

PLEASE NOTE VENUE

AUDIT AND GOVERNANCE COMMITTEE

AGENDA



Tuesday 18 July 2023

at 5.00 pm

**in the Centre for Independent Living (CIL) and Community Hub,
Burbank Street, Hartlepool**

MEMBERS: AUDIT AND GOVERNANCE COMMITTEE

Councillors Allen, Brash, Cowie, Creevy, Groves, Hargreaves, D Nicholson, V Nicholson, Smith and Wallace.

Standards Co-opted Independent Members: - Mr Martin Slimings and Ms Tracy Squires.

Standards Co-opted Parish Council Representatives: Parish Councillor Kane Forrester (Wynyard) and Parish Councillor Michael Jorgeson (Hart)

1. APOLOGIES FOR ABSENCE

2. TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS

3. MINUTES

3.1 To confirm the minutes of the meeting held on 27 June, 2023 (to follow).

4. AUDIT ITEMS

4.1 Role of the Chief Finance Officer (CFO) in Public Service Organisations – *Director of Finance, IT and Digital Services*

4.2 Role of the Head of Internal Audit in Local Government – *Director of Finance, IT and Digital Services*

4.3 Internal Audit Plan 2022/23 Update – *Head of Audit and Governance*

CIVIC CENTRE EVACUATION AND ASSEMBLY PROCEDURE

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

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

- 4.4 Internal Audit Outcome Report 2022/23 – *Head of Audit and Governance*
- 4.5 Joint Declarations from Management and those Charged with Governance – *Director of Finance, IT and Digital Services*
- 4.6 Annual Governance Statement 2022/23 – *Director of Finance, IT and Digital Services*
- 4.7 The 2022/2023 Financial Report (including the 2022/23 Statement of Accounts – *Director of Finance, IT and Digital Services*
- 4.8 Mazars Report – Audit Strategy Memorandum – *Director of Finance, IT and Digital Services*

5. **STATUTORY SCRUTINY ITEMS**

- 5.1 North Tees and South Tees Foundation Trusts - Group Model Update – *Joint Chair of the Councils of Governors (North Tees and South Tees Foundation Trusts)* (To Follow)
- 5.2 Derelict Land and Buildings Investigation:
 - i) Setting the Scene - Presentation – *Executive Director of Development, Neighbourhoods and Regulatory Services*
 - ii) Scoping - *Statutory Scrutiny Manager* (To Follow)
- 5.3 Crustacean Deaths Working Group - Verbal Update (*Councillor Creevy*)

6. **STANDARDS ITEMS**

No items

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

- 7.1 To receive the minutes of the meeting held on 20 March 2023.

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

No items

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

No items

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

No items



11. MINUTES FROM THE RECENT TEES VALLEY AREA INTEGRATED CARE PARTNERSHIP

11.1 To receive the minutes of the meeting held on 2 June 2023

12. REGIONAL HEALTH SCRUTINY UPDATE

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

No items.

14. ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS URGENT

For information: -

For information: - forthcoming meeting dates: -

Tuesday 19 September 2023, at 5.00 pm

Tuesday 10 October 2023, at 5.00 pm

Tuesday 7 November 2023, at 5.00 pm

Tuesday 12 December 2023, at 5.00 pm

Tuesday 30 January 2024, at 5.00 pm

Tuesday 27 February 2024, at 5.00 pm



AUDIT AND GOVERNANCE COMMITTEE

MINUTES AND DECISION RECORD

27 JUNE 2023

The meeting commenced at 5.00 pm in the Civic Centre, Hartlepool.

Present:

Councillor: Jonathan Brash (In the Chair).

Councillors: Gary Allen, Brian Cowie, Racheal Creevy, Christopher Groves, Pamela Hargreaves, David Nicholson, and Steve Wallace.

Standards Co-opted Members:

Mr Martin Slimmings and Ms Tracy Squires – Independent Members.

Also Present: Karen Hawkins, Director of Place, North East and North Cumbria Integrated Care Board
Ray Martin-Wells, North Tees and Hartlepool NHS Foundation Trust
Christopher Akers-Belcher and Stephen Thomas, Hartlepool HealthWatch.

Officers: James Magog, Director of Finance, IT and Digital Services
Sylvia Pinkney, Assistant Director, Regulatory Services
Joan Stevens, Statutory Scrutiny Manager
Gemma Jones, Scrutiny Support Officer
David Cosgrove, Democratic Services Team

In opening the meeting and welcoming everyone to the first meeting of the Municipal Year, the Chair noted that the Principal Democratic Services Officer was celebrating 40 years' service in local government.

1. Apologies for Absence

Apologies for absence were received from Veronica Nicholson and Leisa Smith.

2. Declarations of Interest

None.

3. Minutes of the meetings held on 9 March and 16 March 2023

Confirmed.

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

The Statutory Scrutiny Manager submitted a report setting out the role and functions of the Audit and Governance Committee in fulfilling its statutory scrutiny responsibilities as required by the Health and Social Care Act 2012 and the statutory scrutiny functions related to the areas of crime and disorder and health.

Recommended

That the report be noted.

5. Integrated Care Partnership arrangements in the North East and North Cumbria – Update

(Presentation) (*Director of Place – Hartlepool, NHS North East and North Cumbria ICB*)

The Director of Place gave a detailed presentation to the Committee, which had been included with the agenda papers for Members reference,

The Chair had some concerns around yet another NHS reform and expressed the hope that this would lead to better joint working with local authorities. The Director of Place commented that health and social care services already worked well together but sometimes the organisational structure had hindered that joint working. The intention now was for a partnership approach centring on communities – a health and care approach that was more focussed on delivery than structure. The Chair asked if the lead for policy direction was the Health and Wellbeing Board or the Integrated Care Board Place Committees; so this committee's scrutiny was directed to the right body. The Director of Place stated that the Health and Wellbeing Board would set the strategy and the ICB would be a partner to that. For commissioning of services, all would be directed through the Health and Wellbeing Strategy.

The Vice-Chair commented that while the budget for the region sounded significant at £6bn, once that figure was split across all the health delivery in the region, was there a concern that at the delivery level, it was being spread too thinly. The Director of Place stated that budget allocations down to 'place' level were still be worked through and funding would need to address continuing commitments and contracts.

The Director of Place also highlighted that there was a lot of work, some joint with local authorities and other partners focussed on preventative health and these programmes needed to be maintained.

The Chair thanked the Director of Place for her detailed and interesting presentation and commented that he had asked for the minutes of the Integrated care Partnership to be submitted to future meetings of this Committee for Members information.

Recommended

1. That the presentation and discussions be noted.
2. That the minutes of the Tees Valley Area Integrated Care Partnership be included as a standing item on Audit and Governance Committee agendas.

6. Statutory Scrutiny Work Programme 2023/24 (*Chair of the Audit and Governance Committee and Statutory Scrutiny Manager*)

The Chair indicated that the report outlined a proposal to investigate the issue of derelict land and buildings, both residential and commercial, as the primary focus of the Committee for the year. This issue was causing significant upset and distress across communities in the town. The Chair acknowledged that the Committee would also need to respond to its statutory scrutiny responsibilities for Health and Community Safety and considered that these issues could be dealt with through one-off meetings focussed on those issues as they arose.

Members supported the proposal for the investigation into derelict land and buildings, both residential and commercial, commenting on issues within their own wards and the issues being caused by bad and/or absent landlords. Members also raised some concern around the investment that may come through the Hartlepool Development Corporation and the potential for a 'halo' effect around those areas of investment.

The Chair also commented that he had asked the Statutory Scrutiny Manager to look to the holding of meetings out in the community to give residents greater access to meetings.

Recommended

1. That the Committee focusses on one topic for investigation in the coming year's work programme for 2023/24- derelict land and buildings, both residential and commercial – and agrees the work programme set out in Appendix A to the report;

2. That the proposed Communications Strategy and changes to the operation of meetings for the coming year, as outlined in Section 4.2 of the report be approved; and
3. That the items on the rolling programme be noted.

7. Treasury Management Strategy Update 2023/24 (*Director of Finance, IT and Digital Services*)

The Director of Finance, IT and Digital Services submitted a report providing a review of Treasury Management activity for 2022/23 including the 2022/23 outturn Prudential Indicators and a first quarter update of the 2023/24 Treasury Management activity. The Director highlighted that the report had been prepared before last week's rate of interest rise by the Bank of England.

The Director reported that the Council was presently benefitting from the rate of interest rise but that situation would change when borrowing for the capital programme was required. Decisions around amounts and loan durations would be key to the costs of future borrowing.

The Chair noted that over the last 12 months there had been significant shifts in both interest rates but also inflation with costs increasing significantly, and questioned if this was to impact the Council's capital programme schemes. The Director stated that none were currently under threat and none had been cancelled. If high interest rates continued, then decisions may have to be made but at present the programme was accurately profiled and reviewed regularly.

The Chair questioned further if inflation was not to come down as quickly as predicted would this affect the schemes for which external funding had been obtained and whether we could deliver all of what had been originally proposed and if the scheme could be afforded at all. The Director commented that inflation was a major issue in the building sector but that no specific decisions such as suggested had been made. Each scheme had in-built contingencies and while some past approvals may not have had a contingency for inflation, this was now built in to new schemes. Any revisiting of the programme would have to be considered by the Finance and Policy Committee and Council.

A Member questioned if there was scope to invest some of the capital money received in higher interest investments to offset some of the inflation costs. The Director stated that cash was actively managed to ensure as much as was feasible and allowable was earning some return for the Council.

Recommended

1. That the 2022/23 Treasury Management Outturn detailed in section 4 and Appendix A of the report be noted.
2. That the 2023/24 Treasury Management 1st Quarter Position detailed in section 5 of the report be noted.

8. **Appointment to Committees / Forums - Annual Appointments** *(Statutory Scrutiny Manager)*

The Statutory Scrutiny Officer reported on the appointments made by Council to the following bodies for the Committee's information: -

- (a) North East Regional Joint Health Scrutiny Committee – Councillor Brash (appointment as Chair);
- (b) North East Regional Joint Member / Officer Scrutiny Network;
- (c) Tees Valley Combined Authority Audit and Governance Committee; Councillor Creevy (Councillor Allen as appointed substitute)
- (d) Tees Valley Combined Authority Overview and Scrutiny Committee; Councillors Little, Lindridge (substitute Cllr Groves), and Harrison (substitute Cllr Boddy)
- (e) Tees Valley Combined Authority Independent Remuneration Panel; Tracy Squires (Independent Member)
- (f) Audit and Governance Committee Crustacean Deaths Working Group; Councillor Brash (Chair of Audit and Governance Committee), Cllr Martin-Wells (Chair of Economic Growth and Regeneration Committee), Councillor Creevy (Audit and Governance Committee Member), and Joan Stevens (Statutory Scrutiny Manager).

The Statutory Scrutiny Officer sought nominations from the Committee to the following bodies: -

- (g) Tees Valley Joint Health Scrutiny Committee;
- (h) Durham Darlington and Teesside, Hambleton, Richmondshire and Whitby STP Joint Health Scrutiny Committee;
- (i) Health and Wellbeing Board as a non-voting official observer; and
- (j) Safer Hartlepool Partnership as a non-voting observer.

In terms of Parish Councillor representation on the Committee in accordance with the Localism Act 2011, the Statutory Scrutiny Officer reported that the Parish Council represented on the Committee rotated every three years and nominations had been sought from Wynyard Parish Council and Headland Parish Council for the municipal years 2023 – 2026. A nomination has been received from Wynyard PC, Mr Kane Forester, and a nomination from Headland PC had very recently been received, Mr Michael Jordanson.

The Chair commented that he would be writing to all the Parish Councils stating that he would welcome their input on the investigation into derelict land and buildings, both residential and commercial.

Recommended

1. That the appointments set out in (a) to (f) above be noted.
2. That the following appointments were approved by the Committee: -
 - (g) Tees Valley Joint Health Scrutiny Committee – Councillors Brash (as Chair), Cowie and Creevy.
 - (h) Durham Darlington and Teesside, Hambleton, Richmondshire and Whitby STP Joint Health Scrutiny Committee – Councillors Brash (as Chair), Allen and Groves.
 - (i) Health and Wellbeing Board as a non-voting official observer – Councillor Creevy
 - (j) Safer Hartlepool Partnership as a non-voting observer – Councillor Allen.
3. That the Parish Council appointees be noted.

9. Appointment to Committees / Forums - Personnel Sub-Committee *(Director of Legal, Governance and Human Resources)*

The Principle Democratic Services Officer reported that in order to comply with the requirements of the Constitution, the Committee was requested to appoint three Elected Members to the Personnel Sub Committee and to determine which of those Elected Members would act as Chair.

Recommended

That Councillors Hargreaves, Groves and Wallace be appointed to the Personnel Sub Committee and that Councillor Wallace act as Chair of the Sub Committee.

10. Dedicated Overview and Scrutiny Budget 2022/23 - Outturn *(Statutory Scrutiny Manager)*

The Statutory Scrutiny Manager reported that details of funding from the dedicated budget during the course of each year were reported to this Committee. The Committee is advised that during 2022/23 the following request was agreed for funding from the available £5,000 budget:-

Accessibility Investigation:

£190.00 – Public Workshop (Inc. 2 interpreters)

£540.00 – Easy Read Survey.

A Member questioned if this budget would be utilised to fund the costs associated with the meetings being held in external buildings and the Statutory Scrutiny Manager indicated that this was the case.

Recommended

That the report be noted.

11. Child and Family Poverty Investigation - Final Report (Statutory Scrutiny Manager)

The Statutory Scrutiny Manager submitted the final report of the Committee's 2022/23 investigation into Child and Family Poverty in Hartlepool. A Working Group of the Committee discussed in detail the formulation of conclusions and recommendations for inclusion in the finalised report that was approved by the Chair of the Committee, as delegated by the Committee. However, in light of changes to the membership of the Committee, the Chair had requested that Members be given the opportunity to receive the report ahead of its submission to the Finance and Policy Committee on the 3 July and Full Council.

Members commented that the report provided very harrowing reading with half of the children in the town going to school hungry every day. It was essential that every effort was made to tackle this issue and it was suggested that tackling poverty needed to be the driver behind every decision the Council made and every policy it approved. The Chair supported the comments and asked that they be fed into the Finance and Policy Committee's consideration of the report. Tackling poverty needed to be the driver behind all the Council's work. The lack of a national target for the reduction of poverty was also an omission the Chair considered should be reinstated.

Members commented that there were many issues that fed into exacerbating the problem for families in this unfortunate and unnecessary situation. The need for badged school uniforms was one such issue highlighted by Members.

The Statutory Scrutiny Manager indicated that there would be an Action Plan developed by officers to go alongside the final report and once this had been approved, it would come back to this Committee with progress against those actions being monitored.

Recommended

That the Committee receives the report and that Members comments be brought to the attention of the Finance and Policy Committee and Council during consideration of the report and its conclusions and recommendations.

12. Accessibility of Council Services for those with Disabilities and Long Term Conditions Investigation - Final Report *(Statutory Scrutiny Manager)*

The Statutory Scrutiny Manager submitted the final report of the Committee's 2022/23 investigation into Accessibility of Council Services in Hartlepool for those with Disabilities and Long Term Conditions. Any Members views or comments they may wish to make could be relayed to the Finance and Policy Committee for consideration alongside the report's conclusions and recommendations.

Members noted the concerning comments around the use of the Council's website both for finding information and accessing information. The Statutory Scrutiny Manager reported that there was a full review of the website underway. The Statutory Scrutiny Manager indicated that there would be an Action Plan developed by officers to go alongside the final report and once this had been approved, it would come back to this Committee with progress against those actions being monitored.

Members questioned the level of response from Council departments to the information gathering survey. The Statutory Scrutiny Manager indicated that every department had responded and had been very enthusiastic in supporting the investigation.

A HealthWatch representative welcomed the report as a very good piece of work that established a good position statement. One of the main issues raised by some HealthWatch members was the need to incorporate the lived experience as the norm in designing services so that access for everyone to every services was the same regardless of ability. This was the only way to ensuring everyone was empowered to access a full and active life.

Recommended

That the Committee receives the report and that Members comments be brought to the attention of the Finance and Policy Committee and Council during consideration of the report and its conclusions and recommendations.

13. Regulation of Investigatory Powers Act 2000 (RIPA) – Quarter 4 Update *(Director of Legal, Governance and Human Resources)*

The Principle Democratic Services Officer reported that Hartlepool Borough Council had powers under the Regulation of Investigatory Powers Act 2000 (RIPA) to conduct authorised covert surveillance and was required to provide Members with a quarterly update as to the use of those powers. Members were informed that in the quarter to the date of this meeting, there had been two RIPA Authorisations authorised. These were both external applications.

Recommended

That the report be noted.

14. Crustacean Deaths Working Group - Verbal Update

Councillor Creevy reported that the group had only recently met for the first time after purdah and had a number of new Members. The group intended to continue to meet monthly, hopefully bringing in representatives from external organisations including government departments. The group still intended to produce a final report in January 2024.

Recommended

That the report be noted.

15. Standards Sanctions – Provision of HBC Email Accounts *(Director of Legal, Governance and Human Resources)*

The Director of Legal, Governance and Human Resources had submitted a report proposing an amendment to the sanctions imposed on Councillor Gordon Cranney regarding his use of a Hartlepool Borough Councillor email account. One of the sanctions imposed following the investigation undertaken by the Committee in 2022 was

- d) Facilities be withdrawn from Councillor Cranney (i.e. computer, website and/or email and Internet access) for the remaining term of office.

The Authority's Information Governance Group ('IG Group'), established to promote the Information Governance Framework, and has since undertaken a review of the way in which the Council handles personal information. In particular, the personal and sensitive data relating to constituents, providers, partners and employees. This had resulted in a recommendation by the IG Group that all Councillors must use a HBC email

account for their Councillor duties to ensure the utmost security of personal data and reduce the risk of personal data being breached.

On this basis, consideration needs to be given to the amendment of sanction (d) to allow Councillor Cranney to utilise a HBC Councillor email account.

The Chair noted that since the national Standards regulations and sanctions were removed, no Councillor had been subject to such a serious level of sanctions in Hartlepool. The Chair acknowledged the need for security and the protection of the public and stated he would support the proposal as long as there was close monitoring of Councillor Cranney's email account. It was clarified that Cllr Cranney would be accessing his HBC email account via his own equipment and access would not be returned to Council equipment.

Recommended

That the Committee:

1. Approves the amendment of sanction d), imposed at its meeting on the 27th June 2023, to allow Councillor Cranney to utilise a monitored Hartlepool Borough Council Councillor email account.
2. Approves the amendment wording of Sanction d) as detailed below.

Sanction d) Facilities be withdrawn from Councillor Cranney (i.e. computer, website and Internet access) for the remaining term of office.

16. Minutes from the Recent Meeting of the Health And Wellbeing Board

The minutes of the meetings held on 5th September 2022 and 28th November 2022 were received.

17. Minutes from Recent Meetings of Tees Valley Health Scrutiny Joint Committee

The minutes of the meeting held on 16th December 2022 were received.

18. Minutes from Recent Meetings of Safer Hartlepool Partnership

The minutes of the meetings held on 17th October 2022 and 6th March 2023 were received.

19. Any Other Items which the Chairman Considers are Urgent

The Chairman ruled that the following items of business should be considered by the Committee as a matter of urgency in accordance with the provisions of Section 100(B) (4)(b) of the Local Government Act 1972 in order that the matter could be dealt with without delay.

The meeting concluded at 6.45 pm.

CHAIR

AUDIT AND GOVERNANCE COMMITTEE

18th July 2023



Report of: Director of Finance, IT and Digital Services

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

1. PURPOSE OF REPORT

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

2. BACKGROUND

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

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

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

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

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

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

3.1 The CFO in a public service organisation:

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

To deliver these responsibilities the CFO:

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

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

4. RISK IMPLICATIONS

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

5. FINANCIAL CONSIDERATIONS

- 5.1 There are no financial considerations.

6. LEGAL CONSIDERATIONS

- 6.1 There are no legal considerations.

7. CHILD AND FAMILY POVERTY CONSIDERATIONS

- 7.1 There are no child and family poverty considerations.

8. EQUALITY AND DIVERSITY CONSIDERATIONS

- 8.1 There are no equality and diversity considerations.

9. STAFF CONSIDERATIONS

- 9.1 There are no staff considerations.

10. ASSET MANAGEMENT CONSIDERATIONS

- 10.1 There are no asset management considerations.

11. ENVIRONMENT, SUSTAINABILITY AND CLIMATE CHANGE CONSIDERATIONS

- 11.1 There are no environment, sustainability and climate change considerations.

12. RECOMMENDATION

12.1 It is recommended that Members:

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

13. REASON FOR RECOMMENDATIONS

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

14. BACKGROUND PAPERS

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

15. CONTACT OFFICER

15.1 James Magog
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Appendix A

How the Five Principles Are Met

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

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

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

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

4.1

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

professional behaviour. Impartiality is a further fundamental requirement of those operating in the public services.

Principle 2 – The CFO must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's overall financial strategy.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Demonstrate IT literacy.	DFITD has required IT skills for role and is able to manage and challenge the departmental IT experts to ensure they are able to effectively discharge their responsibilities.
Have relevant prior experience of financial management in the public services or private sector.	DFITD qualified with CIPFA in 2003 and has held a variety of positions with Local Government. Before appointment as DFITD in 2023 was Assistant Director Finance at HBC and prior to that Chief Accountant with Sunderland City Council.
Understand public service finance and its regulatory environment.	DFITD has 20 years' post qualification experience and sound understanding of public service finance and its regulatory environment.
Apply the principles of corporate finance, economics, risk management and accounting.	See above
Understand personal and professional strengths.	DFITD has a clear understanding of these issues and is committed to continuous

4.1

	improvements. These issues addressed through performance appraisal.
Undertake appropriate development or obtain relevant experience in order to meet the requirements of the non-financial areas of the role.	DFITD role has been refocused on core financial responsibilities to ensure financial challenges faces the Council can be managed. DFITD has clear understanding of no-financial areas affecting his role.

AUDIT AND GOVERNANCE COMMITTEE

18th July 2023



Report of: Director of Finance, IT and Digital Services

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

1. PURPOSE OF REPORT

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

2. BACKGROUND

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

3. THE KEY ROLE PLAYED BY THE HIA

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

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

3.6 **Demonstrating compliance**

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

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

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

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

1 – objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control; and

2 – championing best practice in governance and commenting on responses to emerging risks and proposed developments.

To perform this role the Head of Internal Audit must:

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

4 – lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively; and

5 – be professionally qualified and suitably experienced.

5. PROCESS FOLLOWED

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

6. RISK IMPLICATIONS

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

7. FINANCIAL CONSIDERATIONS

- 7.1 There are no financial considerations.

8. LEGAL CONSIDERATIONS

- 8.1 There are no legal considerations.

9. CHILD AND FAMILY POVERTY CONSIDERATIONS

- 9.1 There are no child and family poverty considerations.

10. EQUALITY AND DIVERSITY CONSIDERATIONS

- 10.1 There are no equality and diversity considerations.

11. STAFF CONSIDERATIONS

- 11.1 There are no staff considerations.

12. ASSET MANAGEMENT CONSIDERATIONS

- 12.1 There are no asset management considerations.

13. ENVIRONMENT, SUSTAINABILITY AND CLIMATE CHANGE CONSIDERATIONS

- 13.1 There are no environment, sustainability and climate change considerations.

14. RECOMMENDATION

14.1 It is recommended that Members

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

15. REASON FOR RECOMMENDATIONS

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

16 BACKGROUND PAPERS

16.1 CIPFA statement – “The Role of the Head of Internal Audit in Local Government” (2019 Edition).

17. CONTACT OFFICER

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How the Five Principles Are Met

Principle 1 – The head of internal audit (HIA) plays a critical role in delivering the organisation’s strategic objectives by objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control.

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Set out the responsibilities of the leadership team for internal audit	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual.</i>	Ensure that internal audit’s work is risk-based and aligned to the organisation’s strategic objectives and will support the annual internal audit opinion	<i>Comprehensive audit planning, monitoring and review process in place in compliance with PSIAS.</i>	Give clear, professional and objective advice	<i>Leads by example in approach with Directors and other senior managers that Internal Audit function role is to help achieve organisations objectives, whilst ensuring compliance with best practice and legislative requirements.</i>
Establish an internal accountability and assurance framework including how internal audit works with other providers of assurance	<i>Code of Corporate Governance agreed by the Audit and Governance Committee And adopted by Council. Audit Charter and Strategy agreed by Audit Committee, Audit section compliant with PSIAS.</i>	Identify where internal audit assurance will add the most value or do most to facilitate improvement	<i>As above.</i>	Report on what is found, without fear or favour	<i>Reporting arrangements agreed with management based on a shared understanding of requirements.</i>
Set out how the framework of assurance supports the annual governance statement and	<i>Officer working group set up to compile AGS of which HIA is a member but does not lead.</i>	Produce an evidence-based annual internal audit opinion on the overall adequacy and effectiveness of the organisation’s	<i>As above.</i>	Demonstrate integrity to staff and others in the organisation.	<i>Relationships with key officers detailed in agreed protocols i.e. Relationship between Director of Finance, IT and Digital (DFITD) and</i>

4.2

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
identify internal audit's role within it. The HIA should not be responsible for the statement		framework of governance, risk management and control.			<i>IA. Relationships built up over a number of years.</i>
Set out the responsibilities of the HIA and ensure the independence of the role is preserved. If additional responsibilities are taken on then appropriate safeguards should be put in place	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual.</i>			Exercise sound judgement in identifying weaknesses in the organisation's control environment and a balanced view on how significant these are.	<i>Experience gained over 30 year Internal Audit career. HIA CPD tailored to requirements of the role.</i>
Ensure internal audit is independent of external audit	<i>As above</i>			Work well with others with specific responsibilities for internal control, risk management and governance including (as appropriate to the sector) the chief executive, chief legal officer, chief financial officer, audit committee, non-executive directors and elected representatives	<i>Relationships with key officers detailed in agreed protocols i.e. Relationship between DFITD and IA. Relationships built up over a number of years.</i>
Establish clear lines of reporting of the HIA to the leadership team and to the audit committee	<i>Relationships with key officers detailed in agreed protocols i.e. Relationship between DFITD.</i>			Work positively and constructively, influencing the leadership team, audit committee and others to ensure the HIA's recommendations are	<i>As above</i>

4.2

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
				implemented.	
Ensure the HIA reports in their own right and that the annual internal audit opinion and report are issued in the name of the HIA	<i>Role and independence of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual.</i>			Be a role model – dynamic, determined, positive and robust. They should demonstrate resilient leadership and the ability to inspire confidence and exemplify high standards of conduct.	<i>Experience gained over 30 year Internal Audit career. HIA CPD tailored to requirements of the role.</i>
Ensure the internal audit charter and plan are approved by the audit committee in accordance with the PSIAS	<i>Audit Charter and Audit Strategy agreed by members, PSIAS compliance independently reviewed.</i>				

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

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Establish top level commitment to the principles of good governance, recognising its importance for achieving strategic objectives	<i>Role and independence of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual.</i>	Work with others in the organisation to promote and support good governance	<i>Relationships with key officers detailed in agreed protocols i.e. Relationship between DFITD and IA. Relationships built up over a number of years.</i>	Provide leadership by giving practical examples of good governance that will inspire others	<i>Relationships built up over a number of years backed up by regular meetings, 1-2-1s with key officers.</i>
Set out the HIA’s role in good governance and how this fits with the role	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by</i>	Help the organisation understand the risks to good governance	<i>All aspects of governance arrangements covered in the annual Internal Audit Plan as agreed by</i>	Deploy effective facilitating and negotiating skills	<i>Experience gained over 30 year Internal Audit career. Professional guidance followed in</i>

4.2

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
of others	<i>members and reflected in the Audit Manual. Code of Corporate Governance outlines responsibilities with regard to governance arrangements.</i>		<i>management and the Audit and Governance Committee.</i>		<i>relation to promoting good governance.</i>
Recognise and support the role internal audit can play in providing advice and consultancy internally	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual. Code of Corporate Governance outlines responsibilities with regard to governance arrangements.</i>	Give advice to the leadership team and others on the control arrangements and risks relating to proposed policies, programmes and projects	<i>Arrangements ensure internal audit has knowledge of all major projects, programmes and policy initiatives.</i>	Build and demonstrate commitment to supporting continuous improvement of the organisation.	As above
Ensure that the HIA has the opportunity to advise on or provide assurance on all major projects, programmes and policy initiatives	<i>Internal Audit plan encompasses partnership arrangements and processes ensure internal audit has knowledge of all major projects, programmes and policy initiatives.</i>	Promote the highest standards of ethics and standards across the organisation based on the principles of integrity, objectivity, competence and confidentiality	<i>Leads by example in approach with Directors and other senior managers that Internal Audit function role is to help achieve organisations objectives, whilst ensuring compliance with best practice and legislative requirements.</i>		
Establish clear lines of reporting to the Leadership Team and to the Audit Committee where the HIA has significant concerns.	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual. Rights of access to key members and officers detailed.</i>	Demonstrate the benefits of good governance for effective public service delivery and how the HIA can help	As above		
Take account of the HIA's advice in new and developing systems	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by</i>	Offer advisory or consulting services where appropriate	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by</i>		

4.2

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
	<i>members and reflected in the Audit Manual.</i>		<i>members and reflected in the Audit Manual. Any consultancy/advisory role would be in line with these protocols.</i>		
		Give advice on risk and internal control arrangements for new and developing systems, including major projects, programmes and policy initiatives whilst maintaining safeguards over independence.	<i>Internal Audit plan encompasses partnership arrangements and processes ensure internal audit has knowledge of all major projects, programmes and policy initiatives.</i>		

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

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Designate a named individual as HIA in line with the principles in this Statement. The individual could be someone from another organisation where internal audit is contracted out or shared. Where this is the case then the roles of the HIA and the client manager must be clearly set out in the contract or	<i>HIA designated individual employed within the Authority.</i>	Ensure the internal audit charter clearly establishes appropriate reporting lines that facilitate engagement with the leadership team and audit committee	<i>Protocols in place and enshrined in Internal Audit Charter and Strategy that facilitate engagement with the leadership team and audit committee.</i>	Network effectively to raise the profile and status of internal audit.	<i>Relationships built up over a number of years backed up by regular meetings, 1-2-1s with key officers.</i>

4.2

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
agreement.					
Ensure that where the HIA is an employee that they are sufficiently senior and independent within the authority's structure to allow them to carry out their role effectively and be able to provide credibly constructive challenge to the Management Team.	<i>HIA senior manager within the Finance function reporting directly to the DFITD with access to key officers as detailed in the Internal Audit Strategy Charter and Councils Constitution.</i>	Escalate any concerns about maintaining independence through the line manager, chief executive, audit committee and leadership team or external auditor as appropriate	<i>Role and independence of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual.</i>	Adopt a flexible style, being able to collaborate and advise but also able to challenge as appropriate.	<i>Experience gained over 30 year Internal Audit career. HIA undergoes CPD tailored to requirements of the role. Regular 1-2-1s with DFITD in order to support development in all areas.</i>
Engage constructively with the HIA and facilitate their role throughout the organisation	<i>HIA senior manager within the Finance function reporting directly to the DFITD. Regular liaison with senior management.</i>	Contribute to the review of audit committee effectiveness, advising the chair and relevant managers of any suggested improvement	<i>HIA regular attendee of Audit and Governance Committee providing advice and guidance when necessary.</i>	Build productive professional relationships both internally and externally	<i>As above</i>
Ensure the audit committee terms of reference includes oversight of internal audit including the monitoring of adherence to professional standards	<i>Audit and Governance Committee established in line with CIPFA guidelines.</i>	Consult stakeholders, including senior managers and non-executive directors/elected representatives on internal audit plans	<i>Approval and consultation process for the Internal Audit plan ensures that it adds value to the organisation. HIA responsible for facilitating this process via AD's, ELT Audit and Governance Committee.</i>	Work effectively with the leadership team and audit committee, showing political awareness and sensitivity	<i>As above</i>
Ensure the HIA's reporting relationship with the audit committee and its chair as set	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual.</i>			Be seen to be objective and independent but also pragmatic where appropriate	<i>Leads by example in approach with Directors and other senior managers that Internal Audit function role is to help achieve</i>

4.2

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
out in the internal audit charter is applied					<i>organisations objectives, whilst ensuring compliance with best practice and legislative requirements.</i>
Ensure the organisation's governance arrangements give the HIA: – direct access to the chief executive, other leadership team members, the audit committee and external audit; and – attendance at meetings of the leadership team and management team when the HIA considers this to be appropriate	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual. Rights of access to key members and officers detailed.</i>			Build productive relationships both internally and externally.	<i>Relationships built up over a number of years backed up by regular meetings, 1-2-1s with key officers.</i>
Set out unfettered rights of access for internal audit to all papers and all people in the organisation, as well as appropriate access in arms-length bodies	<i>Councils Constitution details access arrangements for Internal Audit, reflected in the Audit Manual.</i>			Work effectively with the Leadership Team and Audit Committee with political awareness and sensitivity.	<i>Experience gained over 30 year Internal Audit career. HIA undergoes CPD tailored to requirements of the role. Regular 1-2-1s with DFITD in order to support development in all areas.</i>
Set out the HIA's responsibilities relating to partners including collaborations and	<i>Major ventures undertaken detail rights of access to Internal Audit for governance opinion purposes.</i>			Be seen to be objective and independent but also pragmatic where appropriate.	<i>As above</i>

4.2

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
outsourced and shared services					

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

Governance requirements	HBC Arrangements	Core HIA Responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Provide the HIA with the status, resources, expertise and systems necessary to perform their role effectively	<i>Role of HIA enshrined in the Constitution, Internal Audit Strategy and Charter details the resource implications and responsibilities for ensuring they are met.</i>	Lead and direct the internal audit service so that it meets the needs of the organisation and external stakeholders and fulfils professional standards	<i>Experience gained over 30 year Internal Audit career. HIA undergoes CPD tailored to requirements of the role. Regular 1-2-1s with DFITD in order to support development in all areas.</i>	Demonstrate leadership and be an ambassador for internal audit.	<i>Relationships built up over a number of years backed up by regular meetings, 1-2-1s with key officers. HIA undergoes CPD tailored to requirements of the role i.e. CIPFA Certificate in Investigatory Practices.</i>
Ensure the audit committee contributes to a performance framework for the HIA and the internal audit service and takes action as appropriate	<i>As above</i>	Demonstrate how internal audit adds value to the organisation	<i>Annual and quarterly reports to the Audit and Governance Committee.</i>	Create, communicate and implement a vision for the internal audit service.	<i>HIA has a clear understanding of these issues and is committed to continuous improvements. These issues addressed through performance appraisal.</i>
Ensure an external review of internal audit quality is carried out at least once every five years in accordance with PSIAS	<i>PSIAS compliance monitored vis senior management. Constant review by ADF via performance monitoring and appraisal system.</i>	Determine the resources, expertise, qualifications and systems for the internal audit service that are required to meet internal audit's objectives	<i>HIA has a clear understanding of these issues and is committed to continuous improvements.</i>	Create a customer focused internal audit service	<i>HIA has a clear understanding of these issues and is committed to continuous improvements.</i>
Ensure the audit	<i>As above</i>	Inform the leadership	<i>Internal Audit Strategy</i>	Establish an open culture,	<i>HIA mentors audit staff</i>

4.2

Governance requirements	HBC Arrangements	Core HIA Responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
committee provides support for and participates in the quality assurance and improvement programme as set out in PSIAS.		team and audit committee as soon as they become aware of insufficient resources to carry out a satisfactory level of internal audit, and the consequence for the level of assurance that may be given	<i>and Charter details the processes to be followed as agreed by Audit and Governance Committee.</i>	built on effective coaching and a constructive approach.	<i>undertaking regular team meetings to facilitate discussion. Role on various working groups ensures topics are discussed and disseminated.</i>
		Ensuring that the professional and personal training needs for staff are assessed and seeing that these needs are met.	<i>Professional guidance implemented in respect of training needs and development issues are addressed.</i>	Promote effective communication within internal audit, across the broader organisation and with external stakeholders.	<i>HIA has a clear understanding of these issues and is committed to continuous improvements.</i>
		Developing succession plans and helping staff with their career progression.	<i>As above</i>	Manage and coach staff effectively	<i>CIPFA “Excellent Auditor Framework” implemented within section for all training and development needs.</i>
		Establishing a quality assurance and improvement programme that includes: ensuring that professional internal audit standards are complied with; reviewing the performance of internal audit and ensuring that the service provided is in line with the expectations and needs of its stakeholders; providing	<i>CIPFA guidance in relation to continuous improvement followed.</i>	Comply with professional standards and ethics	<i>Professional standards and ethics outlined within Audit Manual and also bound Public Sector Internal Audit Standards.</i>

4.2

Governance requirements	HBC Arrangements	Core HIA Responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
		an efficient and effective internal audit service – demonstrating this by agreeing key performance indicators and targets with the line manager and Audit Committee; annually reporting achievements against targets; putting in place adequate ongoing monitoring and periodic review of internal audit work and supervision and review of files, to ensure that audit plans, work and reports are evidence based and of good quality; ensuring that any internal auditors declare any interests that they have; seeking continuous improvement in the internal audit service.			
		Keeping up to date with developments in governance, risk management, control and internal auditing, including networking with other HIA's and learning from them, implementing improvements where appropriate.	<i>Member of Technical Information Service, CIPFA NE IA Group, North East Corporate Fraud Forum and National Anti Fraud Network in order to ensure up to date with current best practice and ideas.</i>		

4.2

Governance requirements	HBC Arrangements	Core HIA Responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
				Require the highest standards of ethics and standards within internal audit based on the principles of integrity, objectivity, competence and confidentiality.	As above as well as procedures for the identification and recording of conflicts of interest are detailed in the Audit Manual.

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

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Appoint a professionally qualified HIA whose core responsibilities include those set out in the PSIAS as well as under the other principles in this statement and ensure that these are properly understood throughout the organisation	<i>Job description and recruitment process ensure only appropriately qualified and experienced individuals considered.</i>	Be a full member of an appropriate professional body and have an active programme for personal professional development	<i>HIA has 26 years' post qualification experience and sound understanding of public service governance arrangements and its regulatory environment.</i>	Demonstrate a range of skills including communicating, managing and influencing, as well as an understanding of IT and consultancy.	<i>HIA undergoes CPD tailored to requirements of the role as well as mentoring by DFITD. HIA qualified with CIPFA in 1997.</i>
Ensure that the HIA has the skills, knowledge, experience and resources to perform effectively in the role	<i>As above, monitoring and mentoring role undertaken by DFITD in his role as Section 151 officer ensures compliance.</i>	Adhere to professional internal audit and ethical standards (and where appropriate accounting and auditing standards)	<i>As above</i>	Understand and have experience of strategic objective setting and management.	<i>HIA undergoes CPD tailored to requirements of the role as well as mentoring by DFITD.</i>
Support continuing professional development of the HIA.	<i>HIA undergoes CPD tailored to requirements of the role as well as mentoring by DFITD.</i>			Understand the internal audit and regulatory environment applicable to public service	<i>HIA has 26 years' post qualification experience and sound understanding of public</i>

4.2

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
				organisations.	<i>service governance arrangements and its regulatory environment.</i>
				Demonstrate a comprehensive understanding of governance, risk management and internal control.	<i>HIA has held a variety of position within Local Government, before appointment as HIA in 2008, including Group Auditor at HBC and Head of Audit at a district council.</i>
				Undertake appropriate development or obtain relevant experience as appropriate in order to demonstrate an understanding of the full range of the authority's activities and processes.	<i>HIA member of CIPFA for 26 years and is bound by all relevant professional and personal requirements as well as all internal training requirements.</i>

AUDIT AND GOVERNANCE COMMITTEE

18th July 2023



Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT PLAN 2022/23 UPDATE

1. PURPOSE OF REPORT

- 1.1 To inform Members of the progress made to date completing the internal audit plan for 2022/23.

2. BACKGROUND

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

3. PROPOSALS

- 3.1 That members consider the issues within the report in relation to their role in respect of the Councils governance arrangements. In terms of reporting internally at HBC, Internal Audit produces a draft report which includes a list of risks currently faced by the client in the area audited. It is the responsibility of the client to complete an action plan that details the actions proposed to mitigate those risks identified. Once the action plan has been provided to Internal Audit, it is the responsibility of the client to provide Internal Audit with evidence that any action has been implemented by an agreed date. The level of outstanding risk in each area audited is then reported to the Audit and Governance Committee.
- 3.2 The benefits of this reporting arrangement are that ownership of both the internal audit report and any resulting actions lie with the client. This reflects the fact that it is the responsibility of management to ensure adequate procedures are in place to manage risk within their areas of operation, making managers more risk aware in the performance of their duties. Greater assurance is gained that actions necessary to mitigate risk are implemented and less time is spent by both Internal Audit and management in ensuring audit reports are agreed. A greater breadth of assurance is given

to management with the same Internal Audit resource and the approach to risk assessment mirrors the corporate approach to risk classification as recorded in covalent. Internal Audit can also demonstrate the benefit of the work it carries out in terms of the reduction of the risk faced by the Council.

