.105m)

## 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.

| 2020/21<br>£000 |                                                                | 2021/22<br>£000 | Notes |
|-----------------|----------------------------------------------------------------|-----------------|-------|
|                 | <b>INCOME</b>                                                  |                 |       |
|                 | <b>Council Tax :</b>                                           |                 |       |
| (51,089)        | Billed to tax payers                                           | (52,343)        |       |
| (51,089)        |                                                                | (52,343)        | 1     |
|                 | <b>Non Domestic Rates :</b>                                    |                 |       |
| (21,119)        | Income Collectable from Business Ratepayers                    | (27,124)        | 2     |
| 649             | Transitional Protection Payment                                | 188             |       |
| (20,470)        |                                                                | (26,936)        |       |
| (71,559)        | <b>TOTAL INCOME</b>                                            | <b>(79,279)</b> |       |
|                 | <b>EXPENDITURE</b>                                             |                 |       |
|                 | <b>Council Tax :</b>                                           |                 |       |
| 43,604          | Precepts Hartlepool Borough Council                            | 42,737          |       |
| 6,483           | Police & Crime Commissioner                                    | 6,480           |       |
| 1,961           | Cleveland Fire Authority                                       | 1,959           |       |
| 1,406           | Increased Provision for Non-Payment of Council Tax             | 324             |       |
| 53,454          |                                                                | 51,500          |       |
|                 | <b>Non Domestic Rates :</b>                                    |                 |       |
|                 | Payment of Non Domestic Rates to Preceptors                    |                 |       |
| 15,805          | Hartlepool Borough Council                                     | 15,646          |       |
| 323             | Cleveland Fire Authority                                       | 319             |       |
| 16,116          | Payment of Non Domestic Rates to Central Government            | 15,965          |       |
| 112             | Cost of Collection Allowance                                   | 113             |       |
| 1,858           | Change in Provision for Non-Payment of NNDR                    | (98)            |       |
| 1,443           | Change in Provision for Non Domestic Rating Appeals            | 319             |       |
| 11              | Enterprise Zone Relief                                         | 93              |       |
| 25              | Disregarded Amounts                                            | 178             |       |
| 35,693          |                                                                | 32,535          |       |
|                 | <b>Contributions for previous years estimated</b>              |                 |       |
|                 | <b>Collection Fund Surplus/(Deficit) - Council Tax</b>         |                 |       |
| (138)           | Hartlepool Borough Council                                     | (763)           |       |
| (21)            | Police & Crime Commissioner                                    | (113)           |       |
| (6)             | Cleveland Fire Authority                                       | (34)            |       |
| (165)           |                                                                | (911)           |       |
|                 | <b>Contributions for previous years estimated</b>              |                 |       |
|                 | <b>Collection Fund Surplus/(Deficit) - Non-Domestic Rates:</b> |                 |       |
| 31              | Hartlepool Borough Council                                     | (5,078)         |       |
| 1               | Cleveland Fire Authority                                       | (104)           |       |
| 32              | Central Government                                             | (5,181)         |       |
| 64              |                                                                | (10,363)        |       |
| 89,046          | <b>TOTAL EXPENDITURE</b>                                       | <b>72,761</b>   |       |
| 17,487          | <b>NET TOTAL</b>                                               | <b>(6,518)</b>  |       |
|                 | <b>Movement on Fund Balances</b>                               |                 |       |
|                 | <b>Council Tax:</b>                                            |                 |       |
| 2,200           | (Surplus)/Deficit for the year                                 | (1,755)         |       |
| 302             | (Surplus)/Deficit brought forward                              | 2,502           |       |
| 2,502           | (Surplus)/Deficit carried forward                              | <b>747</b>      |       |
|                 | <b>Non Domestic Rates:</b>                                     |                 |       |
| 15,286          | (Surplus)/Deficit for the year                                 | (4,764)         |       |
| (1,146)         | (Surplus)/Deficit brought forward                              | 14,140          |       |
| 14,140          | (Surplus)/Deficit carried forward                              | <b>9,376</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, the Police and Crime Commissioner and Fire Authorities, 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 34,380 Band D equivalents in 2021/22 (34,392 for 2020/21) and the basic amount of Council Tax for a Band D property was £2,097.07 (£2,090.38 in 2020/21).

