

# Hartlepool Borough Council

## Financial Report 2015/16





**CONTENTS**

**Page**

**SECTION 1 : Narrative Report**

Narrative Report	1
------------------	---

**SECTION 2 : Statement of Responsibilities for the Statement of Accounts**

Statement of Responsibilities for the Statement of Accounts	9
---	---

**SECTION 3 : Statement of Accounts**

Movement in Reserves Statement	10
Comprehensive Income and Expenditure Statement	11
Balance Sheet	12
Statement of Cash Flows	13
Summary of Significant Accounting Policies	14
Note 1: Accounting Standards That Have Been Issued But Have Not Yet Been Adopted	27
Note 2: Critical Judgements in Applying Accounting Policies	27
Note 3: Assumptions Made About the Future & Other Major Sources of Estimation Uncertainty	28
Note 4: Events after the Balance Sheet Date	29
Note 5: Adjustments between Accounting Basis and Funding Basis under Regulations	30
Note 6: Transfers to/(from) Earmarked Reserves	33
Note 7: Amounts Reported for Segmental Reporting	34
Note 8: Other Operating Expenditure	36
Note 9: Financing and Investment Income and Expenditure	36
Note 10: Taxation and Non-Specific Grant Income	36
Note 11: Councillor's Allowances & Expenses	37
Note 12: Officers' Remuneration	40
Note 13: Termination Costs	44
Note 14: Non Current Assets - Property, Plant & Equipment	45
Note 15: Non Current Assets - Property, Plant & Equipment - Revaluations	48
Note 16: Non Current Assets - Investment Property	49
Note 17: Non Current Assets - Heritage Assets	51
Note 18: Long Term Investments	52
Note 19: Long Term Debtors	53
Note 20: Inventories	53
Note 21: Short Term Debtors	53
Note 22: Cash and Cash Equivalents	54
Note 23: Assets Held for Sale (Less than one year)	54
Note 24: Short Term Creditors	54
Note 25: Provisions	55
Note 26: Other Long Term Liabilities	56
Note 27: Grant Income	56

Note 28: Usable Reserves	58
Note 29: Unusable Reserves	61
Note 30: Related Party Transactions	65
Note 31: Trading Operations	67
Note 32: External Audit Costs	68
Note 33: Dedicated Schools Grant	68
Note 34: Operating Leases	69
Note 35: Finance Leases	70
Note 36: Capital Expenditure and Financing	71
Note 37: Financial Instruments	72
Note 38: Nature and extent of Risks Arising from Financial Instruments	76
Note 39: Cash Flow Statement - Operating Activities	80
Note 40: Cash Flow Statement - Adjustments for Non Cash Movements	80
Note 41: Cash Flow Statement - Adjustments for Investing and Financing Activities	80
Note 42: Cash Flow Statement - Investing Activities	80
Note 43: Cash Flow Statement - Financing Activities	81
Note 44: Pensions Schemes Accounted for as Defined Contribution Schemes	81
Note 45: Defined Benefit Pension Schemes	82
Note 46: Contingent Liabilities	86
Note 47: Pooled Budgets	87
Collection Fund	88
Memorandum Notes - Trust Funds	91
<b>SECTION 4 : Annual Governance Statement</b>	
Annual Governance Statement	92
<b>SECTION 5 : Independent Auditor's Report</b>	
Independent Auditor's Report to the Members of Hartlepool Borough Council	97
<b>SECTION 6 : Glossary</b>	
Glossary of Terms	100

## **SECTION 1 : Narrative Report**

### **INTRODUCTION**

The Narrative Report provides an overview of the most significant matters reported in the Financial Report and highlights key aspects of the Council's financial and service performance, including details of performance for 2015/16, the financial outlook for 2016/17 and the following three financial years.

### **SUMMARY FINANCIAL PERFORMANCE AND YEAR END FINANCIAL POSITION FOR 2015/16**

#### **Revenue Spending 2015/16 - Budget Position**

The Council prepares a rolling four year financial strategy and in relation to 2015/16 the financial strategy reflected a further reduction in the amount of Government funding received by the Council of £8 million, a reduction of 15%. This was the fifth successive annual reduction in Government funding and means that in 2015/16 the Council received £30.1 million less Government funding than it did in 2010/11, a cumulative reduction of 39%.