- 3.3 Table 1 of the report detailed below, sets out the schools audit that has been completed and the recommendations made. Recommendations to mitigate the risks identified have been agreed and a follow up audit will be carried out to ensure satisfactory implementation.

Table 1

Audit	Objectives	Recommendations	Agreed
Grange Primary	Ensure school finance and governance arrangements are in line with best practice.	-Head teacher to work with Governors and set committees and terms of reference.	Y
		-Establish a Risk Register.	Y
		-Business Continuity Plan updated March 2023 and will carry out test next half term.	Y
		-Purchase Orders not to be raised retrospectively.	Y
		-GDPR training was carried out in Jan 2022 and training will take place on 27th June 2023 for all staff. Any new staff taken on from September 2022 have completed this training as part of their induction.	Y

Table 2 summarises the assurance placed on those audits completed with more detail regarding each audit and the risks identified and action plans agreed provided in Appendix A.

Table 2

Audit	Assurance Level
Computer Audit Risk Review	Satisfactory
Computer Audit Integra Application	Satisfactory
Computer Audit Controcc Application	Satisfactory
Computer Audit Firmstep Application	Satisfactory
Computer Audit Network Access	Satisfactory
Computer Audit Enterprise Application	Satisfactory
Computer Audit IWorld Application	Satisfactory
Computer Audit ResourceLink/Myview Application	Satisfactory
Working from Home - Data Protection Compliance	Satisfactory
Contain Outbreak Management Fund	Satisfactory
Supporting Families Grant	Satisfactory
ESF Community Grant	Satisfactory
Environmental Street Cleansing	Satisfactory
Members Allowances	Satisfactory
Children's Homes	Satisfactory
VAT	Satisfactory
Housing Benefits	Satisfactory
Agency Residential Placements	Satisfactory
Council Tax	Satisfactory
Non Domestic Business Rates	Satisfactory
Local Council Tax Support Scheme	Satisfactory
Creditor Payments	Satisfactory

- 3.4 For Members information, Table 3 below defines what the levels of assurance Internal Audit places on the audits they complete and what they mean in practice:

Table 3

Assurance Level	Meaning
Satisfactory Assurance	Controls are operating satisfactorily and risk is adequately mitigated.
Limited Assurance	A number of key controls are not operating as intended and need immediate action.
No Assurance	A complete breakdown in control has occurred needing immediate action.

- 3.5 Table 4 below details the audits that were ongoing at the time of compiling the report.

Table 4

Audit	Objectives
Budgetary Control	Ensure budgets are monitored and managed in line with best practice
Choice Based Lettings, Housing Aid, Homelessness and Landlord Accreditation	Ensure landlord services are provided in line with statutory requirement sand best practice.
Legionella Management	Adequate arrangements are in place to manage service in line with statutory requirements.
Main Accounting	Ensure Main Accounting System is adequately controlled ensuring accuracy and accountability.
National Fraud Initiative (NFI)	Manage NFI process.
Social Care - Carers Service	Ensure Carers Service is operating effectively and efficiently.

4. RISK IMPLICATIONS

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

5. FINANCIAL CONSIDERATIONS

- 5.1 There are no financial considerations.

6. LEGAL CONSIDERATIONS

- 6.1 There are no legal considerations.

7. CHILD AND FAMILY POVERTY CONSIDERATIONS

- 7.1 There are no child and family poverty considerations.

8. EQUALITY AND DIVERSITY CONSIDERATIONS

8.1 There are no equality and diversity considerations.

9. STAFF CONSIDERATIONS

9.1 There are no staff considerations.

10. ASSET MANAGEMENT CONSIDERATIONS

10.1 There are no asset management considerations.

11. ENVIRONMENT, SUSTAINABILITY AND CLIMATE CHANGE CONSIDERATIONS

11.1 There are no environment, sustainability and climate change considerations.

12. RECOMMENDATIONS

12.1 It is recommended that Members note the contents of the report.

13. REASON FOR RECOMMENDATIONS

13.1 To ensure that the Audit and Governance Committee meets its remit, it is important that it is kept up to date with the ongoing progress of the Internal Audit section in completing its plan.

14. BACKGROUND PAPERS

14.1 Internal Audit Reports.

15. CONTACT OFFICER

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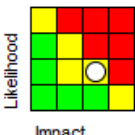
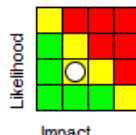
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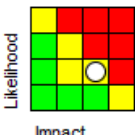
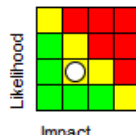
Email: noel.adamson@hartlepool.gov.uk

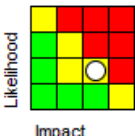
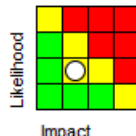
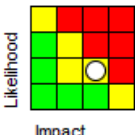
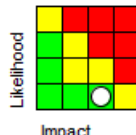
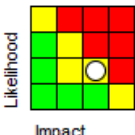
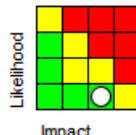
Appendix A

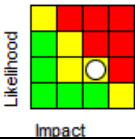
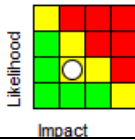
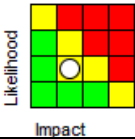
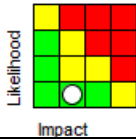
Audit	Objective			Assurance Level
Computer Audit Risk Review	An annual review of the following controls is completed as per the 2022/23 Internal Audit Annual Plan: virus checkers, firewalls, server security, data centre, back-ups and physical controls (including network cabinets).			Satisfactory
Risk Identified	Risk Level prior to action implemented	Action Agreed		Risk Level after action implemented
No unmitigated risk identified.				

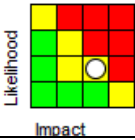
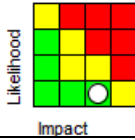
Audit	Objective			Assurance Level
Computer Audit Integra Application	Ensure adequate IT controls are in operation.			Satisfactory
Risk Identified	Risk Level prior to action implemented	Action Agreed		Risk Level after action implemented
No unmitigated risk identified.				

Audit	Objective			Assurance Level
Computer Audit Controcc Application	Ensure adequate IT controls are in operation.			Satisfactory
Risk Identified	Risk Level prior to action implemented	Action Agreed		Risk Level after action implemented
Unauthorised access could be gained to the system resulting in inappropriate access to personal / sensitive information that may be used fraudulently or maliciously.		Sql's are being developed to identify uses who have not accessed the application within 30 days. It is proposed that action will be taken to remove access after this period. Access can be restored by administrators if required. Duplicate accounts will be reviewed.		

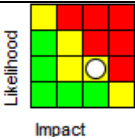
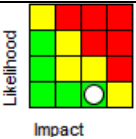
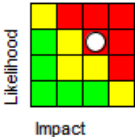
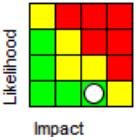
Data is insecurely stored or secured leading to data being lost or corrupted or made available to unauthorised people which could lead to fines, sanctions and loss of reputation.		Advice will be taken from the DPO to determine the risks and any control measures that need to be adopted.	
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Audit	Objective			Assurance Level
Computer Audit Firmstep Application	Ensure adequate IT controls are in operation.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Unauthorised access could be gained to the system resulting in inappropriate access to personal / sensitive information that may be used fraudulently or maliciously.			Further investigation is to take place to better understand why the leavers have not been removed from the system.	
Unauthorised access could be gained to the system resulting in inappropriate access to personal / sensitive information that may be used fraudulently or maliciously.			Receive formal approval regarding the decision made to reduce the length stated in the IT Access policy from 13 to 8. System lock after x number of attempts – this is fundamental platform configuration and as such this query has been escalated to govService for review.	
Unauthorised access could be gained to the system resulting in inappropriate access to personal / sensitive information that may be used fraudulently or maliciously.			Change control procedures are currently being developed which will provide a fully audited automated system and allow for regular reviews by managers in regard to access to their processes.	

Audit	Objective			Assurance Level
Computer Audit IT Network Access	Ensure adequate IT controls are in operation.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Unauthorised access could be gained to the system resulting in inappropriate access to personal / sensitive information that may be used fraudulently or maliciously.			Leaver & Starter process have been documented and will be added to the Intranet.	
Unauthorised access could be gained to the system resulting in inappropriate access to personal / sensitive information that may be used fraudulently or maliciously.			The proposal from CICT to remove the risk is for accounts to be deleted after 90 days. Any access required in excess of this period will require approval of Director of Finance, IT & Digital Services.	

Audit	Objective			Assurance Level
Computer Audit Enterprise Application	Ensure adequate IT controls are in operation.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Unauthorised access could be gained to the system resulting in inappropriate access to personal / sensitive information that may be used fraudulently or maliciously.			To be reviewed in line with corporate requirements	
Unauthorised access could be gained to the system resulting in inappropriate access to personal / sensitive information that may be			CICT will provide a User Access report to each File System Lead Officer on a quarterly basis. It will be the responsibility of those Lead officers to review and advise	

4.3

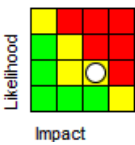
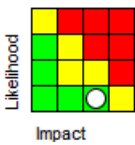
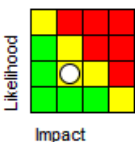
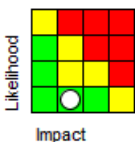
used fraudulently or maliciously.		CICT of the necessary changes to user access. These quarterly reports will include a reminder for the Lead Officers to inform CICT of Starters, Leavers and Movers, which impact on User Access to Enterprise to enable changes to be made promptly throughout the year.	
Data is insecurely stored or secured leading to data being lost or corrupted or made available to unauthorised people which could lead to fines, sanctions and loss of reputation. The Corporate Retention Policy is not complied with leading to data being retained which no longer should be, data could be available to users which is incorrect or which breaches compliance with GDPR/Data Protection legislation, all of which could result in reputational damage and fines/sanctions if there is a data breach.		Obtain and clarify criteria from relevant Lead Officers and establish a programme of archiving / deleting documents post implementation of the upgrade to ensure compliance with the Corporate Retention Policy.	

Audit	Objective			Assurance Level
Computer Audit IWorld Application	Ensure adequate IT controls are in operation.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified				

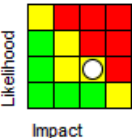
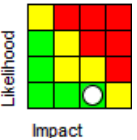
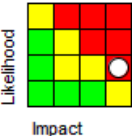
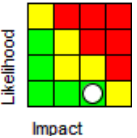
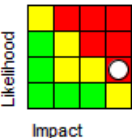
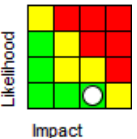
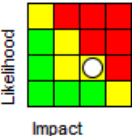
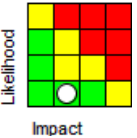
Audit	Objective			Assurance Level
Computer Audit ResourceLink/Myview Application	Ensure adequate IT controls are in operation.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified				

Audit	Objective			Assurance Level
Working from Home - Data Protection Compliance	Ensure adequate procedures are in place to manage risks to an acceptable level.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified				

Audit	Objective			Assurance Level
Contain Outbreak Management Fund	Grant is managed in line with terms and conditions.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified				



Audit	Objective	Assurance Level		
Supporting Families Grant	Grant is managed in line with terms and conditions.	Satisfactory		
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented	
If effective arrangements for recording and demonstrating eligibility and / or successful outcomes for eligible families are not in place, claim for results payment may not be accurate and complete or duplicate claims may be made, resulting in a reduction in the amount to be claimed.		This issue occurred because the Supporting Families Excel database corrupted and it was necessary to return to a backup version. However, it wasn't noticed that the backup did not have last quarter's claims identified and so they were included in this quarter's claim. This was human error. There are plans to move to Power BI for some of the data matching and reporting so that there is not as much reliance on an Excel spreadsheet.		
If sufficient evidence is not in place to verify eligibility and achievement of successful outcomes, claims for results payment may not be valid resulting in a reduction of the amount to be claimed.		The Supporting Families Team do not have access to iWorld and, therefore, some of the data we have will be different to that on the iWorld system. There were also three claims where attendance data had not matched correctly. This is difficult to mitigate when using fuzzy matching as recommended by DLUH to match data. However, extra care will be taken in future to check each claim before submission.		

Audit	Objective	Assurance Level		
ESF Community Grant	Grant is managed in line with terms and conditions.	Satisfactory		
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented	
No unmitigated risk identified				

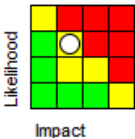
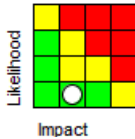
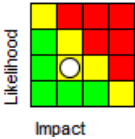
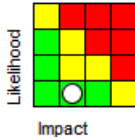
Audit	Objective	Assurance Level		
Environmental Street Cleansing	Review the arrangements within the service for complying with legislative and corporate requirements, delivering scheduled and reactive maintenance and Resource/Performance Management.	Satisfactory		
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented	
The Authority does not comply with legislation, regulation and/or local strategy or policy requirements, leading to ineffective delivery of cleansing services, resulting in potential sanctions and loss of reputation.		An annual check will be completed of legislation – beginning August 2023		
Resources are not effectively managed/monitored, leading to delivery of services being impacted, resulting in loss of reputation and failure to comply with legislation, regulation or local requirements.		Legal Services will be contacted and advice sought as to whether a more formal contract or agreement is required for the services provided to external organisations.		
Resources are not effectively managed/monitored, leading to delivery of services being impacted, resulting in loss of reputation and failure to comply with legislation, regulation or local requirements.		Depending on the result of the advice from Legal Services either: - formal agreements will be implemented for all external service provision for the 24/25 year OR - additional information will be included in the letters to note what services are being provided, their frequency and their individual costs, plus the total cost.		
Resources are not effectively managed/monitored, leading to delivery of services being impacted, resulting in loss of reputation and failure to comply with legislation, regulation or local requirements.		The services Finance Officer will be contacted to discuss whether there needs to be any changes to the uplift percentage for the financial year 24/25 for which budget planning will be happening at the end on 2023.		
Resources are not effectively managed/monitored, leading to delivery of services being impacted, resulting in loss of reputation and failure to comply with legislation,		Discussions will take place to decide how to record, measure and report performance where appropriate.		

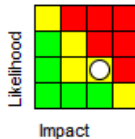
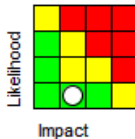
regulation or local requirements.			
Resources are not effectively managed/monitored, leading to delivery of services being impacted, resulting in loss of reputation and failure to comply with legislation, regulation or local requirements.		Alongside Issue 8 (the development of a pro-forma for internal departmental service requests) a pro-forma will be issued to the relevant departmental officers for completion and agreement of cost for the services required for the 24/25 year.	
There is no effective management of the activities undertaken, leading poorly delivered services, resulting in service objectives and/or legislative, guidance or local requirements not being achieved.		Advice will be sought from the Finance Officers to see if a schedule/scale of charges could be set up to help advise of costs for both internal and external request for services.	
There is no effective management of the activities undertaken, leading poorly delivered services, resulting in service objectives and/or legislative, guidance or local requirements not being achieved.		A pro-forma will be developed for completion by internal departments requesting cleansing services - to be determined whether this will sit on the intranet or somewhere else.	

Audit	Objective		Assurance Level
Members Allowances	Ensure compliance with the Regulations and provide assurance that payments made to Members are in accordance with rates within the scheme for duties performed.		Satisfactory
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
There is no Independent Remuneration Panel established in accordance with legislation leading to members allowances not being reviewed resulting in non-compliance with legislation.		If the further advertising results in no suitable applicants it has been agreed with Monitoring officers across the Tees Valley that their Panel members can be approached to assist.	

Audit	Objective			Assurance Level
Children's Homes	Ensure operational procedures are operating as intended.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Value for money is not achieved and/or goods/services are obtained fraudulently due to ineffective procurement arrangements resulting in non-compliance with the Authority's Financial Procedure Rules.		 Likelihood Impact	Petty Cash for Wilton Avenue to be set up as soon as possible. Email send to accounts on 24th May to request this. Managers now have admin support to complete purchase card system to ensure all VAT is claimed.	 Likelihood Impact

Audit	Objective			Assurance Level
VAT	Ensure compliance with relevant regulatory and statutory requirements.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified				

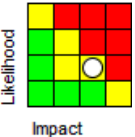
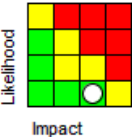
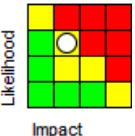
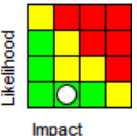
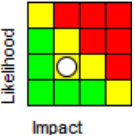
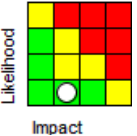
Audit	Objective			Assurance Level
Housing Benefits	Ensure benefits are paid in line with statutory requirements.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Overpayment of benefit may become irrecoverable if Overpayments are not identified promptly and accurately and appropriate recovery action is not taken leading to non-recovery of overpayments resulting in increased debt for the LA.			Priority has been given to debts that have no payments or plans in place. Due to limited resources reviews have fallen behind. 6 monthly and annual review actions have been added to the work check lists held to ensure they are done within timescales. Some of these reports are currently in progress and review of the missed reports will be scheduled over the next 3 months.	
Significant errors in claims may not be identified without appropriate checks leading to overpayments resulting in subsidy claim being qualified, significant overpayments being created and additional pressures on the council budget.			Senior officers will be tasked monthly to check that all New Claims have been checked and chase up any that have not.	

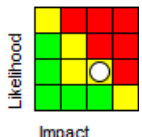
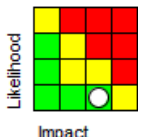
Audit	Objective			Assurance Level
Agency Residential Placements	Ensure placements made are appropriate, authorised and monitored.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Individual placements are not adequately evaluated leading to the child / young person's needs not being understood and addressed resulting in a detrimental effect on their wellbeing.			Terms of Reference for panel to be reviewed to reflect scope of panel in relation to emergency/urgent placement requests that occur between panel dates. The current procedure is for emergency/urgent placements to be approved by an Assistant Director, authorisation is saved on file with commissioning.	

Audit	Objective			Assurance Level
Council Tax	Ensure council tax is set collected and monitor in line with statutory requirements.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Failure to promptly and accurately identify responsible bill payers and relevant discounts / exemptions may lead to liability being assigned incorrectly resulting in delays in billing and difficulty in recovering amounts due.			A yearly timetable has been put in place for each review to be completed and recorded. The Senior Revenues Officer will be responsible for completing.	

Audit	Objective			Assurance Level
Non Domestic Business Rates	Ensure Non Domestic Rates are managed in line with statutory requirements and HBC procedures.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified				

Audit	Objective			Assurance Level
Local Council Tax Support Scheme	Ensure Local Council Tax Support Scheme is managed in line with statutory requirements and HBC procedures.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified				

Audit	Objective	Assurance Level		
Creditors	Ensure creditors are managed in line with statutory requirements and HBC procedures.			Satisfactory
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented	
<p>If official purchase orders are not raised incorrect goods / quantities may be ordered/received or goods could be ordered/received by employees for their own personal benefit which could result in budget overspends and/or waste of goods not required or inability to deliver a service as the wrong goods or not enough were ordered.</p> <p>If orders are not raised to commit expenditure to correct budgets there may be inadequate budgetary control which could result in unplanned overspends and/or inability to deliver planned services because of lack of funds.</p>		<p>System support to review process and identify where arrangements can be amended to avoid non-authorisation of orders. Officer to run report of occasions this has happened.</p>		
<p>If appropriate checks are not made and/or procedures in place are not followed, payments made could be inappropriate or invalid or fraudulent which could have an impact on the ability to monitor budgets effectively and the overall financial position of the organisation</p>		<p>The team is regularly reminded of the importance of accuracy and where an invoice date or received date is entered we are adding BVPI notes to exclude these from late payment reports – until recently this should not have affected payment date as all invoices were paid as they were authorised.</p> <p>Processing times were greater than 85% last year and current year monthly performance is around 95%</p>		
<p>If appropriate checks are not made and/or procedures in place are not followed, payments made could be inappropriate or invalid or fraudulent which could have an impact on the ability to monitor budgets effectively and the overall financial position of the organisation</p>		<p>System Support to develop and produce a report daily to compare number of invoices registered per day with number of invoice documents scanned onto Enterprise Staff will be reminded regularly of the importance of accuracy in the entry of invoices and the scanning of documents. In the event that invoices are not scanned, or not readable after scanning, they are kept in the mailbox for a minimum of three months, in which time someone should have attempted to view them in order to code/authorise or GRN the invoice.</p>		

<p>If the Council does not publish data in accordance with the Public Contracts Regulations Act 2015 it may breach legislative requirements.</p>		<p>To review & publish</p>	
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AUDIT AND GOVERNANCE COMMITTEE

18th July 2023



Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT OUTCOME REPORT
2022/23

1. PURPOSE OF REPORT

- 1.1 This report provides members with the Head of Audit and Governance assurance opinion on the adequacy and effectiveness of the Council's internal control environment.
- 1.2 The report also informs members of the outcomes of audit work covering the period April 2022 to March 2023.

2. BACKGROUND

- 2.1 This report provides accountability for internal audit delivery and performance and allows Members to monitor the application of the delegated authority for ensuring an effective and satisfactory internal audit function.
- 2.2 The Public Sector Internal Audit Standards (PSIAS) established in 2013 are the agreed professional standards for internal audit in local government. PSIAS was the Code under which the internal audit Service operated during 2022/23. It sets out the requirement for the Head of Audit and Governance to report to officers and the Audit and Governance Committee to help inform their opinions on the effectiveness of the Internal Control environment in operation within the Council.
- 2.3 All auditors are instructed to declare if they have any links to the subject matter of any audits undertaken or relationships with auditees that could compromise the impartiality or objectivity of the work undertaken. If a declaration is made that auditor would play no role in any further work in that area.
- 2.4 Information for Members on the standards of financial administration and management arrangements operating within the Authority is detailed in this report, together with a progress report on the extent of

implementation of audit action plans. The consideration and effective implementation of audit action plans is fundamental in ensuring effective financial stewardship and robust financial systems, controls and procedures.

- 2.5 This report also details the performance of internal audit in 2022/23 on a range of key performance indicators.
- 2.6 Hartlepool Borough Council also provides audit services to Cleveland Fire Authority. In addition to the audits detailed in Appendix A, internal audit completed 15 major systems and probity reviews for the CFA during 2022/23.
- 2.7 Staffing resources were as anticipated and a balanced program of work covering all Council departments was achieved for 2022/23.

3. OUTCOMES

- 3.1 The Chartered Institute of Public Finance (CIPFA) has issued guidance to Internal Auditors regarding Local Government Bodies Head of Internal Audit Annual Opinions which addressed the risk of a limitation of scope. I have taken this guidance into account when providing the committee with my opinion detailed below.
- 3.2. Based on the work undertaken during the year 2022/23, my opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is that reliance can be placed on the adequacy and effectiveness of internal controls operating across the Council in 2022/23.
- 3.3 Appendix A schedules all the planned audits undertaken in 2022/23. At the time this report was completed end of year work was being finalised on Main Accounting System and Budgetary Control, however, sufficient reliance could be placed on testing completed for the purposes of the 2022/23 audit opinion
- 3.4 All of the risks raised within Internal Audit reports have been accepted. All proposed actions made by Management in response to the risk issues, have been agreed to be implemented. Full implementation of the agreed actions will realise the benefits of the control improvements detailed in each individual audit report.
- 3.5 No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance; this statement is intended to provide reasonable assurance. These risks are reflected in the audit plan and are the subject of separate reports issued during the course of 2022/23.

4. FOLLOW UP

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

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

4.2 In accordance with PSIAS, a system of follow up of agreed action plans is in operation to monitor what action has been taken by management in response to audit work. During 2022/23, all audits completed, that had reached the date when a follow up was due, have been the subject of follow up activity.

This position is positive and indicates a commitment by management to further improve controls and financial systems throughout the Authority. Further follow up work is planned in 2023/24 for those actions not yet implemented.

5. MONITORING INTERNAL AUDIT PERFORMANCE

5.1 Internal Audit is committed to the delivery of a quality service, which accords with the UK PSIAS, and to being responsive to the needs of service departments. In common with other central service providers, a number of core performance indicators for Internal Audit Services have been determined for 2022/23. Performance against these targets is detailed below:

Internal Audit Performance Indicators

Indicator	Target Set for 2022/23	Actual Performance 2022/23
Completion of fundamental systems audits provides assurance that financial procedures are operating effectively.	90%	92%
In addition to the managing auditor reviews, quality reviews of Teammate working paper files and evidence by the Head of Audit and Governance to ensure compliance with the standards laid down in Codes of Practice and adopted in the Internal Audit Manual.	10%	10%
Percentage of Audit Reports issued within 10 working days of audit completion.	87.5%	100%
Percentage of Action Plans followed up within 6 months of completion of the audit.	100%	100%
Annual Report to Members by 30 th July following year-end.	30.07.23	18.07.23

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

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

6. RISK IMPLICATIONS

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

7. FINANCIAL CONSIDERATIONS

- 7.1 There are no financial considerations.

8. LEGAL CONSIDERATIONS

- 8.1 There are no legal considerations.

9. CHILD AND FAMILY POVERTY CONSIDERATIONS

- 9.1 There are no child and family poverty considerations.

10. EQUALITY AND DIVERSITY CONSIDERATIONS

- 10.1 There are no equality and diversity considerations.

11. STAFF CONSIDERATIONS

- 11.1 There are no staff considerations.

12. ASSET MANAGEMENT CONSIDERATIONS

- 12.1 There are no asset management considerations.

13. ENVIRONMENT, SUSTAINABILITY AND CLIMATE CHANGE CONSIDERATIONS

- 13.1 There are no environment, sustainability and climate change considerations.

14. RECOMMENDATION

- 14.1 That Members note the contents of the report.

15. REASONS FOR RECOMMENDATIONS

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

16. BACKGROUND PAPERS

- 16.1 Internal Audit Reports;
Internal Audit Quarterly Updates;
CIPFA Code of Practice for Internal Audit in Local Government;
UK Public Sector Internal Audit Standards (PSIAS 2017).

17. CONTACT OFFICER

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T24 8AY

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Email: Noel.Adamson@Hartlepool.gov.uk

Appendix A**Summary of Internal Audit Planned Work Undertaken for 2022/23**

Audit	Assurance Level
Highways Repairs	Satisfactory
Software Controls	Satisfactory
Universal Drug Treatment Grant	Satisfactory
Officers Expenses	Satisfactory
Covid Bus Service Support Grant	Satisfactory
Social Care Financial Assessments	Satisfactory
Supporting Families Grant Q1	Satisfactory
Youth Employment Initiative Q2	Satisfactory
Iclipse/Enterprise IT system	Limited
Health and Safety	Limited
Software Controls	Satisfactory
I T Access Policy	Satisfactory
Treasury Management	Satisfactory
Leaving Care Allowances	Satisfactory
Youth Employment Initiative Claim 3	Satisfactory
Youth Employment Initiative Claim 4	Satisfactory
Salaries and Wages	Satisfactory
Green Homes Grant Local Authority Delivery Phase 2	Satisfactory
Debtors System	Satisfactory
Ward Jackson Primary	Satisfactory
Grange Primary	Satisfactory
Computer Audit Risk Review	Satisfactory
Computer Audit Integra Application	Satisfactory
Computer Audit Controcc Application	Satisfactory
Computer Audit Firmstep Application	Satisfactory
Computer Audit Network Access	Satisfactory
Computer Audit Enterprise Application	Satisfactory
Computer Audit IWorld Application	Satisfactory
Computer Audit ResourceLink/Myview Application	Satisfactory
Working from Home - Data Protection Compliance	Satisfactory
Contain Outbreak Management Fund	Satisfactory
Supporting Families Grant Q2	Satisfactory
ESF Community Grant	Satisfactory
Environmental Street Cleansing	Satisfactory
Members Allowances	Satisfactory
Children's Homes	Satisfactory
VAT	Satisfactory
Housing Benefits	Satisfactory
Agency Residential Placements	Satisfactory
Council Tax	Satisfactory
Non Domestic Business Rates	Satisfactory
Local Council Tax Support Scheme	Satisfactory
Creditor Payments	Satisfactory

AUDIT AND GOVERNANCE COMMITTEE

18th July 2023



Report of: Director of Finance, IT and Digital Services

Subject: JOINT DECLARATIONS FROM
MANAGERMENT AND THOSE CHARGED
WITH GOVERNANCE

1. PURPOSE OF REPORT

- 1.1 To inform Members of the proposal to reply to the report received from the Director and Engagement Lead of our External Auditor, Mazars, for Joint Declarations from Management and Those Charged with Governance.

2. BACKGROUND

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

3. AUDIT AND GOVERNANCE COMMITTEE RESPONSE

- 3.1 Attached as Appendix A is a letter to Mazars from the Chair of the Committee and myself as the Councils Section 151 Officer, detailing how the committee has complied with the requirements of International Standards for Auditing.

4. RISK IMPLICATIONS

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

5. FINANCIAL CONSIDERATIONS

- 5.1 There are no financial considerations.

6. LEGAL CONSIDERATIONS

- 6.1 There are no legal considerations.

7. CHILD AND FAMILY POVERTY CONSIDERATIONS

- 7.1 There are no child and family poverty considerations.

8. EQUALITY AND DIVERSITY CONSIDERATIONS

- 8.1 There are no equality and diversity considerations.

9. STAFF CONSIDERATIONS

- 9.1 There are no staff considerations.

10. ASSET MANAGEMENT CONSIDERATIONS

- 10.1 There are no asset management considerations.

11. ENVIRONMENT, SUSTAINABILITY AND CLIMATE CHANGE CONSIDERATIONS

- 11.1 There are no environment, sustainability and climate change considerations.

12. RECOMMENDATION

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

13. REASON FOR RECOMMENDATIONS

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

14. BACKGROUND PAPERS

- 14.1 Request for Joint Declarations from Management and Those Charged With Governance

15. CONTACT OFFICER

- 15.1 James Magog
Director of Finance, IT and Digital Services
Civic Centre
Victoria Road
Hartlepool
T24 8AY

Tel: 01429 523003
Email: james.magog@hartlepool.gov.uk

Appendix A

Cllr Jonathan Brash

Audit and Governance Committee Chair
Civic Centre
Hartlepool
TS24 8AY

Tel: 01429 266522
www.hartlepool.gov.uk
Our Ref:
Your Ref:

18.07.23

Gavin Barker,
Director, Public Services,
Mazars,
The Corner,
Bank Chambers,
26 Mosley Street,
Newcastle, NE1 1DF.

Dear Gavin,

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

1) Questions about arrangements for preventing and detecting fraud

How does the Authority assess the risk that the financial statements may be materially misstated due to fraud?

As the Audit and Governance Committee we review the Council's Financial Statements and take advice from both officers' internally and externally regarding the accounting statements and processes in place to ensure they are a true and fair view of the Council's financial position. A rigorous targeted quality assurance review of the final accounts and financial statements is undertaken by the Council's accounting staff who prepare the statements, supported by the Director of Finance, IT and Digital Services, to ensure that they are not subject to material misstatement. Financial reports are subject to a quarterly review which is scrutinised by Executive Leadership Team and Finance and Policy Committee. Key systems e.g. Creditors, Debtors, Business Rates, Council Tax are robust and subject to annual internal audit reviews to significantly eliminate any risk of fraud. The Committee gain assurance from Internal Audit reports each quarter.

Is the Authority aware of management's process for identifying and responding to the risks of fraud generally and specific risks of

misstatement in the financial statements and if so what are these processes?

We are regularly updated in relation to issues regarding potential fraud and review and approve the Council's Anti-Fraud and Corruption Strategy. The Audit and Governance Committee review and approve the Council's Code of Corporate Governance and also the Council's Risk Management Strategy. As an independent committee of the Council, the Audit and Governance Committee can at any time seek explanation from any officer of the Council regarding issues it considers. A rigorous targeted quality assurance review of the final accounts and financial statements is undertaken by the Council's accounting staff who prepare the statements, supported by the Director of Finance, IT and Digital Services, to ensure that they are not subject to material misstatement. Financial reports are subject to a quarterly review which is scrutinised by Executive Leadership Team and Finance and Policy Committee. Key systems e.g. Creditors, Debtors, Business Rates, Council Tax are robust and subject to annual internal audit reviews to significantly eliminate any risk of fraud. The Committee gain assurance from Internal Audit reports each quarter.

Is the Authority aware of the arrangements in place for management to report about fraud to the Authority and if so what are these arrangements?

We considered Internal Audit Plan 2022/23 Updates. Reports were reviewed by the Committee during the year which allowed members to be kept up to date with the ongoing progress of the Internal Audit section in completing its annual audit plan. These reports allowed the Committee to review the outcomes of all completed internal audit reports and comment upon any areas of concern.

Is the Authority aware of the arrangements management have in place, if any, for communicating with employees, lay members, partners and stakeholders regarding ethical governance and standards of conduct and behaviour and if so what are these arrangements?

The Council has strong corporate governance arrangements in place in relation to the risk of fraud. Internal audit has reviewed these arrangements in line with CIPFA and National Fraud Authority guidance to identify and respond to fraud risk areas.

Does the Authority have knowledge of actual or suspected fraud, including any entries made in the accounting records that you believe or suspect are false or intentionally misleading and if so is it aware of what actions management is taking to address it?

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

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

What arrangements are in place for the Authority to oversee management arrangements for identifying and responding to the risks of fraud and the establishment of internal control?

The Committee is satisfied that the Council has adequate governance arrangements in place in relation to its internal control environment and gains assurance from the work of its internal and external auditors. The Council has a well-established and publicised Whistleblowing Policy in place as well as an up to date Anti-Fraud and Corruption plan. Employees are expected to report all instance of suspected fraud and corruption and are encouraged to do so.

As a Committee we are not aware of any breaches of internal control during 2022/23, and will consider those significant governance issues highlighted in the Annual Governance Statement in the context of our knowledge and understanding of the Council over the financial year.

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

Has management provided a clear statement which confirms its consideration of relevant laws and regulations and its compliance with them?

The Council's Monitoring Officer monitors all current and new legislation, ensuring adequate arrangements are in place to enable compliance. The Council has in place a robust management performance and reporting regime which helps monitor the achievement of objectives including compliance with laws and regulations. There is also a comprehensive internal audit regime which provides independent assurance.

How does the Authority satisfy itself that all relevant laws and regulations are being complied with?

The Committee considered Internal Audit Plan 2022/23 updates. These reports were reviewed by the Committee during the year which allowed members to be kept up to date with the ongoing progress of the Internal Audit section in completing its annual audit plan. These reports allowed the Committee to review the outcomes of all completed internal audit reports and comment upon any areas of concern. The Committee also receives assurance via the work of the Monitoring Officer through regular update reports. These reports, along with other updates from senior officers at the Council, provide

satisfactory assurance that all relevant laws and regulations are being complied with.

Is the Authority aware of any instances of non-compliance with laws or regulations?

Members of the Audit and Governance Committee are active in other areas of Council activity and bring that knowledge and experience to the Audit and Governance Committee in relation to the Council's operation. The Audit and Governance Committee reviews performance and risk management arrangements in place through the work of Internal Audit and other reports received and is not aware of any non-compliance with relevant laws or regulations during 2022/23.

Has management provided a list of litigation and claims?

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

Has an assessment been made of the outcome of the litigation or claim and its estimate of the financial implications, including costs involved? Has the reasonableness of management's assessments been considered and additional information provided to the auditor where necessary?

The Committee is not aware of any significant litigation or claims that would affect the financial statements.

3) Questions about the appropriateness of the going concern assumption

Has a report been received from management forming a view on going concern?

Reports and information have been provided to the Committee over the course of the year, including reviewing the Council's Financial Statements and Annual Governance Statement. Members of the Committee are aware of the medium term financial strategy report where the Section 151 Officer gives his opinion on the robustness of reserves giving assurance about the Authority's financial sustainability in the medium term. We are aware that local authorities are presumed to be going concerns as long as there is no reason to suggest the services provided would not continue and there is no reason that we are aware of, or suspect core services would be discontinued in the foreseeable future.

Are the financial assumptions in that report (e.g. future levels of income and expenditure) consistent with the strategic business plan and the financial information provided to the Authority throughout the year? If not, does the report contain a clear explanation, with supporting

evidence, for the assumptions used, and are those assumptions appropriate? This should include written evidence of agreed income and expenditure for major funding streams.

Having reviewed the reports and information provided to the Committee over the course of the year, including reviewing the Council's Financial Statements and Annual Governance Statement, the Committee has no significant doubt as to the Council's ability to continue as a going concern. The Committee is aware of the approved budget strategy for 2023/24 with reliance on the use of the Budget Support Fund and potentially time limited Government Grant funding.

Are the implications of statutory or policy changes appropriately reflected in the business plan, financial forecasts and report on going concern?

The Council's Monitoring Officer monitors all current and new legislation, ensuring adequate arrangements are in place to enable compliance. The Council has in place a robust management performance and reporting regime which helps monitor the achievement of objectives including compliance with laws and regulations. There is also a comprehensive internal audit regime which provides independent assurance.

Have there been any significant issues raised with the Authority during the year (e.g. adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control, or significant variances to activity levels compared to those planned), which could cast doubts on the assumptions made?

There have been no significant issues raised with the Audit and Governance Committee during the year that cast doubt on financial assumptions made when forming a view on the going concern assumption. There is also a comprehensive internal and external audit regime which provides independent assurance.

Has an analysis been undertaken of the Authority's projected or actual performance against its financial plan? If so, is it robust and does it identify any areas of potential concern? Where there are potential concerns what action is being taken to address those areas of potential weakness?

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

Does the organisation have sufficient staff in post, with the appropriate skills and experience, particularly at senior management level, to ensure the delivery of the organisation's objectives? If not, what action is being taken to obtain those skills?

The organisation has sufficiently skilled and experienced staff to deliver the Council's objectives, for staff appointments robust recruitment process is in place to ensure suitably experienced and qualified staff are appointed. Appropriate support and training is provided to all staff in the organisation. The Committee considers those posts dealing with all aspects of procurement and cash handling to be high risk. The Committee takes assurance from the fact that support and training is provided to staff and that the Council has sufficiently skilled and experienced staff to deliver the Council's objectives.

4) Questions about the consideration of related parties

What controls are in place to identify, authorise, approve and account for and disclose related party transactions and relationships?

The Committee is aware that the Council is required to disclose material transactions with bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Procedures are in place to update details of these interests which are recorded in the Register of Members' Interest. This document is open to public inspection at the Civic Centre during office hours and available on the Council's website. Training is provided to Members in this area to ensure a shared understanding of expectations exist.

Members of the Executive Leadership Team are required to provide an annual declaration of interest and to keep this under review during the year. These declarations are reviewed annually. Detailed notes explaining the nature of any related party transactions are recorded in the Council's Statement of accounts.

Can you confirm that you have disclosed to the auditor the identity of the entity's related parties and all the related party relationships of which you are aware:

The Committee can confirm it has disclosed to the auditor the identity of the Council's related parties and all the related party relationships of which it is aware and is not aware of any related party relationships or transactions that could give rise to instances of fraud.

Can you confirm that you have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework?

The Committee can confirm that it is assured that adequate arrangements are in place for the recording and declaration of any relationships or interests that

may raise cause for concern and any such disclosures are appropriately accounted for and disclosed in accordance with the requirements of the framework.

Yours Faithfully

Cllr Jonathan Brash

Audit and Governance Committee Chair

James Magog

Section 151 Officer

AUDIT AND GOVERNANCE COMMITTEE

18th July 2023



Report of: Director of Finance, IT and Digital Services

Subject: ANNUAL GOVERNANCE STATEMENT
2022/23

1. PURPOSE OF REPORT

- 1.1 To inform Members of the implications to the Council of the Accounts and Audit Regulations (England) 2015 requirement; that the Council publish an Annual Governance Statement (AGS) with the Financial Statements and the action undertaken by the Council to meet its obligations within the scope of the Regulations. The 2022/23 AGS is attached as Appendix A.
- 1.2 The report considers the following areas:
- Why the Council needs an AGS,
 - Who is responsible,
 - How the AGS was produced.

