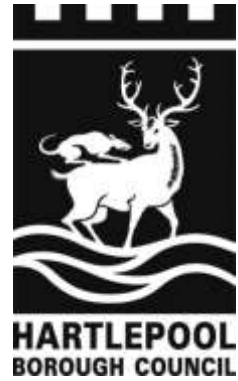


AUDIT AND GOVERNANCE COMMITTEE

AGENDA



Tuesday 7 November 2023

at 5.00 pm

**in Community Hub Central (Central Library),
York Road, Hartlepool, TS26 9DE**

MEMBERS: AUDIT AND GOVERNANCE COMMITTEE

Councillors Allen, Brash, Cowie, Creevy, Groves, Hargreaves, Moore, D Nicholson, Sharp and 1 vacancy.

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 (Headland)

Local Police Representative

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 17th October 2023 (*to follow*)

4. STATUTORY SCRUTINY ITEMS

- 4.1 North Tees and South Tees Foundation Trusts - Group Model - Verbal Update - *Joint Chair of the Councils of Governors - North Tees and South Tees Foundation Trusts*)
- 4.2 Accessibility of Council Services in Hartlepool for Those with Disabilities and Long Term Conditions - Closing the Loop - *Statutory Scrutiny Manager (to follow)*
- 4.3 Derelict Land and Buildings Investigation - *Statutory Scrutiny Manager (to follow)*
- 4.4 Crustacean Deaths Working Group - Verbal Update (*Councillor Creevy*)
- 4.5 Dedicated Scrutiny Budget Update - *Statutory Scrutiny Manager (to follow)*

5. STANDARDS ITEMS

- 5.1 Council Referral - Verbal Progress Update - *Director of Legal, Governance and Human Resources*

6. AUDIT ITEMS

- 6.1 Follow up Letter to the Audit Completion Report 2021/22 – Mazars – *Director of Finance, IT and Digital Services*
- 6.2 Draft Auditors Annual Report 2021/22 – Mazars – *Director of Finance, IT and Digital Services*
- 6.3 The 2021/22 Financial Report (including the 2021/22 Statement of Accounts) – *Director of Finance, IT and Digital Services* (verbal update)
- 6.4 Audit Progress Report – Mazars – *Director of Finance, IT and Digital Services*
- 6.5 Treasury Management Strategy - Quarter 2 Update 2023/24 – *Director of Finance, IT and Digital Services*
- 6.6 Internal Audit Plan 2023/24 Update – *Head of Audit and Governance*

7. MINUTES FROM RECENT MEETINGS FOR RECIEPT BY THE COMMITTEE

- 7.1 Health and Wellbeing Board – None.
- 7.2 Finance and Policy Committee Relating to Public Health Issues – None.
- 7.3 Tees Valley Health Scrutiny Joint Committee – 28 July 2023.
- 7.4 Safer Hartlepool Partnership – 20 June 2023.
- 7.5 Tees Valley Area Integrated Care Partnership – None.
- 7.6 Regional Health Scrutiny – None.
- 7.7 Durham, Darlington and Teesside, Hambleton, Richmondshire and Whitby STP Joint Health Scrutiny Committee – None.

8. ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS URGENT

For information: - forthcoming meeting dates:-

Tuesday 12 December 2023, at 5.00 pm – Council Chamber, Civic Centre

Tuesday 30 January 2024, at 5.00 pm

Tuesday 27 February 2024, at 5.00 pm



AUDIT AND GOVERNANCE COMMITTEE

MINUTES AND DECISION RECORD

17 OCTOBER 2023

The meeting commenced at 5.00 pm at the
North Hub, West View Advice and Resource Centre,
Miers Avenue, Hartlepool

Present:

Councillor: Jonathan Brash (In the Chair)

Councillors: Gary Allen, Brian Cowie, Rachel Creevy, Christopher Groves,
Pamela Hargreaves, David Nicholson and Cameron Sharp

Standards Co-opted Members:

Mr Martin Slimings – Independent Member
Parish Councillor Kane Forrester (Wynyard) and Parish
Councillor Michael Jorgeson (Headland)

Also Present: Councillor Veronica Nicholson
Ray Martin-Wells, North Tees and Hartlepool NHS Foundation
Trust

Officers: Tony Hanson, Executive Director of Development
Neighbourhoods and Regulatory Services
Sylvia Pinkney, Assistant Director, Regulatory Services
Joanne Burnley, Environmental Health Manager (Housing)
Penny Thompson, Head of Housing, Hardship and Welfare
Support Services
Jane Young, Assistant Director, Children and Families
Roni Checksfield, Team Manager, Youth Offending Service
Joan Stevens, Statutory Scrutiny Manager
Gemma Jones, Scrutiny and Legal Support Officer
Denise Wimpenny, Democratic Services Team

59. Apologies for Absence

Apologies for absence were submitted on behalf of Councillor Shane Moore
and Independent Member Tracy Squires.

60. Declarations of Interest

None at this point in the meeting. However, Independent Member Martin Slimings and Cllr Rachel Creevy declared interests later in the meeting (Minutes 63 and 64 refer).

61. Minutes of the meeting held on 19 September 2023

Confirmed

62. Child and Family Poverty in Hartlepool Investigation – Closing the Loop *(Statutory Scrutiny Manager)*

The Statutory Scrutiny Manager introduced the report which provided Members with feedback on the recommendations from the investigation into Child and Family Poverty in Hartlepool following consideration by Finance and Policy Committee in conjunction with a corresponding action plan, a copy of which was appended to the report.

The Head of Housing, Hardship and Welfare Support Services who was in attendance at the meeting provided a verbal update on the implementation of the Committee's recommendations and actions.

The Head of Housing and Hardship Services responded to issues raised arising from the report. Clarification was provided in relation to the collaborative working arrangements. Members commented on the actions and various aspects of the report and raised concerns in relation to the number of children living in poverty. In relation to the recommendation to promote the second hand uniform scheme, emphasis was placed on the need for affordable school uniforms and concerns were raised in relation to the requirement for branded school clothing given the financial burden this placed on families. It was suggested that a letter be sent to all schools and governing bodies outlining the Committee's concerns around this issue.

A Member referred to importance of the action in relation to collating local data including mapping numbers to determine the level of access to support to ensure resources were targeted accordingly. The benefits of reviewing national data as a comparator with Hartlepool was highlighted as well as the need to determine any barriers to access to ensure effective co-ordination of such support.

Recommended

- (i) That the proposed actions detailed within the action plan be noted.
- (ii) That the comments of Members be noted and actioned as appropriate.

- (iii) Further to discussions at the Director's Headteachers briefing, on the 5th October 2023, in relation to 'Poverty Proofing' opportunities for schools, it was agreed that a letter be sent to all schools and governing bodies reiterating the Committee's ongoing concerns regarding the financial impact on families of buying branded school clothing.

63. Youth Justice Strategic Plan *(Executive Director of Children's and Joint Commissioning Services)*

The Assistant Director, Children and Families presented the draft Hartlepool Youth Justice Service Strategic Plan 2023/2024, as part of the consultation process, a copy of which was appended to the report. Feedback would be incorporated into the final plan which would be reported to Children's Services Committee prior to final adoption of the plan by Full Council. The final plan would also be sent to the National Youth Justice Board.

The Committee was advised that the Youth Justice Plan provided an overview of how the Youth Justice Service, the Youth Justice Service Strategic Management Board and wider partnership would ensure that the service had sufficient resources and infrastructure to deliver youth justice services in its area in line with the requirements of the National Standards for Youth Justice Services.

Members were referred to the key strategic objectives and priorities for 2023/24, as set out in the report.

In the lengthy discussion that followed presentation of the report, officers responded to issues arising from the report. Clarification was provided in relation to targeted intervention and prevention measures in relation to youth justice services. Reference was made to the impact of reoffending, the level of repeat offending and public perception that the same young people were causing issues in the community. In response, Members were advised that whilst reoffending figures in Hartlepool were generally low they were complex cases requiring the right interventions to ensure positive outcomes, details of which were provided.

At this point in the meeting Independent Member, Martin Slimings declared a personal interest as the previous Youth Court Chair in Hartlepool and current presiding Chair in the Youth Court in Middlesbrough.

The Committee welcomed the support and prevention measures in place and the reduction in the number of youth courts. A Member suggested that the report include more emphasis upon protecting children and young people from being potential victims of modern slavery and were keen for youth services to be supported. In response to queries raised clarification was provided in relation to the democratic approval process and timescales for consideration of policy framework items and the final report. Concerns were raised regarding the length of time taken for approval of policy

framework items including the Youth Justice Plan and suggested that the democratic approval process for consideration of such reports be streamlined.

Recommended

- (i) That the contents of the report and comments of Members be noted.
- (ii) That safeguarding children and young people from modern day slavery be referenced in the report.
- (iii) That the simplification / shortening of the process for approval of plans and strategies contained within the policy framework be explored.

64. Derelict Land and Buildings Investigation – Presentation *(Director of Neighbourhoods and Regulatory Services)*

As part of the derelict land and buildings scrutiny investigation, the Executive Director of Development Neighbourhoods and Regulatory Services had been invited to attend the meeting to assist in increasing the Committee's awareness and understanding of derelict land and buildings.

The Executive Director of Development, Neighbourhoods and Regulatory Services provided a detailed and comprehensive presentation which focussed on the following issues:-

- Report by Local Government Association and Empty Homes Network sets out why empty homes matter:
- Hartlepool position - snapshot of Council Tax empty property data from September 2023 shows 1,960 homes were registered as empty
- Location of Empty Homes
- Empties by Ward
- Why are homes left empty?
- Probate Issues
- Why bring empty properties back into use?
- Legislation – Short and Medium Measures
- Long Term Options

- Empty Dwelling Management Order
- Enforced Sale
- Compulsory Purchase Order
- Demolition Orders
- Clearance Areas
- Selective Licensing
- Previous Interventions
- Housing Market Renewal Schemes
- Place First “The Green”
- Empty Homes Programme
- Safer Streets Funding
- Possible Incentives
- Opportunities

Members debated issues arising from the presentation and officers responded to queries raised. Clarification was provided in relation to the empty dwelling management order process including notice periods, powers available under the Council’s Enforcement Policy including tenancy agreement implications, when demolition orders may be utilised, examples of category 1 and 2 hazards which may lead to demolition of a property, the difficulties around debt recovery as well as enforcement action options.

Members discussed the issues around empty/derelict properties and exemptions and were keen to further pursue the locations of empty homes. Members were advised that this issue would be explored in greater depth at the forthcoming Working Group meetings. The Chair reported on the success of an ongoing Selective Licensing Scheme in a concentrated area of Middlesbrough and questioned whether an initiative of this type was worth pursuing in a specific area of Hartlepool. The benefits of a national scheme which required landlords to be registered were discussed. Given that there was no longer a legislative requirement for landlords to be registered through a national scheme, it was suggested that the option to create a local registration scheme in Hartlepool be considered. However, officers pointed out that many selective licensing schemes do not improve the property standards, nor do they achieve the aim of what people perceive they will bring, so it is always important to utilise the range of measures available and implement the most appropriate one for that area.

Concerns were reiterated regarding the limited powers available in terms of reducing the number of empty homes given that the majority were private sector owned.

In response to clarification sought, the Council Tax charging arrangements for empty properties were outlined. The Chair requested more detailed information as to what options were available to increase Council Tax charges on empty properties which officers agreed to provide under separate cover following the meeting.

At this point in the meeting Councillor Creevy declared a personal interest as a landlord.

Recommended

- (i) That the contents of the presentation and comments of Members be noted and actioned as appropriate.
- (ii) That more detailed information as to what options were available to increase Council Tax charges on empty properties be explored.
- (iii) That the option to create a local registration scheme in Hartlepool be explored.

65. Derelict Land and Buildings Investigation Consultation - Update *(Scrutiny and Legal Support Officer)*

The Scrutiny and Legal Support Officer provided an update presentation which outlined the results from the first phase of the Derelict Land and Buildings investigation consultation following the agreement to extend the consultation period at the last meeting to allow further views to be sought. The consultation had now reopened on a rolling basis and the Committee received an update presentation on the progress of the consultation and its initial findings. The consultation findings included an initial list of derelict land and building locations identified by residents which were detailed in a confidential appendix attached to the report.

The Scrutiny and Legal Support Officer responded to issues raised arising from the update report which included clarification on how the survey had been promoted. The Chair advised that the survey would be circulated to all Members and asked that Members share and promote the survey as widely as possible. It was suggested that to further improve the promotion of the survey, a small budget be made available to 'boost' social media posts.

Recommended

- (i) Members noted and the results of Phase 1 of the consultation process.
- (ii) That Members share and promote the ongoing survey as widely as possible.
- (iii) That to further improve the promotion of the survey, a small budget be made available to 'boost' social media posts.

66. Crustacean Deaths Working Group - Verbal Update

Cllr Creevy reported that PD Ports had attended the last meeting of the Group and had provided an explanation of the dredging process, details of which were provided.

It was noted that the next meeting would be held on Friday 3 November 2023 at 10.00 am which would be attended by Dr Caldwell and another scientist who would discuss results of core samples.

Recommended

That the information given be noted.

67. Regulation of Investigatory Powers Act 2000 (RIPA) Annual Report (including Quarter 1 update) (*Chief Solicitor*)

The Principal Democratic Services Officer presented the annual report on the activities relating to surveillance by the Council and policies under the Regulation of Investigatory Powers Act 2000. It was reported that in the period 2022/23 there had been 1 Non-RIPA authorisation sought and 2 external RIPA authorisations sought. In quarters 1 and 2 to the date of this meeting no authorisations had been sought.

Members were advised that a number of amendments had been made to the RIPA Policy as part of the previous review. A copy of the Council's amended RIPA Policy was appended to the report for Members' approval which reflected changes in job titles of senior officers.

Recommended

That the report be noted and the amended RIPA policy be approved.

68. Minutes of the meeting of the Health and Wellbeing Board held on 10 July 2023

Received.

69. 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.

70. Working Groups

The Chair advised that further information on Working Groups would be circulated in advance of the first meeting on 31 October at 5.00 pm in the Civic Centre. The Chair highlighted the importance of Member participation and asked Members to make every effort to attend.

71. Extraordinary Council Referral

The Extraordinary Council meeting on the 16th October 2023 referred the investigation of a complaint to the Audit and Governance Committee. In its role as the Council's Standards Committee, the Audit and Governance Committee approved the referral of the investigation to the Chief Solicitor, in conjunction with an Independent Person.

Whilst no specific timescale had been set by Full Council for the completion of the investigation, Committee agreed it should be undertaken as a matter of urgency. The outcome of the investigation to then be reported back to a future meeting of this Committee.

Recommended

It was agreed that:

- i) The investigation of the complaint be referred to the Chief Solicitor in conjunction with an Independent Person.
- ii) The investigation be undertaken as a matter of urgency and its outcome reported back to a future meeting of this Committee.

72. Appointment of Vice-Chair

Following the Chair's nomination of Cllr Creevy to the vacant position of Vice-Chair of this Committee, it was agreed that Cllr Creevy be appointed Vice Chair of Audit and Governance Committee for the remainder of the municipal year.

73. Group Model Update

A representative from North Tees and Hartlepool Foundation Trust, who was in attendance at the meeting, advised that group model arrangements had recently commenced between North Tees and Hartlepool and South Tees. The Committee was also advised that following an extensive recruitment campaign Stacey Hunter had been appointed as the new Joint Chief Executive Officer who would commence employment in 2024. Details of Stacey's employment history were shared with Members.

The Chair confirmed that the Foundation Trust would be attending the next meeting to provide an update on the group model arrangements.

74. Date and Time of Next Meeting

The Chair reported that the meeting would be held on 7 November 2023 at 5.00 pm.

The meeting concluded at 6.50 pm.

CHAIR

AUDIT AND GOVERNANCE COMMITTEE

7th November 2023



Report of: Statutory Scrutiny Manager

Subject: ACCESSIBILITY OF COUNCIL SERVICES IN
HARTLEPOOL FOR THOSE WITH DISABILITIES
AND LONG TERM CONDITIONS - CLOSING THE
LOOP

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to provide Members of the Audit and Governance Committee with feedback on recommendations from the investigation into the accessibility of Council services in Hartlepool for those with disabilities and long term conditions.

2. BACKGROUND INFORMATION

- 2.1 The findings and recommendations of the Audit and Governance Committee's investigation into the accessibility of Council services in Hartlepool for those with disabilities and long term conditions can be accessed via the following link.

https://www.hartlepool.gov.uk/downloads/download/2469/child_and_family_p_overtly_scrutiny_investigation_-_final_report.

- 2.2 The report was considered by the Finance and Policy Committee on the 18th September 2023, in conjunction with a corresponding action plan.

- 2.3 With due regard to the contents of the action plan, the committee Finance and Policy Committee agreed that:

1. That the outcome of the extended consultation process and Action Plan produced be noted and that a further report be submitted to the Committee setting out the costings of the recommendations of the investigation below.
2. That the recommendations of the Audit and Governance Committee, following their investigation into the accessibility of council services in Hartlepool for those with disabilities and Long Term conditions, as detailed below be approved:-

- (i) Exploration of some adjustments would require more significant investment and be longer term actions. Other short / medium term actions would be to:-
 - (a) Develop a communications campaign to:
 - Highlight the various support schemes and reasonable adjustments that are already have in place;
 - Promote 'One-Stop-Shop' touch points such as the Civic Centre reception and Community Hubs where people can get assistance with everything in one place. Making those who find accessing the Civic Centre aware that the same service can be accessed elsewhere; and
 - Promote the role of Community Hubs and Community Navigators to increase the understanding of the services they offer.
 - (b) Ensure that community buildings and touch points have posters and leaflets on display for a range of disability support groups and charities.
 - (c) Circulate basic guidance to staff on font size and type, use of plain English, how to book an interpreter when one is required and put this information in an easy to find location on the intranet.
 - (d) Create an "accessibility" tile on the intranet homepage so it is easy to find and collate a range of useful accessibility information for staff to be able to find quickly and easily when a disabled person makes contact.
- (ii) Equality of access to services for all is a fundamental right and residents with disabilities and long term conditions should not be restricted in terms of the times they can access services or the levels of privacy they can expect. To this end:-
 - (a) A Text Relay Service should be introduced;
 - (b) Given the financial restrictions faced by the local authority, the feasibility and benefits, of creation of a pod facility in the Civic Centre be explored to allow residents and officers to use online signing / translation services;
 - (c) The creation of a network of British Sign Language (BSL) trained staff, to act as first point of contact for volunteers, be explored;
 - (d) Existing TV screens in the Civic Centre reception be used to promote accessibility services and the assistance that is available; and
 - (e) The Loop system currently used in council buildings be reviewed to ensure that it is still compatible with modern hearing aids.
- (iii) Provide access to a video / telephone translation service (for BSL and other languages) in the Civic Centre, and a private room for the discussion of confidential issues. This facility to be promoted (e.g. via signs on glass partitions in a similar way to

how pharmacies tell customers they can use a private consultation room).

- (iv) A review of workforce training be undertaken to explore how disability awareness and an understanding of reasonable adjustments, could be increased, within available resources. As part of this:-
 - (a) Accessibility and diversity awareness training to be rolled out as mandatory training for all HBC staff and offered as an option for Councillors as part of the induction process; and
 - (b) Options for training be explored including the use of online packages to allow ease of access and roll out across departments, without the need for an external trainer.
- (v) The newly established Equality, Diversity and Inclusion Officer Group to be used as a mechanism to share best practice, monitor performance and identify service improvements.
- (vi) Improvements to the HBC website be explored to ensure that it is EDI compliant going forward, including but not be limited to:-
 - (a) Read options for documents, to allow access by blind or visually impaired residents;
 - (b) Captions / signing on social media posts / videos; and
 - (c) When time-critical videos are posted on social media, and there is not time to set up closed captions, the video should include a text card to say that subtitles will be added. For videos which are not time-critical subtitles should be added before they are uploaded.
- (vii) Council reports, documents and forms must be accessible (easy read / screen reader friendly) and going forward clear content guidance should to be provided, and its use promoted, including:-
 - (a) Where appropriate, instructions for the inclusion of links to allow the use of screen readers; and
 - (b) Promotion of use of a document accessibility checker.
- (viii) A consultation to be undertaken with partners on the potential benefits, and level of support for, the creation of a needs passport / card system that could be used to ensure that officers quickly recognise and respond to any additional support needs.
- (ix) The process for creation of the Highlight on the Waterfront development is an example of good practice in terms of engagement / involvement with residents with disabilities and lifelong conditions. This good practice to be rolled out across the development of all services and strategies.

RECOMMENDATIONS

- 3.1 That Members note the decision of the Finance and Policy Committee on the 18th September 2023 and the proposed actions detailed within the Action Plan.

Contact Officer: - Joan Stevens – Statutory Scrutiny Manager
Legal, Governance and Human Resources Department
Hartlepool Borough Council
Tel: 01429 284142
Email: joan.stevens@hartlepool.gov.uk

BACKGROUND PAPERS

The following background papers were used in the preparation of this report:-

- (i) https://www.hartlepool.gov.uk/downloads/download/2469/child_and_family_poverty_scrutiny_investigation_-_final_report.
- (ii) Finance and Policy Committee on the 18th September 2023

AUDIT AND GOVERNANCE SCRUTINY ENQUIRY ACTION PLAN**NAME OF COMMITTEE:** Audit and Governance Committee**NAME OF SCRUTINY ENQUIRY:** Accessibility of Council Services in Hartlepool for Those with Disabilities and Long Term Conditions

+ please detail any risk implications, financial / legal / equality & diversity / staff / asset management considerations

* please note that for monitoring purposes a date is required rather than using phrases such as 'on-going'

RECOMMENDATION	RESPONSE/PROPOSED ACTION	FINANCIAL / OTHER IMPLICATIONS	LEAD OFFICER	COMPLETION DATE*
<p>1) Exploration of some adjustments would require more significant investment and be longer term actions. Other short / medium term actions would be to:-</p> <p>i) Develop a communications campaign to:</p> <ul style="list-style-type: none"> - Highlight the various support schemes and reasonable adjustments that are already have in place; - Promote 'One-Stop-Shop' touch points such as the Civic Centre reception and Community Hubs where people can get assistance with everything in one place. 	<p>i) Communications Plan to be developed with campaign work to begin from August 2023</p>		<p>i) To iv) Connor Kerr / Bev Bearne</p>	<p>l) March 2024</p>

<p>Making those who find accessing the Civic Centre aware that the same service can be accessed elsewhere; and</p> <p>- Promote the role of Community Hubs and Community Navigators to increase the understanding of the services they offer.</p>				
<p>ii) Ensure that community buildings and touch points have posters and leaflets on display for a range of disability support groups and charities.</p>	<p>ii) Communications Team to facilitate the distribution of posters and leaflets to community buildings</p>			<p>ii) March 2024</p>
<p>iii) Circulate basic guidance to staff on font size and type, use of plain English, how to book an interpreter when one is required and put this information in an easy to find location on the intranet.</p>	<p>iii) Guides to creating accessible content and booking interpreters are already available on the Equality and Diversity tile on the intranet for staff</p>			<p>iii)Complete</p>
<p>iv) Create an “accessibility” tile on the intranet homepage so it is easy to find and collate a range of useful accessibility information for staff to be able to find quickly</p>	<p>iv) An Equality Diversity tile is in place on the intranet homepage and links to a range of information including the above</p>			<p>iv)Complete</p>

and easily when a disabled person makes contact.				
<p>2) Equality of access to services for all is a fundamental right and residents with disabilities and long term conditions should not be restricted in terms of the times they can access services or the levels of privacy they can expect. To this end:-</p> <p>i) A Text Relay Service should be introduced;</p> <p>ii) Given the financial restrictions faced by the local authority, the feasibility and benefits, of creation of a pod facility in the Civic Centre be explored to allow residents and officers to use online signing / translation services;</p>	<p>i) The Text Relay service:</p> <ul style="list-style-type: none"> - Is now in use via customer services for all Adult Social Care Team including Adult Safeguarding / ISPA with access to the Relay UK app. - Has been introduced in the Support Hub. <p>ii) There would be a cost implication to this.</p> <p>Civic Centre - Meeting rooms within the Civic Centre reception area can be utilised as pod facilities – wider issue is access to translation services at point of contact but this is addressed further in the plan.</p>	<p>iii) Financial implication to be calculated before final decision on the implementation of the recommendation</p>	<p>i) Laura Griffiths / Julie Howard / Leigh Keeble</p> <p>ii) Laura Griffiths / Julie Howard / Leigh Keeble</p>	<p>i) Complete</p> <p>ii) Complete</p>

<p>iii) The creation of a network of BSL trained staff, to act as first point of contact for volunteers, be explored;</p>	<p>Community Hubs - There is a pod that that could be used in the community hubs for 1:1 and a laptop or tablet could be provided to support video interpretation. This would, however, need to be booked and a pilot of block booking a few hours a week can be trialled.</p> <p>iii) Staff volunteers would be a first point of contact with any complex communication via qualified translators. There would be a resource implication in setting this up.</p> <p>Currently exploring training provision with the Council's Organisational Development team who are in contact with RNIB and RNID – it is recommended that this be mandatory training for all frontline staff.</p> <p>There is also the potential opportunity to offer BSL training to employees through the Workforce Development Programme and is currently being reviewed.</p>	<p>Financial implication to be calculated before final decision on the implementation of the recommendation</p>	<p>iii)Gemma Ptak/ Leigh Keeble</p> <p>iii)Laura Griffiths / Julie Howard</p>	<p>31 December 2023 (tbc subject to finances)</p>
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<p>iv) Existing TV screens in the Civic Centre reception be used to promote accessibility services and the assistance that is available; and</p> <p>v) The Loop system currently used in council buildings be reviewed to ensure that it is still compatible with modern hearing aids.</p>	<p>In terms of the Community Hubs staff some level of training would be useful but this would need to be used regularly to be effective.</p> <p>iv) Easy to do with no additional resources (other than loading information.</p> <p>A sign language video could be produced that could be accessible via a range of mediums including web-site and Hartlepool Now.</p> <p>Once a clear service offer is known this can be promoted via a wide range of mediums.</p> <p>v) Indications as part of the investigation were that new hearing aids aren't compatible with the existing system. This action has be allocated to the Building Maintenance team for review.</p> <p>Specialist company have been contacted and are to visit the Civic Centre to undertake compatibility tests.</p>	<p>Financial implication to be calculated before final decision on the implementation of the recommendation</p>	<p>iv)Laura Griffiths / Julie Howard</p> <p>v)Laura Griffiths / Julie Howard</p>	<p>iv)31 March 2024</p> <p>v)31 March 2024</p>
<p>3) Provide access to a video / telephone translation service</p>	<p>- This was specifically requested by the BSL community so I think</p>			

<p>(for BSL and other languages) in the Civic Centre, and a private room for the discussion of confidential issues. This facility to be promoted (e.g. via signs on glass partitions in a similar way to how pharmacies tell customers they can use a private consultation room).</p>	<p>that this should be referenced and linked to a facility to request a BSL interpreter at the same time – the private room is no use without the Translation service.</p> <p>- The provision of a room in the Civic is possible and a standard laptop could be used to provide a video translation service (no other equipment needed and 'Big Word' system is already used for translations). This could also be provided in the central hub.</p> <p>Rooms are in fact already available on request for all residents but this was something that Deaf users really wanted</p> <p>The question being – why are deaf residents not aware of this – do we publicise it and are staff encouraged to use it) The introduction of a process to ensure that they are taken to a separate room for private signed / translated discussions would be achievable with a refresh of accessibility awareness training</p> <p>- Request for translation services and use of the text service is low (historic use of the video</p>		<p>Laura Griffiths / Julie Howard</p>	
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	<p>translation service had also been low) but it is unclear if this is because of a failure to engage or that individuals felt that their views aren't heard.</p> <p>- We do not have a person qualified to provide translation services. Having trained staff to be a first point of contact (basic translation / signposting services) would be useful but would have cost implications and demand is unclear. A suggested option, albeit with a financial implication being:</p> <ul style="list-style-type: none"> • A refresh of awareness training • Staff with basic translation services and knowledge of how to access other systems • A pilot scheme for the provision of a trained individual to be located in the Central Hub and / or Civic (drop in sessions half a day a week), demand and success of which could be monitored. This to be publicised as an option to access translators and other options provided (such as text service or video translation, etc.) 	<p>Financial implication to be calculated before final decision on the implementation of the recommendation</p>		<p>31 December 2023 (subject to finances)</p>
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	<ul style="list-style-type: none"> • Introduction of sign video service to be scoped / considered although usage of previous solutions has been historically moderate. 			
<p>4) A review of workforce training be undertaken to explore how disability awareness and an understanding of reasonable adjustments, could be increased, within available resources. As part of this:-</p> <p>i) Accessibility and diversity awareness training to be rolled out as mandatory training for all HBC staff and offered as an option for Councillors as part of the induction process; and</p> <p>ii) Options for training be explored including the use of online packages to allow ease of access and roll out across departments, without the need for an external trainer.</p>	<p>There may be some courses on Skillsgate that staff can access however we don't have enough licences for all staff so there would need to be a managed process to this.</p>	<p>Financial implication to be calculated before final decision on the implementation of the recommendation</p>	<p>Hayley Martin / Gillian Laight / Rachel Clark</p>	<p>Ongoing</p>
<p>5) The newly established Equality, Diversity and Inclusion Officer Group to be used as a mechanism to share best practice, monitor performance and identify service improvements.</p>	<p>A new Equality, Diversity and Inclusion Officer Group was established at the beginning of the year and this falls under their remit.</p>		<p>Catherine Grimwood / Bev Bearne</p>	<p>Complete</p>

<p>6) Improvements to the HBC website be explored to ensure that it is EDI compliant going forward, including but not be limited to:-</p> <p>i) Read options for documents, to allow access by blind or visually impaired residents;</p> <p>ii) Captions / signing on social media posts / videos; and</p> <p>iii) When time-critical videos are posted on social media, and there is not time to set up closed captions, the video should include a text card to say that subtitles will be added. For videos which are not time-critical subtitles should be added before they are uploaded.</p>	<p>i) Current website to be replaced and this recommendations will be covered in the specification for the new site</p> <p>ii) and iii) will be completed as recommended</p>		<p>Connor Kerr / Bev Bearne</p>	<p>March 2024</p> <p>December 2023</p>
<p>7) Council reports, documents and forms must be accessible (easy read / screen reader friendly) and going forward clear content guidance should be provided, and its use promoted, including:-</p> <p>i) Where appropriate, instructions for the inclusion of links to allow the use of screen readers; and</p>	<p>i) The brand guidelines refresh will include reference to accessible content.</p>		<p>Connor Kerr / Bev Bearne</p>	<p>March 2024</p>

ii) Promotion of use of a document accessibility checker.	ii) MS Word has an in-built document accessibility checker. Instructions on how to use it are on the intranet on the Equality and Diversity tile			
8) A consultation to be undertaken with partners (attendees to be confirmed) on the potential benefits, and level of support for, the creation of a needs passport / card system that could be used to ensure that officers quickly recognise and respond to any additional support needs.	<p>Discussion in respect of developing a passport card locally with representatives from the joint Sensory Support Plan working group on 19/10/2023. Included HI-VIS UK, Hartlepool Vision Support, Hartlepool Deaf Centre.</p> <p>There are a number of existing schemes that can support identification of a certain condition however people should be considered as individuals in their own right.</p> <p>https://www.did-card.co.uk/ https://www.disabilityid.co.uk/about</p> <p>Schemes are not globally recognised by all and in the main are used when accessing venues where discounts may be applied.</p> <p>It would not be possible to respond to a person's unique</p>	Costs are between £12 - £20 pound for a two year basis per person. Eligibility for the card requires proof of a range of benefit entitlements.	Neil Harrison /John Lovatt	Complete

	presentation just by way of showing a card.			
9) The process for creation of the Highlight on the Waterfront development is an example of good practice in terms of engagement / involvement with residents with disabilities and lifelong conditions. This good practice to be rolled out across the development of all services and strategies.	<p>Engagement itself can be delivered but it is hard to quantify as it will be relevant to each specific service/strategy.</p> <p>The financial element of strategy development is dependent on the nature of consultation and the service and so difficult to quantify.</p> <p>There is already a commitment to:</p> <ul style="list-style-type: none"> - Engaging and involving people in service developments. - Developing the co-production process to involve people who have lived experience - Engaging and involving people at the earliest stages of service design and development. <p>Recent strategy consultations have also included everything from behavioural insights work to talking to the client group so varies significantly in terms of costs</p> <p>While this approach has been well received, we don't have the</p>	Financial implication to be calculated before final decision on the implementation of the recommendation	Directors	Complete

	staff or funding to take such an in depth approach to every strategy and development moving forward.			
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AUDIT AND GOVERNANCE COMMITTEE7th November 2023**Report of:** Statutory Scrutiny Manager**Subject:** DEDICATED OVERVIEW AND SCRUTINY BUDGET
- UPDATE**1. PURPOSE OF REPORT**

- 1.1 To provide the Audit and Governance Committee with an update in relation to expenditure from the Dedicated Overview and Scrutiny Budget in 2023/24.

2. BACKGROUND INFORMATION

- 2.1 In 2013, a budget of £5000 per year was allocated to the Overview and Scrutiny function. The purpose of the budget is to provide support for the delivery of the work programme and development of the function.
- 2.2 The agreed process for the allocation of funding from the dedicated scrutiny budget is that:
- £500 and below. Any expenditure from the Dedicated Scrutiny Budget up to the sum of £500 could be delegated¹ to the Scrutiny Manager, in consultation with the Chair of the Committee. An annual report outlining all expenditure to be presented to the Committee on an annual basis.
 - £500 and above. Appropriateness of any funding requests to be considered by the Committee.

3. BUDGET SPEND FOR THE 2023/24 FINANCIAL YEAR

- 3.1 Further to the required annual update, the Committee is advised that expenditure to date from the 2023/24 dedicated scrutiny budget is as outlined in Table 1.

Table 1

Purpose	Amount (£)
Derelict Land and Buildings Investigation	
Printing (promotional poster and paper survey)	12.18
Social Media (post promotion)	100.00
Accessibility Investigation (2nd Consultation – as requested by the Finance and Policy Committee)	
Easy-read Survey	400.00
Spend from 2023/24 (as of the 30 October 2023)	512.18 (Budget Remaining 4,487.82)

¹ Delegation approved by the Audit and Governance Committee on the 13th November 2013

4. RECOMMENDATION

- 4.1 It is recommended that the Audit and Governance Committee notes expenditure to date from the 2023/24 dedicated scrutiny budget (as detailed in Table 1.

Contact Officer:- Joan Stevens – Statutory Scrutiny Manager
Legal, Governance and Human Resources Department
Hartlepool Borough Council
Tel: 01429 284141
Email: joan.stevens@hartlepool.gov.uk

BACKGROUND PAPERS - No background papers were used in the preparation of this report.

AUDIT AND GOVERNANCE COMMITTEE

07 November 2023



Report of: Director of Finance, IT and Digital

Subject: Mazars Report - Follow Up to Audit Completion
Report 2021/22

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 follow up to the Audit Completion Report 2021/22.

2. BACKGROUND

- 2.1 This report updates the Audit and Governance Committee on those matters that were marked as outstanding within the Audit Completion Report 2021/22 dated 14 November 2022, (attached as an Appendix for Members information) and to draw Members attention to additional issues that have arisen since that report was presented to the Audit and Governance Committee on 24 November 2022.

3. FINDINGS OF MAZARS

- 3.1 Details of key messages are included in the main body of the report attached as **Appendix 1**. The main change is that Mazars can now report in their audit opinion that they have completed value for money work for the year ended 31 March 2022. They can confirm that they have not identified any significant weaknesses and have no formal recommendations to make as a result of their work.
- 3.2 An unqualified audit opinion, without modification, on the 2021/22 financial statements is still anticipated. The final opinion will be issued when the financial statements have been approved by the Audit and Governance Committee, and when the noted outstanding pension fund audit activity has been concluded.

