



Auditor's Annual Report  
Hartlepool Borough Council – year ended 31 March 2023

28 June 2024

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# 01

Introduction

# 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 2023. 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.

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 28 June 2024. Our opinion on the financial statements was unqualified.



### Value for Money arrangements

In our audit report, issued on 28 June 2024, 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 Authority's arrangements.



### Wider reporting responsibilities

The NAO, as group auditor, requires us to complete the Whole of Government Accounts (WGA) Assurance Statement in respect of its consolidation data. We will issue our report in the next few days. As in previous years, we anticipate a significant delay before we will be able to issue our 2022/23 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

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Audit of the financial statements

# 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 2023 and of its financial performance for the year then ended. Our audit report, issued on 28 June 2024, gave an unqualified opinion on the financial statements for the year ended 31 March 2023.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

## Significant matters discussed with management

Our audit completion report issued on 7 March 2024 explained that the 2022/23 audit was substantially complete but there would be a delay issuing our opinion because we were unable to conclude our work addressing the significant risk arising from the defined benefit pension scheme until the audit of the Teesside Pension Fund (TPF) was substantially complete. We received the requisite assurance from the TPF auditor on 22 April 2024.

We discussed issues raised in the letter with the TPF auditor and estimated their impact on Hartlepool Borough Council's financial statements. As the impact was immaterial the Council opted not to amend the statements in respect of these issues. However, some minor amendments were agreed arising from the audit closing procedures and these were reported in our follow up letter to the audit completion report before we issued our opinion.

Reporting responsibility	Outcome
Annual Report	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Council.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

# 03

Our work on Value for Money  
arrangements

VFM arrangements

Overall Summary



# 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.

We outline the risks that we have identified and the work we have done to address those risks on page 10.

### 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.

# 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?
 <b>Financial sustainability</b>	11	No	No	Yes
 <b>Governance</b>	14	No	No	No
 <b>Improving economy, efficiency and effectiveness</b>	17	No	No	No

# VFM arrangements

## Financial Sustainability

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



# 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 2022/23. 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 2022/23.

### The Council's financial planning and monitoring arrangements

The Medium-Term Financial Strategy (MTFS) covers a rolling three-year programme and is designed to maintain the general reserve at the minimum level determined by the Section 151 Officer's risk assessment, after allowing for savings and council tax increases approved for the first year of the strategy. Budget gaps in the second and third years of the MTFS are initially covered by the planned use of a Budget Support Fund built up from previous underspends, whilst work continues to identify further savings to balance these budgets without the use of reserves. However, since the Council froze council tax in 2021/22 there has also been a budget gap in the first year of the MTFS, which has been plugged through using some of the Budget Support Fund and deferring a deficit to the following year. In February 2022, the Council approved a budget for 2022/23, which was balanced using £1M of the Budget Support Fund assuming £2.6M of savings were fully delivered.

Audited accounts show that although savings were fully delivered there was a small overspend of £1M (0.8%). This was after using one-off resources prudently set aside in the 2022/23 budget to offset short-term cost and income pressures including a £1M Inflation Reserve. Despite the overspend and planned use of reserves the Council was able to increase the Budget Support Fund from £8M to £10.5M following a year-end review of

earmarked reserves to establish if they were still required.

The Finance and Policy Committee received management accounts providing detailed commentary of performance against budget, including explanations of significant variances, quarterly during 2022/23. The financial position was also summarised in four updates to the MTFS. The forecasts were accurate, the latest at quarter three being a £1.4M overspend.

Budget Preparation commences 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 Executive Leadership Team (ELT). ELT discuss pressures, growth and savings and the Section 151 Officer updates for assumptions regarding funding, inflation and the council tax increase.

### The Council's arrangements and approach to Financial Planning for 2023/24 and 2024/25

The 2023/24 Budget was set in the context of the highest inflation for forty years, peaking at 11% in October 2022 and remaining stubbornly high well into 2023/24. The 2023/24 local government pay award wasn't agreed until November 2023 and equated to an average increase of six per cent in the Council's payroll expenditure, compared to a budgeted increase of five per cent. Moreover, a lack of capacity to meet rising demand for children's social care resulted in more reliance on expensive external placements.