2. WHY

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

2.2 Statutory Requirement

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

2.3 Good Governance

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

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

3. WHO

3.1 Corporate Responsibility

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

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

3.2 Contributors to the AGS

- Audit and Governance Committee
- ELT
- Director of Finance, IT and Digital
- Monitoring Officer
- External Auditors and other Review Bodies
- Internal Audit and
- Management.

4. HOW

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

The review of internal control and AGS assurance gathering included:

- Establishing obligations and objectives,
- Identifying principal risks,
- Identifying and evaluating key controls to manage risks,
- Obtaining assurances on the effectiveness of controls,
- Evaluating assurances,

- Action planning to correct issues and continuously improve.

- 4.2 In practice the Council already had most of the necessary internal controls in place, what was required was to incorporate them into a framework for producing an AGS that met the requirements of the Regulations. In order to do this the Council has:
- Identified roles and responsibilities,
 - Provided training,
 - Gone through a process of establishing objectives, identifying risks and recording controls,
 - Gathered and retained evidence for inspection,
 - Drafted the AGS.
- 4.3 The AGS will form part of the Councils Statement of Accounts and will be publicised and available on the Councils Website or by request to the Councils Contact Centre.
- 4.4 In order to support members in the process of approving the Annual Governance Statement the Better Governance Forum has provided briefing papers for Audit and Governance Committee members in public sector bodies. The briefing paper is attached after the statement for members consideration in relation to issues they may want assurance on regarding the content and process followed in producing the statement. This committee report has been drafted in such a way as to answer the questions posed within the Better Governance Forum Briefing.

5. RISK IMPLICATIONS

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

6. FINANCIAL CONSIDERATIONS

- 6.1 There are no financial considerations.

7. LEGAL CONSIDERATIONS

- 7.1 There are no legal considerations.

8. CHILD AND FAMILY POVERTY CONSIDERATIONS

- 8.1 There are no child and family poverty considerations.

9. EQUALITY AND DIVERSITY CONSIDERATIONS

- 9.1 There are no equality and diversity considerations.

10. STAFF CONSIDERATIONS

10.1 There are no staff considerations.

11. ASSET MANAGEMENT CONSIDERATIONS

11.1 There are no asset management considerations.

12. ENVIRONMENT, SUSTAINABILITY AND CLIMATE CHANGE CONSIDERATIONS

12.1 There are no environment, sustainability and climate change considerations.

13. RECOMMENDATIONS

13.1 That Members review and approve the attached 2022/23 Annual Governance Statement.

14. REASONS FOR RECOMMENDATIONS

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

15. BACKGROUND PAPERS

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

16. CONTACT OFFICER

16.1 James Magog
Director of Finance, IT and Digital
Civic Centre
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T24 8AY

Tel: 01429 523003
Email: james.magog@hartlepool.gov.uk

HARTLEPOOL BOROUGH COUNCIL **ANNUAL GOVERNANCE STATEMENT**

1 Scope of Responsibility

- 1.1 Hartlepool Borough Council is responsible for ensuring that:
- Its business is conducted in accordance with the law and proper standards,
 - Public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.2 The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In discharging these overall responsibilities, Hartlepool Borough Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.4 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government Framework 2016*. A copy of the code is on our website at www.Hartlepool.gov.uk or can be obtained from the Councils Contact Centre. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, Part 2 6(1) (a), which requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with the statement of accounts. Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015, require that for a local authority that statement is an Annual Governance Statement (AGS).

2 The Purpose of the Governance Framework

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

- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically. The governance framework has been in place at the Council for the year ended 31st March 2023 and up to the date of approval of the statement of accounts.
- 2.3 In order to facilitate the completion of the Statement, an officer working group has been formed and a programme of work developed. To ensure that the Statement has been given sufficient corporate priority and profile, the working group included both the Director of Resources and Development and the Assistant Director (Finance). As part of the process regular updates have been given to the Executive Leadership Team (ELT).

3 Significant Governance Issues Update from 2021/22 Statement

- 3.1 Progress has been made over the course of 2022/23 to actively manage and address issues identified as part of the 2021/22 process. This approach ensures the Council actively manages these issues. The table below identifies action that has been taken to mitigate the areas identified.

Issue Raised	Action Undertaken
Delivery of Council Plan, revised Performance Management Framework and Medium Term Financial Strategy. The sustainability of services, level of performance and the continuing need to achieve housing growth.	The MTFS was updated during 2022/23 and the budget for 2023/24 was set finalised at Council on 23 rd February 2023. 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 Council Plan 2021/22 – 2023/24 was agreed by Finance and Policy Committee on 15 th February 2021 and adopted by Council on 25 th 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 was produced in summer 2022 and shared with all elected members and the public.
Delivery of Regeneration/ Capital Programme on time	Responsibility for delivery of schemes allocated to senior officers. Project

and budget in line with key Council objectives.	Management Boards were embedded and are providing strategic oversight of progress and budget position. Regular updates provided to members. Monthly Capital Board embedded, refreshed Capital Strategy approved at Full Council 23 rd February 2023.
Potential for Cyber Security attack/breach of IT defences leading to service disruption and potentially serious financial implications	Use of the National Cyber Security Centre's Event Logging solution. Implementation of a new firewall providing additional protection including blocking access to network from outside UK and 24/7 analysis of Internet access with auto blocking where activity falls outside of normal working patterns. Mandatory annual training provided for all staff in respect of cyber security and regular all staff emails giving instruction on what to do with suspicious emails. Information provided on the intranet and wall posters highlighting how to recognise phishing emails.

4 The Governance Framework

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

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

In accordance with the Council's Constitution at Article 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 1st July 2022 addressed issues relating to appointments of Member Champions and Irrecoverable debts write offs. In order to streamline the write off process, improving the timeliness of entries into the Authority's financial systems, and ultimately reducing the duplication of performance reporting to the Finance and Policy Committee, it was proposed that based on the average set by other Local Authorities, the Committee consider increasing the threshold for write-off value for irrecoverable debts to £50,000. The subsequent report of the Constitution Committee was submitted to Full Council on 14th July 2022.

A report was submitted also to the Constitution Committee on 21st November 2022 which addressed issues which had arisen since the previous review of the Constitution including formalising Parish Council liaison meetings, deletion of Section 12 of the Officer Employment Rules so there is no longer a requirement to consult chairs/vice chairs regarding band 15 appointments and changes to Planning Delegations relating to Enforcement & Certificate of Lawfulness. The subsequent report of the Constitution Committee was submitted to Full Council on 15th December 2022.

Further reports were submitted to the Constitution Committee on 14th March 2023 by the Monitoring Officer. The Monitoring Officer's report included a proposal to introduce a Protocol on Calling Extraordinary Council Meetings, reference to a Procurement Social Value Statement of Intent being added to the Contract Procedure Rules, updating the Political Balance Guidance Note and the removal from the Policy Framework of Plans and strategies which are not legally required to be approved/adopted by Full Council to ensure that decisions are made quicker and at the most appropriate forum; the appropriate Policy Committee rather than Full Council. An additional report was submitted which sought a view from the Committee regarding proposed changes to the Constitution to reflect Hartlepool Borough Council (HBC) and Hartlepool's Parish Councils commitment to work together, as detailed in the newly created Parish Charter. The recommendations of the Committee were submitted to Full Council on 23rd March 2023. Officer Decision Records continue to be published on the internet and Officer Guidance has been circulated in relation to Key Decision Forward Plan Consultation to give clarity to officers on when and how consultation should be undertaken on Key Decision matters to be considered by Policy Committees.

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

- 4.2 Effective procedures to identify, evaluate, communicate, implement, comply with and monitor legislative change exist and are used. Legal Division procedures exist for monitoring new legislation, advising relevant departments, and members where appropriate. Workforce Services policies identify suitable recruitment methods and ensure appropriate job descriptions exist for legal staff. A corporate induction session is now in place and is held approximately every 4 weeks. This is aimed at new employees within the Authority but is also open to any existing member of staff who would benefit from a refresher. An Assistant Director opens every session which ensures Chief Officer presence and support. This forms one part of a new corporate induction programme which is being developed to include a wider range of information for new employees. Departments have

responsibility to provide induction training specific to their departmental needs.

- 4.3 Committee terms of reference are included in the constitution. A procedure is in place to ensure that all Committee agendas, minutes and supporting material are available to all staff on the Council's intranet, and to the public on the Council's Internet site.
- 4.4 The constitution contains financial and contract procedure rules, and code of conduct for Members, which have been formally approved. Financial procedure rules have been updated and agreed by Council and contract procedure rules have also been updated to take into account new procurement procedures and legislative requirements. The constitution is available to all employees on the intranet and to the public on the Internet. A register of gifts and hospitality is maintained for Members and Officers. The Authority has a Treasury Management Strategy that was approved by Audit and Governance Committee on 9th February 2023 and referred to Council for approval on 23rd February 2023 for the financial year 2023/24. The approved Treasury Management Strategy includes the Investment and Borrowing strategies in compliance with revised CIPFA Prudential Code, CIPFA Treasury Management Code of Practice and Department for Levelling Up, Housing and Communities (DLUHC) guidance. The Audit and Governance Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies before making any necessary recommendations to Council. The Section 151 Officer reports to the Audit and Governance Committee how the Council's financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 4.5 The full range of Member committees regularly meet to review specific policy areas, to consider plans, reports and progress of the Council.
- 4.6 Human Resources has drawn up policies to ensure suitably qualified employees are employed in key areas. Supporting terms and conditions of employment for all employees cover all aspects of good employment. Induction courses for key new officers and all new Members incorporate suitable training on corporate governance issues according to responsibilities and there is a general staff awareness programme in place.
- 4.7 An updated Code of Conduct for Employees has been approved, published and communicated to all employees. An updated Health and Safety Policy was approved by Finance and Policy Committee on 14th January 2019 and a Communication Strategy implemented to ensure general awareness. The Council has also implemented a programme of Health and Safety Leadership Training for senior managers.

- 4.8 The Council has an ongoing programme of monitoring and reviewing arrangements in place in respect of the operation of its key partnerships. A framework of reporting by exception to Executive Leadership Team operates and Internal Audit provides audit coverage of partnership arrangements.
- 4.9 The Council has a three-year Council Plan (2021/22 – 2023/24) that sets out the Council's ambitions for the Borough. The Plan was agreed by Finance and Policy Committee on 15th February 2021 and adopted by Council on 25th February 2021. Progress against the Council Plan is reviewed through dedicated ELT Performance and Challenge Clinics 3 times a year and this is followed by reports to Finance and Policy Committee. The first Annual Report was produced in summer 2022 and shared with all elected members and the public.
- 4.10 The Council's Performance Management Framework includes information relating to departmental and officer responsibility for the collation of data, target setting and addressing performance issues. The Framework also includes action plans, risks and performance indicators enabling clearer links between corporate, departmental and service planning outcomes, actions, risks and PIs.
- 4.11 Key policies such as the Corporate Complaints, Comments and Compliments Procedure, Proceeds of Crime (Money Laundering), Whistle Blowing Policy and Counter Fraud and Corruption Policy have been developed and approved for use across the whole Authority. The policies are available to employees via the intranet. The Council is a member of the National Anti Fraud Network and takes part in regular National Fraud Initiative reviews and the North East Corporate Fraud Forum. The Council has updated its Fraud and Corruption Strategy in line with CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.
- 4.12 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.
- 4.13 The Risk Management Framework and an Officer Toolkit are available to all staff via the intranet. Key staff have undergone appropriate training and departmental risk champions lead on communicating the process to all relevant staff in their departments.
- 4.14 There is corporate support at senior management level for development of Risk Management with risk assessment procedures published and training given to officers. Risk introduction/refresher

sessions are offered as and when individual departments/teams require them. Each department also has a risk co-ordinator.

- 4.15 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.
- 4.16 The Council's Corporate Strategy and Performance Team hold information on the Council's Strategic Risks. Risk registers are also maintained for significant projects. Officers that manage risks are notified that risks need to be reviewed and progress is monitored on a quarterly basis through the service planning process. Departments have access to a central funding pot for risk management to assist in the financing of risk mitigation.
- 4.17 The General Data Protection Regulation (GDPR) is European legislation and replaces the Data Protection Act in the UK. This was designed to harmonise data privacy laws across Europe, to protect and empower all EU citizens' data privacy and to reshape the way organisations across the region approach data privacy and security. In order to ensure compliance the Council has completed information audits identifying all personal data held, including a lawful basis for processing the data. Privacy notices have been developed and are available on the Council's website. All policies and procedures have been updated to ensure GDPR compliance and staff have received specific GDPR training. The Information Governance Group meets regularly to discuss GDPR compliance.
- 4.18 The Council has long-standing, nationally and regionally recognised emergency planning arrangements through the Cleveland Emergency Planning Unit (CEPU). The Council's Emergency Management Response Team (EMRT) meets bi-monthly and contributes to the makeup of the Council's Major Incident Plan which is tested annually.
- 4.19 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.

- 4.20 The Equality Act 2010 came into force on 1st October, 2010 and brought together over 116 separate pieces of legislation into one single Act. The Act provides a legal framework to protect the rights of individuals and advance equality of opportunity for all. The Act covers the 9 protected characteristics – age, disability, gender reassignment, marriage/civil partnership, pregnancy/maternity, race, religion/belief, gender and sexual orientation.
- 4.21 The Public Sector Equality Duty (PSED) is supported by "specific duties" to assist public bodies to achieve the aims of the general duty. Under the specific duties, the Council must:
- Publish equalities information to demonstrate its compliance with the Equality Duty by the 31st January each year; and
 - Develop and publish equality objectives every four years.
- 4.22 In order to demonstrate our compliance with the above requirements, we have produced a Workforce Equality Information Report 2021/22 and a 2021/22 Equality Report to demonstrate the progress that the Council has made to date. We are aware that there are gaps in our data and are working to provide more information in an accessible format. On that basis the report is regularly updated. Since the first equality objectives were published in April 2012 the Council has based them on the strategic objectives set out in our Council Plan. By doing this the Council demonstrates that equality and diversity is a core part of what we do as an organisation and not an add on activity. The Council's vision as set out in the Council Plan 2021/22 – 2023/24 sets out our equality objectives. A new Equality, Diversity and Inclusion (EDI) Policy was agreed by Finance and Policy Committee on 13th March 2023 to set out the Council's commitment to EDI.
- 4.23 Equality issues must influence the decisions reached by public bodies - in how they act as employers; how they develop, evaluate and review policy; how they design, deliver and evaluate services, and how they commission and procure from others. We do this by considering impacts on equality as an integral part of our decision-making process and this is reflected in reports to Committees in the Equality & Diversity Considerations section and through our use of Equality Impact Assessments.
- 4.24 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 fully compliant with Public Sector Internal Audit Standards (PSIAS) and can report as such on all correspondence.

- 4.25 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 in each Local Authority area and a survey every two years of people who are carers. Feedback from these surveys continues to be positive and the satisfaction rates of people in Hartlepool compare very favourably regionally and nationally. Over 96% of services that are commissioned by the Council for adults with care and support needs are rated 'good' by the Care Quality Commission (CQC) with no services rated inadequate. The Council is actively engaged with Sector Led Improvement via NE ADASS (the North East branch of the Association of Directors of Adult Social Services), which has had a particular focus on preparation for CQC assessment of Local Authority Adult Social Care Services. This has involved an annual conversation in December 2022 and an independent peer review of adult safeguarding arrangements undertaken in March 2023, with a mock inspection week scheduled for May 2023.

In 2021/22 the External Auditor's Annual Report confirmed unqualified opinions were issued.

5 Review of Effectiveness

- 5.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Audit and Governance's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 5.2 The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

- Executive Leadership Team agreed process for the review of the internal control environment. The risk inherent in meeting departmental objectives and the controls to mitigate those risks are recorded as part of the corporate service planning process at a departmental level. This has brought together risk management, control identification and the process for compiling the evidence needed to produce the AGS. This enables managers to provide documented evidence regarding the controls within their service units as part of the service planning process. The controls in place are designed to negate the identified and recorded risks of not achieving service, departmental or corporate objectives. In order to ensure adequate controls are in place the procedures, processes and management arrangements in place to mitigate identified risks and the officers responsible for them are also documented. Gaps in controls can be addressed as part of the regular reviews of departmental risks and control measures.
- Section 151 Officer – reports to the Audit and Governance Committee how the Council's financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- Internal Audit – the Council has the responsibility for maintaining and reviewing the system of internal control and reviewing annually Internal Audit. In practice, the Council, and its External Auditors, takes assurance from the work of Internal Audit. In fulfilling this responsibility:
 - Internal Audit has reviewed its procedures in line with PSIAS and following an independent external assessment is fully compliant.
 - Internal Audit reports to the Section 151 Officer and Audit and Governance Committee.
 - The Head of Audit and Governance reports to the Audit and Governance Committee how the Council's financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019).
 - The Head of Audit and Governance provides an independent opinion on the adequacy and effectiveness of the system of internal control, quarterly update reports and an annual internal audit performance report to the Audit and Governance Committee.
 - Internal audit plans are formulated from an approved risk assessment package and Internal Audit continues to provide

assurance across a broad range of Council activities and functions through the audits it completes.

- External Audit – in their annual audit letter, comment on their overall assessment of the Council. It draws on the findings and conclusions from the audit of the Council.
- Other review and assurance mechanisms: for example, Department of Education, Care Quality Commission, Ofsted, HMI Probation and Service Excellence.

5.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

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

5.5 The overall feedback was positive and Council agreed an action plan at their meeting on 23rd March 2023 setting out how the council will respond to the CPC recommendations. Six month peer review/progress update will be provided at the end of August 2023.

6 **Significant Governance Issues**

6.1 The following significant governance issues have been identified:

No	Issue	Action	Timescale	Responsible Officer
1	Delivery of Council Plan, revised Performance Management Framework and Medium Term Financial Strategy. The sustainability of services, level of performance and the continuing need to achieve housing growth.	<p>The MTFS approved in January 2023 forecast annual deficits of £1.66m in 2024/25, £2.5m in 2025/26 and £2.5m in 2026/27. These forecast will be updated to reflect the much higher and prolonged impact of inflation and general amounts of Government funding. A savings strategy is being developed for MTFS plan period.</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 ELT and Finance and Policy Committee. During 2023/24 work to develop a new Council Plan will be undertaken and this will include a range of consultation and stakeholder engagement activities. The intention is that the new Plan will be agreed by Finance and Policy Committee by the end of the year.</p>	2023/24 – 2024/25	ELT
2	Delivery of Regeneration/ Capital Programme on time and budget in line with key Council objectives.	Arrangements previously adopted will continue to be followed and monitor as projects move from design to construction phase.	2023/24	Capital Programme Board

3	Potential for Cyber Security attack/breach of IT defences leading to service disruption and potentially serious financial implications	HBC use the National Cyber Security Centre's Event Logging solution, which tracks a range of network events including staff who have clicked on links in suspicious emails. HBC have 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. 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.	2023 Onwards	ELT
4	Change in political environment.	New member training provision as well as refresher trainer for existing members. Constitution refresh in order to streamline meetings and the reestablishment of Group leader Meetings.	2023 Onwards	ELT

6.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are

satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Hartlepool Borough Council:

.....
Managing Director

.....
Chair of Audit and Governance Committee

Reviewing the Annual Governance Statement or Statement on Internal Control

What is an Annual Governance Statement (AGS)?

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

What does my organisation need to have?

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

What's included in these statements?

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

What does the Audit Committee do?

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

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

What makes for good governance?

Good practice approaches include:

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

How do you draw up a good statement?

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

Key questions to ask:

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

AUDIT AND GOVERNANCE COMMITTEE

18 July 2023



Report of: Director of Finance, IT and Digital

Subject: THE 2022/2023 FINANCIAL REPORT (INCLUDING
THE 2022/23 STATEMENT OF ACCOUNTS)

1. PURPOSE OF REPORT

- 1.1 To inform Members of the arrangements for approving the Council's Financial Report for 2022/23 (which includes the Statement of Accounts) and to provide a copy of the 2022/23 pre audit Financial Report.
- 1.2 This will be achieved by considering the following: -
 - i) Background;
 - ii) The 2022/23 Pre-Audit Financial Report; and,
 - iii) Recommendations.

2. BACKGROUND

- 2.1 In accordance with the Accounts and Audit Regulations 2015, all Local Authorities are required to produce a draft annual Statement of Accounts. For the previous two financial years the deadline had been extended from 31 May to 31 July owing to the impact of COVID.
- 2.2 The Government carried out a consultation within the sector to seek views on reverting the deadline for publication of the draft 2022/23 accounts to the 31 May. The Local Government Association and the majority of local authorities requested an extension to the 30 June 2023, one month earlier than the deadline for the 2021/22 accounts. Despite this the Government announced in March 2023 that the deadline was 31 May 2023.
- 2.3 Members will recall that the external auditors have not yet issued an audit opinion on the 2021/22 accounts. Initially, the delay was owing to a national issue in relation to infrastructure assets. CIPFA announced in January 2023 the proposed solution and this was actioned within the 2021/22 accounts and subsequently reviewed and accepted by Mazars.
- 2.4 In March 2023 the Teesside Pension Fund carried out its triennial review. The results of this review were considered to be such that they would impact on the 2021/22 pension reports used to produce the 2021/22 Statement of

Accounts. This started discussions between the auditors of the Teesside Pension Fund, Mazars and the 4 Tees Valley Authorities.

- 2.5 It was agreed that the 2021/22 pension reports would require updating and that the changes would need to be reflected in the 2021/22 Statement of Accounts. This has been actioned. To be able to conclude their audit work, Mazars need a report from the Pension Fund auditor on the results of testing of the membership data provided by the Teesside Pension Fund to the actuary for the triennial revaluation exercise. It is expected that the Pension Fund auditor will be able to issue assurance to Mazars later this year and the 2021/22 accounts will be signed off in October.
- 2.6 This late change to the 2021/22 pension reports impacted on the actuary's ability to produce the 2022/23 pension reports in time for the 31 May deadline. The 2022/23 pension reports were received late on the 22 May 2023. This resulted in the Council missing the 31 May deadline. As required by the Accounts and Audit Regulations a public notice was placed on the Council's website explaining the delay. The accounts were published on the Council's website on 16 June 2023.
- 2.7 Although Mazars will commence the audit of the 2022/23 accounts in August, it is understood the accounts will not be audited by the deadline of 30 September 2023.

3. THE 2022/23 PRE-AUDIT FINANCIAL REPORT

- 3.1 The pre-audit Financial Report is attached at Appendix A. If there are any audit amendments these will be reported to a future meeting of this committee. In summary this document provides the following information: -
- i) Narrative Report
 - ii) Statement of Responsibilities for the Statement of Accounts
 - iii) Statement of Accounts
 - iv) Annual Governance Statement
 - v) Draft Independent Auditor's Report
 - vi) Glossary
- 3.2 The narrative report provides an explanation of the Council's overall financial performance for 2022/23, details the year-end financial position for 2022/23 and outlines the impact of the current economic climate on the Authority's ongoing financial position. The report also provides a guide to the most significant matters reported in the Statement of Accounts including an explanation of the purpose of each of the core statements.

- 3.3 The year end position for 2022/23 was an overspend of £0.962m. This overspend was funded from the Budget Support Fund. Full details were reported to Finance and Policy Committee on 3 July 2023.
- 3.4 One of the key statements is the Balance Sheet which comprises two main balancing parts, Net Assets and Total Reserves, which represents the Council's financial position as at the 31st March 2023.
- 3.5 The Net Assets section of the Balance Sheet shows the Council's assets including Property, Plant and Equipment, Investments and Debtors and liabilities including Short and Long-term Borrowing and Creditors.
- 3.6 The Total Reserves section of the Balance Sheet is made up of Usable and Unusable Reserves:
- **Usable reserves** are those which the authority can utilise to support future service provision. Some of these reserves do not belong to the Council i.e. schools reserves, or relate to ring fenced funds received by the Council for a specific purpose defined by the funding organisation.
 - **Unusable Reserves** cannot be used to support services and include notional accounting gains and losses. These accounting gains and losses are referred to as unrealised.
- 3.7 Usable reserves at 31 March 2023 were £55.772m compared to £63.006m as at 31 March 2022. This reduction reflects planned use of Earmarked Reserves including £1m for inflation pressures, £0.680m for income pressures and £4.194m to fund the second year of Collection Fund deficits arising from the impact of COVID.
- 3.8 Unusable reserves at 31 March 2023 were (£268.215m) compared to (£60.048m) as at 31 March 2022. This is predominantly owing to the change to the Pension Reserve. Following the triennial pension review the Council no longer has a pension liability and the accounts now reflect a net asset position. Therefore, the Council's Pension Reserve balance is (£75.745m) as at 31 March 2023 compared to £129.546m as at 31 March 2022.
- 3.9 In line with previous years a future MTFS report will review the reserves detailed in Note 6 page 44 of the Financial Report as it is good practice to complete an annual review.

4. CONSIDERATIONS / IMPLICATIONS

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

5. CONCLUSIONS

- 5.1 The 2022/23 Financial Report has been prepared in accordance with the relevant accounting standards and this report enables Members to review the draft Financial Report prior to the final document being referred to Audit and Governance Committee later in the year.
- 5.2 The Chartered Institute of Public Finance and Accountancy has issued a checklist of questions Members may wish to ask to assist in the understanding of an Authority's financial statements. This has been included at Appendix B and Members are advised that the Council's Financial Report complies with these requirements.

6. RECOMMENDATIONS

- 6.1 It is recommended that Members:-
- i) Note the report;
 - ii) Note that the Draft Financial Report detailed in Appendix A will be subject to independent audit by Mazars and details of any material amendments will be reported to Audit and Governance Committee later in the year; and
 - iii) Note that there is the opportunity to raise questions and/or seek clarification of information included in the pre-audit Financial Report.

7. REASONS FOR RECOMMENDATIONS

- 7.1 Although it is no longer a requirement to present draft accounts to Audit and Governance Committee, doing so gives Members the opportunity to raise questions and/or seek clarification of information included in the draft Financial Report.

8. CONTACT OFFICER

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DRAFT

Financial Report 2022/23 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 2022/23
- Risk Management Arrangements
- Financial Performance 2022/23
- Financial Outlook – General Fund 2023/24 to 2026/27
- 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 2022/23

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

Leisure Centre Development - Highlight

The development of Hartlepool's new leisure facility, Highlight, has progressed during 2022/23. In July 2022, Planning Permission for the development was granted and the technical design stage is now complete.

Cycling Developments

Summerhill Cycle Hub was officially opened in October 2022 and was shortlisted for the Robert Stephenson Small Projects Award by the Institution of Civil Engineers. The track provides access to cycling opportunities to the public including access to inclusive bikes.

Premises in Church Street have been agreed in principle for the Town Centre Cycling Hub.

Holiday Activities and Food (HAF) Programme

Funding for the Holiday Activities and Food (HAF) programme has been confirmed for 3 years and a coordinator is now in post. The membership and terms of reference for the steering group have been reviewed and refreshed to ensure that the programme oversight is effective and reaching children and young people who need it most. Successful schemes have been delivered during the summer, Christmas and Easter school holidays.

During the summer 12,500 sessions were delivered across 30+ providers to over 3,500 children. The number of providers increased to 40 for the Christmas programme.

Public Health

The sexual health contract has been reviewed and changes to the consortium ways of working have been proposed. This gives more control over the contracting process and enables the Council to ensure that we retain input into the service redesign.

The statutory duty to produce a Director of Public Health report has been completed, providing a stock take of the health of Hartlepool residents and forming a baseline for future planning.

The Council has successfully gained joint funding for a research project with Teesside University to identify how we can better participate and use research in the council.

Support to the childhood immunisation programme has been delivered in conjunction with Harrogate NHS trust focusing on the uptake of flu vaccinations.

Mockingbird Project

The Mockingbird project is now in delivery phase and the Hub and constellation carers have been selected. The programme has been launched to support foster carers and the children in their care in Hartlepool.

Changing Places Facilities

The Council has been awarded funding to create additional changing places toilets that are accessible by people with complex physical disabilities. Following consultation with people who use services (supported by the Community Led Inclusion Partnership) plans are being developed to provide facilities at a number of locations including Seaton Carew and the Central Hub.

Older People

A new care home for older people with nursing and residential care needs opened in July 2022. Merlin Manor will support up to 94 residents creating increased capacity and choice in the Borough.

Ageing Well Funding has been secured to assist older people to improve their physical, mental and emotional well-being.

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

Substance Misuse

A Substance Misuse Needs Assessment has been finalised with recommendations around four key areas: prevention, treatment, wider health needs, enforcement and crime and disorder. A substance misuse strategy vision and priorities will now be developed jointly with partners.

The Council has updated our approach to responding to drug and alcohol related deaths. We are working more closely with colleagues on Teesside to share processes and learning. This will enable us to get a broader perspective on the causes of deaths allowing us to put in place prevention measures.

SECTION 1 : Narrative Report

Suicide

The Council has also updated our response to suicides in the town. This includes identifying and monitoring clusters, providing training and supporting people affected by suicide. Our Public Health Principal now chairs the Tees wide suicide prevention group.

Adult Social Care

Feedback from the Annual Health Check in 2022 has been shared with staff. The results for Hartlepool's Adult Social Care staff were very positive with over 93% of scores identified as outcomes to celebrate. Areas that scored particularly highly related to staff feeling supported by their managers, feeling safe and confident in their roles and feeling a sense of pride in their work.

Our first Social Work Degree Apprentice has graduated, hopefully the first of many.

Practice Month was completed in October 2022 with 12 auditors reviewing 65 case files, completing 17 direct observations and receiving feedback from 19 people. Early analysis of the feedback shows that practice is proportionate, person centred and strengths based with staff focused on prevention and independence and taking user and carer views into account.

Positive feedback was received from the Tees Safeguarding Adults Board on our Quality Assurance Framework self-assessment which was highlighted as a transparent and comprehensive submission with excellent evidence of the organisation thinking broadly to promote adult safeguarding in different ways.

Team Around the Individual (TATI)

The TATI Panel has been re-established to consider cases where existing mechanisms for resolving or minimising risk have not been achieved. This multi-agency approach is designed to support people with multiple needs, who may be at risk of significant harm but fall outside the criteria for adult safeguarding enquiries or have made an informed decision not to engage with services.

Multi Agency Child Exploitation Hub

The contextual safeguarding hub continues to be effective in responding to the needs of children at risk of harm from exploitation. A recent audit highlighted best practice in the team and strengths of the new arrangements. Officers are currently working with the Department for Education to pilot an alternative process to the child protection conference when children are at risk of harm outside the home.

Serious Violence

The Council were successful in a bid to the Cleveland Unit for the Reduction of Violence (CURV) obtaining funding to address serious violence in Hartlepool's night time economy area. Funding is being used to undertake safety campaigns (Ask for Angela, Anti-Spiking and World Cup), provide hand held metal detector wands and bleed control kits to licensed premises, provide support to Hartlepool Town Pastors to enable their work, introduce two knife amnesty bins, provide training to licensed premises staff and provide an additional CCTV operator on Friday, Saturday and Bank Holiday nights to improve incident detection and management.

Of resilient and resourceful communities with opportunities for all

Jobs and Skills

£1.6m of funding has been secured from Tees Valley Combined Authority for the Council's Jobs & Skills Service to manage a Tees Valley wide Multiply programme over the next two years. The community based programme will target the most economically inactive people in Hartlepool to improve their numeracy skills.

Employability

The new Jobs and Skills @ Hub has provided tailored support around careers guidance, employment, interview techniques and completing online applications.

The Tees Valley Youth Employment Initiative supported young people aged 16 to 29 in Hartlepool and the wider Tees Valley to progress into employment or further education. Independent research which has been published from ERS shows that for every £1 spent the Tees Valley Youth Employment Initiative generates £6.78 of economic and social value.

Hartlepool Youth Hub supported young people aged 18 to 24 with some progressing into work through the partnership which now has over 30 members including training providers and VCSE.

Volunteering

Drop-in events have been held for the Tall Ships Races which has resulted in lots of people signing up to volunteer at the event in July across a range of roles including Wayfinder, Entertainment Team and Story Teller.

SECTION 1 : Narrative Report

The new Virtual Jobs and Volunteering Platform has launched on Hartlepool Now to replace the previous Volunteer Hartlepool website as the main resource for Hartlepool. There are currently 60 volunteers supporting across the Community Hubs (10 new within the last quarter).

Adult Education

The Council achieved the highest number of enrolments in Adult Education provision in five years, in advance of the 2022/23 academic year starting.

Community Based Services

The Council are seeing increased engagement and participation figures across culture and leisure with some services (such as the Art Gallery) returning to higher than pre Covid visitor numbers.

Education

Hartlepool has been selected as a Priority Investment Area and a Board has been established to oversee delivery of priorities including the Council, Department for Education and representatives from Multi Academy Trusts.

Events

A number of large scale events were hosted in Hartlepool over the summer of 2022 including the Waterfront Festival, Gaia Exhibition, Big Lime Tri Series, Love Hartlepool Games and Queen's Platinum Jubilee events. Together these events attracted over 20,000 visitors.

A highly successful Fireworks Event was held at Seaton Carew in November. The event was free and was attended by approximately 15,000 people.

Ticket sales for the Christmas pantomime were recorded as the highest ever, providing local and visiting people with a wonderful performance at the Town Hall Theatre.

Community Hubs

During the recent Corporate Peer Challenge Hartlepool's Community Hubs were recognised as a model of best practice and the Council are now working with the Local Government Association to produce a national good practice case study to showcase our approach.

A virtual community hub, All Together Now, has been developed that means people unable to access building based activities can participate online, with support from the digital team if needed.

£88,000 from the Esmée Fairbairn Collections Fund has been secured to fund a Stories from the Sea project focused on reinterpreting Hartlepool's maritime and heritage stories.

The Local & Family History Centre at Sir William Gray House was officially opened in February 2023 housing an extensive selection of local and family history resources previously held in storage at Community Hub Central. The resources include maps showing how the town has grown, electoral rolls recording who lived where and an extensive collection of Hartlepool and West Hartlepool parish registers of births, deaths and marriages dating as far back as the 1500s. The centre is free for everyone to use with friendly, expert staff on hand to help and advise. People who are Hartlepool Libraries members can also use its computers to access online resources such as Ancestry, Find My Past and the British Newspaper archive for free too.

Supporting residents during the cost of living crisis

The Council has implemented the Hartlepool Warm Hub scheme with 18 venues registered across the borough, including Council buildings, churches, and a range of voluntary and community groups.

The Council Tax Energy Rebate scheme was extended to all Band E and Band F-H properties and approximately 41,000 households within Hartlepool benefited by this £150 payment.

That is sustainable, clean, safe and green

Parks

The Council has been awarded £85,000 from the Levelling Up Parks Fund and a proposal has been agreed to deliver significant improvements to Burn Valley Gardens, including sustainable play equipment, community space and interactive trails.

Conservation Area Management Plans

Funding of £20,000 was secured from Historic England to revise the Conservation Area Management Plans for the Headland and Seaton Carew. An engagement exercise with interested parties including local residents and business holders has been carried out.

SECTION 1 : Narrative Report

Seascapes Programme

The Seascapes programme has been delivered in partnership with other local authorities promoting the coastline of Hartlepool and achieving excellent outcomes in relation to volunteering, protecting ecology and environment, community excavations and conservation of areas of significance.

Elephant Rock

Elephant Rock successfully hosted a number of events to celebrate the Queens Platinum Jubilee in June 2022.

In November 2022, Elephant Rock was recognised by Constructing Excellence as the winner of the national 'Value' category. This shortlist was made up of all of the regional winners from the Constructing Excellence Network. In the same month, the project was also recognised by the Civil Engineering Contractors Association North East as winner of the following categories; 'Project of the Year (under £1m)' and 'Going the Extra Mile'. This is a fantastic achievement and a real testament to the success of the project and its delivery led by the Consultancy Services in collaboration with a number of other HBC teams.

Hartlepool Railway Station

Works ongoing to re-establish the second platform at Hartlepool Railway Station, which will increase service frequency.

Tackling Climate Change

The Council has adopted its first Climate Pledge and committed to work in partnership with stakeholders to influence and inspire in order to achieve net zero emissions for the Borough by 2050. The Constitution has been strengthened to ensure every Council and committee decision takes account of climate change.

The Council's Net Zero Officer has worked in partnership with Hartlepower to secure financial support for community owned energy assets including a trial of small wind turbines.

The development of the Council's Net Zero Plan is underway and we are approaching completion of the first Carbon Audit of all council assets and operations. Low carbon initiatives delivered this year include the installation of low energy LED lighting in the Civic Centre.

A Sustainability Policy has been adopted for the Tall Ships 2023 event. This sets out the Council's commitment to raising awareness of sustainability initiatives, reducing energy and carbon intensity, limiting water consumption and waste, promoting sustainable and active travel, aiming to reduce plastic use, implementing the waste hierarchy, having 100% material separation of waste, sourcing locally and supporting local businesses, hosting an accessible event and ensuring diversity, inclusion and fair working conditions for all.

A pipeline of investible carbon reduction initiatives is currently being developed so that we can move quickly if and when funding schemes become available.

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

In December 2022, the Council reached agreement with National Highways with regard to the Stage 1 Road Safety Audit which has led to the audit being signed off. This is the catalyst for further progress including detailed design, submission of a planning application and a strategy for land acquisition.

Negotiations with developers continue to secure funding towards the scheme and local road network improvements required to facilitate developments on the western fringe of Hartlepool.

Fly Tipping

The Council has established a multi-agency fly tipping prevention group and since its implementation, fly tipping in Hartlepool has reduced by over 30% on the previous year.

Road Improvement and Safety Schemes

The Highway Maintenance Programme continues to be delivered effectively, with the great majority of the 2022/23 programme completed.

Safety schemes have been completed in Elwick Village and Wynyard Road.

Housing and Energy Efficiency

The Council has been awarded £650,000 to improve the energy efficiency of properties off the gas network. A contractor has been appointed who will arrange for all aspects of the work to be carried out from arranging Energy Performance Certificates (EPCs) and technical surveys through to the installation of measures. Work is also well underway on the Green Homes Grant Local Authority Delivery Scheme Phase 2 to deliver energy efficiency improvements to 79 homes.

SECTION 1 : Narrative Report

Waste Management

The Council is in the process of extending the contract with J&B Recycling Ltd for the sorting of domestic kerbside recyclables. The existing contract was due to expire at the end of March 2023. This will ensure that recyclable waste generated by households within the borough is sorted locally and then reprocessed efficiently by J&B's partner organisations.

A review of commercial waste and recycling collections is ongoing to ensure that the service provided is fair to all customers, and that income received is maximised, so that any operating surplus can be reinvested into essential services.

Car Parking

The Annual Parking Review was presented to members of the Neighbourhood Services Committee in December 2022 and has now been published on the Council's website as per the legislative requirement.

The public consultation responses on the Council's proposed Parking Strategy are to be evaluated and the results will then be reported alongside the final proposed Strategy to Neighbourhood Services Committee.

That has an inclusive and growing economy

Inclusive Growth Strategy

The action plan for the Inclusive Growth Strategy was approved by the Economic Growth and Regeneration Committee in January 2023. This sets out how the Council and its partners will deliver on the Ten Point Plan established in the Strategy. An infographic version of the action plan has also been produced and shared with the Committee.

Hartlepool Restaurant Week

Following the success of the first ever Hartlepool Restaurant Week, which launched in January 2022, the Council's Economic Growth Team held a second event in October which ran from Monday 17th until Sunday 23rd October 2022. A total of 17 businesses were involved in the campaign ranging from small cafes to larger restaurants. Feedback from businesses included: 'Great promotion to encourage customers to use participating venues'; 'Raises awareness of brand and product offering'; 'Gets Hartlepool on the map from further afield'; 'Great idea to promote local restaurants, and create a local vibe that promotes and offers good service locally'.

A third event took place in early 2023, running from Monday 30th January until Sunday 5th February 2023. A total of 18 businesses participated in the campaign and feedback is being obtained in order to inform the future programme.

Town Deal

The following schemes have had their business cases approved by the Department for Levelling Up, Housing and Communities (DLUHC) and have now moved to the delivery phase:

- Waterfront Connectivity. (£6.2m).
- The Health and Social Care Academy in partnership with NHS and HCFE. (£2.25m).
- The Civil Engineering Academy in partnership with Seymours Civil Engineering and HCFE. (£2.25m).
- The Wesley Chapel redevelopment in partnership with Jomast. (£3.8m).

The Reimagining Middleton Grange Business Case has been approved by DLUHC and the Grant Determination letter has been received. A Strategic Delivery partner has been appointed to support the Council in delivering the £13.8m scheme.

The Council has developed a draft Communications and Engagement Strategy for Town Deal to include promoting progress on each of the schemes.