The system operated up to 2010/11 by the Government for allocating funding to individual Local Authorities reflected the needs of each area and the ability to raise income locally from Council Tax. However, over the last 5 years these factors have not been recognised to the same extent. As a result over the last 5 years the Authority has suffered disproportionate spending power cuts owing to Government funding reductions.

To reduce the impact of the 2015/16 Government grant cut on front line services the Council reduced corporate costs by £0.6m, which included savings in 'IT' costs, used £0.9m of the Budget Support Fund reserve and used specific grant funding, such as the Better Care Fund, to integrate services and reduce demand through early intervention, which saved £1.7 million. The 2015/16 budget also benefitted from increased Council Tax income from housing growth.

These measures did not offset the whole Government grant cut and departmental budgets were reduced by £3.7 million. These reductions were carefully targeted to minimise the impact on front line services and to protect, as far as possible, services to vulnerable people. Consequently, the budgets for support services such as Finance, Legal and Human Resources were reduced by 13% and Regeneration and Neighbourhood Services by 8%. The budget for Child and Adult Services, which accounts for nearly two thirds of expenditure on services, was reduced by 3%.

The 2015/16 Budget froze Council Tax for the fifth successive year and maintained a 12% Local Council Tax Support scheme for the second successive year. The 2015/16 budget provided funding to increase the Hartlepool Living Wage to £7.88 per hour and this was largely funded from savings within the overall pay budget.

The Council's net 2015/16 General Fund budget, which is funded from Government Grant and Council Tax, was £130.648m, including expenditure funded from the Dedicated Schools Grant.

#### **Revenue Spending 2015/16 - Outturn Position**

In response to the ongoing financial challenges in future years the Council continued to carefully manage resources during 2015/16 and in November 2015 forecast a year end under spend £1.457m. This included the release of reserves where the actual commitments were less than forecast. The forecast under spend was allocated to increase the Budget Support Fund, which will be used to support the budget over the period 2016/17 to 2018/19. The actual outturn under spend exceeded the forecast under spend by £0.091m and a strategy for using these one-off resources will be developed during 2016/17. The achievement of the under spend included continued management of staffing budgets and vacancies not being replaced to help achieve savings in 2016/17 and avoid the need for compulsory redundancies. The under spend also reflected lower interest costs and the achievement of efficiency savings. Where these savings are sustainable they have been built into the budget for 2016/17.

During 2015/16 the Valuation Office Agency (VOA) determined the outcome of a number of outstanding appeals against Rateable Values applying since 2010, including a significant reduction in the Rateable Value of the Power Station. As a result of decisions made by the VOA the Council is required to make Business Rates refunds of £21.5m covering the period 2010/11 to 2015/16. The Council receives specific Safety Net Grant towards covering these costs.

