

# **Financial Report 2022/23 Hartlepool Borough Council**





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## **SECTION 1 : Narrative Report**

### **INTRODUCTION**

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

The narrative report sets out:

- Our Strategy and Objectives
- Our Performance 2022/23
- Risk Management Arrangements
- Financial Performance 2022/23
- Financial Outlook – General Fund 2023/24 to 2026/27
- Borrowing Facilities and Investment Strategy
- Statement of Accounts

### **OUR STRATEGY AND OBJECTIVES**

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

## SECTION 1 : Narrative Report

### **Our vision**

Hartlepool will be a place...

- where people are enabled to live healthy, independent and prosperous lives.
- where those who are vulnerable will be safe and protected from harm.
- of resilient and resourceful communities with opportunities for all.
- that is sustainable, clean, safe and green.
- that has an inclusive and growing economy.
- with a Council that is ambitious, fit for purpose and reflects the diversity of its community.

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

What that will mean...

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

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

What that will mean...

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

## SECTION 1 : Narrative Report

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

What that will mean...

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

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

What that will mean...

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

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

What that will mean...

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

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

What that will mean...

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

## SECTION 1 : Narrative Report

### OUR PERFORMANCE 2022/23

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

##### **Leisure Centre Development - Highlight**

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

##### **Cycling Developments**

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

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

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

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

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

##### **Public Health**

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

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

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

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

##### **Mockingbird Project**

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

##### **Changing Places Facilities**

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

##### **Older People**

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

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

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

##### **Substance Misuse**

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

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

## SECTION 1 : Narrative Report

### **Suicide**

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

### **Adult Social Care**

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

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

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

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

### **Team Around the Individual (TATI)**

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

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

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

### **Serious Violence**

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

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

### **Jobs and Skills**

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

### **Employability**

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

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

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

### **Volunteering**

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

## SECTION 1 : Narrative Report

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

### **Adult Education**

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

### **Community Based Services**

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

### **Education**

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

### **Events**

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

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

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

### **Community Hubs**

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

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

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

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

### **Supporting residents during the cost of living crisis**

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

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

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

### **Parks**

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

### **Conservation Area Management Plans**

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

## SECTION 1 : Narrative Report

### **Seascapes Programme**

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

### **Elephant Rock**

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

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

### **Hartlepool Railway Station**

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

### **Tackling Climate Change**

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

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

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

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

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

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

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

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

### **Fly Tipping**

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

### **Road Improvement and Safety Schemes**

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

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

### **Housing and Energy Efficiency**

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

## SECTION 1 : Narrative Report

### **Waste Management**

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

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

### **Car Parking**

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

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

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

#### **Inclusive Growth Strategy**

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

#### **Hartlepool Restaurant Week**

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

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

#### **Town Deal**

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

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

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

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

#### **Levelling Up Fund**

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

#### **The Northern Film and TV Studios**

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

## SECTION 1 : Narrative Report

### Tall Ships

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

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

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

#### Workforce

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

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

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

#### Consultation and Engagement

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

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

#### Digital Progression

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

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

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

#### Information Communication Technology and Cyber Security

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

#### Corporate Peer Review

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

## SECTION 1 : Narrative Report

### COUNCIL PLAN PERFORMANCE 2022/23

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

## **SECTION 1 : Narrative Report**

### **RISK MANAGEMENT ARRANGEMENTS**

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

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

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

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

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

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

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

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

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

### **FINANCIAL PERFORMANCE 2022/23**

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

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

#### **General Fund 2022/23 – Approved Budget**

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

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

## SECTION 1 : Narrative Report

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

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

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

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

### General Fund 2022/23 – Actual Outturn

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

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

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

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

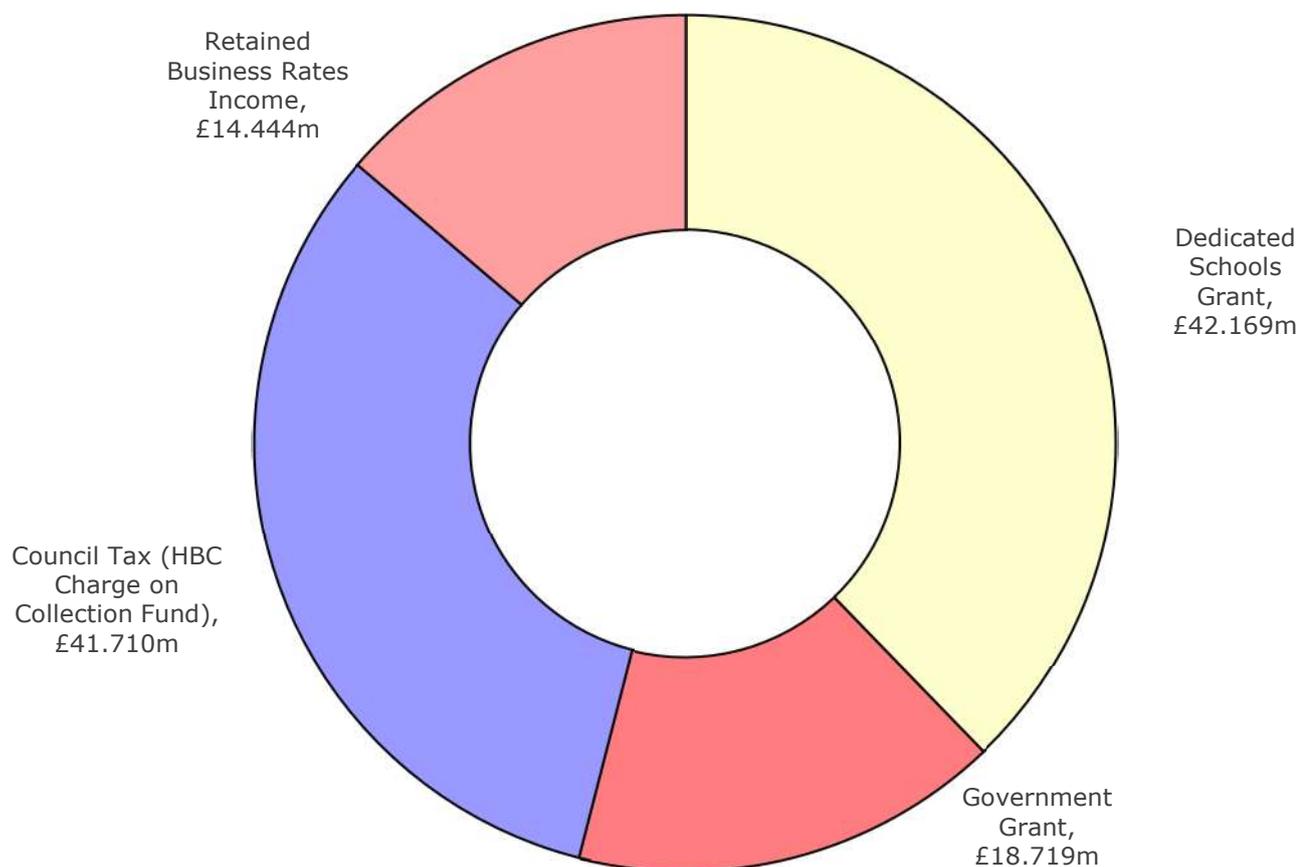
In response to these financial challenges the Council worked hard to mitigate the impact of higher costs and determined not to implement in-year budget cuts in order to protect services. This decision was made on the basis of managing expenditure robustly and earmarking up to £1.369m of the Budget Support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

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

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

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



## SECTION 1 : Narrative Report

### Housing Revenue Account (HRA)

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

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

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

### Pooled Budgets - Better Care Fund

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

### Capital Expenditure

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

In 2022/23 the Council had a total Capital Programme of £84.555m and incurred expenditure totalling £17.409m.

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

### Capital Financing

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

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

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

## SECTION 1 : Narrative Report

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

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

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

### Capital Receipts

The Council received gross receipts of £1.314m in 2022/23 from the sale of assets.

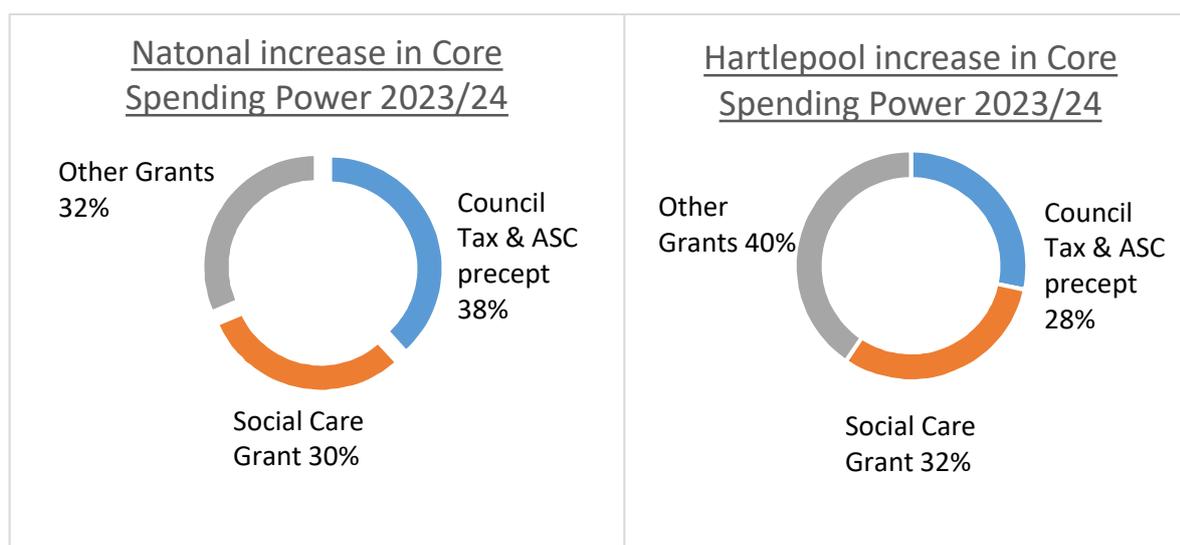
### FINANCIAL OUTLOOK – GENERAL FUND 2023/24 TO 2026/27

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

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

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

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



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

## SECTION 1 : Narrative Report

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

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

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

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

### Current Forecast deficits 2024/25 to 2026/27

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

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

### **BORROWING FACILITIES AND INVESTMENT STRATEGY**

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

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

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

### **PENSIONS**

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

The Council is a member of the Teesside Pension Fund and the statutory arrangements for this scheme mean that any IFRS IAS19 deficit does not need to be made good by increased pension's contributions from the Council or employees. A separate Pension Fund valuation is carried out every three years to determine the Council's contribution rate. Further information is included in Notes 52 and 53 to the Statement of Accounts.

# SECTION 1 : Narrative Report

## STATEMENT OF ACCOUNTS

### Comprehensive Income and Expenditure Statement

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

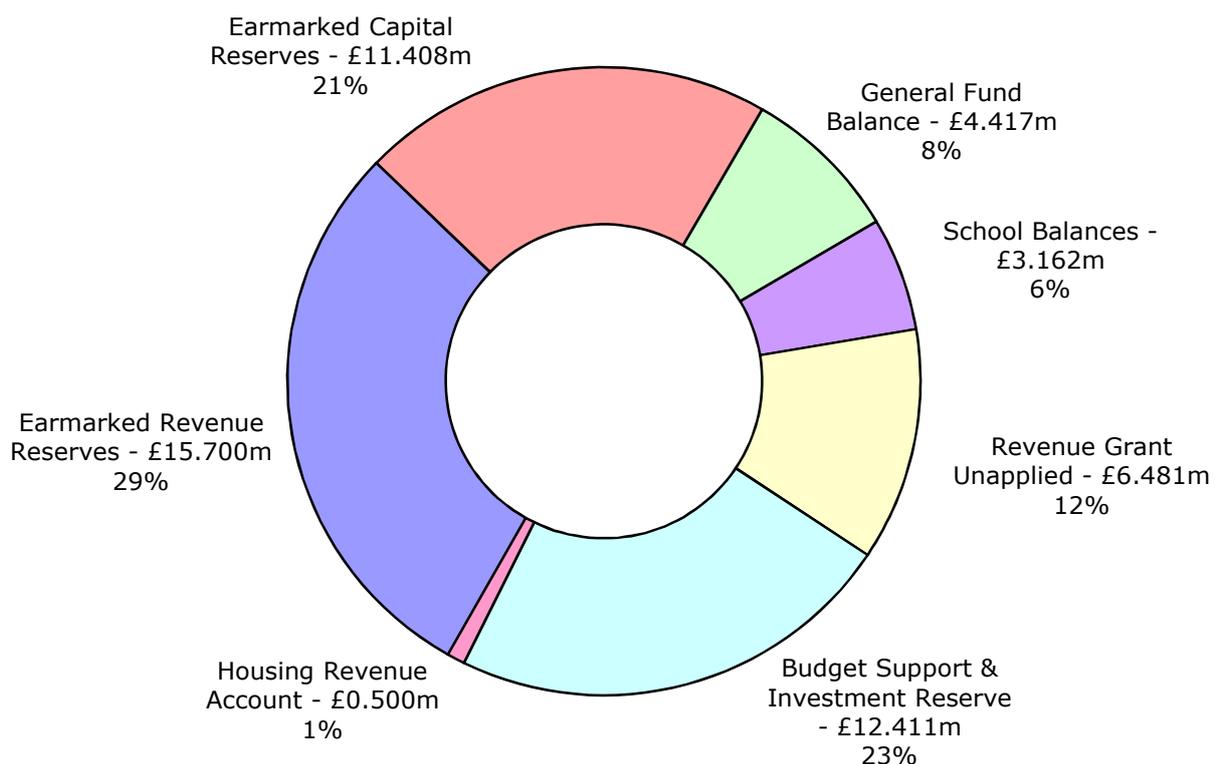
### Balance Sheet

The Balance Sheet shows the value of the assets and liabilities at 31 March 2023. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are classified in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserve includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

The major movements on the Balance Sheet are as follows:

- Property, Plant and Equipment, Investment Properties, Assets Held for Sale and Heritage Assets – the Council's total fixed assets have decreased by £5.839m which comprises expenditure on fixed assets, upward revaluations of existing assets, less depreciation and disposals.
- Owing to actuarial gains on financial assumptions, the Authority now holds a pension asset of £75.745m as at 31 March 2023 (pension liability of £129.546m as at 31 March 2022).
- Short Term Debtors - totalled £31.887m as at 31 March 2023 (£36.586m at 31 March 2022). The decrease mainly relates to central government debtors.
- Short Term Creditors – as at 31 March 2023 was £27.213m (£29.536m at 31 March 2022). The decrease primarily to central government creditors.
- Capital Grant Receipts in advance – as at 31 March 2023 was £20.420m (£14.379m at 31 March 2022). The majority of the increase relates to grants in advance from DLUHC.
- Revenue Grant Receipts in advance – as at 31 March 2023 was £3.033m (£2.322m at 31 March 2022). The increase mainly relates to government grants.
- Other long term liabilities – as at 31 March 2023 was £0.664m (£129.861m at 31 March 2022). The majority of this decrease related to the Council's defined benefit pension scheme which is now in a net Asset position.
- At the 31 March 2023 the Authority had usable reserves of £54.079m (£55.618m at 31 March 2022). Full details of the Council's reserves are provided in Notes 30 to 37 and include the following key reserves:

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



## SECTION 1 : Narrative Report

This excludes £1.696m of grant funding the Government has provided to meet Collection Fund deficits arising from the impact of COVID-19. This funding will be used during 2023/24 to reflect the statutory arrangements from managing Collection Fund deficits as described in Note 35 of the accounts.