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 may lead to the Committee being unable to fulfil its remit.

5. OTHER CONSIDERATIONS/IMPLICATIONS

Financial Considerations	There are no financial considerations.
Legal Considerations	There are no legal considerations.
Child and Family Poverty	There are no child and family poverty considerations.
Equality and Diversity Considerations	There are no equality and diversity considerations.
Staff Considerations	There are no staff considerations.
Asset Management Considerations	There are no asset management considerations.

6. RECOMMENDATIONS

- 6.1 That the Audit and Governance Committee:
- i. Note the report of Mazars.

7. REASON FOR RECOMMENDATIONS

- 7.1 To ensure the Audit and Governance Committee is kept up to date with the work of our External Auditor.

8. BACKGROUND PAPERS

- 8.1 Mazars Audit Completion Report.

9. CONTACT OFFICER

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23 October 2023

Dear Members

Update/conclusion of pending matters– Audit Completion Report

As required by International Standards on Auditing (UK), I am writing to communicate an update on those matters that were marked as outstanding within our Audit Completion Report dated 14 November 2022, and to draw your attention to additional issues that have arisen since we presented our report to the Audit and Governance Committee on 24 November 2022.

The outstanding matters and the conclusions we reached are detailed below:

Matter	Update/conclusion reached	Status
Pensions	<p>We reported in November 2022 that we were unable to complete our work on pensions as we were waiting for assurances from the pension fund auditor. These would normally have been expected to be received by the end of November 2022.</p> <p>We actually received the assurance letter from the pension fund auditor on 22 March 2023. Their letter identified an overstatement of assets, though this was not material.</p> <p>However, an additional issue arose in relation to the triennial revaluation of the Teesside Pension Fund at 31 March 2022.</p>	We are following up on apparent significant discrepancies identified in the PF auditor letter on the results of triennial membership data testing.

Mazars LLP

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. 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: GB 839 8356 73

Matter	Update/conclusion reached	Status
	<p>Each year, employers within the Local Government Pension Scheme (LGPS) receive an actuarial accounting report prepared in accordance with IAS19 Employee Benefits (IAS19 report). The report sets out the movement in the employer's interest in the LGPS assets and liabilities during the year, and their share of assets and liabilities at the year end.</p> <p>IAS19 pension liabilities are prepared by rolling forward data collected for the most recently completed actuarial funding revaluation (triennial revaluation, ie. undertaken once every 3 years) and updating for significant changes to membership, cashflows, and updated actuarial assumptions. The 2021/22 IAS19 reports received by LGPS employers for inclusion in the draft 2021/22 financial statements were prepared using data collected for the 2019 triennial valuation, rolled forward by 2 years, as the 2022 triennial valuation was not complete at the time of preparing the draft 2021/22 financial statements.</p> <p>Due to the delays in the issue of some local authority opinions (many March 2021/22 financial statement audits had not been completed at 31 March 2023), the 31 March 2022 triennial revaluation reports, which take about a year to prepare, had been finalised.</p> <p>The completed triennial revaluation at 31 March 2022 provided evidence of conditions that existed at 31 March 2022 and, in accordance with IAS10 Events after the Reporting Period, audited bodies were asked to consider whether this was an adjusting event. Our view was that this was an adjusting event after the balance sheet date, where the impact was likely to be material.</p> <p>The Council decided that this was likely to have a material impact on the IAS19 pension liability at 31 March 2022, and therefore obtained an updated IAS19 Report from the Actuary and amended the 2021/22 accounts.</p> <p>The adjusted misstatement is in the updated Summary of Misstatements in Appendix 1.</p> <p>For us to consider the amendments made to the financial statements to reflect the triennial revaluation exercise, we carried out the following procedures:</p> <ul style="list-style-type: none"> • Agreed the changes in the revised IAS19 report to the revised financial statements; 	<p>We are following up on apparent significant discrepancies identified in the PF auditor letter on the results of triennial membership data testing.</p>

Matter	Update/conclusion reached	Status
	<ul style="list-style-type: none"> Reviewed the updated assumptions used by the actuary in the updated IAS19 report; a national report prepared by PWC assisted with our consideration of any changes in assumptions; and Asked the Pension Fund auditor to carry out testing of the membership data provided by the Pension Fund to the actuary for the triennial revaluation exercise, to ensure that it was supported by the data in the Pension Fund's systems. <p>We completed our work without any other issues arising.</p> <p>We received a response from the Pension Fund auditor on 11 September 2023. Unfortunately, their letter highlighted a number of apparent significant discrepancies in the data. The Pension Fund auditor indicated to us that they did not intend to carry out any further work to investigate or resolve the apparent significant discrepancies.</p> <p>We therefore informed the Pension Fund auditor that we needed to follow up these issues ourselves, even though the Pension Fund and its lead authority, Middlesbrough Council, is not one of our audits.</p> <p>We are currently in the process of following these issues up. We are grateful to Middlesbrough Council and the Pension Fund, as they have confirmed that they understand the importance of following up on the issues raised and have offered us their full co-operation.</p>	<p>We are following up on apparent significant discrepancies identified in the PF auditor letter on the results of triennial membership data testing.</p>
Infrastructure	<p>As the Council is aware, there has been a national issue in relation to accounting for infrastructure which has impacted on every local authority related entity with material infrastructure balances.</p> <p>The issue identified that there was insufficiently detailed information available to allow local authorities to demonstrate the material accuracy of the gross carrying value of infrastructure assets. Specifically, the information deficits related to the type of assets held within the infrastructure balance, their useful lives and whether or not any capitalised expenditure was incurred to replace existing components.</p> <p>Members should note that this issue was entirely technical in nature and it did not impact on the resources available to the Council or the level of usable reserves held by the Council.</p> <p>A statutory override was put in place by Government to address the information deficits and CIPFA guidance was issued to</p>	<p>Complete – also see Internal Control section below</p>

Matter	Update/conclusion reached	Status
	<p>allow authorities to disclose net infrastructure and not disclose gross infrastructure and gross depreciation in the financial statements. The statutory override made it clear that adjustments were not required to previous infrastructure balances, even where errors may have existed.</p> <p>The Council has adopted the statutory override in full. The Council also made amendments to the disclosures about infrastructure in the financial statements, as required by the guidance, but the figures relating to infrastructure have not been amended.</p> <p>As part of our review of the Council's application of CIPFA's <i>"Update to the Code and Specifications for Future Codes for Infrastructure Assets (Code update)"</i>, we considered the Council's asset lives per its accounting policies for infrastructure assets.</p> <p>We considered CIPFA Bulletin 12, which includes a commentary on the useful lives of the components of the highways network by the <i>"UK Roads Leadership Group Asset Management Board"</i>. The guidance includes a range of <i>"reasonable useful lives"</i> for different parts of the highways network which we compared to those applied by the Council.</p> <p>As part of our work, we completed a sensitivity analysis to estimate the impact on in-year depreciation using the Council's existing asset lives compared to the reasonable asset lives provided in the CIPFA guidance. This test was completed to gain assurance that depreciation in 2021/22 is materially accurate when compared to depreciation calculated using CIPFA's reasonable useful lives.</p> <p>Following completion of our work, we are satisfied that the Council has followed the relevant guidance when reviewing its infrastructure assets and has made the required disclosures in the financial statements.</p> <p>Whilst our review highlighted a few differences between the useful economic lives of some assets against those set out by CIPFA and a few errors in applying the Council's policy on useful lives consistently across all assets the net impact of these differences and errors was trivial.</p> <p>The Council has carried out its own analysis and plans to complete a review of useful economic lives when producing the 2022/23 financial statements. We support this planned approach by officers, and we have made an internal control recommendation in relation to this as set in the next section of this letter.</p>	<p>Complete – also see Internal Control section below</p>

Matter	Update/conclusion reached	Status
Whole of Government Accounts	We will report to National Audit Office (NAO) in relation to Whole of Government Accounts (WGA) 2021/22, as soon as we have resolved the remaining pension fund issues and issued our audit opinion on the 2021/22 financial statements.	To complete when the audit opinion for 2021/22 has been issued.
Audit closure and post balance sheet events	Our final closure procedures include a review of the management representation letter and post balance sheet events. We will discuss subsequent events with management and review available post balance sheet information at the point we sign off. There are no issues arising at the point of drafting this letter.	This will be completed at the point we are ready to issue our audit opinion.

Internal Control Recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

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

We made one internal control recommendation in our Audit Completion Report and are satisfied with the action taken to address it. As stated above, our work on infrastructure, has identified one additional internal control deficiency and the findings and recommendation relating to this are set out below. We have assigned priority rankings to reflect the importance that we consider each issue poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0

2 (medium)

In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.

1

3 (low)

In our view, internal control should be strengthened in these additional areas when practicable.

0

Description of deficiency – Infrastructure Assets Useful Economic Lives – Level 2

As part of our review of the Council's application of CIPFA's *"Update to the Code and Specifications for Future Codes for Infrastructure Assets (Code update)"* we considered the Council's asset lives as disclosed in its accounting policies and notes to the accounts.

We considered CIPFA Bulletin 12, which includes a commentary on the useful lives of the components of the highways network by the *"UK Roads Leadership Group Asset Management Board"*. This guidance includes a range of reasonable useful lives for different parts of the highways network which we compared to those applied by the Council.

Our review highlighted a few differences between the useful economic lives of some assets against those set out by CIPFA. We also challenged the useful lives applied to assets where there appeared to be inconsistency within a class of infrastructure, or an asset comprised of multiple infrastructure types had not been assigned a useful life of 25 years in accordance with the Council's accounting policy for such assets. This identified a few errors that the Council has agreed to correct in 2022/23.

We are satisfied that none of the differences or errors in useful lives have a material impact on 2021/22 depreciation and the net impact is trifling. However, their presence indicates the need for a more thorough annual review of asset lives.

Potential effects

Infrastructure asset lives may not be based on up-to-date information and may not accurately reflect the remaining life of the asset. This could result in depreciation being misstated, both in year and cumulatively in the future. In addition, it is important that asset lives are accurate to support the Council's Asset Management Plans.

Recommendation

While our work has not highlighted a material difference when applying the current assets lives, we recommend that the Council reviews and benchmarks its infrastructure asset lives for 2022/23 onwards by considering data provided by CIPFA and any other data identified by the Council, to ensure asset lives reflect sector standards and all relevant information. Where differences are not justified, the Council should make changes to asset lives and hence depreciation as part of its annual review of infrastructure. If management's assessment significantly diverges from the range provided by CIPFA, and does not wish to change the asset lives, management should clearly document and provide relevant data to substantiate the rational for this difference.

Management comments

Agreed.

Status of our audit work

At the time of preparing this update letter, we anticipate being able to issue an unqualified audit opinion, without modification, on the financial statements. We plan to issue our opinion when the financial statements have been approved by the Audit and Governance Committee, and when we have resolved the pension fund issues described as outstanding earlier in this letter.

We have completed our work in respect of the Council's value for money arrangements for the year ended 31 March 2022 and the DRAFT Auditor's Annual Report is on the agenda for the November 2023 Audit and Governance Committee setting out our value for money commentary. We will issue the final Auditor's Annual Report once the audit opinion has been issued.

Our draft Audit Report is shown in Appendix 2. This highlights in red any changes from the previous version included in our Audit Completion Report. The main change is that we can now report in our audit opinion that we have completed our value for money work for the year ended 31 March 2022. We can confirm that we have not identified any significant weaknesses and we have no formal recommendations to make as a result of our work.

We will issue a further follow up letter at the point of signing our audit report.

If you wish to discuss these or any other points then please do not hesitate to contact me.

Yours faithfully

A handwritten signature in black ink that reads "Gavin Barker".

Gavin Barker
Director

APPENDIX 1 SUMMARY OF MISSTATEMENTS

(Changes since we issued our Audit Completion Report are highlighted in red.)

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Cr: Other long term liabilities (pension liability)				-4,103
	Dr: Unusable Reserves			4,103	
	Cr: Movement in reserves Statement		-4,103		
	Dr: Re-measurement of the net defined liability	4,103			
Overstatement of assets in the financial statements due to errors identified by the pension fund auditor. Management has determined not to amend the financial statements because this adjustment is not material.					
2	Dr: Property, Plant and Equipment			875	
	Cr: Revaluation Reserve				-875
The accounts included a £11K loss in respect of land at one asset, but the valuer's report excluded tennis courts valued at £129K and the asset register understated another parcel of land by £46K. Accordingly, the accounts should have included a revaluation gain on the asset of £164K. The error was identified through sample testing. If the error was extrapolated across the entire population of land and buildings the Council's Property, Plant and Equipment would have increased by £875,000.					

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
3	Dr: Short-Term Debtors Cr: Adult and Community Based Service Income		-461	461	
We found income relating to services provided in 2021/22 was recorded in 2022/23 for one transaction tested with a value of £17K. If the error was extrapolated across the relevant population income and debtors would have increased by £461,000.					
Total unadjusted misstatements		4,103	-4,564	5,439	-4,978

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Property, Plant and Equipment (gross) Cr: Other Operating Expenditure		-10,614	10,614	
	Dr: Other operating expenditure (depreciation)	567			
	Cr: Property, Plant and Equipment (depreciation)				-567
	Cr: Revaluation Reserve				-3,998

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Cr: Capital Adjustment Account					-6,049
Dr: Movement in Reserves Statement		10,047			
<p>The Council accounted for a transfer of assets at two schools that converted to academies in May 2022 as an adjusting post balance sheet event. Our view is that the event was non-adjusting and thus the schools should have remained on the Council's balance sheet at 31 March 2022. The loss should have been recognised in 2022/23 rather than 2021/22.</p>					
2	Dr: Pension Liability			30,463	
	Cr: Pension Asset				-30,463
	Cr: Movement in Reserves Statement adjustment	30,463			
	Dr: Other Comprehensive Income		-30,463		
<p>This reflects the adjustment from recalculating pension disclosures using an updated IAS19 report from the actuary, which takes into account the results of the triennial revaluation at 31 March 2022</p>					
Total adjusted misstatements		41,077	-41,077	41,077	-41,077

Disclosure amendments

During our review of the financial statements we have identified amendments that were required to disclosures. The Council has made these amendments, the most significant of which were:

1. Narrative Report – The extent of slippage on the capital programme in 2021/22 was not initially explained in the financial commentary;
2. **Note 1 – The accounting policies were amended to reflect the statutory override applied to infrastructure;**
3. Note 3 (Estimation uncertainty) initially indicated that material estimation uncertainty included arrears and income shortfalls. Although these estimates represent significant financial risks they do not represent significant risks of material adjustment to the accounts;
4. Note 4 (Post balance sheet events) did not initially explain the nature of the £10.6M loss on conversion to academies in May 2022;
5. Note 7b (Expenditure and income Analysed by Nature) initially showed £7,415K of other services expenses as employee benefits;
6. Note 11 (Members Expenses) did not initially explain that members expenses increased because of 3 additional members in 2021/22 compared to 2020/21;
7. **Note 14 (Property, Plant and Equipment) was amended to reflect the impact of the statutory override on infrastructure on the analysis of Property, Plant and Equipment and clarify the useful lives applied to infrastructure;**
8. Note 29 (Capital Grants Received in Advance) did not initially break down a material 'other' figure of £6.4M
9. Note 46 (Financial instruments) initially transposed two figures in respect of the increase in interest payable of borrowings of £912K and the increase in interest receivable on variable rate investments of £458K; and
10. Note 53 (Defined Benefit Pensions Schemes) initially indicated that the longevity at 65 for future pensioners for discretionary benefit arrangements was nil. However, this was estimated in the actuary's report as 22.9 years for men and 25.3 years for women.

Management also identified several errors in the draft accounts and corrected working papers prior to the start of the audit. All of these were in the collection fund. The draft accounts overstated NNDR income by £1,359K due to relief not being deducted, showed £188K of transitional relief within NNDR income rather than separately, showed the contribution from central government to previous year's NNDR deficit as £5,724K when it should have been -£5,181K and showed the contribution from Cleveland Fire Authority to the previous year's NNDR deficit as £439K when it should have been -£104K.

APPENDIX 2 – DRAFT AUDIT REPORT

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 Council') for the year ended 31 March 2022, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Statement of Cash Flows, the Housing Revenue Account, the Collection Fund and 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 2021/22 **as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update")**, published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2022 and of the Council's 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 2021/22, **as amended by the Code Update**.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Resources and Development is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 **as amended by the Code Update**, and for being satisfied that they give a true and fair view. The Director of Resources and Development is also responsible for such internal control as the Director of Resources and Development determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Resources and Development is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 **as amended by the Code Update** and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Resources and Development is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 Council, 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, the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

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

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

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

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

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

- addressing the risks of fraud through management override of controls by performing journal entry testing.

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

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

Matters on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

~~We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.~~

~~We will report the outcome of our work on the Council'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.~~

~~We have nothing to report in this respect.~~

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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 December 2021.

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 Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

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

completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack **for the year ended 31 March 2022.;** ~~and~~

- ~~• the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.~~

[Signature]

Gavin Barker
Key Audit Partner
For and on behalf of Mazars LLP

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Date: *to be confirmed*

Audit Completion Report

Hartlepool Borough Council – Year ended
31 March 2022

November 2022



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Appendix A: Draft management representation letter

Appendix B: Draft audit report

Appendix C: Independence

Appendix D: Other communications

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.



Audit and Governance Committee

Hartlepool Borough Council

Civic Centre

Victoria Road

Hartlepool TS24 8AY

14 November 2022

Dear Committee Members

Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 17 March 2022. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

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

Yours faithfully

Gavin Barker

Gavin Barker
Director
Mazars LLP

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01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Property, plant and equipment valuation (now more tightly defined to include investment property valuation but exclude the valuation of council dwellings); and
- Defined benefit pension liability valuation.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements. We found two trivial errors in sample testing that have not been adjusted. If these errors occurred at the same rate across the relevant untested populations the unadjusted misstatements would total £1.3M, which is immaterial. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022. At the time of preparing this report, significant matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

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



Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office (NAO) in respect of our work on the Authority's 2021/22 WGA submission. We are unable to commence our work in this area until such instructions have been received. We note that there is a significant delay in WGA work, and the current focus is on 2020/21 work, meaning there is likely to be a substantial delay before we will be able to address WGA for 2021/22.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No questions or objections were received in respect of the Council's 2021/22 accounts.










02

Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters	
Pensions		We are waiting for assurances from the pension fund auditor. We are unable to sign off until we receive these assurances, which are provided by another audit firm. The pension fund auditor has been unable to confirm a date for reporting to us, and we are concerned that this may be indicative of a potential delay beyond the end of November 2022.	 <div>Likely to result in material adjustment or significant change to disclosures within the financial statements.</div>
Infrastructure		As the Council is aware, there is a national issue in relation to accounting for infrastructure which has impacted on every local authority related entity with material infrastructure balances. Although this does not impact on the resources available to the Council, and is technical in nature, it could have a significant impact on the financial statements, depending on how it is resolved. We will be unable to issue our audit opinion until a resolution is reached in relation to this. It is now envisaged that the likely solution to this issue will not be available until the end of December 2022 at the earliest.	 <div>Potential to result in material adjustment or significant change to disclosures within the financial statements.</div>
WGA		We are awaiting group instructions from the National Audit Office. This may impact on the timing of issuing our audit certificate to formally conclude and close the audit as it did in 2020/21.	 <div>Not considered likely to result in material adjustment or change to disclosures within the financial statements.</div>
Closing Procedures		Including reviews of completed work, checking the final version of the financial statements and consideration of any post balance sheet events.	

03

Section 03: **Audit approach**

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2022. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £5.9m using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements is unchanged, using the same benchmark.

Use of experts

Management makes use of experts in specific areas when preparing the Authority’s financial statements. We have used available third-party information to challenge the key valuation assumptions. Furthermore, no changes have been made to the planned approach as outlined in the Audit Strategy Memorandum, except the actuary is now Hymans Robertson replacing AON Hewitt.

Items of account	Management’s expert	Our expert
Property Valuations	Internal valuer from the Council	
Defined Benefit Pension Liability	Actuary – Hymans Robertson	NAO’s Consulting Actuary (PWC)
Financial Instruments	Link Asset Services	

Service organisations

At the planning stage we did not identify any service organisations which impact on the production of the financial statements. This remains the case at the completion stage.



04

Section 04: **Significant findings**

4. Significant findings

- In this section we outline the significant findings from our audit. These findings include:
- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
 - our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 13 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
 - any further significant matters discussed with management; and
 - any significant difficulties we experienced during the audit.

Significant risks

Management override of controls	Description of the risk
	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	How we addressed this risk We addressed this risk through performing audit work over: <ul style="list-style-type: none">• Accounting estimates impacting amounts included in the financial statements;• Consideration of identified significant transactions outside the normal course of business; and• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. There is no indication of management override of controls.



4. Significant findings

Valuation of Net Defined Benefit Pension Liability	Description of the risk
	<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. This results in an increased risk of material misstatement.</p>
	<p>How we addressed this risk</p> <p>We discussed with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally.</p> <p>We reviewed the appropriateness of the key assumptions included within the valuations, compared them to expected ranges and reviewed the methodology applied in the valuation. We considered the adequacy of disclosures in the financial statements.</p> <p>We have also sought assurance from the audit of Teesside Pension Fund, which is outstanding.</p>
	<p>Audit conclusion</p> <p>Subject to the completion of outstanding work, our work has provided the assurance sought. At this stage we have not identified any errors in respect of the valuation of pensions. The main issue to be aware of is that we are awaiting the assurance letter from the Pension Fund auditor and there is uncertainty on when this will be received.</p>

Valuation of property, plant and equipment (excluding council dwellings) and the valuation of Investment Properties	Description of the risk
	<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 PPE and investment properties. Although the Council uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with these valuations due to the significant judgements and number of variables involved in providing revaluations. In addition, the pandemic has increased the volatility in investment property valuations. We have therefore identified the valuation of PPE and investment properties to be an area of significant risk. However, we have excluded council house valuations as it would take a 61% error to be material and there is extensive data on house prices indicating that the 10% increase in this category in the Council's accounts is reasonable.</p>
	<p>How we addressed this risk</p> <p>We addressed this risk by considering the Council's arrangements for ensuring that PPE and Investment Property values are reasonable and we used data on valuation trends and relevant indices to assess the reasonableness of the valuations provided by the Council's valuer. We also assessed the competence, skills and experience of the valuer.</p> <p>We discussed methods used with the valuer and used indices provided by NAO's valuation expert (Gerald Eve) to confirm that the assets not revalued are unlikely to have materially changed in value.</p> <p>We tested a sample of the revaluations in year to valuation reports and supporting calculation sheets and ensured that the calculations were correct and source data agreed with floor plans and indices.</p>
	<p>Audit conclusion</p> <p>We have not identified any material issues to bring to your attention. However, one error was identified in sample testing, which is described on page 19. Moreover, as stated on page 7 our work in response to this significant risk is ongoing, due to a national issue regarding infrastructure.</p>

4. Significant findings

Qualitative aspects of the Council’s accounting practices

We have reviewed the Council’s accounting policies and disclosures and concluded that they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Council’s circumstances.

Draft accounts were received from the Council on 6 July 2022 and they were of a good quality. Most of the supporting working papers were provided ready for the scheduled start of the audit on 25 July 2022.

Significant matters discussed with management

Post Balance Sheet Events

The financial statements include a £10.6M accounting loss on the transfer of school assets to new academies. The actual conversion date was delayed until May 2022. As the loss is material, management have now agreed to amend the financial statements to remove the £10.6M accounting loss on conversion to academies and add a disclosure note outlining the non-adjusting post balance sheet event. This delay in conversion will be accounted for in the 2022/23 accounts.

Accounting for infrastructure assets

The Council holds material infrastructure assets within property, plant and equipment on the balance sheet. During 2021/22 a national technical issue arose in respect of accounting for infrastructure assets. Normal custom and practice for (highways) infrastructure assets is that derecognition does not affect asset balances because the assets are expected to have been fully used up before the replacement expenditure takes place; this does require that assets are properly depreciated in line with the requirements of the Accounting Code. This issue arises in part because of limitations on historical information relating to when the assets were first recorded on balance sheets in the early 1990s, and where there have been transfers of assets because of local authority reorganisations. It is also extremely difficult to clearly identify the parts of the assets which are being replaced.

Work is ongoing to provide a sector-wide resolution to the issue. As the balance is material to the Council, we are unable to conclude our audit until a resolution is in place. We will update the Audit and Governance Committee on the outcome as part of our follow-up letter.

Significant difficulties during the audit

During the course of the audit, we did not encounter any significant difficulties and we have had the full co-operation of management. Management were not always able to meet their target for responding to audit queries and requests for information due to significant resource pressures created by vacancies in the Finance Team and the need to adapt financial plans in response to the rapid increase in inflation. However, the Finance Team and Audit Team worked diligently to overcome these challenges and the only issues likely to preclude delivering an opinion by the target date of 30 November are those beyond the control of either team (national changes on infrastructure and outstanding assurance from the pension fund auditor).



4. Significant findings

Wider responsibilities

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

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

We have not exercised any of these powers as part of our 2021/22 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.



05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

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

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1



5. Internal control recommendations

Other recommendations in internal control – Level 3

Description of deficiency

The user account to access the general ledger for an employee who left the Council on 21 December 2021 was not disabled until February 2022, although network access was removed on 24 January 2022. The employee had not accessed the ledger after leaving the Council and returning their IT equipment in December and we understand that the delay in removing their access was due to a change in their leaving date not being communicated to the Systems Support Team in advance of the leaving date.

Potential effects

Active user IDs of the resigned employees renders the financially significant applications and the underlying data vulnerable to unauthorized access from within the organization. It may also lead to sharing of user IDs and passwords of resigned employees. Moreover, it may not be possible to assign responsibility and accountability for any transactions conducted using such IDs. The risk is low because equipment must be returned upon leaving and network access is automatically removed a month later.

Recommendation

Redundant user IDs should be disabled from the relevant applications and active directory in a timely manner and a periodic user access review should be conducted to ensure that any redundant user accounts are identified and revoked to further reduce the risk.

Management response

The Council is comfortable this was a one off situation. There was a delay in suspending Integra access but our other secondary controls mitigate the risk and prevented access to the ledger. Notwithstanding this, we will review our procedures again to ensure compliance.

Follow up on previous internal control points

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

06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £177,000. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Property, Plant and Equipment			875	
	Cr: Revaluation Reserve				875
The accounts included a £11K loss in respect of land at one asset, but the valuer's report excluded tennis courts valued at £129K and the asset register understated another parcel of land by £46K. Accordingly, the accounts should have included a revaluation gain on the asset of £164K. The error was identified through sample testing. If the error was extrapolated across the entire population of land and buildings the Council's Property, Plant and Equipment would have increased by £875,000.					
2	Dr: Short Term Debtors			461	
	Cr: Adult and Community Based Service Income		461		
We found income relating to services provided in 2021/22 was recorded in 2022/23 for one transaction tested with a value of £17K. If the error was extrapolated across the relevant population income and debtors would have increased by £461,000.					
Total unadjusted misstatements			461	1,336	875

6. Summary of misstatements (Continued)

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Property, Plant and Equipment			10,614	
	Cr: Other Operating Expenditure		10,614		
The Council accounted for a transfer of assets at two schools that converted to academies in May 2022 as an adjusting post balance sheet event. Our view is that the event was non-adjusting and thus the schools should have remained on the Council's balance sheet at 31 March 2022. The loss should have been recognised in 2022/23 rather than 2021/22.					
Total adjusted misstatements			10,614	10,614	

6. Summary of misstatements (Continued)

Disclosure amendments

During our review of the financial statements we have identified amendments that were required to disclosures. The Council has made these amendments, the most significant of which were:

- 1. Narrative Report – The extent of slippage on the capital programme in 2021/22 was not initially explained in the financial commentary;
- 2. Note 3 (Estimation uncertainty) initially indicated that material estimation uncertainty included arrears and income shortfalls. Although these estimates represent significant financial risks they do not represent significant risks of material adjustment to the accounts;
- 3. Note 4 (Post balance sheet events) did not initially explain the nature of the £10.6M loss on conversion to academies in May 2022;
- 4. Note 7b (Expenditure and income Analysed by Nature) initially showed £7,415K of other services expenses as employee benefits;
- 5. Note 11 (Members Expenses) did not initially explain that members expenses increased because of 3 additional members in 2021/22 compared to 2020/21;
- 6. Note 29 (Capital Grants Received in Advance) did not initially break down a material ‘other’ figure of £6.4M
- 7. Note 46 (Financial instruments) initially transposed two figures in respect of the increase in interest payable of borrowings of £912K and the increase in interest receivable on variable rate investments of £458K; and
- 8. Note 53 (Defined Benefit Pensions Schemes) initially indicated that the longevity at 65 for future pensioners for discretionary benefit arrangements was nil. However, this was estimated in the actuary's report as 22.9 years for men and 25.3 years for women.

Management also identified several errors in the draft accounts and corrected working papers prior to the start of the audit. All of these were in the collection fund. The draft accounts overstated NNDR income by £1,359K due to relief not being deducted, showed £188K of transitional relief within NNDR income rather than separately, showed the contribution from central government to previous year's NNDR deficit as £5,724K when it should have been -£5,181K and showed the contribution from Cleveland Fire Authority to the previous year's NNDR deficit as £439K when it should have been -£104K.



07

Section 07: **Value for Money**

7. Value for Money

Approach to Value for Money

We are required to consider 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **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

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

We did not identify any risks of significant weaknesses in arrangements as part of our planning work or our work to date.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report within 3 months of signing the audit opinion on the financial statements.

Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2022. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however, we continue to undertake work on the Council's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Council's arrangements. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report.



Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

To be provided to us on client headed note paper
[Date]

Dear Gavin

Hartlepool Borough Council - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of Hartlepool Borough Council ('the Council') for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and applicable law.

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

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

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

I confirm as Director of Resources and Development (Section 151 Officer) that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

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



Appendix A: Draft management representation letter (continued)

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

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

Contingencies

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

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

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

There are no undisclosed contingent gains which should be disclosed.

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

Laws and regulations

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

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



Appendix A: Draft management representation letter (continued)

Fraud and error

I acknowledge my responsibility as Director of Resources and Development (section 151 Officer) for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

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

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

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

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

Impairment review

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

Charges on assets

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



Appendix A: Draft management representation letter (continued)

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

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

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

Covid-19

I confirm that the Council has carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosures in the Narrative Report fairly reflects that assessment.

Going concern

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

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. **Please attach an Appendix of any unadjusted misstatements to this letter.**

Yours faithfully

Director of Resources and Development (Section 151 Officer)



Appendix B: Draft audit report

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 Council’) for the year ended 31 March 2022, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Statement of Cash Flows, the Housing Revenue Account, the Collection Fund and 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2022 and of the Council’s 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 2021/22.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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



Appendix B: Draft audit report (continued)

Other information

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

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

We have nothing to report in this regard.

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Resources and Development is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view. The Director of Resources and Development is also responsible for such internal control as the Director of Resources and Development determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Resources and Development is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Resources and Development is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 Council, 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, the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.



Appendix B: Draft audit report (continued)

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

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

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

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

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

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

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



Appendix B: Draft audit report (continued)

Report on the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matters on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have not completed our work on the Council’s arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.

We will report the outcome of our work on the Council’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 Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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 December 2021.

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.



Appendix B: Draft audit report (continued)

Use of the audit report

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

Delay in certification of completion of the 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 Council's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

[Signature]

Gavin Barker – Director
For and on behalf of Mazars LLP

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Date: *to be confirmed*



Appendix C: Independence

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

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



Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
External confirmations	We did not experience any issues with respect to obtaining external confirmations.
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none">a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; andb. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	<p>We have not identified any evidence to cause us to disagree with the Director of Resources and Development that Hartlepool Borough Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix D: Other communications

Other communication	Response
Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
Matters related to fraud	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the Audit and Governance Committee (as those charged with governance), confirming that</p> <ul style="list-style-type: none">a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud;c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:<ul style="list-style-type: none">i. Management;ii. Employees who have significant roles in internal control; oriii. Others where the fraud could have a material effect on the financial statements; andd. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Gavin Barker, Director
gavin.barker@mazars.co.uk

Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

AUDIT AND GOVERNANCE COMMITTEE

07 November 2023



Report of: Director Finance, IT and Digital

Subject: DRAFT AUDITORS ANNUAL REPORT 2021/22
MAZARS REPORT

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 Draft Auditors Annual Report 2021/22.

2. BACKGROUND

- 2.1 This report updates the Audit and Governance Committee on the work Mazars have undertaken as the auditor for the Council for the year ended 31 March 2022 in the following areas:
- Opinion on the financial statements
 - Value for Money arrangements
 - Wider reporting responsibilities
 - Whole of Government Accounts (WGA)

3. FINDINGS OF MAZARS

- 3.1 Details of key messages are included in the main body of the report attached as **Appendix 1**. It is a positive report which includes an unqualified opinion on the Council's financial statements subject to finalisation of remaining issues, and states that the work undertaken did not identify any evidence to indicate a significant weakness in the Council's arrangements in relation to improving economy, efficiency and effectiveness.

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 may lead to the Committee being unable to fulfil its remit.

5. OTHER CONSIDERATIONS/IMPLICATIONS

Financial Considerations	There are no financial considerations.
Legal Considerations	There are no legal considerations.
Child and Family Poverty	There are no child and family poverty considerations.
Equality and Diversity Considerations	There are no equality and diversity considerations.
Staff Considerations	There are no staff considerations.
Asset Management Considerations	There are no asset management considerations.

11. RECOMMENDATIONS

11.1 That the Audit and Governance Committee:

- i. Note the report of Mazars.