Levelling Up Fund

DLUHC have approved the Council's £16.45m round 2 Levelling Up Fund bid for the development of a Screen Industries Production Village around the Northern Film and TV Studios and completed the due diligence stage.

The Northern Film and TV Studios

A 'Becoming an Industry Supplier' event was held at The BIS on Tuesday 29th November 2022 and attracted over 50 attendees. The Northern Studios is the North East's only large-scale television and film studio complex providing dry hire sound stage and green screen facilities to the screen industry. Situated in Hartlepool, the studios are a fantastic opportunity for the North East region to develop its screen industries sector, attract inward investment and grow the local economy. In order to ensure the benefits of this development are felt locally, local businesses from across Hartlepool and the wider North East were invited to attend this session to find out more about the opportunities available to support the film and TV production industry.

SECTION 1 : Narrative Report

Tall Ships

Over 30 ships have signed up to join the four day Tall Ships event in July 2023. In addition 80 young people have signed up to be sail trainees and 400 people have volunteered to support the free event.

A presentation on the plans for the Tall Ships and how businesses could get involved was given to the Hartlepool Economic Regeneration and Tourism Forum in November 2022.

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

Workforce

Employees now have access to an Employee Benefits platform called Vivup offering a number of salary sacrifice schemes and lifestyle savings benefits with over 750 employees registering on the site in the first few weeks. As part of this contract, employees have access to an independent Employee Assistance Programme with a 24/7 helpline, accessible 365 days per year. This also gives employees access to telephone Counselling support.

The Council was assessed by the Trade Union Council (TUC) North East Better Health at Work Award in December 2022 and was successful in retaining its Maintaining Excellence and Ambassador status, which is the highest quality standard available. The assessment recognised that the Council has in place a strong strategic framework for the health and wellbeing of its employees which is led by the Managing Director. The Health Advocate Network is fully active and the Council have an agreed Health and Wellbeing Programme for 2023 which includes a strong focus on campaigns that support our equality, diversity and inclusion agenda.

A Hybrid Working Policy and Procedure was adopted in February 2023 and alongside the implementation of the Accommodation Review this will support the Council's aim to promote flexible working, modernise the workforce and attract talent.

Consultation and Engagement

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

- Mill House Memories
- Careers Service – Staff Survey
- Learner Survey – Induction (learning and skills service)
- Learner Survey – End of Course (learning and skills service)
- Health and Wellbeing Advocates (Staff Hub)
- New Year: New You
- [Share Your] Winter Hacks and Tips (Staff Hub)
- Contraception After You've had a Baby: Tell Us Your Experiences
- Children's Centres Annual Survey
- Hartlepool Restaurant Week 2023

Digital Progression

The Council continues to develop its digital offer and has been providing increasing opportunities for residents to contact the Council through digital channels. At the end of quarter 4 there were 27,379 HBC self-online accounts and there had been 307,116 transactions delivered digitally during the year. Digital projects delivered include:

- Holiday Activities and Food Programme
- Companion Bus Passes – ability for eligible residents to apply for a pass
- Services to Schools – replacement solution
- Pest Control – easier way for residents to request services
- Garden Waste Subscriptions
- Adult Services Booking Solution

The Digital Team also won a national award for the Sustainable Warmth new digital initiative.

Information Communication Technology and Cyber Security

The new ICT managed contract has been awarded and transition arrangements will soon progress. Our VDI replacement programme has now concluded.

Corporate Peer Review

The Corporate Peer Review took place during early December and overall the feedback was very positive. The Council has received the feedback report which included a number of recommendations. The report was shared with Finance and Policy Committee and Council in January and an action plan has been developed and was agreed by Finance and Policy Committee and Council in March 2023.

SECTION 1 : Narrative Report

COUNCIL PLAN PERFORMANCE 2022/23

94% of primary schools judged as 'good' or better by Ofsted	Council Plan Performance 2022/23	6.1% unemployment rate down from 7.7% in 2019
60% of secondary schools judged as 'good' or better by Ofsted	97.9% of adult social care providers rated as 'good' or 'outstanding' by the Care Quality Commission (CQC)	76.0% of employees who agreed that they were having meaningful check ins with their manager
13.8% Council Tax Base Growth since 2014/15	34.9% of Council spend to local suppliers	65.1% of employees who agreed that they felt that they were maintaining a healthy work – life balance
171 affordable homes delivered (gross)	27,379 active self-online accounts and 307,116 digital transactions made	92.14% Council Tax collection rate (long term rate 98.5%) 98.17% Business Rates collections (long term rate 99.0%)
226 homes improved through energy efficiency measures	18 venues available as Warm Hubs across Hartlepool	94% of 16-17 year olds in education and training

SECTION 1 : Narrative Report

RISK MANAGEMENT ARRANGEMENTS

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

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

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

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

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

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

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

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

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

FINANCIAL PERFORMANCE 2022/23

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 2022/23 – Approved Budget

The Council had prepared a two year Medium Term Financial Strategy (MTFS) covering 2021/22 and 2022/23. This plan reflected the decision to freeze Council Tax in 2021/22 and to defer the Adult Social Care precept of 3%, which could have been implemented in either 2021/22 or 2022/23. To support this plan the Council used reserves of £5.2m to underpin the budget in 2021/22 and recognised that this deferred a significant budget deficit to 2022/23.

By taking this two year approach the Council avoided significant services cuts being made earlier than necessary. This strategy provided a period of service stability in 2021/22, which supported Council services and households to recover from the financial impact of the Covid-19 pandemic.

SECTION 1 : Narrative Report

The detailed 2022/23 budget decisions were made in December 2021, then finalised in early February 2022 when the level of Government funding for 2022/23 was confirmed at a higher level than could have previously been forecast. This vindicated the approach of balancing the budget over two financial years.

The 2022/23 budget deficit increased to £7.3m, which reflected a higher level of forecast inflation. This deficit was addressed through a combination of measures:

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

As highlighted above reserves used to balance the budget reduced from £5.2m in 2021/22 to only £1.1m in 2022/23, which provided a more robust financial base for the Council. This reduction reflected financial benefits of securing an increase in recurring Council Tax income, including the Adult Social Care precept, an increase in Government funding and implementing budget savings.

General Fund 2022/23 – Actual Outturn

The previous years' outturn (2021/22) was marked by the economic impact of the COVID-19 pandemic which had an adverse financial impact on councils, including Hartlepool. Councils received significant financial support from the Government which mitigated the unprecedented financial impact.

The Russian invasion of Ukraine in February 2022 resulted in a huge economic shock during 2022/23 which resulted in a surge in energy prices, which then fed through into inflation – with CPI reaching 11.1% in October 2022. In response Central Banks across the world increased interest rates and this resulted in the Bank of England increasing interest rates from 0.1% in December 2021 to 4.25% in March 2023.

The Council had earmarked one off resources to help mitigate the impact of higher inflation in 2022/23. The scale and duration of inflationary pressures was significantly greater than forecast. Additional one off resources were allocated to fund higher energy costs in 2022/23 and 2023/24. Consequently, all of the allocated one off funding was used in 2022/23.

In addition, in response to the level of inflation, a higher national pay award was agreed for 2022/23 than Councils, including Hartlepool, had budgeted for. This had to be funded in 2022/23 and the recurring impact then addressed when setting the 2023/24 budget.

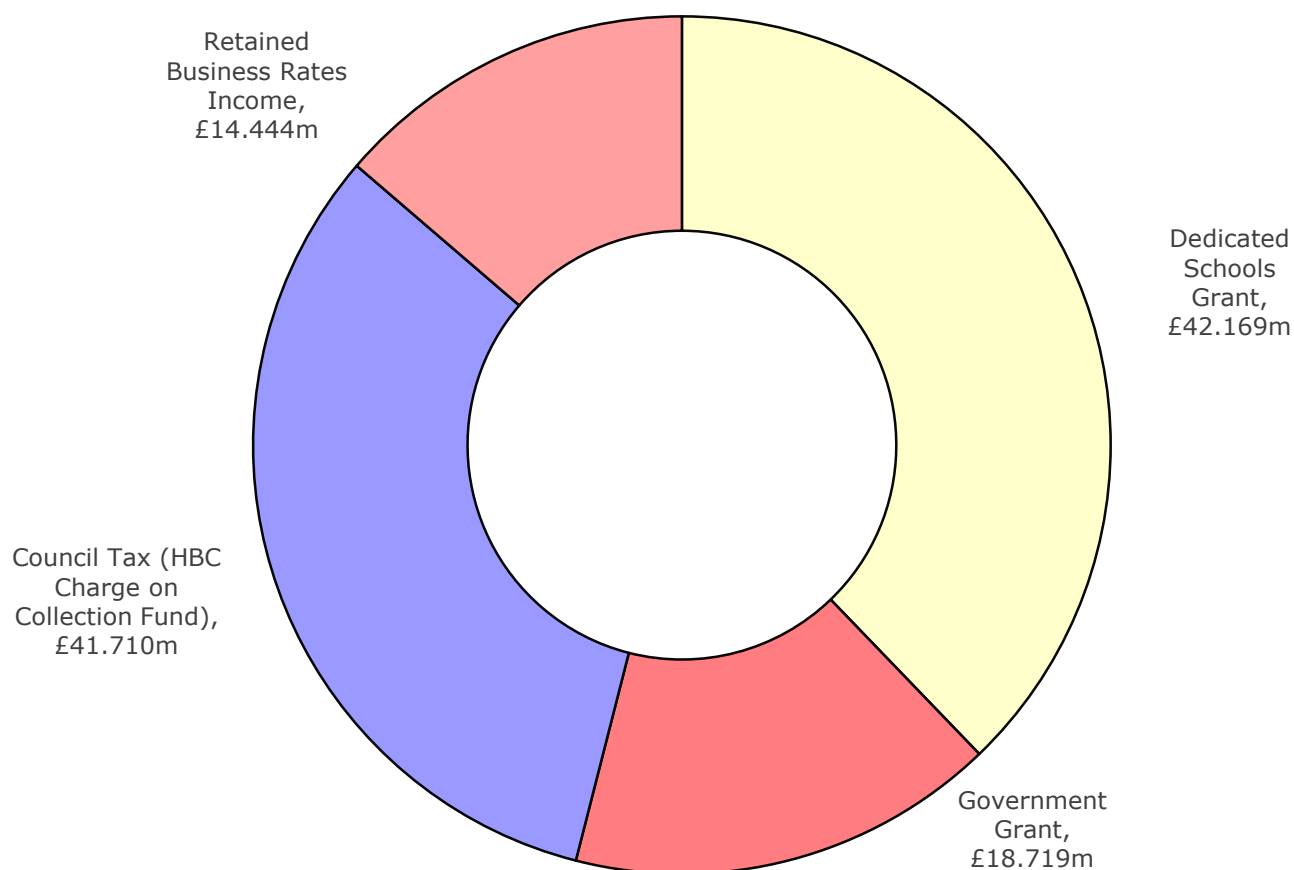
In response to these financial challenges the Council worked hard to mitigate the impact of higher costs and determined not to implement in-year budget cuts in order to protect services. This decision was made on the basis of managing expenditure robustly and earmarking up to £1.369m of the Budget Support Fund to meet higher service costs in 2022/23.

The outturn position is summarised in the table below and shows a financial contribution from the Budget Support Fund of £0.962m.

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Description of Expenditure	2022/23 Approved Budget £000	2022/23 Actual Expenditure / (Income) £000	2022/23 Variance Adverse / (Favourable) £000
Departmental Expenditure			
Adult & Community Based	35,535	35,197	(338)
Children's & Joint Commissioning	26,636	29,042	2,406
Neighbourhoods and Regulatory	18,907	19,801	894
Resources and Development (incl Legal)	5,056	5,009	(47)
Dedicated Schools Grant Related Expenditure	42,169	42,169	-
Housing Revenue Account	-	(5)	(5)
Total Departmental Position	128,303	131,213	2,910
Non Departmental Expenditure	(11,261)	(11,274)	(13)
NI Saving	-	(260)	(260)
Use of Income Reserve	-	(680)	(680)
Use of Inflation Reserve	-	(1,000)	(1,000)
Housing Revenue Account	-	5	5
Final Contribution from Budget Support Fund	117,042	118,004	962

The Council's budget of £117.042m, including the Dedicated Schools Grant of £42.169m, was funded from the following sources:



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Housing Revenue Account (HRA)

This is a separate account and contains the costs of owning and maintaining properties which are let 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.

Although there was a £0.005m surplus in relation to the HRA at 31 March 2023, this represents an adverse variance of £0.009m compared to the budgeted surplus of £0.014m. There were a number of adverse variances in relation to income including loss of rental income from right to buy disposals and the delayed let dates from the original forecast in relation to new Hill View properties. There were a number of compensating favourable variances in relation to expenditure. These included lower interest payable than budgeted as a result of the phasing of capital expenditure, and owing to their nature, a proportion of repairs funded from the Major Repairs Reserve rather than the HRA. The HRA reserve increased by £0.005m to £0.500m. As at 31 March 2023 the HRA stock is 324 properties of which 18 new build homes were added during 2022/23 and 3 properties were disposed of through 'Right to Buy' sales.

Pooled Budgets - Better Care Fund

The Better Care Fund (BCF) has been established by the Government to support the introduction of a fully integrated health and social care system. Section 75 of the National Health Service Act 2006 gives powers to Local Authorities and Integrated Care Boards (ICBs) (formerly 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 North East and Cumbria Integrated Care Board (formerly 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 2022/23 the Council had a total Capital Programme of £84.555m and incurred expenditure totalling £17.409m.

	£000	%
Expenditure		
Other Schemes	8,977	51%
Highway Maintenance & Construction	2,553	15%
Housing Investment Programme	2,332	13%
School Improvements	1,216	7%
Disabled Facility Grant	1,169	7%
Vehicle Purchase	1,162	7%
Total Expenditure	17,409	100%

Capital Financing

Capital Grant	12,072	69%
Borrowing	3,847	22%
Capital Funding Reserves	1,417	8%
Capital Receipts	73	1%
Total Capital Financing	17,409	100%

As at 31 March 2023, the Council had rephased capital expenditure totalling £67.146m into 2023/24. This will be funded from the following rephased resources.

Capital Financing	£000
Borrowing	40,583
Government Grants	20,428
Capital Funding Reserves	5,873
Capital Receipts	262
	67,146

SECTION 1 : Narrative Report

The rephased capital expenditure of £67.146m includes the following schemes:

Rephased Scheme	£000
The A19 Elwick Road/North Lane Junction and Elwick Road/Hartlepool Western Link Project	10,479
HRA	7,804
Highlight New Leisure Centre	7,677
Vehicle Purchase	6,597
Towns Deal Middleton Grange	3,344
Wingfield Castle	2,898
START - Substance Misuse Service	2,800
	<u>41,599</u>

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 £1.314m in 2022/23 from the sale of assets.

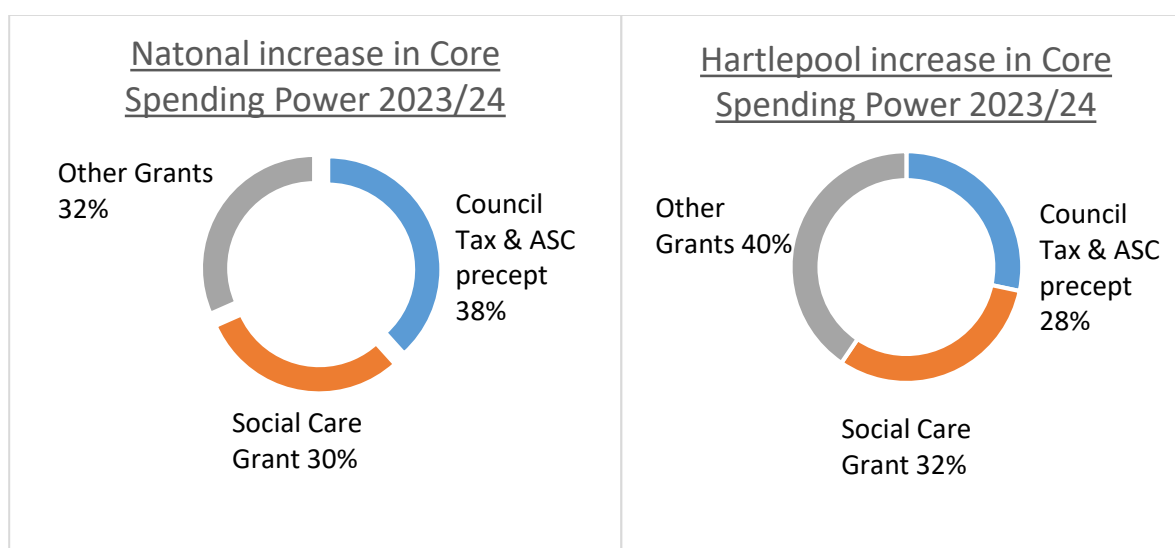
FINANCIAL OUTLOOK – GENERAL FUND 2023/24 TO 2026/27

The Government provided a one year grant settlement for 2023/24, which is the fifth one year settlement. A policy statement relating to 2024/25 was also issued, although the detailed impact on individual councils will not be known until the actual 2024/25 settlement is issued. This will provide details of actual Council Tax referendum limits set by the Government and the level of Revenue Support Grant which will reflect the September 2023 CPI.

The grant settlement for 2023/24 was more favourable than anticipated and at a national level provided an increase in core spending power (the Government's measure of resources available for local services) of £5 billion. Of this amount Government figures forecast 38% - £1.916 billion coming from Council Tax and the ASC precept. This underlines the continued reliance of the current funding system on Council Tax and the ASC precept to partly fund local services.

The grant formula benefitted Hartlepool, which meant only 28% of the increase in core spending power relied on Council Tax and the ASC precept.

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



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

SECTION 1 : Narrative Report

As a result the Council faced a budget deficit of £10.0m, which was funded from:

- Increase in Government Funding £2.9m
- Savings £2.4m
- Council Tax and ASC precept £2.3m
- Reserves £2.4m

The Council will face continuing financial pressures during 2023/24 from the impact of inflation and an anticipation of the national pay award for 2023/24 will exceed the 5% provision included in the budget. The budget will continue to be managed carefully in 2023/24.

The position for 2024/25 to 2026/27 will remain challenging and will depend on the level of future inflation. Certainty regarding Government funding will not be provided until after the next General Election. This issue makes financial planning extremely challenging and the Council is currently planning on a three year deficit of up to £11.235m before Council Tax increases and any additional budget pressure. This figure could potentially be reduced to £6.683m - around 7% of the budget. This position highlights the structural financial challenge facing councils as the funding system is based on increasing Council Tax.

Current Forecast deficits 2024/25 to 2026/27

	2024/25 £'m	2025/26 £'m	2026/27 £'m
Forecast deficit before ASC and Council Tax increases.	4.084	3.545	3.606
Less – Forecast ASC precept (2%)	(0.989)	0	0
Less – Forecast Core Council Tax increase (2.9% for 24/25, then 2% for 25/26 and 26/27)	(1.432)	(1.049)	(1.082)
Forecast deficit after potential ASC and Council Tax increases.	1.663	2.496	2.524

The budget forecasts will be updated during 2023 and a strategy will be developed to address the updated deficits.

BORROWING FACILITIES AND INVESTMENT STRATEGY

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

The Council continues to keep under review the most opportune approach to borrowing. Given the increase in interest rates experienced during 2022, no long term borrowing has been entered into, however, during the financial year end a short term loan was taken out for 4 months at a rate of 4.4% to manage the cash balances being used to fund the capital programme in the short to medium term. This ensured that the Council was not exposed to increased costs at a time of volatility and relatively high interest rates. The position will be kept under review, with the potential for more short term borrowing options if these are determined to be most cost effective, when the need to borrow arises, pending a reduction in longer term rates.

The increase in interest rates also presented the Council with an opportunity to maximise investment returns over the short to medium term. Detailed cash flow modelling has allowed investments to be placed for a longer time period (up to a year) with a number of institutions, so as to achieve the higher rates of investment interest now available. This pro-active approach will enable the Council to generate an additional forecast £2.5m over the coming three financial years, making a significant one-off contribution to the Medium Term Financial Plan.

PENSIONS

The Council has accounted for retirement benefits according to International Financial Reporting Standard (IFRS) IAS 19. In the accounts as at 31 March 2023 there was a surplus on the Pensions Reserve of £75.745m (a deficit of £129.546m in 2021/22). The net Pensions Liability has changed mainly owing to actuarial gains on financial assumptions.

The Council is a member of the Teesside Pension Fund and the statutory arrangements for this scheme mean that any 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.

SECTION 1 : Narrative Report

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.

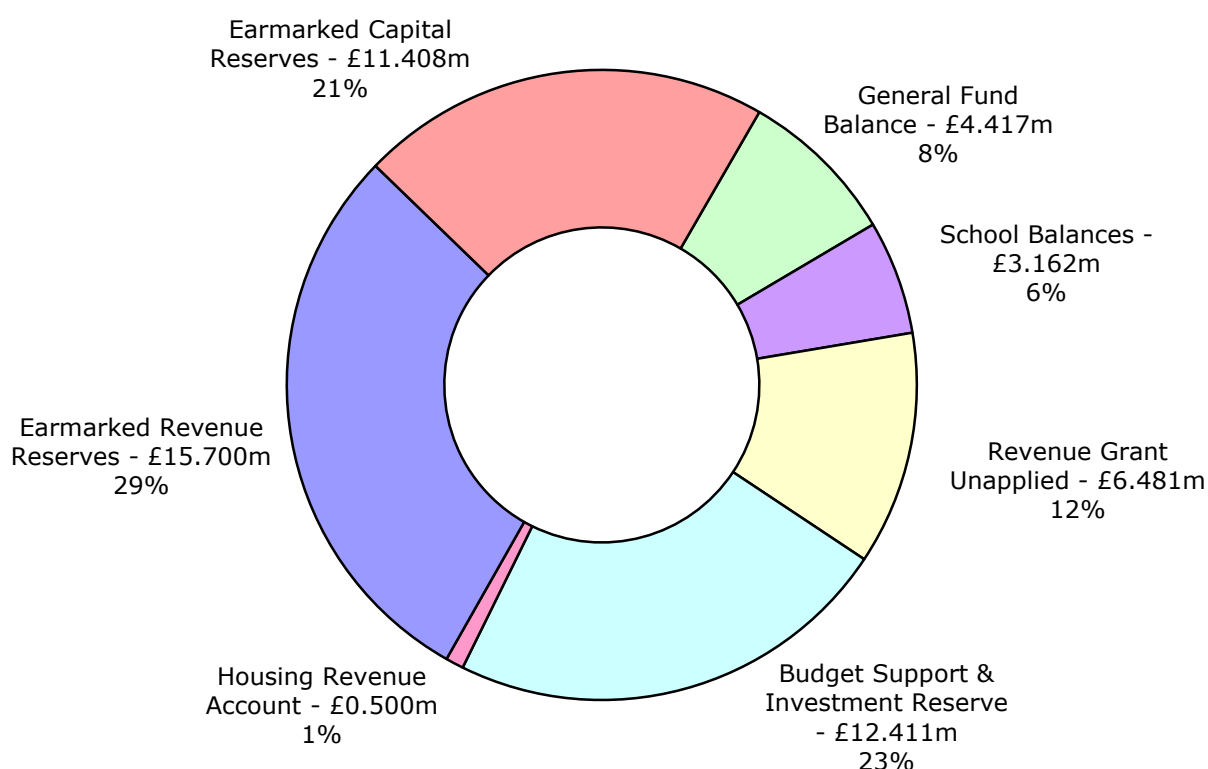
Balance Sheet

The Balance Sheet shows the value of the assets and liabilities at 31 March 2023. 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 £11.898m which comprises expenditure on fixed assets, downward revaluations of existing assets, less depreciation and disposals.
- Owing to actuarial gains on financial assumptions, the Authority now holds a pension asset of £75.745m as at 31 March 2023 (pension liability of £129.546m as at 31 March 2022).
- Short Term Debtors - totalled £31.887m as at 31 March 2023 (£36.586m at 31 March 2022). The decrease mainly relates to central government debtors.
- Short Term Creditors – as at 31 March 2023 was £27.213m (£29.536m at 31 March 2022). The decrease primarily to central government creditors.
- Capital Grant Receipts in advance – as at 31 March 2023 was £20.420m (£14.379m at 31 March 2022). The majority of the increase relates to grants in advance from DLUHC.
- Revenue Grant Receipts in advance – as at 31 March 2023 was £3.033m (£2.322m at 31 March 2022). The increase mainly relates to government grants.
- Other long term liabilities – as at 31 March 2023 was £0.664m (£129.861m at 31 March 2022). The majority of this decrease related to the Council's defined benefit pension scheme which is now in a net Asset position.
- At the 31 March 2023 the Authority had usable reserves of £54.079m (£55.618m at 31 March 2022). Full details of the Council's reserves are provided in Notes 30 to 37 and include the following key reserves:

Analysis of Reserves 31/03/23 - Total £54.079m



SECTION 1 : Narrative Report

This excludes £1.696m of grant funding the Government has provided to meet Collection Fund deficits arising from the impact of COVID-19. This funding will be used during 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 (NNDR). The Fund is operated and reported on under the same accounting policies as Hartlepool Borough Council.

The total Council Tax for the year was £2,194.40 (£2,097.07 in 2021/22) for Band D properties, excluding parish precepts where these applied. This comprised £1,836.81 for the Council's own services, £275.73 for the Police and Crime Commissioner and £81.86 for Cleveland Fire Authority. Each Authority determined its own tax and made a precept on the Collection Fund.

The Council Tax for the Council's services was determined on the basis of an equated number of 34,998 Band D properties. When setting the charge a 1.5% allowance for non-collection was made. The Council Tax Base for the year was 24,928.

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

	£000	%
Expenditure		
Hartlepool Council Precept	45,845	61%
Police and Crime Commissioner Precept	6,873	9%
Cleveland Fire Authority Precept	2,041	3%
Central Government's Share NNDR	14,739	19%
Hartlepool Council NNDR Precept	14,444	19%
Cleveland Fire Authority NNDR Precept	295	0%
Other (Including contribution to previous years deficit)	(8,511)	(11%)
	75,726	100%
Income		
Council Tax	55,477	64%
NNDR from Rate Payers	30,822	36%
	86,299	100%
Net Deficit / (Surplus) in Year	(10,573)	

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.

SECTION 1 : Narrative Report

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 2022/23 financial year the inspection period is 19 June 2023 to 28 July 2023.

A handwritten signature in blue ink, appearing to read 'J. Magog', is positioned above a faint, light blue rectangular stamp.

James Magog
Director of Finance, IT and Digital
Date: 16 June 2023

SECTION 2 : Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

I confirm that the accounts set out in this document were approved by the Audit and Governance Committee at the meeting held on xx xxx 2023.

Chair of Audit and Governance Committee

Date: xx/xx/xx

The Director of Finance, IT and Digital Responsibilities

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

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

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

The Director of Finance, IT and Digital has also:

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

Certification of the Accounts by the Director of Finance, IT and Digital

In accordance with the requirements of the Accounts and Audit Regulations 2015, I certify that Section 1 to 3 of the Financial Report 2022/23, 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 2023.



James Magog CPFA
Director of Finance, IT and Digital
Date: 16 June 2023

SECTION 3 : Statement of Accounts

Movement in Reserves Statement for the year ended 31 March 2023

	General Fund Balance	Earmarked General Fund Reserves	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2021 carried forward	4,417	18,737	35,013	495	1,172	-	8	59,842	(15,686)	44,156
<u>Movement in reserves during 2021/22</u>										
Surplus or (deficit) on provision of services	(15,316)	-	-	155		-	-	(15,161)	-	(15,161)
Other Comprehensive Income and Expenditure	-	-	-			-	-	-	102,061	102,061
Total Comprehensive Income and Expenditure	(15,316)	-	-	155	-	-	-	(15,161)	102,061	86,900
Adjustments between accounting basis & funding basis under regulations (note 5)	18,088	-	-	(11)	187	63	-	18,327	(18,327)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	2,772	-	-	144	187	63	-	3,166	83,734	86,900
Transfers to/(from) Earmarked Reserves	(2,772)	(2,674)	5,447	(144)	144	-	-	-	-	-
Increase/(Decrease) in Year	-	(2,674)	5,447	-	331	63	-	3,166	83,734	86,900
Balance at 31 March 2022 carried forward	4,417	16,063	40,460	495	1,503	63	8	63,008	68,048	131,056
<u>Movement in reserves during 2022/23</u>										
Surplus or (deficit) on provision of services	(40,595)	-	-	144		-	-	(40,451)	-	(40,451)
Other Comprehensive Income and Expenditure	-	-	-			-	-	-	232,385	232,385
Total Comprehensive Income and Expenditure	(40,595)	-	-	144	-	-	-	(40,451)	232,385	191,934
Adjustments between accounting basis & funding basis under regulations (note 5)	33,022	-	(1,154)	112	10	1,228	-	33,218	(33,218)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(7,573)	-	(1,154)	256	10	1,228	-	(7,233)	199,167	191,934
Transfers to/(from) Earmarked Reserves	7,573	(490)	(7,084)	(251)	251	-	-	-	-	-
Increase/(Decrease) in Year	-	(490)	(8,238)	5	261	1,228	-	(7,233)	199,167	191,934
Balance at 31 March 2023 carried forward	4,417	15,573	32,222	500	1,764	1,291	8	55,775	267,215	322,990

For detail on Usable and Unusable Reserves see Notes 30-37 and 38.

SECTION 3 : Statement of Accounts

Comprehensive Income and Expenditure Statement for the year ended 31 March 2023

2021/22			2022/23				
£000s	£000s	£000s		£000s	£000s	£000s	
Expenditure	Income	Net	Continuing operations:	Expenditure	Income	Net	Note
80,110	(42,212)	37,898	Adult and Community Based Services	81,505	(42,157)	39,348	7
101,394	(69,183)	32,211	Children's and Joint Commissioning	105,413	(69,405)	36,008	7
15,519	(20,671)	(5,152)	Corporate	12,888	(13,487)	(599)	7
41,024	(17,500)	23,524	Neighbourhoods and Regulatory Services	43,219	(18,220)	24,999	7
37,784	(29,508)	8,276	Resources & Development	35,937	(28,010)	7,927	7
832	(1,318)	(486)	HRA	1,004	(1,432)	(428)	7
276,663	(180,392)	96,271	Cost of Services	279,966	(172,711)	107,255	
468	(378)	90	Other Operating Expenditure	24,279	(1,230)	23,049	8
17,982	(11,901)	6,081	Financing and Investment Income and Expenditure	23,308	(17,538)	5,770	9
-	(87,281)	(87,281)	Taxation and Non-Specific Grant Income	-	(95,623)	(95,623)	10
295,113	(279,952)	15,161	(Surplus) / Deficit on Provision of Services	327,553	(287,102)	40,451	
		(1,343)	(Surplus) / Deficit on Revaluation of Property, Plant and Equipment			(10,057)	38 Table 1
		(100,717)	Remeasurement of net defined benefit liability / (asset)			(222,328)	38 Table 3
		(102,060)	Other Comprehensive Income and Expenditure			(232,385)	
		(86,899)	Total Comprehensive Income and Expenditure			(191,934)	

SECTION 3 : Statement of Accounts

Balance Sheet as at 31 March 2023

31 March 2022 £000s		31 March 2023 £000s	Note
289,829	Property, Plant & Equipment	277,810	14
17,751	Heritage Assets	17,767	17
9,804	Investment Property	9,828	16
277	Intangible Assets	125	18
197	Long Term Investments	-	19
-	Pension Asset	75,745	19
3,771	Long Term Debtors	3,408	20
321,629	Long Term Assets	384,683	
40,015	Short Term Investments	50,896	45
549	Inventories	506	21
36,586	Short Term Debtors	31,887	22
6,229	Cash & Cash Equivalents	8,154	24
365	Assets Held for Sale	446	25
83,744	Current Assets	91,889	
(3,336)	Bank Overdraft	(3,665)	24
(2,485)	Provisions	(2,086)	27
(1,378)	Short Term Borrowing	(6,405)	45
(29,536)	Short Term Creditors	(27,213)	26
(14,379)	Capital Grants Receipts in Advance	(20,420)	29
(2,322)	Revenue Grant Receipts in Advance	(3,033)	29
(53,436)	Current Liabilities	(62,822)	
(1,154)	Provisions	(1,163)	27
(89,866)	Long Term Borrowing	(88,933)	45
(129,861)	Other Long Term Liabilities	(664)	28
(220,881)	Long Term Liabilities	(90,760)	
131,056	Net Assets:	322,990	
4,417	Unearmarked General Fund Balances	4,417	30
11,522	Budget Support & Investment Reserves	12,411	31
5,592	Revenue Grants Unapplied	6,481	32
19,090	Earmarked Revenue Reserves	15,700	33
9,961	Earmarked Capital Reserves	11,408	34
4,541	School Balances	3,162	36
495	Housing Revenue Account Balance	500	37
7,390	COVID-19 Council Tax and Business Rates Collection Fund Deficit Reserve	1,696	35
68,048	Unusable Reserves	267,215	38
131,056	Total Reserves:	322,990	

SECTION 3 : Statement of Accounts

Statement Of Cash Flows For The Year Ended 31 March 2023

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.

2021/22 £000s		2022/23 £000s	Note
(15,161)	Net Surplus / (Deficit) on the Provision of Services	(40,451)	
33,741	Adjustments to Net Surplus / (Deficit) on the Provision of Services for Non-cash Movements	51,291	48
(11,218)	Adjustments for items included in the Net Surplus / (Deficit) on the Provision of Services that are Investing and Financing Activities	(13,189)	49
7,362	Net Cash (Outflow) / Inflow from Operating Activities	(2,349)	
(32,160)	Investing Activities	(2,893)	50
12,451	Financing Activities	6,838	51
(12,347)	Net Increase / (Decrease) in Cash and Cash Equivalents	1,596	
15,240	Cash and Cash Equivalents at the beginning of the reporting period	2,893	
2,893	Cash and Cash Equivalents at the end of the reporting period	4,489	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 2022/23 financial year and its position at the year-end of 31 March 2023. 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 2022/23, 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 sold its minority shares in Suez Recycling and Recovery Tees Valley Limited in 2022/23. These share holdings originated through policy initiatives with other Local Authorities and are not held for trading or income generation. Therefore the Council have elected to designate the equity as Fair Value through other Comprehensive Income.

11. Inventories and Long Term Contracts

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

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

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

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

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

12. Investment Property

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

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

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

13. Leases

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

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

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

SECTION 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 1st April 2007, increases in asset valuations are credited to the Revaluation Reserve.

The asset valuations have been prepared using the following assumptions:

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

SECTION 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 – the authority has decided not to disclose gross cost and accumulated depreciation of infrastructure in the financial statements and instead maintain this information as memorandum information. The basis and rationale for this decision is Note 14 together with the determination that the carrying amount of derecognised infrastructure is nil. Note 14 also sets out the useful lives of various classes of infrastructure that have been determined through discussion with the authority's engineers.
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Surplus and Investment assets - fair value, determined using the basis of market value (FV-MV)
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

SECTION 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 His 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 2022/23 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 2023/24 Code are:

- IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year).
Where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 statements of accounts
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.

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

Note 2: Critical Judgements in applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government beyond 2023/24. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has 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 Church of England Diocese of Durham.
 - One Foundation School which is owned by the School Governing Body.
 - Eight Community Schools owned by the Council.
 - Twenty-eight Academy Schools which the Council have transferred to the Academies under 125 year leases.

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

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

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

SECTION 3 : Statement of Accounts

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

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

The items in the Council's Balance Sheet at 31 March 2023 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 £8.718m, however, the assumptions interact in complex ways. During 2022/23, the Council's actuaries advised that the net pension liability for funded LGPS benefits had become a net pension asset resulting from a reduction in liabilities of £262.337m as a result of updating financial assumptions, increase of £4.361m as a result of changes in demographic assumptions and a decrease of £37.283m attributable to liability experience. Actual pension rates are determined on an actuarial basis every 3 years. The latest valuation has determined the employer's contribution for 3 years from 31st March 2022. A 0.1% increase in this rate would increase the Council's revenue budget requirement for pension costs by

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

Note 4: Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance, IT and Digital on 16 June 2023. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

SECTION 3 : Statement of Accounts

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

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

2022/23	Usable Reserves							
	Unearmarked General Fund Balance £000s	School, Budget Support and Investment Reserves £000s	Earmarked Revenue & Capital Reserves £000s	Housing Revenue Account £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Capital Adjustment Account:								
<u>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement</u>								
Charges for Depreciation and Impairment of Non-current Assets	10,133	-	-	385	-	-	-	(10,518)
Charges for Revaluation losses / gains on Property Plant and Equipment	460	-	-	(111)	-	-	-	(349)
Movements in the Market Value of Investment Properties	896	-	-	-	-	-	-	(896)
Capital Grants and Contributions	(12,072)	-	-	-	-	-	-	12,072
Direct Revenue Funding	(53)	-	(1,154)	-	-	-	-	1,207
Revenue Expenditure Funded from Capital Under Statute	3,656	-	-	-	-	-	-	(3,656)
Amounts of Non-current Assets written off on Disposal or Sale as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement	24,098	-	-	-	-	-	-	(24,098)
<u>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement</u>								
Provision for the Financing of Capital Investment (MRP)	(2,865)	-	-	-	-	-	-	2,865
Adjustments primarily involving the Capital Grants Unapplied Account:								
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of Cash Sale Proceeds Credited as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement	(1,314)	-	-	-	-	1,314	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	-	(86)	-	86
Adjustments primarily involving the major Repairs Reserve:								
Transfer to Major Repairs Reserve	-	-	-	(220)	220	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	-	(210)	-	-	210

SECTION 3 : Statement of Accounts

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

2022/23	Usable Reserves							
	Unearmarked General Fund Balance £000s	School, Budget Support and Investment Reserves £000s	Earmarked Revenue & Capital Reserves £000s	Housing Revenue Account £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
	Adjustments primarily involving the Pensions Reserve:							
	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	24,571	-	-	81	-	-	-
Employer's Pension Contributions and Direct Payments to Pensioners payable in year	(7,592)	-	-	(23)	-	-	-	7,615
Adjustments Primarily involving the Collection Fund Adjustment Account:								
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax and income calculated for the year in accordance with statutory requirements	(5,323)	-	-	-	-	-	-	5,323
Adjustments primarily involving the Accumulated Absences Adjustment Account:								
Amount by which Officer Remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	(1,770)	-	-	-	-	-	-	1,770
Adjustments Primarily involving the Financial Instruments Revaluation Reserve:								
Derecognition of gains in relation to the available for sale financial instruments on sale of preference shares.	197							(197)
Total Adjustments	33,022	-	(1,154)	112	10	1,228	-	(33,218)

2021/22	Usable Reserves							
	Unearmarked General Fund Balance £000s	School, Budget Support and Investment Reserves £000s	Earmarked Revenue & Capital Reserves £000s	Housing Revenue Account £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Capital Adjustment Account:								
<u>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement</u>								
Charges for Depreciation and Impairment of Non-current Assets	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 & Expenditure Statement</u>								
Provision for the Financing of Capital Investment (MRP)	(2,647)	-	-	-	-	-	-	2,647

SECTION 3 : Statement of Accounts

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

2021/22	Usable Reserves						
	Unearmarked General Fund Balance	School, Budget Support and Investment Reserves	Earmarked Revenue & Capital Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Grants Unapplied Account:							
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of Cash Sale Proceeds Credited as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement	(189)	-	-	-	-	189	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	-	(126)	126
Use of Capital Receipts to repay prudential borrowing	-	-	-	-	-	-	-
Adjustments primarily involving the major Repairs Reserve:							
Transfer to Major Repairs Reserve	-	-	-	(201)	201	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	-	(14)	-	14
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	27,677	-	-	75	-	-	(27,752)
Employer's Pension Contributions and Direct Payments to Pensioners payable in year	(7,564)	-	-	(19)	-	-	7,583
Adjustments Primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax and income calculated for the year in accordance with statutory requirements	(3,802)	-	-	-	-	-	3,802
Adjustments primarily involving the Accumulated Absences Adjustment Account:							
Amount by which Officer Remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	(153)	-	-	-	-	-	153
Total Adjustments	18,088	-	-	(11)	187	63	(18,327)

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 2022/23. Further details are provided in Notes 30 to 36.