### Cash Flow Statement

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

### Collection Fund

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

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

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

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

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

### ACCOUNTING POLICIES

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

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

## SECTION 1 : Narrative Report

### INSPECTION OF ACCOUNTS

Members of the public have a statutory right to inspect the accounts before the audit is completed, question the auditor and make objections at audit. The availability of the accounts for inspection was advertised on the Council's website and in relation to the 2022/23 financial year the inspection period is 19 June 2023 to 28 July 2023.



James Magog  
Director of Finance, IT and Digital  
Date: 28 June 2024

## 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 12 March 2024.



Chair of Audit and Governance Committee

Date: 28 June 2024

### The Director of Finance, IT and Digital Responsibilities

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

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

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

The Director of Finance, IT and Digital has also:

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

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

In accordance with the requirements of the Accounts and Audit Regulations 2015, I certify that Section 1 to 3 of the Financial Report 2022/23, which includes the Statement of Accounts, gives a true and fair view of the financial position of Hartlepool Borough Council at the accounting date and its income and expenditure for the year ended 31 March 2023.



James Magog CPFA

Director of Finance, IT and Digital

Date: 28 June 2024

## SECTION 3 : Statement of Accounts

### Movement in Reserves Statement for the year ended 31 March 2023

	General Fund Balance	Earmarked General Fund Reserves	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance at 31 March 2021 carried forward</b>	4,417	18,737	35,013	495	1,172	-	8	59,842	(21,745)	38,097
<b><u>Movement in reserves during 2021/22</u></b>										
Surplus or (deficit) on provision of services	(15,316)	-	-	155	-	-	-	(15,161)	-	(15,161)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	102,061	102,061
<b>Total Comprehensive Income and Expenditure</b>	(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)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	2,772	-	-	144	187	63	-	3,166	83,734	86,900
Transfers to/(from) Earmarked Reserves	(2,772)	(2,674)	5,447	(144)	144	-	-	-	-	-
<b>Increase/(Decrease) in Year</b>	-	<b>(2,674)</b>	<b>5,447</b>	-	<b>331</b>	<b>63</b>	-	<b>3,166</b>	<b>83,734</b>	<b>86,900</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>4,417</b>	<b>16,063</b>	<b>40,460</b>	<b>495</b>	<b>1,503</b>	<b>63</b>	<b>8</b>	<b>63,008</b>	<b>61,989</b>	<b>124,997</b>
<b><u>Movement in reserves during 2022/23</u></b>										
Surplus or (deficit) on provision of services	(34,536)	-	-	144	-	-	-	(34,392)	-	(34,392)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	232,385	232,385
<b>Total Comprehensive Income and Expenditure</b>	(34,536)	-	-	144	-	-	-	(34,392)	232,385	197,993
Adjustments between accounting basis & funding basis under regulations (note 5)	26,963	-	(1,154)	112	10	1,228	-	27,159	(27,159)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	(7,573)	-	(1,154)	256	10	1,228	-	(7,233)	205,226	197,993
Transfers to/(from) Earmarked Reserves	7,573	(490)	(7,084)	(251)	251	-	-	-	-	-
<b>Increase/(Decrease) in Year</b>	-	<b>(490)</b>	<b>(8,238)</b>	<b>5</b>	<b>261</b>	<b>1,228</b>	-	<b>(7,233)</b>	<b>205,226</b>	<b>197,993</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>4,417</b>	<b>15,573</b>	<b>32,222</b>	<b>500</b>	<b>1,764</b>	<b>1,291</b>	<b>8</b>	<b>55,775</b>	<b>267,215</b>	<b>322,990</b>

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

## SECTION 3 : Statement of Accounts

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

2021/22			2022/23				
£000s	£000s	£000s		£000s	£000s	£000s	
Expenditure	Income	Net		Expenditure	Income	Net	Note
80,110	(42,212)	37,898	<b>Continuing operations:</b>	81,505	(42,157)	<b>39,348</b>	7
101,394	(69,183)	32,211	Adult and Community Based Services	105,413	(69,405)	<b>36,008</b>	7
15,519	(20,671)	(5,152)	Children's and Joint Commissioning	12,888	(13,487)	<b>(599)</b>	7
41,024	(17,500)	23,524	Corporate	43,219	(18,220)	<b>24,999</b>	7
37,784	(29,508)	8,276	Neighbourhoods and Regulatory Services	35,937	(28,010)	<b>7,927</b>	7
832	(1,318)	(486)	Resources & Development	1,004	(1,432)	<b>(428)</b>	7
276,663	(180,392)	96,271	HRA	<b>279,966</b>	<b>(172,711)</b>	<b>107,255</b>	
468	(378)	90	<b>Cost of Services</b>	18,220	(1,230)	<b>16,990</b>	8
17,982	(11,901)	6,081	Other Operating Expenditure	23,308	(17,538)	<b>5,770</b>	9
-	(87,281)	(87,281)	Financing and Investment Income and Expenditure	-	(95,623)	<b>(95,623)</b>	10
295,113	(279,952)	15,161	Taxation and Non-Specific Grant Income	<b>321,494</b>	<b>(287,102)</b>	<b>34,392</b>	
			<b>(Surplus) / Deficit on Provision of Services</b>				
		(1,343)	(Surplus) / Deficit on Revaluation of Property, Plant and Equipment			(10,057)	38 Table 1
		(100,717)	Remeasurement of net defined benefit liability / (asset)			(222,328)	38 Table 3
		<b>(102,060)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(232,385)</b>	
		<b>(86,899)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(197,993)</b>	

## SECTION 3 : Statement of Accounts

### Balance Sheet as at 31 March 2023

Restated 31 March 2022 £000s		<b>31 March 2023 £000s</b>	<b>Note</b>
283,770	Property, Plant & Equipment	277,810	14
17,751	Heritage Assets	17,767	17
9,804	Investment Property	9,828	16
277	Intangible Assets	125	18
197	Long Term Investments	-	19
-	Pension Asset	75,745	19
3,771	Long Term Debtors	3,408	20
<b>315,570</b>	<b>Long Term Assets</b>	<b>384,683</b>	
40,015	Short Term Investments	50,896	45
549	Inventories	506	21
36,586	Short Term Debtors	31,887	22
6,229	Cash & Cash Equivalents	8,154	24
365	Assets Held for Sale	446	25
<b>83,744</b>	<b>Current Assets</b>	<b>91,889</b>	
(3,336)	Bank Overdraft	(3,665)	24
(2,485)	Provisions	(2,086)	27
(1,378)	Short Term Borrowing	(6,405)	45
(29,536)	Short Term Creditors	(27,213)	26
(14,379)	Capital Grants Receipts in Advance	(20,420)	29
(2,322)	Revenue Grant Receipts in Advance	(3,033)	29
<b>(53,436)</b>	<b>Current Liabilities</b>	<b>(62,822)</b>	
(1,154)	Provisions	(1,163)	27
(89,866)	Long Term Borrowing	(88,933)	45
<b>(129,861)</b>	Other Long Term Liabilities	<b>(664)</b>	<b>28</b>
<b>(220,881)</b>	<b>Long Term Liabilities</b>	<b>(90,760)</b>	
<b>124,997</b>	<b>Net Assets:</b>	<b>322,990</b>	
4,417	Unearmarked General Fund Balances	4,417	30
11,522	Budget Support & Investment Reserves	12,411	31
5,592	Revenue Grants Unapplied	6,481	32
19,090	Earmarked Revenue Reserves	15,700	33
9,961	Earmarked Capital Reserves	11,408	34
4,541	School Balances	3,162	36
495	Housing Revenue Account Balance	500	37
7,390	COVID-19 Council Tax and Business Rates Collection Fund Deficit Reserve	1,696	35
61,989	Unusable Reserves	267,215	38
<b>124,997</b>	<b>Total Reserves:</b>	<b>322,990</b>	

In the 2021/22 accounts Infrastructure Assets had been reported separately. For 2022/23 they have been merged with Property, Plant and Equipment.

## SECTION 3 : Statement of Accounts

### Statement Of Cash Flows For The Year Ended 31 March 2023

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

<b>2021/22</b>		<b>2022/23</b>	
<b>£000s</b>		<b>£000s</b>	<b>Note</b>
(15,161)	Net Surplus / (Deficit) on the Provision of Services	(34,392)	
33,741	Adjustments to Net Surplus / (Deficit) on the Provision of Services for Non-cash Movements	45,232	48
(11,218)	Adjustments for items included in the Net Surplus / (Deficit) on the Provision of Services that are Investing and Financing Activities	(13,189)	49
<u>7,362</u>	<b>Net Cash (Outflow) / Inflow from Operating Activities</b>	<u>(2,349)</u>	
(32,160)	<b>Investing Activities</b>	(2,893)	50
12,451	<b>Financing Activities</b>	6,838	51
<u>(12,347)</u>	Net Increase / (Decrease) in Cash and Cash Equivalents	<u>1,596</u>	
15,240	Cash and Cash Equivalents at the beginning of the reporting period	2,893	
<u><u>2,893</u></u>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	<u><u>4,489</u></u>	24

### Summary of Significant Accounting Policies

#### 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2015 and to comply with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

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

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

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

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

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

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

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

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

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

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

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

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

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

## SECTION 3 : Statement of Accounts

### 2. Accruals of Income and Expenditure

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

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

### 3. Cash and Cash Equivalents

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

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

### 4. Exceptional Items

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

## **SECTION 3 : Statement of Accounts**

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

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

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

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

### **6. Charges to Revenue for Non-current Assets**

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

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

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

### **7. Employee Benefits**

#### **Benefits Payable During Employment**

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

#### **Termination Costs**

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

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

## SECTION 3 : Statement of Accounts

### Post Employment Benefits

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

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

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

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

#### The Local Government Pension Scheme

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

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

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

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

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

**Service cost**, comprising:-

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

**Remeasurements**, comprising:

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

## SECTION 3 : Statement of Accounts

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The positive balance that arises on the Pensions Reserve means that the resources set aside to fund pension benefits for post and current employees currently exceed the estimated cost.

### Discretionary Benefits

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

### **8. Events After the Balance Sheet Date**

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

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

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

### **9. Government Grants and Contributions**

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

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

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

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

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

## SECTION 3 : Statement of Accounts

### 10. Interests in Companies and Other Entities

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

The Council holds minority shares in Teesside International Airport Ltd and sold its minority shares in Suez Recycling and Recovery Tees Valley Limited in 2022/23. These share holdings originated through policy initiatives with other Local Authorities and are not held for trading or income generation. Therefore the Council have elected to designate the equity as Fair Value through other Comprehensive Income.

### 11. Inventories and Long Term Contracts

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

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

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

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

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

### 12. Investment Property

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

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

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

### 13. Leases

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

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

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

## SECTION 3 : Statement of Accounts

### The Council as Lessee

#### Finance Leases

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

Lease payments are apportioned between:

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

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

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

#### Operating Leases

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

### The Council as Lessor

#### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

## SECTION 3 : Statement of Accounts

### Operating Leases

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

### **14. Council Tax and Non-Domestic Rates**

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

### **15. Accounting for Council Tax and NDR**

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

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

### **16. Property, Plant and Equipment**

Property, Plant and Equipment are valued on a five-year rolling programme, although material changes to asset values will be adjusted in the interim period as they occur. The current asset values are based upon certificates issued by the Council's Property Management Division. The valuations are prepared in accordance with the Statements and UK Practice Statements contained in the RICS Appraisal and Valuation Standards. From 1<sup>st</sup> April 2007, increases in asset valuations are credited to the Revaluation Reserve.

The asset valuations have been prepared using the following assumptions:

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

## SECTION 3 : Statement of Accounts

Not all properties were specifically inspected for the purposes of asset valuations. This was neither practicable, nor considered by the Valuer to be necessary, for the purpose of the valuation. However, regular inspections are made by officers of the Property Section of all the Council's property assets. As allowable under the Code depreciated historical cost is used as a proxy for some non-property assets that have short useful lives and/or low values.

Where a non current asset is included in the Balance Sheet at current value, the increase over the previous carrying amount at which that asset was included in the Balance Sheet immediately prior to the latest revaluation is credited to a revaluation account, except to the extent that it reverses a revaluation loss on the same asset previously recognised in the Comprehensive Income and Expenditure Statement, when the revaluation gain is recognised in the Comprehensive Income and Expenditure Statement.

Where an item of Property, Plant or Equipment is acquired under a finance lease, at the inception of the lease the amount to be recorded both as an asset and as a liability would be the present value of the minimum lease payments derived by discounting them at the interest rate implicit in the lease.

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

- The purchase price; and,
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

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

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

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

## SECTION 3 : Statement of Accounts

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant department line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant department line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant department line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation has been charged using the straight line method on the closing balances over the assets estimated useful life.

The useful lives of assets are estimated on a realistic basis and are reviewed regularly and, where necessary, revised. Where the useful life of an item of Property, Plant or Equipment is revised, the carrying amount of the item is depreciated over the revised remaining useful life. Depreciation is not charged in the year of acquisition but is charged in the year of disposal.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, or has a significantly different useful life, the components are recognised separately and depreciated based on the components useful economic life.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Disposals and Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell. Where there is a subsequent decrease to current value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in current value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

## SECTION 3 : Statement of Accounts

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale but remain in property, plant and equipment. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

### 17. Heritage Assets

Heritage Assets are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Council's history and local area. The items in the Museum Exhibit and Art Collection and the Civic Collection are held on the Balance Sheet at insurance value, and will be reviewed every five years. The assets within these collections are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions will be recognised at cost until the collection is revalued by the external valuer. Donations will only be recognised where the value is deemed to exceed £10,000, and will be valued by the external valuer.