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)<br>£ | Police & Crime Commissioner demand per property<br>£ | Fire Authority demand per property<br>£ | Total demand per property<br>£ | Total Income per band<br>£000's |
|---------------|---------------------|--------------------------------|-------------------------------------|-------------------------------------------------------|------------------------------------------------------|-----------------------------------------|--------------------------------|---------------------------------|
| A             | 6/9                 | 23,436                         | 15,624                              | 1,167.34                                              | 177.15                                               | 53.55                                   | 1,398.04                       | 32,764                          |
| B             | 7/9                 | 7,309                          | 5,685                               | 1,361.90                                              | 206.68                                               | 62.48                                   | 1,631.06                       | 11,921                          |
| C             | 8/9                 | 6,231                          | 5,539                               | 1,556.45                                              | 236.20                                               | 71.40                                   | 1,864.05                       | 11,615                          |
| D             | 9/9                 | 3,293                          | 3,293                               | 1,751.01                                              | 265.73                                               | 80.33                                   | 2,097.07                       | 6,906                           |
| E             | 11/9                | 1,748                          | 2,136                               | 2,140.12                                              | 324.78                                               | 98.18                                   | 2,563.08                       | 4,480                           |
| F             | 13/9                | 748                            | 1,080                               | 2,529.24                                              | 383.83                                               | 116.03                                  | 3,029.10                       | 2,266                           |
| G             | 15/9                | 526                            | 877                                 | 2,918.35                                              | 442.88                                               | 133.88                                  | 3,495.11                       | 1,838                           |
| H             | 18/9                | 73                             | 146                                 | 3,502.02                                              | 531.46                                               | 160.66                                  | 4,194.14                       | 306                             |
| <b>TOTALS</b> |                     | <b>43,364</b>                  | <b>34,380</b>                       |                                                       |                                                      |                                         |                                | <b>72,096</b>                   |

The income of £52.343m for 2021/22 (£51.089m for 2020/21) is receivable from the following sources:

| 2020/21<br>£000 |                                      | 2021/22<br>£000 |
|-----------------|--------------------------------------|-----------------|
| 71,893          | Opening Liability                    | 72,096          |
| 1,494           | Net increase/(decrease) in liability | 2,127           |
| (123)           | Disabled Relief                      | (120)           |
| (6,831)         | Discounts                            | (6,975)         |
| (1,650)         | Exemptions                           | (1,554)         |
| (183)           | Write Offs                           | (212)           |
| (13,511)        | Council Tax Support Scheme           | (13,019)        |
| <u>51,089</u>   |                                      | <u>52,343</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 49.9p in 2021/22 (49.9p in 2020/21) and, the Non Domestic Rate Multiplier which was 51.2p in 2021/22 (51.2p in 2020/21). 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 £80.238m.

The NNDR income collectable from Ratepayers is shown below.

| 2020/21       |                     | 2021/22       |
|---------------|---------------------|---------------|
| £000          |                     | £000          |
| 38,654        | Gross Rates payable | 38,746        |
| (18,185)      | Mandatory Reliefs   | (11,473)      |
| 649           | Transitional Relief | 189           |
| 1             | Write Offs          | (338)         |
| <u>21,119</u> |                     | <u>27,124</u> |

The decrease to mandatory reliefs during 2021/22 was primarily as a result of the reduction in Retail, Hospitality and Leisure (RHL) relief awarded in 2021/22 as the government scaled back its support in response to the Covid-19 pandemic. The RHL relief effectively reduced the net amount the Council can collect from businesses. As the RHL relief was announced after precept amounts were confirmed, the result is a deficit on the Collection Fund. The reliefs are funded by DLUHC through Section 31 Grants. These grants have been received in 2021/22 and have been transferred to the Council's earmarked Collection Fund Deficit Reserve. This reserve will be used to offset the Collection Fund deficit when it is charged to the Council's General Fund in 2022/23.