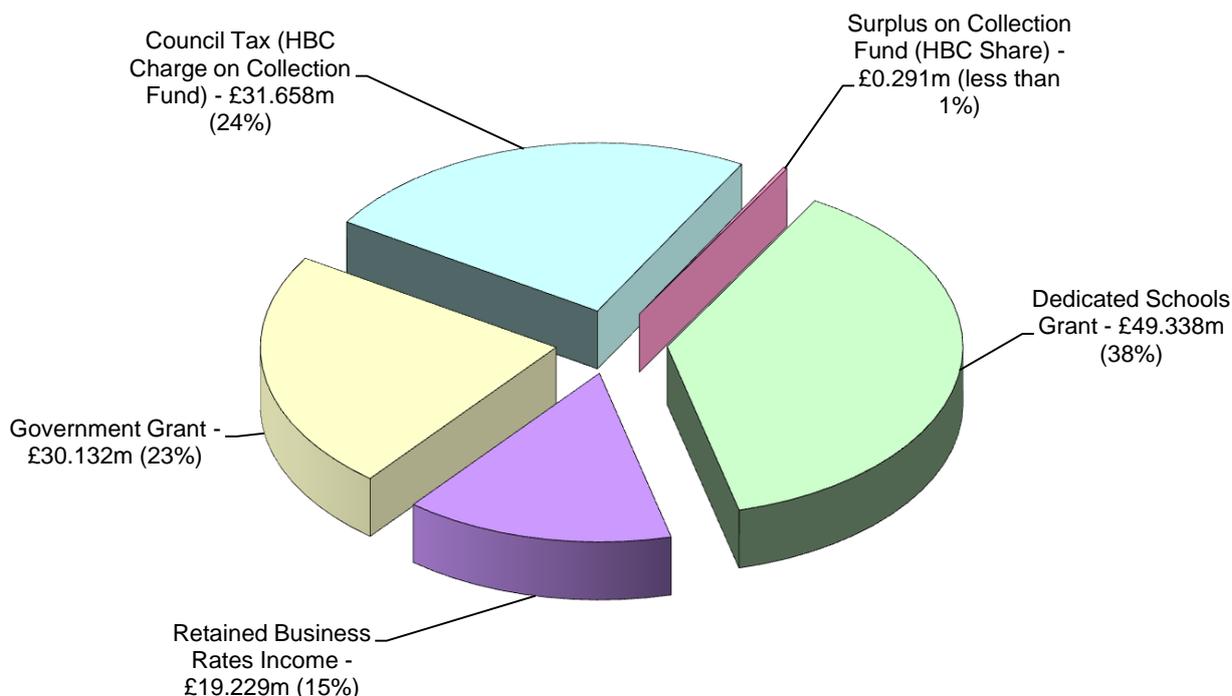
The following table provides a summary of actual expenditure against the approved budget for 2015/16, including the Business Rates issued referred to in the previous paragraph.

## SECTION 1 : Narrative Report

### Summary of 2015/16 Financial Position

Description of Expenditure	2015/16 Approved Budget	2015/16 Actual Expenditure / (Income)	2015/16 Variance Adverse / (Favourable)
	£000	£000	£000
<u>Departmental Expenditure</u>			
Child & Adult Department	47,626	46,914	(712)
Chief Executives Department	4,392	3,561	(831)
Regeneration & Neighbourhoods Department	20,661	19,988	(673)
Public Health Department	1,121	396	(725)
Non Departmental Expenditure	8,602	7,037	(1,565)
Business Rates Safety Net Grant	0	(21,451)	(21,451)
Dedicated Schools Grant Related Expenditure	49,338	49,338	0
<u>Creation / (Use) of Reserves</u>			
Ring Fenced Grant Reserves		1,893	1,893
Reserves Created to manage specific commitments/risks		2,911	2,911
Funding Released from Reserve Review		(389)	(389)
Creation of Business Rates Safety Net Grants Reserve		21,451	21,451
Planned Contribution from Reserves	(1,092)	(1,092)	0
<b>Final Contribution to General Fund</b>	<b>130,648</b>	<b>130,557</b>	<b>(91)</b>

The Council's budget of £130.648m was funded from the following sources:



## SECTION 1 : Narrative Report

### Capital Spending 2015/16 - Outturn Position

In 2015/16 the Council had a total Capital Programme of £34.209m and incurred expenditure totalling £20.909m. An analysis of this expenditure is shown below, together with an analysis of how it was financed.

	<b>£000</b>	<b>%</b>
<b>Expenditure</b>		
Highway Maintenance & Construction	4,442	22%
Housing Investment Programme	3,787	18%
Sea Defences	3,614	17%
School Improvements	2,064	10%
Replacement of Fleet Vehicles	412	2%
Other Schemes	6,590	31%
<b>Total Expenditure</b>	<b>20,909</b>	<b>100%</b>
<b>Capital Financing</b>		
Capital Grant	9,407	45%
Borrowing	7,277	35%
Corporate Resources	2,303	11%
Capital Receipts	1,922	9%
<b>Total Capital Financing</b>	<b>20,909</b>	<b>100%</b>

As at 31 March, 2016 the Council had rephased capital expenditure totalling £12.881m into 2016/17. This will be funded from the following resources, which have also been rephased into 2016/17.