The Council has an Acquisitions and Disposals Policy in place which sets out the acquisition, preservation, management and disposal of Heritage Assets. This is available to view on the Council's website.

The Council does not consider that reliable cost of valuation information can be obtained for many of the items held under the Sculptures, Monuments and War Memorial category. This is because of the diverse nature of the assets held and lack of comparable market values.

### 18. Intangible Assets

Expenditure on assets that do not have physical substance and are identifiable and controlled by the Council (e.g. Software Licences) is capitalised when it will bring benefits to the Council for more than one financial year. The cost is charged to the relevant expenditure category over the economic life to reflect the pattern of consumption of benefits.

### 19. Provisions and Contingent Liabilities

#### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate department line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

## SECTION 3 : Statement of Accounts

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **20. Financial Guarantees**

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments and are disclosed in the Financial Guarantees note.

### **21. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

### **22. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

### **23. VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs. VAT receivable is excluded from income.

## SECTION 3 : Statement of Accounts

### 24. Financial Instruments

#### Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For existing borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

For Public Works Loans Board (PWLB) loans, the fair value of each loan has been determined by information supplied by the PWLB. For market loans, the redemption rules of the PWLB have been used to approximate the fair value of loans held. The comparator market rates prevailing have been taken from indicative investment rates at each Balance Sheet date.

#### Financial Assets

Financial assets are classified based on classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost,
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows i.e. Payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

#### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provision of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for the interest receivable are based on the carrying amount of the asset multiplied by the effective rate of the interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

#### Financial Assets Measured at Fair Value through Profit or Loss ( FVPL)

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

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

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

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

The Council currently holds no assets at FVPL.

## SECTION 3 : Statement of Accounts

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

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

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

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

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

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

### Expected Credit Loss Model

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

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

## **25. Fair Value Measurements**

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

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

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

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

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

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

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

## SECTION 3 : Statement of Accounts

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2022/23 Code. The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would, therefore result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2023/24 Code are:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is an exemption for low-value and short-term leases).
- CIPFA/LASAAC have deferred implementation of IFRS16 for Local Government to 1 April 2024 which is when we will adopt. This is not expected to significantly impact on the Council's Statement of Accounts.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.

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

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

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

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government beyond 2023/24. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has an external contract for the provision of its ICT service. This contract has been classed as an embedded lease and under IAS 37 was brought onto the Balance Sheet in 2009/10 as a finance lease.
- The Council has undertaken a review of all schools in Hartlepool and their accounting treatment. There are 38 schools in Hartlepool;
  - One Voluntary Aided (VA) School which is owned and accounted for by the Church of England Diocese of Durham.
  - One Foundation School which is owned by the School Governing Body.
  - Eight Community Schools owned by the Council.
  - Twenty-Seven 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:

<b>School Type</b>	<b>Land &amp; Buildings</b>	<b>School Playing Field</b>	<b>Equipment</b>
Voluntary Aided	Off	On	Off
Foundation	Off	Off	Off
Community	On	On	On
Academy	Off	Off	Off

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

## SECTION 3 : Statement of Accounts

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

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

The items in the Council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	At 31 March 2023, the Council had land and buildings to the value of £149.120m. A 1% change in the estimation of property values would lead to a £1.491m change in the value of the Council's land and buildings. These changes to valuations would not have a direct impact on the Council's general fund, since any effect charged to the CIES would be reversed to the Council's unusable reserves.
Pensions Asset / 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 asset / liability of changes in individual assumptions can be measured. The Gross Carrying Amount (GCA) of the net pension asset is £75.745m. For example, a 0.1% increase in the discount rate assumption would result in a decrease in liability of £8.718m, however, the assumptions interact in complex ways. During 2022/23, the Council's actuaries advised that the net pension liability for funded LGPS benefits had become a net pension asset resulting from a reduction in liabilities of £262.337m as a result of updating financial assumptions, increase of £4.361m as a result of changes in demographic assumptions and a decrease of £37.283m attributable to liability experience. Actual pension rates are determined on an actuarial basis every 3 years. The latest valuation has determined the employer's contribution for 3 years from 31st March 2022. A 0.1% increase in this rate would increase the Council's revenue budget requirement for pension costs by £0.060m.

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

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

The Statement of Accounts was authorised for issue by the Director of Finance, IT and Digital on 12 March 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## SECTION 3 : Statement of Accounts

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

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

2022/23	Usable Reserves							Movement in Unusable Reserves £000s
	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	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>								
<i>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</i>								
Charges for Depreciation and Impairment of Non-current Assets	10,133	-	-	385	-	-	-	(10,518)
Charges for Revaluation losses / gains on Property Plant and Equipment	460	-	-	(111)	-	-	-	(349)
Movements in the Market Value of Investment Properties	896	-	-	-	-	-	-	(896)
Capital Grants and Contributions	(12,072)	-	-	-	-	-	-	12,072
Direct Revenue Funding	(53)	-	(1,154)	-	-	-	-	1,207
Revenue Expenditure Funded from Capital Under Statute	3,656	-	-	-	-	-	-	(3,656)
Amounts of Non-current Assets written off on Disposal or Sale as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement	18,039	-	-	-	-	-	-	(18,039)
<i>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</i>								
Provision for the Financing of Capital Investment (MRP)	(2,865)	-	-	-	-	-	-	2,865
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>								
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	-	-
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>								
Transfer of Cash Sale Proceeds Credited as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement	(1,314)	-	-	-	-	1,314	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	-	(86)	-	86
<b>Adjustments primarily involving the major Repairs Reserve:</b>								
Transfer to Major Repairs Reserve	-	-	-	(220)	220	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	-	(210)	-	-	210

## SECTION 3 : Statement of Accounts

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

2022/23	Usable Reserves							
	Unearmarked General Fund Balance £000s	School, Budget Support and Investment Reserves £000s	Earmarked Revenue & Capital Reserves £000s	Housing Revenue Account £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
<b>Adjustments primarily involving the Pensions Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	24,571	-	-	81	-	-	-	(24,652)
Employer's Pension Contributions and Direct Payments to Pensioners payable in year	(7,592)	-	-	(23)	-	-	-	7,615
<b>Adjustments Primarily involving the Collection Fund Adjustment Account:</b>								
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax and income calculated for the year in accordance with statutory requirements	(5,323)	-	-	-	-	-	-	5,323
<b>Adjustments primarily involving the Accumulated Absences Adjustment Account:</b>								
Amount by which Officer Remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	(1,770)	-	-	-	-	-	-	1,770
<b>Adjustments Primarily involving the Financial Instruments Revaluation Reserve:</b>								
Derecognition of gains in relation to the available for sale financial instruments on sale of preference shares.	197							(197)
<b>Total Adjustments</b>	<b>26,963</b>	<b>-</b>	<b>(1,154)</b>	<b>112</b>	<b>10</b>	<b>1,228</b>	<b>-</b>	<b>(27,159)</b>

2021/22	Usable Reserves							
	Unearmarked General Fund Balance £000s	School, Budget Support and Investment Reserves £000s	Earmarked Revenue & Capital Reserves £000s	Housing Revenue Account £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
<b>Adjustments primarily involving the Capital Adjustment Account:</b>								
<i>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</i>								
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)
<i>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</i>								
Provision for the Financing of Capital Investment (MRP)	(2,647)	-	-	-	-	-	-	2,647

## SECTION 3 : Statement of Accounts

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

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

## SECTION 3 : Statement of Accounts

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

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23. Further details are provided in Notes 30 to 36.

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

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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	2021/22		Net Expenditure in the Comprehensive Income and Expenditure Statement		2022/23		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments Between the General Fund and the Comprehensive Income and Expenditure Statement				Net Expenditure Chargeable to the General Fund and HRA	Adjustments Between the General Fund and the Comprehensive Income and Expenditure Statement	
£000s	£000s	£000s	£000s		£000s	£000s	£000s
33,760	4,138	37,898	Adult & Community Based Services		35,197	4,151	<b>39,348</b>
26,140	6,071	32,211	Children's & Joint Commissioning Services		29,042	6,966	<b>36,008</b>
(12,517)	7,365	(5,152)	Corporate		(13,214)	12,615	<b>(599)</b>
18,755	4,769	23,524	Neighbourhood and Regulatory Services		19,801	5,198	<b>24,999</b>
4,591	3,685	8,276	Resources and Development		5,009	2,918	<b>7,927</b>
-	(486)	(486)	HRA		(5)	(423)	<b>(428)</b>
43,157	(43,157)	-	Schools		42,169	(42,169)	-
113,886	(17,615)	96,271	<b>Net Cost of Services</b>		<b>117,999</b>	<b>(10,744)</b>	<b>107,255</b>
(114,172)	33,062	(81,110)	Other Income and Expenditure		(117,042)	44,179	<b>(72,863)</b>
(286)	15,447	15,161	<b>(Surplus) or Deficit</b>		<b>957</b>	<b>33,435</b>	<b>34,392</b>
4,912			<b>Opening General Fund &amp; HRA Balance</b>		4,912		
286			<b>Less/Plus Surplus or (Deficit) on General Fund Balance in Year</b>		(962)		
(286)			<b>Transfer Between Earmarked &amp; General Fund Reserves</b>		962		
-			<b>Less/Plus Surplus or (Deficit) on HRA Balance in Year</b>		-		
-			<b>Transfer Between Earmarked &amp; HRA Reserves</b>		5		
4,912			<b>Closing General Fund &amp; HRA Balance at 31 March</b>		<b>4,917</b>		

## SECTION 3 : Statement of Accounts

### Note 7A: Note to the Expenditure and Funding Analysis

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

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	2022/23				
	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	142	2,857	1,152	-	4,151
Children's and Joint Commissioning	2,960	5,650	(2,397)	753	6,966
Corporate	(60)	-	-	12,675	12,615
Neighbourhood and Regulatory Services	4,849	3,056	(2,707)	-	5,198
Resources and Development	-	1,773	825	320	2,918
HRA	54	45	-	(522)	(423)
Schools	-	-	-	(42,169)	(42,169)
<b>Net Cost of Services</b>	<b>7,945</b>	<b>13,381</b>	<b>(3,127)</b>	<b>(28,943)</b>	<b>(10,744)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	9,213	3,656	(78)	31,388	44,179
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>17,158</b>	<b>17,037</b>	<b>(3,205)</b>	<b>2,445</b>	<b>33,435</b>

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's and Joint Commissioning	3,991	6,694	27	(4,641)	6,071
Corporate	1,453	-	-	5,912	7,365
Neighbourhood and Regulatory Services	-	2,019	203	1,463	3,685
Resources and Development	4,233	3,504	(358)	(2,610)	4,769
HRA	(67)	43	(144)	(318)	(486)
Schools	-	-	-	(43,157)	(43,157)
<b>Net Cost of Services</b>	<b>10,469</b>	<b>15,499</b>	<b>(297)</b>	<b>(43,286)</b>	<b>(17,615)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(8,604)	4,514	(3,802)	40,954	33,062
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>1,865</b>	<b>20,013</b>	<b>(4,099)</b>	<b>(2,332)</b>	<b>15,447</b>

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

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

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

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

## SECTION 3 : Statement of Accounts

### Note 7B: Expenditure and Income Analysed by Nature

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

2021/22 £000	<b>Expenditure/Income</b>	<b>2022/23 £000</b>
	<b>Expenditure</b>	
112,502	Employee Benefits Expenses	114,107
158,086	Other Services Expenses	164,980
10,434	Support Service Recharges	9,284
10,405	Depreciation, Impairment, Revaluation Losses	11,763
3,219	Interest Payments	3,140
161	Precepts and Levies	181
306	Gain/Loss on the disposal of assets	18,039
295,113	<b>Total Expenditure</b>	<b>321,494</b>
	<b>Income</b>	
(48,988)	Fees Charges and Other Service Income	(50,982)
(11,901)	Interest and Investment Income	(17,531)
(56,344)	Income from Council Tax and Non Domestic Rates	(61,476)
(162,719)	Government Grants and Contributions	(157,113)
(279,952)	<b>Total Income</b>	<b>(287,102)</b>
15,161	<b>Surplus or deficit on the provision of services</b>	<b>34,392</b>

### Note 7C: Segmental Income

Income received on a segmental basis is analysed below.

2021/22			2022/23	
Fees & Charges £000	Interest & Investment Income £000		Fees & Charges £000	Interest & Investment Income £000
(27,273)	-	Adult & Community Based Services	(29,263)	-
(5,702)	(320)	Resources and Development	(6,086)	(387)
(46,619)	-	Children's & Joint Commissioning Services	(42,918)	-
(16,595)	(206)	Corporate	(14,422)	(1,336)
(1,318)	(40)	HRA	(1,429)	(87)
(32,313)	-	Neighbourhoods and Regulatory Services	(32,471)	-
(129,820)	(566)		<b>(126,589)</b>	<b>(1,810)</b>

## SECTION 3 : Statement of Accounts

### Note 8: Other Operating Expenditure and Transfer of School Assets

This note provides a breakdown of the various components included within the Other Operating Expenditure and Transfer of School Assets lines of the Comprehensive Income and Expenditure Statement.

2021/22 £000s		2022/23 £000s
161	Parish council precepts and levies	181
(189)	Receipts from Sale of Former Council Houses	(116)
13	Loss resulting from Transfer of School Assets	17,180
105	(Gain) or loss on the disposal of non-current assets	(255)
<u>90</u>		<u>16,990</u>

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

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

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

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

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

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

## SECTION 3 : Statement of Accounts

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

The Council has decided to provide this additional note to provide a detailed breakdown of the Basic Allowance and Special Responsibility Allowances (SRAs) paid to individual Councillors for 2022/23.

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

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

#### Basic and Special Responsibility Allowances

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

On 22 June 2017 Council considered a report from the Independent Remuneration Panel (IRP) detailing recommendations in relation to the Basic Allowance and Special Responsibility Allowances payable from 1 April 2017. The IRP had reviewed the allowances paid by the twelve North East Councils, including Hartlepool, and recommended increasing Hartlepool's Basic Allowance to £7,792. The IRP also recommended annual indexing of the allowances in line with the national Local Government pay award up to April 2020. For 2020/21 this resulted in a Basic Allowance of £8,330 and this amount continued for 2021/22 and 2022/23.