The Council approved the 2023/24 Budget as part of a new MTFS in February 2023, which included a plan to maintain the general reserves at £4.4M by using £1.5M of the Budget Support Fund and £1M of other one-off resources in 2024/25 and delivering £1.8M of savings. The budget gaps in 2024/25 and 2025/26 were an aggregate of £5M and it was anticipated that most of the residual Budget Support Fund would need to be used, whilst savings plans were developed and phased in.

The Council is currently preparing the 2023/24 accounts and expect them to show a small overspend of £0.6M, which was significantly improved on the mid-year forecast of a £4M overspend and reflects effective remedial action and some one-off windfalls. The £1.8M savings were over-achieved as the take-up of the new garden waste delivery service was twice the level expected and these additional savings outweighed the impact of smaller savings schemes being deferred.

The latest update of the MTFS was approved by the Council in February 2024. This reflected a decision taken to increase council tax by two per cent less than the level recommended by the Section 151 Officer, which created an additional 2024/25 budget gap of £1M to add to the £3.8M use of the Budget Support Fund in the draft budget. The 2025/26 and 2026/27 budget gaps amounted to £9M, which exceeded the remaining support available from the Budget Support Fund, and actions are progressing to seek to close the gap. The MTFS assumed a £4M overspend for 2023/24, so the £3.4M reduction in that overspend largely reduces the first-year budget gap and the gap for years two and three are reduced to a similar level to that in the February 2023 MTFS.

# VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria – continued

### The Council's arrangements and approach to Financial Planning for 2023/24 and 2024/25 (continued)

Although the medium-term financial position is manageable it relies on the full utilisation of the £5M expected to be left in the Budget Support Fund at 31 March 2025. In view of the Council's dependency on this reserve to bridge budget gaps and phase in savings for many years it remains imperative that the ongoing savings exercise continues and delivers far greater savings than the annual exercises of recent years, which have tended to identify and deliver savings of between £1.5M and £3M per annum.

Simultaneously, the Council have commissioned consultants to estimate the increased government funding that would arise should the funding formula be revised to adequately reflect deprivation and the resultant demand for services. Although the Council's financial position would improve significantly under this formula there remains considerable uncertainty over future government policy on local government funding and the need to address central government deficits could see overall funding reduce even if the way it is distributed benefits Hartlepool. Accordingly, it is reassuring that the Council are not proposing to wait and see what happens to government funding after the next election before implementing savings plans.

The Council has an excellent track record of delivering savings and keeping within budget. For the period 2013/14 to 2023/24 the Council's grant funding (excluding ring-fenced grants) reduced by 48% (£22M), but compensating savings were achieved to maintain reserves without compromising performance, as evidenced by the inspection findings on page 18. Previous savings plans have delivered a 20% reduction in the workforce over 10 years without industrial action and through mainly voluntary redundancies and retirements. In 2022/23 and 2023/24 savings of £2.6m and £1.8M respectively were fully delivered and 80 per cent of the £1.8M savings in the 2024/25 budget have already been secured through fees and charges and deleting vacant posts.

The Council is also taking action to mitigate the paramount risk to the MTFS. In 2023/24 the only department that overspent was Childrens Social Services where a combination of rising demand and rising prices led to a £5M overspend. The 2024/25 budget adds a further £4.5M to the 2023/24 outturn and then assumes that increases will level off to about £0.5M per annum. The Council is converting the Star Centre building into a children's home expected to open in November 2024 and allow increased capacity for complex, expensive out-of-area placements within Hartlepool. It is also introducing a new block-booking system to improve efficiency.

Accordingly, we do not regard the Council's reliance on reserves in years two and three of the MTFS as a significant weakness. Work to identify savings necessary to phase out reliance on dwindling reserves is sufficiently advanced to give confidence that even if there is no improvement in the allocation of government funding the Council will continue to provide essential services and maintain its General Reserve at the required level. However, the Council needs to avoid a repeat of the situation in February 2024 where it set a three-year MTFP without sufficient savings and budget support funds to bridge deficits. Accordingly, we have raised a recommendation in this report (see below).

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. 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 2024/25. Earmarked reserves cover specific local risks such as the loss of business rates from the expected closure of the power station in 2025/26.

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 considers 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. We do, however, make an 'Other' recommendation.

	Other Recommendation
R1	The Council should ensure that the February 2025 Medium Term Financial Strategy includes a medium-term savings plan sufficient to balance the budget in each year and fully address any underlying deficit deferred by applying one-off resources.

# VFM arrangements

## Governance

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



# 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 Finance, Digital and IT 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.