## 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 31 March 2022 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 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 2020/21 Statement**

Progress has been made over the course of 2021/22 to actively manage and address issues identified as part of the 2020/21 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>Issue Raised</b>                                                                                                                                                                                            | <b>Action Undertaken</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. | <p>The MTFS was updated during 2021/22 and the budget for 2022/23 was set at Council on 24 February 2022. The approved budget reflected an increase in Council Tax, increase in the Adult Social Care precept, increase in Government funding, savings plan and use of reserves. The use of reserves to set the 2022/23 budget was £1.093m, significantly less than the £5.182m used in 2021/22.</p> <p>The Council Plan 2021/22 – 2023/24 was agreed by Finance and Policy Committee on 15 February 2021 and adopted by Council on 25 February 2021. Progress against the Council Plan is reviewed through dedicated CMT Performance and Challenge Clinics 3 times a year and this is followed by reports to Finance and Policy Committee. The first Annual Report will be produced in summer 2022 and shared with all elected members and the public.</p> |
| Delivery of Regeneration/ Capital Programme on time and budget in line with key Council objectives.                                                                                                            | Responsibility for delivery of schemes allocated to senior officers. Project Management Boards were embedded and are providing strategic oversight of progress and budget position. Regular updates are provided to members.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

## SECTION 4 : Annual Governance Statement

|                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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. | Elections undertaken with no significant risk materialising. Well established arrangements in terms of managing process and training new/existing members carried out.                                                                                                                                                                                                                                                                                                                                                                                       |
| COVID-19 Virus affecting the health and wellbeing of the Borough, service delivery and the financial stability of the Council.                  | Continuation of dedicated Corporate Management Team response team to co-ordinate and manage the Council's strategic response, including implementation of changes to national guidance at a local level. Safe working arrangements implemented at the Council in line with Government advice and then moved to assess over a six month period implications of hybrid working model. Financial implications and risks are being managed and monitored as integral part of overall Council arrangements and specific resources allocated for continuing income |

### **The Governance Framework**

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

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

In accordance with the Council's Constitution at Article 13, the Monitoring Officer continues to monitor and review the operation of the Constitution to ensure that the aims and principles of the Constitution are given full effect. A report to the Constitution Committee on 6 July 2021 addressed issues relating to reviews relating to the Protocol on Elected Member/Officer Relations, Member Champions and the Contract Procedure Rules. The subsequent report of the Constitution Committee was submitted to Full Council on 30 September 2021.

A further report was submitted to the Constitution Committee on 22 November 2021 which addressed issues which had arisen since the previous review of the Constitution and the comments and suggestions received from Elected Members. The subsequent report of the Constitution Committee was submitted to Full Council on 16th December 2021.

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 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 four weeks. This is aimed at new employees within the Authority but is also open to any existing member of staff who would benefit from a refresher. The Assistant Director for Corporate Services opens every session which ensures Chief Officer presence and support. This forms one part of a new corporate induction programme which is being developed to include a wider range of information for new employees. Departments have responsibility to provide induction training specific to their departmental needs.

Committee terms of reference are included in the constitution. A procedure is in place to ensure that all Committee agendas, minutes and supporting material are available to all staff on the Council's intranet, and to the public on the Council's Internet site.

## SECTION 4 : Annual Governance Statement

The constitution contains financial and contract procedure rules, and code of conduct for Members, which have been formally approved. Financial procedure rules have been updated and agreed by Council and contract procedure rules have also been updated to take into account new procurement procedures and legislative requirements. The constitution is available to all employees on the intranet and to the public on the Internet. A register of gifts and hospitality is maintained for Members and Officers. The Authority has a Treasury Management Strategy that was approved by Audit and Governance Committee on 10th February 2022 and referred to Council for approval on for the financial year 2022/23. 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.

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 14 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 (2021/22 – 2023/24) that sets out the Council's ambitions for the Borough. The Plan was agreed by Finance and Policy Committee on 15 February 2021 and adopted by Council on 25 February 2021. Progress against the Council Plan is reviewed through dedicated CMT Performance and Challenge Clinics 3 times a year and this is followed by reports to Finance and Policy Committee. The first Annual Report will be produced in summer 2022 and shared with all elected members and the public.