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

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

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

Authority	Basic Allowance £
Northumberland	16,476
Durham	13,300
Gateshead	11,941
North Tyneside	10,829
Redcar and Cleveland	9,985
Stockton	9,300
Newcastle	9,200
Sunderland	8,369
Darlington	8,331
Hartlepool	8,330
South Tyneside	8,167
Middlesbrough	7,608

The IRP also recommended that Special Responsibility Allowances should continue to be set as multiples of the Basic Allowance and recommended percentages for each of the positions carrying a Special Responsibility Allowance. An individual Member can only receive one Special Responsibility Allowance. Finally the IRP recommended that separate payments for telephone expenses and travel/subsistence within the borough should be removed. Travel costs outside the borough continue to be paid. The recommendations of the IRP were approved by Council.

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

Table 1 - Councillor's Allowances & Expenses

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

#### Notes to Table 1

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

## SECTION 3 : Statement of Accounts

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

**Table 2 - Costs associated with Council Approved Conferences**

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

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

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

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

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

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

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

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

## SECTION 3 : Statement of Accounts

### Note 12 - Officers' Remuneration

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

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

The Council employed one senior officer, the Managing Director, with a salary above £150,000 during 2022/23. The Managing Director is the senior officer who leads and takes responsibility for the work of the 2,152 (2,260 in 2021/22) full-time equivalent employees, including schools, and runs the Local Authority on a day to day basis. The role of Managing Director is a full time appointment.

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

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

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

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

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

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

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

#### **Senior Officers reporting directly to the Managing Director**

During 2022/23, the Council employed 7 Senior Officers, including the Managing Director.

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

Director of Children's and Joint Commissioning Services - responsible for a gross annual revenue budget of £98m (including Dedicated Schools Grant) and managing 503 full-time equivalent employees (excluding schools) who provide a diverse range of services, including public health, education and early years related services, services for vulnerable children and families including looking after children at risk, child protection services, young offenders, children's fostering and adoption services.

Director of Adults and Community Based Services - responsible for a gross annual revenue budget of £75m and managing 404 full-time equivalent employees who provide a diverse range of services, including adult protection services, caring for older people, people with mental health issues, people with physical or learning disabilities, community hubs, sport and recreation and cultural services.

Director of Neighbourhoods & Regulatory Services - responsible for a gross annual revenue budget of £46m and managing 531 full-time equivalent employees who provide a diverse range of services, including planning and building control, community safety, refuse collection, street cleansing, highways maintenance and car parks.

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

Director of Finance IT and Digital - responsible for a gross annual revenue budget of £30m and managing 180 full-time equivalent employees who provide a diverse range of services including Council tax setting and collection, Business Rates, Benefits, HR, Corporate IT, Corporate Finance, Corporate Strategy and economic development and regeneration. This post is designated the Council's statutory section 151 Chief Financial Officer. The Director of Resources and Development determined to retire at 31 May 2023 and as this was his decision no redundancy or additional pension costs were paid by the Council. In response the Council approved changes to the management structure from 1 June 2023 which deleted the Director of Resources and Development post and allocated duties as follows:

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

## SECTION 3 : Statement of Accounts

### Note 12 - Officers' Remuneration

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

#### 2022/23 - TABLE A

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

#### 2021/22 - TABLE B

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

#### Notes to Table A & B

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

## SECTION 3 : Statement of Accounts

### Note 12 - Officers' Remuneration

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

In accordance with the Accounts and Audit Regulations 2015, the number of employees including school employees employed by the Council whose remuneration was £50,000 or greater is detailed in the table below in bands of £5,000. This table excludes details of senior officers set out in the previous tables. The bandings have been used since 2002/03 and are not indexed and therefore do not make any adjustment for inflationary increases each year. If the starting banding had been indexed for cost of living increases for Council employees then it would be £75,121. As a result, the number of employees requiring disclosure has increased, although there has been no increase in the number of managerial posts.

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

#### TABLE C - NON-SCHOOLS EMPLOYEES

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

#### TABLE D - SCHOOL EMPLOYEES

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

## SECTION 3 : Statement of Accounts

### Note 13: Termination Costs

In 2022/23 a total of 11 employees (23 in 2021/22) either took voluntary redundancy or were made compulsorily redundant. The 2022/23 costs of this involved payments of £0.111m (£0.211m in 2021/22) to employees in the form of redundancy payments and £0.132m (£0.203m in 2021/22) to the pension fund in respect of retirement benefits. These payments incorporate schools and further details are provided in Note 53.

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

For non-schools employees the Council adopts robust arrangements for approving both compulsory and voluntary redundancies / early retirements and only approves applications where there is a permanent budget saving and the one-off redundancy / early retirement costs have a pay back period of 3.05 years or less. In 2022/23 the average pay back period was 11 months (23 months in 2021/22). In 2022/23 this has enabled the authority to achieve permanent salary savings of £0.231m (£0.151m in 2021/22).

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

**TABLE E - NON-SCHOOLS EMPLOYEES**

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

**TABLE F - SCHOOLS EMPLOYEES**

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

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

## SECTION 3 : Statement of Accounts

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

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

#### Movements in 2022/23

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	NBV £000s	£000s	£000s	£000s	£000s
<b>Cost or Valuation</b>								
As at 1 April 2022	10,034	167,255	41,080	78,832	6,088	8,944	9,335	<b>321,568</b>
Additions	854	495	3,021	2,487	-	239	6,527	<b>13,623</b>
Accumulated Depreciation Written Off to Gross Carrying Amount	(159)	(6,835)	-		-	(28)	-	<b>(7,022)</b>
Accumulated Impairment Written Off to Gross Carrying Amount	(210)	-	-		-	(1,507)	-	<b>(1,717)</b>
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	143	9,755	-		-	159	-	<b>10,057</b>
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	111	(239)	-		-	(212)	-	<b>(340)</b>
Derecognition-Disposals	(113)	(17,697)	(1,447)	-	-	(85)	(269)	<b>(19,611)</b>
Reclassified (to)/from Held for Sale	-	(95)	-		-	(366)	-	<b>(461)</b>
Reclassified (to)/from Investment Property	-	(880)	-		-	(5)	-	<b>(885)</b>
Other movements in Cost or Valuation	1,670	(468)	555	(252)	1,755	1,639	(4,897)	<b>2</b>
<b>At 31 March 2023</b>	<b>12,330</b>	<b>151,291</b>	<b>43,209</b>	<b>81,067</b>	<b>7,843</b>	<b>8,778</b>	<b>10,696</b>	<b>315,214</b>
<b>Accumulated Depreciation and Impairment</b>								
As at 1 April 2022	(420)	(6,699)	(30,678)		-	(2)	-	<b>(37,799)</b>
Depreciation Charge	(192)	(2,064)	(1,573)	(3,663)	-	(30)	-	<b>(7,522)</b>
Depreciation written out to the Revaluation Reserve	(28)	(1,200)	-		-	(12)	-	<b>(1,240)</b>
Accumulated Depreciation Written Off to Gross Carrying Amount	159	6,835	-		-	28	-	<b>7,022</b>
Accumulated Impairment Written Out to Gross Carrying Amount	44	-	-		-	67	-	<b>111</b>
Derecognition - Disposals	7	805	1,126		-	-	-	<b>1,938</b>
Reclassified (to)/from Held for Sale	-	7	-		-	-	-	<b>7</b>
Reclassified (to) / from Investment Property	-	78	-		-	-	-	<b>78</b>
Other movements in Depreciation and Impairment	-	67	-		-	(67)	-	<b>-</b>
<b>At 31 March 2023</b>	<b>(430)</b>	<b>(2,171)</b>	<b>(31,125)</b>	<b>(3,663)</b>	<b>-</b>	<b>(16)</b>	<b>-</b>	<b>(37,405)</b>
<b>Net Book Value</b>								
At 31 March 2023	11,900	149,120	12,084	77,404	7,843	8,763	10,696	<b>277,810</b>
<b>Nature of Asset Holding</b>								
Owned	11,900	149,120	11,224	77,404	7,843	8,763	10,696	<b>276,950</b>
Finance Lease	-	-	860	-	-	-	-	<b>860</b>
<b>Total</b>	<b>11,900</b>	<b>149,120</b>	<b>12,084</b>	<b>77,404</b>	<b>7,843</b>	<b>8,763</b>	<b>10,696</b>	<b>277,810</b>

## SECTION 3 : Statement of Accounts

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

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	NBV £000s	£000s	£000s	£000s	£000s
<b>Cost or Valuation</b>								
As at 1 April 2021	9,084	165,741	40,452	79,611	5,579	9,083	5,460	<b>315,010</b>
Additions	471	841	1,439	2,585	4	1,471	6,577	<b>13,388</b>
Accumulated Depreciation Written Off to Gross Carrying Amount	(89)	(869)	-		-	(143)	-	<b>(1,101)</b>
Accumulated Impairment Written Off to Gross Carrying Amount	(14)	-	-		-	-	-	<b>(14)</b>
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	143	3,016	-		-	(1,815)	-	<b>1,344</b>
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on	78	(405)	-		-	(1,926)	-	<b>(2,253)</b>
Derecognition-Disposals	(49)	(32)	(811)		-	-	(218)	<b>(1,110)</b>
Reclassified (to)/from Held for Sale	-	-	-		-	(82)	-	<b>(82)</b>
Reclassified (to)/from Investment Property	-	7	-		(8)	50	-	<b>49</b>
Other movements in Cost or Valuation	410	(1,044)	-	299	513	2,306	(2,484)	-
<b>At 31 March 2022</b>	<b>10,034</b>	<b>167,255</b>	<b>41,080</b>	<b>82,495</b>	<b>6,088</b>	<b>8,944</b>	<b>9,335</b>	<b>325,231</b>
<b>Accumulated Depreciation and Impairment</b>								
As at 1 April 2021	(314)	(4,398)	(29,647)		-	(26)	-	<b>(34,385)</b>
Depreciation Charge	(170)	(2,092)	(1,841)	(3,663)	-	(16)	-	<b>(7,782)</b>
Depreciation written out to the Revaluation Reserve	(31)	(1,167)	-		-	(15)	-	<b>(1,213)</b>
Accumulated Depreciation Written Off to Gross Carrying Amount	89	869	-		-	143	-	<b>1,101</b>
Accumulated Impairment Written Out to Gross Carrying Amount	3	-	-		-	-	-	<b>3</b>
Derecognition - Disposals	3	1	810		-	-	-	<b>814</b>
Reclassified (to) / from Investment Property	-	-	-		-	-	-	-
Other movements in Depreciation and Impairment	-	88	-		-	(87)	-	<b>1</b>
<b>At 31 March 2022</b>	<b>(420)</b>	<b>(6,699)</b>	<b>(30,678)</b>	<b>(3,663)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(41,461)</b>
<b>Net Book Value</b>								
At 31 March 2022	9,614	160,556	10,402	78,832	6,088	8,943	9,335	<b>283,770</b>
<b>Nature of Asset Holding</b>								
Owned	9,614	160,556	9,994	78,832	6,088	8,943	9,335	<b>283,362</b>
Finance Lease	-	-	408	-	-	-	-	<b>408</b>
<b>Total</b>	<b>9,614</b>	<b>160,556</b>	<b>10,402</b>	<b>78,832</b>	<b>6,088</b>	<b>8,943</b>	<b>9,335</b>	<b>283,770</b>

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

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

#### Depreciation

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

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

#### Revenue Expenditure Funded from Capital Under Statute

The cost of Revenue Expenditure Funded from Capital Under Statute is charged to the Comprehensive Income and Expenditure Account. An amount of £3.656m (£5.219m in 2021/22) has been charged to Services and is shown as a reconciling item within Note 5 (Adjustments between Accounting Basis and Funding Basis under Regulations). This was financed by capital grants of £3.471m (£3.293m in 2021/22), capital receipts of £0.000m (£0.003m in 2021/22), corporate resources £0.053m (£0.000m in 2021/22) and prudential borrowing of £0.132m (£1.923m in 2021/22).

#### Capital Commitments

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

Scheme	Total Project Budget £000s	Expenditure over Years to 31 March 23 £000s	Commitment £000s
Lynn Street Housing Scheme	8,542	685	7,857
Hill View, Greatham Housing Scheme	2,168	2,109	59
Brenda Road Housing Scheme	2,095	1,197	898
Sustainable Warmth LAD3	1,660	939	721

#### Surplus Assets - Fair Value Disclosures

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

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

## SECTION 3 : Statement of Accounts

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

### Significant Observable Inputs – Level 2

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

### Significant Unobservable Inputs – Level 3

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

### Change in Valuation Method

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

### Revaluations

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

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

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

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

### Operational Assets

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

## SECTION 3 : Statement of Accounts

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

Revaluation Reserve Balance

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

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

### Note 16: Non Current Assets - Investment Property

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

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

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

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

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

**Note 16: Non Current Assets - Investment Property**

**Investment Property - Fair Value Disclosures**

Details of the Council's investment properties and information about the fair value hierarchy at 31 March 2023 are as follows:

<i>Recurring fair value measurements using:</i>	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March 2023
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Office Units	-	288	1,250	<b>1,538</b>
Commercial Units	-	7,128	1,162	<b>8,290</b>
<b>Total</b>	<b>-</b>	<b>7,416</b>	<b>2,412</b>	<b>9,828</b>

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

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

Significant Observable Inputs - Level 2

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

Significant Unobservable Inputs - Level 3

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

**Highest and Best Use of Investment Properties**

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

## SECTION 3 : Statement of Accounts

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

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

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

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

#### Museum Exhibits & The Art Collection

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

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

Hartlepool has an impressive and important collection of over 1,000 pieces of fine art. The collection is mainly Victorian and Edwardian in period, largely as a result of the founding collection by Sir William Gray. With few exceptions, most subsequent collecting has been the work of artists living or working at least part of their lives in the Hartlepool area. In 2022/23, a collection of work by John Wilson McCracken valued at £0.015m was donated to the Council and a painting was acquired for £0.001m.

The Council also holds collections relating to Hartlepool's maritime heritage and social history. These include ship models, photographs, company records, ephemera and equipment. This also contains around 35,000 plans for the building of approximately 300 ships including the Wingfield Castle.

Almost all of the plans relate to ships built by Gray's shipyard from 1927 to the yards closure in 1961. When the shipyard closed, the plans were still of importance and often bought by other ship builders. In the mid 1980s many of the plans were returned to Hartlepool and now feature in the collection.

#### Civic Collection

The Civic Collection includes the Civic Regalia, ceremonial silverware, and a number of decorative artefacts. The Books of Remembrance have been included within the Civic Collection and are held at Historic Cost. The collection was revalued in 2018/19.

#### Valuation of the Collections

Although there is no requirement to have Heritage assets externally valued, an external valuation was completed during 2018/19. The External Valuers Anderson & Garland Ltd carried out an insurance based valuation of the assets. Museum exhibits and Works of Art were valued at £15.981m and £0.354m for the Civic Collection.