12. REASON FOR RECOMMENDATIONS

12.1 To ensure the Audit and Governance Committee is kept up to date with the work of our External Auditor.

13. BACKGROUND PAPERS

13.1 Mazars Auditors Annual Report.

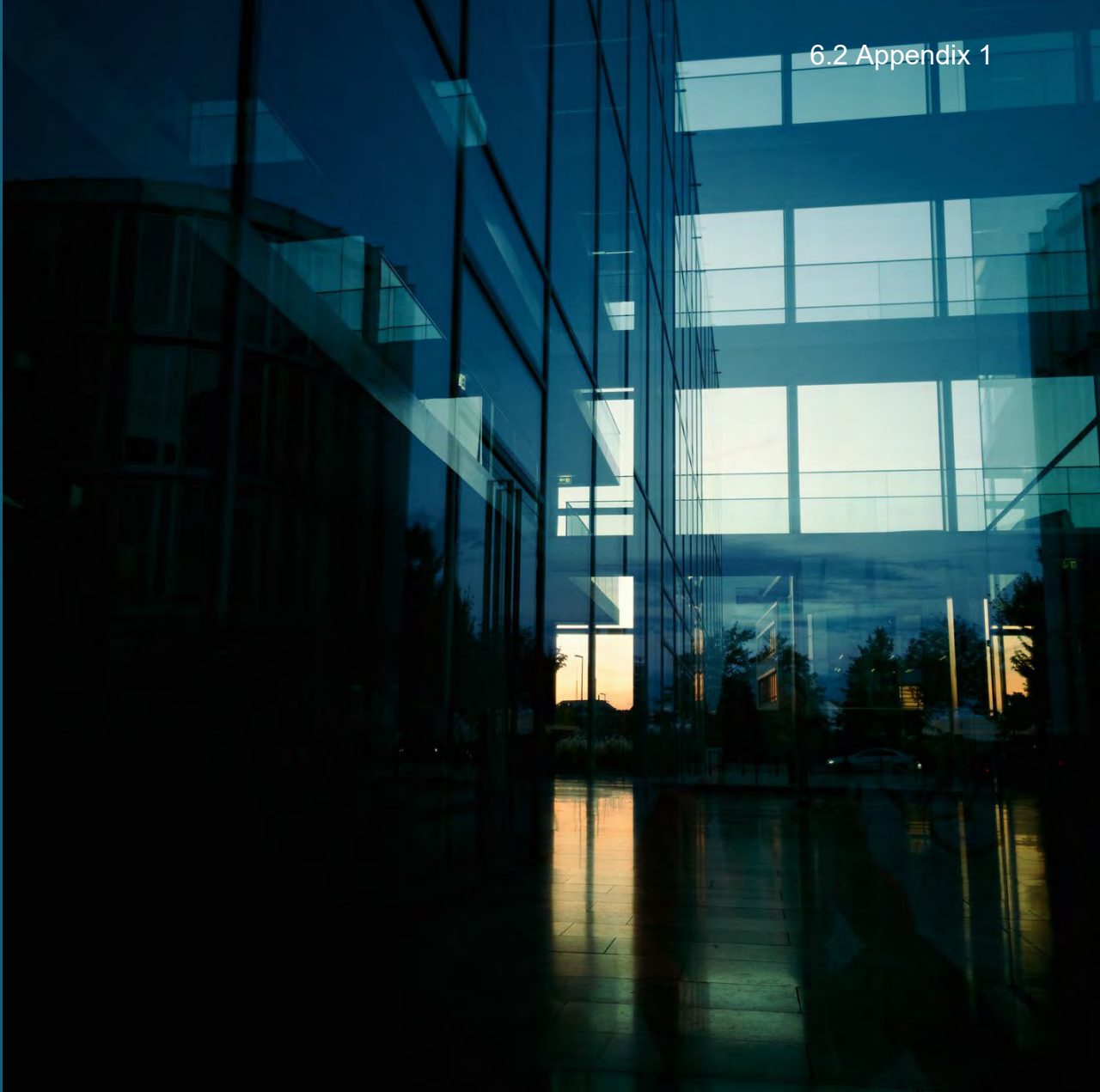
14. CONTACT OFFICER

14.1 James Magog
Assistant Director Finance
Civic Centre, Victoria Road, Hartlepool. TS24 8AY
Tel: 01429 523003
Email: James.Magog@Hartlepool.gov.uk

Auditor's Annual Report **DRAFT**

Hartlepool Borough Council – year ended
31 March 2022

October 2023



Contents

- 01** Introduction
- 02** Audit of the financial statements
- 03** Commentary on VFM arrangements
- 04** Other reporting responsibilities

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of Hartlepool Borough Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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01

Section 01: **Introduction**

1. Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for Hartlepool Borough Council (‘the Council’) for the year ended 31 March 2022. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders. **This is a DRAFT report, as we have not yet issued our audit opinion. The report will be finalised when we issue our audit opinion, anticipated in November 2023.**

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on **XX November 2023**. Our opinion on the financial statements was unqualified. **[At this stage, we anticipate being able to issue an unqualified opinion, subject to finalisation of remaining issues.]**



Wider reporting responsibilities

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such correspondence from electors has been received.



Value for Money arrangements

In our audit report issued **[not yet issued]** we reported that we had completed our work on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council’s arrangements.



Whole of Government Accounts (WGA)

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data and to carry out certain tests on the data. **We are unable to respond to NAO until we have issued our audit opinion [not yet issued]**. As for 2020/21, we anticipate a significant delay before we will be able to issue our 2021/22 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.



02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2022 and of its financial performance for the year then ended. Our audit report, issued on **XX November 2023** gave an unqualified opinion on the financial statements for the year ended 31 March 2022. **[At this stage, we anticipate being able to issue an unqualified opinion, subject to finalisation of remaining issues.]**

Our Audit Completion Report, presented to the Council's Audit and Governance Committee on 24 November 2022 provides further details of the findings of our audit of the Council's financial statements. This includes our conclusions on the identified audit risks and areas of management judgement, internal control recommendations and audit misstatements identified during the course of the audit. We also issued a follow up letter on **XX November 2023** which concluded on all outstanding matters. **[At this stage, we anticipate being able to issue the follow up letter, subject to finalisation of remaining issues.]**

Qualitative aspects of the Council's accounting practices

We reviewed the Council's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Council Accounting, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 6 July 2022 and they were of a good quality. Most of the supporting working papers were provided ready for the scheduled start of the audit on 25 July 2022.

Significant difficulties during the audit

We had positive co-operation from management throughout the audit and we would like to thank management for their assistance, courtesy and patience during our work.

The completion of the audit was initially delayed for two reasons, neither of which was under the control of management or the audit team:

- **Pension fund assurance letter** – this was not received from the auditor of the Teesside Pension Fund until 22 March 2023; and
- **Infrastructure** – guidance was issued by CIPFA on 11 January 2023 which set out how authorities should address the technical issues that had arisen in relation to accounting for infrastructure and how the statutory override that had been put in place by Government in December 2022 should be addressed. This impacted on the Council having the information needed to respond to this issue, and then our work followed on from this.

In the event, the Pension Fund Auditor letter was not received until 22 March 2023. It is very unusual to receive these assurances as late as this. There were no material issues arising from the Pension Fund auditor's work to impact on the 2021/22 financial statements.

However, as a result of the long delay, new information was now available to update the pension disclosures in the financial statements in that the triennial revaluation of Teesside Pension Fund as at 31 March 2022 was now completed, and needed to be reflected in the 2021/22 financial statements. This required the Council to obtain an updated report from the actuary, and we needed to carry out some additional procedures, including requiring the Pension Fund auditor to test the membership data used in the triennial revaluation and report to us on the results of their testing.

The Pension Fund auditor reported to us on 11 September 2023, but there were a number of issues that we had to follow up on. We issued our unqualified audit opinion on **XX November 2023**. **[At this stage, we anticipate being able to issue an unqualified opinion, subject to following up the issues raised in the pension fund auditor assurance letter in relation to the testing of triennial review membership data.]**

03

Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements

Overall summary



3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services



Governance - How the Council ensures that it makes informed decisions and properly manages its risks



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 work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- 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 directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**
We make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations**
We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

3. VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	No
 Governance	14	No	No	No
 Improving economy, efficiency and effectiveness	17	No	No	No

3. Commentary on VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Overall responsibilities for financial governance

We have reviewed the Council's overall governance framework, including Council, Finance and Policy Committee and Audit and Governance Committee reports, the Annual Governance Statement, and the Annual Report and Accounts for 2021/22. These confirm that the Council appropriately undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Council's service users.

The Council receives assurance on all aspects of financial management and operational performance through reports to the Finance and Policy Committee. This includes:

- overseeing and assuring financial and operational performance;
- considering the risks associated with any material financial transactions;
- considering the financial and operational risks involved in the Council's business and how they are controlled and monitored by management; and
- taking action needed to address issues raised or to make improvements.

Our review of supporting papers confirmed that it did so effectively throughout 2021/22.

The Council's financial planning and monitoring arrangements

The Medium Term Financial Strategy covers a rolling three year programme and is designed to maintain the general reserve at the minimum level determined by the Director of Resources and Development's risk assessment, with the Budget Support Fund utilised to allow sufficient time to develop and implement further savings. The Council decided in February 2021 that owing to the impact of the pandemic on household finances, council tax for 2021/22 would be frozen, which inevitably meant a pause to the policy of reducing reliance on reserves to balance the budget. Accordingly, a break-even 2021/22 budget was set utilising £4.2M of the budget support fund, whilst options for savings were explored to bridge a £5.6M funding gap for 2022/23. This was a one-off measure as reserves can only be used once and the underlying deficit remains.

Audited accounts show that the plan was achieved with a small underspend of £0.28M. Although the Budget Support Fund was utilised as planned, total useable reserves increased by £3.2M due to deferred expenditure and new earmarked reserves created to cover the increasing risk of inflation. The rapid increase in inflation in

the past six months demonstrates that this decision was prudent.

The Finance and Policy Committee received management accounts providing detailed commentary of performance against budget, including explanations of significant variances, twice during 2021/22. The financial position was also summarised in four updates to the Medium Term Financial Strategy. A break even position after planned use of reserves was consistently forecast through the year.

Budget Preparation normally begins in the Autumn prior to the relevant financial year. Heads of Finance complete detailed work for their departments and the results are collectively assessed by the Corporate Management Team (CMT). CMT discuss pressures, growth and savings and the Director of Resources and Development updates for assumptions regarding funding, inflation and the council tax increase. However, in 2021 the process was brought forward due to the scale of the funding gap created by the decision to freeze 2021/22 council tax. Accordingly, in September 2021 the Council approved the strategic direction for 2022/23 budget-setting, including the decision to increase council tax by 1.9% plus the deferred 3% adult social care precept for 2022/23, the maximum allowed without a referendum.

The Council's arrangements and approach to Financial Planning 2022/23

The Council developed detailed savings plans for 2022/23 throughout 2021 and in December 2021 it approved a new Medium Term Financial Strategy that closed the 2022/23 funding gap through £2.6M of savings and £2.5M further support from the Budget Support Fund. Each savings plan was supported by a proposal sheet explaining how it was to be delivered, allocating workstreams and lead officers, evaluating risks and benchmarking where appropriate. When government funding was finalised the Council approved a revised budget and Medium Term Financial Strategy, which reduced the reliance on the Budget Support Fund in 2022/23 to £1M plus £0.8M to phase the implementation of savings. The Strategy identified a budget gap of £2.9M over 2023/24 and 2024/25 after a further £1.1M of approved savings.

We found that the Council is making good progress at delivering the £2.6M savings approved for 2022/23. Mid-year management accounts forecast an overspend of £1.4M, after the planned use of earmarked reserves. This is due to inflation being higher than was foreseeable when the budget was set and the inflation-related earmarked reserves created. The forecast overspend is less than one per cent of the net budget.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

The Council’s arrangements and approach to Financial Planning 2022/23 (continued)

The latest update of the MTFS was reported to the Council in January 2023. This reflects the latest inflation forecasts, pay negotiations and the Government’s Provisional Local Government Finance Settlement and indications about future funding and rules on referendums for council tax increases. Assuming council tax and the Adult Social Care Precept increase in line with the Government’s assumptions in calculating increased spending power the 2023/24 budget is balanced though identified savings of £1.8M. We have examined these savings plans and are satisfied with the Director of Resources and Development’s assertion that they have a low delivery risk.

Although the settlement was slightly better than assumed in the December 2022 version of the MTFS there remains a budget gap of £1.7M in 2024/25 and £2.5M in 2025/2. Work has started identifying potential savings to plug the gap and there remains a forecast £5.6M in the budget support fund at 31/3/24 to help phase in savings over the next few years. The Council delivered savings of £2.2M in 2020/21 and is on track to deliver savings of £2.6M in 2022/23, so annual savings of this level are within the usual range. Previous savings plans have delivered a 20% reduction in the workforce over 10 years without industrial action and through mainly voluntary redundancies and retirements.

The Council’s positive track record in terms of delivering savings and keeping within budget has allowed it to establish a general reserve of £4.4M at 31 March 2022, which is expected to remain intact and matches the minimum level determined by the Director of Resources and Development’s risk assessment. In addition, the Council has earmarked a Budget Support Fund and Investment reserves of £11.5M at 31 March 2022, which was set aside to meet expected pressures over the period of the MTFS. Reserves were reviewed are part of the 2023/24 MTFS strategy and aligned to manage risks, support the MTFS and partly fund the capital programme over the period 2023/24 to 2025/26.

The Council undertakes substantial work to understand possible future impacts on the budget. The medium term budget projections consider various budget pressures, such as pay and price increases, the revenue implications of the capital programme and other pressures including the triennial revaluation of pensions. The risk register contains a critical risk and remedial action regarding the financial position and is monitored quarterly. The general reserve covers inherent risks such as demographic changes impacting on demand for social care and inflation not returning to normal levels during 2023/24. Earmarked reserves including the Budget Support Fund cover specific local risks such as the loss of business rates from the potential closure of

the power station and also provide temporary support of the budget pending achievement of recurring savings.

We have critically assessed the underlying assumptions used in the MTFS and consider them to be appropriate. The MTFS is underpinned by workforce planning and capital programmes and takes into account risks arising during the year and planning assumptions within the Council Plan. We have not identified any inconsistency between the various plans in prior years or from our review of the Council Plan.

Conclusion

We have not identified any significant weaknesses in the Council’s arrangements in relation to the financial sustainability reporting criteria.

3. Commentary on VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

The Council’s governance structure

The Council has an established governance structure in place which is set out within its Annual Governance Statement. This is supported by the Council’s Constitution and scheme of delegation. Executive Directors have clear responsibilities linked to their roles and the structure in place at the Council allows for effective oversight of the Council’s operations and activity. We reviewed these documents as part of our audit and confirmed they were consistent with our understanding of the Council’s arrangements in place and were fully operational.

There is a standard report format, including sections to cover the legal and financial implications and reports are signed off by the Managing Director, Director of Resources and Development and Monitoring Officer. The constitution defines key decisions (i.e. decision which will result in income, expenditure or savings with a gross full year effect of £100k or greater, or any decision which may have a significant impact on communities living or working in an area comprising two or more wards) in addition to limits for virement between budgets.

The Council met 7 times in 2021/22 and has established committees with appropriate remits that met as follows in 2021/22:

- Audit and Governance Committee (11 occasions);
- Finance and Policy Committee (7 occasions); and
- Four service-specific policy committees, a Planning Committee and a Licensing Committee.

The terms of reference and work plans of these various committees ensure that the Council is provided with adequate assurance. We consider the committee structure of the Council is sufficient to provide assurance that decision making, risk and performance management is subject to appropriate levels of oversight and challenge.

We attended those Audit and Governance committees in the year where we had reports on the agenda and found that members were appropriately skilled to undertake their role and provided appropriate challenge to Management and Internal and External Audit. Two co-opted members are independent appointments and are recruited and trained to provide a range of skills and collectively provide effective scrutiny.

The Council has approved and adopted a code of corporate governance applicable to Members, which is consistent with good practice set out by the Chartered Institute of Public Finance (CIPFA) and Society of Local Authority Chief Executives (SOLACE) and swift disciplinary action was taken when an officer was found in

breach of the Code of Conduct. We reviewed the declarations of interest during the financial statements audit. We have confirmed that all relevant declared interests have been appropriately reported within the 2021/22 financial statements. There are quarterly reports on spending with any organisation where a member has declared an interest as well as an annual exercise to identify interests, gifts and hospitality.

The Council’s risk management and monitoring arrangements

The Council has a comprehensive risk management system in place which is embedded into the governance structure of the organisation. The processes are supported by the Council’s Risk Management Framework agreed in 2019/20 and the Council leadership plays a key role in implementing and monitoring the risk management process.

The Finance and Policy Committee have overarching responsibility for risk management and considers the content of the Strategic Risk Register bi-annually when monitoring implementation of the Council Plan. The Strategic Risk Register is reviewed quarterly at Corporate Management Team (CMT) and takes account of any changes in the entity’s internal and external environments. We are satisfied that the CMT have appropriate industry and regulatory knowledge.

The Strategic Risk Register articulates each individual risk, quantifies its likelihood and potential impact and names the senior officer who owns the risk. 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’s arrangements for internal control

An effective internal audit function is resourced and maintained in accordance with Public Sector Internal Audit Standards (PSIAS). Compliance is independently verified cyclically. Work plans are agreed with management in advance of the start of the financial year and reviewed by the Audit and Governance Committee prior to final approval.

We have reviewed the Internal Audit Plans for 2021/22 and 2022/23 and confirmed planned work addresses the expected areas with annual coverage of key financial controls. Progress reports are presented to each Audit and Governance Committee meeting including follow up reporting of recommendations not fully implemented by agreed due dates. This allows the Committee to effectively hold management to account on behalf of the Council.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

The Council’s arrangements for internal control (continued)

Our attendance at Audit and Governance Committees throughout the period confirms the significance importance placed on internal audit findings. Members of the Committee actively request management attendance at committees to discuss findings from internal audit reports.

Internal audit gave a satisfactory assurance opinion on the Council in their 2021/22 Annual Report with no significant governance weaknesses identified for reporting in the Annual Governance Statement. None of the limited assurance opinions given by Internal Audit related to material financial systems. The Annual Governance Statement provides an overall assessment and review of the Council’s corporate governance arrangements and an appraisal of the key controls in place to manage the Council’s principal governance risks.

The Council’s arrangements for budget setting and budgetary control

The Council’s Medium Term Financial Strategy includes the identification and evaluation of risks to the Council’s finances and is developed in parallel to the budget for the following year and setting of council tax.

We examined the assumptions behind the 2022/23 Budget and we have confirmed the assumptions were reasonable based on the information available when the budget was set, the main ones being:

- Grant funding increasing in line with the Local Government Finance Settlement;
- Council tax income (including the deferred Adult Social Care Precept) increasing by about 5% per annum, in line with the relevant limits for increases without a referendum;
- Pay awards of 3% in 22/23, increased to 4% in June 2022 when extra funding was announced to address rising inflation;
- Non-pay inflation increasing by variable amounts given the widely different forecasts for some categories (e.g. energy) but a minimum of 2%; and
- A 1.1% increase in the council tax base.

Monthly budgetary control reports are sent to budget managers within five days of month-end, before departmental management teams consider financial reports presented by each Head of Finance. Budget reports show the actual expenditure and income compared to what was budgeted and highlight any variances. Finance support the budget holders in updating their year-end forecasts and identifying any remedial action required. Reports contain a RAG (Red / Amber / Green) assessment so remedial action can be initiated swiftly and emerging risks fed back to the Director of Resources and Development. High level monthly budget monitoring reports are discussed at the CMT and the results are summarised in regular updates on the Financial Position to the Finance and Policy Committee.

We found that explanations for budget variances were detailed and clear and in most years forecasts in budget monitoring reports have been very accurate. In 2021/22 the reports projected break-even at year-end after the budgeted use of reserves and a £0.28M underspend was achieved.

In September 2021 the Council benchmarked its reserves and found that whilst the general fund balance was average the earmarked reserves at 31 March 2021 were slightly below average. This vindicated the decision to increase earmarked reserves in 2021/22.

The Council’s arrangements for performance management

Progress against the Council Plan is reviewed through dedicated CMT Performance and Challenge Clinics three times a year and this is followed by reports to Finance and Policy Committee. The first Annual Report was produced in July 2022 and shared with all elected members and the public through the website.

Conclusion

We have not identified any significant weaknesses in the Council’s arrangements in relation to the governance reporting criteria.

3. Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

The Council’s arrangements for assessing performance and evaluating service delivery

The Council Plan clearly articulates the Council’s vision that Hartlepool will be a place:

- 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;
- of resilient and resourceful communities with opportunities for all;
- where those who are vulnerable will be safe and protected from harm; and
- where people are enabled to live healthy, independent and prosperous lives.

The Council Plan is a brief, easy-read document published on the website but it is supported by action plans that incorporate remedial action against recommendations made by inspectors, auditors and scrutiny reviews. It is monitored bi-annually by the Finance and Policy Committee. A July 2022 report found that in 2021/22 performance improved for 13 key performance indicators and deteriorated for 9. There was a significant reduction in youth employment from 15% to 9%, which was a key priority.

The Council subscribes to LG Future Financial Intelligence Toolkits, which provides comparative benchmarking. We found that the areas of higher and lower spending per head than other single-tier authorities mirrored the Council’s priorities and the higher level of deprivation, especially child poverty in Hartlepool. Over one third of children in Hartlepool live in poverty, which is one of the highest rates in the country and the child poverty rate has increased by 10% since 2010.

The Audit and Governance Committee meets almost monthly and has a detailed scrutiny role. In 2021/22 reviews of child poverty and accessibility to services were undertaken, closely linked to the priorities indicated by benchmarking and the Council Plan. The Child Poverty Scrutiny review included learning from a London Borough that had managed to reverse the trend through the austerity period and reduced child poverty. The 2022/23 scrutiny reviews will focus on drug and alcohol misuse and difficulties accessing GP appointments,

which negatively impact on health inequalities and community safety in particular.

The Council’s regulator assessments and independent reviews

In March 2022, OFSTED published an unscored report on the Council’s children’s social services. The report was very positive and concluded that “*despite the challenges of the COVID-19 pandemic, care leavers have continued to experience the same high-quality service as they did prior to the pandemic*”. OFSTED’s last scored report on the Council’s children’s social services rated them ‘Good’.

Other inspection reports published in 2021/22 have also been generally positive:

- OFSTED rated 90% of schools and 100% of children’s homes as ‘Good’ or better;
- 21 out of 23 adult social care providers were rated ‘Good’ by the Care Quality Commission, a further improvement on already good results from the previous inspection round; and
- A Her Majesty’s Inspection of Prison’s inspection rated the Council’s youth justice services as ‘Good’.

The Council was also awarded North East Council of the year for energy efficiency and commenced work towards a new Net Zero by 2030 Action Plan and a new waste to energy plant.

The Council received a Corporate Peer Challenge report from an inspection team commissioned by the Local Government Association in December 2022. The report was positive and included the opening statement that “*the Council has much to be proud of, described internally and by partners as punching above its weight*”. There were nine key recommendations for further improvement and the Council has already met to consider the report and agreed to produce an action plan during 2023.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

The Council’s arrangements for effective partnership working

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 CMT operates and Internal Audit provides audit coverage of partnership arrangements. Working with partners is a recurring theme across all priorities in the Council Plan. The Council works closely with Tess Valley Combined Authority, which has ambitious plans to transform the Marina / Jackson’s Landing area, expand the Museum and regenerate the shopping centre.

The Council has a broad range of partnerships, including:

- Hartlepool Community Safety Partnership – a formal arrangement between the Council’s Community Safety team, Cleveland Police, Cleveland Fire and Thirteen Housing to address anti-social behaviour and crime;
- A Youth Justice Board chaired by the neighbourhood policing Chief Inspector – a statutory partnership between the Council, Police, Probation, Courts and NHS;
- Partnership working with the local Clinical Commissioning Group, including the Better Care Fund;
- A new Energy Recovery Facility project – a joint project across five Tees Valley councils, Durham and Newcastle to procure a new facility to process household waste; and
- The ICT Contact – a partnership with Northgate that is being re-negotiated.

Partnerships appear to be working well as evidenced by the performance monitoring reports and scrutiny reviews as well as the feedback from partners to the Corporate Peer Challenge review team. The Council was recently notified of its success with a new bid for £17M Levelling Up Funding to improve skills and learning as a long-term solution to deprivation and child poverty. This follows previous successful bidding for the Towns Deal and the funds to build a new leisure centre, which has recently been granted planning permission. These initiatives involve significant partnerships with central government, the Tees Valley Development Corporation and the private sector.

The Council’s arrangements for commissioning services

The Council has an in-house procurement team with suitable qualifications and experience that are responsible for implementing the Procurement Procedures in the Constitution. The team is managed by the Chief Solicitor in order to ensure legal requirements are met. The website includes a Sustainable Procurement Strategy and a Standards and Partners document, highlighting the Council’s transition to e-procurement and the standards required of contractors.

The procurement team use established national and regional procurement frameworks such as the North-East Purchasing Organisation to maximise purchasing power.

Within the CMT the Director of Children’s and Joint Commissioning Services is responsible for commissioning and procurement across Children’s Social Care, Adult Social Care and Public Health. The good inspection ratings for commissioned social care referred to earlier in this report illustrate how effective the commissioning arrangements in Hartlepool are.

The Council used benchmarking in November 2021 to update procurement thresholds. The Council has re-assessed the financial viability of major capital schemes following increased inflation and the lasting impact of the pandemic. This has delayed some procurement and the main capital schemes in the 2021/22 capital programme were deferred to 2022/23, but all are now progressing with a revised timeframe.

There is no evidence that procurement is likely to expose the Council to significant financial loss or failure to deliver efficiency and performance improvements.

Conclusion

We have not identified significant weaknesses in the Council’s arrangements in relation to the improving economy, efficiency and effectiveness reporting criteria.

04

Section 04:

**Other reporting responsibilities and
our fees**

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

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

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data and to carry out certain tests on the data. **We are unable to respond to NAO until we have issued our audit opinion [not yet issued]**. As for 2020/21, we anticipate a significant delay before we will be able to issue our 2021/22 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Governance Committee in March 2022. Having completed our work for the 2021/22 financial year, we can confirm that our fees are as planned and set out in the table below:

Area of work	2020/21 fees	2021/22 fees
Planned fee in respect of our work under the Code of Audit Practice	£83,882	£83,882
Recurring increases in the base audit fee arising from regulatory pressures (as reported in the 2019/20 audit, in 2021/22 we increased this fee by 25% to reflect a 25% increase in the PSAA fee rates for this work)	£12,624	£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 (additional work required in relation to the national issue in this year's audit – not recurring)	£nil	£10,000
Additional fees in respect of the issues with Pension Fund auditor assurance, the updating of accounts for triennial pensions, and follow up of the PF auditor's letter – not recurring – Note: These fees are estimated at this stage.	£nil	£7,000
Total fees	£110,906	£131,062

4. Other reporting responsibilities and our fees

Fees for other work

In 2021/22 the Council has engaged Mazars for the following audit-related assurance services:

- Housing Benefit Assurance - £13,810 plus VAT (£13,100 in 2020/21); and
- Teachers Pension Assurance - £4,600 plus VAT (£4,200 in 2020/21).

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*where permitted under applicable country laws.

AUDIT AND GOVERNANCE COMMITTEE

7 November 2023



Report of: Director of Finance, IT and Digital Services

Subject: THE 2021/2022 FINANCIAL REPORT
(INCLUDING THE 2021/22 STATEMENT OF
ACCOUNTS)

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present an update on the 2021/22 Financial Report and seek approval by the Committee.

2. BACKGROUND

- 2.1 Members will recall that on the 24th November 2022 this Committee were presented with the draft 2021/22 Financial Report and Mazars Audit Completion Report. The accounts could not be approved on that day owing to outstanding assurances from the Pension Fund auditors and a national issue in relation to accounting for infrastructure assets.
- 2.2 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 matter was discussed by the auditors of the Teesside Pension Fund, Mazars and the 4 Tees Valley Authorities.
- 2.5 It was agreed that the 2021/22 pension actuarial report would require updating and that the changes would need to be reflected in the 2021/22 Statement of Accounts. This has now been actioned.
- 2.6 As outlined in the Mazars reports relating to the 2021/22 audit, at items 6.1 and 6.2 of the agenda, further audit activity is required in relation to the triennial revaluation of the Teesside Pension Fund. Audit activity in relation to this matter is on-going.

- 2.7 Once this audit activity has concluded, the Council is required to issue a Management Letter of Representation to Mazars. This letter sets out the responsibilities and representations made by officers and confirms the accuracy and completeness of the information that management have provided to auditors. It also sets out the unadjusted misstatements and the reasons they are not implemented.
- 2.8 There has been one further misstatement identified since the original Audit Completion Report was issued. This misstatement of £4.103m is in relation to errors identified by the Pension Fund auditor (item 6.1 Appendix 1). As this misstatement is not material it has been agreed with the auditors that the accounts will not be adjusted for this item.

3. 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

4. CONCLUSIONS

- 4.1 Mazars currently anticipate being able to issue an unqualified audit opinion, without modification, on the financial statements. The final audit opinion will be issued when the financial statements have been approved by the Audit and Governance Committee, and when the noted outstanding pension fund issues have been concluded.

5. RECOMMENDATIONS

5.1 It is recommended that Members:-

- i) Note the report;
- ii) Approve the Financial Report, as shown in Appendix A;
- iii) Note and agree, should a material error be identified in the outstanding Pension Fund audit activity, that results in amendments to the Financial Report, these amendments are actioned and delegated authority be given to the Director of Finance, IT and Digital in consultation with the Chair of the Audit and Governance Committee to approve the updated Statement of Accounts 2021/22; and
- iv) Approve the reason outlined in para 2.8 for not amending the accounts to reflect the pension misstatement and note the Management Letter of Representation will be issued once the audit activity on the Pension Fund has concluded.

6. CONTACT OFFICER

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Financial Report 2021/22 Hartlepool Borough Council



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SECTION 1 : Narrative Report

INTRODUCTION

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

The narrative report sets out:

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

OUR STRATEGY AND OBJECTIVES

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

SECTION 1 : Narrative Report

Our vision

Hartlepool will be a place...

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

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

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

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

... that has an inclusive and growing economy.

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

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

What that will mean...

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

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

What that will mean...

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

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Of resilient and resourceful communities with opportunities for all

What that will mean...

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

That is sustainable, clean, safe and green

What that will mean...

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

That has an inclusive and growing economy

What that will mean...

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

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

What that will mean...

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

SECTION 1 : Narrative Report

OUR PERFORMANCE 2021/22

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

COVID-19 Care Homes Support

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

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

COVID-19 School Support

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

COVID-19 Vaccination Roll out

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

Obesity prevention

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

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

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

Leisure Facility Development

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

British Cycling Project - Summerhill

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

Shared Lives

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

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Mental Health

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

Autism Accreditation

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

Support for carers

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

Digital Inclusion Team

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

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

Victoria Ward Community Support Team

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

Multi Agency Child Exploitation Hub

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

Special Educational Needs and Disabilities (SEND)

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

Adult Safeguarding

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

Quality Care and Support

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

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Of resilient and resourceful communities with opportunities for all

The Holiday Activities and Food (HAF) Programme

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

Early Years Strategy

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

Poverty

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

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

Community Pot

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

Test and Trace

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

Education

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

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

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

Community Hubs

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

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

Events

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

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That is sustainable, clean, safe and green

Domestic Abuse

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

Conservation Areas

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

Elwick Bypass

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

Headland Amphitheatre

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

Planning

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

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

Community Safety

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

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

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

Housing – Energy Efficiency

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

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

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

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

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

Hartlepool Train Station – Second Platform Scheme

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

Local Transport Plan

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

Footpaths

Several footpath resurfacing schemes have been completed, totalling over 2,000m². Locations include St. David's Walk, Thomlinson Road, College Close in Dalton Piercy, Dalton Piercy to the A19, Butts Lane in Hart, South View in Hart and North Lane in Elwick.

That has an inclusive and growing economy

Business Support

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

Business Grants

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

Towns Fund

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

Town Centre Masterplan

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

Economic Growth Strategy

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

Tall Ships 2023

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

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Youth Employment Initiative (YEI)

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

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

Promotion Campaigns

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

Staff Safety

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

Hybrid Working

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

Disability Confident

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

Information Communication Technology and Cyber Security

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

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

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

Consultation and Engagement

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

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

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Digital Progression

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

COUNCIL PLAN PERFORMANCE 2021/22

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

SECTION 1 : Narrative Report

RISK MANAGEMENT ARRANGEMENTS

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

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

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

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

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

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

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

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

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

FINANCIAL PERFORMANCE 2021/22

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

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

General Fund 2021/22 – Approved Budget

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

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

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

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

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

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

General Fund 2021/22 – Actual Outturn

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

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

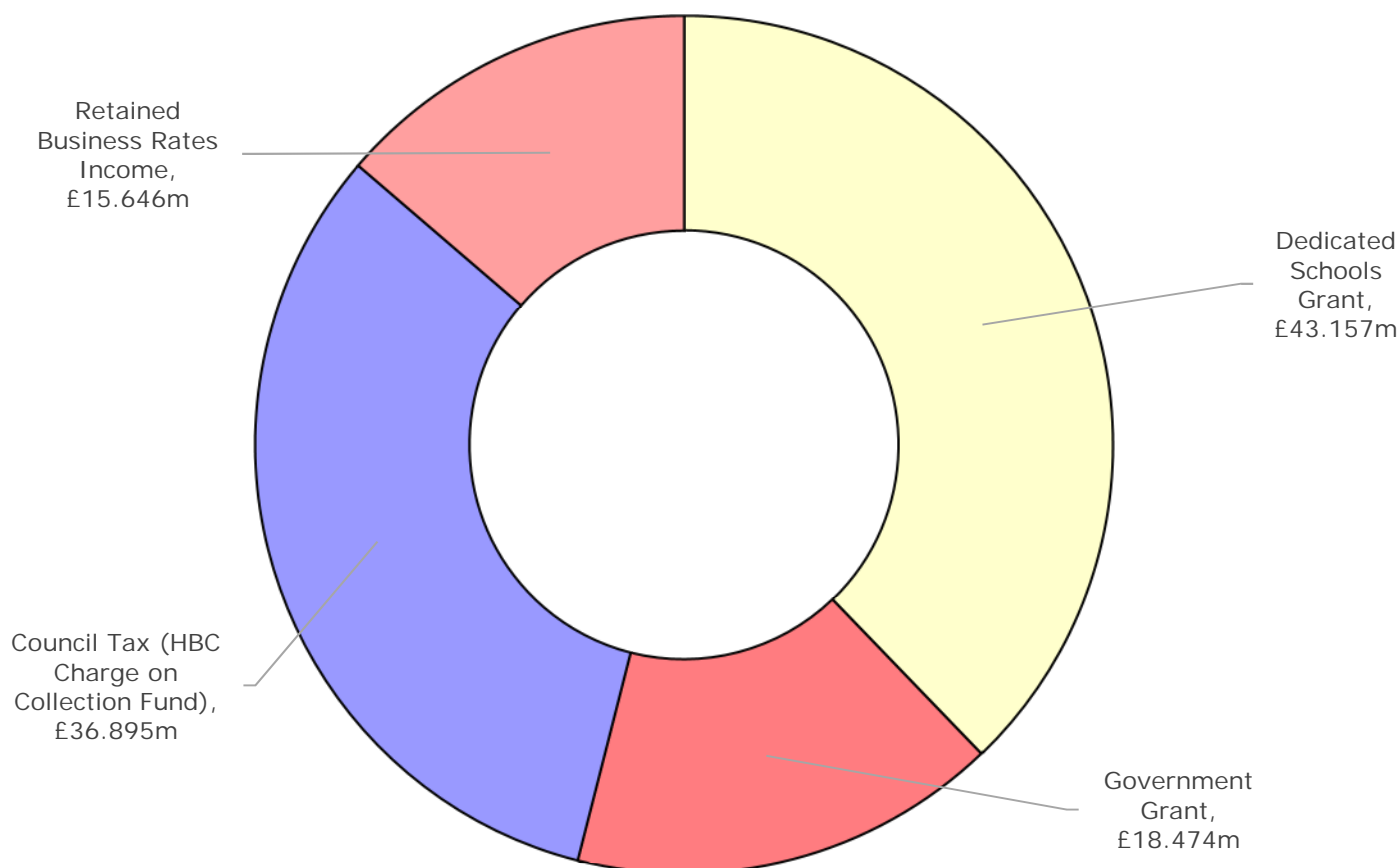
The Council has sought to mitigate non COVID-19 budget pressures as far as possible during the year, maximising use of grants and additional funding as appropriate. This strategy has enabled the Council to earmark funding at year end for emerging utility and general inflation pressures that are anticipated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

The outturn position is summarised in the table overleaf.

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

The Council's budget of £114.172m, including the Dedicated Schools Grant of £43.157m, 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.

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

Pooled Budgets - Better Care Fund

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

Capital Expenditure

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

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

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

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

	£000
Borrowing	36,970
Government Grants	14,388
Capital Funding Reserves	5,751
Capital Receipts	210
	57,319

SECTION 1 : Narrative Report

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

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

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

Capital Receipts

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

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

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

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

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

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

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

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

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

BORROWING FACILITIES AND INVESTMENT STRATEGY

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

In accordance with this strategy the Council has taken a proactive approach to managing cash investments and debt. For a number of years the Council has internalised borrowing by netting down borrowing against investments. Total borrowing remains below the CFR and the strategy continues an element of netting down investments and borrowing.

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

The interest earned on Council investments remained low during 2021/22; this has been mitigated by low interest costs on the Council's borrowings.

PENSIONS

The Council has accounted for retirement benefits according to International Financial Reporting Standard (IFRS) IAS 19. In the accounts as at 31 March 2022 there was a deficit on the Pensions Reserve of £129.546m (£210.094m in 2020/21). This was offset by a Pensions Liability of the same value. The net Pensions Liability has reduced mainly owing to a net increase in the fair value of plan assets.