We attended several Audit and Governance Committee meetings in the year and found that members were appropriately skilled to undertake their role and provided appropriate challenge to Management and Internal and External Audit. All members are provided training on their responsibilities and duties. Where gaps are identified further training is provided.

The Council expects the highest standards of conduct from both its members and officers. 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). Management are committed to integrity and ethical behaviour, and this is evident from our attendance of Committee's and meetings with management. In 2023 a councillor was sanctioned for the inappropriate use of e-mails and the Council approved a new Anti-Fraud and Corruption Strategy, which includes a whistleblowing policy. The Audit and Governance Committee recently commissioned an independent review into allegations of councillors contributing to misleading publicity.

Registers of interests are maintained and published and codes of conduct, updated to reflect the most recent Local Government Association models. 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 2022/23 financial statements.

### 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 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 regularly when monitoring implementation of the Council Plan. The Strategic Risk Register is reviewed quarterly at Executive Leadership Team (ELT) and takes account of any changes in the entity's internal and external environments. We are satisfied that the ELT 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 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.

### 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 2022/23 and 2023/24 and confirmed planned work addresses the expected areas with annual coverage of key financial controls. Progress reports are presented quarterly to Audit and Governance Committee meetings 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.

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

# VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

### The Council's arrangements for internal control (continued)

Internal audit gave a satisfactory assurance opinion on the Council in their 2022/23 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 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.

The latest MTFP includes headroom between allowances for inflation and the expected 2024/25 increase in pay and prices based on the latest Office of Budget Responsibility forecasts and the 2024/25 local government pay offer, which equates to about four per cent. We confirmed that sensitivity analysis and scenario plans are in place to identify the potential financial impact of financial risks occurring and minimise the lead-time for implementing savings. The closeness of outturn to the budget suggests budget setting is adequate.

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 ELT, 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 2022/23, management accounts consistently forecast overspends of just over one per cent and the audited accounts showed an actual overspend just under one per cent.

### The Council's arrangements for performance management

Progress against the Council Plan is reviewed through dedicated ELT 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.

The 2022/23 Annual Report was published in July 2023 and summarised the Council's vision, milestones and achievements in a user-friendly, six-page document.

### Conclusion

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

# 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



# 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 2021/22 to 2023/24 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 2023 report found that in 2022/23 performance improved for around half of the performance indicators. The indicators where performance had declined mirrored national and regional trends. Following a recommendation arising from a Local Government Association (LGA) Peer Review in December 2022, the Council is developing a new 5-year Council Plan to start in 2024/25.

The Council subscribes to LG Future Financial Intelligence Toolkits and uses CIPFA's Financial Resilience Index and the LGA's Value for Money profiles to provide comparative benchmarking. The Council's net expenditure per head in 2022/23 was just below the national average for unitary councils, although the high levels of deprivation increases demand for services and due to a relatively small population Hartlepool does not have the economies of scale available to larger councils. 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. Accordingly, the Council spends significantly more than average on education and social services and less on housing, economic regeneration and environmental services.

The Audit and Governance Committee meets almost monthly and has a detailed scrutiny role. In 2022/23, a

review of drug and alcohol abuse was chosen due to benchmarking showing Hartlepool performed badly in these areas and the Council Plan identified healthy living and community safety as priorities. Hartlepool has the tenth highest hospital admission rate from drug abuse in the country and the second highest rate of crime and anti-social behaviour.

HBC's unemployment rate has remained stable at about 5% for several years, which is slightly above the national average of 4.3% but the gap has narrowed, and most similarly deprived authorities have higher unemployment rates.

### The Council's regulator assessments and independent reviews

In December 2022, the LGA published their peer review report on the Council, the first such report in a decade. 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 agreed an action plan to address each recommendation in March 2023.

In May 2024 OFSTED rated the Council's Children's Services Department *'Outstanding'*, compared to *'Good'* in the previous report in 2018 noting:

*"consistently good practice across all parts of the service with exceptionally strong management oversight"*.

OFSTED also commended:

- Providing help early to children in need;
- Thorough child protection arrangements;
- Listening to children and valuing their views; and
- Supporting children leaving care.

Improving services and securing the highest possible rating in the context of the pandemic increasing the complexity of need, the demand for services and the need for external placements is an excellent achievement.

# VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

### The Council's regulator assessments and independent reviews (continued)

The results from the most recent inspections of council departments and service providers are consistently positive, as indicated in the table below:

Inspection Pillar	Inspection rating	Date of last inspection
Children's Social services	Outstanding	2024
Adult Social Services	Good	2019
Pupil Referral Unit	Outstanding	2023
Youth Justice Services	Good	2022
Special Educational Needs	Not scored but very positive	2023
Schools	89% rated Good or Outstanding	2022/23
Adult Social Care Homes	98% rated Good or Outstanding	2022/23

### The Council's arrangements for effective partnership working

Working with partners is a recurring theme across all priorities in the Council Plan and was identified as a strength by the LGA's Peer review. Their report stated that the Council:

*"is generally seen as a good partner at a local and regional level, sharing information to tackle key issues and realise opportunities. It has long-standing shared service arrangement with neighbouring authorities, and its current and future regional contribution within the Tees Valley Combined Authority (TVCA) is widely recognised and understood. Strong relationships are also evident across wider partners such as the further and higher education sector, blue light services, and local businesses".*

The Council received £17M Levelling Up Funding to improve skills and learning as a long-term solution to deprivation and child poverty. This followed previous successful bidding for the Towns Deal and the funds to build a new £35M leisure centre, due to open in 2025/26. These initiatives involve significant partnerships with

central government, the Tees Valley Development Corporation (TVDC) and the private sector. In 2023/24 the Council transferred responsibility for planning to a Mayoral Development Corporation in those areas of the town targeted for TVDC investment.

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 ELT operates and Internal Audit provides audit coverage of partnership arrangements

### 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. A new IT contract was awarded in 2022/23 and the successful tender was within the budget provision. Within the ELT 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..

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.

## Other reporting responsibilities and our fees

# Other reporting responsibilities and our fees

## Other reporting responsibilities

### 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. We will issue our report in the next few days. As in previous years, we anticipate a significant delay before we will be able to issue our 2022/23 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

The NAO timetable for 2022/23 WGA is for completion by the end of November 2024, so we anticipate receiving the clearance which will enable us to issue our audit certificate by this date.

# 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 dated 6 July 2023. Now we have completed the 2022/23 audit, we can confirm our final fees, which include additional fees relating to issues arising this year. All additional fees are subject to Public Sector Audit Appointments (PSAA approval). All fees are exclusive of VAT.

Area of work	2022/23 fees *	2021/22 fees
Planned work in respect of our work under the Code of Audit Practice (scale audit fee published by PSAA)	£96,506	£83,882
Recurring increases in the base audit fee arising from regulatory pressures (as originally agreed in the 2019/20 audit); note that £12,624 of the fee in 2021/22 has been incorporated into the 2022/23 scale audit fee by PSAA	£3,156	£15,780
Additional fees in respect of the new VFM approach (recurring, as agreed from the 2020/21 audit)	£10,000	£10,000
Additional fees in respect of the revised ISA 540 (recurring, as agreed from the 2020/21 audit)	£4,400	£4,400
Additional fees in respect of the Council's infrastructure and triennial pensions issue – specific issues relating to the 2021/22 audit, and non-recurring	£nil	£15,000
ISA 315 revised –additional work in relation to understanding the entity, including documenting risks, risk assessments, and an additional focus on IT general controls (new standard applied from 2022/23 for the first time)	£7,500	£nil
Additional work in relation to review of the LGPS pension asset ceiling calculations – not recurring	£4,000	£nil
<b>Total fees</b>	<b>£125,562 *</b>	<b>£129,062</b>

\* The 2022/23 fee is subject to a 5.2% inflationary increase, not included in the table above. As set out in the PSAA's 'Consultation on 2022/23 audit fee scale' published in August 2022, PSAA will fund the inflationary increase using "surplus funds not required for PSAA's operations, which would otherwise be distributed to opted-in bodies" (p8 of the consultation).

# Other reporting responsibilities and our fees

## Fees for other work

In 2022/23 the Council engaged Mazars for the following audit-related assurance services:

- Housing Benefit Assurance - £15,260 plus VAT (£13,810 in 2021/22); and
- Teachers' Pension Assurance - £5,000 plus VAT (£4,200 in 2021/22).