#### Sculptures, Monuments & War Memorials

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

#### Policy and Management

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

## SECTION 3 : Statement of Accounts

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

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

The carrying amount of intangible assets is amortised on a straight line basis. No amortisation is recognised in the year of purchase. Amortisation of £0.152m (£0.152m in 2021/22) was charged to Corporate in the Comprehensive Income and Expenditure Statement.

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

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

### Note 19: Long Term Investments

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

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

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

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

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

## SECTION 3 : Statement of Accounts

### Note 20: Long Term Debtors

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

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

The Suez Recycling and Recovery Tees Valley Limited waste debtor reflects a payment in advance that was made in order to secure static gate fees for Energy for Waste plant. The term is for seven years inclusive of 2018/19 to 2024/25 and is amortised over this period.

### Note 21: Inventories

This note sets out the value of inventories held by the Council at 31 March 2023.

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

### Note 22: Short Term Debtors

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

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

## SECTION 3 : Statement of Accounts

### Note 23: Debtors for Local Taxation

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

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

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

### Note 24: Cash and Cash Equivalents

This note sets out details of the Council's cash in hand and instant access investment accounts in addition to the overdraft included in the Liabilities section of the balance sheet.

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

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

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

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

### Note 26: Short Term Creditors

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

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

## SECTION 3 : Statement of Accounts

### Note 27: Provisions

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

#### Current Liabilities

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

#### Long Term Liabilities

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

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

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

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

Note 4 - Contaminated Land - in accordance with the Environmental Protection Act 1990, a provision for the Council's obligations arising from decontamination costs of areas of contaminated land where there is a significant possibility of causing significant harm to human health.

## SECTION 3 : Statement of Accounts

### Note 28: Other Long Term Liabilities

The Finance lease liability relates to the outstanding principal on the Council's finance leases. Further details are included in Note 43 Finance Leases. The finance lease liability has increased as a result of additions in year.

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

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

### Note 29: Grant Income & Taxation

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

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23.

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

## SECTION 3 : Statement of Accounts

### Note 29: Grant Income & Taxation

#### Credited to Services

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

#### Current Liabilities

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned if the conditions are not met. The balances at the year-end are as follows :-

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

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

## SECTION 3 : Statement of Accounts

### Grant Receipts in Advance (Revenue Grants)

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

### Note 30: Unearmarked General Fund Reserve

The General Fund Balance of £4.417m held at 31 March 2023 is held to meet unforeseen commitments not funded from Earmarked Reserves. Any use of this reserve will need to be repaid to ensure the Council can continue to manage unforeseen commitments.

2021/22 £000s		2022/23 £000s
<u>4,417</u>	General Fund Balance	<u>4,417</u>
<u>4,417</u>		<u><b>4,417</b></u>

### Note 31: Budget Support & Investment Reserves

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

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

- 1 This reserve will be used to support the budget.
- 2 This reserve was created to support any financial pressures arising from future Covid or other public health related outbreaks.
- 3 This reserve will be used to contribute towards financial pressures arising from increases in the number and costs of looked after children over and above the budgeted allocation.
- 4 The balance remaining in this reserve is to support the delivery of Invest to save initiatives.

### Note 32: Revenue Grant Unapplied

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

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

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### Note 33: Earmarked Revenue Reserves

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

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

- 1 This reserve is earmarked to manage the impact of the closure of the Power Station currently scheduled for 2025/26 and other Business Rates risks arising from the economic impact of COVID-19.
- 2 This reserve was created as part of the 2013/14 MTFS to manage the risk of interest rates increasing and to ensure the permanent saving built into the MTFS can be achieved if interest rates increase. This was approved by Council 14 February 2013.
- 3 This reserve provides for all payments that fall within policy excesses or relate to self-insured risks. The reserve currently covers the estimated value of unpaid outstanding claims.
- 4 Strategic Change Reserves have been established to enable departments to meet one-off costs that will arise from strategic changes to improve services, or reduce costs, without affecting the level of services in the year.
- 5 This reserve is earmarked to smooth the impact of increased energy prices during 2023/24 and future years.
- 6 This reserve was created from in-year underspends against the ring-fenced Public Health Grant. In accordance with the grant conditions a ring-fenced reserve has been created to support public health services in future years.
- 7 This reserve will be used to fund a range of one-off initiatives and to support the budget to fund increasing demographic and cost pressures within Adult Social Care.
- 8 This is a ring-fenced Better Care Fund Reserve arising from additional ICB contributions to the Pooled Budget. See Note 56.
- 9 This reserve was created to mitigate fluctuating costs in relation to waste disposal and income generated from recycling.
- 10 This reserve is earmarked for the Education Improvement Strategy.
- 11 This reserve was created to partly mitigate the impact of the change to the Council Tax Benefit regime and the resulting cut in Government Grant.
- 12 This reserve is earmarked to offset in year income shortfalls to support services recovery from the impact of Covid restrictions.
- 13 This reserve was created to fund one off costs of the new ICT Contract.
- 14 The Events Reserves is an earmarked reserve to fund the delivery of the 5 year events programme.
- 15 This reserve is allocated to fund implementation of the Councils response to the Peer Review recommendations.

## SECTION 3 : Statement of Accounts

- 16 This reserve has been committed to provide grants to various Voluntary and Community Sector organisations to deliver interventions that will address hardship arising from COVID-19 that is impacting on communities in Hartlepool.
- 17 This reserve was created to fund the contributions required to support the developments with the National Museum of the Royal Navy (NMRN).
- 18 The Museums Acquisition reserve was set up from external donations for the acquisition of items for the Museum.
- 19 This reserve has been created to provide a cash backed fund for the completion of housing works in default.
- 20 This reserve is earmarked to fund Modern Apprenticeships over the period of the MTFS.
- 21 This reserve was created from pooled resources from the local authorities of Hartlepool, Middlesbrough, Stockton and Redcar & Cleveland, to enable a collaborated approach to tackle the root cause of underperformance and deliver a first class education and skills system.
- 22 This reserve was created to Support Family Poverty over the period of the MTFS.
- 23 This reserve was created as a contingency to support the Adult Social Care budgets in future years arising from the impact of the Better Care Fund.
- 24 This reserve was created towards improving School Attainment.
- 25 This reserve was earmarked to help fund inflationary pressures during 2022/23.
- 26 This reserve was created to cover the tri-annual cost of replacing Concessionary Fare passes.
- 27 This reserve was earmarked to manage future financial risks on Trading Operations.
- 28 This reserve was created to fund costs over more than one financial year in relation to Apprentices.
- 29 This reserve was established to mitigate risk of any Centre for Creative Arts income shortfalls in future years.

### Note 34: Earmarked Capital Reserves

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

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

- 1 The Capital Funding Reserve is earmarked to finance capital expenditure rephased to 2023/24.
- 2 Capital Receipts Unapplied are earmarked to finance capital expenditure rephased to 2023/24.
- 3 This reserve is Ring-fenced to the HRA and can only be used to fund major repairs or repayments of borrowing.
- 4 These are capital grants that will be used to finance capital expenditure in future years.

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

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

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

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### Note 36: School Balances

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

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

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

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### Note 38: Unusable Reserves

The Unusable Reserves are shown below.

2021/22 £000s		2022/23 £000s	Table
74,854	Revaluation Reserve	75,305	1
126,133	Capital Adjustment Account	118,721	2
(129,546)	Pensions Reserve	75,745	3
366	Deferred Capital Receipts Reserve	366	4
(5,210)	Collection Fund Adjustment Account	113	5
(4,805)	Accumulated Absences Account	(3,035)	6
197	Financial Instruments Revaluation Reserve	-	7
<b>61,989</b>		<b>267,215</b>	

#### Table 1 - Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

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

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**Table 2 -Capital Adjustment Account**

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

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

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

2021/22 £000s		2022/23 £000s
127,003	<b>Balance at 1 April</b>	<b>126,133</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(9,158)	- Charges for depreciation and impairment of non-current assets	(10,518)
(2,252)	- Revaluation gains/(losses) on Property, Plant and Equipment	(349)
(5,219)	- Revenue expenditure funded from capital under statute	(3,656)
(306)	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(18,039)
(16,935)		<b>(32,562)</b>
1,243	Adjusting amounts written out of the Revaluation Reserve	9,606
(15,692)	Net written out amount of the cost of non-current assets consumed in the year	<b>(22,956)</b>
	Capital financing applied in the year:	
55	- Use of the Capital Receipts Reserve to finance new capital expenditure	73
14	- Use of the Major Repairs Reserve to finance new capital expenditure	210
71	- Use of the Capital Receipts Reserve to repay prudential borrowing	13
11,029	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	12,072
-	- Application of grants to capital financing from the Capital Grants Unapplied Account	-
2,647	- Statutory provision for the financing of capital investment charged against the General Fund	2,865
1	- Direct revenue funding credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,207
13,817		<b>16,440</b>
1,005	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(896)
<b>126,133</b>	<b>Balance at 31 March</b>	<b>118,721</b>

## SECTION 3 : Statement of Accounts

**Table 3 - Pensions Reserve**

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

2021/22 £000s		2022/23 £000s
(210,094)	<b>Balance at 1 April</b>	(129,546)
100,717	Remeasurement of defined liability on pensions assets and liabilities	222,328
	Net Acquisition/(disposal) of pensions assets and liabilities	
(27,752)	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	(24,652)
7,583	Employer's pensions contributions and direct payments to pensioners payable in the year	7,615
<u>(129,546)</u>	<b>Balance at 31 March</b>	<u><b>75,745</b></u>

**Table 4 - Deferred Capital Receipts Reserve**

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

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

## SECTION 3 : Statement of Accounts

**Table 5 - Collection Fund Adjustment Account**

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

2021/22 £000s		2022/23 £000s
(9,012)	<b>Balance at 1 April</b>	<b>(5,210)</b>
3,802	Amount by which Council Tax and Non-Domestic Rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non-Domestic Rates income calculated for the year in accordance with statutory requirements	5,323
<u>(5,210)</u>	<b>Balance at 31 March</b>	<u><b>113</b></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, i.e. annual leave entitlement carried forward at 31 March 2023. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

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

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

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

### Note 39: Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

#### Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments including grant receipts outstanding at 31 March 2023, are shown in Note 29.

#### Members

Members of the Council have direct control over the Council's Financial and Operating Policies. The total of Members' allowances paid in 2022/23 is shown in Note 11.

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

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

#### Officers

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

## SECTION 3 : Statement of Accounts

### Note 39: Related Party Transactions

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

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

The Council continues to provide a range of support services to Thirteen Group such as Legionella Management. The income from these services amounted to £0.051m (£0.051m in 2021/22) which represented the cost of the service provided.

The Council receives income from 'Right to Buy' receipts in relation to the sale of former Council dwellings under the terms of the Large Scale Voluntary Transfer (LSVT) of its council housing stock to Thirteen Group in 2004. Sales in 2022/23 amounted to £0.116m (£0.189m in 2021/22).

The Council provides a range of Support Services to Hartlepool Academies, including Property Services, Payroll Services, Building Cleaning and School Catering. The income from these services amounted to £4.769m (£3.390m in 2021/22).

The Council deliver 'The Childrens Hub' on behalf of Stockton-On-Tees Borough Council. The Children's Hub is an integrated single point of access across North Tees providing multi-agency triage and assessment of enquiries about children. Other integrated partners within The Children's Hub include Cleveland Police, Harbour, Harrogate and District NHS Trust and Children and Adolescence Mental Health Services (CAMHS). Stockton Council contributed £0.785m, (£0.645m in 2021/2022 ) towards the cost of this service.

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

#### Other

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

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

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

The shares in Suez Recycling and Recovery Tees Valley Limited were redeemed during 2022/23. Further information on their accounts is available from the Registered Office, Suez House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES.

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

## 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:

2021/22 £000s		2022/23 £000s
131	Fees payable in respect of external audit services carried out by the appointed auditor for the year	122
18	Fees payable for the certification of grant claims and returns for the year	20
<u>149</u>		<u>142</u>

The above totals for fees payable in respect of external audit services carried out by the appointed auditor in 2021/22 and 2022/23 are based on estimates.

£0.042m was received from Department of Levelling Up, Housing and Communities (DLUHC) in relation to the Redmond Review Implementation in March 2023 and is not reflected above.

### Note 41: Dedicated Schools Grant

The Council's expenditure on schools is primarily funded by grant monies provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). The ESFA recouped the funding for all existing and new academies in the Borough. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2022. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2022/23 are as follows: -

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

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

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

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

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

## SECTION 3 : Statement of Accounts

### Note 42: Operating Leases

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

#### **Council as lessee**

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

#### **Council as lessor**

<u>2021/22</u> <u>£000s</u>	<b>Future minimum lease payments receivable</b>	<u>2022/23</u> <u>£000s</u>
570	Not later than one year	1,858
1,019	Later than one year & not later than five years	988
1,242	Later than five years	1,155
<u>2,831</u>		<u>4,001</u>

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres.
- for economic development purposes to provide suitable affordable accommodation for local businesses.
- for the provision of housing accommodation as a result of leasing 22 of its renovated former empty properties to Mears, 9 to Community Campus, 3 to Nacro and 6 to New Walk.

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

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

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

## SECTION 3 : Statement of Accounts

### Note 43: Finance Leases

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

#### Council as lessee

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

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property and finance costs that will be payable in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

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

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

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

## SECTION 3 : Statement of Accounts

### Note 44: Capital Expenditure and Financing

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

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

## SECTION 3 : Statement of Accounts

### Note 45: Financial Instruments

#### Categories of Financial Instruments

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

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

Note 1 - The Council holds minority shares in Teesside International Airport Limited and disposed of shares in Suez Recycling and Recovery Tees Valley Limited during 2022/23. These share holdings originated through policy initiatives with other Local Authorities and are not held for trading or income generation. Therefore the Council have elected to designate the equity as Fair Value through Other Comprehensive Income.