	Balance at 31 March 2021	Transfer Between Reserves	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31 March 2022	Transfer Between Reserves	Transfers Out 2022/23	Transfers In 2022/23	Balance at 31 March 2023
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<u>Unearmarked General Fund Balance</u>									
General Fund Balance	4,417	-	-	-	4,417	-	-	-	4,417
	4,417	-	-	-	4,417	-	-	-	4,417
<u>Budget Support & Investment Reserves</u>									
Budget Support Fund 22/23 to 26/27	7,691	-	-	286	7,977	4,362	(2,921)	1,131	10,549
Budget Support Fund 21/22	4,312	-	(4,312)	-	-	-	-	-	-
COVID-19 Recovery Reserve	1,653	-	-	714	2,367	(1,367)	-	-	1,000
Looked After Children Reserve	1,061	-	-	-	1,061	-	(310)	-	751
Budget Support Fund - Invest to Save	333	-	(216)	-	117	-	(6)	-	111
	15,050	-	(4,528)	1,000	11,522	2,995	(3,237)	1,131	12,411
<u>Revenue Grants Unapplied</u>									
Revenue Grants Unapplied	4,896	-	(295)	711	5,312	-	(300)	1,326	6,338
COVID-19 Grants Reserve	341	-	(170)	109	280	-	(137)	-	143
	5,237	-	(465)	820	5,592	-	(437)	1,326	6,481
<u>Earmarked Revenue Reserves</u>									
Business Rates Risk Reserve	3,000	-	-	-	3,000	-	-	-	3,000
Treasury Management Risk Reserve	1,735	-	-	400	2,135	-	-	325	2,460
Insurance Fund	2,285	-	(2)	83	2,367	-	(13)	54	2,408
Strategic Change Reserve	1,416	-	(240)	738	1,913	(177)	(204)	297	1,829
Energy Pressures	-	-	-	1,820	1,820	-	(300)	-	1,520
Public Health Grant Reserve	514	-	-	440	954	-	-	392	1,346
Adult Social Care Reserve	1,040	-	(245)	464	1,259	(280)	(224)	188	943
Better Care Fund (Pooled Budget)	444	-	-	550	994	-	(658)	165	501
Waste Equalisation Reserve	-	-	-	330	330	-	-	-	330
EIS Reserve	316	-	-	-	316	-	-	-	316
Support for Local Council Tax Support Scheme	300	-	-	-	300	-	-	-	300
Income Risk Reserve	309	-	-	680	989	-	(696)	-	293
ICT Contract Reserve	-	-	-	200	200	-	-	-	200
CECA Trading equalisation Reserve	5	-	-	-	5	-	(95)	90	-
Events Reserve	265	-	(76)	2	191	-	(134)	-	57
Peer Review	-	-	-	-	-	-	-	50	50
Community Pot Reserve	312	-	-	54	366	(200)	(121)	-	45
National Museum Of the Royal Navy Reserve	38	-	-	-	38	-	-	-	38
Museums Acquisition	29	-	-	1	30	-	-	3	33
Works in Default Empty Homes	15	-	-	-	15	-	-	-	15
Funding for Modern Apprentices	13	-	-	-	13	-	-	-	13
Tees Education & Skills Reserve - Held in Trust	11	-	-	4	15	-	(11)	-	4
Supporting Family Poverty	77	-	-	16	93	(93)	-	-	-
Better Care Fund Reserve	220	-	-	-	220	(220)	-	-	-
School Attainment Reserve	175	-	-	-	175	(175)	-	-	-
Environmental Apprenticeship Scheme	17	-	-	-	17	(17)	-	-	-
Inflation Pressures	-	-	-	1,000	1,000	-	(1,000)	-	-
Concessionary Fares	302	-	(94)	-	208	(208)	-	-	-
Brexit Funding	315	(315)	-	-	-	-	-	-	-
Trading Account Reserve	218	-	(90)	-	128	(128)	-	-	-
	13,371	(315)	(747)	6,781	19,090	(1,498)	(3,456)	1,564	15,700
<u>Earmarked Capital Reserves</u>									
Capital Funding Reserve	5,817	315	(312)	2,567	8,387	-	(1,506)	1,464	8,345
HRA Major Repairs Reserve	1,172	-	(14)	345	1,503	-	(210)	471	1,764
Capital Grants Unapplied	8	-	-	-	8	-	-	-	8
Capital Receipts Unapplied	-	-	(126)	189	63	-	(86)	1,314	1,291
	6,997	315	(452)	3,101	9,961	-	(1,802)	3,249	11,408
<u>COVID-19 Council Tax and Business Rates Collection Fund Deficit Reserve</u>									
COVID-19 Council Tax and Business Rates	10,588	-	(5,989)	2,791	7,390	(1,500)	(4,194)	-	1,696
Collection Fund Deficit Reserve	10,588	-	(5,989)	2,791	7,390	(1,500)	(4,194)	-	1,696
<u>School Balances</u>									
Balances held by schools under a scheme of delegation	2,054	-	(2,275)	3,151	2,930	118	(3,154)	2,489	2,383
Dedicated Schools Grant Reserves	1,256	-	(418)	391	1,229	(118)	(778)	401	734
Ring Fenced Grants Reserves - Held in Trust for Schools	377	-	(379)	384	382	-	(416)	79	45
	3,687	-	(3,072)	3,926	4,541	-	(4,348)	2,969	3,162
<u>Housing Revenue Account Balance</u>									
HRA Balance	495	-	-	-	495	-	-	5	500
	495	-	-	-	495	-	-	5	500

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	2021/22		Net Expenditure in the Comprehensive Income and Expenditure Statement		2022/23		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments Between the General Fund and the Comprehensive Income and Expenditure Statement				Adjustments Between the General Fund and the Comprehensive Income and Expenditure Statement		
£000s	£000s	£000s			£000s	£000s	£000s
33,760	4,138	37,898	Adult & Community Based Services		35,197	4,151	39,348
26,140	6,071	32,211	Children's & Joint Commissioning Services		29,042	6,966	36,008
(12,517)	7,365	(5,152)	Corporate		(13,214)	12,615	(599)
18,755	4,769	23,524	Neighbourhood and Regulatory Services		19,801	5,198	24,999
4,591	3,685	8,276	Resources and Development		5,009	2,918	7,927
-	(486)	(486)	HRA		(5)	(423)	(428)
43,157	(43,157)	-	Schools		42,169	(42,169)	-
113,886	(17,615)	96,271	Net Cost of Services		117,999	(10,744)	107,255
(114,172)	33,062	(81,110)	Other Income and Expenditure		(117,042)	50,238	(66,804)
(286)	15,447	15,161	(Surplus) or Deficit		957	39,494	40,451
4,912			Opening General Fund & HRA Balance		4,912		
286			Less/Plus Surplus or (Deficit) on General Fund Balance in Year		(962)		
(286)			Transfer Between Earmarked & General Fund Reserves		962		
-			Less/Plus Surplus or (Deficit) on HRA Balance in Year		-		
-			Transfer Between Earmarked & HRA Reserves		5		
4,912			Closing General Fund & HRA Balance at 31 March		4,917		

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Note 7A: Note to the Expenditure and Funding Analysis

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

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	2022/23		Total Adjustments
			Other Statutory Differences (Note 3)	Other Non-Statutory Difference (Note 4)	
	£000s	£000s	£000s	£000s	£000s
Adult and Community Based Services	142	2,857	1,152	-	4,151
Children's and Joint Commissioning	2,960	5,650	(2,397)	753	6,966
Corporate	(60)	-	-	12,675	12,615
Neighbourhood and Regulatory Services	4,849	3,056	(2,707)	-	5,198
Resources and Development	-	1,773	825	320	2,918
HRA	54	45	-	(522)	(423)
Schools	-	-	-	(42,169)	(42,169)
Net Cost of Services	7,945	13,381	(3,127)	(28,943)	(10,744)
Other Income and Expenditure from the Expenditure and Funding Analysis	15,272	3,656	(78)	31,388	50,238
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	23,217	17,037	(3,205)	2,445	39,494

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	2021/22		Total Adjustments
			Other Statutory Differences (Note 3)	Other Non-Statutory Difference (Note 4)	
	£000s	£000s	£000s	£000s	£000s
Adult and Community Based Services	859	3,239	(25)	65	4,138
Children's and Joint Commissioning	3,991	6,694	27	(4,641)	6,071
Corporate	1,453	-	-	5,912	7,365
Neighbourhood and Regulatory Services	-	2,019	203	1,463	3,685
Resources and Development	4,233	3,504	(358)	(2,610)	4,769
HRA	(67)	43	(144)	(318)	(486)
Schools	-	-	-	(43,157)	(43,157)
Net Cost of Services	10,469	15,499	(297)	(43,286)	(17,615)
Other Income and Expenditure from the Expenditure and Funding Analysis	(8,604)	4,514	(3,802)	40,954	33,062
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	1,865	20,013	(4,099)	(2,332)	15,447

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

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

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

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

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Note 7B: Expenditure and Income Analysed by Nature

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

2021/22 £000	Expenditure/Income	2022/23 £000
	Expenditure	
112,502	Employee Benefits Expenses	114,107
158,086	Other Services Expenses	164,980
10,434	Support Service Recharges	9,284
10,405	Depreciation, Impairment, Revaluation Losses	11,763
3,219	Interest Payments	3,140
161	Precepts and Levies	181
306	Gain/Loss on the disposal of assets	24,098
<u>295,113</u>	Total Expenditure	<u>327,553</u>
	Income	
(48,988)	Fees Charges and Other Service Income	(50,982)
(11,901)	Interest and Investment Income	(17,531)
(56,344)	Income from Council Tax and Non Domestic Rates	(61,476)
<u>(162,719)</u>	Government Grants and Contributions	<u>(157,113)</u>
<u>(279,952)</u>	Total Income	<u>(287,102)</u>
<u>15,161</u>	Surplus or deficit on the provision of services	<u>40,451</u>

Note 7C: Segmental Income

Income received on a segmental basis is analysed below.

2021/22			2022/23	
Fees & Charges	Interest & Investment Income		Fees & Charges	Interest & Investment Income
£000	£000		£000	£000
(27,273)	-	Adult & Community Based Services	(29,263)	-
(5,702)	(320)	Resources and Development	(6,086)	(387)
(46,619)	-	Children's & Joint Commissioning Services	(41,875)	-
(16,595)	(206)	Corporate	(14,422)	(1,336)
(1,318)	(40)	HRA	(1,429)	(87)
(32,313)	-	Neighbourhoods and Regulatory Services	(32,471)	-
<u>(129,820)</u>	<u>(566)</u>		<u>(125,546)</u>	<u>(1,810)</u>

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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.

2021/22 £000s		2022/23 £000s
161	Parish council precepts and levies	181
(189)	Receipts from Sale of Former Council Houses	(116)
13	Loss resulting from Transfer of School Assets	17,180
105	(Gain) or loss on the disposal of non-current assets	5,804
<u>90</u>		<u>23,049</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.

2021/22 £000s		2022/23 £000s	Note
3,044	Interest payable and similar charges on borrowing	3,119	45
19	Finance lease Interest payable	21	45
4,670	Pensions Interest Cost & Expected Return on Pensions Assets	3,656	53
(111)	Interest Receivable and Similar Income	(1,188)	45
(536)	Net (Gain) / Loss on Investment Properties	(731)	16
(1,005)	Changes in fair values of investment properties	896	16
-	Net (Gain) / Loss on disposal of preference shares	(3)	39
<u>6,081</u>		<u>5,770</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.

2021/22 £000s		2022/23 £000s	Note
43,442	Council Tax Income	46,241	
12,902	Business Rates Income	15,235	
23,201	Non-ring Fenced Government Grants	25,519	
7,736	Capital Grants and Contributions	8,628	
<u>87,281</u>		<u>95,623</u>	29

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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 2022/23.

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

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

Basic and Special Responsibility Allowances

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

On 22 June 2017 Council considered a report from the Independent Remuneration Panel (IRP) detailing recommendations in relation to the Basic Allowance and Special Responsibility Allowances payable from 1 April 2017. The IRP had reviewed the allowances paid by the twelve North East Councils, including Hartlepool, and recommended increasing Hartlepool's Basic Allowance to £7,792. The IRP 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 amount continued for 2021/22 and 2022/23.

As national pay award decisions were delayed for 2022/23 the next scheduled IRP has also been delayed and will be completed during the 2023/24 financial year. The report of the IRP will be considered by full Council once it is available and the decision of Council will then be published.

As summarised below Hartlepool has the second lowest Basic Allowance in the Tees Valley and the third lowest in the North East:

Summary of Basic Allowances paid by North East Councils 2022/23

Authority	Basic Allowance £
Northumberland	16,476
Durham	13,300
Gateshead	11,941
North Tyneside	10,829
Redcar and Cleveland	9,985
Stockton	9,300
Newcastle	9,200
Sunderland	8,369
Darlington	8,331
Hartlepool	8,330
South Tyneside	8,167
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.

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Note 11: Councillor's Allowances & Expenses

Table 1 - Councillor's Allowances & Expenses

Councillor	Basic Allowance	Special Responsibility Allowance	General Travel	General Subsistence	Total 2022/23
	£	£	£	£	£
Allen G (09.05.22 - 31.03.23)	7,457	-	-	-	7,457
Ashton H	8,330	-	-	-	8,330
Boddy M	8,330	-	4	-	8,334
Brash J	8,330	-	-	-	8,330
Brown P	8,330	8,330	-	-	16,660
Buchan B (09.05.22 - 31.03.23)	7,457	7,098	-	-	14,555
Cassidy T	8,330	7,837	-	-	16,167
Clayton B	8,330	-	-	-	8,330
Cook R	8,330	8,330	-	-	16,660
Cowie B	8,330	7,098	-	-	15,428
Cranney G	8,330	-	-	-	8,330
Creevy R	8,330	-	-	-	8,330
Elliott J (01.04.22 - 09.05.22)	896	-	-	-	896
Falconer A	8,330	-	-	-	8,330
Feeney T	8,330	-	-	-	8,330
Fleming T	8,330	1,232	-	-	9,562
Groves C	8,330	-	-	-	8,330
Hall G G	8,330	-	-	-	8,330
Hargreaves P	8,330	-	-	-	8,330
Harrison B	8,330	-	-	-	8,330
Howson H	7,948	-	-	-	7,948
Jackson P	8,330	213	-	-	8,543
Leedham J (09.05.22 - 31.03.23)	7,457	-	-	-	7,457
Lindridge J	8,330	8,330	-	-	16,660
Little S	8,330	-	-	-	8,330
Loynes D	8,330	-	-	-	8,330
Martin-Wells A (09.05.22 - 31.03.23)	7,457	4,259	-	-	11,716
Moore S	8,330	24,990	61	275	33,655
Morley M (09.05.22 - 31.03.23)	7,457	-	-	-	7,457
Nicholson D	8,330	-	-	-	8,330
Nicholson V	8,330	-	-	-	8,330
Picton S (01.04.22 - 27.07.22)	2,687	-	-	-	2,687
Prince D (01.04.22 - 09.05.22)	896	-	-	-	896
Prince A (01.04.22 - 30.08.22)	3,448	-	-	198	3,647
Reeve S (05.09.22 - 31.03.23)	7,457	-	-	-	7,457
Richardson C (01.04.22 - 09.05.22)	691	-	-	-	691
Riddle J (01.04.22 - 09.05.22)	896	-	-	-	896
Sharp C (13.10.22 - 31.03.23)	3,874	-	-	-	3,874
Smith L	8,330	405	-	-	8,735
Stokell C (01.04.22 - 09.05.22)	896	896	-	-	1,791
Thompson C (08.09.22 - 31.03.23)	4,674	-	-	-	4,674
Tiplady K	8,330	-	38	-	8,368
Young M	8,330	8,330	-	-	16,660
Totals for 2022/23	296,558	87,348	103	473	384,481
Total 2021/22	290,845	90,262	-	-	381,107

Notes to Table 1

Councillor S Moore Special Responsibility Allowance (SRA) is the Leader of Council/Chair of Finance and Policy Committee SRA from 01.04.22 to 31.03.23.

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Note 11: Councillor's Allowances & Expenses

Table 2 - Costs associated with Council Approved Conferences

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

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

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

The total amount paid by the Council on costs associated with Council Conferences was £525 (2021/22: £2,786). An analysis of the payments is detailed below.

Councillor	Conference Travel £	Conference Fees £	Conference Accommodation £	Total 2022/23 £
Clayton B	-	200	-	200
Morley M	-	325	-	325
Totals for 2022/23	-	525	-	525
Totals for 2021/22	336	1,750	700	2,786

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

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

Councillor	Cleveland Fire Authority	
	Basic Allowances £	Period of Office
Clayton B	2,238	01.04.22-31.03.23
Fleming T	472	01.04.22-16.06.22
Cassidy T	472	01.04.22-16.06.22
Falconer A	1,766	17.06.22-31.03.23
Smith L	1,766	17.06.22-31.03.23
	6,714	

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 2022/23. The Managing Director is the senior officer who leads and takes responsibility for the work of the 2,152 (2,260 in 2021/22) 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 2022/23, 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 below:

Director of Children's and Joint Commissioning Services - responsible for a gross annual revenue budget of £98m (including Dedicated Schools Grant) and managing 503 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 £75m and managing 404 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 531 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.

The Chief Solicitor reports to the Managing Director and is responsible for a gross annual revenue budget of £2m and management of 37 full-time equivalent employees.

Director of Finance IT and Digital - responsible for a gross annual revenue budget of £30m and managing 180 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. This post is designated the Council's statutory section 151 Chief Financial Officer. The Director of Resources and Development determined to retire at 31 May 2023 and as this was his decision no redundancy or additional pension costs were paid by the Council. In response the Council approved changes to the management structure from 1 June 2023 which deleted the Director of Resources and Development post and allocated duties as follows:

- The Director of Neighbourhood and Regulatory Services became responsible for economic development and regeneration and was re-designated Executive Director of Development, Neighbourhoods and Regulatory Services. In line with the Council's grading structure for Directors there is no change to the salary scale;

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Note 12 - Officers' Remuneration

- The Director for Children's and Joint Commissioning Services and the Director of Adults and Community Based Services will be re-designated Executive Directors. There is no change in the salary scale;
- A new post was established of Director of Finance, IT and Digital – this post is the Council's statutory section 151 Chief Financial Officer and key responsibilities include Corporate Finance, Council tax setting and collection, Business Rates, Benefits, Corporate IT and Digital Services. The approved salary scale for this post is £95,000 to £99,500;
- The Chief Solicitor became responsible for HR and was re-designated Director for Legal, Governance and HR. The approved salary scale for this post is £95,000 to £99,500.

2022/23 - TABLE A

Post Holder Information (Post Title)	Salary (including fees and allowances) £	Pension Contributions £	Total Remuneration including Pension Contributions 2022/23 £	Note
Managing Director - Denise McGuckin	156,902	19,454	176,356	1
Director of Children's and Joint Commissioning Services	123,678	15,336	139,014	2
Director of Adults and Community Based Services	122,756	15,222	137,978	2
Director of Neighbourhood and Regulatory Services	116,269	14,394	130,663	2
Director of Resources and Development	123,947	15,336	139,283	2
Director of Public Health	93,443	11,587	105,030	3
Chief Solicitor	93,443	11,572	105,015	4
	830,438	102,901	933,339	

2021/22 - TABLE B

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

Notes to Table A & B

- (1) The single point salary scale for the Managing Director for 2022/23 is £156,884 (£154,959 in 2021/22).
- (2) The salary scale for the Director posts for 2022/23 is £112,611 to £123,678 (£110,686 to £121,753 in 2021/22). Post holders are appointed at the bottom of the pay scale and receive annual increments until they reach the top of the payscale.
- (3) The salary scale for the Director of Public Health for 2022/23 is £87,341 to £93,443 (£85,416 to £91,518 in 2021/22).
- (4) The salary scale for the Chief Solicitor for 2022/23 is £87,341 to £93,443 (£85,416 to £91,518 in 2021/22).

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Note 12 - Officers' Remuneration

Employees with a salary of £50,000 or more

In accordance with the Accounts and Audit Regulations 2015, the number of employees including school employees employed by the Council whose remuneration was £50,000 or greater is detailed in the table below in bands of £5,000.

This table excludes details of senior officers set out in the previous tables. The bandings have been used since 2002/03 and are not indexed and therefore do not make any adjustment for inflationary increases each year. If the starting banding had been indexed for cost of living increases for Council employees then it would be £75,121. 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

2021/22			Remuneration Band (£)	2022/23		
No. of Non-School Employees				No. of Non-School Employees		
<i>Non School</i>	<i>Left in Year</i>	<i>Total</i>		<i>Non School</i>	<i>Left in Year</i>	<i>Total</i>
30	-	30	50,000 to 54,999	32	-	32
6	3	9	55,000 to 59,999	30	-	30
3	-	3	60,000 to 64,999	6	-	6
1	-	1	65,000 to 69,999	1	-	1
1	-	1	70,000 to 74,999	1	-	1
3	-	3	75,000 to 79,999	1	-	1
2	1	3	80,000 to 84,999	2	-	2
2	1	3	85,000 to 89,999	2	-	2
4	1	5	90,000 to 94,999	5	-	5
52	6	58		80	-	80

TABLE D - SCHOOL EMPLOYEES

2021/22			Remuneration Band (£)	2022/23		
No. of School Employees				No. of School Employees		
<i>School</i>	<i>Left in Year</i>	<i>Total</i>		<i>School</i>	<i>Left in Year</i>	<i>Total</i>
11	-	11	50,000 to 54,999	10	-	10
4	-	4	55,000 to 59,999	6	-	6
4	-	4	60,000 to 64,999	1	-	1
2	-	2	65,000 to 69,999	4	-	4
2	-	2	70,000 to 74,999	-	-	-
5	-	5	75,000 to 79,999	2	-	2
2	-	2	80,000 to 84,999	3	-	3
30	-	30		26	-	26

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Note 13: Termination Costs

In 2022/23 a total of 11 employees (23 in 2021/22) either took voluntary redundancy or were made compulsorily redundant. The 2022/23 costs of this involved payments of £0.111m (£0.211m in 2021/22) to employees in the form of redundancy payments and £0.132m (£0.203m in 2021/22) 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 2022/23 the average pay back period was 11 months (23 months in 2021/22). In 2022/23 this has enabled the authority to achieve permanent salary savings of £0.231m (£0.151m in 2021/22).

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

2021/22				Remuneration Band (£)	2022/23			
No of compulsory redundancies	No of voluntary redundancies	Total no of redundancies by band	Total cost of redundancies by band £		No of compulsory redundancies	No of voluntary redundancies	Total no of redundancies by band	Total cost of redundancies by band £
19	1	20	136,628	0 to 20,000	6	1	7	41,341
-	-	-	-	20,001 to 40,000	-	2	2	64,957
-	-	-	-	40,001 to 60,000	-	1	1	57,200
-	-	-	-	60,001 to 80,000	1	-	1	79,053
-	-	-	-	80,001 to 100,000	-	-	-	-
1	-	1	101,682	100,001 to 120,000	-	-	-	-
-	1	1	171,388	120,001 to 140,000	-	-	-	-
20	2	22	409,698		7	4	11	242,551

TABLE F - SCHOOLS EMPLOYEES

2021/22				Remuneration Band (£)	2022/23			
No of compulsory redundancies	No of voluntary redundancies	Total no of redundancies by band	Total cost of redundancies by band £		No of compulsory redundancies	No of voluntary redundancies	Total no of redundancies by band	Total cost of redundancies by band £
1	-	1	3,902	0 to 20,000	-	-	-	-
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.

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

This note shows the movements in the value of non current assets (Property, Plant and Equipment) during 2022/23. In accordance with the temporary relief offered by the update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The authority has chosen not to disclose this information as it would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Movements in 2022/23

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets NBV	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation								
As at 1 April 2022	10,034	167,255	41,080	84,891	6,088	8,944	9,335	327,627
Additions	854	495	3,021	2,487	-	239	6,527	13,623
Accumulated Depreciation Written Off to Gross Carrying Amount	(159)	(6,835)	-		-	(28)	-	(7,022)
Accumulated Impairment Written Off to Gross Carrying Amount	(210)	-	-		-	(1,507)	-	(1,717)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	143	9,755	-		-	159	-	10,057
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	111	(239)	-		-	(212)	-	(340)
Derecognition-Disposals	(113)	(17,697)	(1,447)	(6,059)	-	(85)	(269)	(25,670)
Reclassified (to)/from Held for Sale	-	(95)	-		-	(366)	-	(461)
Reclassified (to)/from Investment Property	-	(880)	-		-	(5)	-	(885)
Other movements in Cost or Valuation	1,670	(468)	555	(252)	1,755	1,639	(4,897)	2
At 31 March 2023	12,330	151,291	43,209	81,067	7,843	8,778	10,696	315,214
Accumulated Depreciation and Impairment								
As at 1 April 2022	(420)	(6,699)	(30,678)		-	(2)	-	(37,799)
Depreciation Charge	(192)	(2,064)	(1,573)	(3,663)	-	(30)	-	(7,522)
Depreciation written out to the Revaluation Reserve	(28)	(1,200)	-		-	(12)	-	(1,240)
Accumulated Depreciation Written Off to Gross Carrying Amount	159	6,835	-		-	28	-	7,022
Accumulated Impairment Written Out to Gross Carrying Amount	44	-	-		-	67	-	111
Derecognition - Disposals	7	805	1,126		-	-	-	1,938
Reclassified (to)/from Held for Sale	-	7	-		-	-	-	7
Reclassified (to) / from Investment Property	-	78	-		-	-	-	78
Other movements in Depreciation and Impairment	-	67	-		-	(67)	-	-
At 31 March 2023	(430)	(2,171)	(31,125)	(3,663)	-	(16)	-	(37,405)
Net Book Value								
At 31 March 2023	11,900	149,120	12,084	77,404	7,843	8,763	10,696	277,810
Nature of Asset Holding								
Owned	11,900	149,120	11,224	77,404	7,843	8,763	10,696	276,950
Finance Lease	-	-	860	-	-	-	-	860
Total	11,900	149,120	12,084	77,404	7,843	8,763	10,696	277,810

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Note 14: Non Current Assets - Property, Plant & Equipment Movements in 2021/22

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	NBV £000s	£000s	£000s	£000s	£000s
Cost or Valuation								
As at 1 April 2021	9,084	165,741	40,452	85,670	5,579	9,083	5,460	321,069
Additions	471	841	1,439	2,585	4	1,471	6,577	13,388
Accumulated Depreciation Written Off to Gross Carrying Amount	(89)	(869)	-		-	(143)	-	(1,101)
Accumulated Impairment Written Off to Gross Carrying Amount	(14)	-	-		-	-	-	(14)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	143	3,016	-		-	(1,815)	-	1,344
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on	78	(405)	-		-	(1,926)	-	(2,253)
Derecognition-Disposals	(49)	(32)	(811)		-	-	(218)	(1,110)
Reclassified (to)/from Held for Sale	-	-	-		-	(82)	-	(82)
Reclassified (to)/from Investment Property	-	7	-		(8)	50	-	49
Other movements in Cost or Valuation	410	(1,044)	-	299	513	2,306	(2,484)	-
At 31 March 2022	10,034	167,255	41,080	88,554	6,088	8,944	9,335	331,290
Accumulated Depreciation and Impairment								
As at 1 April 2021	(314)	(4,398)	(29,647)		-	(26)	-	(34,385)
Depreciation Charge	(170)	(2,092)	(1,841)	(3,663)	-	(16)	-	(7,782)
Depreciation written out to the Revaluation Reserve	(31)	(1,167)	-		-	(15)	-	(1,213)
Accumulated Depreciation Written Off to Gross Carrying Amount	89	869	-		-	143	-	1,101
Accumulated Impairment Written Out to Gross Carrying Amount	3	-	-		-	-	-	3
Derecognition - Disposals	3	1	810		-	-	-	814
Reclassified (to) / from Investment Property	-	-	-		-	-	-	-
Other movements in Depreciation and Impairment	-	88	-		-	(87)	-	1
At 31 March 2022	(420)	(6,699)	(30,678)	(3,663)	-	(1)	-	(41,461)
Net Book Value								
At 31 March 2022	9,614	160,556	10,402	84,891	6,088	8,943	9,335	289,829
Nature of Asset Holding								
Owned	9,614	160,556	9,994	84,891	6,088	8,943	9,335	289,421
Finance Lease	-	-	408	-	-	-	-	408
Total	9,614	160,556	10,402	84,891	6,088	8,943	9,335	289,829

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

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

Depreciation

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

- Council Dwellings - 50 years.	
- Other Land and Buildings - straight-line allocation over the useful life of the property as estimated by the valuer, between 25 and 40 years.	
- Vehicles, Plant, Furniture & Equipment - straight-line allocation over the useful life of the asset, up to 15	
- <u>Infrastructure</u>	
Bus Shelters	15 years
Bridges	25 years
Car Parks / Traffic Calming	25 years
Classified Roads	25 years
Footpaths	25 years
General Improvement Areas	25 years
Greenways / Cycle Routes	25 years
Infrastructure	25 years
Misc Highways	25 years
Principal Roads	25 years
Street Lighting	25 years
Traffic Signals	25 years
Unclassified Roads	25 years
Roads and Sewers	25 years
Sea Walls	100 years

Revenue Expenditure Funded from Capital Under Statute

The cost of Revenue Expenditure Funded from Capital Under Statute is charged to the Comprehensive Income and Expenditure Account. An amount of £3.656m (£5.219m in 2021/22) 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 £3.471m (£3.293m in 2021/22), capital receipts of £0.000m (£0.003m in 2021/22), corporate resources £0.053m (£0.000m in 2021/22) and prudential borrowing of £0.132m (£1.923m in 2021/22).

Capital Commitments

The Council had planned capital expenditure of £42.492m in 2022/23. Of this, £27.855m was rephased into 2023/24. However, the Council has capital projects which span more than one financial year where funding has already been received. Total rephased funding was £67.146m of which £20.428m will be funded from grant, £40.583m will be funded by prudential borrowing, £0.262m will be funded from capital receipts and the remaining £5.873m will be funded from the Council's own resources. The comparable rephased capital funding at 31 March 2022 was £57.319m. The Council has entered into a number of contracts for which capital monies are committed.

Scheme	Total Project Budget £000s	Expenditure over Years to 31 March 23 £000s	Commitment £000s
Lynn Street Housing Scheme	5,265	685	4,580
Hill View, Greatham Housing Scheme	2,168	2,109	59
Brenda Road Housing Scheme	1,402	1,197	205
Sustainable Warmth LAD3	2,192	939	1,253

Surplus Assets - Fair Value Disclosures

Details of the authority's surplus assets and information about the fair value hierarchy at 31 March 2023 are as follows:

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March 2023
	£000s	£000s	£000s	£000s
Recurring fair value measurements using:				
Surplus Assets	-	5,911	2,852	8,763
Total	-	5,911	2,852	8,763

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

Significant Observable Inputs – Level 2

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

Significant Unobservable Inputs – Level 3

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

Change in Valuation Method

There has been no change in the valuation method from 2021/22. In 2022/23 the estimation of the fair value of the Council's Surplus Assets is based on Fair Value Market Value.

Revaluations

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

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

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

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

Operational Assets

	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Surplus Assets £000s	Total £000s
Valued at Historical Cost	-	-	12,084	-	12,084
Valued at fair value as at:					
<u>Current Year</u>					
2022/2023	11,900	109,317	-	3,399	124,616
2021/2022	-	3,737	-	5,276	9,013
2020/2021	-	113	-	88	201
2019/2020	-	24,736	-	-	24,736
2018/2019	-	11,217	-	-	11,217
Total	11,900	149,120	12,084	8,763	181,867

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 2023 would have been:

	£000s
Council Dwellings	9,055
Other Land & Buildings	63,418
Surplus Assets	1,343

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

Revaluation Reserve Balance

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

2021/22 £000s		2022/23 £000s
1,574	Council Dwellings	1,641
60,709	Other Land & Buildings	60,616
7	Community Assets	7
3,878	Surplus Assets	3,967
1,010	Investment Properties	1,580
7,451	Heritage Assets	7,451
225	Assets Held for Sale	43
74,854		75,305

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:

2021/22 £000s		2022/23 £000s
(722)	Rental income from investment property	(894)
186	Direct operating expenses arising from investment property	163
(536)	Net (gain)/loss	(731)

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:

2021/22 £000s		2022/23 £000s
8,859	Balance at the start of the year	9,804
-	Additions: Subsequent expenditure	114
(11)	Disposals	-
1,005	Net Gains/(Losses) from fair value adjustments	(896)
(49)	Transfers: (To)/from Property, Plant & Equipment	807
9,804	Balance at the end of the year	9,828

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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 2023 are as follows:

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March 2023
<i>Recurring fair value measurements using:</i>	£000s	£000s	£000s	£000s
Office Units	-	248	1,250	1,498
Commercial Units	-	7,365	941	8,306
Total	-	7,613	2,191	9,804

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

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

Significant Observable Inputs - Level 2

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

Significant Unobservable Inputs - Level 3

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

Highest and Best Use of Investment Properties

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

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Note 17: Non Current Assets - Heritage Assets

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

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

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	-	-	-	-
At 31 March 2022	15,986	354	1,411	17,751

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. In 2022/23, a collection of work by John Wilson McCracken valued at £0.015m was donated to the Council and a painting was acquired for £0.001m.

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, an external valuation was completed during 2018/19. The 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.

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 2021/22) was charged to Corporate in the Comprehensive Income and Expenditure Statement.

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

2021/22 £000s		2022/23 £000s
	Balance at the start of the year	
706	Gross carrying amounts	706
(277)	Accumulated amortisation	(429)
429	Net carrying amount at end of year	277
-	Additions	-
(152)	Amortisation for the period	(152)
<u>277</u>	Net carrying amount at end of year	<u>125</u>
	Comprising	
706	Gross carrying amounts	706
(429)	Accumulated amortisation	(581)
<u>277</u>	Net carrying amount at end of year	<u>125</u>

Note 19: Long Term Investments

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

2021/22 £000s		2022/23 £000s
-	Teesside International Airport Limited	-
197	Suez Recycling and Recovery Tees Valley Limited	-
-	Net Pensions Asset	75,745
<u>197</u>		<u>75,745</u>

The Council owns 1.1% of the shares in Teesside International Airport Limited. The shares have been valued at nil for 2022/23 (nil 2021/22).

The full balance of Suez Recycling and Recovery Tees Valley Limited shares were redeemed during the financial year 2022/23. Further details of the Council's long term investments are included in Note 39 Related Party Transactions.

Following the Pension Fund actuarial valuation the 2021/22 net pension liability (See Note 28) is now a net pension asset. Further details are provided in Note 53.

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Note 20: Long Term Debtors

This note sets out the value of Long Term Debtors held by the Council at 31 March 2023.

2021/22 £000s		2022/23 £000s
6	Housing Advances	6
77	Trincomalee Trust Loan and Advances	77
77	Car Loans to Employees	87
573	NDC Trust Loan	567
1,162	Northern School of Art	1,098
535	Suez Recycling and Recovery Tees Valley Limited	267
1,341	Other	1,306
3,771		3,408

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 2023.

2021/22 £000s		2022/23 £000s
390	Balance at 1 April	549
1,005	Purchases	1,177
(876)	Recognised as an expense in year	(1,217)
(17)	Written off balances	(11)
47	Written back balances	8
549	Balance at 31 March	506

Note 22: Short Term Debtors

This note sets out amounts owed to the Council as at 31 March 2023.

2021/22 £000s		2022/23 £000s
9,294	Central Government Bodies	5,371
3,926	Other Local Authorities	3,523
1,646	NHS Bodies	1,960
	Bodies external to general government:	
5,649	General and Other Debtors	4,089
4,485	Payments in Advance	4,439
8,505	Council Tax Payers	9,936
909	NNDR Payers	681
2,172	Trade Debtors	1,888
36,586		31,887

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Note 23: Debtors for Local Taxation

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

2021/22 £000s		2022/23 £000s
4,114	Less than 1 year	3,995
10,800	More than 1 year	12,129
<u>14,914</u>		<u>16,124</u>

The above analysis does not include bad debt provision of £5.507m (£5.500m in 2021/22).

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.

2021/22 £000s		2022/23 £000s
466	Assets	
5,763	Bank and Imprests	1,077
<u>6,229</u>	Liquidity Investment Accounts	<u>7,077</u>
		<u>8,154</u>
	Liabilities	
(3,336)	Bank Overdraft	(3,665)
<u>2,893</u>		<u>4,489</u>

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

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

2021/22 £000s		2022/23 £000s
283	Balance at 1 April	365
	Assets newly classified as Held for Sale:	
82	Property, Plant and Equipment	454
-	Revaluation losses	(8)
-	Asset sold	(365)
<u>365</u>	Balance at 31 March	<u>446</u>

Note 26: Short Term Creditors

This note sets out amounts owed by the Council as at 31 March 2023.

2021/22 £000s		2022/23 £000s
9,751	Central Government Bodies	6,503
2,151	Other Local Authorities	3,049
886	NHS Bodies	461
	Bodies external to General Government:	
6,995	General and Other Creditors	7,123
2,165	Trade Creditors	4,035
4,806	Employee Absences	3,035
1,035	Income in Advance	1,568
906	Council Tax Payers	1,074
841	NNDR Payers	365
<u>29,536</u>		<u>27,213</u>

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Note 27: Provisions

Total provisions at 31 March 2023 were £3.250m (£3.639m in 2021/2022), as detailed below.

Current Liabilities

		2022/23			Total
		Other (Note 1)	Rating Appeals (Note 2)	MMI Insurance (Note 3)	
2021/22					
£000s		£000s	£000s	£000s	£000s
2,223	Balance at 1 April	796	1,689	-	2,485
262	Additional provisions made in year	-	357	-	357
-	Amounts used in year	(143)	(563)	-	(706)
-	Transfer in Year	-	-	-	-
-	Unused amounts reversed in year	(50)	-	-	(50)
2,485	Balance at 31 March	603	1,483	-	2,086

Long Term Liabilities

		2022/23		Total
		Contaminated Land (Note 4)	MMI Insurance (Note 3)	
2021/22				
£000s		£000s	£000s	£000s
1,194	Balance at 1 April	634	520	1,154
-	Additional provisions made in year	-	50	50
(40)	Amounts used in year	-	(40)	(40)
-	Transfers in Year	-	-	-
-	Unused amounts reversed in year	-	-	-
1,154	Balance at 31 March	634	530	1,164

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

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

Note 3 - In September 1992 Municipal Mutual Insurance (MMI), the Council's former insurers, ceased accepting new business. MMI and its policyholders, including local authorities, have established a Scheme of Arrangement for the orderly run down of the company. MMI do not have enough assets to meet the claims and liabilities currently outstanding. The Scheme of Arrangement provides that, if there is a likelihood of a shortfall, MMI can reclaim from the major policyholders part of the claims paid from 1st October 1992. The Scheme of Arrangement under section 899 of the Companies Act 2006 was triggered in November 2012. From April 2016, the Creditors Committee set a levy rate of 25% (previously 15%) based on a percentage share of the liabilities outstanding. Therefore the Council has recognised a £0.530m 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 increased as a result of additions in year.

2021/22 £000s		2022/23 £000s	Note
315	Finance lease liability	664	43
129,546	Net Pensions liability	-	38
129,861		664	

Following the Pension Fund actuarial valuation the 2021/22 net pension liability is now a net pension asset (See Note 19). Further details are provided in Note 53.

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 2022/23.