The Council is a member of the Teesside Pension Fund and the statutory arrangements for this scheme mean that the IFRS IAS19 deficit does not need to be made good by increased pension's contributions from the Council or employees. A separate Pension Fund valuation is carried out every three years to determine the Council's contribution rate.

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

STATEMENT OF ACCOUNTS

Comprehensive Income and Expenditure Statement

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

Balance Sheet

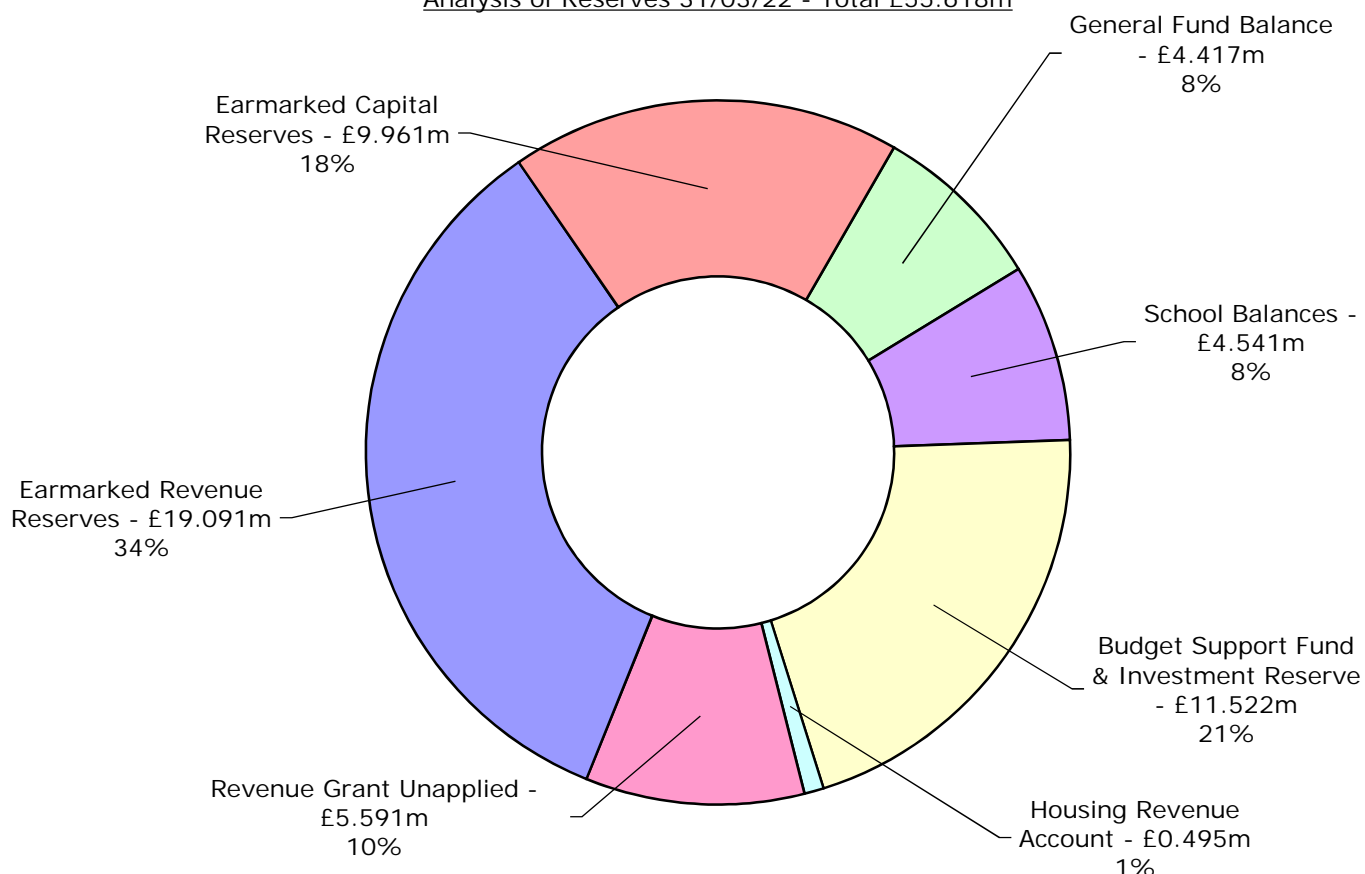
The Balance Sheet shows the value of the assets and liabilities at 31 March 2022. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are classified in two categories. The first category of reserves are usable reserves, i.e. those reserves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

The major movements on the Balance Sheet are as follows:

- Property, Plant and Equipment, Investment Properties, Assets Held for Sale and Heritage Assets – the Council's total fixed assets have increased by £3.145m which comprises expenditure on fixed assets, upward revaluations of existing assets, less depreciation and disposals.
- Short Term Debtors - totalled £36.586m as at 31 March 2022 (£38.505m at 31 March 2021). The decrease primarily relates to year end entries required in relation to the Collection Fund.
- Short Term Creditors – as at 31 March 2022 was £29.536m (£28.605m at 31 March 2021). The increase primarily relates to year end entries required in relation to the Collection Fund.
- Capital Grant Receipts in advance – as at 31 March 2022 was £14.379m (£9.933m at 31 March 2021). The increase relates to a variety of capital grants received in advance, including from the Tees Valley Combined Authority.
- Revenue Grant Receipts in advance – as at 31 March 2022 was £2.322m (£3.983m at 31 March 2021). The decrease primarily relates to the COVID-19 Grants Local Authority Support Grants which have now been used throughout the current year.
- Other long term liabilities – as at 31 March 2022 was £129.861m (£210.400m at 31 March 2021). The majority of this decrease related to the Council's defined benefit pension scheme.
- At the 31 March 2022 the Authority had usable reserves of £55.618m (£49.253m at 31 March 2021). Full details of the Council's reserves are provided in Notes 30 to 37 and include the following key reserves:

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



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

Cash Flow Statement

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

Collection Fund

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

The total Council Tax for the year was £2,097.07 (£2,090.38 in 2020/21) for Band D properties, excluding parish precepts where these applied. This comprised £1,751.01 for the Council's own services, £265.73 for the Police and Crime Commissioner and £80.33 for Cleveland Fire Authority. Each Authority determined its own tax and made a precept on the Collection Fund.

The Council Tax for the Council's services was determined on the basis of an equated number of 34,380 Band D properties. When setting the charge a 1.5% allowance for non-collection was made.

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

SECTION 1 : Narrative Report

	£000	%
Expenditure		
Hartlepool Council Precept	42,737	58%
Police and Crime Commissioner Precept	6,480	9%
Cleveland Fire Authority Precept	1,959	3%
Central Government's Share Non Domestic Rates	15,965	22%
Hartlepool Council Non Domestic Rates Precept	15,646	22%
Cleveland Fire Authority Non Domestic Rates Precept	319	0%
Other	(10,345)	(14%)
	72,761	100%
Income		
Council Tax	52,343	66%
NNDR from Rate Payers	27,124	34%
Transitional Protection Refund	(188)	0%
	79,279	100%
Net Deficit / (Surplus) in Year	(6,518)	

ACCOUNTING POLICIES

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

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

INSPECTION OF ACCOUNTS

Members of the public have a statutory right to inspect the accounts before the audit is completed, question the auditor and make objections at audit. The availability of the accounts for inspection was advertised on the Council's website and in relation to the 2021/22 financial year the inspection period was 27 June 2022 to 5 August 2022.



James Magog CPFA
Director of Finance, IT and Digital
Date: 01 November 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 7 November 2023.

Chair of Audit and Governance Committee

Date: 7 November 2023

The Director of Finance, IT and Digital's 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 2021/22, which includes the Statement of Accounts, gives a true and fair view of the financial position of Hartlepool Borough Council at the accounting date and its income and expenditure for the year ended 31 March 2022.



James Magog CPFA

Director of Finance, IT and Digital

Date: 1 November 2023

SECTION 3 : Statement of Accounts

Movement in Reserves Statement for the year ended 31 March 2022

	Unearmarked General Fund Balance	School, Budget Support and Investment Reserves	Earmarked Revenue & Capital Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Restated Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2020 carried forward	4,417	5,407	24,600	391	837	-	20	35,672	32,309	67,981
<u>Movement in reserves during 2020/21</u>										
Surplus or (deficit) on provision of services	(8,428)	-	-	(196)	-	-	-	(8,624)	-	(8,624)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(21,260)	(21,260)
Total Comprehensive Income and Expenditure	(8,428)	-	-	(196)	-	-	-	(8,624)	(21,260)	(29,884)
Adjustments between accounting basis & funding basis under regulations (note 5)	32,172	-	-	468	167	-	(12)	32,795	(32,795)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	23,744	-	0	272	167	0	(12)	24,171	(54,055)	(29,884)
Transfers to/(from) Earmarked Reserves	(23,744)	13,330	10,413	(168)	168	-	-	(1)	1	-
Increase/(Decrease) in Year	-	13,330	10,413	104	335	-	(12)	24,170	(54,054)	(29,884)
Balance at 31 March 2021 carried forward	4,417	18,737	35,013	495	1,172	-	8	59,842	(21,745)	38,097
<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	61,989	124,997

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

SECTION 3 : Statement of Accounts

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

2020/21			2021/22			
£000s	£000s	£000s	£000s	£000s	£000s	
Expenditure	Income	Net	Expenditure	Income	Net	Note
78,733	(40,527)	38,206	Continuing operations:			
101,497	(75,492)	26,005	Adult and Community Based Services	80,110	(42,212)	37,898 7
18,029	(34,227)	(16,198)	Children's and Joint Commissioning	101,394	(69,183)	32,211 7
41,265	(10,231)	31,034	Corporate	15,519	(20,671)	(5,152) 7
36,567	(29,403)	7,164	Neighbourhoods and Regulatory Services	41,024	(17,500)	23,524 7
1,246	(1,382)	(136)	Resources & Development	37,784	(29,508)	8,276 7
277,337	(191,262)	86,075	HRA	832	(1,318)	(486) 7
1,036	(280)	756	Cost of Services	276,663	(180,392)	96,271
17,916	(10,588)	7,328	Other Operating Expenditure	468	(378)	90 8
-	(85,535)	(85,535)	Financing and Investment Income and Expenditure	17,982	(11,901)	6,081 9
296,289	(287,665)	8,624	Taxation and Non-Specific Grant Income	-	(87,281)	(87,281) 10
			(Surplus) / Deficit on Provision of Services	295,113	(279,952)	15,161
	(372)		(Surplus) / Deficit on Revaluation of Property, Plant and Equipment		(1,343)	38 Table 1
	21,632		Remeasurement of net defined benefit liability / (asset)		(100,717)	38 Table 3
	21,260		Other Comprehensive Income and Expenditure		(102,060)	
	29,884		Total Comprehensive Income and Expenditure		(86,899)	

SECTION 3 : Statement of Accounts

Balance Sheet as at 31 March 2022

Restated 31 March 2021 £000s		31 March 2022 £000s	Note
201,014	Property, Plant and Equipment	204,938	14
79,611	Infrastructure Assets	78,832	14
17,735	Heritage Assets	17,751	17
8,859	Investment Property	9,804	16
429	Intangible Assets	277	18
197	Long Term Investments	197	19
3,363	Long Term Debtors	3,771	20
311,208	Long Term Assets	315,570	
5,002	Short Term Investments	40,015	45
390	Inventories	549	21
38,505	Short Term Debtors	36,586	22
16,961	Cash and Cash Equivalents	6,229	24
283	Assets Held for Sale	365	25
61,141	Current Assets	83,744	
(1,721)	Bank Overdraft	(3,336)	24
(2,222)	Provisions	(2,485)	27
(3,502)	Short Term Borrowing	(1,378)	45
(28,605)	Short Term Creditors	(29,536)	26
(9,933)	Capital Grants Receipts in Advance	(14,379)	29
(3,983)	Revenue Grant Receipts in Advance	(2,322)	29
(49,966)	Current Liabilities	(53,436)	
(1,194)	Provisions	(1,154)	27
(72,692)	Long Term Borrowing	(89,866)	45
(210,400)	Other Long Term Liabilities	(129,861)	28
(284,286)	Long Term Liabilities	(220,881)	
38,097	Net Assets:	124,997	
4,417	Unearmarked General Fund Balances	4,417	30
15,050	Budget Support Fund & Investment Reserves	11,522	31
5,236	Revenue Grants Unapplied	5,591	32
13,371	Earmarked Revenue Reserves	19,091	33
6,997	Earmarked Capital Reserves	9,961	34
3,687	Schools Balances	4,541	36
495	Housing Revenue Account	495	37
10,588	COVID-19 Council Tax and Business Rates Collection Fund Deficit Reserve	7,390	35
(21,744)	Unusable Reserves	61,989	38
38,097	Total Reserves:	124,997	

Statement Of Cash Flows For The Year Ended 31 March 2022

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

2020/21 £000s		2021/22 £000s	Note
(8,624)	Net Surplus / (Deficit) on the Provision of Services	(15,161)	
19,040	Adjustments to Net Surplus / (Deficit) on the Provision of Services for Non-cash Movements	33,741	48
(8,042)	Adjustments for items included in the Net Surplus / (Deficit) on the Provision of Services that are Investing and Financing Activities	(11,218)	49
2,374	Net Cash (Outflow) /Inflow from Operating Activities	7,362	
(1,065)	Investing Activities	(32,160)	50
(2,850)	Financing Activities	12,451	51
(1,541)	Net Increase / (Decrease) in Cash and Cash Equivalents	(12,347)	
16,781	Cash and Cash Equivalents at the beginning of the reporting period	15,240	
15,240	Cash and Cash Equivalents at the end of the reporting period	2,893	24

Summary of Significant Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2015 and to comply with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 3 : Statement of Accounts

2. Accruals of Income and Expenditure

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

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

3. Cash and Cash Equivalents

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

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

4. Exceptional Items

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

SECTION 3 : Statement of Accounts

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

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

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

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

6. Charges to Revenue for Non-current Assets

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

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

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

7. Employee Benefits

Benefits Payable During Employment

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

Termination Costs

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

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

SECTION 3 : Statement of Accounts

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

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

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

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

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

Service cost, comprising: -

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

Remeasurements, comprising:

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

SECTION 3 : Statement of Accounts

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

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

Discretionary Benefits

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

8. Events After the Balance Sheet Date

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

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

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

9. Government Grants and Contributions

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

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

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

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

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

10. Interests in Companies and Other Entities

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

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

11. Inventories and Long Term Contracts

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

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

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

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

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

12. Investment Property

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

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

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

13. Leases

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

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

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

SECTION 3 : Statement of Accounts

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

SECTION 3 : Statement of Accounts

Operating Leases

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

14. Council Tax and Non-Domestic Rates

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

15. Accounting for Council Tax and NDR

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

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

16. Property, Plant and Equipment

Property, Plant and Equipment are valued on a five-year rolling programme, although material changes to asset values will be adjusted in the interim period as they occur. The current asset values are based upon certificates issued by the Council's Property Management Division. The valuations are prepared in accordance with the Statements and UK Practice Statements contained in the RICS Appraisal and Valuation Standards. From 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 Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

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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.

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

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

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

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

When the asset is de-recognised, the cumulative gain or loss previously recognised in the financial instruments revaluation reserve is credited / debited to the surplus or deficit on the provision of services.

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

Expected Credit Loss Model

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

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

25. Fair Value Measurements

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

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

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

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

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

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

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

SECTION 3 : Statement of Accounts

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

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

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

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

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

Note 2: Critical Judgements in applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government beyond 2021/22. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has an external contract for the provision of its ICT service. This contract has been classed as an embedded lease and under IAS 37 was brought onto the Balance Sheet in 2009/10 as a finance lease.
- The Council has undertaken a review of all schools in Hartlepool and their accounting treatment. There are 38 schools in Hartlepool;
 - One Voluntary Aided (VA) School which is owned and accounted for by the Roman Catholic Diocese of Hexham and Newcastle or the Church of England Diocese of Durham.
 - One Voluntary Controlled (VC) School which is owned and accounted for by the Church of England Diocese of Durham.
 - One Foundation School which is owned by the School Governing Body.
 - Twelve Community Schools owned by the Council.
 - Twenty-three Academy Schools which the Council have transferred to the Academies under 125 year leases.

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

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

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

SECTION 3 : Statement of Accounts

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

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

The items in the Council's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.084m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effect on the net pensions liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption would result in a decrease in liability of £13.096m, however, the assumptions interact in complex ways. During 2021/22, the Council's actuaries advised that the net pension liability for funded LGPS benefits had decreased by £7.809m as a result of updating financial assumptions, decreased by £27.131m as a result of changes in demographic assumptions and decreased by £14.805m attributable to 'other 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 £58,000.

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

Note 4: Events after the Balance Sheet Date

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

SECTION 3 : Statement of Accounts

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

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

2021/22	Usable Reserves							
	Unearmarked 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	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£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
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

SECTION 3 : Statement of Accounts

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

2021/22	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	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)

Usable Reserves

2020/21	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	11,417	-	-	197	-	-	-	(11,614)
Charges for Revaluation losses on Property Plant and Equipment	243	-	-	424	-	-	-	(667)
Movements in the Market Value of Investment Properties	1,160	-	-	-	-	-	-	(1,160)
Capital Grants and Contributions	(7,895)	-	-	-	-	-	-	7,895
Direct Revenue Funding	(360)	-	-	-	-	-	-	360
Revenue Expenditure Funded from Capital Under Statute	2,441	-	-	-	-	-	-	(2,441)
Amounts of Non-current Assets written off on Disposal or Sale as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement	879	-	-	-	-	-	-	(879)
<u>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement</u>								
Provision for the Financing of Capital Investment (MRP)	(2,729)	-	-	-	-	-	-	2,729

SECTION 3 : Statement of Accounts

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

2020/21	Unearmarked 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	Movement in Unusable Reserves
	£000s	£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	-	-	-	-	-	-	(12)	12
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	(155)	-	-	-	-	155	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	-	(155)	-	155
Use of Capital Receipts to repay prudential borrowing	-	-	-	-	-	-	-	-
Adjustments primarily involving the major Repairs Reserve:								
Transfer to Major Repairs Reserve	-	-	-	(185)	185	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	-	(18)	-	-	18
Adjustments primarily involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	21,800	-	-	48	-	-	-	(21,848)
Employer's Pension Contributions and Direct Payments to Pensioners payable in year	(7,425)	-	-	(16)	-	-	-	7,441
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	9,334	-	-	-	-	-	-	(9,334)
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	3,460	-	-	-	-	-	-	(3,460)
Total Adjustments	32,172	-	-	468	167	-	(12)	(32,795)

SECTION 3 : Statement of Accounts

Note 6: Transfers to/(from) Earmarked Reserves

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

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

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Note 7: Expenditure and Funding Analysis

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

Net Expenditure Chargeable to the General Fund and HRA	2020/21		Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA	2021/22		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	
34,867	3,339	38,206	Adult & Community Based Services		33,760	4,138	37,898	
24,012	1,993	26,005	Children's & Joint Commissioning Services		26,140	6,071	32,211	
(6,735)	(9,463)	(16,198)	Corporate		(12,517)	7,365	(5,152)	
20,677	10,357	31,034	Neighbourhood and Regulatory Services		18,755	4,769	23,524	
4,911	2,253	7,164	Resources and Development		4,591	3,685	8,276	
(104)	(32)	(136)	HRA		-	(486)	(486)	
48,647	(48,647)	-	Schools		43,157	(43,157)	-	
126,275	(40,200)	86,075	Net Cost of Services		113,886	(17,615)	96,271	
(126,379)	48,928	(77,451)	Other Income and Expenditure		(114,172)	33,062	(81,110)	
(104)	8,728	8,624	(Surplus) or Deficit		(286)	15,447	15,161	
4,808			Opening General Fund & HRA Balance		4,912			
-			Less/Plus Surplus or (Deficit) on General Fund Balance in Year		(286)			
-			Transfer Between Earmarked & General Fund Reserves		286			
104			Less/Plus Surplus or (Deficit) on HRA Balance in Year		-			
-			Transfer Between Earmarked & HRA Reserves		-			
4,912			Closing General Fund & HRA Balance at 31 March		4,912			

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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	2021/22				
	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Statutory Differences (Note 3)	Other Non-Statutory Difference (Note 4)	Total Adjustments
	£000s	£000s	£000s	£000s	£000s
Adult and Community Based Services	859	3,239	(25)	65	4,138
Children and Joint Commissioning	3,991	6,694	27	(4,641)	6,071
Corporate	1,453	-	-	5,912	7,365
Resources and Development	-	2,019	203	1,463	3,685
Neighbourhood and Regulatory Services	4,233	3,504	(358)	(2,610)	4,769
HRA	(67)	43	(144)	(318)	(486)
Schools	-	-	-	(43,157)	(43,157)
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

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	2020/21				
	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Statutory Differences (Note 3)	Other Non-Statutory Difference (Note 4)	Total Adjustments
	£000s	£000s	£000s	£000s	£000s
Adult and Community Based Services	305	2,178	761	95	3,339
Children and Joint Commissioning	2,494	4,585	638	(5,724)	1,993
Corporate	939	-	-	(10,402)	(9,463)
Neighbourhood and Regulatory Services	5,695	2,356	1,743	563	10,357
Resources and Development	11	1,343	319	580	2,253
HRA	436	25	-	(493)	(32)
Schools	-	-	-	(48,647)	(48,647)
Net Cost of Services	9,880	10,487	3,461	(64,028)	(40,200)
Other Income and Expenditure from the Expenditure and Funding Analysis	(4,083)	3,920	9,334	39,757	48,928
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	5,797	14,407	12,795	(24,271)	8,728

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:

2020/21 £000	Expenditure/Income	2021/22 £000
	Expenditure	
105,495	Employee Benefits Expenses	112,502
155,652	Other Services Expenses	158,086
17,803	Support Service Recharges	10,434
13,441	Depreciation, Impairment, Revaluation Losses	10,405
2,863	Interest Payments	3,219
156	Precepts and Levies	161
879	Gain/Loss on the disposal of assets	306
<u>296,289</u>	Total Expenditure	<u>295,113</u>
	Income	
(45,093)	Fees Charges and Other Service Income	(48,988)
(10,568)	Interest and Investment Income	(11,901)
(49,968)	Income from Council Tax and Non Domestic Rates	(56,344)
(182,036)	Government Grants and Contributions	(162,719)
<u>(287,665)</u>	Total Income	<u>(279,952)</u>
<u>8,624</u>	Surplus or deficit on the provision of services	<u>15,161</u>

Note 7C: Segmental Income

Income received on a segmental basis is analysed below.

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

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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.

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

Note 9: Financing and Investment Income and Expenditure

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

2020/21 £000s		2021/22 £000s	Note
2,853	Interest payable and similar charges on borrowing	3,044	45
10	Finance lease Interest payable	19	45
3,920	Pensions Interest Cost & Expected Return on Pensions Assets	4,670	53
(146)	Interest Receivable and Similar Income	(111)	45
(469)	Net (Gain) / Loss on Investment Properties	(536)	16
1,160	Changes in fair values of investment properties	(1,005)	16
<u>7,328</u>		<u>6,081</u>	

Note 10: Taxation and Non-Specific Grant Income

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

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

Note 11 - Councillor's Allowances & Expenses

The Council has decided to provide this additional note to provide a detailed breakdown of the Basic Allowance and Special Responsibility Allowances (SRAs) paid to individual Councillors for 2021/22.

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

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

Basic and Special Responsibility Allowances

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

On 22nd June 2017 Council considered a report from the Independent Remuneration Panel (IRP) detailing recommendations in relation to the Basic Allowance and Special Responsibility Allowances payable from 1st April 2017. The IRP had reviewed the allowances paid by the twelve North East Councils, including Hartlepool, and recommended increasing Hartlepool's Basic Allowance to £7,792. The IRP also recommended annual indexing of the allowances in line with the national Local Government pay award up to April 2020. For 2020/21 this resulted in a Basic Allowance of £8,330 and this continued for 2021/22. As summarised below Hartlepool has the third lowest Basic Allowance in the Tees Valley and the fourth lowest in the North East:

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

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

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

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

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

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Note 11: Councillor's Allowances & Expenses

Notes to Table 1

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

Table 2 - Costs associated with Council Approved Conferences

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

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

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

The total amount paid by the Council on costs associated with Council Conferences was £2,786 (2020/21: £0). An analysis of the payments is detailed below.

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

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

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

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

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

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

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

Note 12 - Officers' Remuneration

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

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

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

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

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

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

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

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

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

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

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

Senior Officers reporting directly to the Managing Director

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

The Managing Director is the Council's Head of Paid Service. Although the Director of Public Health does not report directly to the Managing Director, the post is defined as a statutory chief officer under the Health and Social Care Act 2012 and is therefore included. Remuneration details for the posts are shown overleaf:

Director of Children's and Joint Commissioning Services - responsible for a gross annual revenue budget of £92m (including Dedicated Schools Grant) and managing 475 full-time equivalent employees (excluding schools) who provide a diverse range of services, including public health, education and early years related services, services for vulnerable children and families including looking after children at risk, child protection services, young offenders, children's fostering and adoption services.

Director of Adults and Community Based Services - responsible for a gross annual revenue budget of £72m and managing 394 full-time equivalent employees who provide a diverse range of services, including adult protection services, caring for older people, people with mental health issues, people with physical or learning disabilities, community hubs, sport and recreation and cultural services.

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

Director of Resources and Development - responsible for a gross annual revenue budget of £39m and managing 197 full-time equivalent employees who provide a diverse range of services including Council tax setting and collection, Business Rates, Benefits, HR, Corporate IT, Corporate Finance, Corporate Strategy and economic development and regeneration.

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

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Note 12 - Officers' Remuneration

2021/22 - TABLE A

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	

2020/21- TABLE B

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

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Note 12 - Officers' Remuneration

Notes to Table A & B

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

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

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

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

Employees with a salary of £50,000 or more

In accordance with the Accounts and Audit Regulations 2015, the number of employees including school employees employed by the Council whose remuneration was £50,000 or greater is detailed in the table below in bands of £5,000. This table excludes details of senior officers set out in the previous tables. The bandings have been used since 2002/03 and are not indexed and therefore do not make any adjustment for inflationary increases each year. If the starting banding had been indexed for cost of living increases for Council employees then it would be £73,196. As a result, the number of employees requiring disclosure has increased, although there has been no increase in the number of managerial posts.

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

TABLE C - NON-SCHOOLS EMPLOYEES

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

TABLE D - SCHOOL EMPLOYEES

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

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Note 13: Termination Costs

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

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

For non-schools employees the Council adopts robust arrangements for approving both compulsory and voluntary redundancies/early retirements and only approves applications where there is a permanent budget saving and the one-off redundancy/early retirement costs have a pay back period of 3.05 years or less. In 2021/22 the average pay back period was 23 months (4 months in 2020/21). In 2021/22 this has enabled the authority to achieve permanent salary savings of £0.151m (£0.084m in 2020/21).

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

TABLE E - NON-SCHOOLS EMPLOYEES

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

TABLE F - SCHOOLS EMPLOYEES

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

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

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

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.

This note shows the movements in the value of non current assets (Property, Plant and Equipment) during 2021/22.

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	79,611	5,579	9,083	5,460	315,010
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 Provision of Services	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)	(0)
At 31 March 2022	10,034	167,255	41,080	82,495	6,088	8,944	9,335	325,231
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	-		-	(88)	-	-
At 31 March 2022	(420)	(6,699)	(30,678)	(3,663)	-	(2)	-	(41,462)
Net Book Value								
At 31 March 2022	9,614	160,556	10,402	78,832	6,088	8,942	9,335	283,769
Nature of Asset Holding								
Owned	9,614	160,556	9,994	78,832	6,088	8,943	9,335	283,362
Finance Lease	-	-	408	-	-	-	-	408
Total	9,614	160,556	10,402	78,832	6,088	8,943	9,335	283,770

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

Movements in 2020/21

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Restated Infrastructure Assets NBV	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost, Valuation or Net Book Value								
As at 1 April 2020	8,222	166,442	38,373	80,039	5,578	9,519	5,730	313,903
Additions	214	847	2,286	3,030	-	82	2,271	8,730
Accumulated Depreciation Written Off to Gross Carrying Amount	(100)	(6)	-		-	(11)	-	(117)
Accumulated Impairment Written Off to Gross Carrying Amount	(16)	(1,450)	-		-	(90)	-	(1,556)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	85	156	-		-	131	-	372
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(424)	6	-		-	(249)	-	(667)
Derecognition-Disposals	-	(315)	(228)		-	(35)	(1)	(579)
Reclassified (to)/from Held for Sale	-	-	-		-	(283)	-	(283)
Reclassified (to)/from Investment Property	-	-	-		-	(69)	-	(69)
Other movements in Cost or Valuation	1,103	61	21	1,267	1	88	(2,540)	1
At 31 March 2021	9,084	165,741	40,452	84,336	5,579	9,083	5,460	319,735
Accumulated Depreciation and Impairment								
As at 1 April 2020	(231)	(1,277)	(28,023)		-	(5)	-	(29,536)
Depreciation Charge	(152)	(2,137)	(1,831)	(4,725)	-	(16)	-	(8,861)
Depreciation written out to the Revaluation Reserve	(34)	(1,181)	-		-	(14)	-	(1,229)
Accumulated Depreciation Written Off to Gross Carrying Amount	100	6	-		-	11	-	117
Accumulated Impairment Written Out to Gross Carrying Amount	3	181	-		-	-	-	184
Derecognition - Disposals	-	7	207		-	-	-	214
Reclassified (to) / from Investment Property	-	-	-		-	1	-	1
Other movements in Depreciation and Impairment	-	3	-		-	(3)	-	-
At 31 March 2021	(314)	(4,398)	(29,647)	(4,725)	-	(26)	-	(39,110)
Net Book Value								
At 31 March 2021	8,770	161,343	10,805	79,611	5,579	9,057	5,460	280,625
Nature of Asset Holding								
Owned	8,770	161,343	10,424	79,611	5,579	9,057	5,460	280,244
Finance Lease	-	-	381	-	-	-	-	381
Total	8,770	161,343	10,805	79,611	5,579	9,057	5,460	280,625

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.

Prior Period Adjustment

The balance brought forward of £80.039m for Infrastructure Assets as at 1/4/2020 has been adjusted to reflect a material historic error. The error was a result of failing to apply depreciation to a large asset with no residual economic benefit at the opening balance sheet date. The previous opening NBV was £86.098m.

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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,
- Vehicles, Plant, Furniture & Equipment - straight-line allocation over the useful life of the asset, up to 15 years.
- Infrastructure

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
Sea Walls	100 years
Roads and Sewers	100 years

Revenue Expenditure Funded from Capital Under Statute

The cost of Revenue Expenditure Funded from Capital Under Statute is charged to the Comprehensive Income and Expenditure Account. An amount of £5.219m (£2.441m in 2020/21) has been charged to Services and is shown as a reconciling item within Note 5 (Adjustments between Accounting Basis and Funding Basis under Regulations). This was financed by capital grants of £3.293m (£1.918m in 2020/21), capital receipts of £0.003m (£0.007m in 2020/21) and prudential borrowing of £1.923m (£0.516m in 2020/21).

Capital Commitments

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

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

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

Surplus Assets - Fair Value Disclosures

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

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

Twenty Four properties transferred between Level 2 and Level 3 during the year. This occurred because a greater degree of valuer judgement was employed in this valuation. Previous valuations had a significant allowance for Covid uncertainty which has not been used this year. There were no other transfers between levels during the year.

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

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

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

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

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

The following statement shows the progress of the Council's rolling programme for the revaluation of non current assets and property, plant and equipment, excluding Community Assets (£6.088m), Heritage Assets (£17.751m), Infrastructure Assets (£84.891m), Intangible Assets (£0.277m), Assets held for sale (£0.365m) and Property, Plant and Equipment under construction (£9.335m). The basis for the valuation is set out in the Statement of Accounting Policies.

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

Alternative Valuation Model

Council Dwellings are measured at current value - social housing, Other Land and Buildings are measured at current value and Surplus Assets are measured at fair value. If the Council had chosen to measure the value of these assets under the cost model, their carrying amount as at 31 March, 2022 would have been:

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

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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.

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

Note 16: Non Current Assets - Investment Property

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

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

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

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

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

Note 16: Non Current Assets - Investment Property

Investment Property - Fair Value Disclosures

Details of the Council's investment properties and information about the fair value hierarchy at 31 March 2022 are as follows:

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March 2022
<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

Three properties transferred from Level 3 to Level 2 during the year. This occurred because a lesser degree of valuer judgement was employed in this valuation. Previous valuations had a significant allowance for COVID-19 uncertainty not used this year. There were no other transfers between levels during the year.

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

Significant Observable Inputs - Level 2

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

Significant Unobservable Inputs - Level 3

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

Highest and Best Use of Investment Properties

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

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Note 17: Non Current Assets - Heritage Assets

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

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

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

Museum Exhibits & The Art Collection

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

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

Hartlepool has an impressive and important collection of over 1,000 pieces of fine art. The collection is mainly Victorian and Edwardian in period, largely as a result of the founding collection by Sir William Gray. With few exceptions, most subsequent collecting has been the work of artists living or working at least part of their lives in the Hartlepool area.

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

Civic Collection

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

Valuation of the Collections

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

Sculptures, Monuments & War Memorials

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

Policy and Management

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

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Note 18: Non Current Assets - Intangible Assets

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

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

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

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

Note 19: Long Term Investments

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

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

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

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

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

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

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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 2022.

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

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

Note 21: Inventories

This note sets out the value of inventories held by the Council at 31 March 2022.

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

Note 22: Short Term Debtors

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

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

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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:

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

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

Note 24: Cash and Cash Equivalents

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

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

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

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

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

Note 26: Short Term Creditors

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

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

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Note 27: Provisions

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

Current Liabilities

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

Long Term Liabilities

2020/21		2021/22		Total
		Contaminated Land (Note 4)	MMI Insurance (Note 3)	
£000s		£000s	£000s	£000s
1,194	Balance at 1 April	634	560	1,194
-	Transfers in Year	-	-	-
-	Amounts used in year	-	(40)	(40)
-	Unused amounts reversed in year	-	-	-
1,194	Balance at 31 March	634	520	1,154

Note 1 - Other - this provision has been created to cover planning appeals, other potential legal cost liabilities and school deficits on conversion to academy status. The provision is based on a prudent estimate of the likely costs. However, the timing of these payments is uncertain.

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

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

Note 4 - Contaminated Land - in accordance with the Environmental Protection Act 1990, a provision for the Council's obligations arising from decontamination costs of areas of contaminated land where there is a significant possibility of causing significant harm to human health.

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Note 28: Other Long Term Liabilities

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

2020/21 £000s		2021/22 £000s	Note
306	Finance lease liability	315	43
210,094	Net Pensions liability	129,546	38
210,400		129,861	

Note 29: Grant Income & Taxation

Credited to Taxation and Non Specific Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22.

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

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Note 29: Grant Income & Taxation

Credited to Services

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

Current Liabilities

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

Grant Receipts in Advance (Capital Grants)

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

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Grant Receipts in Advance (Revenue Grants)

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

Note 30: Unearmarked General Fund Reserve

The General Fund Balance of £4.417m held at 31 March 2022 is held to meet unforeseen commitments not funded from Earmarked Reserves. Any use of this reserve will need to be repaid to ensure the Council can continue to manage unforeseen commitments.

2020/21 £000s		2021/22 £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 2022.

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

- 1 This reserve will be used to support the budget including funding of one off costs of achieving recurring budget savings.
- 2 This reserve is earmarked to meet the costs of any further COVID outbreaks including testing, contact tracing and compliance measures.
- 3 This reserve will be used to contribute towards financial pressures arising from increases in the number and costs of looked after children over and above the budgeted allocation.
- 4 This reserve supports the delivery of Invest to Save initiatives.