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

## SECTION 3 : Statement of Accounts

### Note 45: Financial Instruments

#### Income, Expense, Gains and Losses

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

	2022/23			
	Financial Liabilities measured at amortised cost	Finance Lease Payments	Financial Assets: Loans and receivables at amortised cost	Total
	£000s	£000s	£000s	£000s
Interest expense	3,119	21	-	<b>3,140</b>
Interest income	-	-	(1,188)	<b>(1,188)</b>
<b>Net (gain)/loss for the year</b>	<b>3,119</b>	<b>21</b>	<b>(1,188)</b>	<b>1,952</b>

	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	-	3,063
Interest income	-	-	(111)	(111)
<b>Net (gain)/loss for the year</b>	<b>3,044</b>	<b>19</b>	<b>(111)</b>	<b>2,952</b>

## SECTION 3 : Statement of Accounts

### Note 45: Financial Instruments

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

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

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

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

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

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

The fair values are calculated as follows:

31 March 2022			31 March 2023	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000s	£000s		£000s	£000s
<b>Financial Liabilities</b>				
62,283	100,717	Market Loans	67,028	65,940
28,667	37,561	Public Works Loan Board	27,872	27,583
294	179	Non-Market Loans	438	155
9,160	9,160	Trade Creditors and General and Other Creditors	11,158	11,158
314	314	Long Term Finance Lease Liability	663	663
<b>100,718</b>	<b>147,931</b>		<b>107,159</b>	<b>105,499</b>
<b>Financial Assets</b>				
45,778	45,778	Money market loans < 1 year	57,973	57,973
10,966	10,966	Short term debtors	9,121	9,121
3,771	3,771	Long term debtors	3,407	3,407
<b>60,515</b>	<b>60,515</b>		<b>70,501</b>	<b>70,501</b>

## SECTION 3 : Statement of Accounts

### Note 45: Financial Instruments

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

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

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

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

#### Financial Assets Measured at Fair Value through Other Comprehensive Income

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

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	Fair Value	
			31 March 2022	31 March 2023
			£000s	£000s
Equity shareholdings in Teesside International Airport	Level 3	Based on various factors including reviewing the Business Plan, passenger numbers and historic performance ( see below)	-	-
Equity shareholdings in Suez Recycling and Recovery Tees Valley Ltd	Level 3	Face value (see below)	197	-
			<u>197</u>	<u>-</u>

#### Equity shareholdings in Teesside International Airport

The Authority's shareholding in Teesside International Airport - the shares in this company are not traded in an active market and the fair value has been based on valuation techniques that are not based on observable current market transactions or available market data. The Council has assessed a number of factors in detail to determine the valuation of these shares. At present the Council has determined to value these shares at nil.

#### Equity shareholdings in Suez Recycling and Recovery Tees Valley Limited.

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

#### Changes in Valuation Technique

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

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

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

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 24 February 2022 and is available on the Council website. The key issues within the strategy were:

- the Authorised Limit for 2022/23 was set at £163m (£142m in 2021/22). This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £153m (£132m in 2021/22). This is the expected level of debt and other long term liabilities during the year
- the maximum amounts of gross fixed interest rate exposure for borrowing and investments was set at 100% and 100% respectively (100% and 100% respectively in 2021/22).
- the maximum amount of gross variable interest rate exposure for borrowing and investments was set at 75% and 100% respectively (75% and 100% respectively in 2021/22).

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

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

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

Following the fiscal events of Autumn 2022 and the subsequent period of significant market volatility the impact on the financial instruments held has been considered and included within the credit risk disclosures. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. The Council now operates a very restricted counterparty list which is actively managed to reflect continued developments in the banking and financial sector.

The Investment Strategy for 2022/23 was approved by Full Council on 24 February 2022 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £47.077m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, however there was no evidence at 31 March 2023 that this was likely to crystallise.

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

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

**Amounts Arising from Expected Credit Losses**

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

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

## SECTION 3 : Statement of Accounts

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

The Council does not generally allow credit for customers, such that £3.856m of the £9.121m Debtors (Financial Assets) balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31 March 2022 £000s		31 March 2023 £000s
2,561	Less than three months	1,875
349	Three to six months	533
226	Six months to one year	464
1,019	More than one year	984
<u>4,155</u>		<u>3,856</u>

#### Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the maturity structure of its fixed rate borrowing during specified periods. The limits have been set to enable maximum flexibility as experience has shown it is possible to move from 100% long term borrowing to 100% short term borrowing and then back to 100% long term borrowing over a period of two years. Therefore the lower limit was set to nil and the upper limit to £132m, equal to the operational boundary.

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

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

All trade and other payables are due to be paid in less than one year.

#### Market Risk

##### Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the assets will fall.

## SECTION 3 : Statement of Accounts

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

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

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

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

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

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

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

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

#### Price Risk

The Council, excluding the pension fund, does not invest in equity shares but does have shareholdings in Teesside International Airport Limited. These shares are all classified as Assets at Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve.

#### Foreign Exchange Risk

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

#### Collateral Risk

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

## SECTION 3 : Statement of Accounts

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

The cash flows for operating activities include the following items:

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

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

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

2021/22 £000s		2022/23 £000s
9,147	Depreciation	8,914
2,263	Impairment and Downward Valuations	1,953
(1,005)	Downward / (Upward) Valuation of Investment Property	896
223	Increase / (Decrease) in Provisions	(390)
(1,728)	Increase / (Decrease) in Creditors	(1,570)
4,525	(Increase) / Decrease in Debtors	113
(159)	(Increase) / Decrease in Inventories	43
20,169	Pension Liability	17,037
-	Other non-cash items	197
306	Carrying amount of Non-Current Assets Sold	18,039
<u>33,741</u>		<u>45,232</u>

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

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

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

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

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

## SECTION 3 : Statement of Accounts

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

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

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

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

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

The scheme has in excess of 12,200 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2023, the Council's own contributions equate to approximately 0.03%.

The Council's contribution to the Teacher's Pension Scheme in 2022/23 amounted to £2.634m (£3.026m in 2021/22) which represented 23.68% of pensionable pay (including a 0.08% administration levy). There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £2.600m, this is based on 23.68% of pensionable pay (including a 0.08% administration levy).

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

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

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

This is a defined benefit scheme. Although the scheme is unfunded, it is subject to a full actuarial valuation. The latest valuation was undertaken as at 31 March 2016 and determined current contribution rates for employers and scheme members. The scheme has in excess of 7,900 employing bodies and it is not possible for the Council to identify a share of underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the NHS Pension Scheme during the year ending 31 March 2023, the Council's own contributions equate to approximately 0.0012%.

The Council's contribution to the NHS Pension Scheme in 2022/23 amounted to £0.202m (£0.202m in 2021/22). This represented 20.68% of pensionable pay (including a 0.08% administration levy). The contributions due to be paid in the next financial year are estimated to be £0.202m. There were no contributions remaining payable at the year-end.

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

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

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

The Council participates in The Local Government Pension Scheme, administered locally by Middlesbrough Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

The 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 and HRA the amounts required by statute as described in the accounting policies note.

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

**Transactions Relating to Post-employment Benefits**

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

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

## SECTION 3 : Statement of Accounts

### Note 53: Defined Benefit Pension Schemes

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

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

	2021/22 £000s	2022/23 £000s	2021/22 £000s	2022/23 £000s	2021/22 £000s	2022/23 £000s
Employers' contribution payable to scheme	6,728	6,726	-	-	6,728	6,726
Retirement Benefits payable to pensioners	-	-	855	889	855	889
<b>Transfer from Pension Reserve</b>	<b>(20,810)</b>	<b>(17,674)</b>	<b>641</b>	<b>637</b>	<b>(20,169)</b>	<b>(17,037)</b>

#### Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

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

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2021/22 £000s	2022/23 £000s	2021/22 £000s	2022/23 £000s	2021/22 £000s	2022/23 £000s
Opening fair value of assets	531,264	578,638	-	-	531,264	578,638
Interest Income on assets	11,016	15,453	-	-	11,016	15,453
Remeasurement gains/(losses):						
Return on plan assets (excl amount in net interest)	50,972	(7,087)	-	-	50,972	(7,087)
Other experience	(3,958)	-	-	-	(3,958)	-
Effect of Settlement	(2,105)	(3,600)	-	-	(2,105)	(3,600)
Contributions by the employer	6,728	6,726	855	889	7,583	7,615
Contributions by participants	3,346	3,474	-	-	3,346	3,474
Net benefits paid out	(18,625)	(16,909)	(855)	(889)	(19,480)	(17,798)
<b>Closing fair value of assets</b>	<b>578,638</b>	<b>576,695</b>	<b>-</b>	<b>-</b>	<b>578,638</b>	<b>576,695</b>

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2021/22 £000s	2022/23 £000s	2021/22 £000s	2022/23 £000s	2021/22 £000s	2022/23 £000s
Opening balance at 1 April	730,752	698,416	10,607	9,769	741,359	708,185
Current Service Cost	24,497	24,236	-	-	24,497	24,236
Interest Cost	15,472	18,857	214	252	15,686	19,109
Contributions from scheme participants	3,346	3,474	-	-	3,346	3,474
Remeasurement (gains)/losses:						
Actuarial (gains) and losses on liabilities - financial assumptions	(7,690)	(260,270)	(119)	(2,067)	(7,809)	(262,337)
Actuarial (gains) and losses on liabilities - demographic assumptions	(26,994)	(4,275)	(137)	(86)	(27,131)	(4,361)
Actuarial (gains) and losses on liabilities - experience	(18,822)	36,462	59	821	(18,763)	37,283
Past Service Costs (inc. curtailments)	89	108	-	-	89	108
Liabilities extinguished on settlements	(3,609)	(6,948)	-	-	(3,609)	(6,948)
Benefits paid	(18,625)	(16,909)	(855)	(889)	(19,480)	(17,798)
<b>Closing balance at 31 March</b>	<b>698,416</b>	<b>493,151</b>	<b>9,769</b>	<b>7,800</b>	<b>708,185</b>	<b>500,951</b>

## SECTION 3 : Statement of Accounts

### Note 53: Defined Benefit Pension Schemes

#### Local Government Pension Scheme Assets

The Local Government Pension Scheme's assets comprised:

	2021/22 £'000	2022/23 £'000
Equity investments	390,493	<b>407,887</b>
Property	45,490	<b>50,641</b>
Cash	93,332	<b>38,384</b>
Other Investments	49,323	<b>79,783</b>
	<u>578,638</u>	<u><b>576,695</b></u>

#### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2023.

Principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2021/22	2022/23	2021/22	2022/23
Long-term expected rate of return on assets in the scheme:				
Equities	2.7%	<b>4.75%</b>	-	-
Property	2.7%	<b>4.75%</b>	-	-
Government Bonds	2.7%	<b>4.75%</b>	-	-
Corporate Bonds	2.7%	<b>4.75%</b>	-	-
Cash	2.7%	<b>4.75%</b>	-	-
Other	2.7%	<b>4.75%</b>	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	20.9	<b>20.6</b>	20.9	<b>20.6</b>
Women	23.9	<b>23.7</b>	23.9	<b>23.7</b>
Longevity at 65 for future pensioners:				
Men	21.9	<b>21.5</b>	-	-
Women	25.5	<b>25.2</b>	-	-
Other assumptions:				
Rate of inflation - CPI	3.2%	<b>2.95%</b>	3.2%	<b>2.95%</b>
Rate of general increase in salaries	4.2%	<b>3.95%</b>	-	-
Rate of increase in pensions - deferred and pensions in payment	3.2%	<b>2.95%</b>	3.2%	<b>2.95%</b>
Rate for discounting scheme liabilities	2.7%	<b>4.75%</b>	2.7%	<b>4.75%</b>

## SECTION 3 : Statement of Accounts

### Sensitivity Analysis

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

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

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

LGPS Funded Benefits Only	Impact on Defined Benefit Obligation in the Scheme	
	Increase in Assumption £000s	Decrease in Assumption £000s
Adjustment to Discount rate (+/- 0.1%)	(8,718)	8,718
Adjustment to Salary increase rate (+/- 0.1%)	1,141	(1,141)
Adjustment to Pension increase rate (+/- 0.1%)	7,699	(7,699)
Adjustment to Longevity (decrease/increase 1 year)	20,038	(20,038)

### Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The current funding level of the scheme is 116%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March, 2025.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March, 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates to pay £7.540m expected contributions to the scheme in 2023/2024.

The weighted average duration of the defined benefit obligation for scheme members is 18 years in 2023/24 (20 years in 2022/23).

### Note 54: Contingent Liabilities

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

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

### Note 55: Financial Guarantees

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

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

## 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 North East and Cumbria Integrated Care Board (ICB), formerly NHS Tees Valley Clinical Commissioning Group (CCG), for the provision of services in accordance with the requirements of the Better Care Fund.

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

The four national conditions associated with the BCF are:

- 1 That a BCF Plan, including at least the minimum contribution to the pooled fund specified in the BCF allocations, must be signed off by the Health & Well Being Board and by the constituent LAs and ICBs;
- 2 A demonstration of how the area will maintain in real terms the level of spending on social care services from the ICB minimum contribution to the fund in line with inflation;
- 3 That a specific proportion of the area's allocation is invested in NHS-commissioned out-of-hospital services, or retained pending release as part of a local risk sharing agreement; and
- 4 Implementation of the High Impact Change Model for Managing Transfer of Care to support system-wide improvements in transfers of care.

The pooled budget is made up of ICB funding as well as local government grants, including the Improved Better Care Fund (iBCF) and the Adult Social Care Discharge Grant.