2021/22 £000s		2022/23 £000s
43,442	Council Tax Income	46,241
12,902	Business Rates Income	15,235
10,525	NNDR - Top-Up	10,525
7,948	Revenue Support Grant	8,193
2,945	Capital - Tees Valley Combined Authority	6,528
2,014	Business Rates Relief	4,345
-	Local Services Support Grant	1,964
2,419	Capital - Other Capital Grants & Contributions	1,508
349	New Homes Bonus Grant	492
884	Capital - Devolved Formula Capital Grant	396
583	Capital - Homes England	175
326	Capital - Other DfE Grants	20
10	Capital - Environment Agency	1
2,303	Section 31 Relief	-
61	75% Tax Income Guarantee Compensation	-
570	Capital - Tees Valley Combined Authority / Local Transport Plan	-
87,281	Total	95,623

SECTION 3 : Statement of Accounts

Note 29: Grant Income & Taxation

Credited to Services

2021/22 £000s		2022/23 £000s
43,157	Dedicated Schools Grant	42,169
24,714	Housing Benefit Subsidy	23,950
9,104	Public Health Grant	9,360
8,456	Better Care Fund	8,493
3,972	Social Care Support Grant	5,407
5,201	Improved Better Care Fund (iBCF)	5,358
4,491	Other Grants	4,574
2,518	Youth Employment Initiative	3,517
1,346	Department for Levelling Up, Housing and Communities	3,466
2,995	Other Department for Education Grants	2,941
3,103	Pupil Premium	2,833
993	Household Support Fund	1,986
1,580	Education and Skills Funding Agency	1,720
852	Home Office	1,427
1,282	Disabled Facility Grant	1,149
572	Department of Health Grants	944
2,914	Other COVID-Related Grants	708
506	Supporting Families	630
582	Independent Living Fund	582
673	Housing Benefit and Local Council Tax Support Administration Grants	464
916	Department for Work & Pensions	423
-	Adult Social Care - Discharge Grant	418
-	Adult Social Care - Market Sustainability Grant	338
1,965	Contain Outbreak Management Fund	109
3,179	Covid 19 Local Authority Support Grant	-
2,026	Adult Social Care Infection Control Grant	-
1,870	COVID - Local Council Tax Support Grant	-
1,596	Business Rates Refunds	-
777	COVID Additional Relief Fund (CARF)	-
442	COVID - Income Compensation Scheme for lost sales, fees and charges	-
131,782	Total	122,966

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)

2021/22 £000s		2022/23 £000s
-	Department for Levelling Up, Housing and Communities	6,698
4,358	Section 106/278	5,460
2,133	Other Department for Education Grants	3,709
3,929	Tees Valley Combined Authority	2,080
553	Other Capital Grants & Contributions	1,836
441	Disabled Facilities Grant	450
187	Environment Agency	187
1,526	Tees Valley Combined Authority / Local Transport Plan	-
1,253	Department for Business, Energy & Industrial Strategy	-
14,380	Total	20,420

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Grant Receipts in Advance (Revenue Grants)

2021/22 £000s		2022/23 £000s
673	Other Department for Education	1,192
-	Youth Employment Initiative	472
435	Home Office	419
64	Tees Valley Combined Authority	358
27	Education and Skills Funding Agency	303
344	Other Grants	280
118	COVID 19 - Contain Outbreak Management Fund	9
269	Council Tax Rebate Grant	-
392	Department of Health & Social Care	-
2,322	Total	3,033

Note 30: Unearmarked General Fund Reserve

The General Fund Balance of £4.417m held at 31 March 2023 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.

2021/22 £000s		2022/23 £000s
4,417	General Fund Balance	4,417
4,417		4,417

Note 31: Budget Support & Investment Reserves

This note sets out the Budget Support & Investment Reserves balances at 31 March 2023.

2021/22 £000s		2022/23 £000s	Note
7,977	Budget Support Fund 23/24 to 26/27	10,549	1
2,367	Covid Recovery Reserve	1,000	2
1,061	Looked After Children Reserves	751	3
117	Budget Support Fund - Invest to Save	111	4
11,522		12,411	

- 1 This reserve will be used to support the budget.
- 2 This reserve was created to support any financial pressures arising from future Covid or other public health related outbreaks.
- 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 The balance remaining in this reserve is to support 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.

2021/22 £000s		2022/23 £000s
5,312	Revenue Grants Unapplied	6,338
279	COVID-19 Grants Reserve	143
5,591		6,481

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Note 33: Earmarked Revenue Reserves

This note sets out the balances held in Earmarked Revenue Reserves as at 31 March 2023.

2021/22 £000s		2022/23 £000s	Note
3,000	Business Rates Risk Reserve	3,000	1
2,135	Treasury Management Risk Reserve	2,460	2
2,367	Insurance Fund	2,408	3
1,913	Strategic Change Reserves	1,829	4
1,820	Energy Pressures	1,520	5
954	Public Health Grant Reserve	1,346	6
1,259	Adult Social Care Reserve	943	7
994	Better Care Fund (Pooled Budget)	501	8
330	Waste Equalisation Reserve	330	9
316	Education Improvement Strategy Reserve	316	10
300	Support for Local Council Tax Support Scheme	300	11
989	Income Risk Reserve	293	12
200	ICT Contract	200	13
191	Events Reserve	57	14
-	Peer Review Reserve	50	15
366	Community Pot Reserve	45	16
38	National Museum of the Royal Navy Reserve	38	17
30	Museums Acquisition	32	18
15	Works in Default Empty Homes	15	19
13	Funding for Modern Apprentices	13	20
15	Tees Education & Skills Reserve	4	21
93	Supporting Family Poverty	-	22
220	Better Care Fund Reserve	-	23
175	School Attainment Reserve	-	24
1,000	Inflation Pressures	-	25
208	Concessionary Fares	-	26
128	Trading Account Reserves	-	27
17	Environmental Apprenticeships Scheme	-	28
5	Centre of Excellence in Creative Arts Trading Reserves	-	29
19,091		15,700	

- 1 This reserve is earmarked to manage the impact of the closure of the Power Station currently scheduled for 2025/26 and other Business Rates risks arising from the economic impact of COVID-19.
- 2 This reserve was created as part of the 2013/14 MTFS to manage the risk of interest rates increasing and to ensure the permanent saving built into the MTFS can be achieved if interest rates increase. This was approved by Council 14 February 2013.
- 3 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.
- 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 2023/24 and future years.
- 6 This reserve was created from in-year underspends against the ring-fenced Public Health Grant. In accordance with the grant conditions a ring-fenced reserve has been created to support public health services in future years.
- 7 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.
- 8 This is a ring-fenced Better Care Fund Reserve arising from additional ICB contributions to the Pooled Budget. See Note 56.
- 9 This reserve was created to mitigate fluctuating costs in relation to waste disposal and income generated from recycling.
- 10 This reserve is earmarked for the Education Improvement Strategy.
- 11 This reserve was created to partly mitigate the impact of the change to the Council Tax Benefit regime and the resulting cut in Government Grant.
- 12 This reserve is earmarked to offset in year income shortfalls to support services recovery from the impact of Covid restrictions.
- 13 This reserve was created to fund one off costs of the new ICT Contract.
- 14 The Events Reserves is an earmarked reserve to fund the delivery of the 5 year events programme.
- 15 This reserve is allocated to fund implementation of the Councils response to the Peer Review recommendations.

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- 16 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.
- 17 This reserve was created to fund the contributions required to support the developments with the National Museum of the Royal Navy (NMRN).
- 18 The Museums Acquisition reserve was set up from external donations for the acquisition of items for the Museum.
- 19 This reserve has been created to provide a cash backed fund for the completion of housing works in default.
- 20 This reserve is earmarked to fund Modern Apprenticeships over the period of the MTFS.
- 21 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.
- 22 This reserve was created to Support Family Poverty over the period of the MTFS.
- 23 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.
- 24 This reserve was created towards improving School Attainment.
- 25 This reserve was earmarked to help fund inflationary pressures during 2022/23.
- 26 This reserve was created to cover the tri-annual cost of replacing Concessionary Fare passes.
- 27 This reserve was earmarked to manage future financial risks on Trading Operations.
- 28 This reserve was created to fund costs over more than one financial year in relation to Apprentices.
- 29 This reserve was established to mitigate risk of any Centre for Creative Arts income shortfalls in future years.

Note 34: Earmarked Capital Reserves

This note sets out the balances held in Earmarked Capital Reserves as at 31 March 2023.

2021/22 £000s		2022/23 £000s	Note
8,387	Capital Funding Reserve	8,345	1
63	Capital Receipts Unapplied	1,291	2
1,503	HRA Major Repairs Reserve	1,764	3
8	Capital Grants Unapplied	8	4
<u>9,961</u>		<u>11,408</u>	

- 1 The Capital Funding Reserve is earmarked to finance capital expenditure rephased to 2023/24.
- 2 Capital Receipts Unapplied are earmarked to finance capital expenditure rephased to 2023/24.
- 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

The Government has provided grant funding in 2020/21 to meet Collection Fund deficits arising from the impact of Covid. This reserve will be used over the period 2021/22 to 2023/24 to reflect the statutory arrangements from managing Collection Fund deficits.

2021/22 £000s		2022/23 £000s
7,390	Covid Council Tax and Business Rates Collection Fund Deficit Reserve	1,696
<u>7,390</u>		<u>1,696</u>

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Note 36: School Balances

This note sets out the Schools Reserves at 31 March 2023.

2021/22 £000s		2022/23 £000s	Note
2,930	Balances held by schools under a scheme of delegation	2,383	1
1,229	Dedicated Schools Grant Reserves	734	2
382	School Ring Fenced Grants Reserves	45	3
4,541		3,162	

- 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 repair costs.

2021/22 £000s		2022/23 £000s
495	HRA Balance	500
495		500

Note 38: Unusable Reserves

The Unusable Reserves are shown below.

2021/22 £000s		2022/23 £000s	Table
74,854	Revaluation Reserve	75,305	1
132,192	Capital Adjustment Account	118,721	2
(129,546)	Pensions Reserve	75,745	3
366	Deferred Capital Receipts Reserve	366	4
(5,210)	Collection Fund Adjustment Account	113	5
(4,805)	Accumulated Absences Account	(3,035)	6
197	Financial Instruments Revaluation Reserve	-	7
68,048		267,215	

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.

2021/22 £000s		2022/23 £000s
74,754	Balance at 1 April	74,854
5,480	Upward revaluation of assets	12,844
(4,137)	Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	(2,787)
1,343	Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	10,057
(1,216)	Difference between fair value depreciation and historical cost depreciation	(1,411)
(5)	Write off of Revaluation Reserve following Category Transfer	-
(22)	Accumulated gains/(losses) on assets sold, scrapped or decommissioned	(8,195)
(1,243)	Amount written off to the Capital Adjustment Account	(9,606)
74,854	Balance at 31 March	75,305

SECTION 3 : Statement of Accounts

Table 2 -Capital Adjustment Account

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

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

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

2021/22 £000s		2022/23 £000s
133,062	Balance at 1 April	132,192
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(9,158)	- Charges for depreciation and impairment of non-current assets	(10,518)
(2,252)	- Revaluation gains/(losses) on Property, Plant and Equipment	(349)
(5,219)	- Revenue expenditure funded from capital under statute	(3,656)
(306)	- 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	(24,098)
(16,935)		(38,621)
1,243	Adjusting amounts written out of the Revaluation Reserve	9,606
(15,692)	Net written out amount of the cost of non-current assets consumed in the year	(29,015)
	Capital financing applied in the year:	
55	- Use of the Capital Receipts Reserve to finance new capital expenditure	73
14	- Use of the Major Repairs Reserve to finance new capital expenditure	210
71	- Use of the Capital Receipts Reserve to repay prudential borrowing	13
11,029	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	12,072
-	- Application of grants to capital financing from the Capital Grants Unapplied Account	-
2,647	- Statutory provision for the financing of capital investment charged against the General Fund	2,865
1	- Direct revenue funding credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,207
13,817		16,440
1,005	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(896)
132,192	Balance at 31 March	118,721

SECTION 3 : Statement of Accounts

Table 3 - Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays pensions for which it is directly responsible. A debit balance on the Pensions Reserve 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 Council holds a positive balance on the Pensions Reserve as at 31 March 2023. This means that the resources set aside to fund pension benefits for post and current employees currently exceed the estimated cost.

2021/22 £000s		2022/23 £000s
(210,094)	Balance at 1 April	(129,546)
100,717	Remeasurement of defined liability on pensions assets and liabilities	222,328
	Net Acquisition/(disposal) of pensions assets and liabilities	
	Reversal of items relating to retirement benefits debited or credited to the	
(27,752)	Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(24,652)
7,583	Employer's pensions contributions and direct payments to pensioners payable in the year	7,615
<u>(129,546)</u>	Balance at 31 March	<u>75,745</u>

Table 4 - Deferred Capital Receipts Reserve

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

2021/22 £000s		2022/23 £000s
366	Balance at 1 April	366
-	Transfers in Year	-
<u>366</u>	Balance at 31 March	<u>366</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.

2021/22 £000s		2022/23 £000s
(9,012)	Balance at 1 April	(5,210)
3,802	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	5,323
(5,210)	Balance at 31 March	113

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, i.e. annual leave entitlement carried forward at 31 March 2023. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2021/22 £000s		2022/23 £000s
(4,958)	Balance at 1 April	(4,805)
4,958	Settlement or cancellation of accrual made at the end of the preceding year	4,805
(4,805)	Amounts accrued at the end of the current year	(3,035)
153	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,770
(4,805)	Balance at 31 March	(3,035)

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.

2021/22 £000s		2022/23 £000s
197	Balance at 1 April	197
-	- Transfer from the Available for Sale Financial Instrument Account	-
-	- Derecognition in relation to the available for sale of financial instruments	(197)
197	Balance at 31 March	-

The 2018/19 Code of Practice on Local Authority Accounting adopted IFRS 9 Financial Instruments. As a result of the implementation of IFRS 9, the Available for Sale Financial Instruments Reserve was decommissioned and the balance held transferred to the Financial Instruments Revaluation Reserve. The Council transferred the balance in relation to the Suez Recycling and Recovery Tees Valley Ltd.

Note 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 2023, 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 2022/23 is shown in Note 11.

The Council pays grants and/or makes contractual payments to voluntary organisations/charities where an individual Councillor(s) may sit on the management board.

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

Officers

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

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Note 39: Related Party Transactions

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

In 2022/23 the Council provided services to Cleveland Fire Authority amounting to £0.237m. This included various support services, predominantly in relation to financial services, for which the Council received net income of £0.197m (£0.194m in 2021/2022). The Director of Resources and Development held 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 (£0.051m in 2021/22) 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 2022/23 amounted to £0.116m (£0.189m in 2021/22).

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 £4.769m (£3.390m in 2021/22).

The Council deliver '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 £0.785m, (£0.645m in 2021/2022) towards the cost of this service.

The Hartlepool and Stockton Local Safeguarding Children Partnership (HSSCP) is a multi-agency partnership involving both Local Authority's, the Integrated Care Board (ICB) and Cleveland Police to co-ordinate their safeguarding services and act as a strategic leadership group. In 2022/23 Stockton Council contributed £0.091m (£0.091m in 2021/22), the ICB £0.065m (£0.065m 2021/22) and the Police and Crime Commissioner (PCC) £0.065m (£0.065m in 2021/22)

Other

The Council holds minority shares in Teesside International Airport Limited and Suez Recycling and Recovery Tees Valley Limited.

The Council's shareholding in Teesside International Airport Limited is 1.1%. The Council has assessed a number of factors in detail and determined the valuation of the shares at £nil for 2022/23 (£nil in 2021/22).

Issues of note include a deficit on the Profit and Loss Account of £11.883m (previous year deficit of £12.904m) and a net liability position of £10.039m (previous year net asset position of £1.843m). Further information and copies of their accounts are available from their Registered Office – Teesside International Airport Limited, Darlington, Durham, DL2 1 LU.

The shares in Suez Recycling and Recovery Tees Valley Limited were redeemed during 2022/23. 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.

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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:

2021/22 £000s		2022/23 £000s
178	Fees payable in respect of external audit services carried out by the appointed auditor for the year	149

This reflects the actual costs incurred. £0.042m was received from Department of Levelling Up, Housing and Communities (DLUHC) in relation to the Redmond Review Implementation in March 2023 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 2022. 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 2022/23 are as follows: -

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2022/23 before academy and high needs recoupment			96,737
Academy and high needs figure recouped for 2022/23			54,682
Total DSG after academy and high needs recoupment for 2022/23			42,055
Plus: Brought Forward from 2021/22			1,230
Less: Carry forward to 2023/24 agreed in advance			(1,606)
Agreed Initial Budget Distribution in 2022/23	21,081	20,598	41,679
In Year Adjustments	(280)	26	(254)
Final Budget Distribution for 2022/23	20,801	20,624	41,425
Less: Actual Central Expenditure	(21,381)		(21,381)
Less Actual Individual Schools Budget Deployed to Schools		(20,915)	(20,915)
Plus Local authority contribution for 2022/23	-	-	-
In-year carry forward to 2023/24	-	-	(872)
Plus: Carry-Forward to 2023/24 agreed in advance	-	-	1,606
Carried forward to 2023/24	(580)	(291)	734
DSG unusable reserve at the end of 2021/22	-	-	-
Addition to DSG unusable reserve at the end of 2022/23	-	-	-
Total of DSG unusable reserve at the end of 2022/23	-	-	-
Net DSG position at the end of 2022/23	-	-	734

The £0.734m carried forward to 2023/24 includes £0.376m growth funding agreed in advance, along with £0.358m central expenditure.

The total DSG for 2022/23 of £96.737m excludes the final adjusted allocation for the Early Years Block that is expected in June 2023. As per regulations, this amount is shown as an in-year adjustment for 2022/23.

Individual School Budgets were increased by £0.026m in 2022/23 to reflect permanently excluded pupils and the clawback of pupil funding permitted in the regulations. The reduction is included within the value of in-year adjustments.

Schools' Forum approved a transfer of £0.172m from the Central School Services Block to the Schools Block in 2022/23.

SECTION 3 : Statement of Accounts

Note 42: Operating Leases

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

Council as lessee

<u>2021/22</u> <u>£000s</u>	Future minimum lease payments due	<u>2022/23</u> <u>£000s</u>
221	Not later than one year	194
58	Later than one year & not later than five years	111
27	Later than five years	19
<u>306</u>		<u>324</u>

Council as lessor

<u>2021/22</u> <u>£000s</u>	Future minimum lease payments receivable	<u>2022/23</u> <u>£000s</u>
570	Not later than one year	1,858
1,019	Later than one year & not later than five years	988
1,242	Later than five years	1,155
<u>2,831</u>		<u>4,001</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, 9 to Community Campus, 3 to Nacro and 6 to New Walk.

The Council has sub-let some of the office accommodation held under these operating leases. At 31 March 2023 the minimum payments expected to be received under non-cancellable sub-leases was £0.020m (£0.020m as at 31 March 2022).

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

<u>2021/22</u> <u>£000s</u>		<u>2022/23</u> <u>£000s</u>
	Payments recognised as an expense	
1,313	Minimum lease payments	678
(91)	Sub-lease payments	(112)
<u>1,222</u>	Total	<u>566</u>

SECTION 3 : Statement of Accounts

Note 43: Finance Leases

The Council has acquired a number of vehicles and 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

2021/22 £000s		2022/23 £000s
	Value of Assets held under Finance Leases	
408	Vehicles, Plant & Equipment	860
408	Total	860

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:

2021/22 £000s		2022/23 £000s
	Future minimum lease payments due	
104	Current	210
315	Non-current	664
54	Finance costs payable in the future	119
473	Total minimum lease payments	993

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

2021/22			2022/23	
Minimum Lease Payments £000s	Finance Lease Liabilities £000s		Minimum Lease Payments £000s	Finance Lease Liabilities £000s
124	104	Payable:		
347	314	Not later than one year	254	210
		Later than one year & not later than five years	739	664
471	418	Total	993	874

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.

2021/22 £000s		2022/23 £000s
108,023	Brought Forward Opening Capital Financing Requirement	112,761
	Capital investment	
13,388	Property, Plant and Equipment	13,623
-	Investment Properties	114
16	Heritage Assets	16
5,219	Revenue Expenditure Funded from Capital under Statute	3,656
(68)	Long Term Debtors	(70)
	Sources of Finance	
(55)	Capital receipts	(73)
(71)	Application of Capital Receipts to Repay Borrowing	(13)
(14)	Major Repairs Reserve	(210)
(11,029)	Government Grants and Other Contributions	(12,072)
	<i>Sums set aside from revenue:</i>	
(1)	Direct Revenue Contributions	(1,207)
(2,647)	Minimum Revenue Provision (MRP)	(2,865)
<u>112,761</u>	Closing Capital Financing Requirement	<u>113,660</u>
	Explanation of movements in year	
(71)	Application of Capital Receipts to Repay Borrowing	(13)
(68)	Repayments by Long Term Debtors	(70)
113	Increase in Finance Lease Obligations	559
7,411	Increase / (decrease) in borrowing unsupported by government financial assistance	3,288
(2,647)	Minimum Revenue Provision (MRP)	(2,865)
<u>4,738</u>	Increase/(decrease) in Capital Financing Requirement	<u>899</u>

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 2022			31 March 2023	
Long Term	Current		Long Term	Current
£000s	£000s		£000s	£000s
		Investments at Amortised Cost		
-	40,015	Loans and receivables at Amortised Cost	-	50,896
-	5,763	Liquidity Accounts included in Cash Equivalents	-	7,077
-	45,778	Total Investments at Amortised Cost	-	57,973
197	-	Assets at Fair Value through Other Comprehensive Income (Note 1)	-	-
197	45,778	Total Investments	-	57,973
		Debtors		
3,771	10,966	Financial Assets (including Trade Debtors and General and Other Debtors and Long Term Debtors)	3,407	9,121
3,771	10,966	Total debtors	3,407	9,121
		Borrowings at Amortised Cost		
89,866	1,378	Financial liabilities at amortised cost (Note 2)	88,933	6,405
89,866	1,378	Total Borrowings at Amortised Costs	88,933	6,405
		Other Long Term Liabilities		
314	104	Finance lease liabilities	663	210
314	104	Total Other Long Term Liabilities	663	210
		Creditors		
-	9,160	Financial liabilities carried at contract amount (Trade Creditors and General and Other Creditors)	-	11,158
-	9,160	Total Creditors	-	11,158

Note 1 - The Council holds minority shares in Teesside International Airport Limited and disposed of shares in Suez Recycling and Recovery Tees Valley Limited during 2022/23. 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.

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

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	-
Interest income	-	-	(111)
Net (gain)/loss for the year	3,044	19	(111)

SECTION 3 : Statement of Accounts

Note 45: Financial Instruments

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

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

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

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

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

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under the PWLB debt redemption procedures;
- For non-PWLB loans payable, premature market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- 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 2022			31 March 2023	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000s	£000s		£000s	£000s
Financial Liabilities				
62,283	100,717	Market Loans	67,028	65,940
28,667	37,561	Public Works Loan Board	27,872	27,583
294	179	Non-Market Loans	438	155
9,160	9,160	Trade Creditors and General and Other Creditors	11,158	11,158
314	314	Long Term Finance Lease Liability	663	663
100,718	147,931		107,159	105,499
31 March 2022			31 March 2023	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000s	£000s		£000s	£000s
Financial Assets				
45,778	45,778	Money market loans < 1 year	57,973	57,973
10,966	10,966	Short term debtors	9,121	9,121
3,771	3,771	Long term debtors	3,407	3,407
60,515	60,515		70,501	70,501

SECTION 3 : Statement of Accounts

Note 45: Financial Instruments

The fair value of Public Works Loan Board (PWLB) loans of £27.583m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value is calculated by applying the PWLB redemption interest rates, which are lower than the borrowing interest rates. The fair value therefore measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates, taken to be these lower redemption interest rates. However, it should be noted that the borrowing interest rates on the debt drawn equated to the prevailing borrowing, as opposed to redemption rates at the Balance Sheet date.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £27.872m would be valued at £24.704m. If the Council were to seek to realise the projected gain by repaying the loans to the PWLB, the PWLB would give a discount for the reduced interest income that will be avoided. The exit price for the PWLB loans would be the outstanding loan debt and accrued interest of £27.872m less a discount for the reduced interest income of £0.289 totalling £27.583m.

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional gain (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders below current market rates.

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

Financial Assets Measured at Fair Value through Other Comprehensive Income

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

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	Fair Value	
			31 March 2022	31 March 2023
			£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	-
			<u>197</u>	<u>-</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 and Recovery Tees Valley Limited.

The Authority's shareholding of 196,845 £1 preference shares in Suez Recycling and Recovery Tees Valley Limited was redeemed by Suez in 2022/23 for £0.200m and a gain on disposal of £0.003m has been recognised in the Comprehensive Income and Expenditure Statement.

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 management of interest rate exposure;
 - 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 24 February 2022 and is available on the Council website. The key issues within the strategy were:

- the Authorised Limit for 2022/23 was set at £163m (£142m in 2021/22). This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £153m (£132m in 2021/22). 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 2021/22).
- 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 2021/22).

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

Note 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.

Following the fiscal events of Autumn 2022 and the subsequent period of significant market volatility the impact on the financial instruments held has been considered and included within the credit risk disclosures. 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 2022/23 was approved by Full Council on 24 February 2022 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 £47.077m 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 2023 that this was likely to crystallise.

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

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

Amounts Arising from Expected Credit Losses

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

	Asset Class:
	Debtors
	(Financial
	Assets)
	£000
Opening balance	(3,145)
Amounts written off	346
Changes in Impairment of Financial Assets	(345)
Closing balance	<u>(3,144)</u>

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 £3.856m of the £9.121m 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 2022 £000s		31 March 2023 £000s
2,561	Less than three months	1,875
349	Three to six months	533
226	Six months to one year	464
1,019	More than one year	984
4,155		3,856

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 2022 £000s		31 March 2023 £000s
892	Less than one year	6,022
3,734	Between one and five years	4,182
4,469	Between five and ten years	4,357
3,509	Between ten and fifteen years	3,172
2,214	Between fifteen and twenty years	2,200
2,391	Between twenty and twenty-five years	2,473
3,132	Between twenty-five and thirty years	3,378
6,336	Between thirty and thirty-five years	6,815
19,050	Between thirty-five and forty years	17,739
268	Between forty and forty-five years	243
45,076	More than forty-five years	45,038
91,071		95,619

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

According to this assessment strategy, at 31 March 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000s
Increase in interest receivable on variable rate investments	580
Increase in interest payable on borrowings	953
Impact on Surplus or Deficit on the Provision of Services	1,533
	£000s
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Comprehensive Income and Expenditure Statement)	14,596

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. 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:

2021/22 £000s		2022/23 £000s
72	Interest Received	1,203
(3,063)	Interest Paid	(2,922)

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:

2021/22 £000s		2022/23 £000s
9,147	Depreciation	8,914
2,263	Impairment and Downward Valuations	1,953
(1,005)	Downward / (Upward) Valuation of Investment Property	896
223	Increase / (Decrease) in Provisions	(390)
(1,728)	Increase / (Decrease) in Creditors	(1,570)
4,525	(Increase) / Decrease in Debtors	113
(159)	(Increase) / Decrease in Inventories	43
20,169	Pension Liability	17,037
-	Other non-cash items	197
306	Carrying amount of Non-Current Assets Sold	24,098
33,741		51,291

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:

2021/22 £000s		2022/23 £000s
(11,029)	Capital Grants credited to surplus or deficit on the provision of services	(12,072)
(189)	Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(1,114)
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(3)
(11,218)		(13,189)

Note 50: Cash Flow Statement - Investing Activities

2021/22 £000s		2022/23 £000s
(12,940)	Purchase of Property, Plant and Equipment and Investment Property	(13,453)
(35,000)	Purchase of Short-term and Long-term Investments	(10,881)
(395)	Other Payments for Investing Activities	-
189	Proceeds from the sale of property, plant and equipment, investment property	1,114
-	Proceeds from the sale of Short-term and Long-term Investments	200
15,986	Other Receipts from Investing Activities	20,127
(32,160)	Net cash flows from investing activities	(2,893)

SECTION 3 : Statement of Accounts

Note 51: Cash Flow Statement - Financing Activities

2021/22 £000s		2022/23 £000s
(2,521)	Council Tax and NNDR adjustment	3,091
17,000	Cash receipts from short and long term borrowing	4,094
(78)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(347)
(1,950)	Repayments of short and long-term borrowing	-
12,451	Net cash flows from financing activities	6,838

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 Business Services Ltd on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

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

The scheme has in excess of 12,200 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 2023, the Council's own contributions equate to approximately 0.03%.

The Council's contribution to the Teacher's Pension Scheme in 2022/23 amounted to £2.634m (£3.026m in 2021/22) 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 £2.600m, 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 7,900 employing bodies and it is not possible for the Council to identify a share of underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the NHS Pension Scheme during the year ending 31 March 2023, the Council's own contributions equate to approximately 0.0012%.

The Council's contribution to the NHS Pension Scheme in 2022/23 amounted to £0.202m (£0.202m in 2021/22). 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 Middlesbrough Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and HRA the amounts required by statute as described in the accounting policies note.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-employment Benefits

The Council recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2021/22 £000s	2022/23 £000s	2021/22 £000s	2022/23 £000s	2021/22 £000s	2022/23 £000s
Comprehensive Income and Expenditure Statement						
Cost of Services:						
· Current Service cost	24,497	24,236	-	-	24,497	24,236
· Past Service Costs (inc. curtailments)	89	108	-	-	89	108
(Gain) / Loss from Settlements	(1,504)	(3,348)	-	-	(1,504)	(3,348)
Financing and Investment Income and Expenditure:						
· Net Interest Expense	4,456	3,404	214	252	4,670	3,656
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	27,538	24,400	214	252	27,752	24,652
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)	(50,972)	7,087	-	-	(50,972)	7,087
· Actuarial (gains) and losses arising from changes in financial assumptions	(7,690)	(260,270)	(119)	(2,067)	(7,809)	(262,337)
· Actuarial (gains) and losses arising from changes in demographic assumptions	(26,994)	(4,275)	(137)	(86)	(27,131)	(4,361)
· Actuarial (gains) and losses owing to liability experience	(14,746)	36,462	(59)	821	(14,805)	37,283
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(72,864)	(196,596)	(101)	(1,080)	(72,965)	(197,676)

SECTION 3 : Statement of Accounts

Note 53: Defined Benefit Pension Schemes

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2021/22 £000s	2022/23 £000s	2021/22 £000s	2022/23 £000s	2021/22 £000s	2022/23 £000s
Movement in Reserves Statement						
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(27,538)	(24,400)	(214)	(252)	(27,752)	(24,652)

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

Employers' contribution payable to scheme	6,728	6,726	-	-	6,728	6,726
Retirement Benefits payable to pensioners	-	-	855	889	855	889
Transfer from Pension Reserve	(20,810)	(17,674)	641	637	(20,169)	(17,037)

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	
	2021/22 £000s	2022/23 £000s	2021/22 £000s	2022/23 £000s	2021/22 £000s	2022/23 £000s
Fair value of plan assets	578,638	576,695	-	-	578,638	576,695
Present value of the defined benefit obligation	(698,415)	(493,150)	(9,769)	(7,800)	(708,184)	(500,950)
Net liability arising from defined benefit obligation	(119,777)	83,545	(9,769)	(7,800)	(129,546)	75,745

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2021/22 £000s	2022/23 £000s	2021/22 £000s	2022/23 £000s	2021/22 £000s	2022/23 £000s
Opening fair value of assets	(531,264)	(578,638)	-	-	(531,264)	(578,638)
Interest Income on assets	(11,016)	(15,453)	-	-	(11,016)	(15,453)
Remeasurement gains/(losses):					-	-
Return on plan assets (excl amount in net interest)	(50,972)	7,087	-	-	(50,972)	7,087
Other experience	3,958	-	-	-	3,958	-
Effect of Settlement	2,105	3,600	-	-	2,105	3,600
Contributions by the employer	(6,728)	(6,726)	(855)	(889)	(7,583)	(7,615)
Contributions by participants	(3,346)	(3,474)	-	-	(3,346)	(3,474)
Net benefits paid out	18,625	16,909	855	889	19,480	17,798
Closing fair value of assets	(578,638)	(576,695)	-	-	(578,638)	(576,695)

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2021/22 £000s	2022/23 £000s	2021/22 £000s	2022/23 £000s	2021/22 £000s	2022/23 £000s
Opening balance at 1 April	(730,752)	(698,416)	(10,607)	(9,769)	(741,359)	(708,185)
Current Service Cost	(24,497)	(24,236)	-	-	(24,497)	(24,236)
Interest Cost	(15,472)	(18,857)	(214)	(252)	(15,686)	(19,109)
Contributions from scheme participants	(3,346)	(3,474)	-	-	(3,346)	(3,474)
Remeasurement gains/(losses):						
Actuarial gains and (losses) on liabilities - financial assumptions	7,690	260,270	119	2,067	7,809	262,337
Actuarial gains and (losses) on liabilities - demographic assumptions	26,994	4,275	137	86	27,131	4,361
Actuarial gains and (losses) on liabilities - experience	18,822	(36,462)	(59)	(821)	18,763	(37,283)
Past Service Costs (inc. curtailments)	(89)	(108)	-	-	(89)	(108)
Liabilities extinguished on settlements	3,609	6,948	-	-	3,609	6,948
Benefits paid	18,625	16,909	855	889	19,480	17,798
Closing present value of assets	(698,416)	(493,151)	(9,769)	(7,800)	(708,185)	(500,951)

SECTION 3 : Statement of Accounts

Note 53: Defined Benefit Pension Schemes

Local Government Pension Scheme Assets

The Local Government Pension Scheme's assets comprised:

	2021/22 £'000	2022/23 £'000
Equity investments	390,493	407,887
Property	45,490	50,641
Government Bonds	-	-
Corporate Bonds	-	-
Cash	93,332	38,384
Other Investments	49,323	79,783
	<u>578,638</u>	<u>576,695</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 Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2023.

Principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2021/22	2022/23	2021/22	2022/23
Long-term expected rate of return on assets in the scheme:				
Equities	2.7%	4.75%	-	-
Property	2.7%	4.75%	-	-
Government Bonds	2.7%	4.75%	-	-
Corporate Bonds	2.7%	4.75%	-	-
Cash	2.7%	4.75%	-	-
Other	2.7%	4.75%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	20.9	20.6	20.9	20.6
Women	23.9	23.7	23.9	23.7
Longevity at 65 for future pensioners:				
Men	21.9	21.5	-	-
Women	25.5	25.2	-	-
Other assumptions:				
Rate of inflation - CPI	3.2%	2.95%	3.2%	2.95%
Rate of general increase in salaries	4.2%	3.95%	-	-
Rate of increase in pensions - deferred and pensions in payment	3.2%	2.95%	3.2%	2.95%
Rate for discounting scheme liabilities	2.7%	4.75%	2.7%	4.75%

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Sensitivity Analysis

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

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

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

LGPS Funded Benefits Only	Impact on Defined Benefit Obligation in the Scheme	
	Increase in Assumption £000s	Decrease in Assumption £000s
Adjustment to Discount rate (+/- 0.1%)	(8,718)	8,718
Adjustment to Salary increase rate (+/- 0.1%)	1,141	(1,141)
Adjustment to Pension increase rate (+/- 0.1%)	7,699	(7,699)
Adjustment to Longevity (decrease/increase 1 year)	20,038	(20,038)

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The current funding level of the scheme is 116%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March, 2025.

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

The Council anticipates to pay £7.540m expected contributions to the scheme in 2023/2024.

The weighted average duration of the defined benefit obligation for scheme members is 18 years in 2023/24 (20 years in 2022/23).

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.

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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 North East and Cumbria Integrated Care Board (ICB), formerly NHS Tees Valley Clinical Commissioning Group (CCG), for the provision of services in accordance with the requirements of the Better Care Fund.

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

The four national conditions associated with the BCF are:

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

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

Revenue Pooled Budget

2021/22 £000s		2022/23 £000s
	Revenue Funding provided to the Pooled Budget:	
(444)	Balance brought forward	(993)
(5,201)	Hartlepool Borough Council - Improved Better Care Fund (iBCF)	(5,358)
-	Adult Social Care Discharge Grant	(418)
-	ICB Discharge Grant	(439)
(8,038)	NHS North East and Cumbria ICB	(8,493)
(418)	NHS North East and Cumbria ICB - Additional Contribution	-
(14,101)		(15,701)
	Expenditure met from the Pooled Budget:	
6,656	Hartlepool Borough Council	7,671
1,251	NHS North East and Cumbria ICB	1,314
-	Hartlepool Borough Council - Discharge	757
-	ICB - Discharge	100
5,095	Hartlepool Borough Council - Improved Better Care Fund (iBCF)	5,250
106	NHS North East and Cumbria ICB (iBCF)	108
13,108		15,200
(993)	Balance carried forward	(501)

Capital Pooled Budget

2021/22 £000s		2022/23 £000s
	Capital Funding provided to the Pooled Budget:	
(399)	Balance brought forward	(354)
(1,222)	Hartlepool Borough Council	(1,222)
(1,621)		(1,576)
	Expenditure met from the Pooled Budget:	
1,267	Hartlepool Borough Council	1,148
1,267		1,148
(354)	Balance carried forward	(428)

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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.

2021/22 £000s		2022/23 £000s
	Expenditure	
217	Repairs and maintenance	202
411	Supervision and management	443
38	Rents, rates, taxes and other charges	27
2	Discretionary Housing Payments	3
20	Movement in the allowance for bad debts	45
10	Debt Management Expenses	10
134	Depreciation, impairment and revaluation losses of non-current assets	274
832	Total Expenditure	1,004
	Income	
(1,291)	Dwelling Rents	(1,403)
(3)	Charges for services and facilities (net of voids)	(1)
(24)	Other Income	(28)
(1,318)	Total Income	(1,432)
(486)	Net Expenditure or (Income) of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(428)
358	Interest payable	358
(40)	Interest and investment income	(86)
13	Net interest on the net defined benefit liability	12
(155)	Deficit/(Surplus) for the year on HRA services	(144)

MOVEMENT ON THE HRA STATEMENT

2021/22 £000s		2022/23 £000s
(495)	Balance on the HRA at the end of the previous reporting period	(495)
(155)	(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	(144)
	Adjustments between accounting basis and funding basis under statute :	
78	Revaluations (losses) / gain	111
(11)	Impairment losses	(165)
(56)	IAS19 Pensions Adjustment	(58)
(201)	Depreciation	(220)
201	Transfer to Major Repairs Reserve	220
(144)	Net (increase) or decrease before transfers to or from reserves	(256)
144	Transfers to or (from) earmarked reserves	251
-	(Increase) or decrease in the year on the HRA	(5)
(495)	Closing balance on the HRA	(500)

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NOTES TO THE HRA

Note 1: Depreciation, Major Repairs Reserve and Revaluation

Included within the HRA is a total depreciation charge of £0.220m (2021/22 £0.201m) which transfers funding into the Major Repairs Reserve to meet the cost of future major repairs. The gain on revaluation for the year was £0.111m (2021/22 £0.078m). 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

2021/22 £000s	2022/23 £000s
1,919 Acquisition and renovation of Council Dwellings	2,042
- Adaptations	64
14 Major Repairs	210
1,933	2,316
Funded by:	
(1,073) Borrowing	(1,077)
(563) Homes England Grant	(175)
(127) Brownfield Homes Grant	-
(156) S.106 contributions	(790)
- Health Grant	(64)
(14) Major Repairs Reserve	(210)
(1,933)	(2,316)

Note 3: Number and Value of Council Dwellings

There were 324 Council Dwellings held as at 31 March 2023 (309 in 2021/22); note this accounts for 3 properties that were disposed of through 'Right To Buy' sales. The number of empty properties included in the above figures is 16, 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.

1 April 2022 £000's	31 March 2023 £000's
9,614	11,900
Balance Sheet Value - Reflects the council dwellings status as social housing	

The vacant possession value of HRA dwellings as at 1 April 2023 is £27.045m 'therefore recognising an economic cost to the government of providing Council Housing at less than open market rents. (£27.045m less £11.900m = £15.145m).

Note 4: Rent Arrears

The level of rent arrears as at 31 March, 2023 was £0.160m (31 March 2022 £0.155m), these figures include rent, service charge and rechargeable repair arrears.

The Bad Debt provision required in respect of these uncollectable debts is £0.148m (2021/22 £0.103m)

31 March 2023 £000's
160
(148)

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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.

2021/22 £000		2022/23 £000	Notes
	INCOME		
	Council Tax :		
(52,343)	Billed to tax payers	(55,477)	
(52,343)		(55,477)	1
	Non Domestic Rates :		
(27,124)	Income Collectable from Business Ratepayers	(31,180)	2
188	Transitional Protection Payment	358	
(26,936)		(30,822)	
(79,279)		(86,299)	
	TOTAL INCOME		
		(86,299)	
	EXPENDITURE		
	Council Tax :		
42,737	Precepts Hartlepool Borough Council	45,845	
6,480	Police & Crime Commissioner	6,873	
1,959	Cleveland Fire Authority	2,041	
324	Increased Provision for Non-Payment of Council Tax	246	
51,500		55,005	
	Non Domestic Rates :		
	Payment of Non Domestic Rates to Preceptors		
15,646	Hartlepool Borough Council	14,444	
319	Cleveland Fire Authority	295	
15,965	Payment of Non Domestic Rates to Central Government	14,739	
113	Cost of Collection Allowance	114	
(98)	Change in Provision for Non-Payment of NNDR	(399)	
319	Change in Provision for Non Domestic Rating Appeals	(420)	
178	Disregarded Amounts	435	
32,442		29,208	
	Contributions for previous years estimated		
	Collection Fund Surplus/(Deficit) - Council Tax		
(763)	Hartlepool Borough Council	59	
(113)	Police & Crime Commissioner	11	
(34)	Cleveland Fire Authority	3	
(910)		73	
	Contributions for previous years estimated		
	Collection Fund Surplus/(Deficit) - Non-Domestic Rates:		
(5,078)	Hartlepool Borough Council	(4,194)	
(104)	Cleveland Fire Authority	(86)	
(5,181)	Central Government	(4,280)	
(10,363)		(8,560)	
72,669		75,726	
(6,610)		(10,573)	
	TOTAL EXPENDITURE		
		(10,573)	
	NET TOTAL		
	Movement on Fund Balances		
	Council Tax:		
(1,755)	(Surplus)/Deficit for the year	(399)	
2,502	(Surplus)/Deficit brought forward	747	
747	(Surplus)/Deficit carried forward	348	
	Non Domestic Rates:		
(4,764)	(Surplus)/Deficit for the year	(10,174)	
14,140	(Surplus)/Deficit brought forward	9,376	
9,376	(Surplus)/Deficit carried forward	(798)	

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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 34,998 Band D equivalents in 2022/23 (34,380 for 2021/22) and the basic amount of Council Tax for a Band D property was £2,194.40 (£2,097.07 in 2021/22). The Council Tax Base was 24,928 and reflected reductions for reliefs and discounts.