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

The Risk Management Framework and an Officer Toolkit are available to all staff via the intranet. Key staff have undergone appropriate training and departmental risk champions lead on communicating the process to all relevant staff in their departments.

There is corporate support at senior management level for development of Risk Management with risk assessment procedures published and training given to officers. Risk introduction/refresher sessions are offered as and when individual departments/teams require them. Each department also has a risk co-ordinator.

## SECTION 4 : Annual Governance Statement

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 performance reports to help ensure that risk and performance reporting are linked. The Council Plan and performance framework is considered as part of the preparation of the AGS.

The Council's Corporate Strategy and Performance Team hold information on the Council's Strategic Risks. Risk registers are also maintained for significant projects. Officers that manage risks are notified that risks need to be reviewed and progress is monitored on a quarterly basis through the service planning process. Departments have access to a central funding pot for risk management to assist in the financing of risk mitigation.

The General Data Protection Regulation (GDPR) is European legislation and replaces the Data Protection Act in the UK. This was designed to harmonise data privacy laws across Europe, to protect and empower all EU citizens' data privacy and to reshape the way organisations across the region approach data privacy and security. In order to ensure compliance the Council has completed information audits identifying all personal data held, including a lawful basis for processing the data. Privacy notices have been developed and are available on the Council's website. All policies and procedures have been updated to ensure GDPR compliance and staff have received specific GDPR training. The Information Governance Group meets regularly to discuss GDPR compliance.

## SECTION 4 : Annual Governance Statement

The Council has long-standing, nationally and regionally recognised emergency planning arrangements through the Cleveland Emergency Planning Unit (CEPU). The Council's Emergency Management Response Team (EMRT) meets bi-monthly and contributes to the makeup of the Council's Major Incident Plan which is tested annually.

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

The Equality Act 2010 came into force on 1 October, 2010 and brought together over 116 separate pieces of legislation into one single Act. The Act provides a legal framework to protect the rights of individuals and advance equality of opportunity for all. The Act covers the 9 protected characteristics – age, disability, gender reassignment, marriage/civil partnership, pregnancy/maternity, race, religion/belief, gender and sexual orientation.

The Public Sector Equality Duty (PSED) is supported by "specific duties" to assist public bodies to achieve the aims of the general duty. Under the specific duties, the Council must:

- Publish equalities information to demonstrate its compliance with the Equality Duty by the 31st January each year; and
- Develop and publish equality objectives by 6 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 2020/21 to demonstrate the progress that the Council has made to date. We are aware that there are gaps in our data and are working to provide more information in an accessible format. On that basis the report is regularly updated. . Since the first equality objectives were published in April 2012 the Council has based them on the strategic objectives set out in our Council Plan. By doing this the Council demonstrates that equality and diversity is a core part of what we do as an organisation and not an add on activity. The Council's vision as set out in the Council Plan 2021/22 – 2023/24 sets out our equality objectives.

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.

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. Children's Services have also been visited by Ofsted on two occasions for a Focused Visit since the ILACS, firstly in March 2020 to look at services for children in need including those in need of protection and most recently in January 2022 to look at Care Leavers. During both visits Ofsted confirmed that Children's Services in Hartlepool continued to provide high quality services and progress was sustained. Of the three children's homes in Hartlepool, two are judged by Ofsted to be good and one outstanding. Most childcare providers and schools are rated "good" or "outstanding".

As part of the national Adult Social Care Outcomes Framework there is an annual survey of people who use adult social care services locally and a survey every two years of people who are carers. Feedback from these surveys continues to be positive and the satisfaction rates of people in Hartlepool compare favourably regionally and nationally. Over 95% of services that are commissioned by the Council for adults with care and support needs are rated 'good' by the Care Quality Commission (CQC) with no services rated inadequate. The Council is actively engaged with Sector Led Improvement initiatives via NE ADASS (the North East branch of the Association of Directors of Adult Social Services). This includes early preparations for the reintroduction of CQC assessment of Council's Adult Social Care Services which is expected in 2023.