#### Revenue Pooled Budget

2021/22 £000s		2022/23 £000s
	<b>Revenue Funding provided to the Pooled Budget:</b>	
(444)	Balance brought forward	(993)
(5,201)	Hartlepool Borough Council - Improved Better Care Fund (iBCF)	(5,358)
-	Adult Social Care Discharge Grant	(418)
-	ICB Discharge Grant	(439)
(8,038)	NHS North East and Cumbria ICB	(8,493)
(418)	NHS North East and Cumbria ICB - Additional Contribution	-
<u>(14,101)</u>		<u>(15,701)</u>
	<b>Expenditure met from the Pooled Budget:</b>	
6,656	Hartlepool Borough Council	7,671
1,251	NHS North East and Cumbria ICB	1,314
-	Hartlepool Borough Council - Discharge	757
-	ICB - Discharge	100
5,095	Hartlepool Borough Council - Improved Better Care Fund (iBCF)	5,250
106	NHS North East and Cumbria ICB (iBCF)	108
<u>13,108</u>		<u>15,200</u>
<u>(993)</u>	<b>Balance carried forward</b>	<u>(501)</u>

#### Capital Pooled Budget

2021/22 £000s		2022/23 £000s
	<b>Capital Funding provided to the Pooled Budget:</b>	
(399)	Balance brought forward	(354)
(1,222)	Hartlepool Borough Council	(1,222)
<u>(1,621)</u>		<u>(1,576)</u>
	<b>Expenditure met from the Pooled Budget:</b>	
1,267	Hartlepool Borough Council	1,148
<u>1,267</u>		<u>1,148</u>
<u>(354)</u>	<b>Balance carried forward</b>	<u>(428)</u>

## 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.

2021/22 £000s	2022/23 £000s
<b>Expenditure</b>	
217 Repairs and maintenance	202
411 Supervision and management	443
38 Rents, rates, taxes and other charges	27
2 Discretionary Housing Payments	3
20 Movement in the allowance for bad debts	45
10 Debt Management Expenses	10
134 Depreciation, impairment and revaluation losses of non-current assets	274
<b>832 Total Expenditure</b>	<b>1,004</b>
<b>Income</b>	
(1,291) Dwelling Rents	(1,403)
(3) Charges for services and facilities (net of voids)	(1)
(24) Other Income	(28)
<b>(1,318) Total Income</b>	<b>(1,432)</b>
<b>(486) Net Expenditure or (Income) of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	<b>(428)</b>
358 Interest payable	358
(40) Interest and investment income	(86)
13 Net interest on the net defined benefit liability	12
<b>(155) Deficit/(Surplus) for the year on HRA services</b>	<b>(144)</b>

### MOVEMENT ON THE HRA STATEMENT

2021/22 £000s	2022/23 £000s
(495) <b>Balance on the HRA at the end of the previous reporting period</b>	<b>(495)</b>
(155) (Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	<b>(144)</b>
<b>Adjustments between accounting basis and funding basis under statute :</b>	
78 Revaluations (losses) / gain	111
(11) Impairment losses	(165)
(56) IAS19 Pensions Adjustment	(58)
(201) Depreciation	(220)
201 Transfer to Major Repairs Reserve	220
<b>(144) Net (increase) or decrease before transfers to or from reserves</b>	<b>(256)</b>
144 Transfers to or (from) earmarked reserves	251
<b>- (Increase) or decrease in the year on the HRA</b>	<b>(5)</b>
<b>(495) Closing balance on the HRA</b>	<b>(500)</b>

## SECTION 3 : Statement of Accounts

### NOTES TO THE HRA

#### Note 1: Depreciation, Major Repairs Reserve and Revaluation

Included within the HRA is a total depreciation charge of £0.220m (2021/22 £0.201m) which transfers funding into the Major Repairs Reserve to meet the cost of future major repairs. The gain on revaluation for the year was £0.111m (2021/22 £0.078m). In previous years a 'proxy' charge was applied however from 2017/18 a 'true' depreciation charge was required to be calculated and transferred to the MRR. This represents an amount equivalent to the total depreciation charges for all the HRA assets. Under statute an adjustment between accounting basis and funding basis on the 'Movement on the HRA MRR' allows any difference between the depreciation credit on the reserve and the amount required for the major repairs for the year to be transferred back to the HRA.

#### Note 2: Capital Expenditure and Financing

2021/22 £000s	2022/23 £000s
1,919	2,042
Acquisition and renovation of Council Dwellings	
- Adaptations	64
14	210
Major Repairs	
1,933	<b>2,316</b>
Funded by:	
(1,073)	(1,077)
Borrowing	
(563)	(175)
Homes England Grant	
(127)	-
Brownfield Homes Grant	
(156)	(790)
S.106 contributions	
- Health Grant	(64)
(14)	(210)
Major Repairs Reserve	
(1,933)	<b>(2,316)</b>

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

There were 324 Council Dwellings held as at 31 March 2023 (309 in 2021/22); note this accounts for 3 properties that were disposed of through 'Right To Buy' sales. The number of empty properties included in the above figures is 16, of which some are undergoing repairs, some on hold for refugee housing and others are standard voids.

The table below shows the vacant possession value and the balance sheet value based on social housing use.

The difference represents the economic cost of providing council housing.

1 April 2022 £000's	31 March 2023 £000's
9,614	11,900
Balance Sheet Value - Reflects the council dwellings status as social housing	

The vacant possession value of HRA dwellings as at 1 April 2023 is £27.045m 'therefore recognising an economic cost to the government of providing Council Housing at less than open market rents. (£27.045m less £11.900m = £15.145m).

#### Note 4: Rent Arrears

The level of rent arrears as at 31 March, 2023 was £0.160m (31 March 2022 £0.155m), these figures include rent, service charge and rechargeable repair arrears.

The Bad Debt provision required in respect of these uncollectable debts is £0.148m (2021/22 £0.103m)

31 March 2023 £000's
160
( 148)

## 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.

2021/22 £000		2022/23 £000	Notes
	<b>INCOME</b>		
	<b>Council Tax :</b>		
(52,555)	Billed to tax payers	(55,700)	1
212	Write Offs	223	
<u>(52,343)</u>		<u>(55,477)</u>	
	<b>Non Domestic Rates :</b>		
(27,462)	Income Collectable from Business Ratepayers	(31,538)	2
338	Write Offs	358	
188	Transitional Protection Payment	358	
<u>(26,936)</u>		<u>(30,822)</u>	
<u>(79,279)</u>		<u>(86,299)</u>	
	<b>TOTAL INCOME</b>	<b>(86,299)</b>	
	<b>EXPENDITURE</b>		
	<b>Council Tax :</b>		
42,737	Precepts Hartlepool Borough Council	45,845	
6,480	Police & Crime Commissioner	6,873	
1,959	Cleveland Fire Authority	2,041	
324	Increased Provision for Non-Payment of Council Tax	246	
<u>51,500</u>		<u>55,005</u>	
	<b>Non Domestic Rates :</b>		
	Payment of Non Domestic Rates to Preceptors		
15,646	Hartlepool Borough Council	14,444	
319	Cleveland Fire Authority	295	
15,965	Payment of Non Domestic Rates to Central Government	14,739	
113	Cost of Collection Allowance	114	
(98)	Change in Provision for Non-Payment of NNDR	(399)	
319	Change in Provision for Non Domestic Rating Appeals	(420)	
178	Disregarded Amounts	435	
<u>32,442</u>		<u>29,208</u>	
	<b>Contributions for previous years estimated</b>		
	<b>Collection Fund Surplus/(Deficit) - Council Tax</b>		
(763)	Hartlepool Borough Council	59	
(113)	Police & Crime Commissioner	11	
(34)	Cleveland Fire Authority	3	
<u>(910)</u>		<u>73</u>	
	<b>Contributions for previous years estimated</b>		
	<b>Collection Fund Surplus/(Deficit) - Non-Domestic Rates:</b>		
(5,078)	Hartlepool Borough Council	(4,194)	
(104)	Cleveland Fire Authority	(86)	
<u>(5,181)</u>	Central Government	<u>(4,280)</u>	
<u>(10,363)</u>		<u>(8,560)</u>	
<u>72,669</u>		<u>75,726</u>	
<u>(6,610)</u>		<u>(10,573)</u>	
	<b>NET TOTAL</b>	<b>(10,573)</b>	
	<b>Movement on Fund Balances</b>		
	<b>Council Tax:</b>		
(1,755)	(Surplus)/Deficit for the year	(399)	
2,502	(Surplus)/Deficit brought forward	747	
<u>747</u>	(Surplus)/Deficit carried forward	<u>348</u>	
	<b>Non Domestic Rates:</b>		
(4,764)	(Surplus)/Deficit for the year	(10,174)	
14,140	(Surplus)/Deficit brought forward	9,376	
<u>9,376</u>	(Surplus)/Deficit carried forward	<u>(798)</u>	

## 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 34,998 Band D equivalents in 2022/23 (34,380 for 2021/22) and the basic amount of Council Tax for a Band D property was £2,194.40 (£2,097.07 in 2021/22). The Council Tax Base was 24,928 and reflected reductions for reliefs and discounts.

Set out in the table below are the Band D weightings, property numbers and income from each band level.

Band	Weighting to Band D	No. of properties in each band	Equivalent no. of Band D Properties	Hartlepool BC demand per property ( Ex Parishes) £	Police & Crime Commissioner demand per property £	Fire Authority demand per property £	Total demand per property £	Total Income per band £000's
A	6/9	23,406	15,604	1,224.54	183.82	54.57	1,462.93	34,241
B	7/9	7,379	5,739	1,428.63	214.46	63.67	1,706.76	12,594
C	8/9	6,281	5,583	1,632.72	245.09	72.76	1,950.57	12,252
D	9/9	3,309	3,309	1,836.81	275.73	81.86	2,194.40	7,261
E	11/9	1,778	2,173	2,244.99	337.00	100.05	2,682.04	4,769
F	13/9	764	1,104	2,653.17	398.28	118.24	3,169.69	2,422
G	15/9	569	948	3,061.35	459.55	136.43	3,657.33	2,081
H	18/9	79	158	3,673.62	551.46	163.72	4,388.80	347
<b>TOTALS</b>		<b>43,565</b>	<b>34,618</b>					<b>75,967</b>

The income of £55.477m for 2022/23 (£52.343m for 2021/22) is receivable from the following sources:

2021/22 £000		2022/23 £000
72,096	Opening Liability	75,967
2,127	Net increase/(decrease) in liability	2,634
(120)	Disabled Relief	(128)
(6,975)	Discounts	(7,644)
(1,554)	Exemptions	(1,833)
(13,019)	Council Tax Support Scheme	(13,296)
<u>52,555</u>		<u>55,700</u>

**NOTES TO THE COLLECTION FUND****Note 2 - Non Domestic Rates**

National Non Domestic Rates (NNDR) is organised on a national basis. The Government specifies two amounts, the Small Business Non Domestic Rate Multiplier which was 49.9p in 2022/23 (49.9p in 2021/22) and, the Non Domestic Rate Multiplier which was 51.2p in 2022/23 (51.2p in 2021/22). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The total non domestic rateable value at the year end was £79.588m.

The NNDR income collectable from Ratepayers is shown below.

2021/22		2022/23
£000		£000
<u>38,746</u>	Gross Rates payable	<u>38,202</u>
(11,473)	Mandatory Reliefs	(7,022)
<u>189</u>	Transitional Relief	<u>358</u>
<u><u>27,462</u></u>		<u><u>31,538</u></u>

The decrease to mandatory reliefs during 2022/23 was primarily as a result of the reduction in Retail, Hospitality and Leisure (RHL) relief awarded in 2022/23 as the government scaled back its support in response to the Covid-19 pandemic. The RHL relief effectively reduced the net amount the Council can collect from businesses. The reliefs are funded by DLUHC through Section 31 Grants.

## SECTION 4 : Annual Governance Statement

### Scope of Responsibility

Hartlepool Borough Council is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards,
- Public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these overall responsibilities, Hartlepool Borough Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016. A copy of the code is on our website at [www.hartlepool.gov.uk](http://www.hartlepool.gov.uk) or can be obtained from the Councils Customer Services. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, Part 2 6(1) (a), which requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with the statement of accounts. Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015, require that for a local authority that statement is an Annual Governance Statement (AGS).

### The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically. The governance framework has been in place at the Council for the year ended 31st March 2023 and up to the date of approval of the statement of accounts.

In order to facilitate the completion of the Statement, an officer working group has been formed and a programme of work developed. To ensure that the Statement has been given sufficient corporate priority and profile, the working group included both the Director of Resources and Development and the Assistant Director (Finance). As part of the process regular updates have been given to the Executive Leadership Team (ELT).

### Significant Governance Issues Update from 2021/22 Statement

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

<b>Issue Raised</b>	<b>Action Undertaken</b>
Delivery of Council Plan, revised Performance Management Framework and Medium Term Financial Strategy (MTFS). The sustainability of services, level of performance and the continuing need to achieve housing growth.	The MTFS was updated during 2022/23 and the budget for 2023/24 was set at Council on 23rd February 2023. The approved budget reflected an increase in Council Tax, increase in the Adult Social Care precept, increase in Government funding, savings plan and the use of reserves. The Council Plan 2021/22 – 2023/24 was agreed by Finance and Policy Committee on 15th February 2021 and adopted by Council on 25th February 2021. Progress against the Council Plan is reviewed through dedicated ELT Performance and Challenge Clinics 3 times a year and this is followed by reports to Finance and Policy Committee. The first Annual Report was produced in summer 2022 and shared with all elected Members and the public.
Delivery of Regeneration/ Capital Programme on time and budget in line with key Council objectives.	Responsibility for delivery of schemes allocated to senior officers. Project Management Boards were embedded and are providing strategic oversight of progress and budget position. Regular updates provided to Members. Monthly Capital Board embedded, refreshed Capital Strategy approved at Full Council 23rd February 2023.
Potential for Cyber Security attack/breach of IT defences leading to service disruption and potentially serious financial implications.	Use of the National Cyber Security Centre's Event Logging solution. Implementation of a new firewall providing additional protection including blocking access to network from outside UK and 24/7 analysis of internet access with auto blocking where activity falls outside of normal working patterns. Mandatory annual training provided for all staff in respect of cyber security and regular all staff emails giving instruction on what to do with suspicious emails. Information provided on the intranet and wall posters highlighting how to recognise phishing emails.

## SECTION 4 : Annual Governance Statement

### The Governance Framework

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

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

In accordance with the Council's Constitution at Article 13, the Monitoring Officer continues to monitor and review the operation of the Constitution to ensure that the aims and principles of the Constitution are given full effect.

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

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

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

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

A programme of Members' Seminars has been developed by ELT to ensure Members are updated/briefed on key strategic issues.

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

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

The Constitution contains financial and contract procedure rules, and code of conduct for Members, which have been formally approved. Financial procedure rules have been updated and agreed by Council and contract procedure rules have also been updated to take into account new procurement procedures and legislative requirements. The Constitution is available to all employees on the intranet and to the public on the internet. A register of gifts and hospitality is maintained for Members and Officers. The Authority has a Treasury Management Strategy that was approved by Audit and Governance Committee on 9th February 2023 and referred to Council for approval on 23rd February 2023 for the financial year 2023/24. The approved Treasury Management Strategy includes the Investment and Borrowing strategies in compliance with revised CIPFA Prudential Code, CIPFA Treasury Management Code of Practice and The Department of Levelling Up Housing and Communities (DLUHC) guidance. The Audit and Governance Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies before making any necessary recommendations to Council. The Section 151 Officer reports to the Audit and Governance Committee how the Council's financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The full range of Member committees regularly meet to review specific policy areas, to consider plans, reports and progress of the Council.

## SECTION 4 : Annual Governance Statement

Human Resources has drawn up policies to ensure suitably qualified employees are employed in key areas. Supporting terms and conditions of employment for all employees cover all aspects of good employment. Induction courses for key new officers and all new Members incorporate suitable training on corporate governance issues according to responsibilities and there is a general staff awareness programme in place.

An updated Code of Conduct for Employees has been approved, published and communicated to all employees. An updated Health and Safety Policy was approved by Finance and Policy Committee on 14th January 2019 and a Communication Strategy implemented to ensure general awareness. The Council has also implemented a programme of Health and Safety Leadership Training for senior managers.