Note 32: Revenue Grant Unapplied

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

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

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Note 33: Earmarked Revenue Reserves

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

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

- 1 This reserve is earmarked to manage the impact of the closure of the Power Station currently scheduled for 2024/25 and other Business Rates risks arising from the economic impact of COVID-19.
- 2 This reserve provides for all payments that fall within policy excesses or relate to self-insured risks. The reserve currently covers the estimated value of unpaid outstanding claims.
- 3 This reserve was created as part of the 2013/14 MTFS to manage the risk of interest rates increasing and to ensure permanent saving built into the MTFS can be achieved if interest rates increase. This was approved by Council 14th February, 2013.
- 4 Strategic Change Reserves have been established to enable departments to meet one-off costs that will arise from strategic changes to improve services, or reduce costs, without affecting the level of services in the year.
- 5 This reserve is earmarked to smooth the impact of increased energy prices during 2022/23 and future years.
- 6 This reserve will be used to fund a range of one-off initiatives and to support the budget to fund increasing demographic and cost pressures within Adult Social Care.
- 7 This reserve is earmarked to help fund inflationary pressures during 2022/23.
- 8 This is a ring-fenced Better Care Fund Reserve arising from additional CCG contributions to the Pooled Budget. See Note 56.
- 9 This reserve is earmarked to offset in year income shortfalls to support services recovery from the impact of Covid restrictions.
- 10 This reserve was created from in-year underspends against the ring-fenced Public Health Grant. In accordance with the grant conditions a ring-fenced reserve has been created to support public health services in future years.
- 11 This reserve has been committed to provide grants to various Voluntary and Community Sector organisations to deliver interventions that will address hardship arising from COVID-19 that is impacting on communities in Hartlepool.
- 12 This reserve was created to mitigate fluctuating costs in relation to waste disposal and income generated from recycling.
- 13 This reserve is earmarked for the Education Improvement Strategy.
- 14 This reserve was created to partly mitigate the impact of the change to the Council Tax Benefit regime and the resulting cut in Government Grant.
- 15 This reserve was created as a contingency to support the Adult Social Care budgets in future years arising from the impact of the Better Care Fund.

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

Note 34: Earmarked Capital Reserves

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

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

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

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

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

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

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Note 36: School Balances

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

2020/21 £000s		2021/22 £000s	Note
2,054	Balances held by schools under a scheme of delegation	2,930	1
1,256	Dedicated Schools Grant Reserves	1,229	2
377	School Ring Fenced Grants Reserves	382	3
<u>3,687</u>		<u>4,541</u>	

- 1 Schools have utilised their reserves to assist with decreases in Dedicated Schools Grant and to fund planned capital works. Further details are available from the Children's & Joint Commissioning Department.
- 2 Dedicated Schools Grant reserves position.
- 3 These reserves relate to ring-fenced grants to Schools.

Note 37: Housing Revenue Account Balance

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

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

Note 38: Unusable Reserves

The Unusable Reserves are shown below.

Restated 2020/21 £000s		2021/22 £000s	Table
74,754	Revaluation Reserve	74,854	1
127,003	Capital Adjustment Account	126,133	2
(210,094)	Pensions Reserve	(129,546)	3
366	Deferred Capital Receipts Reserve	366	4
(9,012)	Collection Fund Adjustment Account	(5,210)	5
(4,958)	Accumulated Absences Account	(4,805)	6
197	Financial Instruments Revaluation Reserve	197	7
<u>(21,744)</u>		<u>61,989</u>	

Table 1 - Revaluation Reserve

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

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

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

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

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Table 2 -Capital Adjustment Account

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

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

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

2020/21 £000s		2021/22 £000s
130,809	Balance at 1 April	127,003
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(11,614)	- Charges for depreciation and impairment of non-current assets	(9,158)
(667)	- Revaluation gains/(losses) on Property, Plant and Equipment	(2,252)
(2,441)	- Revenue expenditure funded from capital under statute	(5,219)
(879)	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(306)
(15,601)		(16,935)
1,786	Adjusting amounts written out of the Revaluation Reserve	1,243
(13,815)	Net written out amount of the cost of non-current assets consumed in the year	(15,692)
	Capital financing applied in the year:	
155	- Use of the Capital Receipts Reserve to finance new capital expenditure	55
18	- Use of the Major Repairs Reserve to finance new capital expenditure	14
-	- Use of the Capital Receipts Reserve to repay prudential borrowing	71
7,895	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	11,029
12	- Application of grants to capital financing from the Capital Grants Unapplied Account	-
2,729	- Statutory provision for the financing of capital investment charged against the General Fund	2,647
360	- Direct revenue funding credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1
11,169		13,817
(1,160)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,005
127,003	Balance at 31 March	126,133

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Table 3 - Pensions Reserve

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

2020/21 £000s		2021/22 £000s
(174,055)	Balance at 1 April	(210,094)
(21,632)	Remeasurement of defined liability on pensions assets and liabilities	100,717
(21,848)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(27,752)
7,441	Employer's pensions contributions and direct payments to pensioners payable in the year	7,583
<u>(210,094)</u>	Balance at 31 March	<u>(129,546)</u>

Table 4 - Deferred Capital Receipts Reserve

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

2020/21 £000s		2021/22 £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.

2020/21 £000s		2021/22 £000s
322	Balance at 1 April	(9,012)
(9,334)	Amount by which Council Tax and Non-Domestic Rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non-Domestic Rates income calculated for the year in accordance with statutory requirements	3,802
<u>(9,012)</u>	Balance at 31 March	<u>(5,210)</u>

Table 6 - Accumulated Absences Account

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

2020/21 £000s		2021/22 £000s
(1,498)	Balance at 1 April	(4,958)
1,498	Settlement or cancellation of accrual made at the end of the preceding year	4,958
<u>(4,959)</u>	Amounts accrued at the end of the current year	<u>(4,805)</u>
(3,460)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	153
<u>(4,958)</u>	Balance at 31 March	<u>(4,805)</u>

Table 7 - Financial Instruments Revaluation Reserve

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

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

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

Note 39: Related Party Transactions

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

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments including grant receipts outstanding at 31 March 2022, are shown in Note 29.

Members

Members of the Council have direct control over the Council's Financial and Operating Policies. The total of Members' allowances paid in 2021/22 is shown in Note 11.

The Council pays grants and/or makes contractual payments to voluntary organisations/charities where an individual Councillor(s) may sit on the management board. In addition, as required by the Health and Social Care Act 2012, the Council has entered into a contract with Healthwatch Hartlepool for a value of £86,596 (£116,150 in 2020/21).

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

Officers

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

Note 39: Related Party Transactions

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

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

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

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

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

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

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

Other

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

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

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

In addition, the Council holds shares in Suez Recycling and Recovery Tees Valley Limited with a value of £0.197m, equating to 3.3% of a £5.964m 0% redeemable preference shareholding in the company. Suez Recycling and Recovery Tees Valley Limited have produced accounts for the financial year to 31 December 2019, that includes a profit on the Profit and Loss Account of £3.647m (£6.495m in 2018) and a net asset position of £63.233m (£59.587m in 2018). Further information on their accounts is available from the Registered Office, Suez House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES.

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

SECTION 3 : Statement of Accounts

Note 40: External Audit Costs

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

RESTATED 2020/21 £000s	2021/22 £000s
111 Fees payable in respect of external audit services carried out by the appointed auditor for the year	131
17 Fees payable for the certification of grant claims and returns for the year	18
128	149

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

Note 41: Dedicated Schools Grant

The Council's expenditure on schools is primarily funded by grant monies provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). The ESFA recouped the funding for all existing and new academies in the Borough. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2021. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2021/22 are as follows: -

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

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

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

Individual School Budgets were increased by £0.012m in 2021/22 to reflect permanently excluded pupils and the clawback of pupil funding permitted in the regulations. The reduction is included within the value of in-year

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

SECTION 3 : Statement of Accounts

Note 42: Operating Leases

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

Council as lessee

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

Council as lessor

2020/21 £000s	Future minimum lease payments receivable	2021/22 £000s
562	Not later than one year	570
1,311	Later than one year & not later than five years	1,019
1,351	Later than five years	1,242
<u>3,224</u>		<u>2,831</u>

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

- for the provision of community services, such as sports facilities, tourism services and community centres.
- for economic development purposes to provide suitable affordable accommodation for local businesses.
- for the provision of housing accommodation as a result of leasing 22 of its renovated former empty properties to Mears.

The Council has sub-let some of the office accommodation held under these operating leases. At 31 March 2022 the minimum payments expected to be received under non-cancellable sub-leases was £0.020m (£0.020m as at 31 March 2021).

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

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

SECTION 3 : Statement of Accounts

Note 43: Finance Leases

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

Council as lessee

2020/21 £000s		2021/22 £000s
	Value of Assets held under Finance Leases	
381	Vehicles, Plant & Equipment	408
381	Total	408

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

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

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

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

SECTION 3 : Statement of Accounts

Note 44: Capital Expenditure and Financing

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

2020/21 £000s		2021/22 £000s
108,026	Brought Forward Opening Capital Financing Requirement	108,023
	Capital investment	
8,730	Property, Plant and Equipment	13,388
61	Heritage Assets	16
2,441	Revenue Expenditure Funded from Capital under Statute	5,219
(66)	Long Term Debtors	(68)
	Sources of Finance	
(155)	Capital receipts	(55)
-	Application of Capital Receipts to Repay Borrowing	(71)
-	Application of Capital Grant to fund HRA Appropriation	-
(12)	Application of Capital Grant from the Capital Grants Unapplied Account	-
(18)	Major Repairs Reserve	(14)
-	Grants to repay Borrowing	
(7,895)	Government Grants and Other Contributions	(11,029)
	<i>Sums set aside from revenue:</i>	
(360)	Direct Revenue Contributions	(1)
(2,729)	Minimum Revenue Position (MRP)	(2,647)
<u>108,023</u>	Closing Capital Financing Requirement	<u>112,761</u>
	Explanation of movements in year	
-	Application of Capital Receipts to Repay Borrowing	(71)
(66)	Repayments by Long Term Debtors	(68)
288	Increase in Finance Lease Obligations	113
2,504	Increase in borrowing unsupported by government financial assistance	7,411
(2,729)	Minimum Revenue Provision (MRP)	(2,647)
<u>(3)</u>	Increase/(decrease) in Capital Financing Requirement	<u>4,738</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 2021			31 March 2022	
Long Term	Current		Long Term	Current
£000s	£000s		£000s	£000s
		Investments at Amortised Cost		
-	5,002	Loans and receivables at Amortised Cost	-	40,015
-	15,454	Liquidity Accounts included in Cash Equivalents	-	5,763
-	20,456	Total Investments at Amortised Cost	-	45,778
197	-	Assets at Fair Value through Other Comprehensive Income (Note 1)	197	-
197	20,456	Total Investments	197	45,778
		Debtors		
3,363	8,124	Financial Assets (including Trade Debtors and General and Other Debtors and Long Term Debtors)	3,771	10,966
3,363	8,124	Total debtors	3,771	10,966
		Borrowings at Amortised Cost		
72,692	3,502	Financial liabilities at amortised cost (Note 2)	89,866	1,378
72,692	3,502	Total Borrowings at Amortised Costs	89,866	1,378
		Other Long Term Liabilities		
306	79	Finance lease liabilities	314	104
306	79	Total Other Long Term Liabilities	314	104
		Creditors		
-	6,840	Financial liabilities carried at contract amount (Trade Creditors and General and Other Creditors)	-	9,160
-	6,840	Total Creditors	-	9,160

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

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

SECTION 3 : Statement of Accounts

Note 45: Financial Instruments

Income, Expense, Gains and Losses

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

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

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

SECTION 3 : Statement of Accounts

Note 45: Financial Instruments

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

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

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

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

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

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

The fair values are calculated as follows:

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

Note 45: Financial Instruments

The fair value of Public Works Loan Board (PWLB) loans of £37.561m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value is calculated by applying the PWLB redemption interest rates, which are lower than the borrowing interest rates. The fair value therefore measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates, taken to be these lower redemption interest rates. However, it should be noted that the borrowing interest rates on the debt drawn equated to the prevailing borrowing, as opposed to redemption rates at the Balance Sheet date.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £28.667m would be valued at £32.857m. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans would be the outstanding loan debt and accrued interest of £28.667m plus a penalty charge of £8.894 totalling £37.561m.

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional loss (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders above current market rates.

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

Financial Assets Measured at Fair Value through Other Comprehensive Income

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

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	Fair Value	
			31 March 2021	31 March 2022
			£000s	£000s
Equity shareholdings in Teesside International Airport	Level 3	Based on various factors including reviewing the Business Plan, passenger numbers and historic performance (see below)	-	-
Equity shareholdings in SUEZ Recycling and Recovery Tees Valley Ltd	Level 3	Face value (see below)	197	197
			<u>197</u>	<u>197</u>

Equity shareholdings in Teesside International Airport

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

Equity shareholdings in Suez Recycling & Recovery Tees Valley Ltd

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

Changes in Valuation Technique

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

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

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

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

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

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

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

- the Authorised Limit for 2021/22 was set at £142m (£155m in 2020/21). This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £132m (£145m in 2020/21). This is the expected level of debt and other long term liabilities during the year
- the maximum amounts of gross fixed interest rate exposure for borrowing and investments was set at 100% and 100% respectively (100% and 100% respectively in 2020/21).
- the maximum amount of gross variable interest rate exposure for borrowing and investments was set at 75% and 100% respectively (75% and 100% respectively in 2020/21).

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

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

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

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

The Investment Strategy for 2021/22 was approved by Full Council on 25 February 2021 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £5.763m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, however there was no evidence at 31 March 2022 that this was likely to crystallise.

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

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

Amounts Arising from Expected Credit Losses

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

	Asset Class:
	Debtors
	(Financial
	Assets)
	£000
Opening balance	(2,919)
Amounts written off	45
Changes in Impairment of Financial Assets	(271)
Closing balance	(3,145)

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

The Council does not generally allow credit for customers, such that £4.155m of the £10.966m Debtors (Financial Assets) balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31 March 2021 £000s		31 March 2022 £000s
1,423	Less than three months	2,561
266	Three to six months	349
329	Six months to one year	226
1,053	More than one year	1,019
3,071		4,155

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 2021 £000s		31 March 2022 £000s
3,024	Less than one year	892
3,294	Between one and five years	3,734
4,115	Between five and ten years	4,469
3,815	Between ten and fifteen years	3,509
2,250	Between fifteen and twenty years	2,214
2,313	Between twenty and twenty-five years	2,391
2,742	Between twenty-five and thirty years	3,132
6,166	Between thirty and thirty-five years	6,336
2,723	Between thirty-five and forty years	19,050
467	Between forty and forty-five years	268
45,112	More than forty-five years	45,076
76,021		91,071

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

Market Risk

Interest Rate Risk

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

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

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

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

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

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

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

According to this assessment strategy, at 31 March 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000s
Increase in interest receivable on variable rate investments	(458)
Increase in interest payable on borrowings	912
Impact on Surplus or Deficit on the Provision of Services	454
	£000s
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Comprehensive Income and Expenditure Statement)	28,067

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

Price Risk

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

Foreign Exchange Risk

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

Collateral Risk

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

SECTION 3 : Statement of Accounts

Note 47: Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

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

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

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

2020/21 £000s		2021/22 £000s
10,242	Depreciation	9,147
2,039	Impairment and Downward Valuations	2,263
1,160	Downward / (Upward) Valuation of Investment Property	(1,005)
(577)	Increase / (Decrease) in Provisions	223
3,856	Increase / (Decrease) in Creditors	(1,728)
(12,999)	(Increase) / Decrease in Debtors	4,525
33	(Increase) / Decrease in Inventories	(159)
14,407	Pension Liability	20,169
879	Carrying amount of Non-Current Assets Sold	306
19,040		33,741

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

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

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

Note 50: Cash Flow Statement - Investing Activities

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

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Note 51: Cash Flow Statement - Financing Activities

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

Note 52: Pensions Schemes Accounted for as Defined Contribution Schemes

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

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

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

The Council's contribution to the Teacher's Pension Scheme in 2021/22 amounted to £3.026m (£3.913m in 2020/21) which represented 23.68% of pensionable pay (including a 0.08% administration levy). There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £3.000m, this is based on 23.68% of pensionable pay (including a 0.08% administration levy).

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

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

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

This is a defined benefit scheme. Although the scheme is unfunded, it is subject to a full actuarial valuation. The latest valuation was undertaken as at 31 March 2016 and determined current contribution rates for employers and scheme members. The scheme has in excess of 8,050 employing bodies and it is not possible for the Council to identify a share of underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the NHS Pension Scheme during the year ending 31 March 2022, the Council's own contributions equate to approximately 0.0012%.

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

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

Note 53: Defined Benefit Pension Schemes
Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme, administered locally by the Teesside Pension Fund. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

The Panel consists of representatives from the councils in the former Cleveland County area as well as representatives from the Trades Unions.

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

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

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2020/21 £000s	2021/22 £000s	2020/21 £000s	2021/22 £000s	2020/21 £000s	2021/22 £000s
Comprehensive Income and Expenditure Statement						
Cost of Services:						
· Current Service cost	17,750	24,497	-	-	17,750	24,497
· Past Service Costs (inc. curtailments)	178	89	-	-	178	89
Financing and Investment Income and Expenditure:	-	(1,504)	-	-	-	(1,504)
· Net Interest Expense	3,680	4,456	240	214	3,920	4,670
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	21,608	27,538	240	214	21,848	27,752
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:						
Remeasurement of the net defined benefit liability:						
· Return on plan assets (excluding amount in net interest expense)	(96,252)	(50,972)	-	-	(96,252)	(50,972)
· Actuarial (gains) and losses arising from changes in financial assumptions	124,120	(7,690)	709	(119)	124,829	(7,809)
· Actuarial (gains) and losses arising from changes in demographic assumptions	-	(26,994)	-	(137)	-	(27,131)
· Actuarial (gains) and losses owing to liability experience	(6,580)	(14,746)	(365)	(59)	(6,945)	(14,805)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	42,896	(72,864)	584	(101)	43,480	(72,965)

SECTION 3 : Statement of Accounts

Note 53: Defined Benefit Pension Schemes

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£000s	£000s	£000s	£000s	£000s	£000s
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	(21,608)	(27,538)	(240)	(214)	(21,848)	(27,752)

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

Employers' contribution payable to scheme	6,590	6,728	-	-	6,590	6,728
Retirement Benefits payable to pensioners	-	-	851	855	851	855
Transfer from Pension Reserve	(15,018)	(20,810)	611	641	(14,407)	(20,169)

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£000s	£000s	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	730,751	698,415	10,607	9,769	741,358	708,184
Fair value of plan assets	(531,264)	(578,638)	-	-	(531,264)	(578,638)
Net liability arising from defined benefit obligation	199,487	119,777	10,607	9,769	210,094	129,546

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£000s	£000s	£000s	£000s	£000s	£000s
Opening fair value of assets	431,002	531,264	-	-	431,002	531,264
Interest Income on assets	9,849	11,016	-	-	9,849	11,016
Remeasurement gains/(losses):						
Return on plan assets (excl amount in net interest)	96,252	50,972	-	-	96,252	50,972
Other Experience	-	(3,958)	-	-	-	(3,958)
Effect of Settlement	-	(2,105)	-	-	-	(2,105)
Contributions by the employer	6,590	6,728	851	855	7,441	7,583
Contributions by participants	3,296	3,346	-	-	3,296	3,346
Net benefits paid out	(15,725)	(18,625)	(851)	(855)	(16,576)	(19,480)
Closing fair value of assets	531,264	578,638	-	-	531,264	578,638

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£000s	£000s	£000s	£000s	£000s	£000s
Opening balance at 1 April	594,184	730,752	10,874	10,607	605,058	741,359
Current Service Cost	17,750	24,497	-	-	17,750	24,497
Interest Cost	13,529	15,472	240	214	13,769	15,686
Contributions from scheme participants	3,296	3,346	-	-	3,296	3,346
Remeasurement (gains)/losses:						
Actuarial (gains) and losses on liabilities - financial assumptions	124,120	(7,690)	709	(119)	124,829	(7,809)
Actuarial (gains) and losses on liabilities - demographic assumptions	-	(26,994)	-	(137)	-	(27,131)
Actuarial (gains) and losses on liabilities - experience	(6,580)	(18,822)	(365)	59	(6,945)	(18,763)
Past Service Costs (inc. curtailments)	178	89	-	-	178	89
Liabilities extinguished on settlements	-	(3,609)	-	-	-	(3,609)
Benefits paid	(15,725)	(18,625)	(851)	(855)	(16,576)	(19,480)
Closing balance at 31 March	730,752	698,416	10,607	9,769	741,359	708,185

SECTION 3 : Statement of Accounts

Note 53: Defined Benefit Pension Schemes

Local Government Pension Scheme Assets

The Local Government Pension Scheme's assets comprised:

	2020/21 £'000	2021/22 £'000
Equity investments	423,949	390,493
Property	39,844	45,490
Cash	39,844	93,332
Other Investments	27,626	49,323
	531,263	578,638

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by AON Solutions UK Limited, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31st March 2022.

Principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2020/21	2021/22	2020/21	2021/22
Long-term expected rate of return on assets in the scheme:				
Equities	2.1%	2.7%	-	-
Property	2.1%	2.7%	-	-
Government Bonds	2.1%	2.7%	-	-
Corporate Bonds	2.1%	2.7%	-	-
Cash	2.1%	2.7%	-	-
Other	2.1%	2.7%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.9	20.9	21.9	20.9
Women	23.6	23.9	23.6	23.9
Longevity at 65 for future pensioners:				
Men	23.3	21.9	-	-
Women	25.4	25.5	-	-
Other assumptions:				
Rate of inflation - CPI	2.7%	3.2%	2.7%	3.2%
Rate of general increase in salaries	3.7%	4.2%	-	-
Rate of increase in pensions - deferred and pensions in payment	2.7%	3.2%	2.7%	3.2%
Rate for discounting scheme liabilities	2.1%	2.7%	2.1%	2.7%

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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%)	(13,096)	13,096
Adjustment to Salary increase rate (+/- 0.1%)	1,918	(1,918)
Adjustment to Pension increase rate (+/- 0.1%)	11,061	(11,061)
Adjustment to Longevity (decrease/increase 1 year)	28,327	(28,327)

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The current funding level of the scheme is 115%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed in 2022/23 based on the position as at 31 March 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 £7.214m in expected contributions to the scheme in 2022/2023.

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

Note 54: Contingent Liabilities

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

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

Note 55: Financial Guarantees

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

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

SECTION 3 : Statement of Accounts

Note 56: Pooled Budgets

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

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

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

The Hartlepool BCF Plan will contribute to the delivery of:

- Reduced non-elective admissions;
- Reduced admissions of older people into residential care;
- Increased proportion of older people still at home 91 days after discharge from hospital into reablement/rehabilitation services;
- Reduced delayed transfers of care from hospital;
- Increase in the estimated diagnosis rate for dementia; and,
- Improved patient experience of services.

The BCF is the national programme through which local areas agree how to spend a local pooled budget in accordance with the programme's national requirements. The pooled budget is made up of CCG funding as well as local government grants, one of which is the Improved Better Care Fund (iBCF).

Revenue Pooled Budget

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

Capital Pooled Budget

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

SECTION 3 : Statement of Accounts

HOUSING REVENUE ACCOUNT (HRA)

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

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

MOVEMENT ON THE HRA STATEMENT

2020/21 £000s		2021/22 £000s
(391)	Opening balance on the HRA	(495)
196	(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	(155)
	Adjustments between accounting basis and funding basis under statute :	
(424)	- Revaluations (losses)/gain	78
(12)	- Impairment losses	(11)
(32)	- IAS19 Pensions Adjustment	(56)
(185)	- Depreciation	(201)
185	- Transfer to Major Repairs Reserve	201
(272)	Net (increase) or decrease before transfers to or from reserves	(144)
168	Transfers to or (from) earmarked reserves	144
(104)	(Increase) or decrease in the year on the HRA	-
(495)	Closing balance on the HRA	(495)

SECTION 3 : Statement of Accounts

NOTES TO THE HRA

Note 1: Depreciation and Revaluation

Included within The HRA is a total depreciation charge of £0.201m (2020/21 £0.186m) which transfers funding into the Major Repairs Reserve to meet the cost of future major repairs. The gain on revaluation for the year was £0.078m (2020/21 £0.424m loss). In previous years a "proxy" charge was applied however from 2017/18 a "true" depreciation charge was required to be calculated and transferred to the MRR. This represents an amount equivalent to the total depreciation charges for all the HRA assets. Under statute an adjustment between accounting basis and funding basis on the 'Movement on the HRA MRR' allows any difference between the depreciation credit on the reserve and the amount required for the major repairs for the year to be transferred back to the HRA.

Note 2: Capital Expenditure and Financing

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

Note 3: Number and Value of Council Dwellings

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

The table below shows the vacant possession value and the balance sheet value based on social housing use. The difference represents the economic cost of providing council housing.

1st April 2021 £000's	31st March 2022 £000's
8,770 Balance Sheet Value	9,614

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

Note 4: Rent Arrears

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

SECTION 3 : Statement of Accounts

THE COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

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

SECTION 3 : Statement of Accounts

NOTES TO THE COLLECTION FUND

Note 1 - Council Tax

Council Tax income comes from a charge made on residential properties. The income is used to support the Council's General Fund revenue expenditure, as detailed in the Income and Expenditure Account. It is also used to finance Hartlepool's share of the Police and Fire Authorities' expenditure, through precepts made on the Council's Collection Fund. The level of Council Tax in any year is determined by estimating the income required by the Council, the Police and Crime Commissioner and Fire Authorities, dividing this by the Council Tax base, which comprises residential properties banded by value and charged accordingly.

To allow for comparison between years and authorities the tax base is expressed as the number of Band D properties in the district, which is calculated by multiplying the number of properties in a band by an appropriate weighting, ranging from 6/9 to 18/9.

There were 34,380 Band D equivalents in 2021/22 (34,392 for 2020/21) and the basic amount of Council Tax for a Band D property was £2,097.07 (£2,090.38 in 2020/21).

Set out in the table below are the Band D weightings, property numbers and income from each band level.

Band	Weighting to Band D	No. of properties in each band	Equivalent no. of Band D Properties	Hartlepool BC demand per property (Ex Parishes) £	Police & Crime Commissioner demand per property £	Fire Authority demand per property £	Total demand per property £	Total Income per band £000's
A	6/9	23,436	15,624	1,167.34	177.15	53.55	1,398.04	32,764
B	7/9	7,309	5,685	1,361.90	206.68	62.48	1,631.06	11,921
C	8/9	6,231	5,539	1,556.45	236.20	71.40	1,864.05	11,615
D	9/9	3,293	3,293	1,751.01	265.73	80.33	2,097.07	6,906
E	11/9	1,748	2,136	2,140.12	324.78	98.18	2,563.08	4,480
F	13/9	748	1,080	2,529.24	383.83	116.03	3,029.10	2,266
G	15/9	526	877	2,918.35	442.88	133.88	3,495.11	1,838
H	18/9	73	146	3,502.02	531.46	160.66	4,194.14	306
TOTALS		43,364	34,380					72,096

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

2020/21 £000		2021/22 £000
71,893	Opening Liability	72,096
1,494	Net increase/(decrease) in liability	2,127
(123)	Disabled Relief	(120)
(6,831)	Discounts	(6,975)
(1,650)	Exemptions	(1,554)
(183)	Write Offs	(212)
(13,511)	Council Tax Support Scheme	(13,019)
<u>51,089</u>		<u>52,343</u>

NOTES TO THE COLLECTION FUND

Note 2 - Non Domestic Rates

National Non Domestic Rates (NNDR) is organised on a national basis. The Government specifies two amounts, the Small Business Non Domestic Rate Multiplier which was 49.9p in 2021/22 (49.9p in 2020/21) and, the Non Domestic Rate Multiplier which was 51.2p in 2021/22 (51.2p in 2020/21). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The total non domestic rateable value at the year end was £80.238m.

The NNDR income collectable from Ratepayers is shown below.

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

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

SECTION 4 : Annual Governance Statement

Scope of Responsibility

Hartlepool Borough Council is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards,
- Public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016. A copy of the code is on our website at www.Hartlepool.gov.uk or can be obtained from the Councils Contact Centre. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, Part 2 6(1) (a), which requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with the statement of accounts. Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015, require that for a local authority that statement is an Annual Governance Statement (AGS).

The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically. The governance framework has been in place at the Council for the year ended 31 March 2022 and up to the date of approval of the statement of accounts.

In order to facilitate the completion of the Statement, an officer working group has been formed and a programme of work developed. To ensure that the Statement has been given sufficient corporate priority and profile, the working group included both the Director of Resources and Development, the Assistant Director (Finance) and the Assistant Director (Corporate Services). As part of the process regular updates have been given to the Performance and Risk Management Officer Group and the Corporate Management Team (CMT).

Significant Governance Issues Update from 2020/21 Statement

Progress has been made over the course of 2021/22 to actively manage and address issues identified as part of the 2020/21 process. This approach ensures the Council actively manages these issues. The table below identifies action that has been taken to mitigate the areas identified.

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

SECTION 4 : Annual Governance Statement

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

The Governance Framework

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

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

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

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

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

A programme of Members' seminars has been developed by CMT to ensure Members are updated/briefed on key strategic issues.

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

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

The constitution contains financial and contract procedure rules, and code of conduct for Members, which have been formally approved. Financial procedure rules have been updated and agreed by Council and contract procedure rules have also been updated to take into account new procurement procedures and legislative requirements. The constitution is available to all employees on the intranet and to the public on the Internet. A register of gifts and hospitality is maintained for Members and Officers. The Authority has a Treasury Management Strategy that was approved by Audit and Governance Committee on 10th February 2022 and referred to Council for approval on for the financial year 2022/23. The approved Treasury Management Strategy includes the Investment and Borrowing strategies in compliance with revised CIPFA Prudential Code, CIPFA Treasury Management Code of Practice and Ministry of Housing, Communities and Local government (HCLG) guidance. The Audit and Governance Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies before making any necessary recommendations to Council. The Director of Resources and Development reports to the Audit and Governance Committee how the Council's financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

SECTION 4 : Annual Governance Statement

The full range of Member committees regularly meet to review specific policy areas, to consider plans, reports and progress of the Council.

Human Resources has drawn up policies to ensure suitably qualified employees are employed in key areas. Supporting terms and conditions of employment for all employees cover all aspects of good employment. Induction courses for key new officers and all new Members incorporate suitable training on corporate governance issues according to responsibilities and there is a general staff awareness programme in place.

An updated Code of Conduct for Employees has been approved, published and communicated to all employees. An updated Health and Safety Policy was approved by Finance and Policy Committee on 14 January 2019 and a Communication Strategy implemented to ensure general awareness. The Council has also implemented a programme of Health and Safety Leadership Training for senior managers.

The Council has an ongoing programme of monitoring and reviewing arrangements in place in respect of the operation of its key partnerships. A framework of reporting by exception to Corporate Management Team operates and Internal Audit provides audit coverage of partnership arrangements.

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

The Council's Performance Management Framework includes information relating to departmental and officer responsibility for the collation of data, target setting and addressing performance issues. The Framework also includes action plans, risks and performance indicators enabling clearer links between corporate, departmental and service planning outcomes, actions, risks and PIs.

Key policies such as the Corporate Complaints, Comments and Compliments Procedure, Proceeds of Crime (Money Laundering), Whistle Blowing Policy and Counter Fraud and Corruption Policy have been developed and approved for use across the whole Authority. The policies are available to employees via the intranet. The Council is a member of the National Anti Fraud Network and takes part in regular National Fraud Initiative reviews and the North East Fraud Forum. The Council has updated its Fraud and Corruption Strategy in line with CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

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

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

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

The Finance and Policy Committee is responsible for ensuring the consideration of risk across and for reviewing the progress made in the management of strategic risks. The Audit and Governance Committee is responsible for reviewing the effectiveness of risk management arrangements and providing comment and challenge on risk management activity and progress. Risks and control measures relating to the Council Plan are analysed within performance reports to help ensure that risk and performance reporting are linked. The Council Plan and performance framework is considered as part of the preparation of the AGS.

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

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

SECTION 4 : Annual Governance Statement

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

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

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

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

- Publish equalities information to demonstrate its compliance with the Equality Duty by the 31st January each year; and
- Develop and publish equality objectives by 6 April 2012 and then every four years.

In order to demonstrate our compliance with the above requirements, we have produced a Workforce Equality Information Report 2020/21 to demonstrate the progress that the Council has made to date. We are aware that there are gaps in our data and are working to provide more information in an accessible format. On that basis the report is regularly updated. Since the first equality objectives were published in April 2012 the Council has based them on the strategic objectives set out in our Council Plan. By doing this the Council demonstrates that equality and diversity is a core part of what we do as an organisation and not an add on activity. The Council's vision as set out in the Council Plan 2021/22 – 2023/24 sets out our equality objectives.

Equality issues must influence the decisions reached by public bodies - in how they act as employers; how they develop, evaluate and review policy; how they design, deliver and evaluate services, and how they commission and procure from others. We do this by considering impacts on equality as an integral part of our decision-making process and this is reflected in reports to Committees in the Equality & Diversity Considerations section and through our use of Equality Impact Assessments.

Internal Audit reports on a regular basis to the Audit and Governance Committee on the effectiveness of the organisation's system of internal control. Recommendations for improvement are also made and reported on. Internal Audits performance is measured against standards agreed by management and Members. Internal Audit reporting arrangements have been formalised and strengthened as part of the review of financial procedure rules. Internal Audit have undergone an external inspection carried out by Stockton Borough Council and are now fully compliant with Public Sector Internal Audit Standards (PSIAS) and can report as such on all correspondence.

Ofsted has rated the overall effectiveness of the Council's Children's Services as 'Good'. The most recent ILACS inspection which took place in July 2018 rated Hartlepool CS as 'good' overall and 'outstanding' in the experiences and progress of children in care and care leavers. Children's Services have also been visited by Ofsted on two occasions for a Focused Visit since the ILACS, firstly in March 2020 to look at services for children in need including those in need of protection and most recently in January 2022 to look at Care Leavers. During both visits Ofsted confirmed that Children's Services in Hartlepool continued to provide high quality services and progress was sustained. Of the three children's homes in Hartlepool, two are judged by Ofsted to be good and one outstanding. Most childcare providers and schools are rated "good" or "outstanding".

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

In their 2020/21 Annual Audit Letter, Mazars, the Council's External Auditor, issued an unqualified opinion on the financial statements and value for money conclusion at the Council.

SECTION 4 : Annual Governance Statement

Review of Effectiveness

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

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

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

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

SECTION 4 : Annual Governance Statement

Significant Governance Issues

The following significant governance issues have been identified:

No	Issue	Action	Timescale
1	Delivery of Council Plan, revised Performance Management Framework and Medium Term Financial Strategy. The sustainability of services, level of performance and the continuing need to achieve housing growth.	<p>The MTFS approved in February 2022 forecast annual deficits of £1.5m in both 2023/24 and 2024/25. These forecasts will be updated to reflect the much higher and prolonged impact of inflation as this will increase the 2023/24 deficit. Savings plans will then be developed during 2022/23.</p> <p>The three year Council Plan adopted in February 2021, takes into account the impact of the financial challenges facing the Council. Performance will be continue to be reported regularly to CMT and Finance and Policy Committee.</p>	2022/23 – 2023/24
2	Delivery of Regeneration/ Capital Programme on time and budget in line with key Council objectives.	Arrangements adopted in 2021/22 will continue to be followed and monitor as projects move from design to construction phase.	2022/23
3	Potential for Cyber Security attack/breach of IT defences leading to service disruption and potentially serious financial implications.	<p>The Council, in partnership with NEC, have implemented a range of technical protection measures over the last 12 months. These reduce the risks associated with phishing and ransomware. HBC use the National Cyber Security Centre's Event Logging solution, which tracks a range of network events including staff who have clicked on links in suspicious emails. HBC have recently implemented a new firewall that provides additional protection including blocking access to our network from outside UK and 24/7 analysis of Internet access with auto blocking where activity falls outside of normal working patterns.</p> <p>Annual training is mandatory for all staff in respect of cyber security and regular all staff emails give instruction on what to do with suspicious emails. This ensures that staff are aware of the correct procedure to follow if links are clicked or attachments are opened in error. There is also information on the intranet and wall posters highlighting how to recognise phishing emails.</p>	2022 Onwards

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

Signed on behalf of Hartlepool Borough Council:

Managing Director

Chair of Audit and Governance Committee

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.