# Appendices

A: Further information on our audit of the financial statements

# Appendix A: Further information on our audit of the financial statements

## Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p><b>Management override of controls</b></p> <p>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.</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> <li>Accounting estimates impacting amounts included in the financial statements;</li> <li>Consideration of identified significant transactions outside the normal course of business; and</li> <li>Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li> </ul> <p>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.</p>
<p><b>The Valuation of the Defined Benefit Pension Liability / Asset</b></p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. Moreover, in 2022/23 the actuary undertook a triennial revaluation of the local government pension fund and the net valuation moved from a net liability to a net asset for the first time. This results in an increased risk of material misstatement.</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 consider 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 also considered the pension asset disclosed for the first time and whether a cap was required on the pension asset by considering the pension asset ceiling calculation.</p> <p>We obtained assurance from the audit of Teeside Pension Fund.</p> <p>Our work has provided the assurance sought. The Council's share of errors and uncertainties arising from the pension fund audit was immaterial, so the accounts have not been adjusted in respect of these issues.</p>

# Appendix A: Further information on our audit of the financial statements

## Significant risks and audit findings - continued

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p><b>Valuation of land and buildings</b></p> <p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council’s holding of land and buildings. Although the Council uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of land and buildings due to the significant judgements and number of variables involved in providing revaluations. In addition, In addition, there was significant building cost inflation in 2022/23, which increases the risk that assets not revalued in 2022/23 may no longer be valued appropriately. We have therefore identified the valuation of land and buildings to be an area of significant risk.</p>	<p>We addressed this risk by considering the Council’s arrangements for ensuring that land and building values are reasonable and we used data on valuation trends and relevant indices to assess the reasonableness of the valuations provided by the external valuer. We also assessed the competence, skills and experience of the valuer.</p> <p>We discussed methods used with the valuer and tested their calculations. We used indices provided by NAO’s valuation expert (Montagu Evans) to confirm the assets not revalued were unlikely to have materially changed in value.</p> <p>We tested the revaluations in year to valuation reports and supporting calculation sheets and ensure that the calculations were correct and source data agreed with floor plans and indices.</p> <p>Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention.</p>

# Appendix A: Further information on our audit of the financial statements

## Summary of uncorrected misstatements

At the time of drafting our Audit Completion Report there was one unadjusted misstatement.

The Council received a new Towns Deal grant in 2022/23, which was spent across the 2022/23 and 2023/24 financial years. It recognised the income in the year the grant was spent, although in the absence of unmet performance conditions the full amount should have been recognised as income in 2022/23. Given the error was immaterial and will have no impact on usable reserves now available to the Council, the accounts have not been adjusted. If an adjustment were made Taxation and Non-Specific Grant and Usable Reserves in 2022/23 would increase by £3,365,000 and there would be a corresponding decrease in Capital Grants Received in Advance.

The Teesside Pension Fund auditor subsequently reported to us that their audit had identified that assets in the draft financial statements used by the actuary were overstated. This was due to one known misstatement and one potential misstatement, the aggregate of which was immaterial to the Pension Fund. When apportioned to Hartlepool Borough Council to reflect the Council's share of the Pension Fund's assets the maximum misstatement of £4,195,000 was also immaterial to the Council. The misstatement was estimated and part of it was a potential misstatement rather than a known one. It also had no impact on the Council's usable reserves.

## Internal control recommendations

Our Audit Completion Report contained one low priority internal control recommendation, which is summarised below.

### Low priority internal control recommendation – in our view internal control should be strengthened when practicable

#### Description of deficiency.

Our payroll testing found that the Council could not locate signed employment contracts for four of the fifteen employees in our sample. Although we were able to identify other evidence that the employees had been paid correctly and there is no legal requirement for written contracts of employment we regard the absence of such contracts as an internal control weakness.

#### Potential effects

There is a risk that the Council will encounter more employment disputes and greater difficulty resolving them without employment tribunals if a signed employment contract is not available.

#### Recommendation

The Council should ensure that during 2024/25 it identifies all employees without a signed employment contract and prepares a plan for preparing, issuing and signing new contracts confirming the applicable terms and conditions for these employees. In future, a signed employment contract should be retained for every employee.

#### Management response

The Council introduced a new digital recruitment system in October 2018, and as such holds a digital confirmation that new employees confirmed they accepted the terms in conditional offer and employment letters. This was further strengthened in October 2020 to comply with new legal obligations. The Council acknowledges the risk but considers it to be both low and diminishing. We will consider an approach during 2024/25 to address any gaps, recognising the additional resources that would be required to correct all historic records

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