The Council has an ongoing programme of monitoring and reviewing arrangements in place in respect of the operation of its key partnerships. A framework of reporting by exception to Executive Leadership Team operates and Internal Audit provides audit coverage of partnership arrangements.

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

The Council's Performance Management Framework includes information relating to departmental and officer responsibility for the collation of data, target setting and addressing performance issues. The Framework also includes action plans, risks and performance indicators enabling clearer links between corporate, departmental and service planning outcomes, actions, risks and PIs.

Key policies such as the Corporate Complaints, Comments and Compliments Procedure, Proceeds of Crime (Money Laundering), Whistle Blowing Policy and Counter Fraud and Corruption Policy have been developed and approved for use across the whole Authority. The policies are available to employees via the intranet. The Council is a member of the National Anti Fraud Network and takes part in regular National Fraud Initiative reviews and the North East Corporate Fraud Forum. The Council has updated its Fraud and Corruption Strategy in line with CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

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

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

There is corporate support at senior management level for development of Risk Management with risk assessment procedures published and training given to officers. Risk introduction/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.

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

## SECTION 4 : Annual Governance Statement

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

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

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

- Publish equalities information to demonstrate its compliance with the Equality Duty by the 31st January each year; and
- Develop and publish equality objectives every four years.

In order to demonstrate our compliance with the above requirements, we have produced a Workforce Equality Information Report 2021/22 and a 2021/22 Equality Report to demonstrate the progress that the Council has made to date. We are aware that there are gaps in our data and are working to provide more information in an accessible format. On that basis the report is regularly updated. Since the first equality objectives were published in April 2012 the Council has based them on the strategic objectives set out in our Council Plan. By doing this the Council demonstrates that equality and diversity is a core part of what we do as an organisation and not an add on activity. The Council's vision as set out in the Council Plan 2021/22 – 2023/24 sets out our equality objectives. A new Equality, Diversity and Inclusion (EDI) Policy was agreed by Finance and Policy Committee on 13th March 2023 to set out the Council's commitment to EDI.

Equality issues must influence the decisions reached by public bodies - in how they act as employers; how they develop, evaluate and review policy; how they design, deliver and evaluate services, and how they commission and procure from others. We do this by considering impacts on equality as an integral part of our decision-making process and this is reflected in reports to Committees in the Equality & Diversity Considerations section and through our use of Equality Impact Assessments.

Internal Audit reports on a regular basis to the Audit and Governance Committee on the effectiveness of the organisation's system of internal control. Recommendations for improvement are also made and reported on. Internal Audits performance is measured against standards agreed by management and Members. Internal Audit reporting arrangements have been formalised and strengthened as part of the review of financial procedure rules. Internal Audit have undergone an external inspection carried out by Stockton Borough Council and are fully compliant with Public Sector Internal Audit Standards (PSIAS) and can report as such on all correspondence.

Ofsted has rated the overall effectiveness of the Council's Children's Services as 'good'. The most recent ILACS inspection which took place in July 2018 rated Hartlepool Children's Services as 'good' overall and 'outstanding' in the experiences and progress of children in care and care leavers. Children's Services have also been visited by Ofsted on two occasions for a Focused Visit since the ILACS, firstly in March 2020 to look at services for children in need including those in need of protection and most recently in January 2022 to look at Care Leavers. During both visits Ofsted confirmed that Children's Services in Hartlepool continued to provide high quality services and progress was sustained. Of the three children's homes in Hartlepool, two are judged by Ofsted to be 'good' and one 'outstanding'. Most childcare providers and schools are rated 'good' or 'outstanding'.

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

## SECTION 4 : Annual Governance Statement

### Review of Effectiveness

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

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

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

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

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

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

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

## SECTION 4 : Annual Governance Statement

### Significant Governance Issues

The following significant governance issues have been identified:

No	Issue	Action	Timescale	Responsible Officer
1	Delivery of Council Plan, revised Performance Management Framework and Medium Term Financial Strategy. The sustainability of services, level of performance and the continuing need to achieve housing growth.	<p>The MTFS approved in January 2023 forecast annual deficits of £1.66m in 2024/25, £2.5m in 2025/26 and £2.5m in 2026/27. These forecast will be updated to reflect the much higher and prolonged impact of inflation and general amounts of Government funding. A savings strategy is being developed for MTFS plan period.</p> <p>The three year Council Plan adopted in February 2021, takes into account the impact of the financial challenges facing the Council. Performance will be continue to be reported regularly to ELT and Finance and Policy Committee. During 2023/24 work to develop a new Council Plan will be undertaken and this will include a range of consultation and stakeholder engagement activities. The intention is that the new Plan will be agreed by Finance and Policy Committee by the end of the year.</p>	2023/24 – 2024/25	Executive Leadership Team
2	Delivery of Regeneration/ Capital Programme on time and budget in line with key Council objectives.	Arrangements previously adopted will continue to be followed and monitored as projects move from design to construction phase.	2023/24	Capital Programme Board
3	Potential for Cyber Security attack/breach of IT defences leading to service disruption and potentially serious financial implications.	<p>HBC use the National Cyber Security Centre's Event Logging solution, which tracks a range of network events including staff who have clicked on links in suspicious emails. HBC have recently implemented a new firewall that provides additional protection including blocking access to our network from outside the UK and 24/7 analysis of internet access with auto blocking where activity falls outside of normal working patterns.</p> <p>Annual training is mandatory for all staff in respect of cyber security and regular all staff emails give instruction on what to do with suspicious emails. This ensures that staff are aware of the correct procedure to follow if links are clicked or attachments are opened in error. There is also information on the intranet and wall posters highlighting how to recognise phishing emails.</p>	2023 Onwards	Executive Leadership Team
4	Change in political environment.	New Member training provision as well as refresher training for existing Members. Constitution refresh in order to streamline meetings and the reestablishment of Group leader meetings.	2023 Onwards	Executive Leadership Team

No other significant governance issues have been identified, however, in the interests of improving and developing governance arrangements 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.

The Head of Internal Audit reported in their Annual Opinion Report that "based on the work undertaken during the year 2022/23, my opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is that reliance can be placed on the adequacy and effectiveness of internal controls operating across the Council in 2022/23".

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

Managing Director *Denise McFadden*

12/3/2024

**Chair of Audit and Governance Committee**

*J Brash*

12/3/2024

### 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 2023, 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 2022/23 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 2023 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 2022/23 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 Finance, IT and Digital's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, 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 Finance, IT and Digital with respect to going concern are described in the relevant sections of this report.

##### Other information

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

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

We have nothing to report in this regard.

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

#### Responsibilities of the Director of Finance, IT and Digital for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance, IT and Digital is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Director of Finance, IT and Digital is also responsible for such internal control as the Director of Finance, IT and Digital determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance, IT and Digital is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 Finance, IT and Digital 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit and Governance Committee as to whether the Council is in compliance with laws and regulations, and discussing their 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.

We evaluated the Director of Finance, IT and Digital'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.

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

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

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

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

We are also required to conclude on whether the Director of Finance, IT and Digital'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 February 2023. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

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

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in this respect.

##### **Responsibilities of the Accounting Officer**

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Council's 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, and to report where we have not been able to satisfy ourselves that it has done so. 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 January 2023.

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

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

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

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

We have nothing to report in these respects.

#### Use of the audit report

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



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

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

28 June 2024

## **SECTION 6 : Glossary of Terms**

### **ACCOUNTING POLICIES**

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- recognising;
- selecting measurement bases for; and
- presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the Income and Expenditure Account or Balance Sheet it is to be presented.

### **ACTUARIAL GAINS AND LOSSES**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses); or
- the actuarial assumptions have changed.

### **CAPITAL EXPENDITURE**

Expenditure on the acquisition of an asset or expenditure that adds to and not merely maintains the value of an existing asset.

### **CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING**

The Chartered Institute of Public Finance and Accounting (CIPFA) Code sets out the accounting concepts and accounting principles which underpin the statement of accounts.

### **COMMUNITY ASSETS**

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

### **CONSISTENCY**

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

### **CONSTRUCTIVE OBLIGATION**

An obligation that derives from an Authority's actions where:

- a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the Authority has indicated to other parties that it will accept certain responsibilities; and
- b) as a result, the Authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

### **CONTINGENT LIABILITY**

A contingent liability is either:

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

## SECTION 6 : Glossary of Terms

### **CREDITORS**

Amounts owed by the Authority for work done, goods received or services rendered within the accounting period but for which payment was not made at the balance sheet date.

### **CURRENT ASSETS**

Assets which can be expected to be consumed or realised during the next accounting period, e.g. debtors and stocks.

### **CURRENT LIABILITIES**

Amounts which will become payable or could be called in within the next accounting period e.g. creditors, cash overdrawn.

### **CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of a defined benefit scheme's liabilities expected to rise from employee service in the current period.

### **CURTAILMENT**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- a) termination of employee's services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
- b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify for only reduced benefits.

### **DEBTORS**

Amounts due to the Authority for works done, goods received or services rendered before the end of the accounting period, but for which payments have not been received by the end of that accounting period.

### **DEFINED BENEFIT SCHEME**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

### **DEFINED CONTRIBUTION SCHEME**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

### **DEPRECIATION**

The measure of the cost or revalued amount of the benefits of the asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of an asset whether arising from use or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

## **SECTION 6 : Glossary of Terms**

### **DISCRETIONARY BENEFITS**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996.

### **ESTIMATION TECHNIQUES**

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implemented the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- a) Methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of property, plant and equipment consumed in a period
- b) Difference methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

### **EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

### **EXCEPTIONAL ITEMS**

Material items that derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

### **EXPECTED RATE OF RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

### **FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

### **FINANCE LEASE**

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

### **FINANCIAL INSTRUMENT**

A legally enforceable agreement between two or more parties, expressing a contractual right or a right to the payment of money. Typical examples include investments, loans, trade creditors and trade debtors.

### **GOING CONCERN**

The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

## **SECTION 6 : Glossary of Terms**

### **GOVERNMENT GRANTS**

Assistance by Government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

### **HERITAGE ASSETS**

Assets preserved in trust for future generations because of their cultural, environmental or historical associations. It applies to assets held and maintained by the Authority principally for the contribution of knowledge and culture.

### **HOUSING REVENUE ACCOUNT**

Local Authorities are required to maintain a separate Housing Revenue Account - which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the General Fund.

### **IMPAIRMENT**

A reduction in the value of Property, Plant and Equipment below its carrying amount on the Balance Sheet.

### **INFRASTRUCTURE ASSETS**

These assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

### **INTANGIBLE ASSETS**

Expenditure which may properly be capitalised, but which does not result in an asset with substance. Examples of this type of expenditure are software and other licences, patents and trademarks and artistic originals.

### **INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the period is the present value of the scheme liabilities because the benefits are one period closer to settlement.

### **INTERNATIONAL ACCOUNTING STANDARDS (IAS)**

These standards are developed by the International Accounting Standards Board and regulate the preparation and presentation of financial statements.

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

These standards are developed by the International Accounting Standards Board and regulate the preparation and presentation of financial statements. The Companies Act 1985 requires compliance with these Standards or disclosures in the notes if there are any material departures from these Standards.

### **INVENTORIES**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Inventories comprises the following categories:

- goods or other assets purchased for resale;
- consumable stores;
- raw materials and components purchased for incorporation into products for sale;
- products and services in intermediate stages of completion;
- long term contract balances; and
- finished goods.

## **SECTION 6 : Glossary of Terms**

### **INVESTMENT PROPERTIES**

Interest in land and/or buildings:

- a) in respect of which construction work and development have been completed; and
- b) which is held for its investment potential, any rental income being negotiated at arm's length.

### **INVESTMENTS (PENSIONS FUND)**

The investments of the Pensions Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of Pension Scheme assets associated with their underlying obligations.

### **LIQUID RESOURCES**

Current asset investments that are readily disposable by the Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

### **LONG TERM CONTRACTS**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long term contracts if they are sufficiently material to the activity of the period.

### **MINIMUM REVENUE PROVISION (MRP)**

The statutory minimum amount that authorities must set aside each year as provision for debt repayment based on the Capital Financing Requirement.

### **NET BOOK VALUE**

The amount at which assets are included in the Balance Sheet, that is their historical cost of current value less the cumulative amounts provided for depreciation.

### **NET CURRENT REPLACEMENT COST**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, that is the cost of its replacement or of the nearest equivalent asset adjusted to reflect the current condition of the existing asset.

### **NET DEBT**

The Authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

### **NET REALISABLE VALUE**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

### **NON-CURRENT ASSET**

Assets that yield benefits to the Authority, and the services it provides, for a period of more than one year.

## SECTION 6 : Glossary of Terms

### **NON-OPERATIONAL ASSETS**

Assets held by a local authority but not used or consumed in the delivery of services or for the service or strategic objectives of the Authority. Examples of non-operational assets include investment properties and assets that are surplus to requirements, pending their sale. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the Authority and the rental income is negotiated at arm's length.

### **OPERATING LEASES**

A lease other than a finance lease.

### **OPERATIONAL ASSETS**

Assets held and occupied, used or consumed by the Local Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the Authority.

### **PAST SERVICE COST**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

### **PRIOR PERIOD ADJUSTMENTS**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of material errors. A material error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### **PROJECTED UNIT METHOD**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- b) the accrued benefits for members in service of the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

### **PROPERTY, PLANT & EQUIPMENT**

This covers all assets with physical substance that are for use in the production or supply of goods and services, for rental to others, or for administrative purpose, and expected to be used during more than one period.

## SECTION 6 : Glossary of Terms

### PROVISION

Funds set aside to cover potential liabilities or losses which are likely or certain to be incurred at a future date but where the exact amount and timing of the liability or loss is currently not known.

### RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:

- Central Government;
- Local Authorities and other bodies precepting or levying demands on the Council Tax;
- its subsidiary and associated companies;
- its joint ventures and joint venture partners;
- its Councillors;
- its Chief Officers; and
- its Pension Fund.

Examples of related parties of a pension fund include its:

- administering Authority and its related parties;
- scheduled bodies and their related parties; and
- Trustees and Advisors.

These lists are not intended to be comprehensive

For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

### RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

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

This list is not intended to be comprehensive.

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

## **SECTION 6 : Glossary of Terms**

### **REMUNERATION**

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

### **RESERVES**

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

### **RESIDUAL VALUE**

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

### **RETIREMENT BENEFITS**

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

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

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

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

### **SAFETY-NET GRANT**

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

### **SCHEME LIABILITIES**

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

### **SERVICE REPORTING CODE OF PRACTICE**

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

### **SETTLEMENT**

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

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

## SECTION 6 : Glossary of Terms

### **USEFUL LIFE**

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

### **FURTHER INFORMATION**

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