Set out in the table below are the Band D weightings, property numbers and income from each band level.

Band	Weighting to Band D	No. of properties in each band	Equivalent no. of Band D Properties	Hartlepool BC demand per property (Ex Parishes) £	Police & Crime Commissioner demand per property £	Fire Authority demand per property £	Total demand per property £	Total Income per band £000's
A	6/9	23,412	15,608	1,224.54	183.82	54.57	1,462.93	34,250
B	7/9	7,434	5,782	1,428.63	214.46	63.67	1,706.76	12,688
C	8/9	6,340	5,636	1,632.72	245.09	72.76	1,950.57	12,367
D	9/9	3,379	3,379	1,836.81	275.73	81.86	2,194.40	7,415
E	11/9	1,819	2,223	2,244.99	337.00	100.05	2,682.04	4,879
F	13/9	814	1,176	2,653.17	398.28	118.24	3,169.69	2,580
G	15/9	612	1,020	3,061.35	459.55	136.43	3,657.33	2,238
H	18/9	87	174	3,673.62	551.46	163.72	4,388.80	382
TOTALS		43,897	34,998					76,799

The income of £55.477m for 2022/23 (£52.343m for 2021/22) is receivable from the following sources:

2021/22 £000		2022/23 £000
72,096	Opening Liability	76,799
2,127	Net increase/(decrease) in liability	1,802
(120)	Disabled Relief	(128)
(6,975)	Discounts	(7,644)
(1,554)	Exemptions	(1,833)
(212)	Write Offs	(223)
(13,019)	Council Tax Support Scheme	(13,296)
<u>52,343</u>		<u>55,477</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 2022/23 (49.9p in 2021/22) and, the Non Domestic Rate Multiplier which was 51.2p in 2022/23 (51.2p in 2021/22). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The total non domestic rateable value at the year end was £79.588m.

The NNDR income collectable from Ratepayers is shown below.

2021/22		2022/23
£000		£000
38,746	Gross Rates payable	38,202
(11,473)	Mandatory Reliefs	(7,022)
189	Transitional Relief	358
(338)	Write Offs	(358)
<u>27,124</u>		<u>31,180</u>

The decrease to mandatory reliefs during 2022/23 was primarily as a result of the reduction in Retail, Hospitality and Leisure (RHL) relief awarded in 2022/23 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. The reliefs are funded by DLUHC through Section 31 Grants.

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 or can be obtained from the Councils Customer Services. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, Part 2 6(1) (a), which requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with the statement of accounts. Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015, require that for a local authority that statement is an Annual Governance Statement (AGS).

The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically. The governance framework has been in place at the Council for the year ended 31st March 2023 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 and the Assistant Director (Finance). As part of the process regular updates have been given to the Executive Leadership Team (ELT).

Significant Governance Issues Update from 2021/22 Statement

Progress has been made over the course of 2022/23 to actively manage and address issues identified as part of the 2021/22 process. This approach ensures the Council actively manages these issues. The table below identifies action that has been taken to mitigate the areas identified.

Issue Raised	Action Undertaken
Delivery of Council Plan, revised Performance Management Framework and Medium Term Financial Strategy (MTFS). The sustainability of services, level of performance and the continuing need to achieve housing growth.	The MTFS was updated during 2022/23 and the budget for 2023/24 was set at Council on 23rd February 2023. The approved budget reflected an increase in Council Tax, increase in the Adult Social Care precept, increase in Government funding, savings plan and the use of reserves. The Council Plan 2021/22 – 2023/24 was agreed by Finance and Policy Committee on 15th February 2021 and adopted by Council on 25th February 2021. Progress against the Council Plan is reviewed through dedicated ELT Performance and Challenge Clinics 3 times a year and this is followed by reports to Finance and Policy Committee. The first Annual Report was produced in summer 2022 and shared with all elected Members and the public.
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 provided to Members. Monthly Capital Board embedded, refreshed Capital Strategy approved at Full Council 23rd February 2023.
Potential for Cyber Security attack/breach of IT defences leading to service disruption and potentially serious financial implications.	Use of the National Cyber Security Centre's Event Logging solution. Implementation of a new firewall providing additional protection including blocking access to network from outside UK and 24/7 analysis of internet access with auto blocking where activity falls outside of normal working patterns. Mandatory annual training provided for all staff in respect of cyber security and regular all staff emails giving instruction on what to do with suspicious emails. Information provided on the intranet and wall posters highlighting how to recognise phishing emails.

SECTION 4 : Annual Governance Statement

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 1st July 2022 addressed issues relating to appointments of Member Champions and irrecoverable debt write offs. In order to streamline the write off process, improving the timeliness of entries into the Authority's financial systems, and ultimately reducing the duplication of performance reporting to the Finance and Policy Committee, it was proposed that based on the average set by other Local Authorities, the Committee consider increasing the threshold for write-off value for irrecoverable debts to £50,000. The subsequent report of the Constitution Committee was submitted to Full Council on 14th July 2022.

A report was submitted also to the Constitution Committee on 21st November 2022 which addressed issues which had arisen since the previous review of the Constitution including formalising Parish Council liaison meetings, deletion of Section 12 of the Officer Employment Rules so there is no longer a requirement to consult chairs/vice chairs regarding band 15 appointments and changes to Planning Delegations relating to Enforcement & Certificate of Lawfulness. The subsequent report of the Constitution Committee was submitted to Full Council on 15th December 2022.

Further reports were submitted to the Constitution Committee on 14th March 2023 by the Monitoring Officer. The Monitoring Officer's report included a proposal to introduce a Protocol on Calling Extraordinary Council Meetings, reference to a Procurement Social Value Statement of Intent being added to the Contract Procedure Rules, updating the Political Balance Guidance Note and the removal from the Policy Framework of Plans and Strategies which are not legally required to be approved/adopted by Full Council to ensure that decisions are made quicker and at the most appropriate forum; the appropriate Policy Committee rather than Full Council. An additional report was submitted which sought a view from the Committee regarding proposed changes to the Constitution to reflect Hartlepool Borough Council (HBC) and Hartlepool's Parish Councils commitment to work together, as detailed in the newly created Parish Charter. The recommendations of the Committee were submitted to Full Council on 23rd March 2023.

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 ELT to ensure Members are updated/briefed on key strategic issues.

Effective procedures to identify, evaluate, communicate, implement, comply with and monitor legislative change exist and are used. Legal Division procedures exist for monitoring new legislation, advising relevant departments, and Members where appropriate. Workforce Services policies identify suitable recruitment methods and ensure appropriate job descriptions exist for legal staff. A corporate induction session is now in place and is held approximately every 4 weeks. This is aimed at new employees within the Authority but is also open to any existing member of staff who would benefit from a refresher. An Assistant Director opens every session which ensures Chief Officer presence and support. This forms one part of a new corporate induction programme which is being developed to include a wider range of information for new employees. Departments have responsibility to provide induction training specific to their departmental needs.

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

The Constitution contains financial and contract procedure rules, and code of conduct for Members, which have been formally approved. Financial procedure rules have been updated and agreed by Council and contract procedure rules have also been updated to take into account new procurement procedures and legislative requirements. The Constitution is available to all employees on the intranet and to the public on the internet. A register of gifts and hospitality is maintained for Members and Officers. The Authority has a Treasury Management Strategy that was approved by Audit and Governance Committee on 9th February 2023 and referred to Council for approval on 23rd February 2023 for the financial year 2023/24. 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 The Department of Levelling Up Housing and Communities (DLUHC) guidance. The Audit and Governance Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies before making any necessary recommendations to Council. The Section 151 Officer reports to the Audit and Governance Committee how the Council's financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

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

SECTION 4 : Annual Governance Statement

Human Resources has drawn up policies to ensure suitably qualified employees are employed in key areas. Supporting terms and conditions of employment for all employees cover all aspects of good employment. Induction courses for key new officers and all new Members incorporate suitable training on corporate governance issues according to responsibilities and there is a general staff awareness programme in place.

An updated Code of Conduct for Employees has been approved, published and communicated to all employees. An updated Health and Safety Policy was approved by Finance and Policy Committee on 14th January 2019 and a Communication Strategy implemented to ensure general awareness. The Council has also implemented a programme of Health and Safety Leadership Training for senior managers.

The Council has an ongoing programme of monitoring and reviewing arrangements in place in respect of the operation of its key partnerships. A framework of reporting by exception to Executive Leadership Team operates and Internal Audit provides audit coverage of partnership arrangements.

The Council has a three-year Council Plan (2021/22 – 2023/24) that sets out the Council's ambitions for the Borough. The Plan was agreed by Finance and Policy Committee on 15th February 2021 and adopted by Council on 25th February 2021. Progress against the Council Plan is reviewed through dedicated ELT Performance and Challenge Clinics 3 times a year and this is followed by reports to Finance and Policy Committee. The first Annual Report was 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 Corporate Fraud Forum. The Council has updated its Fraud and Corruption Strategy in line with CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

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/refreshers sessions are offered as and when individual departments/teams require them. Each department also has a risk co-ordinator.

The Finance and Policy Committee is responsible for ensuring the consideration of risk across 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.

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.

SECTION 4 : Annual Governance Statement

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

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

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

- Publish equalities information to demonstrate its compliance with the Equality Duty by the 31st January each year; and
- Develop and publish equality objectives every four years.

In order to demonstrate our compliance with the above requirements, we have produced a Workforce Equality Information Report 2021/22 and a 2021/22 Equality Report to demonstrate the progress that the Council has made to date. We are aware that there are gaps in our data and are working to provide more information in an accessible format. On that basis the report is regularly updated. Since the first equality objectives were published in April 2012 the Council has based them on the strategic objectives set out in our Council Plan. By doing this the Council demonstrates that equality and diversity is a core part of what we do as an organisation and not an add on activity. The Council's vision as set out in the Council Plan 2021/22 – 2023/24 sets out our equality objectives. A new Equality, Diversity and Inclusion (EDI) Policy was agreed by Finance and Policy Committee on 13th March 2023 to set out the Council's commitment to EDI.

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 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 Children's Services 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 in each Local Authority area and a survey every two years of people who are carers. Feedback from these surveys continues to be positive and the satisfaction rates of people in Hartlepool compare very favourably regionally and nationally. Over 96% of services that are commissioned by the Council for adults with care and support needs are rated 'good' by the Care Quality Commission (CQC) with no services rated 'inadequate'. The Council is actively engaged with Sector Led Improvement via NE ADASS (the North East branch of the Association of Directors of Adult Social Services), which has had a particular focus on preparation for CQC assessment of Local Authority Adult Social Care Services. This has involved an annual conversation in December 2022 and an independent peer review of adult safeguarding arrangements undertaken in March 2023, with a mock inspection week scheduled for May 2023.

In 2021/22 the External Auditor's Annual Report confirmed unqualified opinions were issued.

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:

- Executive Leadership Team agreed process for the review of the internal control environment. The risk inherent in meeting departmental objectives and the controls to mitigate those risks are recorded as part of the corporate service planning process at a departmental level. This has brought together risk management, control identification and the process for compiling the evidence needed to produce the AGS. This enables managers to provide documented evidence regarding the controls within their service units as part of the service planning process. The controls in place are designed to negate the identified and recorded risks of not achieving service, departmental or corporate objectives. In order to ensure adequate controls are in place the procedures, processes and management arrangements in place to mitigate identified risks and the officers responsible for them are also documented. Gaps in controls can be addressed as part of the regular reviews of departmental risks and control measures.
- Section 151 Officer – reports to the Audit and Governance Committee how the Council's financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- Internal Audit – the Council has the responsibility for maintaining and reviewing the system of internal control and reviewing annually Internal Audit. In practice, the Council, and its External Auditors, takes assurance from the work of Internal Audit. In fulfilling this responsibility:
 - Internal Audit 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.

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

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

The overall feedback was positive and Council agreed an action plan at their meeting on 23rd March 2023 setting out how the council will respond to the CPC recommendations. Six month peer review/progress update will be provided at the end of August 2023.

SECTION 4 : Annual Governance Statement

Significant Governance Issues

The following significant governance issues have been identified:

No	Issue	Action	Timescale	Responsible Officer
1	Delivery of Council Plan, revised Performance Management Framework and Medium Term Financial Strategy. The sustainability of services, level of performance and the continuing need to achieve housing growth.	<p>The MTFS approved in January 2023 forecast annual deficits of £1.66m in 2024/25, £2.5m in 2025/26 and £2.5m in 2026/27. These forecast will be updated to reflect the much higher and prolonged impact of inflation and general amounts of Government funding. A savings strategy is being developed for MTFS plan period.</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 ELT and Finance and Policy Committee. During 2023/24 work to develop a new Council Plan will be undertaken and this will include a range of consultation and stakeholder engagement activities. The intention is that the new Plan will be agreed by Finance and Policy Committee</p>	2023/24 – 2024/25	Executive Leadership Team
2	Delivery of Regeneration/ Capital Programme on time and budget in line with key Council objectives.	Arrangements previously adopted will continue to be followed and monitored as projects move from design to construction phase.	2023/24	Capital Programme Board
3	Potential for Cyber Security attack/breach of IT defences leading to service disruption and potentially serious financial implications.	<p>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 the 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>	2023 Onwards	Executive Leadership Team
4	Change in political environment.	New Member training provision as well as refresher training for existing Members. Constitution refresh in order to streamline meetings and the reestablishment of Group leader meetings.	2023 Onwards	Executive Leadership Team

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 2023, 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 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31st March 2023 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 2022/23.

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 Finance IT and Digital's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, 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 Finance IT and Digital with respect to going concern are described in the relevant sections of this report.

Other information

The Director of Finance IT and Digital 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 Finance IT and Digital for the financial statements

As explained more fully in the Statement of the Director of Finance IT and Digital'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 2022/23, and for being satisfied that they give a true and fair view. The Director of Finance IT and Digital is also responsible for such internal control as the Director of Finance IT and Digital determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance IT and Digital is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 Finance IT and Digital 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 Finance, IT and Digital 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 Finance, IT and Digital 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. This description forms part of our auditor's report.

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 2023.

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 2023.

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 2022.

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:

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.

Checklist of questions to assist with the understanding of the Council's Financial Report (Appendix A)

Comprehensive Income and Expenditure Statement (page 22) and Note 7 Expenditure and Funding Analysis (page 45).	
1	Is the purpose of the Comprehensive Income and Expenditure Statement clear (i.e. does it show actual financial performance under accounting standards before fiscal adjustments)?
2	Do the service net expenditure figures clearly demonstrate the financial performance of the services on the face of the Comprehensive Income and Expenditure Statement during the year?
3	Are the material items of income and expenditure in the Comprehensive Income and Expenditure Statement presented separately on the face of the Statement or explained in the notes?
4	Do the notes to the Comprehensive Income and Expenditure Statement provide easily understandable information relating to the Statement (or lines within the Statement)?
5	Are there any unexplained significant variances between current and previous year information?
6	Have any significant differences between budget reports and net expenditure chargeable to General Fund balances been explained?
7	Are the major statutory adjustments clearly explained and easily understood?
Movement in Reserves Statement (page 21)	
8	Can the major movements in net worth that occur within the Movement in Reserves Statement be easily identified? Are these explained within the financial statements or Narrative Report?
9	Do the opening balances in the Movement in Reserves Statement match with the closing balances of the preceding year? Are any adjustments to opening balances explained on the face of the Statement and/or in the notes?
10	Is there a clear explanation of the statutory adjustments in the adjustments from income and expenditure charged under the accounting basis to the funding basis line in the Movement in Reserves Statement? (Note this may be linked with the Expenditure and Funding Analysis.)
11	Do the entries on the statutory adjustment line net to nil?
12	Do the related notes on reserves clearly explain the purpose for holding reserves?
13	Does the Total Comprehensive Income and Expenditure line in the Movement in Reserves Statement agree with the information in the Comprehensive Income and Expenditure Statement?
14	How have the balances of usable reserves moved during the year? Are these balances sufficient to support the Council's financial plans in the immediate future and over the medium term?

Balance Sheet (page 23)

15	Does the property, plant and equipment information tell the story of the Council's property portfolio during the year (including the major movements in that portfolio i.e. major disposals and acquisitions)? Do these balances reflect the Council's asset management strategy?
16	Has there been any substantial movement in the pension asset or liability? If yes, has the reason for such a movement been explained and the subsequent consequences described in the financial statements or the Narrative Report?
17	Have there been any new provisions or significant movements in provisions in the year? If yes, have the reasons for making these provisions been set out in the financial statements or any material movements been explained?
18	Have there been any significant movements in the Council's borrowings during the year? Are these movements reflected in the Council's borrowing strategy and what impact will this have on the prudential indicators or future investment plans?
19	Are there any significant movements in the Council's investment portfolio? Do these agree with the plans in the Council's treasury management strategies and statutory investment plans?
20	Are there any other significant movements in balances in the balance sheet that are not clearly explained?
21	Do the balance sheet reserves agree with the totals in the Movement in Reserves Statement?

Cash Flow Statement (page 24)

22	Do the cash balances in the cash flow statement agree with the relevant balances in the balance sheet?
23	Are the Council's balances reflected adequately in the council's treasury management strategies?

AUDIT AND GOVERNANCE COMMITTEE

18 July 2023



Report of: DIRECTOR OF FINANCE, IT AND DIGITAL

Subject: MAZARS REPORT- AUDIT STRATEGY
MEMORANDUM

1. PURPOSE OF REPORT

- 1.1 To inform Members of the Audit and Governance Committee that arrangements have been made for representatives from Mazars to be in attendance at this meeting, to present the content of the report Audit Strategy memorandum.

2. BACKGROUND

- 2.1 The report sets out Mazars audit plan in respect of the audit of the financial statements of Hartlepool Borough Council for the year ending 31 March 2023. The plan sets out the proposed audit approach and is prepared to assist the Audit and Governance Committee in fulfilling its governance responsibilities.

3. FINDINGS OF MAZARS

- 3.1 Details of key messages are included in the main body of the report attached as Appendix 1.

4. RISK IMPLICATIONS

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

5. FINANCIAL CONSIDERATIONS

- 5.1 There are no financial considerations.

6. LEGAL CONSIDERATIONS

- 6.1 There are no legal considerations.

7. CHILD AND FAMILY POVERTY CONSIDERATIONS

7.1 There are no child and family poverty considerations.

8. EQUALITY AND DIVERSITY CONSIDERATIONS

8.1 There are no equality and diversity considerations.

9. STAFF CONSIDERATIONS

9.1 There are no staff considerations.

10. ASSET MANAGEMENT CONSIDERATIONS

10.1 There are no asset management considerations.

11. ENVIRONMENT, SUSTAINABILITY AND CLIMATE CHANGE CONSIDERATIONS

11.1 There are no environment, sustainability and climate change considerations.

12. RECOMMENDATIONS

12.1 That the Audit and Governance Committee:

i. Note the report of Mazars.

13. REASON FOR RECOMMENDATIONS

13.1 To ensure the Audit and Governance Committee is kept up to date with the work of our External Auditor.

14. BACKGROUND PAPERS

14.1 Audit Strategy Memorandum.

15. CONTACT OFFICER

15.1 James Magog
Director of Finance, IT and Digital
Civic Centre
Victoria Road
Hartlepool
TS24 8AY

Tel: 01429 523003
Email: James.Magog@Hartlepool.gov.uk

Audit Strategy Memorandum

Hartlepool Borough Council

Year ending 31 March 2023



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- 02** Your audit engagement team
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- 04** Significant risks and other key judgement areas
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- 07** Our commitment to independence
- 08** Materiality and misstatements

Appendix A – Key communication points

Appendix B – Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

This document is to be regarded as confidential to Hartlepool Borough Council. It has been prepared for the sole use of the Audit and Governance Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

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

6 July 2023

Dear Sirs / Madams

Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle Upon Tyne
NE1 1DF

Audit Strategy Memorandum – Year ending 31 March 2023

We are pleased to present our Audit Strategy Memorandum for Hartlepool Borough Council for the year ending 31 March 2023. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Hartlepool Borough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit, and explains the implications of the introduction of the new auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019).

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0191 383 6300.

Yours faithfully



Gavin Barker

Mazars LLP

Mazars LLP - The Corner, Bank Chambers, 26 Mosley Street, Newcastle Upon Tyne. NE1 1DF

Tel: 0191 383 6300 – www.mazars.co.uk

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London EC4M 7AU.

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

01

Section 01:

**Engagement and
responsibilities summary**

1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Hartlepool Borough Council (the Council) for the year to 31 March 2023. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

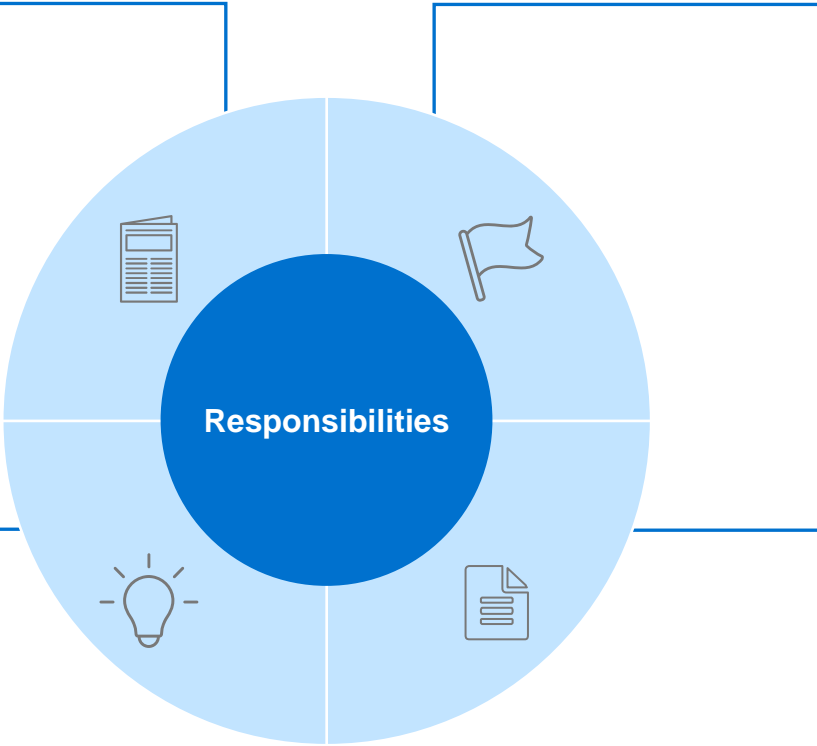
Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Council Accounting. Our audit does not relieve management or the Council as those charged with governance, of their responsibilities.

The Director of Finance, IT and Digital is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding going concern and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Director of Finance, IT and Digital's use of the going concern basis of accounting in the preparation of the financial statements.

Value for money

We are also responsible for forming a commentary on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in Section 5 of this report.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom

02

Section 02:

Your audit engagement team

2. Your audit engagement team

The key members of this year's audit team are unchanged from 2021/22 and are set out below:

Who	Role	E-mail
Gavin Barker, CIPFA	Director and Engagement Lead	Gavin.Barker@mazars.co.uk
Ross Woodley, CIPFA	Manager	Ross.Woodley@mazars.co.uk
Ian Rutter, ACA	Team Leader	Ian.Rutter@mazars.co.uk



Engagement and responsibilities summary	Your audit engagement team	Audit scope, approach and timeline	Significant risks and key judgement areas	Value for money	Fees for audit and other services	Our commitment to independence	Materiality and misstatements	Appendices
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03

Section 03:

Audit scope, approach and timeline

3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

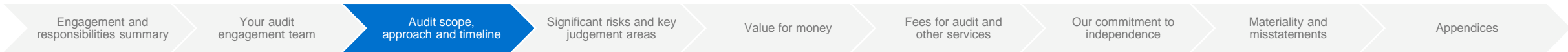
Audit approach

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to the risks identified.

If we conclude that appropriately-designed controls are in place, then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



3. Audit scope, approach and timeline

Planning and Risk Assessment March to July 2023

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Risk assessment analytical procedures
- Determination of materiality

Completion to be confirmed

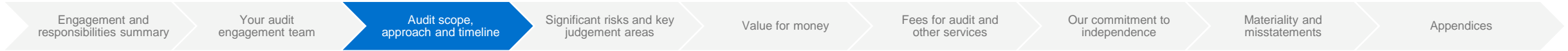
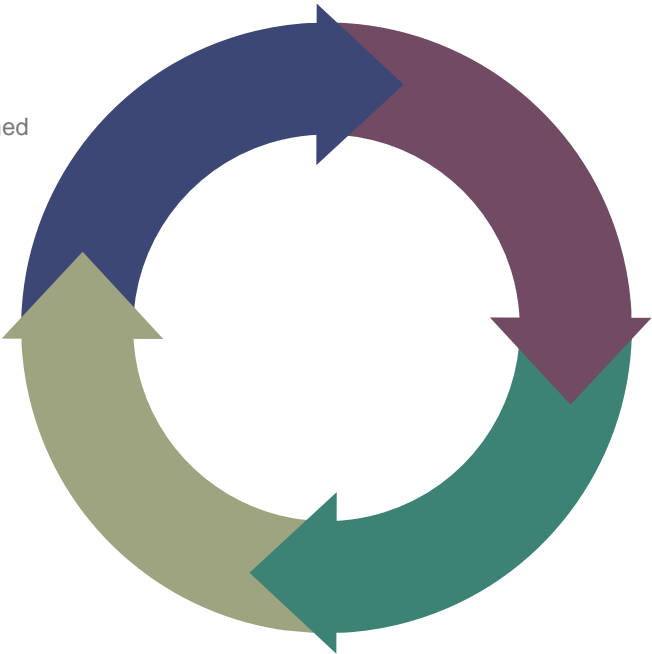
- Final review and disclosure checklist of financial statements
- Final engagement lead review
- Agreeing content of letter of representation
- Reporting to the Audit and Governance Committee
- Reviewing subsequent events
- Signing the independent auditor's report

Interim March to July 2023

- Documenting systems and controls
- Performing walkthroughs
- Assessment of the IT environment, including the design and implementation of IT controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork to be confirmed

- Receiving and reviewing draft financial statements
- Delivering our audit strategy starting with significant risks and high risk areas including detailed testing of transactions, account balances and disclosures
- Communicating progress and issues
- Clearance meeting



3. Audit scope, approach and timeline

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will liaise with internal audit to consider the progress and findings of their work prior to the commencement of any controls testing.

If we decide to place reliance on the work of internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management’s and our experts

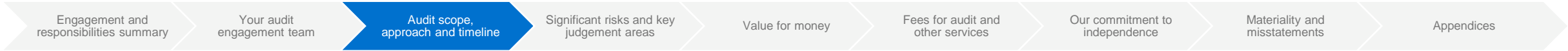
Management makes use of experts in specific areas when preparing the Council’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Defined benefit liability	Hymans Robertson	NAO’s Consulting Actuary (PWC)
Property, plant and equipment valuation	Internal valuer from the Council	
Financial Instruments	Link Asset Services	

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

We have not identified any service organisations with a role in the production of the financial statements, which have an impact on our audit.



04

Section 04:

**Significant risks and other key
judgement areas**

4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

Significant risks are those risks assessed as being close to the upper end of the spectrum of inherent risk, based on the combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. Fraud risks are always assessed as significant risks as required by auditing standards, including management override of controls and where applicable revenue recognition.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.

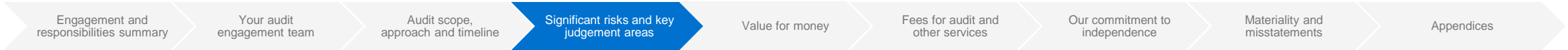


4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit and Governance Committee.

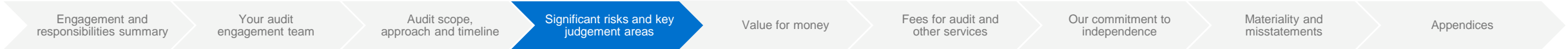
	Description	Fraud	Error	Judgement	Planned response
1	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	<p>We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p> <p>We will use a computer audit analytical technique (CAAT) to efficiently identify journals with risk characteristics and test 100% of such adjustments to the financial ledger.</p>



4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p>Net defined benefit liability valuation £160M (2021/22)</p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. Moreover, in 2022/23 the actuary is undertaking a triennial revaluation of the local government pension fund. This results in an increased risk of material misstatement.</p>	○	●	●	<p>We will discuss with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we will evaluate the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally.</p> <p>We will review the appropriateness of the key assumptions included within the valuations, compare them to expected ranges and review the methodology applied in the valuation. We will consider the adequacy of disclosures in the financial statements.</p> <p>We will also seek assurance from the auditor of Teesside Pension Fund.</p>
3	<p>Valuation of land and buildings £161M (2021/22)</p> <p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of land and buildings. Although the Council uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of land and buildings due to the significant judgements and number of variables involved in providing revaluations.</p> <p>In addition, there was significant building cost inflation in 2022/23, which increases the risk that assets not revalued in 2022/23 may no longer be valued appropriately.</p>	○	●	●	<p>We plan to address this risk by considering the Council's arrangements for ensuring that land and building values are reasonable and we will use data on valuation trends and relevant indices to assess the reasonableness of the valuations provided by the external valuer. We will also assess the competence, skills and experience of the valuer.</p> <p>We plan to discuss methods used with the valuer and examine any test valuations. We will use indices provided by NAO's valuation expert (Montague Evans) to confirm the assets not revalued are unlikely to have materially changed in value.</p> <p>We will test the revaluations in year to valuation reports and supporting calculation sheets and ensure that the calculations are correct and source data agrees with floor plans and indices.</p>



4. Significant risks and other key judgement areas

Other key areas of management judgement and enhanced risks

	Description	Fraud	Error	Judgement	Planned response
4	<p>Valuation of investment properties and council house dwellings £19M (2021/22)</p> <p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of investment properties and council houses. Although the Council uses a valuation expert to provide information on valuations, there remains a degree of estimation uncertainty associated with the revaluation of properties due to the significant judgements and number of variables involved in providing revaluations.</p> <p>However, the value of the Council's holding of such properties is much lower than for land and buildings and it would take a large percentage error to be material. In addition, there is considerably more market data available to assist the valuer than is the case for land and buildings, the majority of which are specialised and rarely on the market.</p>	○	●	●	<p>We will adopt the same approach to auditing the valuation of investment properties and council house dwellings as outlined on the previous page for the valuation of land and buildings.</p> <p>However, in recognition that the risk is enhanced rather than significant, our sample size will be lower.</p>

05

Section 05:

Value for money

5. Value for money

The framework for Value for Money work

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

2022/23 will be the third audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

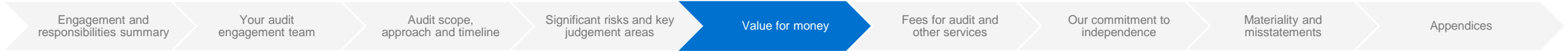
The Code requires us to structure our commentary to report under three specified criteria:

- 1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- 2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks; and
- 3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Planning and risk assessment	Obtaining an understanding of the Council arrangements for each specified reporting criteria. Relevant information sources will include: <ul style="list-style-type: none">• NAO guidance and supporting information• Information from internal and external sources including regulators• Knowledge from previous audits and other audit work undertaken in the year• Interviews and discussions with staff and members
Additional risk-based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report. Our commentary will also highlight: <ul style="list-style-type: none">• Significant weaknesses identified and our recommendations for improvement• Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council



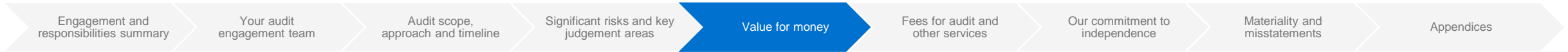
5. Value for money

Identified risks of significant weaknesses in arrangements

The NAO’s guidance requires us to carry out work at the planning stage to understand the Council’s arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our planning and risk assessment work, we have not identified any risks of significant weaknesses in arrangements in our planning to date. This has included meetings with senior management, a review of the latest Medium Term Resource Strategy and a review of the savings plan for 2023/24.

We will report any further identified risks to the Audit and Governance Committee on completion of our planning and risk identification work.



06

Section 06:

Fees for audit and other services

6. Fees for audit and other services

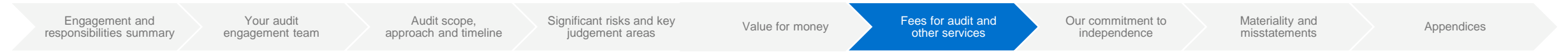
Fees for work as the Council’s appointed auditor

At this stage we are proposing one area where there will be a fee increase in 2022/23 compared to our final fees for 2021/22 (this relates to the implementation of revised ISA 315). There is also an inflationary fee increase which is to be funded by PSAA and is not included in the table below. Additional fees for 2021/22, which in turn will impact on the 2022/23 audit fee, are still subject to finalisation and PSAA approval. All fees are subject to VAT.

Area of work	2022/23 Proposed audit fee (£ excluding VAT)	2021/22 Actual Fee (£ excluding VAT)
Scale audit fee	£96,506	£83,882
Recurring increases in the base audit fee arising from regulatory pressures (as originally agreed in the 2019/20 audit); note that £12,624 of the fee in 2021/22 has been incorporated into the 2022/23 scale audit fee by PSAA	£3,156	£15,780
Additional fees in respect of the VFM approach (recurring, as agreed from the 2020/21 audit)	£10,000	£10,000
Additional fees in respect of the revised ISA 540 (recurring, as agreed from the 2020/21 audit)	£4,400	£4,400
Additional fees in respect of the Council’s infrastructure and triennial pensions issue – specific issues relating to the 21/22 audit, and non recurring (these have delayed our audit reporting on the 2021/22 financial year)	0	£15,000
ISA 315 revised – additional work in relation to understanding the entity, including documenting risks, risk assessments, and an additional focus on IT general controls (new standard applied from 2022/23 for the first time)	To be confirmed ¹	£0
Grand total	£114,062 ¹	£129,062

Note 1 – there will be an additional fee in the 2022/23 audit for the implementation of ISA 315 (revised), the level of this fee can not be confirmed at this stage, so this fee and the Grand Total for the 2022/23 audit fee are subject to change.

The 2022/23 fee is subject to a 5.2% inflationary increase, not included in the table above. As set out in the PSAA’s ‘Consultation on 2022/23 audit fee scale’ published in August 2022, PSAA will fund the inflationary increase using “surplus funds not required for PSAA’s operations, which would otherwise be distributed to opted-in bodies” (p8 of the consultation).

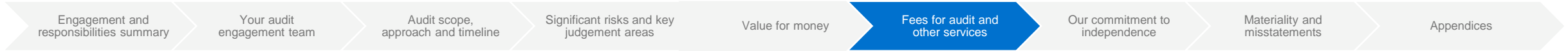


6. Fees for audit and other services

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work, we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Area of work	2022/23 Proposed Fee	2021/22 Actual Fee
Housing benefit subsidy certification	To be agreed	£13,810
Teachers' Pensions Return	To be agreed	£4,600



07

Section 07:

Our commitment to independence

7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

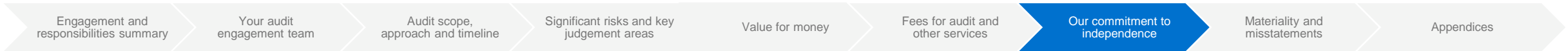
We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Gavin Barker in the first instance.

Prior to the provision of any non-audit services Gavin Barker will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.



08

Section 08:

Materiality and misstatements

8. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	5,899
Performance materiality	4,719
Specific materiality <ul style="list-style-type: none">Senior officer remunerationMembers expenses and allowancesExit Packages	10% of total senior management remuneration 6 100
Trivial threshold for errors to be reported to the Audit and Governance Committee	177

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Information is considered to be material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

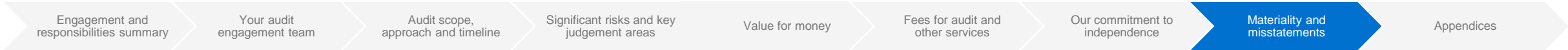
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of 2% of gross expenditure. We identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit and Governance Committee .

We consider that gross expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



8. Materiality and misstatements

Materiality (continued)

We expect to set a materiality threshold 2% of gross revenue expenditure at the surplus / deficit level. Based on the 2021/22 audited financial statements we anticipate the overall materiality for the year ending 31 March 2023 to be in the region of £5.9m (£5.9m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 80% of overall materiality as performance materiality.

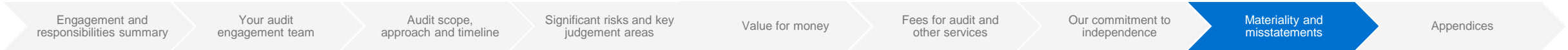
Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit and Governance Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £177,000 based on 3% of overall materiality. If you have any queries about this, please do not hesitate to raise these with Gavin Barker.

Reporting to the Audit and Governance Committee

The following three types of audit differences above the trivial threshold will be presented to the Audit and Governance Committee :

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).





Appendices

A: Key communication points

B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

Appendix A: Key communication points

We value communication with Those Charged With Governance as a two-way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report.

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

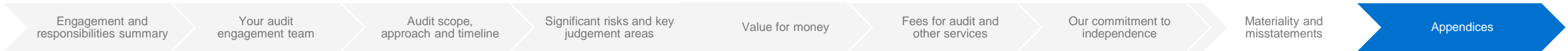
Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;

- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

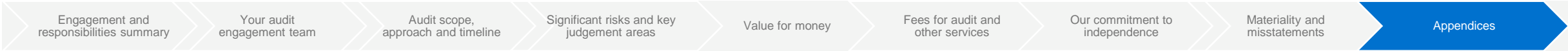
- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.



Appendix A: Key communication points

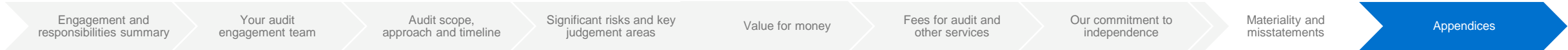
ISA (UK) 260 ‘Communication with Those Charged with Governance’, ISA (UK) 265 ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none">• uncorrected misstatements and their effect on our audit opinion;• the effect of uncorrected misstatements related to prior periods;• a request that any uncorrected misstatement is corrected; and• in writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none">• enquiries of the Audit and Governance Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;• any fraud that we have identified or information we have obtained that indicates that fraud may exist; and• a discussion of any other matters related to fraud.	Audit Completion Report and discussion at the Audit and Governance Committee Audit planning and clearance meetings



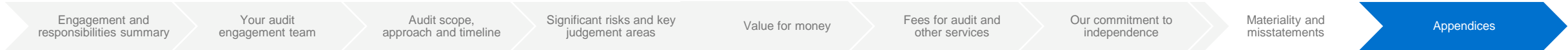
Appendix A: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	Audit Completion Report
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit and Governance Committee in the context of fulfilling their responsibilities. 	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to the Council in obtaining external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report



Appendix A: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of.	Audit Completion Report and the Audit and Governance Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> whether the events or conditions constitute a material uncertainty; whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and the adequacy of related disclosures in the financial statements. 	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report



Appendix B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

Background

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor’s risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The new standard is effective for periods commencing on or after 15 December 2021 and therefore applies in full for the Council’s 2022/23 audit.

The most significant changes relevant to the Council’s audit are outlined below.

Enhanced risk identification and assessment

The standard has enhanced the requirements for the auditor to understand the audited entity, its environment and the applicable financial reporting framework in order to identify and assess risk based on new inherent risk factors which include:

- Subjectivity
- Complexity
- Uncertainty and change
- Susceptibility to misstatement due to management bias or fraud.