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.

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.

AUDIT AND GOVERNANCE COMMITTEE

07 November 2023



Report of: Director of Finance, IT and Digital

Subject: MAZARS REPORT- AUDIT PROGRESS
REPORT

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 Progress Report.

2. BACKGROUND

- 2.1 This report updates the Audit and Governance Committee on Mazars progress in meeting their responsibilities as the Councils external auditor. It also highlights key emerging issues and national reports which may be of interest to the Audit and Governance Committee.

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 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. OTHER CONSIDERATIONS/IMPLICATIONS

Financial Considerations	There are no financial considerations.
Legal Considerations	There are no legal considerations.
Child and Family Poverty	There are no child and family poverty considerations.
Equality and Diversity Considerations	There are no equality and diversity considerations.
Staff Considerations	There are no staff considerations.
Asset Management Considerations	There are no asset management considerations.

11. RECOMMENDATIONS

11.1 That the Audit and Governance Committee:

- i. Note the report of Mazars.

12. REASON FOR RECOMMENDATIONS

12.1 To ensure the Audit and Governance Committee is kept up to date with the work of our External Auditor.

13. BACKGROUND PAPERS

13.1 Mazars Update Report.

14. CONTACT OFFICER

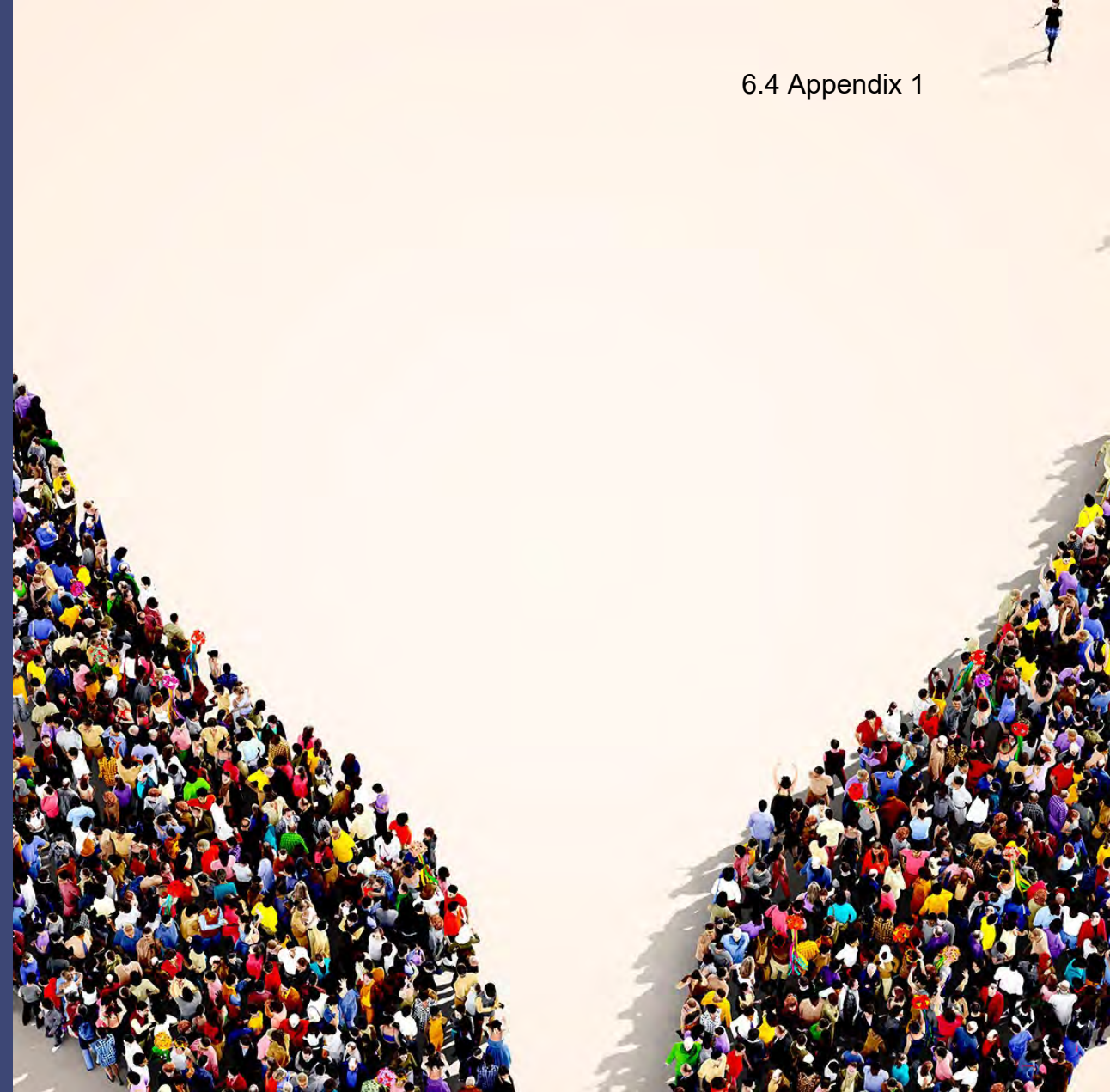
14.1 James Magog
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Audit Progress Report

Hartlepool Borough Council

October 2023



Contents

1. Audit Progress
2. Fiscal pressure & inflation challenges for the public & social sector – our 2023/24 survey
3. National publications

01

Section 01: **Audit progress**

1. Audit progress

Purpose of this report

This report provides the November 2023 Audit and Governance Committee meeting with an update on progress in delivering our responsibilities as your external auditors. It updates members on the national delays in completing the 2020/21 and 2021/22 audits and how they impact the Council and the timing of the 2022/23 audit. It also includes, at Section 2, a summary of the outcomes from a survey relating to the fiscal pressures and inflation challenges for the public and social sector and at Section 3, a summary of recent national reports and publications for your information.

2020/21 Audit

The audit certificate for the 2020/21 audit was issued on 29 September 2023. This was delayed until we received clearance from National Audit Office (NAO) that they were not selecting the Council as a sampled component for additional work in relation to Whole of Government Accounts (WGA). This issue impacted on all authorities, not just the Council.

The audit certificate formally closes and concludes the 2020/21 audit. We issued our audit report on 14 December 2021.

2021/22 Audit

Financial Statements audit

We substantially completed our 2021/22 audit and issued our audit completion report in November 2022. However, we have previously updated the Audit and Governance Committee that following the resolution of the issues that arose in respect of infrastructure (the Council adopted the statutory override and updated the disclosures in its 2021/22 financial statements in relation to infrastructure, and we completed our audit testing of that in February 2023), a further national issue had arisen.

The new national issue related to the impact of the delay in 2021/22 audit work, initially caused by the infrastructure issue, and then exacerbated in the Council's case by a delay in receiving the Pension Fund Auditor Assurance letter until 22 March 2023 (the Pension Fund auditor is a different audit firm to Mazars). This meant that the triennial revaluation of the Teesside Pension Fund as at 31 March 2022 was now available as more up-to-date information for management to reflect in the 2021/22 financial statements.

The way forward took a little time to confirm as the situation was unprecedented and added further to what had already been a considerable delay in completing the audit.

1. Audit progress (continued)

The way forward was then agreed that:

- Authorities (including the Council) were to obtain updated IAS19 valuation reports and amend the 2021/22 financial statements for the new figures; and
- Pension Fund auditors were to complete testing on the reliability and accuracy of the updated pension fund membership data.

The work on this was immediately prioritised. Unfortunately, the Pension Fund auditor indicated that they could not provide us with the results of their testing until September 2023 and when we did receive their report there were significant discrepancies between the membership data used by the fund and that indicated by testing. The pension fund auditor stated that they were unable to resource further work designed to resolve these discrepancies and thus we agreed with them and the administering authority that we would complete this work.

We suggest that the final financial statements for 2021/22 are presented for approval to the Audit and Governance Committee on 7 November 2023, and we will also present a follow up letter to the Audit Completion Report 2021/22 at this meeting. It may be that there are still unresolved issues in respect of membership data at this point, but if the financial statements are approved by the Audit and Governance in November 2023 we will be able to issue our audit opinion immediately on clearance of the remaining pensions issues, without having to wait for the next cycle of Audit and Governance Committee meetings.

The issue of an audit opinion on the Council's financial statements is an important part of the accountability framework for the use of public money. We understand that at mid-July 2023, only 27% of audit opinions had been issued in relation to the 2021/22 financial year. These unprecedented delays are of concern. It is our priority to bring the audit to a conclusion as soon as possible.

It is important to note that in relation to the 2021/22 audit of the financial statements:

- We still anticipate issuing an unqualified audit opinion;
- The delays are nothing to do with management or those charged with governance, and are national issues beyond the Council's control; and
- The issues causing the delays are all in relation to technical accounting issues, none of which will have an impact on the resources available to the Council or its underlying financial position.

Value for Money arrangements

We are not able to finalise our Auditor's Annual Report including our commentary on value for money until we have issued our audit opinion. We have, however, completed our work, and subject to a final check at the point we report, we have not identified any significant weaknesses or recommendations in relation to our reporting criteria of financial sustainability, governance and improving economy, efficiency and effectiveness. We plan to present our draft Auditor's Annual Report to the November Audit and Governance Committee meeting.

1. Audit progress (continued)

Whole of government accounts

When we have issued the 2021/22 audit opinion, we will also be able to report to NAO on the WGA. However, once again we anticipate a delay before we can issue the audit certificate, as we wait for NAO clearance that they will not be selecting the Council as a sampled component for additional work in relation to WGA. The NAO timetable for completion of 2021/22 WGA is the end of March 2024, so we anticipate also being able to issue our 2021/22 audit certificate at or around the end of March 2024.

2022/23 Audit

Our Audit Strategy Memorandum for the 2022/23 audit was presented to the Audit and Governance Committee on 18 July 2023. This indicated that the timing of our fieldwork and completion was '*to be confirmed*' due to the need to prioritise completion of the 2021/22 audit referred to above.

Audit fieldwork on the 2022/23 financial statements is now in progress.

We are aiming to complete our audit work in relation to the 2022/23 audit by the end of January 2024. However, as for the 2021/22 audit, we are anticipating a further delay in receiving the Pension Fund auditor assurance letter. We are regularly liaising with the auditor of Teesside Pension Fund to ensure that this delay is minimised, and the latest forecast is that it will be issued in time for us to issue an opinion by 31 March 2024.

We understand that nationally just one per cent of local authority accounts were signed off by 30 September 2023 and the Government, the NAO, audit suppliers and regulators are working together to find a way to clear the backlog in 2023/24, which is the first year of a new external audit contract let by Public Sector Audit Appointments Limited. We will update the Audit and Governance Committee as soon as a way forward is agreed with all stakeholders as all parties recognise that the current situation in the public sector external audit market is unsustainable.

Section 02:

Fiscal pressure & inflation challenges for the public & social sector – our 2023/24 survey

Against a backdrop of political uncertainty, unprecedented strike action and the prevailing cost of living crisis – itself a consequence of the conflict in Ukraine among other factors – many of the UK's most vulnerable communities are at risk of becoming more marginalised and desperate. In response, we sought to understand how the public sector plans to support vulnerable people, communities, and service users in 2023/24.

Fiscal pressure & inflation challenges for the public & social sector – our 23/24 survey

Key Findings at a Glance

1. Supporting vulnerable communities is a public and social sector imperative: The public sector is taking proactive steps to strengthen support and service delivery to deprived communities, but could more be done to safeguard vulnerable citizens?

To support people, communities, and service users, 61% said they are seeking new funding/income streams to maintain services; and 54% said they are reassessing the breadth and depth of services. In particular, respondents highlighted the creation of hardship funds, diversion of critical services, and streamlining of internal processes.

81% said lack of funding; 67% said lack of staffing resources; and 46% said focus on short term not long term all pose the greatest barrier to supporting vulnerable people and communities.

2. Innovation and collaboration are key enablers in the fight against financial constraints: As the public sector moves to meet rising demand with renewed vigour, what role will innovation and collaboration play in the fight against poverty?

The majority of public sector organisations are looking externally for support and solutions, with 90% agreeing that external collaboration could strengthen their response to deep-running fiscal challenges and 87% of respondents positive that engaging with third parties could improve efficiency and productivity organisation wide. There were similar reflections about the importance of leveraging internal networks, with 83% of respondents agreeing that staff collaboration across their organisation was key, e.g. cross-departmental, would improve efficiency and productivity. Organisations are therefore advocating a unified approach, which values the existing workforce's skills and insight, and supplements this with external perspectives to diversify thinking and continually improve.

Both innovation and technology were identified as potential opportunities for improved service delivery. Respondents highlighted the need for digital transformation strategies, sharing good practice, and using artificial intelligence to identify the people and communities most at risk. Efficient and digitised services have the potential to free up resources and there was a particular spotlight on self-help tools for their dual function in creating capacity and empowering citizens.

3. The Public and social sector must redefine its place in an evolving economic landscape: Many service providers are still thinking short-term. How can we ensure public services are future fit, and what will the biggest priorities be over the next 12-24 months?

Organisations referred to targeting priorities across both key inputs (31% securing funding; 41% continuous employee wellbeing and development) and outputs (54% improving citizen/service user experience; 45% supporting local communities to cope with rising living costs).

Public sector organisations remain alert to issues on the external horizon that could impact success, with uncertainty both in relation to energy costs and inflation (90%) and the current UK political landscape (79%) being a key concern for most respondents. Instability in the workforce completed the top three concerns, with 77% of organisations responding that higher level skills shortages were having a high (43%) or medium (34%) impact.

These themes are consistent with previous findings – employees need to be nurtured, new funding streams secured, and significant efficiency gains made. Upstream investment in people and relationships should intrinsically support the achievement of outputs and outcomes, maximising medium to long term impact. However, our survey suggests the sector needs an injection of confidence that there will be the financial and political security to deliver this success.

Our full report of our survey and responses can be downloaded for free from our website. <https://www.mazars.com/Home/Insights/Latest-insights/Public-and-social-sector-study-2023>

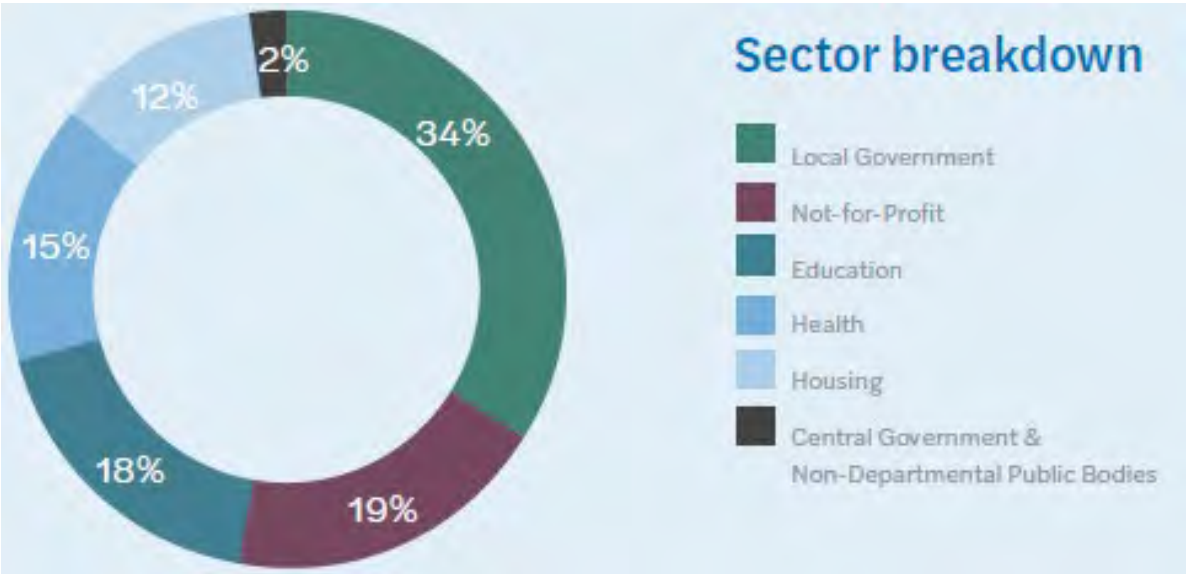
Key findings at a glance

Survey methodology and breakdown

A survey to measure fiscal pressure and inflation challenges for the public & social sector was conducted by Surveys in Public Sector in partnership with Mazars. The consultation period ran from Tuesday 7th February 2023 to Monday 6th March 2023. A total of 332 individuals from 312 unique organisations participated in the survey, representing a broad cross-section of job functions across the UK public sector.

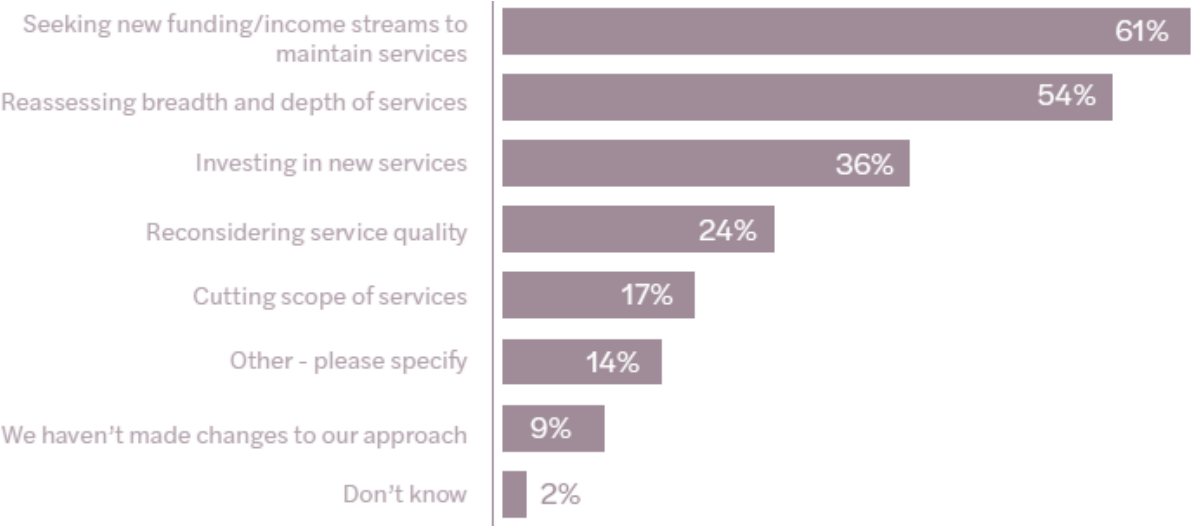
All survey participants have received a complimentary copy of the key findings report. There was no inducement to take part in our research project, and Mazars was not introduced as the survey partner.

The results discussed throughout our report are based on those who fully completed the questionnaire and are displayed as a percentage of this group, unless explicitly stated otherwise.



Key findings at a glance

How is your organisation currently changing its approach to supporting people, communities, and service users?



Supporting vulnerable communities is a public & social sector imperative

How is your organisation currently changing its approach to supporting people, communities, and service users?

- 61% said they are seeking new funding/income streams to maintain services
- 54% said they are reassessing the breadth and depth of services
- 36% said they were investing in new services to meet increasing demand
- 17% said they were cutting the scope of services

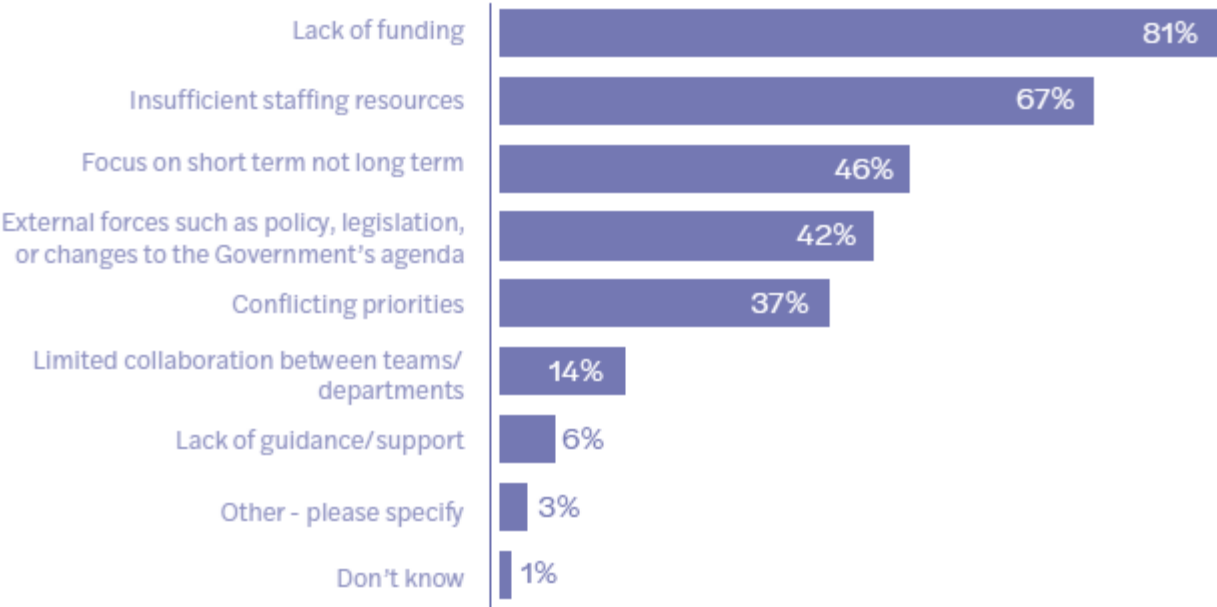
The comments section was used to expand on these points, highlighting the creation of hardship funds, diversion of critical services, and streamlining of internal processes.

In your opinion, which of the following poses the greatest barrier to your organisation's ability to support vulnerable people/communities?

- 81% said lack of funding
- 67% said lack of staffing resources
- 46% said focus on short term not long term

Key findings at a glance

In your opinion, which of the following poses the greatest barrier to your organisation’s ability to support vulnerable people/communities?



Innovation and collaboration are key enablers in the fight against financial constraints:

How much do you agree that the following ways of working together/collaboration could help address the fiscal and inflationary challenges your organisation faces?

- Increasing opportunities for easy collaboration locally, regionally, and nationally:

90% agreed that external collaboration could strengthen their response to deep-running fiscal challenges.

- Working with partners to identify innovative solutions to improve efficiency and productivity:

87% of respondents felt that engaging with third parties could improve efficiency and productivity organisation wide.

- Improved/increased staff collaboration across the organisation:

83% of respondents agreed that staff collaboration across their organisation was key, e.g. cross-departmental, would improve efficiency and productivity.

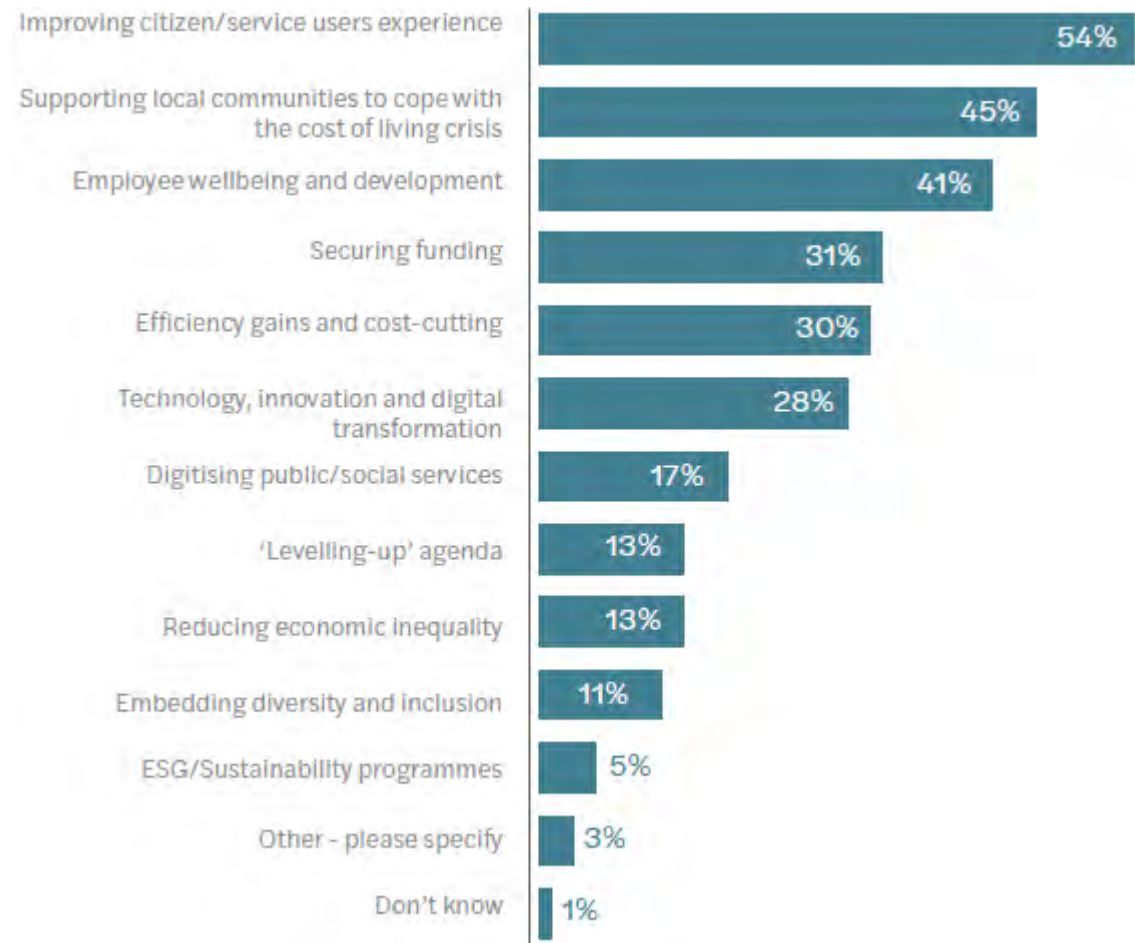
Innovation and technology were identified as potential opportunities for improved service delivery – respondents highlighted the need for ‘*digital transformation strategies*’, sharing good practice, and using artificial intelligence to identify the people and communities most at risk.

Self-help tools were highlighted to free up internal resources and empower citizens – e.g. raising awareness of services to reduce demand through inappropriate referrals.

Efficient and digitised services were identified as having the potential to free up resources.

Key findings at a glance

Which of the following areas do you believe will be key priorities of your organisation in the next 12-24 months?



Key Findings at a glance

The public and social sector must redefine its place in an evolving economic landscape (long term):

Key priorities for the next 12-24 months

- 54% of respondents saw 'improving citizen/service user experience' as a high priority
- 45% saw supporting local communities to cope with rising living costs as a key priority
- 41% agreed with the importance of continuous employee wellbeing and development
- 31% identified securing funding

These themes are consistent with previous findings – employees need to be nurtured, new funding streams secured, and significant efficiency gains made.

To what extent are the following global and national factors impacting your organisation's decision making?

- 90% of respondents said national economic uncertainty due to energy costs and inflation had a high (64%) or medium (26%) impact
- 77% responded that higher level skills shortages were having a high (43%) or medium (34%) impact
- 79 % of respondents said the current UK political landscape had a high (42%) or medium (37%) impact

03

Section 03:

National publications

National publications

	Publication/update	Key points
Key issues		
Chartered Institute of Public Finance and Accountancy (CIPFA)		
1	CIPFA Bulletins	CIPFA has recently issued two Bulletins to provide further guidance on the financial reporting requirements.
National Audit Office (NAO)		
2	Good practice in annual reporting	The NAO published an interactive guide that provides examples of good practice in annual reporting.
3	Tackling Fraud and Corruption in Government	This report sets out the recent trends from NAO audits and reports, reviews how well-placed government is to understand and tackle fraud and corruption across government and sets out insights from their work and engagement with experts on what more government can do to better prevent fraud and corruption.
4	Digital Transformation	This report evaluates government's approach to addressing the underlying issues of why past attempts at digital transformation have run into problems.
5.	Condition of school buildings	Report which examines whether the Department for Education (DfE) is achieving its objective to ensure the school estate in England contains the safe and well-maintained school buildings that it regards as essential for a high-quality education.
6.	Financial management in government: strategic planning and budgeting	This guide is for senior finance leaders in government departments and other public bodies. It sets out the first stage in the financial management lifecycle: strategic planning and budgeting.
Department for Levelling Up, Housing and Communities		
7.	Department consultation – public inspection of Category 1 authority accounts 2022/23	The Department for Levelling Up, Housing & Communities (DLUHC) requested views on the current deadline for category 1 authorities to make their draft accounts available for public inspection.
8.	Levelling up enquiry on Local Audit	The Levelling Up, Housing and Communities Committee has launched an inquiry into financial reporting and audit, examining a range of issues relating to the purpose and understanding of local audit and the impact of local authority accounts and audit findings.
Other		
9.	ICAEW Vision for Local Audit	The Institute for Chartered Accountants in England and Wales (ICAEW) has published its vision for local audit to accompany the recent publication of a Memorandum of Understanding (MoU) between the Department of Levelling Up, Housing and Communities (DLUHC) and the Financial Reporting Council (FRC).
10.	Public Interest Report – Croydon Council	Following the publication of a public interest report in October 2020, Croydon Council commissioned local government expert Richard Penn, through the Local Government Association to compile an independent report on the issues at the Council.

NATIONAL PUBLICATIONS

Chartered Institute of Public Finance and Accountancy (CIPFA)

1. CIPFA Bulletins

Bulletins issued by CIPFA, with the assistance of CIPFA panels, provide practitioners with topical guidance on specific issues and accounting and reporting developments. CIPFA has issued the following Bulletin's in recent months:

CIPFA Bulletin 13 – Local Authority Reserves and Balances (March 2023). This provides guidance to local authority chief finance officers in England, Northern Ireland, Scotland and Wales on the establishment and maintenance of local authority reserves and balances. The bulletin largely updates guidance in previous bulletins.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-13-local-authority-reserves-and-balances>

CIPFA Bulletin 14 – Closure of the 2022/23 Financial Statements (March 2023). The annual year-end accounting bulletin provides updates on key issues and includes sections on:

- Grant recognition and presentation
- Subsequent measurement of property, plant and equipment and investment properties
- Other capital accounting issues – capital financing requirement (CFR) and minimum revenue provision
- Reporting impacts of inflation and high interest rates – financial statements
- Final triennial valuation statements received by pension fund account preparers – 2021/22 issue
- Narrative report and recent economic activity
- Accounting standards that have been issued but not yet adopted and IFRS 16 Leases mandatory implementation as of 1 April 2024 (and other IFRS 16 issues)

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-14-closure-of-the-202223-financial-statements>

CIPFA Bulletin 14 – Supplement on The Triennial Valuation and IAS19 Reporting (May 2023). This supplementary guidance covers the impact of the triennial valuation statements received for pension funds on IAS 19 Employee Benefits Reporting. It effects the 2021/22 financial statements.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-14-supplement-the-triennial-valuation-and-ias-19-reporting>

NATIONAL PUBLICATIONS

National Audit Office

2. Good practice in Annual Reporting – February 2023

The NAO has published an [interactive guide](#) that provides examples of good practice in annual reporting, drawing on examples from the public sector and other organisations shortlisted for the Building Public Trust Awards, which recognise trust and transparency in corporate reporting.

The guide draws on examples of good practice for annual reporting from organisations who are leading the way in this area. These examples are grouped by the sections of an annual report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance
- External factors

It also provides further examples where bodies have made their reports easier to understand with the use of graphics, clear and accessible language and signposting. The list is not definitive, but the NAO hopes it provides ideas for all bodies in both the public and private sector to think about as they plan their annual reporting for 2022-23.

NATIONAL PUBLICATIONS

National Audit Office

3. Tackling Fraud and Corruption against Government – March 2023

Since the start of the COVID-19 pandemic, government has recorded a higher level of fraud in the accounts we audit. This reflects the nature of the government's response to the pandemic, including the rapid implementation of large new spending and loan programmes that came with an unusually high risk of fraud.

This report sets out the recent trends from NAO audits and reports, reviews how well-placed government is to understand and tackle fraud and corruption across government and sets out insights from their work and engagement with experts on what more government can do to better prevent fraud and corruption.

The report follows NAO previous work which found government did not have a good understanding of fraud before the pandemic. In NAO's 2016 Fraud landscape review, they found a large disparity between the level of fraud and error that the UK government reports, and the level reported in other countries and the private sector. NAO also found there were few incentives for departments to record and report the true scale of potential fraud; a lack of data or metrics to evaluate performance in detecting and preventing fraud; and mixed capability across departments to tackle fraud.

The report can be found at the following link:

<https://www.nao.org.uk/reports/tackling-fraud-and-corruption-against-government/>

4. Digital Transformation in Government – Addressing the Barriers - March 2023

This report evaluates government's approach to addressing the underlying issues of why past attempts at digital transformation have run into problems. NAO focus on the approach to transforming government, how the Central Digital and Data Office, its Roadmap and departmental leaders will support and promote this, and whether senior business leaders across government have a suitable level of digital capability.

The report can be found at the following link:

<https://www.nao.org.uk/reports/digital-transformation-in-government-addressing-the-barriers/>

NATIONAL PUBLICATIONS

National Audit Office

5. Condition of school buildings – June 2023

The NAO has published its report Condition of school buildings which examines whether the Department for Education (DfE) is achieving its objective to ensure the school estate in England contains the safe and well-maintained school buildings that it regards as essential for a high-quality education. The evaluative criteria for assessing value for money include whether DfE has:

- a good understanding of the condition of school buildings
- appropriate arrangements to allocate funding for school buildings in line with need
- effective ways to support the sector.

The report covers:

- the school system and DfE's overarching school building maintenance approach (Part One)
- DfE's understanding of the condition of school buildings (Part Two)
- how DfE matches funding to need (Part Three).

Conclusions:

DfE is accountable for providing those bodies responsible for school buildings with the funding and support to enable them to meet their responsibility to ensure school buildings are safe and well maintained.

Following years of underinvestment, the estate's overall condition is declining and around 700,000 pupils are learning in a school that the responsible body or DfE believes needs major rebuilding or refurbishment.

Most seriously, DfE recognises significant safety concerns across the estate, and has escalated these concerns to the government risk register.

<https://www.nao.org.uk/reports/condition-of-school-buildings/>

Since NAO published their report, safety concerns about the use of re-enforced autoclaved aerated concrete (RAAC) in public buildings, especially schools, has prompted extensive school closures and expenditure on surveys and remedial work. Although we understand that the impact on the Council's schools has been limited, the issue illustrates the impact of under-investment in maintaining school buildings highlighted in the NAO report.

NATIONAL PUBLICATIONS

National Audit Office

6. Financial management in government: strategic planning and budgeting – September 2023

The guide outlines how finance leaders can plan strategically and realistically to:

- Align strategy and planning;
- Make planning inclusive;
- Plan dynamically;
- Address optimism bias; and
- Deal with risk and uncertainty.

The insights have been drawn from NAO reports, the experiences of NAO audit teams, and the thoughts of a range of senior finance decision-makers.

[Financial management in government: strategic planning and budgeting - NAO insight](#)

This guide is part of a series supporting financial management in the public sector. NAO also published the following guide in July 2023:

- [Enablers to success](#)

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing and Communities

7. Department Consultation on public inspection of Category 1 authority accounts 2022/23 – February 2023

In March 2021 The Accounts and Audit (Amendment) Regulations 2021 amended the requirements about when accounts must be made available for public inspection for the 2020/21 and 2021/22 accounts, and provided that the period for the exercise of public rights needed to commence on or before the first working day in August in the following financial year.