## **SECTION 4 : Annual Governance Statement**

In their 2020/21 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         |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| 1  | Delivery of Council Plan, revised Performance Management Framework and Medium Term Financial Strategy. The sustainability of services, level of performance and the continuing need to achieve housing growth. | <p>The MTFS approved in February 2022 forecast annual deficits of £1.5m in both 2023/24 and 2024/25. These forecasts will be updated to reflect the much higher and prolonged impact of inflation as this will increase the 2023/24 deficit. Savings plans will then be developed during 2022/23.</p> <p>The three year Council Plan adopted in February 2021, takes into account the impact of the financial challenges facing the Council. Performance will be continue to be reported regularly to CMT and Finance and Policy Committee.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 2022/23 – 2023/24 |
| 2  | Delivery of Regeneration/ Capital Programme on time and budget in line with key Council objectives.                                                                                                            | Arrangements adopted in 2021/22 will continue to be followed and monitor as projects move from design to construction phase.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 2022/23           |
| 3  | Potential for Cyber Security attack/breach of IT defences leading to service disruption and potentially serious financial implications.                                                                        | <p>The Council, in partnership with NEC, have implemented a range of technical protection measures over the last 12 months. These reduce the risks associated with phishing and ransomware. HBC use the National Cyber Security Centre's Event Logging solution, which tracks a range of network events including staff who have clicked on links in suspicious emails. HBC have recently implemented a new firewall that provides additional protection including blocking access to our network from outside UK and 24/7 analysis of Internet access with auto blocking where activity falls outside of normal working patterns.</p> <p>Annual training is mandatory for all staff in respect of cyber security and regular all staff emails give instruction on what to do with suspicious emails. This ensures that staff are aware of the correct procedure to follow if links are clicked or attachments are opened in error. There is also information on the intranet and wall posters highlighting how to recognise phishing emails.</p> | 2022 Onwards      |

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**

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

#### Report on the audit of the financial statements

##### Opinion on the financial statements

We have audited the financial statements of Hartlepool Borough Council ("the Authority") for the year ended 31 March 2021, which comprise the Movement in Reserves Statement, 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31st March 2021 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 2020/21.

##### 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 Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Resources and Development with respect to going concern are described in the relevant sections of this report.

##### Other information

The Director of Resources and Development is responsible for the other information. The other information comprises the other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

#### Responsibilities of the Director of 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 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 2020/21, 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 2020/21 and prepare the financial statements on a going concern basis on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. The Director of Resources and Development is responsible for assessing each year whether or not it is appropriate for the Authority 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.

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

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

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to :

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

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

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

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

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

We are also required to conclude on whether the Director of Resources and Development's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

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

##### **Matter on which we are required to report by exception**

We are required to report to you if, in our opinion, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Authority's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Authority's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

##### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and 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 Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

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

#### Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

#### Use of the audit report

This report is made solely to the members of Hartlepool Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority 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 Authority, as a body, for our audit work, for this report, or

#### Delay in certification of completion of audit

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

- the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.



Gavin Barker  
For and on behalf of Mazars LLP  
The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF

Date: 11 November 2021

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

This list is not intended to be comprehensive.

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

## SECTION 6 : Glossary of Terms

### REMUNERATION

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

### RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

### RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

### RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- an employer's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

### REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Revenue expenditure funded by capital under statute. This is expenditure that can be properly capitalised, but which does not result in an asset for the Authority. Expenditure is therefore written off to revenue.

### SAFETY-NET GRANT

This grant is received by Local Authorities whose business rates income drops below a set percentage (92.5%) of the minimum level the Local Authority requires as determined by the Government.

### SCHEME LIABILITIES

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

### SERVICE REPORTING CODE OF PRACTICE

A Chartered Institute of Public Finance and Accountancy (CIPFA) guide to accounting for local government services which provides a consistent and comparable calculation of the total costs of services.

### SETTLEMENT

An irrecoverable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- the purchase of an irrecoverable annuity contract sufficient to cover vested benefits; and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

## SECTION 6 : Glossary of Terms

### **USEFUL LIFE**

The period over which the Authority will derive benefits from the use of an asset.

### **FURTHER INFORMATION**

Copies of this document can also be provided on audiotape or in large print, Braille and ethnic minority languages on request. We can also be contacted via Typetalk and enquiries in any language can be dealt with in person or on the telephone using Language Line instant translation service.