Using these inherent risk factors, we assess inherent risk on a spectrum, at which the higher end of which lies significant risks, to drive an audit that is more focused on identified risks. Auditors are now also required to obtain sufficient, appropriate evidence from these risk identification and assessment procedures which means documentation and evidence requirements are also enhanced.

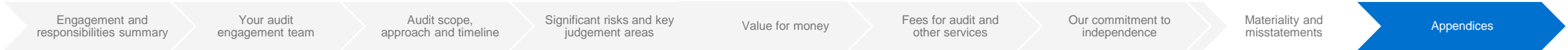
Greater emphasis on understanding IT

In response to constantly evolving business environments, the standard places an increased emphasis on the requirements for the auditor to gain an understanding of the entity’s IT environment to better understand the possible

risks within an entity’s information systems. As a result, we are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs).

Increased focus on controls

Building on the need for auditors to gain a greater understanding of the IT environment, the standard also widens the scope of controls that are deemed relevant to the audit. We are now required to broaden our understanding of controls implemented by management, including ITGCs, as well as assess the design and implementation of those controls.



Gavin Barker, Director

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AUDIT AND GOVERNANCE COMMITTEE

18th July 2023



Report of: Chair of the Audit and Governance Committee and Statutory Scrutiny Manager

Subject: SCRUTINY INVESTIGATION INTO DERELICT LAND AND BUILDINGS IN HARTLEPOOL (BOTH RESIDENTIAL AND COMMERCIAL) – SCOPING REPORT

1. PURPOSE OF REPORT

- 1.1 To make proposals to Members of the Audit and Governance Committee for the conduct of their forthcoming derelict land and buildings investigation.

2. BACKGROUND INFORMATION

- 2.1 The Audit and Governance Committee is required to balance completion of proactive investigations, and mandatory activities, against the need to respond to reactive issues (e.g. substantial variations in service provision).
- 2.2 At its meeting on the 27th June 2023, the Committee agreed to focus its attention on one proactive investigation and discussed in detail two potential topics:
- Introduction of a borough wide / large scale landlord licensing scheme, carried forward from 2022/23; and
 - Derelict land and buildings in Hartlepool (both residential and commercial).
- 2.3 In considering each topic, Members noted the disproportionately high level of areas of derelict land and buildings in Hartlepool and the hugely detrimental impact they have on:
- The health and wellbeing of the population (including mental health);
 - Crime and antisocial behaviour;
 - Sense of place;
 - Community cohesion; and
 - Economic growth.
- 2.4 The smaller number of derelict sites in urban communities also often have the biggest impact on resident's wellbeing and safe and, as such, the proposed investigation clearly meets the essential criteria for consideration under the Committee's statutory scrutiny responsibilities.

- 2.5 On the basis that the landlord licensing scheme issue would be considered as part of the derelict land and building investigation, it was decided that the carried forward item would be withdrawn. The Committee agreed that its sole investigation for 2023/24 would focus on 'Derelict Land and Buildings in Hartlepool (both residential and commercial).

3. OVERALL AIM OF THE SCRUTINY INVESTIGATION

- 3.1 To develop a new and far more aggressive strategy for dealing with derelict land and buildings in Hartlepool.

4. PROPOSED TERMS OF REFERENCE FOR THE SCRUTINY INVESTIGATION/ENQUIRY

- 4.1 The following Terms of Reference for the investigation are proposed:-

- (a) To gain an understanding of the level, location, ownership of derelict land and buildings in Hartlepool and barriers to bringing them back in to use;
- (b) To examine the Council's:-
 - i) Approach to dealing with derelict land and buildings; and
 - ii) Successes and challenges in bringing derelict land and buildings back in to use.
- (c) To seek the views of residents, groups and other bodies on the location of derelict land and buildings and impact on their wellbeing and safety.
- (d) To consider levers that can be used by the below to bring derelict land and buildings back in to use:-
 - i) The local authority; and
 - ii) Our partners in the public, social and voluntary sector.
- (e) To explore how derelict land and buildings can be brought back in to use:-
 - i) What 'sticks' are available and how are they being used in terms of:
 - Legislation;
 - Enforcement;
 - Finance (*e.g. fines, tax, rates*);
 - New schemes (*e.g. landlord licensing*);
 - Wider policy changes (*e.g. Engagement with private developers - Future potential investment schemes? Public money or engagement without more action on their side? The Right to Regenerate?*)
 - How can we draw in other partners to create a unified position and attitude?
 - ii) What 'carrots' can be used?

- How do we shape the capital programme to target this issue?
 - What national opportunities for further grant funding exist?
 - What local options exist for more innovative and aggressive interventions in the market?
 - What greater role can the Housing Revenue Account play?
 - How do we bring our partners in the public, social and third sector into the agenda to increase their investment in tackling this issue more effectively?
 - How do we support the third sector (see the community housing work in the Annexe) in expanding their work in a coordinated way?
 - What is the potential role of the HDC in realising this agenda?
- (f) To consider examples of best practice in other local authority areas (Inc. other derelict land strategies); and
- (g) To explore how derelict land and buildings can be better brought back to use in the future, giving due regard to:-
- i) Improving effectiveness and efficiency; and
 - ii) If / how the service could be provided at either a reduced financial cost or within the resources available in the current economic climate.

5. POTENTIAL AREAS OF ENQUIRY / SOURCES OF EVIDENCE

- 5.1 Members of the Committee can request a range of evidential and comparative information throughout the Scrutiny review.
- 5.2 The Committee can invite a variety of people to attend to assist in the forming of a balanced and focused range of recommendations as follows:-
- (a) Member of Parliament for Hartlepool;
 - (b) Leader of the Council;
 - (c) Chair of the Health and Wellbeing Board and Safer Hartlepool Partnership;
 - (d) Chair of the Neighbourhood Services Committee and Chair of the Economic Growth and Regeneration Committee;
 - (e) Executive Director of Development, Neighbourhoods and Regulatory Services, Director of Public Health;
 - (f) Partner Organisations (Police, Hartlepool Development Corporation, etc.);
 - (g) Owners of derelict land and buildings (via discussion with Chair of the A&G Committee);
 - (h) Historic England;

- (a) Local residents (via survey, attendance at Committee meetings, Working Groups and Community Group meetings with members of the A&G Committee);
- (b) Representatives of minority communities of interest or heritage (via survey / member attendance at meetings of groups – invitations sent to the below);

VCS and Community Groups (Inc. Nasir Mosque)
Hartlepower
Healthwatch
Armed Forces (AF) Liaison Group, AF Associations, Veterans Hub - Hartlepool United Football Club)
Thirteen
Hartlepool College of FE / Hartlepool 6th Form College
Hartlepool Regeneration and Tourist Forum
Historic Groups (Inc. Hartlepool Headland Historic Group)
Incontrollable / CLIP

(c) Parish Councils; and

(d) Ward Councillors.

5. COMMUNITY ENGAGEMENT / DIVERSITY AND EQUALITY

- 5.1 Community engagement plays a crucial role in the Scrutiny process and diversity issues have been considered in the background research for this enquiry under the Equality Standards for Local Government. Based upon the research undertaken, paragraph 5.2 includes suggestions as to potential groups which the Committee may wish involve throughout the inquiry.

6. REQUEST FOR FUNDING FROM THE DEDICATED OVERVIEW AND SCRUTINY BUDGET

- 6.1 Consideration has been given, through the background research for this scoping report, to the need to request funding from the dedicated Overview and Scrutiny budget to aid Members in their enquiry. The pro forma attached at **Appendix A** outlines the criteria on which a request to the Audit and Governance Committee will be judged and has been completed by the Scrutiny Manager for consideration by this Committee. Members may wish to discuss the information in **Appendix A** in more detail and agree / amend the contents of this as part of the remit of their Scrutiny Investigation.

7. PROPOSED TIMETABLE OF THE SCRUTINY INVESTIGATION

- 7.1 Detailed below is the proposed timetable for the review to be undertaken, which may be changed at any stage:-

18th July 2023 – ‘Setting the Scene’ and Scoping

- (a) *To gain an understanding of the level, location, ownership of derelict land and buildings in Hartlepool and barriers to bringing them back in to use;*

(b) *To examine the Council's:-*

- i) Approach to dealing with derelict land and buildings; and*
- ii) Successes and challenges in bringing derelict land and buildings back in to use.*

August / September - Engagement with residents, groups and other bodies on the location and impact of derelict land and buildings on their wellbeing and safety. To identify lived experiences.

- Consideration is sought of the potential need for site visits.

19th September 2023 – Evidence to be determined.

(d) *To consider levers that can be used by the below to bring derelict land and buildings back in to use:-*

- i) The local authority; and*
- ii) Our partners in the public, social and voluntary sector.*

(f) *To consider examples of best practice in other local authority areas (Inc. other derelict land strategies).*

Consideration is sought of the use of a Working Group to progress the gathering of this information for consideration by the Committee.

10th October 2023 – Evidence to be determined.

(c) To feedback the views of residents, groups and other bodies on the location of derelict land and buildings and impact on their wellbeing and safety.

(e) To explore how derelict land and buildings can be brought back in to use:-

- i) What 'sticks' are available and how are they being used in terms of:
 - Legislation;
 - Enforcement;
 - Finance (e.g. fines, tax, rates);
 - New schemes (e.g. landlord licensing);
 - Wider policy changes (e.g. Engagement with private developers - Future potential investment schemes? Public money or engagement without more action on their side? The Right to Regenerate?)
 - How can we draw in other partners to create a unified position and attitude?

Consideration is sought of the use of a Working Group to progress the gathering of this information for consideration by the Committee.

7th November 2023 – Evidence to be determined.

(e) *To explore how derelict land and buildings can be brought back in to use:-*
ii) What 'carrots' can be used?

- *How do we shape the capital programme to target this issue?*
- *What national opportunities for further grant funding exist?*
- *What local options exist for more innovative and aggressive interventions in the market?*
- *What greater role can the Housing Revenue Account play?*
- *How do we bring our partners in the public, social and third sector into the agenda to increase their investment in tackling this issue more effectively?*
- *How do we support the third sector (see the community housing work in the Annexe) in expanding their work in a coordinated way?*
- *What is the potential role of the HDC in realising this agenda?*

Consideration is sought of the use of a Working Group to progress the gathering of this information for consideration by the Committee.

12th December 2023 – Evidence to be determined.

(g) To explore how derelict land and buildings can be better brought back to use in the future, giving due regard to:-

- i) Improving effectiveness and efficiency; and*
- ii) If / how the service could be provided at either a reduced financial cost or within the resources available in the current economic climate.*

December 2023 - Working Group meeting to discuss recommendations for inclusion in the final report.

30th January 2024 – Consideration of Draft Final Report by the Audit and Governance Committee

19th February 2024 – Consideration of Final Report by the Finance and Policy Committee / Council (22nd February 2024) (tentative dates)

27th February 2024 – Consideration of ‘Closing the Loop’ Report - Feedback / Action Plan by the A&G Committee.

8. RECOMMENDATION

- 8.1 Members are recommended to agree the Audit and Governance Committee’s remit of the investigation.

Contact Officer: - Joan Stevens – Statutory Scrutiny Manager
 Chief Executive’s Department – Legal Services
 Hartlepool Borough Council
 Tel: 01429 284142
 Email: joan.stevens@hartlepool.gov.uk

BACKGROUND PAPERS

The following background paper(s) was/were used in the preparation of this report:

- Presentation given earlier in the meeting
- Report and minutes of the A&G meeting held on the 27th June 2023
- Scrutiny Practitioners Group – The Knowledge Hub
- Centre for Governance and Scrutiny

APPENDIX A
PRO-FORMA TO REQUEST FUNDING TO SUPPORT
CURRENT SCRUTINY INVESTIGATION

<p>Title of the current scrutiny investigation for which funding is requested:</p> <p>Derelict Land and Buildings</p>
<p>To clearly identify the purpose for which additional support is required:</p> <p>To encourage public involvement and engagement by the movement of meetings to 5pm and the location of meetings in community locations.</p>
<p>To outline indicative costs to be incurred as a result of the additional support:</p> <p>Room Bookings fees (community locations) Easy read versions of surveys Survey promotion / posters (design and copy)</p> <p>TBC – Attendance by / travel to hear from Expert witnesses and examples of best practice. Committee's views sought.</p>
<p>To outline any associated timescale implications:</p> <p>None</p>
<p>To outline the 'added value' that may be achieved by utilising the additional support as part of the undertaking of the Scrutiny Investigation:</p> <p>To encourage public involvement and engagement by the movement of meetings to 5pm and the location of meetings in community locations.</p>
<p>To outline any requirements / processes to be adhered to in accordance with the Council's Financial Procedure Rules / Standing Orders:</p> <p>None</p>
<p>To outline the possible disadvantages of not utilising the additional support during the undertaking of the Scrutiny Investigation:</p> <p>Weaker public engagement and gaps in evidence.</p>
<p>To outline any possible alternative means of additional support outside of this proposal:</p>

Remote / TEAMS meetings with experts, etc.

A selection of members could progress discussions with individuals and feed back to the Committee

HEALTH AND WELLBEING BOARD

MINUTES AND DECISION RECORD

20 March 2023

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

Present:

Representative of North East and North Cumbria Integrated Care Board –
Karen Hawkins (In the Chair)

Prescribed Members:

Elected Members, Hartlepool Borough Council – Councillors Allen, Buchan and Cook

Director of Public Health, Hartlepool Borough Council – Craig Blundred

Director of Children's and Joint Commissioning Services, Hartlepool Borough Council – Sally Robinson

Director of Adult and Community Based Services, Hartlepool Borough Council, Jill Harrison

Representatives of Healthwatch – Christopher Akers-Belcher and Margaret Wrenn

Other Members:

Managing Director, Hartlepool Borough Council – Denise McGuckin

Assistant Director of Joint Commissioning, Hartlepool Borough Council – Danielle Swainston

Representative of Tees, Esk and Wear Valley NHS Trust – Shaun Mayo (as substitute for Brent Kilmurray)

Representatives of Hartlepool Voluntary and Community Sector – Carl Jorgeson

Representative of GP Federation – Fiona Adamson

Observer – Statutory Scrutiny Representative, Hartlepool Borough Council – Councillor Hall

Officers: Zoe Craig, Environmental Health Manager (Environment Protection)
Dr Catherine Guy, Public Health Registrar
Dean Longstaff, Public Health Intelligence Analyst
Sylvia Pinkney, Assistant Director (Regulatory Services)
Abigail Reay, Advanced Public Health Practitioner
Claire Robinson, Public Health Principal
Joan Stevens, Statutory Scrutiny Manager
Amanda Whitaker, Democratic Services Team

32. Apologies for Absence

Councillor Moore, Leader of Council
Representatives of North East and North Cumbria Integrated Care Board -
– David Gallagher
Representative of Cleveland Police – Superintendent Martin Hopps
Representatives of Hartlepool Voluntary and Community Sector – Christine Fewster

The Board was advised that notification had been received from Dr Tim Butler that he wished to inform the Board that he will no longer be attending Board meetings. After consultation with his seniors in NHS England and the fact that almost all of the local commissioning of health services is now done by the Integrated Care Board, rather than NHS England, it was decided that it would be appropriate for him to stepdown from the Board.

Appreciation was expressed by Dr Butler for the opportunity to attend Board meetings which he had found informative and interesting over the last few years. Board members were wished continued success and improvement moving forward

33. Declarations of interest by Members

None

34. Minutes

The minutes of the meeting held on 28 November 2023 were confirmed.

The minutes of the meeting of the Children's Strategic Partnership held on 13 October 2022 were received.

35. HSSCP Annual Report (2021-22) *(Director of Children and Joint Commissioning Services)*

The report updated the Board on the work undertaken by the Hartlepool and Stockton-On-Tees Safeguarding Children Partnership during the year 2021-22. The report summarised the key successes and achievements of the Safeguarding Children Partnership throughout 2021-22. It provided updates on qualitative and quantitative data and information for the reporting period and outlined the specific areas being taken forward in the coming year.

Decision

The contents of the HSSCP Annual Report were noted.

36. Air Quality Strategy *(Assistant Director, Regulatory Services)*

The Board was advised that a draft Air Quality Strategy had been produced, a copy of which was appended to the report. The Strategy would fulfil DEFRA's requirements, enable the Council to respond to the increasing national recognition of the impact of air pollution on Public Health and raise local awareness of the importance of air pollution, emphasising the Council's role in maintaining and improving air quality. The proposed Strategy included a range of inter-departmental 'statements of intent' which had been developed by officers and would help ensure that air quality is an integral part of the Council's remit. If the strategy is approved, an action plan would be produced to deliver on these statements.

It was noted that the Council had committed to be a Net Zero Authority by 2030 and on 13th December 2021, Finance and Policy Committee had approved the production of a Net Zero and Climate Change Plan for the Council. This Air Quality Strategy would be integral to the Plan which is currently being developed

A Seaton ward councillor had requested that clarification be sought at the meeting regarding whether odours at Seaton Carew are detrimental to residents' health. The Assistant Director (Regulatory Services) advised that the issue was not part of the Air Quality Strategy but that the Department was aware of the issue and was working with the Environment Agency.

With regard to the proposed consultation process for the Strategy, the Assistant Director informed the Board that she was content to add any additional suggestions to the proposed list of consultees.

Decision

The Board noted the contents of the report and that the draft Air Quality Strategy will be going out for consultation.

37. Substance Misuse Needs Assessment and Strategy Development *(Director of Public Health)*

The report advised the Board that the Public Health team and partners had completed a substance misuse needs assessment, a copy of which was appended to the report. The needs assessment aimed to analyse the current need and identify any gaps in treatment and support services in Hartlepool by exploring previous and current data relating to drug and alcohol related harms. The key themes were set out in the report. The findings from the needs assessment and recommendations would inform a local substance misuse strategy. A presentation which supported the report reiterated the key themes and highlighted salient issues arising from the Needs Assessment

data. The Substance Misuse Strategy vision and priorities were being developed with partners with the priorities identified in the presentation as Prevention, Treatment, Wider Health Needs and Enforcement/Crime and Disorder. Priority areas identified would also feed into other Hartlepool and Tees wide strategic groups.

It was noted that a Substance Misuse Partnership group chaired by a member of the Public Health team would oversee the delivery of the action plan and report to the Board annually against progress. Christopher Akers-Belcher, Healthwatch representative, requested whether he could be included in Partnership Group.

Board Members debated issues arising from the report and presentation. The Director of Public Health responded to concerns expressed regarding treatment and support for alcohol issues. Clarification was sought regarding whether data included information for alcohol related hospital admissions. The Board was advised that the data was specific but wider data could be provided.

Decision

The Board considered the recommendations from the needs assessment and future strategy development and implications for the refresh of the Hartlepool Joint Health and Wellbeing Strategy.

The Board noted that the strategy and action plan will be brought to the Health and Wellbeing board annually to demonstrate action against priorities.

38. NHS Health Checks *(Director of Public Health)*

The Board was updated on the progress of the delivery of the NHS Health Check; a statutory requirement on the Local Authority which is funded through the public health grant. It is expected that Local Authorities across England will offer all eligible people a check within a five year cycle, currently 2018-2022. No region(s) are achieving or exceeding this threshold. Cumulative data for the last four years and six months showed that offers are below the 90% that would be expected at this point in the programme. All GP practices across Hartlepool are commissioned to deliver NHS Health Checks. The eligible population are identified for each GP practice, the contract monitoring sets quarterly and annual targets based on targets detailed in the report together with details of the funding structure. Following on from discussions across Tees in relation to NHS Health Checks and the current funding structure, there is ongoing work to look at targeted interventions to reduce inequalities and a change to the payment structure to support this.

A presentation was made to the Board which supported information set out in the report. The presentation provided further details in relation to Health Checks, data relating to targets including recent statistics and future goals.

Board members highlighted opportunities arising from Health Checks. A further report was requested relating to health checks for vulnerable groups.

Decision

The Board agreed the proposal outlined in the report.

The Board considered how NHS Health Checks can support the delivery of the Core25+ priorities, ICB strategy and NHS operating framework and future work to refresh the Joint Health and Wellbeing Strategy.

39. Health Protection Board – Terms of Reference *(Director of Public Health)*

The report outlined the revised arrangements for the local Health Protection Board. It was proposed that the revised Terms of Reference, appended to the report be adopted by the Board and that the membership reflects those people outlined. It was noted that additional members and contributors will be invited depending on the subject matter under discussion.

Decision

That the Board note the revised terms of reference for the Health Protection Board and approve its continuation.

40. Pharmaceutical Needs Assessment (PNA) 2022 - Supplementary Statements *(Director of Public Health)*

With reference to minute 7 of the meeting of the Board held on 4 July 2022, the Director of Public Health reported that a review of the process in relation to Supplementary Statements had been undertaken. One of the outcomes of the review had been that it had been agreed that a report be presented to the Board on a quarterly basis.

With regard to the previous quarter, it was reported that no statements had been issued since the last meeting of the Board. A notification had been received of the change of ownership of one pharmacy in Hartlepool, as detailed in the report. The Board was notified of this change, however, as it did not represent a change to the availability of pharmaceutical services in Hartlepool no supplementary statement was required.

Decision

The Board noted:-

- i) That no supplementary statements had been issued since the last meeting of the Board; and

- ii) The change of ownership referenced in the report.

41. Health and Wellbeing Strategy Refresh *(Director of Public Health)*

Further to the Board meeting held on 28 November 2022, the report sought agreement for the proposed stocktake and refresh of the current Health and Wellbeing Board Strategy as set out in the report.

A presentation which supported the report included a timeline for the 2025 Strategy development and a summary of the development of the Strategy in terms of current priorities and key future updates

Decision

The Board agreed the process and indicative timeline set out in the report.

42. Health Inequalities Funding Allocation across the North East and Cumbria *(Director of Public Health)*

The Board was advised that NHS North East and North Cumbria (NENC) Integrated Care Board (ICB) had been allocated £13.604m in 22/23 to support targeted reductions in health inequalities. The report provided a brief overview of the programmes approved by the ICB Executive and highlighted how this would benefit residents in Hartlepool.

A request was made by Christopher Akers-Belcher, Healthwatch representative, for a copy of the specification to assist understanding of what was being measured as part of the performance matrix.

Decision

The Board noted the agreed proposals in relation to the health inequalities funding across the North East and North Cumbria.

The Board noted the funding allocation for Hartlepool Borough Council and activity that will benefit residents.

43. Any Other Business

The Chair advised that she had not been notified, in advance of the meeting, of any other business. However, the Board was advised that a document had been presented immediately prior to the meeting which would be shared with Board members to ensure an informed response is collated.

Meeting concluded at 11.05 a.m.

CHAIR



Tees Valley Area Integrated Care Partnership (ICP) Meeting

Meeting held on: 2nd June 2023 12pm – 2pm
Held at: Stockton Employment and Training Hub,
Wellington Square, Stockton, TS18 1RG

Item No:	Meeting Notes	Action
TVICP/23/10	Welcome and Introductions	
	<p>Councillor Cook, as Chair, welcomed colleagues to the Tees Valley Area Integrated Care Partnership (ICP) Meeting. He advised that following agreement with the Local Authority Chief Executives of the Tees Valley the representatives at this meeting, going forward, will be</p> <ul style="list-style-type: none"> • John Sampson – Redcar & Cleveland • Erik Scollay - Middlesbrough • James Stroyan – Darlington • Ann Workman – Stockton • Craig Blundred – Hartlepool • Mark Adams – Middlesbrough <p><u>Present:</u></p> <ul style="list-style-type: none"> • Councillor Bob Cook (Chair) (BC) – Health and Well-being Board Chair & Leader of Stockton Borough Council • David Gallagher (DG) – Executive Area Director (South), NENC ICB • Alex Sinclair (AS) – ICB Director of Place (Stockton), NENC ICB • Ann Workman (AW) – Director of Adult Services, Stockton Borough Council • Brent Kilmurray (BK) – Chief Executive of Tees, Esk and Wear Valleys NHS Foundation Trust 	

	<ul style="list-style-type: none"> • Christopher Akers-Belcher (CAB) - Chief Executive of Healthwatch Hartlepool, and the Healthwatch Network Regional Coordinator NENC • Clare Gamble (CG) - Community Projects Manager, Catalyst • Craig Blundred (CBlu) – Director of Public Health, Hartlepool Borough Council • Deepak Dwarakanath (DD) – Medical Director, North Tees & Hartlepool NHS Foundation Trust • Professor Derek Bell (DB) – Chair, North Tees & Hartlepool NHS Foundation Trust / South Tees Hospitals NHS FT • Dr Dhirendra Garg (DhG) - PCN/CD Representative, Stockton PCN • Dr Helen McLeish (HM) – PCN Clinical Director, Darlington PCN • Karen Hawkins (KH) - ICB Director of Place (Hartlepool) NENC ICB • Ken Ross (KR) – Public Health, Darlington Borough Council • Mark Adams (MA) – Director of Public Health, Middlesbrough Council / Redcar & Cleveland Council • Patrick Rice (PRi) - Director of Adults and Communities, Redcar and Cleveland Borough Council • Dr Janet Walker (JW) – Medical Director), NENC ICB • Julian Penton (JP) - Voluntary Sector Lead/3rd Sector, Hartlepower (Hartlepool) • Martin Gray (MG) - Director of Children's Services, Stockton Borough Council • Martin Short (MS) - ICB Director of Place (Darlington), NENC ICB • Mike Greene (MG) – Chief Executive, Stockton Borough Council • Richard Scothton (RS) – Chair, County Durham & Darlington FT • Sandra Britten (SB) - Chief Executive (Operational) on behalf of Hospices North East & North Cumbria Collaborative, Alice House Hospice • Sue Jacques (SJ) – Chief Executive of County Durham & Darlington Foundation Trust • Dr Teik Goh (TG) - PCN/CD Representative, Redcar and Cleveland PCN • Mark Davis (MD), Middlesbrough Voluntary Development Agency (MVDA) <p><u>In Attendance:</u></p> <ul style="list-style-type: none"> • Shaun Mayo (SM) – General Manager, Tees, Esk and Wear Valleys NHS FT • Ranjeet Shah (RS) – Consultant Psychiatrist, Tees, Esk and Wear Valleys NHS FT 	
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	<ul style="list-style-type: none"> • Dr Dan Jackson, Director of Stakeholder, Policy and Public Affairs, NENC ICB • Kate Sutherland (KS) – Senior Governance Lead (Tees Valley) NENC ICB • Jane Smailes (Note Taker) (JS) – Office Manager, NENC ICB 	
TVICP/23/11	Apologies for Absence	
	<ul style="list-style-type: none"> • Dr Bharat Kandikonda - PCN/CD Representative – Middlesbrough PCN • Craig Blair - ICB Director of Place, Middlesbrough / Redcar & Cleveland, NENC ICB • Denise McGuckin – Managing Director of Hartlepool Borough Council • Erik Scollay – Director of Adult Services, Middlesbrough Council • Helen Ray – Chief Executive of North East Ambulance Service NHS FT • Ian Williams – Chief Executive, Darlington Council • Dr Jackie McKenzie - PCN/CD Representative, Hartlepool PCN • James Stroyan – Director of People (Children & Adults), Darlington Council • Jill Harrison - Director of Adult & Community Based Services, Hartlepool Borough Council • Jon Carling - Voluntary Sector Lead/3rd Sector, Catalyst Stockton • Jean Golightly - Director of Nursing (South), NENC ICB • Julie Gillon – Chief Executive of North Tees & Hartlepool NHS Foundation Trust • Kathryn Boulton - Director of Children's Services, Redcar and Cleveland Borough Council • Kerry McQuade – Assistant Director of Strategy, Planning & Partnerships of North East Ambulance Service NHS FT • Lynne Walton – Director of Finance (South), NENC ICB • Penny Spring – Director of Public Health, Darlington Borough Council • Peter Neal - Redcar & Cleveland Voluntary Development Agency (RCVDA) • Peter Rooney - Director of Strategy and Planning, NENC ICB • Sarah Bowman-Abouna – Director of Public Health, Stockton Borough Council • Councillor Shane Moore - HWBB Chair & Portfolio for Health, Hartlepool Borough Council • Toni Mchale – Sub Regional Co-ordinator / Project Development Manager, Healthwatch 	

TVICP/23/12	Declarations of Interest	
	Councillor Bob Cook (BC) reminded colleagues of the importance of the robust management of conflicts of interest and asked individuals to raise any potential conflicts of interest as the meeting progressed. No conflicts of interest were raised.	
TVICP/23/13	Minutes from Previous Meeting	
	The minutes of the meeting, held 31 st March 2023, had previously been circulated to members for comment. There were no amendments requested and therefore the minutes were AGREED as an accurate record. Confirmed minutes will also be shared with Health and Wellbeing Boards for information.	
TVICP/23/14	Matters Arising & Action Log	
	There were no outstanding actions on the Action Log and no matters arising were noted.	
TVICP/23/15	Healthwatch Update	
	<p>The presentation, including the four Healthwatch locality reports had been circulated to members prior to the meeting.</p> <p>Mr Akers-Belcher (CAB) delivered the Healthwatch Update, which was a discussion item to hear key themes from the patient voice across the Tees Valley.</p> <p>The presentation provided a brief overview of background and role of Healthwatch and highlighted the following:</p> <ul style="list-style-type: none"> • The NENC Network Structure, • Contributions by the Network including volunteering, information, intelligence and reports, • Examples of Healthwatch reports were shared from across Darlington, Hartlepool, South Tees (Middlesbrough and Redcar & Cleveland) and Stockton. <p>CAB advised that the Healthwatch reports for each locality were produced quarterly and provided an overview of the current issues in each locality. CAB highlighted key issues from the reports.</p> <p>Cllr Cook (BC) noted that some of the issues highlighted in the Healthwatch reports had been raised at the Health and Wellbeing Board (HWB) in Stockton, specifically GP Access.</p>	

	<p>David Gallagher (DG) thanked CAB for the wealth of information that was provided in the presentation and noted that many of the issues raised were national concerns, not just specific to the Tees Valley, ie access to NHS dental services. He also noted the need for clearer and consistent descriptors of services that were meaningful to the public, for example the extended hours service provision.</p> <p>Following a query, CAB advised that Healthwatch reports were provided to each ICB Director of Place to be included with papers for the relevant ICB Place Sub-Committee. Karen Hawkins (KH) explained that each NENC ICB Director of Place also had lead responsibilities for specific portfolios across the Tees Valley and they would share any portfolio information from the reports for consistency across other places.</p> <p>ACTION: There was an ask if all the reports could be made easily accessible for partners, for example adding to the NENC ICB website. This feedback will be provided to the communications team.</p> <p>Further to a query regarding GP access CAB advised that Healthwatch Hartlepool was working with the GP Federation to help promote the right time access for GP or pharmacy services and when the public should dial 111. Whilst noting that access to GP services was included in the Healthwatch reports CAB explained that GP access had much improved following recent investment.</p> <p>DG advised it was important to understand the public perception of GP access against the reality of gaps in service provision. He highlighted the national work on extending service provision and following the launch suggested this be an item to bring to a future meeting.</p> <p>Karen Hawkins (KH) explained that work was continuing, both regionally and locally, in respect of the 'Delivery Plan for Recovering Access to Primary Care'. The work included issues such as workforce and digital and she suggested that once the plans were agreed this should be brought to the meeting for information. The plan would likely be agreed in September 2023.</p> <p>ACTION: Enhanced Access to GP Services / Delivery Plan for Recovering Access to Primary Care to be added to a future meeting agenda, possibly September 2023.</p> <p>There was a discussion regarding the need to empower patients to self-care through different programmes and to ensure a holistic view, including the Waiting Well initiative. It was noted that there could be opportunities within the</p>	<p>KS</p> <p>JS</p>
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	<p>ICP for collective and partnership working to strengthen communities.</p> <p>Following a query from Dr Goh (TG), CAB advised that Healthwatch was working with Youth Focus: North East to establish ways of engaging with young people through youth groups, youth parliaments etc. He also advised that the work had only started 6 months ago but that a report would be brought to a future meeting.</p> <p>ACTION: Healthwatch work with Youth Focus: North East to be added to a future meeting agenda/Healthwatch update.</p>	JS
TVICP/23/16	Tees, Esk and Wear Valleys NHSFT (TEWV) – Community Mental Health Model	
	<p>The presentation had been circulated to members prior to the meeting.</p> <p>Brent Kilmurray (BK) introduced the presentation by explaining that thresholds set by services can sometimes push people away and there was need for services to think about the whole person and this included health, housing, financial and social care.</p> <p>The presentation delivered by Shaun Mayo (SM) and Ranjeet Shah (RS) included the following;</p> <ul style="list-style-type: none"> • Reminder of core aims of Community Transformation • Tees Valley Stakeholder Feedback • The vision for Community Transformation including integrated services delivering collaborative pathways which meet the needs of the local population • Organisational change • Recognition of the work done to date. <p>Examples of some of the Community Transformation were given including the community pharmacy hub in Hartlepool and the role of care navigators in each hub. RS explained that the development of weekly virtual huddles had been a key development in providing a holistic approach. RS talked through the planned milestones and next steps focusing on evaluation.</p> <p>Positive feedback on the work to date and engagement with partners to shape the new ways of working was received from a number of members, including the principle that there is "No wrong door to get help".</p>	

	<p>BK highlighted the need for community and mental health services to provide more integrated services and it was acknowledged that mutual trust and assessment would be key in order to integrate further with physical health. This work was not just about working adults but older adults with frailty.</p> <p>Martin Gray (MG) said there were parallels to be drawn around children's mental health and using the same approach to redesign ways of working. He said it was a credit to TEWV to be making space for this piece of work. It was recognised that a lot of time had been invested into the partnership approach, including with Primary Care, to make this work. Additionally, more work was required to look at joint roles that wrapped around neighbourhoods.</p> <p>CAB described this work as some of the most rewarding that Healthwatch had been involved with and requested that the hard to reach groups were included in any evaluation.</p> <p>Following a query from Dr Teik Goh (TG) regarding young people and those transitioning into adulthood SM advised there would be changes in the framework over the next 12 – 18 months to look at outcomes.</p> <p>Julian Penton (JP) said that the relationship between organisations and the public were key and needed to be built on trust. He hoped that the Hartlepool example would be a whole system integrated governance system with organisations making different contributions to people's well-being and the development of shared values.</p>	
TVICP/23/17	Better Health, Fairer Health	
	<p>The presentation had been circulated to members prior to the meeting.</p> <p>Mark Adams (MA) provided an update looking at health inequalities and this included an update from recent meetings of the ICB Healthier and Fairer Advisory Group.</p> <p>The presentation highlighted the work of different workstreams as below:</p> <ul style="list-style-type: none"> • Prevention Workstream which includes CVD Prevention, Tobacco, Alcohol, Public Health Prevention in Maternity, Health Weight and Treating Obesity • Health Inequalities, where the first 'formal' meeting had only recently taken place 	

	<ul style="list-style-type: none"> • NHS Contribution to Broader Determinants including Health Literacy, Anchor Institutions Network, Digital Inclusion and Poverty Proofing. <p>MA highlighted a pilot taking place in North of Tyne using Population Health Management and how best to dovetail Public Health with Primary Care services. The programme has some emerging themes and whilst the applications may not be applicable across the wider patch due to geographical issues the learning could be shared with this group.</p> <p>There was a discussion regarding the Prevent: Tobacco workstream and the involvement of Fresh (smoking cessation service) with the increase in vaping of children and young people. MA advised that Fresh were leading the lobbying of Government to close the loophole that allowed children to access promotional vapes.</p> <p>The meeting was advised of examples in other parts of the country where investment in local communities by anchor institutions had resulted in significant improvements.</p> <p>There was significant discussion about the role of Combined Authorities (CAs) in other parts of the country and whether the CAs had any devolved health responsibility. It was noted that the Tees Valley Combined Authority's (TVCA) focus was economic, with no health responsibility. However, it was felt that the TVCA could provide an additional Government interface and along with its focus on employment they could make a contribution to this group. MA commented that there was an opportunity to think bigger and differently through this group and not just local at small scale changes. This could include having programmes that would help people to develop careers within health and social care and maybe go on to be nurses or social workers. There needed to be an increase in the base level of skills to improve employability of local people to fill the better jobs that are available.</p>	
TVICP/23/18	Update from JSNA Analysis Work	
	<p>Craig Blundred (CB) delivered the presentation which provided feedback from the collective work that is underway across the Tees Valley undertaken by the Directors of Public Health.</p> <p>The presentation outlined what Joint Strategic Needs Assessments (JSNA) were and how evidence from the JSNA and other research could be used to add value at a Tees Valley level. The presentation also included statistics</p>	

	<p>regarding demographic make up of the Tees Valley, levels of deprivation and life expectancy.</p> <p>CB noted that access to local data was important to joint working to improve life expectancy across the Tees Valley.</p> <p>BC commented that the mortality rates in the most deprived areas were still not catching up with the more affluent areas within Tees Valley.</p> <p>Deepak Dwarakanath (DD) commented that whilst the data showed a depressing picture of deprivation there was a lot of good work going on to try to improve the outcomes for the population. DD provided an example of end of life conversations that take place locally where the patients do not expect to live into their 80s and just accept early mortality.</p> <p>CB stated there was a need to focus on building good health, how this was incorporated into the JSNA and how it was communicated into populations.</p> <p>Mike Green (MG) suggested this was a good opportunity to look at how this group worked with other communities involved in research, for example universities and whether the data contained in the JSNA was open enough for businesses and communities to use. He asked if there was a need to promote the JSNA more widely and make it more easily accessible.</p> <p>David Gallagher (DG) thanked CB for the presentation and the rich information included, advising that some of the points highlighted on the joint work slide will form the basis of the work programme for this meeting going forward.</p> <p>ACTION: The presentation was to be circulated to members</p>	JS
TVICP/23/19	Tees Valley Plan	
	<p>Martin Short (MS) delivered the Joint Forward Plan presentation and explained that all Integrated Care Boards and partner NHS Trusts were required to publish a Joint Forward plan covering 2023/24 – 2028/29. These were required to be reviewed, updated and publish again each year in March.</p> <p>MS provided an explanation of the overarching document and action plans, and the progress to date. Additionally, he explained that as part of the strategic context there were Tees Valley pillars along with the national NHS priorities</p>	

	<p>and place priorities and these were mapped to each place's HWB strategies, and the NENC Integrated Care Strategy:</p> <ul style="list-style-type: none"> • Starting Well / Best start in life • Living Well • Ageing Well <p>There were also a number of cross-cutting themes:</p> <ul style="list-style-type: none"> • Reducing health inequalities • Prevention • Sustainability • Improving quality of services <p>MS advised the draft overarching joint forward plan would be shared with stakeholders for feedback following engagement during May and June. The Integrated Care Partnership meeting on 21st June would consider the draft document before the ICB Board approved the plan for publication as a final draft. There would be further stakeholder feedback in July and August with a final update published in September.</p> <p>Following a query from CAB regarding the low targets for the living well health checks in the Integrated Care Strategy, MS confirmed that when the plan was published there would areas specific to Tees Valley but the Integrated Care Strategy targets were for the whole of NENC ICB area.</p>	
TVICP/23/20	Next Steps: Forward planning and future focus	
	<p>David Gallagher (DG) summarised the meeting, noting that the first two meetings of the Tees Valley Area ICP meeting had set the scene but the key was to now agree what happened next.</p> <p>DG suggested items for future meetings, following on from the Update from JSNA Analysis Work presentation areas of the joint working could be explored, discuss at scale work with Fresh, and skills and education. The Tees Valley Plan and GP Access will be discussed at future meetings. He noted the need to ensure that the work at this meeting did not duplicate work already being undertaken by the Health and Well-being Boards.</p> <p>DG advised that Teesside University will be invited to attend these meetings and there had been discussions about whether police, fire and rescue should also be included. If there was agreement to include Cleveland Police, for example, the same invitation should be made to County</p>	

	<p>Durham Police. DG asked that members let him know of any other parties / organisations that should be invited. It was suggested that the invitation should be to higher education not just universities.</p> <p>Following a query from Mark Davis (MD) regarding the involvement of the voluntary sector DG suggested that a presentation be brought to the next meeting about what was happening in the voluntary sector, in a similar was to the presentation from Healthwatch.</p> <p>ACTION: Mark Davis to prepare a presentation for the next Tees Valley Area ICP meeting on 8th September</p>	MD
TVICP/23/21	Any Other Business	
	<p>The Chair noted there were no further items of business advised and thanked members for their attendance and contributions to the meeting.</p> <p>The meeting closed at 2.15pm</p>	
	<p><u>Next Meeting</u> Date: Friday 8th September 2023 Time: 12-2pm Venue: Council Chamber, Civic Centre, Ridley Street, Redcar, TS10 1RT</p>	



04.07.23

Signed: **Date:**

Cllr Bob Cook (Chair)