For 2022/23, the statutory requirement for category 1 authorities is to make accounts available for public inspection for a period that includes the first 10 working days of June, effectively requiring them to be published by 31 May at the latest.

The Government launched a consultation exercise and went ahead with the proposal despite extensive feedback that the earlier deadline was impractical. The Council, along with most others, did not meet the 31 May deadline but there are no indications as yet that the 2024 timetable will be any later.

<https://consult.levellingup.gov.uk/redmond-response-team/request-for-views-draft-accounts-deadline/>

8. Levelling Up Committee launches inquiry on local audit – March 2023

The Levelling Up, Housing and Communities Committee launched an inquiry into financial reporting and audit, examining a range of issues relating to the purpose and understanding of local audit and the impact of local authority accounts and audit findings. This led to a webinar in August 2023 at which ideas for reducing the backlog were discussed.

The inquiry will scrutinise the role of audit in local accountability and democracy and the extent to which accounts provide a clear picture of the financial sustainability and resilience of a local authority.

The inquiry is also likely to explore how local authority financial reporting could be made more accessible, the role of local audits in acting as ‘red flag’ for action by councils to address financial issues, and how auditors in local government could work together to share best practice.

The Committee welcomes written evidence on the terms of reference, which fall under the following headings:

- Users and uses of local authority accounts and audit
- Understandability and accessibility of local authority accounts and audit
- Making local authority accounts meet the needs of users better
- Addressing findings in audits and sharing best practice

<https://committees.parliament.uk/work/7348/financial-reporting-and-audit-in-local-authorities/news/186485/levelling-up-committee-launches-inquiry-on-local-audit/>

NATIONAL PUBLICATIONS

ICAEW

9. ICAEW Publishes its Vision for Local Audit – March 2023

The Institute for Chartered Accountants in England and Wales (ICAEW) has published its vision for local audit to accompany the recent publication of a Memorandum of Understanding (MoU) between the Department of Levelling Up, Housing and Communities (DLUHC) and the Financial Reporting Council (FRC).

The ICAEW welcomes the MoU, which covers the role of the ‘*shadow*’ system leader for local audit pending the establishment of the Audit, Reporting and Governance Authority (ARGA). The ICAEW also believes more needs to be done urgently if the local financial reporting and audit crisis is to be resolved.

The ICAEW's vision for local audit is designed to prompt discussion, identifying a series of challenges the ICAEW believes need to be overcome, and actions it supports to address those challenges. These are grouped into the following areas:

- Improve financial reporting to enhance transparency and accountability
- Deliver high-quality local audits on a timely basis
- Strengthen financial management and governance
- Reform finances to ensure value for money and protect the public interest
- Build a thriving profession that is highly valued

<https://www.icaew.com/insights/viewpoints-on-the-news/2023/mar-2023/ICAEW-publishes-its-vision-for-local-audit>

NATIONAL PUBLICATIONS

Public Interest Report

10. Croydon Council Public Interest Report – February 2023

Following the publication of a public interest report in October 2020, Croydon Council commissioned local government expert Richard Penn, through the Local Government Association to compile an independent report on the issues at the Council. His report, completed in March 2021, but only just published in February 2023 found that the dysfunctional leadership and poor governance arrangements contributed to the Authority's financial collapse.

Fairfield Hall is an arts, entertainment and conference centre situated in Croydon. Refurbishment of this building was agreed by Croydon Council and work was undertaken between June 2016 and September 2019. It was delivered late and cost substantially more than the original £30m budget agreed by cabinet. Originally a Value for Money review, this became a Report in the Public Interest by their auditors Grant Thornton which highlighted failings of financial control and governance of this project.

The report found that the '*governance gaps*' at the time '*prevented scrutiny and challenge that may have allowed corrective action to have been taken.*' The report found that the statutory officers and chief officers throughout the time of the refurbishment failed to fulfil their statutory duties. All have since left the council. An action plan will be put in place to address the recommendations arising from this report.

This has led the Council putting in place new measures to address the findings. The Council has overhauled and strengthened its financial, legal, decision-making and other governance processes, and through its Croydon Renewal Plan is creating a new culture of good decision-making, transparency, accountability, and value for money.

It also led the council to undertake an external independent review of its companies and company structures. Following that review, the Council's intention is to wind down its development company Brick by Brick once it has completed its outstanding building work. The Fairfield Halls refurbishment contracts were taken back under direct Council control. The full report, which includes several lessons that other Councils can learn from, can be seen here:

<https://www.croydon.gov.uk/council-and-elections/budgets-and-spending/reports-and-reviews/report-public-interest-fairfield-halls>

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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AUDIT AND GOVERNANCE COMMITTEE

7th November 2023



Report of: Director of Finance, IT & Digital

Subject: TREASURY MANAGEMENT STRATEGY QUARTER
2 UPDATE 2023/24

1. PURPOSE OF REPORT

- 1.1 The purposes of the report is to provide the second quarter update of the 2023/24 Treasury Management activity.

2. BACKGROUND

- 2.1 The Treasury Management Strategy covers:
- the borrowing strategy relating to the Council's core borrowing requirement in relation to its historic capital expenditure (including Prudential Borrowing);
 - the borrowing strategy for the use of Prudential Borrowing for capital investment approved as part of the Medium Term Financial Strategy; and
 - the annual investment strategy relating to the Council's cash flow.
- 2.2 The Treasury Management Strategy needs to ensure that the loan repayment costs of historic capital expenditure do not exceed the available General Fund revenue budget. Similarly, for specific business cases the Treasury Management Strategy needs to ensure loan repayment costs do not exceed the costs built into the business cases. As detailed later in the report these issues are being managed successfully.
- 2.3 The Local Government Act 2003 requires the Council to 'have regard to' the CIPFA (Chartered Institute of Public Finance and Accountancy) Prudential Code and to set prudential indicators for the next three years to ensure capital investment plans are affordable, prudent and sustainable.
- 2.4 The Act also requires the Council to set out a Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy, which sets out the policies for managing investments and for giving priority to the

security and liquidity of those investments. The Secretary of State has issued Guidance on Local Government Investments which came into force on 1st April, 2004, and has subsequently been updated, most recently in 2021. The 2021 Prudential and Treasury Management Codes has a new prudential indicator for 2023/24 the Liability Benchmark (LB). This is detailed in the 2023/24 Treasury Management Strategy.

2.5 The Council is required to nominate a body to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies, before making recommendations to full Council. This responsibility has been allocated to the Audit and Governance Committee.

2.6 This report covers the following areas:

- Economic background and outlook for interest rates;
- Treasury Management Strategy 2023/24 second quarter review.

3. ECONOMIC ENVIRONMENT AND OUTLOOK FOR INTEREST RATES

3.1 **UK** – The Bank of England’s MPC held the Bank Rate unchanged at 5.25% at its September meeting, breaking a run of fourteen consecutive increases. The vote was ‘finely balanced’ with five in favour of no change, while four members voted to increase by 25bps. The minutes of the meeting suggested that the rates need to be sufficiently restrictive for sufficiently long and that if there were evidence of more persistent pressures, then further tightening in monetary policy would be required. As such whilst the MPC has paused increases, it is not inevitable that a cut in the Bank Rate will be made in the near future.

3.2 The latest Consumer Price Index data for August 2023 shows that the UK CPI measure of inflation dropped back to 6.7% (from 6.8%), and the lowest inflation rate since February 2022, primarily due to a slowdown in food inflation and a decline in the cost of accommodation services.

3.3 The Office for Budget Responsibility’s revised growth forecast up to 2027 are set out in the following table:

Year	March 2022 Growth Forecast	March 2023 Growth forecast
2023	1.8%	(0.2%)
2024	2.1%	1.8%
2025	1.8%	2.5%
2026	1.7%	2.1%
2027		1.9%

3.4 **European Union (EU)** – The European Central Bank raised interest rates by 25 bps at its September meeting, the tenth consecutive rate hike. August’s inflation data increased analysts’ confidence that the core rate has reached its peak. September 2023 GDP increased by 0.3% in quarter 2. The

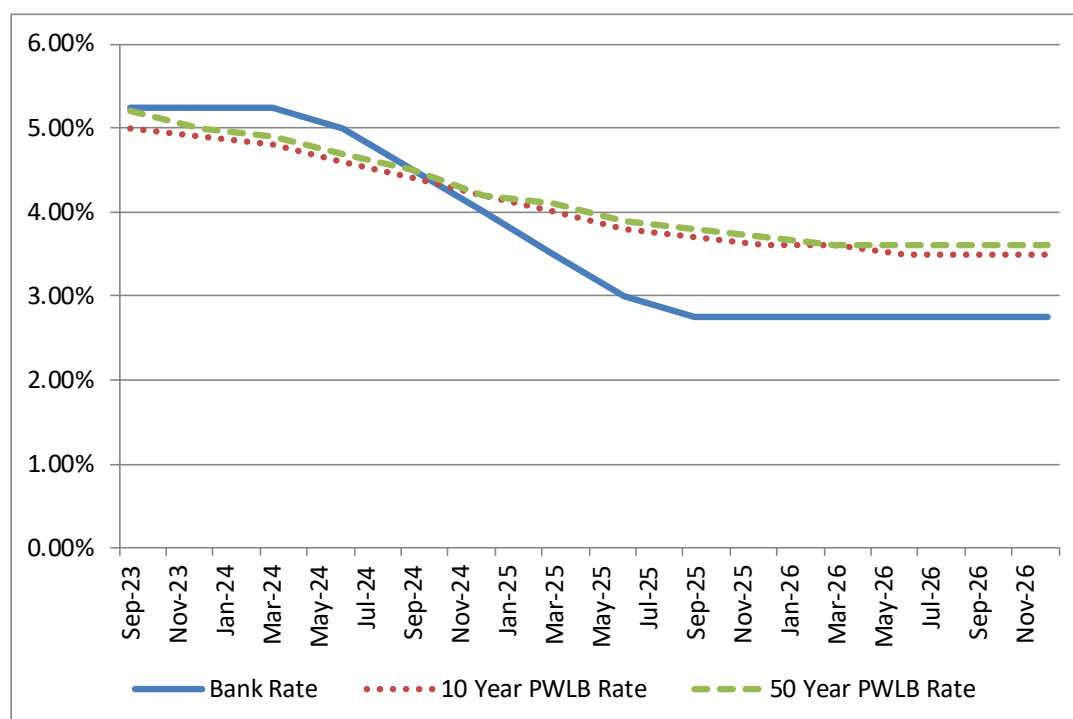
unemployment rate fell to 6.4% in June, its lowest on record. However, the economic outlook remains uncertain. Growth looks set to remain weak and for inflation to decline, further rate hikes are expected.

- 3.5 **USA** – Growth in the real economy appears to be gathering momentum, but underlying price pressures are rapidly fading, and analysts expect core inflation to be close to the 2% target by mid-2024. The Federal Reserve will need to cut nominal interest rates aggressively next year to prevent real rates from rising to undesirable levels.
- 3.6 **Other Economies** – In China, although the economy appears to have avoided a further slowdown, it is still facing some major challenges. CPI turned negative in July at -0.3%, while Produce Price Index (PPI) deflation continued for the 10th month in a row. A rebound in the coming months seems unlikely as household confidence also remained weak. Policy rates were cut for the second time in three months, but the declines are considered by economists to be too small to have much impact. In Japan, headline inflation decreased to 3.2% in August 2023 from 3.3% in the prior month.

Interest Rate Forecasts

- 3.7 Link Asset Services (the Council's Treasury Management advisors) continue to update their interest rate forecasts to reflect statements made by the Governor of the Bank of England and changes in the economy.
- 3.8 Expectations are that the Bank Rates will remain on hold at 5.25% for the best part of a year. Data is suggesting that inflation is dipping, albeit slowly, and that the economy is heading for a shallow recession. This would suggest that further monetary policy tightening above 5.25% is not required.
- 3.9 Link anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgement; cut too soon, and inflationary pressure may well build up further; cut too late and any downturn or recession may be prolonged.
- 3.10 Economic and interest rate forecasting remains difficult with so many influences impacting on the economy. UK gilt yields (i.e. Government borrowing) and PWLB rates forecasts made by Link Asset Services may be liable to further amendment depending on how the political and economic developments transpire over the next year.

3.11 Link Interest Rate Forecast up to December 2026 are shown below:

4. TREASURY MANAGEMENT STRATEGY 2023/24 2nd QUARTER REVIEW4.1 The Treasury Management Strategy for 2023/24 was approved by Council on 23rd February 2023. The Council's borrowing and investment position as at 30th September 2023 is summarised as follows:

	£m	Average Rate
PWLB Loans	27.3	3.43%
Market Loan (Annuity)	16.5	2.31%
Market Loans (Maturities)	25.0	3.92%
Non-Market Loans (Maturities)	0.4	0.00%
Market Loans (LOBOs)	20.0	4.12%
Gross Debt	89.2	3.50%
Investments	58.7	4.88%
Net Debt as at 30 September 2023	30.5	

4.2 The Council continues to keep under review the most opportune approach to borrowing. Given the increase in interest rates experienced since 2022, no long term borrowing has been entered into to ensure that the Council was not exposed to increased costs at a time of volatility and high interest rates.

4.3 As the Capital programme progresses, coupled with anticipated significant use of reserves both to support capital expenditure and the in-year budget position, the approach to borrowing may need to adapt. Whilst the aim will be to take out shorter term borrowing should rates remain high, we may need to mitigate risk by taking out some longer term borrowing at a higher

rate than we would like. This will be kept under close review. The aim will continue to be to minimise the borrowing cost to the Revenue budget.

- 4.4 Net Debt has decreased since 31st May 2023 (first quarterly review) following the repayment of a short term loan. The Council continues to actively manage cash flows on a day to day basis to maximise returns. Investments of a year duration have been made to achieve the best rate available, however this is unlikely to be sustainable beyond the short term given the potential for significant use of reserves in the current year and the progress anticipated on the capital programme.
- 4.5 As at 30th September, the funds managed by the Council's in house team amounted to £58.7m. All investments complied with the Annual Investment Strategy and are shown below.

Borrower	Duration	Value of Loan (£m)	Rate (%)	Start Date	Maturity Date
Call Accounts*					
Svenska Handelsbanken	On Call	5.284	2.100		Call
NatWest Bank	On Call	0.034	1.150		Call
		5.318	2.090		
Fixed term Deposits					
Lloyds	1 year	15.000	5.370	07/10/22	06/10/23
Goldman Sachs	1 year	10.000	4.860	21/10/22	20/10/23
Standard Chartered	1 year	10.000	4.520	06/01/23	05/01/24
Standard Chartered	1 year	5.000	4.590	13/01/23	12/01/24
Goldman Sachs	1 year	5.000	5.810	22/09/23	20/09/23
Natwest Markets Plc	1 year	5.000	5.690	22/09/23	20/09/23
Debt Management Office	<1 month	3.422	5.690	05/09/23	27/10/23
		53.422	5.108		
Total Deposits		58.740	4.883		

*On Call interest rate can vary on a day to day basis. The figure quoted here is as at 06/10/23.

- 4.6 There are no changes to the counter party investment limits as agreed as part of the Investment Strategy and set out in the table below.

Category	Fitch	Moody's	Standard & Poor's	Counterparty Limit	Time Limit
A	F1+/AA-	P-1/Aa3	A-1+/AA-	£20m	1 Year
B	F1/A-	P-1/A3	A-1/A-	£15m	1 Year
C	Debt Management Office/Treasury Bills/Gilts			£40m	1 Year
D	Part Nationalised Banks			£15m	1 Year
E	Other Local Authorities			£40m	1 Year
	Individual Limits per Authority: - £8m County, Metropolitan or Unitary Council - £3m District Councils, Police or Fire Authorities				
F	Three Money Market Funds (AAA) with maximum investments of £3m per fund.			£9m	Liquid (instant access)

- 4.7 As part of the Treasury Strategy for 2023/24 the Council set a number of prudential indicators. Compliance against these indicators is monitored on a regular basis and there are no breaches to report.

5. RISK IMPLICATIONS

- 5.1 There is a risk in relation to the level of interest rates the Council is able to secure for long term borrowing and the proposals detailed in this report are designed to manage these risks.
- 5.2 There are also risk implication in relation to the investment of surplus cash and these are addressed in the strategy recommended in the Counterparty limits.

6. FINANCIAL CONSIDERATIONS

- 6.1 As detailed in preceding paragraphs

7. LEGAL CONSIDERATIONS

- 7.1 The report details how the Council will comply with the relevant legal and regulatory requirements in relation to Treasury Management activities.

8. OTHER CONSIDERATIONS

Child and Family Poverty considerations	No relevant issues
Equality and Diversity considerations	No relevant issues
Staff Considerations	No relevant issues
Asset Management considerations	No relevant issues
Environment, sustainability and climate change considerations	No relevant issues

9. RECOMMENDATIONS

- 9.1 It is recommended that Members note the following:
- i) Note the 2023/24 Treasury Management 2nd Quarter Position detailed in section 4.

10. REASON FOR RECOMMENDATIONS

- 10.1 To allow Members to fulfil their responsibility for scrutinising the Treasury Management Strategy.

11. BACKGROUND PAPERS

Treasury Management Strategy, report to Audit and Governance Committee
9th February 2023.

Treasury Management Strategy Update 2023/24, report to Audit and
Governance Committee 27th June 2023.

12. CONTACT OFFICER

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AUDIT AND GOVERNANCE COMMITTEE

7th November 2023



Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT PLAN 2023/24 UPDATE

1. PURPOSE OF REPORT

- 1.1 To inform Members of the progress made to date completing the internal audit plan for 2023/24.

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
Horizon School	Ensure school finance and governance arrangements are in line with best practice.	-Update register of business interests.	Y
		-Risk register to be reviewed by the management committee and Governors	Y
		-Emergency evacuation plan to be tested and reported to Governors.	Y
		-Ensure all Purchase Orders are raised in advance.	Y
		-Head teacher to sign off all requisition forms. All previous requisitions have been approved by Head teacher before any transactions were made.	Y
		-Banking book could not be located, however, no money has been collected in school since last cash was banked.	Y
		-Publication scheme to be added to website.	Y
		-Privacy notes to be published on website.	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
Budgetary Control	Satisfactory
Carers Service	Satisfactory
Main Accounting System	Satisfactory
Fuel Management	Satisfactory
Green Homes Grant	Satisfactory
Youth Employment Initiative Q1	Satisfactory
Youth Employment Initiative Q2	Satisfactory
Cash/Bank Reconciliations	Satisfactory
Car Parking	Satisfactory
Supporting Families Grant	Satisfactory
IT Asset Management	Satisfactory
Carefirst IT System	Satisfactory
Highways Capital Grant	Satisfactory
Proceeds of Crime Act	Limited
Highways Utility Permits	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 Members will have noted that the Proceeds of Crime Act audit was assessed as limited assurance. The audit is not suggesting that HBC has not been compliant in the past with the requirements of the money laundering and terrorist financing legislation, regulation and guidance. However the audit has identified that because of the recent changes in personnel and the fact that current post holders do not appear to have access to previous documentation or records, there is no evidence available to support compliance at the time of the audit. The limited assurance reflects that:

- Regular updates/reviews of the money laundering and terrorist financing policy and money laundering and terrorist financing risk assessment were not undertaken.
- Identification of relevant staff who require training, and providing training both around the law covering money laundering and terrorist financing and around in house procedures for notifying the Money Laundering Reporting Officer (MLRO) of suspicious transactions had not been undertaken.
- Out of date procedures for receiving notifications about potential money laundering transactions, for analysing those notifications and recording which if any have been reported to NCA.

- 3.6 In order to mitigate the risk identified, the Assistant Director (Corporate and Financial Services) has been designated as the responsible officer for reviewing/updating the policy and for performing regular checks for changes in relevant legislation, regulation and guidance that could impact on the policy. The Assistant Director (Corporate and Financial Services) will:

- Review and update the policy
- Develop and document a procedure for rolling out the policy to ensure organisation wide awareness of the policy, and
- Develop, document and implement a process for checking organisation wide compliance with the policy

A risk assessment will be undertaken in line with the money laundering and terrorist financing regulations. A training approach will be developed which will include:

- awareness of the law relating to money laundering and terrorist financing,
- the GDPR and Data Protection requirements,
- how to recognise transactions with a money laundering or terrorist flag,
- how to report it and to whom as per the organisation policy.

- 3.7 At the previous meeting of the committee the Chair requested an update on the Iclipse/Enterprise IT System and Health and Safety audit as both were previously assessed as limited assurance.

Iclipse/Enterprise IT System is the software that manages the Councils electronic document management requirements. A review of the migration from the Iclipse system to the new Enterprise system was reviewed. Whilst it was found that a structured approach to system migration has been undertaken, and the migration project has largely been successfully managed, a number of significant risks were identified with the ability of the end product to support Council operations as well as fundamental Information Governance weaknesses. In order to mitigate the risk identified the following actions which have been undertaken:

- Installed bespoke software into the LIVE environment to run alongside Enterprise version 4.3 to resolve the indexing issues currently being experienced.
- Install Enterprise v4.41 into TEST environment, test and train staff on this new version of Enterprise addressing a number of performance issues, including the viewing of documents.
- Test and train staff across the whole system once the bespoke software is in place and agree any new business processes that are required within the department.

Following the above actions, retention and disposal protocols are currently being reviewed.

- 3.8 The main reason the assurance level was judged as limited in relation to the Health and Safety audit was because compliance with the health & safety policy across the organisation was inconsistent. In order to mitigate the risk identified the following actions have been undertaken:

- New processes have been implemented with regard to inspections and fire risk assessments. These new processes include a new report template, an explanation of the new assurance and risk levels and a new covering email that accompanies the reports.
- A report was presented to ELT updating them of the new processes.
- All inspection reports are now reported to appropriate Assistant Director and Assistant Director (Regulatory Services) to maintain an overview. Where specific reference to a complete lack of risk assessment or poor

quality risk assessment is made, this is flagged by H&S team member to both AD's. Trends on risk assessments are standing agenda item at Departmental Committees and on quarterly report to ELT.

- Refresh training on risk assessments and provide a mini training session on risk assessments, including 'drop in' session. Undertake communications campaign on near miss reporting and devise new form to make it easier to report.

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

Table 4

Audit	Objectives
Council Tax	Adequate processes are in place to ensure compliance with legislative requirements.
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.
Non Domestic Rates	Adequate processes are in place to ensure compliance with legislative requirements.
National Fraud Initiative (NFI)	Manage NFI process.
Public Health 5-19 Services	Risks to service delivery are understood and mitigated.
Sexual Health Service	Risks to service delivery are understood and mitigated.
Officers Expenses	Payments made in line with corporate and statutory requirements.
Creditors	Adequate processes are in place to ensure compliance with corporate and legislative requirements.

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. OTHER CONSIDERATIONS/IMPLICATIONS

Financial Considerations	There are no financial considerations.
Legal Considerations	There are no legal considerations.
Child and Family Poverty	There are no child and family poverty considerations.

Equality and Diversity Considerations	There are no equality and diversity considerations.
Staff Considerations	There are no staff considerations.
Asset Management Considerations	There are no asset management considerations.
Environment, Sustainability and Climate Change Considerations	There are no environment, sustainability and climate change considerations.

6. RECOMMENDATIONS

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

7. REASON FOR RECOMMENDATIONS

- 7.1 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.

8. BACKGROUND PAPERS

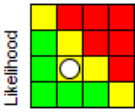

- 8.1 Internal Audit Reports.


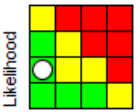
9. CONTACT OFFICER

- 9.1 Noel Adamson
Head of Audit and Governance
Civic Centre
Victoria Road
Hartlepool
TS24 8AY

Tel: 01429 523173

Email: noel.adamson@hartlepool.gov.uk


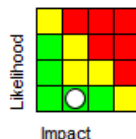
Audit	Objective			Assurance Level
Budgetary Control	Ensure budgets are monitored and managed in line with best practice			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Roles and responsibilities of key officers and budget holders are not defined, leading to the potential for ineffective budgetary control, resulting in potential for unmanaged overspends of public monies.		 Likelihood Impact	<p>We do not believe the roles and responsibilities of budget holders should be referred to in the Constitution. A formal training programme will be developed by the Assistant Director of Finance.</p> <p>Date for Implementation 31/12/2023.</p>	 Likelihood Impact

Audit	Objective			Assurance Level
Carers Service	The Authority complies with statutory legislative requirements for the provision of support to carers.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
The service is not available to all carers or does not provide the level of care and support required due to a lack of understanding of the service user needs resulting in the carer being unable to support those they care for and placing further pressure on the community and services. Non achievement of individual or service outcomes and/or compliance with legislative and guidance requirements.		 Likelihood Impact	<p>Quarterly meetings are now minuted and saved.</p> <p>Date for Implementation 30/06/2023.</p>	 Likelihood Impact

Audit	Objective			Assurance Level
Main Accounting System	Ensure Main Accounting System is adequately controlled ensuring accuracy and accountability.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified.				

Audit	Objective			Assurance Level
Fuel Management	Ensure adequate IT controls are in operation.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Staff do not follow local authority procurement processes leading to non-compliance with contract procedure rules and procurement guidance resulting in non-compliance with legislation and budget pressures.		<p>Likelihood</p> <p>Impact</p>	<p>Staff will be checking the invoices against the price rate of what was originally ordered to ensure that there is no discrepancies.</p> <p>Date for Implementation 31/07/2023.</p>	<p>Likelihood</p> <p>Impact</p>
Staff do not follow local authority procurement processes leading to non-compliance with contract procedure rules and procurement guidance resulting in non-compliance with legislation and budget pressures.		<p>Likelihood</p> <p>Impact</p>	<p>Liaise with our finance team to discuss whether we are to include the 1.4p per litre margin that is included on the invoice by the fuel provider. If so on every order that we place with the designated provider we will add 1.4ppl onto the weekly NEPO price that we are provided</p> <p>Date for Implementation 31/07/2023</p>	<p>Likelihood</p> <p>Impact</p>
Staff do not follow local authority procurement processes leading to non-compliance with contract procedure rules and procurement guidance resulting in non-compliance with legislation and budget pressures.		<p>Likelihood</p> <p>Impact</p>	<p>From now on, all Adblu orders will be placed from the same NEPO supplier who supplies our diesel. They have only since April supplied Adblu and that is the reason we have not used them previously.</p>	<p>Likelihood</p> <p>Impact</p>

6.6 Appendix A

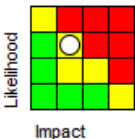
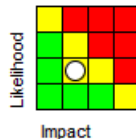
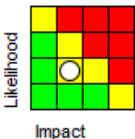
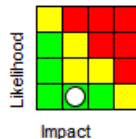
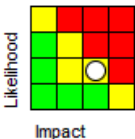
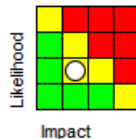
		Date for Implementation 31/07/2023	
Fuel usage is not effectively managed leading to excessive or fraudulent use of fuel not being identified resulting in financial losses to the local authority.		Produce a fuel report and send to departments based on a timeframe that is still to be determined. The departments in question would then need to analyse the data and report back to Fleet with any queries they may have.	
		Date for Implementation 31/07/2023	

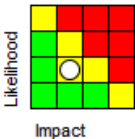
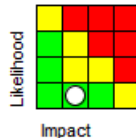
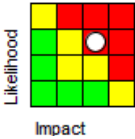
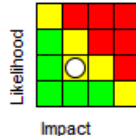
Audit	Objective		Assurance Level
Green Homes Grant	Grant is managed in line with terms and conditions.		Satisfactory
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified.			

Audit	Objective		Assurance Level
Youth Employment Initiative Q1	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
Youth Employment Initiative Q2	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

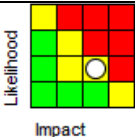

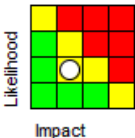
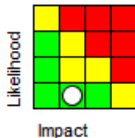
No unmitigated risk identified.			
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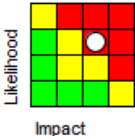
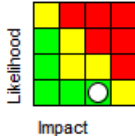
Audit	Objective			Assurance Level
Cash/Bank Reconciliations	Ensure adequate procedures are in place for the collection and reconciliation of cash.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Ineffective procurement processes leading to improper awarding of a contract resulting in insufficient provision to achieve the required service and/or a potential loss of income.			<p>We have started the procurement process to create a new cash collection contract.</p> <p>Date for Implementation 06/09/2023</p>	
Over/under banking's are undetected or training needs not identified due to ineffective monitoring arrangements resulting in a loss of income and/or theft.			<p>Regular monitoring continues through review of the over and unders report. This review enables us to identify any training needs which are then prioritised. Additional or refresher training takes place on an ongoing basis. Over the past 4 weeks there has been a reduction in errors.</p> <p>Date for Implementation 29/09/2023</p>	
Discrepancies in income collected are not identified or investigated due to a lack of reconciliations being undertaken resulting in the loss and/or theft of cash. Cash is not secure because staff are not following procedures resulting in the loss and/or theft of cash.			<p>We are currently in the process of purchasing a new till which will be based upon user login. This will enable more effective reconciliation and a clear audit trail in relation to team members collecting and giving over monies</p> <p>Date for Implementation 29/09/2023</p>	

Audit	Objective			Assurance Level
Car Parking	Ensure adequate controls are in operation around enforcement, GDPR compliance, transparency code and application controls.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Access Policy requirements are not complied with which could lead to inappropriate/unauthorised access to the application and to personal / sensitive information which could result in fraudulent or malicious misuse of the information and the potential for fines or sanctions or reputational damage as a result.			<p>Community Safety and Operations Manager to develop user access policy for 3sixty system.</p> <p>Date for Implementation 31/10/2023</p>	
A lack of enforcement of traffic contraventions due to ineffective arrangements and inconsistencies in enforcement procedures resulting in and a loss of income and potential reputational damage.			<p>Community Safety and Operations Manager to chase up Imperial (software provider) to resolve issue of electronic data transfer to HBC internal bailiffs.</p> <p>Date for Implementation 31/10/2023</p>	

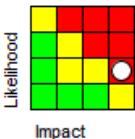
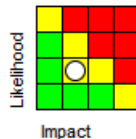
Audit	Objective			Assurance Level
Supporting Families Grant	Grant is managed in line with terms and conditions.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Ineffective arrangements for recording and demonstrating eligibility and / or successful outcomes for eligible families may lead to claims for results payment being inaccurate,			There were a small number of previous claims where either the column identifying them as having been claimed had not been completed fully or where a family had been re-added to the programme but we had	

6.6 Appendix A

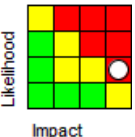
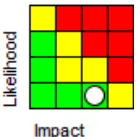
incomplete or duplicates resulting in a reduction in the amount to be claimed.		submitted them for claim before the two year gap required by the programme had lapsed. These issues were caused by human error and we have plans to adjust the Supporting Families database to more accurately identify those families that are re-added so that more accurate checks can be carried out prior to submitting claims to Internal Audit.	
Insufficient evidence to verify eligibility and achievement of successful outcomes may lead to claims for results payment being invalid resulting in a reduction of the amount to be claimed.		The Supporting Families database is heavily reliant on formulas to identify when successful outcomes have been achieved and flag any potential claims. In the 12 cases above, the Excel formulas had not picked up where a young person was still NEET, which would make them ineligible for claim. Again, it was human error in not pick up on this that led to this issue. There are plans to review the SF database and revisit all of the formulas to ensure they are working correctly before the next claim.	


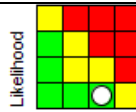

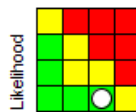

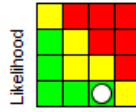
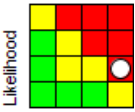
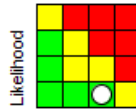
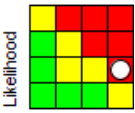
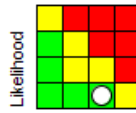
Audit		Objective		Assurance Level
IT Asset Management		Ensure adequate IT controls are in operation.		Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Adequate up to date hardware inventories are not maintained and regularly reviewed leading to loss / theft of assets or changes in asset ownership not being identified resulting in an inability to identify hardware in operation and provide appropriate protection.			Following implementation of the new ICT Contract, Managers will be advised of their responsibility to advise NEC or CICT of changes in staffing and assignment of IT assets to different users in order that inventory records can be updated.	

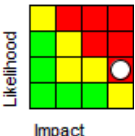

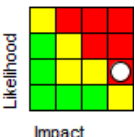

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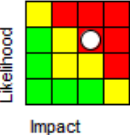

Audit	Objective			Assurance Level
Carefirst IT System	Ensure adequate IT controls are in operation.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Password parameters are not in line with corporate access policy requirements (passwords being weaker than corporate requirements) which could lead to a greater risk of weak passwords being guessed or targeted by hackers or ransomware attackers resulting in a greater risk of a security breach or data leak.			<p>We have now raised this as piece of work to do with OLM and we can therefore, confirm that we have a plan to put this in place for the very small number of people who log in using 'input passwords' (as the vast majority [99%] log in via single sign on which uses the councils standards). As part of this work we will ensure that this small group of users will meet the same standards as HBC password standards.</p> <p>Date for Implementation 31/12/2023.</p>	

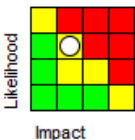
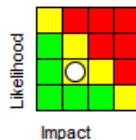
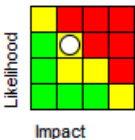
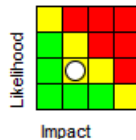
Audit	Objective			Assurance Level
Highways Capital Grant	Grant is managed in line with terms and conditions.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified				

Audit	Objective	Assurance Level		
Proceeds of Crime Act	Assess and provide assurance on the controls in place to mitigate risks in the following areas: Policy and Procedure; Compliance with regulatory requirements (Governance, Risk Management, Record Keeping, Training)	Limited		
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented	
The Proceeds of Crime/Anti Money Laundering and Terrorist Financing Policy does not exist, is out of date, and/or is not sufficiently publicised leading to a lack of awareness of systems and controls in place and an inability to comply with them which could result in imprisonment (2-14 years), fines (unlimited) or both.		<p>The Assistant Director (Corporate and Financial Services) has been designated as the responsible officer for reviewing/updating the policy and for performing regular checks for changes in relevant legislation, regulation and guidance that could impact on the policy.</p> <p>The Assistant Director (Corporate and Financial Services) will:</p> <ul style="list-style-type: none"> - review and update the policy, - develop and document a procedure for rolling out the policy to ensure organisation wide awareness of the policy, and - develop, document and implement a process for checking organisation wide compliance with the policy. <p>Date for Implementation 31/12/23.</p>		
Non-compliance with local Anti-Money Laundering and Terrorist Financing policies and procedures could lead to non-compliance with legislation, regulation and guidance which could result in imprisonment (2-14 years), fines		<p>The action noted above is that the policy will be updated, this will include:</p> <ul style="list-style-type: none"> - updating the MLRO and their contact details. - a documented procedure for relevant staff to follow to 		

(unlimited) or both.	 Likelihood Impact	notify the MLRO of suspicious transactions, - a documented procedure for the MLRO to follow to analyse each notification received to identify if any need SAR filing or reporting to NCA (including how to record the information and who has access) Date for Implementation 31/12/23.	 Likelihood Impact
Non-compliance with local Anti-Money Laundering and Terrorist Financing policies and procedures could lead to non-compliance with legislation, regulation and guidance which could result in imprisonment (2-14 years), fines (unlimited) or both.	 Likelihood Impact	The new MLRO will request contact details and any logins required to file SARs. Date for Implementation 31/12/23.	 Likelihood Impact
Non-compliance with local Anti-Money Laundering and Terrorist Financing policies and procedures could lead to non-compliance with legislation, regulation and guidance which could result in imprisonment (2-14 years), fines (unlimited) or both.	 Likelihood Impact	The Director of Finance, IT and Digital Services will carry out a risk assessment in line with the money laundering and terrorist financing regulations, timetable this in for regular review as per the guidance and report where necessary/appropriate to Senior Managers and/or Members. Date for Implementation 31/12/23.	 Likelihood Impact
Non-compliance with local Anti-Money Laundering and Terrorist Financing policies and procedures could lead to non-compliance with legislation, regulation and guidance which could result in imprisonment (2-14 years), fines (unlimited) or both.	 Likelihood Impact	The Assistant Director (Corporate and Financial Services) will identify which (if any) services need to comply with regulation 40. The update of the policy as agreed in the action relating to Issue 1 will include: - a documented procedure for staff to follow to ensure sufficient supporting records are retained where applicable, for the required period before being disposed of securely. Date for Implementation 31/12/23	 Likelihood Impact
Non-compliance with local Anti-Money Laundering and Terrorist Financing policies and procedures could lead to non-compliance with legislation, regulation and guidance which could result in imprisonment (2-14 years), fines	 Likelihood Impact	The action agreed related to Issue 1 is to update the policy. Once this policy update has been completed, the Assistant Director (Corporate and Financial Services) will ensure all staff are made aware of the policy.	 Likelihood Impact

(unlimited) or both.		Date for Implementation 31/12/23	
Non-compliance with local Anti-Money Laundering and Terrorist Financing policies and procedures could lead to non-compliance with legislation, regulation and guidance which could result in imprisonment (2-14 years), fines (unlimited) or both.		The Assistant Director (Corporate and Financial Services) will identify a list of relevant staff/posts where more detailed training of the law and the organisational procedures. Date for Implementation 31/12/23	
Non-compliance with local Anti-Money Laundering and Terrorist Financing policies and procedures could lead to non-compliance with legislation, regulation and guidance which could result in imprisonment (2-14 years), fines (unlimited) or both.		Once a list of relevant staff/posts requiring more detailed training has been completed, a training package will be procured or developed which will include, as per the guidance: - awareness of the law relating to money laundering and terrorist financing, - the GDPR and Data Protection requirements, - how to recognise transactions with a money laundering or terrorist flag, - how to report it and to whom as per the organisation policy. Date for Implementation 31/12/23	

Audit	Objective		Assurance Level
Highways Utility Permits	Controls are in place to mitigate risks in the following areas: Compliance with Legislation & Guidance; Monitoring & Evaluating the Permit Scheme.		Satisfactory
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Key Performance Indicators (KPIs) have not been developed or are inadequately monitored, reported or are not published in line with HAUC England guidance leading to inaccurate or no data being used in the decision making process or reported to stakeholders which may result in non-compliance with the legislative		Annual report covering 2022/23 close to completion with updated KPI's. Date for Implementation 29/09/23	

requirements and, if inaccurate data has been used to set fees may have an adverse impact on the budget.			
A fee structure is not in place and appropriately approved which sets out allowable costs and fees leading to prescribed costs not being in line with regulation levels resulting in non-compliance with guidance regulations.		<p>Utilities can now make payment via a web link which assigns payment to the 7020 expense head. This will be checked and amended if not the case.</p> <p>Date for Implementation - Immediate</p>	
Inadequate monitoring and evaluation procedures resulting in all elements of the scheme not being reviewed annually leading to the costs and benefits of the scheme not being understood and an appropriate level of fees being charged and also non-compliance with Permit Scheme Statutory Guidance requirements.		<p>Annual report for 2022/23 is close to completion.</p> <p>Date for Implementation 29/09/23</p>	

TEES VALLEY JOINT HEALTH SCRUTINY COMMITTEE

A meeting of Tees Valley Joint Health Scrutiny Committee was held on Friday 28 July 2023.

Present: Cllr Marc Besford (SBC) (Chair), Cllr Rachel Creevy (HBC) (Vice-Chair), Cllr Ceri Cawley (R&CBC), Cllr Christine Cooper (MC), Cllr Brian Cowie (HBC), Cllr Lynn Hall (SBC), Cllr Mary Layton (DBC), Cllr Paul McInnes (R&CBC), Cllr Vera Rider (R&CBC), Cllr Jan Ryles (MC) and Cllr Susan Scott (SBC).

Officers: Hannah Miller (DBC); Joan Stevens (HBC); Georgina Moore (MC); Sarah Connolly (R&CBC); Judy Trainer, Gary Woods (SBC)

Also in attendance: Richard Morris (County Durham and Darlington NHS Foundation Trust); Mark Cotton, Helen Ray (North East Ambulance Service NHS Foundation Trust); Craig Blair, Charlotte Bourke, Anna Williams (North East and North Cumbria Integrated Care Board); Ruth Dalton, Rowena Dean, Kevin Etherson, Phil Woolfall (North Tees and Hartlepool NHS Foundation Trust); Leigh Trimble (Red Balloons); Mike Carr, Stuart Finn, Simon Milburn (South Tees Hospitals NHS Foundation Trust); Catherine Wakeling (Starfish Health and Wellbeing); Mike Brierley, Belinda Brooks, Dominic Gardner, Chris Morton (Tees, Esk and Wear Valleys NHS Foundation Trust)

Apologies: Cllr Jonathan Brash (HBC), Cllr Neil Johnson (DBC) and Cllr Jeanette Walker (MC).

TVH/1/23 Appointment of Chair for 2023-2024

Nominations for the position of Committee Chair were put forward for Councillor Lynn Hall and for Councillor Marc Besford. Following a vote, Councillor Besford was appointed as Chair for the 2023-2024 municipal year.

AGREED that Councillor Marc Besford be appointed as Chair of the Tees Valley Joint Health Scrutiny Committee for 2023-2024.

TVH/2/23 Appointment of Vice-Chair for 2023-2024

A nomination for the position of Committee Vice-Chair was put forward for Councillor Rachel Creevy who was appointed for the 2023-2024 municipal year.

AGREED that Councillor Rachel Creevy be appointed as Vice-Chair of the Tees Valley Joint Health Scrutiny Committee for 2023-2024.

TVH/3/23 Evacuation Procedure

The evacuation procedure was noted.

TVH/4/23 Declarations of Interest

There were no interests declared.

TVH/5/23 Minutes

Consideration was given to the minutes from the Committee meeting held on 16 December 2022.

AGREED that the minutes of the Committee meeting on 16 December 2022 be approved as a correct record.

TVH/6/23 Notes of the meeting held on 17 March 2023

Consideration was given to the notes from the Committee meeting (not quorate) held on 17 March 2023.

With reference to the Update on NHS Dental Services – Tees Valley item, Members highlighted the benefits associated with the school supervised toothbrushing programme and noted the discussion around the impact of water supply fluoridation.

AGREED that the record of the Committee meeting (not quorate) on 17 March 2023 be noted for information.

TVH/7/23 Tees Valley Joint Health Scrutiny Committee - Protocol and Terms of Reference

The Committee's existing protocol (including Terms of Reference) was considered. No changes were proposed.

AGREED that the existing protocol for the Tees Valley Joint Health Scrutiny Committee continues unchanged and is circulated for information to those organisations listed in paragraphs 2-6.

TVH/8/23 Tees Valley Breast Care Services

Consideration was given to an update on the continuing developments in relation to Tees Valley Breast Care Services. Following a brief introduction by the North East and North Cumbria Integrated Care Board (NENC ICB) Director of Place-Based Delivery, the North Tees and Hartlepool NHS Foundation Trust (NTHFT) Acting Chief Operating Officer, supported by managerial and clinical colleagues from both NTHFT and South Tees Hospitals NHS Foundation Trust (STHFT), gave a presentation (circulated in advance) which focused on the following:

- ☐ Breast Services Clinical Services Strategy
- ☐ Current screening population
- ☐ Current breast screening provision
- ☐ Current breast symptomatic service provision
- ☐ Recap on work undertaken pre-pandemic
- ☐ Post-COVID recovery
- ☐ The challenges to delivery
- ☐ Current progress

During the presentation, officers emphasised the importance of understanding the difference between 'screening' and 'symptomatic' services. In terms of the Tees Valley, the screening service had a catchment population of 55,000 per annum and was provided by NTHFT via mobile vans or static sites. 50- to 70-year-olds were invited to a screening every three years and were asked to attend specific sites based upon their GP registration.

For symptomatic patients, treatment diagnostic and treatment was provided in Darlington (Memorial Hospital), Hartlepool (University Hospital) and Stockton (University Hospital of North Tees), with the latter two involving longstanding close clinical collaboration with STHFT. Required surgery following diagnosis was mostly provided at the patients' local hospital Trust sites.

Whilst breast screening was suspended nationally from June 2020 due to the emergence of COVID-19, the Tees Valley offer was the first in the North East to recommence its services (in July 2021), and the second to fully recover the backlog. Current waiting lists were now at pre-COVID levels.

As with many areas of health and care, workforce challenges within breast services remained prominent, and there had been a reliance on retire-and-return Consultant Radiologists. Consultant Radiographer practitioners were in place and there were a number of trainee practitioners continuing their qualification journey, but this ultimately takes time (five years training) before it can assist in relieving pressure on services. The current radiology workforce gap was outlined, as were the estate / equipment needs to provide one-stop provision at some spoke sites.

Several strands demonstrating progress in the development of services were outlined, including the introduction of a breast pain pathway which reduced reliance on the radiology workforce and could be delivered at pace without additional specialist equipment (anticipated 15% of future referrals could follow this pathway). The direction of travel through training is for future Consultant Breast Surgeons to no longer take part in emergency surgery on-call rota and thereby increase capacity for breast surgery. The commencement of planning for the procurement of a mammography machine for the James Cook University Hospital to support the re-introduction of surveillance mammograms on this site, as well as improved access for patients who can be offered immediate breast reconstruction free-flap surgery (specialist procedures undertaken at a tertiary site), was also noted.

The Committee queried how many men were invited to the screening service as breast cancer was known to affect males as well as females. Clinical representatives present stated that breast cancer was around 100 times less common in men than women, and that a screening programme for males could not be justified due to these very low rates. However, assurance was given that men could be referred into the symptomatic service and would be treated in the same way as women were.

Referencing delays in diagnosis as a result of the COVID-19 pandemic, the Committee asked if this had had an impact on the severity of cases being seen within breast services. Officers felt that more time would be required to understand the effect of the pandemic as evidence would be determined to a large extent by survival times across a longer period (e.g. 5 years, 10 years, etc.). It was, however, acknowledged that services did have to prioritise during this period and that some individuals were put on medication to slow disease.

In relation to the stated workforce gaps, Members questioned if there was anything more that could be done / considered to help with staffing resources, and were informed that a business case had recently been approved to boost recruitment (including from overseas).

AGREED that the Tees Valley Breast Care Services update be noted.

TVH/9/23 Tees Valley Community Diagnostic Centres

The Committee received an update on the continuing developments in relation to Community Diagnostic Centres (CDCs) across the Tees Valley footprint. Introduced by the Tees Valley Community Diagnostics Programme Director and supported by senior clinical and operational leads / directors from County Durham and Darlington NHS Foundation Trust (CDDFT), NTHFT and STHFT, a presentation (circulated in advance) was given which focused on the following:

- ☐ Background
- ☐ What are they (CDCs)?
- ☐ Diagnostic centre locations
- ☐ Key facts and figures
- ☐ Engagement and involvement

A key driver behind the development of CDCs was the independent review of NHS diagnostics capacity undertaken by Professor Sir Mike Richards CBE. The final report included 24 recommendations which included a focus on capacity (equipment, staff) and the splitting of acute and diagnostic services (which can assist with improving the patient experience).

Whilst not solely about radiology, diagnostics enabled increased identification of cancers and other serious health conditions at an earlier stage. Pressure on most diagnostic services was already growing prior to the COVID-19 pandemic (e.g. demand for CT scanning was currently growing at around 7% per annum) – waiting times had therefore inevitably risen.

The Tees Valley CDC sites were outlined, with the intended CDC ‘hub’ within Stockton-on-Tees currently being developed on the former Castlegate shopping centre (a temporary mini-hub was operating from Lawson Street in Stockton). South Tees ‘spoke’ sites existed (and were continuing to be developed) in Redcar and at the Friarage Hospital, Northallerton, with the North Tees ‘spoke’ offer nearing full capacity within Hartlepool. In terms of the CDDFT footprint, the ongoing service at Bishop Auckland had operated well (made easier due to the adaptation of an existing building) and was working alongside other Tees Valley sites in what was a real step-change to partnership-working across the region – a five-year plan was in place which differentiated between acute and diagnostic activity, with the Trust working to ensure an educational programme around access and utilisation of these services.

Officers spoke of the opportunity to put diagnostics on the footing it should have been on years ago, with ongoing developments seeking to deliver an additional 150,000 diagnostic tests annually across the Tees Valley from 2024-2025 (with further growth planned based on demand). However, it was emphasised that CDCs would operate on a ‘referral only’ basis (from primary and secondary care services), and that the public would need to be clear what the new Stockton ‘hub’ was and how it worked – it was not a drop-in centre, nor a hospital, but should instead be viewed as an additional

imaging facility. In that regard, referral processes would continue into each service as they did now, therefore the service would manage where these referrals were seen based on capacity at the time of booking patients in.

Further detail around the construction and resourcing of the Tees Valley CDC sites was provided, and it was stated that the aim was for the new 'hub' in Stockton to be open by mid-2024 (earlier than the original estimate of April 2025). CDDFT had replaced all of its diagnostic equipment as a result of the funding for the CDC programme and COVID-related financing.

In terms of public engagement around the CDCs, officers welcomed the input of the Committee as to the best way to communicate the Tees Valley offer. Some engagement had already taken place with GPs (though it was acknowledged that this needed to go further as GPs had a critical role in educating patients on available options), and the ICB would also be an important partner in raising awareness of diagnostic capacity. Crucially, there was a need to ensure services were accessible, with considerations around transport routes / options and parking capabilities central to this. It was also hoped that the enhanced facilities would help attract new professionals to the area.

Reflecting on the content of the presentation, the Committee welcomed the significant developments around diagnostics across the Tees Valley (particularly the focus on health in the community), and commended NHS Trusts for working collaboratively to ensure the best possible offer. Clarity was then sought around the exact services which would be available within the Stockton 'hub' site – Members were informed that there would be a small number of consulting rooms in addition to the diagnostic capacity, but that the exact disciplines were yet to be determined (clinical colleagues would be approached for a view on how best to use these spaces).

Regarding diagnostic equipment, the Committee asked whether maintenance was outsourced or conducted in-house. Members heard that this was mainly done by the companies who supplied the equipment, though, outside this, medical departments also had a role to ensure these operated effectively. CDDFT had a contract with Philips which automatically replaced equipment every 7-9 years, and had access to an external technician.

Discussion ensued around the key issue of accessibility, including the importance of Local Authorities working with NHS Trusts to facilitate adequate parking options, and the challenges associated with reduced bus provision. Members were assured that liaison with Councils over parking capacity had already been undertaken in order to maximise opportunities for patients to attend sites, and that the expansion of Patient Transport Services (PTS) was also being considered.

Continuing this theme, the Committee noted that there were some communities in Redcar and Cleveland which were not covered by PTS. Officers emphasised that it was pointless spending money on buildings / diagnostic equipment and then not enabling people to access them, and stated that any Member support in terms of linking-in with transport providers (e.g. Arriva) would be welcome.

Returning to the key issue of communications, the Committee asked if there was any specific funding earmarked for this critical element and heard that, whilst there was no formal budget, the collaborative nature of the CDC project meant that organisations were looking to pool their resources anyway. There was a big national agenda around

diagnostics (and health inequalities) at present, and work had already been undertaken with regional media partners to make it clear what CDCs were and dispel any myths. Members cautioned against the use of the word 'hub' which, to some, may imply a drop-in feature – officers responded that this would be considered as part of future public engagement around the CDC offer (it was noted that the term 'hub' was used in order to allocate funding) and that a further update on CDC developments could be provided to the Committee at a future meeting if desired.

AGREED that the Tees Valley Community Diagnostic Centres update be noted.

TVH/10/23 North East Ambulance Service NHS Foundation Trust - CQC Inspections / Independent Review

Senior representatives of the North East Ambulance Service NHS Foundation Trust (NEAS) were invited to provide the Committee with a response to recent Care Quality Commission (CQC) inspections of its services, as well as the findings of an independent review of the Trust. Led by the NEAS Chief Executive Officer and supported by the NEAS Assistant Director – Communications and Engagement, a presentation (circulated in advance) was given which drew attention to the following:

- ☐ Latest CQC Position
- ☐ Improvement Plan Overview
- ☐ Workstream Actions Progress
- ☐ Progress on Medicines Management
- ☐ Progress on Incident Reporting
- ☐ Progress on Governance
- ☐ Progress on Culture
- ☐ Response Time Benchmark Performance (June 2023)
- ☐ Draft June 2023 Position
- ☐ Independent Review – NEAS Assurance Statement

It was stressed from the outset that NEAS had worked hard with the CQC to fully understand the concerns raised following the regulator's inspection of the Trust in July and September 2022 (published in February 2023). The CQC had subsequently re-visited the Trust and the individual grading for its Emergency and Urgent Care (EUC) services had since improved from 'inadequate' to 'requires improvement' (with the Section 29A warning notice lifted).

As part of the Trust's ongoing improvement plan, it was stated that two full cycles of audit over a timeframe of a year would be needed before there was sufficient confidence that actions undertaken as a result of the CQCs findings had become embedded into practice, and that independent auditing would be used to determine this. It was acknowledged that organisational culture can take time to change and even longer to embed.

Progress against the four identified workstream actions was detailed. Specific reference was made to developments around 'medicines management' and the ability for paramedics to collect required drugs from a location other than their base station, as well as the strengthening of 'incident reporting' which included the intended introduction of a new patient safety incident review framework by the end of 2023-2024 (NEAS being the first ambulance Trust to roll this out). In terms of 'culture', progress around this would be monitored through staff surveys.

Despite the challenges identified by the CQC, comparative data indicated that, for June 2023, NEAS was the best performing ambulance Trust in the country in relation to category 1 (an immediate response to a life-threatening condition, such as cardiac or respiratory arrest) response times, an achievement which led to positive clinical outcomes for patients. NEAS was working towards being the best for category 2 (a serious condition, such as stroke or chest pain, which may require rapid assessment and / or urgent transport) response times too, though this continued to be a struggle, with all Trusts above the national target (some others significantly so).

A brief background to events which culminated in a NHS England-commissioned independent review into patient safety concerns and governance processes related to NEAS was given. Following issues raised by a whistle-blower back in 2018 regarding coronial processes, the Trust commissioned a review which culminated in significant change – however, despite the regulators being satisfied with these developments, the Trust was unable to agree with the whistle-blower that enough had been done. NEAS acknowledged that it did not do the right thing by the families in question and had since publicly apologised.

Most of the recommendations emerging from the independent review were already being addressed (or had been completed) by NEAS prior to the publication of the report in July 2023. There were some additional areas of focus identified, though, including the medical examiners model, the constitution of a committee (to be independently chaired) to allow families to see changes made (the Trust welcomed this and would be in contact with families in the future), and enhanced Board processes to ensure learning had been achieved.

The Committee drew attention to cases where independent services were being brought in to enhance the existing NEAS offer and queried whether Trust leaders had sufficient oversight of this. In response, Members were informed that the only external / consultancy support being used was in relation to the 'governance' workstream and that this was on a short-term basis.

Continuing with the theme of governance, the Committee sought further details on the NEAS executive management team buddying programme with directors from Northumbria Healthcare NHS Foundation Trust. Officers confirmed that support was being received for the benefit of the whole Trust, and that Northumbria had an excellent internal management programme which NEAS had been offered places on. Critically, this arrangement provided challenge to the executive.

With reference to the independent review outcomes, the Committee asked if progress on implementation of the recommendations would go back to the report author, Dame Marianne Griffiths DBE. Officers stated that ultimate responsibility sat with NHS England who commissioned the review, though a monthly quality improvement group that was co-chaired by NHS England and the North East and North Cumbria Integrated Care Board (NENC ICB) provided scrutiny of the Trust's response to the recommendations.

AGREED that the North East Ambulance Service NHS Foundation Trust update regarding recent CQC inspection / independent review outcomes be noted.

The Committee received a Lived Experience and Co-creation presentation (circulated in advance) from representatives of Tees, Esk and Wear Valleys NHS Foundation Trust (TEWV), which included an update on the work and impact of the Trust's Lived Experience Directors. Introduced by the TEWV Assistant Chief Executive, and supported by colleagues including the TEWV Lived Experience Director for Durham, Tees Valley and Forensics, content highlighted:

- TEWV Journey to Change – Progress
- The role of our Lived Experience Directors
- Durham, Tees Valley and Forensic Co-creation Board – Terms of Reference
- Co-creation Board – Overview / Early Action Areas
- Lived Experience Forums – Aims / Journey So Far / Future Plans

From the beginning, it was emphasised that a lived experience and co-creation focus was at the heart of everything which TEWV was doing, and that this approach was a crucial feature of the strategic and cultural shift within the Trust which began a couple of years ago (indeed, co-creation was one of the five key pillars identified).

Reflecting on a poor personal experience of past care and a subsequent desire to help others have more positive involvement with health services, the TEWV Lived Experience Director for Durham, Tees Valley and Forensics gave a brief outline of the role, a vital element of which was to check and challenge ongoing provision to ensure the patient voice was heard. Driving forward what patients / carers wanted to see was fundamental, though it was important to acknowledge that TEWV were just one member of the overarching mental health offer, and that partnerships with other relevant organisations (e.g. Rollercoaster, Pioneering Care, etc.) were also significant.

A critical aspect of the Co-creation Board was around the concept of how people can challenge and speak to 'power' – to this end, membership included service-users, patients and carers, as well as TEWV staff. A host of aims and objectives were outlined, central to which was the creation of safe, informal creative spaces where people were equal, could speak openly and honestly, and could challenge the status quo.

Aided by representatives of two voluntary, community and social enterprise (VCSE) organisations, Red Balloons and Starfish Health and Wellbeing, an overview was given of Lived Experience Forums – collaborative platforms for using people's experience and knowledge to help services be the best they could be. With the intention of being independent from such services, seeking and enabling input from a wider cohort of voices also fed into the community transformation agenda.

Already established in Stockton and Hartlepool, work to ensure Forums were operational across the whole Tees Valley footprint continued. In addition, the recent Lived Experience Conference which took place in June 2023 was highlighted – a collaborative event which celebrated numerous Tees Valley organisations and used lived experience to inform future service delivery. From a TEWV perspective, listening and acting upon the work of the Forums represented an approach which went beyond the usual meaning of 'engagement' and was being adopted across all levels of the Trust.

The Committee was highly encouraged to hear of the work of the Lived Experience Forums and asked a number of questions around their composition and meetings. In response, Members were informed that anyone 16+ can attend and that for those who

cannot physically be present, other mechanisms (emails, surveys, etc.) were used to connect individuals. There was also a dedicated lead for the younger Forum cohort as it was recognised that the usual adult model of connecting may not always be appropriate.

The value and importance of the Forums being independent from services was emphasised by the Committee who also queried where people were being referred from. Members heard that Red Balloons and Starfish Health and Wellbeing were linked-in with Catalyst (as the conduit for the wider VCSE sector), Stockton-on-Tees Borough Council (via an employee with lived experience) and TEWV (utilising a mailing list of around 200 individuals which information was relayed to) – a video had also been produced to highlight the Forums and invite input / attendance. TEWV officers noted that its Lived Experience Director was trying to be an enabler for the charities' endeavours and that the Trust wanted them to be involved in some programmed TEWV work too. The importance of connecting voices to wider mental health provision (not just TEWV) was emphasised, possibly via the new Tees Valley Integrated Care Partnership (ICP) 'place-based' group.

Involvement from Healthwatch into each of the Forums was noted, and it was stated that should any individuals wish to lodge an official complaint to a service, Healthwatch was there to support / signpost. TEWV officers added that the Trust had partnered with Healthwatch for its community transformation work as it attempted to seek views from those who did not already access its offer.

Highlighting a case of a retired older person struggling to get mental health support, the Committee probed whether older adults were getting appropriate access to services and were having their voices heard. In response, it was confirmed that there was no upper age limit for involvement in the Forums and that older adult support was certainly available depending on an individual's circumstances. Members were encouraged to relay relevant details of any specific cases which could be followed-up outside of this meeting.

Finally, the Committee commended the Lived Experience Conference initiative and welcomed any feedback which could be provided on this annual event. It was stated that Members were very much welcome to future conferences, particularly those with lived experience themselves.

AGREED that the Tees, Esk and Wear Valleys NHS Foundation Trust update on Lived Experience and Co-creation be noted.

TVH/12/23 Work Programme 2023-2024

Consideration was given to the Committee's work programme for 2023-2024.

An accompanying report drew attention to both standing items and other topics which had been on the Committee's radar for some time under the 'to be scheduled' section. Meeting dates for the remainder of the municipal year had been identified and included for agreement, and a suggested outline of potential items for these meetings was proposed.

Highlighting the dentistry update that the Committee received at the last meeting in March 2023, and given the ongoing high-profile attention surrounding these services,

Members felt this should again feature on the work programme at some point during the municipal year.

Discussion ensued around the possibility of holding hybrid Committee meetings which facilitated simultaneous in-person and remote attendance. It was noted that guidance on the hosting of meetings following the relaxation of COVID-19 social distancing measures in 2021 had been interpreted in differing ways by Councils, but that this Committee had returned to in-person formal meetings for some time now. Members subsequently expressed their preference for scrutinising organisations via a face-to-face approach, and felt that officers should be requested to physically attend as Members themselves are required to do.

AGREED that the Committee's work programme for 2023-2024 be noted and the proposed meeting dates for the remainder of the municipal year be approved.

SAFER HARTLEPOOL PARTNERSHIP

MINUTES AND DECISION RECORD

20 JUNE 2023

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

Present:

Responsible Authority Members:

Councillor Mike Young, Elected Member, Hartlepool Borough Council (Chair)
Councillor Sue Little, Elected Member, Hartlepool Borough Council
Tony Hanson, Executive Director of Development, Neighbourhoods and
Regulatory Services, Hartlepool Borough Council
Superintendent Martin Hopps, Community Safety, Cleveland Police
Karen Hawkins, Director of Place, North East and North Cumbria Integrated
Care Board
Ann Powell, Head of Stockton and Hartlepool Probation Delivery Unit
Carl Pattison, Cleveland Fire Authority

Other Members:

Craig Blundred, Director of Public Health, Hartlepool Borough Council
Sarah Wilson, Commissioner's Officer for Consultation and Engagement,
Office of Police and Crime Commissioner for Cleveland
Sally Robinson, Executive Director of Children's and Joint Commissioning
Services, Hartlepool Borough Council

Also Present:

John Graham, Head of Community Integration, Probation Service North East
Gordon Bentley, Designated Nurse, Safeguarding Adults, North East and North
Cumbria Integrated Care Board
John Lovatt, Assistant Director, Adult Social Care (as substitute for Jill Harrison)
Racheal Readman, Senior Trading Standards Officer (as substitute for Sylvia Pinkney)
Councillor Tom Feeney.

Hartlepool Borough Council Officers:

Rachel Parker, Community Safety Team Leader
Olivia Highley, Domestic Abuse Coordinator
David Cosgrove, Democratic Services Team

1. Apologies for Absence

Denise McGuckin, Managing Director, Hartlepool Borough Council
Jill Harrison, Executive Director of Adult and Community Based Services, Hartlepool Borough Council
Sylvia Pinkney, Assistant Director, Regulatory Services, Hartlepool Borough Council

2. Declarations of Interest

None.

3. Minutes of the meeting held on 6 March 2023

Confirmed.

4. Domestic Abuse Strategy *(Executive Director, Children's and Joint Commissioning Services)*

Purpose of report

To update members on the progress of the Domestic Abuse Local Strategic Partnership Board in delivering the Domestic Abuse Strategy in the last year 2022 – 2023 and to discuss the proposed delivery plan for 2023 – 2024.

Issue(s) for consideration

The Executive Director, Children's and Joint Commissioning Services reported that the strategy had been approved by the Partnership and Finance and Policy Committee in March 2022 and implementation had been managed by the Local Domestic Abuse Strategic Partnership Board. The Board had been implementing an action plan (submitted as an appendix to the report) with a focus on the key strategic priorities within the Domestic Abuse Strategy.

The Domestic Abuse Coordinator gave a presentation to the Partnership setting out a review of the first year of the strategy's delivery and identifying key actions for 2023/24. The presentation gave detailed progress on each of the six strategic priorities for the partnership's information.

The Chair welcomed the report and the presentation and noted how much work was ongoing in this important area. A Member asked what arrangements were in place for male victims of abuse and if there were refuge places for them. The Domestic Abuse Coordinator stated that at present there were refuge places provided in the town by Harbour for women and children. The service was looking to strengthen its provision for

male victims of abuse and officers would look to what provision could be made available for a male victim when one came forward.

Decision

That the progress of implementing the strategy be noted and the proposed delivery plan for 2023 – 2024 be approved.

5. Terrorism (Protection of Premises) Draft Bill *(Executive Director of Development, Neighbourhoods and Regulatory Services)*

Purpose of report

To provide the Partnership with an overview of the Terrorism (Protection of Premises) Draft Bill previously referred to as the Protect Duty and Martyn's Law.

Issue(s) for consideration

The Senior Trading Standards Officer reported that an initial report had been presented to the Partnership in March 2022 detailing the Government's plans, and a further update was provided in March 2023. The report now submitted to the partnership provided greater insight on the details of the Draft Bill.

The report outlined the impact of the regulations around the protection of premises and indicated that an inspection and enforcement regime will be established to promote the requirements for each tier but there had been no indication of which agency would be given this responsibility. In the event of non-compliance, sanctions and ultimately penalties could be issued to premises.

A Member questioned if the Tall Ship event and the event being held on Seaton Sea Front this summer would be covered by these new regulations. The Senior Trading Standards Officer reported that the Safety Advisory Groups for the events had pilot groups looking at the application of these regulations for those events.

Decision

That the report be noted.

6. Anti-Social Behaviour Action Plan Update – Presentation *(Office of Cleveland Police and Crime Commissioner)*

Purpose of report

To provide an update to the Partnership.

Issue(s) for consideration

The Commissioner's Officer for Consultation and Engagement reported that the Government's Anti-Social Behaviour (ASB) Action Plan had been published on 27 March 2023 and confirmed new funding and the launching of pilots across England and Wales to deliver Hotspot Policing and Immediate Justice. Cleveland was a pilot for both schemes.

The government was providing an additional £1m per year for 2 years with additional funding for monitoring and evaluation across the ten pilot forces undertaking Hotspot Policing. The intention was to have more uniformed patrols in ASB hotspots, though this was more likely to be local authority enforcement staff than Police Officers.

The government was also providing an additional £1m per year for 2 years with additional funding for monitoring and evaluation across the ten pilot forces undertaking Immediate Justice. The scheme aimed to have swift reparation, within 48 hours of offence disposal, the offenders being visible to the local community when undertaking any projects. The community would be able to input on schemes and locations and projects would be targeted to areas of high ASB. There were two distinct services in Immediate Justice, one led by the Probation Service for adults and a Youth Offending Service led scheme for 12 to 17 year olds. It was indicated that concerns had been expressed in relation to young people taking part in projects wearing hi-vis in the community so it had been agreed that their work would be marked differently.

The Commissioner's Officer outlined how the Cleveland model of Immediate Justice had been established and its key outcomes together with details of the other measures in the ASB Plan.

Members raised concerns around ASB issues during the school summer holidays and issues around Seaton Carew were highlighted, particularly fires being set on the sand dunes. The Cleveland Fire representative stated that these locations were a specific problem for crews to attend. The Brigade was undertaking high visibility patrols in known hotspot areas and had also started a new schools programme. The Senior Trading Standards Officer reported that there was a multi-agency officer group targeting deliberate fires. The Chair requested that an update from that group be reported to the next meeting.

Decision

That the report be noted.

7. Police Update *(Cleveland Police)*

Purpose of report

To provide an update to the Partnership.

Issue(s) for consideration

The Cleveland Police Superintendent reported that Cleveland Police had moved back to the four district policing model based on the four borough council areas. In his new position as the Superintendent for Hartlepool, the Police representative reported he would head the Response, Neighbourhood and Proactive teams in a similar model to the one that existed in 2012. The change from the previous north and south based model did mean that some of the crime data was now totally specific to Hartlepool but this would improve over the coming months.

In general 999 calls were up over 9% though the average wait time for a response was only 4 seconds. 101 calls were up 3% to over 18000 with an average wait time of just over 2 minutes. Officers in Hartlepool had responded to over 400 incidents (up 22.5%) in May so demand from the public was still very high. In terms of data recording, Cleveland was now being seen as a best practice force. Recorded crime for the year was up 3.6% with 10% of local crimes being solved.

Priorities for Hartlepool were tackling anti-social behaviour and disorder and serious crime. Across Cleveland personal robbery was up 43%, domestic robbery down 12% and residential theft up 54%.

Within Hartlepool, the Superintendent reported that Police and partners met each morning to discuss reports and intelligence and around 40 to 50 actions were arising each month from those meetings. There was now also a serious crime group for Hartlepool and action under operation Artemis had taken place this morning with 80 officers executing 6 warrants making 8 arrests. Visible action like this was intended to take place on a regular basis to build trust with the local community so residents could see action arising from their reports to the Police and Community safety Team.

Members welcomed the report and the reintroduction of the borough based policing model. There was concern expressed by a Member that a long serving PCSO had recently left the force leaving a patrol gap and a lack of PCSO attendance at youth clubs and Councillor ward surgeries. The Superintendent commented that there was a vacancy which was proving difficult to fill, though arrangements were in place to provide cover as far as possible. The Chair commented on the support for Police Officers and their wellbeing in their difficult role. The Superintendent commented that there was extensive staff support and wellbeing in place with psychological assessments for those that had been involved in traumatic incidents for example. The force was generally much more aware of the difficulties

officers faced on a daily basis and the use of body cameras was providing supporting evidence and reassurance for officers.

Decision

That the report be noted.

8. Probation Service – Presentation (*Stockton and Hartlepool Probation Service*)

Purpose of report

To provide an update to the Partnership.

Issue(s) for consideration

The Head of Community Integration, Probation Service North East gave a presentation providing details of the unpaid work that offenders could be required to undertake as part of a court order. This work could only be as a result of a court order and while it could be demanding and rehabilitative, it could not replace paid employment. The work must also assist with the offender's re-integration and be visible to the local community.

There had been a number of projects in Hartlepool including path edging and litter picking and there was a project currently underway painting the railings at the Hartlepool marina ahead of the Tall Ships event. The Probation Service worked closely with Hartlepool Officers to identify a programme of work. Any member of the public could also suggest potential projects through the Police and Crime Commissioner's website, though it was indicated that this was a much underused facility. It was acknowledged that better publicity around the nominating of potential projects was needed to build a better relationship with the public and also the Partnership.

The Commissioner's Officer for Consultation and Engagement commented that a communications package was being put together to promote this work with local councillors. It was, however, the case that the unpaid workers as a result of court orders could not cross with immediate justice workers at the same projects.

Decision

That the report be noted.

9. Any Other Items which the Chairman Considers are Urgent

The Chairman ruled that the following item 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.

10. Local Government (Access to Information) (Variation Order) 2006

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

Minute 11 – Domestic Homicide Review – This item contains exempt information under Schedule 12A Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 namely (para. 1) Information relating to any individual, and (para. 2) information which is likely to reveal the identity of an individual

11. Domestic Homicide Review

This item contains exempt information under Schedule 12A Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 namely (para. 1 and 2)

Issue(s) for consideration

The Executive Director of Development, Neighbourhoods and Regulatory Services sought the Partnership's approval to commence a Domestic Homicide Review in relation to a death in Hartlepool earlier in the year. Authority was sought to engage a suitable Independent Reviewing Officer to undertake the review.

Decision

That the Executive Director of Development, Neighbourhoods and Regulatory Services be authorised to commence a Domestic Homicide Review and engage an appropriate individual to act as Independent Reviewing Officer.

The meeting concluded at 11.20 am.

CHAIR