<b>Capital Financing</b>	<b>£000</b>
Government Grants	2,733
Borrowing	6,432
Capital Funding Reserves	3,716
	<b>12,881</b>

### Capital Receipts

The Council received gross receipts of £0.841m in 2015/16 from the sale of assets, all of which related to the disposal of land and buildings. The net receipt after cost of disposals was £0.758m.

### FINANCIAL OUTLOOK 2016/17 to 2019/20

The Government provided a four year grant settlement covering the period 2016/17 to 2019/20 and have invited individual authorities to apply for a four year grant settlement, by 15 October, 2016. Reports will be submitted to the Finance and Policy Committee and Council over the summer to enable Members to determine if they wish to apply for a four year grant settlement.

For 2016/17 the Council faced a total reduction in funding of £8.3m, a reduction of 10%. This reflected a further reduction in Government funding of £4.5m, a reduction of nearly 15%, and the impact of the Valuation Office Agency decision to reduce the Rateable Value of the Power Station, which reduced the Council's income by £3.8m.

To address the 2016/17 funding reduction the Council increased Council Tax by 3.9%, which included the use of the new 2% Social Care precept introduced by the Government. This raised additional income of £1.3m. The balance of the funding cut, £7m, was addressed from a combination of efficiency savings, use of reserves and housing growth. The use of reserves in 2016/17 was designed to provide a slightly longer lead time to identify savings as part of the development of a longer term financial strategy.

In February 2016 the Government confirmed further annual grant cuts for 2017/18, 2018/19 and 2019/20. This means that by 2019/20 the Council will have faced nine years of funding cuts and in 2019/20 funding received from the Government will be £44.2m less than the level provided in 2010/11. This equates to a cut of 57%.

As a result of these cuts it is anticipated the Council will need to make further budget reductions of £17.240m before the start of 2019/20. This equates to a reduction of 20% from the 2016/17 budget. The Council will be developing a detailed financial strategy to address this budget deficit during 2016/17 to ensure the necessary budget reductions can be achieved in 2017/18 and the following two financial years.

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

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

In accordance with this strategy the Council has taken a proactive approach to managing cash investments and debt. For a number of years the Council has internalised borrowing by netting down borrowing against investments. However interest rates have fallen to a historically low level, which the Council has taken advantage of to secure financing in relation to business cases. The Council has also used these historically low rates to reduce interest rate risk in relation to some existing capital expenditure previously temporarily funded by internalising borrowing.

The interest earned on Council investments remained low during 2015/16, this has been mitigated by low interest costs on the Council's borrowings.

### **PENSIONS**

The Council has accounted for retirement benefits according to International Financial Reporting Standard (IFRS) IAS 19. In the accounts as at 31 March, 2016 there was a deficit on the Pensions Reserve of £125.267m (£122.097m in 2014/15). This was offset by a Pensions Liability of the same value. The net Pensions Liability has increased mainly owing to the yearly service costs being greater than the employer contributions received. Further information is included at Note 45 of the Statement of Accounts.

The Council is a member of the Teesside Pension Fund and the statutory arrangements for this scheme mean that the IAS19 deficit does not need to be made good by increased pensions contributions from the Council or employees. A separate Pension Fund valuation is carried out every three years to determine the Council's contribution rate. The last full valuation set the employer's contribution rate for the period 2014/15 to 2016/17.

Further information is included in Notes 44 and 45 to the Statement of Accounts.

### **STATEMENTS OF ACCOUNTS**

A detailed analysis of the Council's financial position can be found in the Statements of Accounts. A brief explanation of the purpose and significant financial issues of each of the statements is given below:

#### **Movement in Reserves Statement**

This Statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves (i.e. those which are accounting reserves). The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase / (Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

#### **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.

#### **Exceptional Items**

During 2015/16 the Council received Business Rates Safety Net Grant of £21.451m. This is disclosed separately in the Comprehensive Income and Expenditure Statement owing to the exceptional nature of this transaction.

## SECTION 1 : Narrative Report

### Balance Sheet

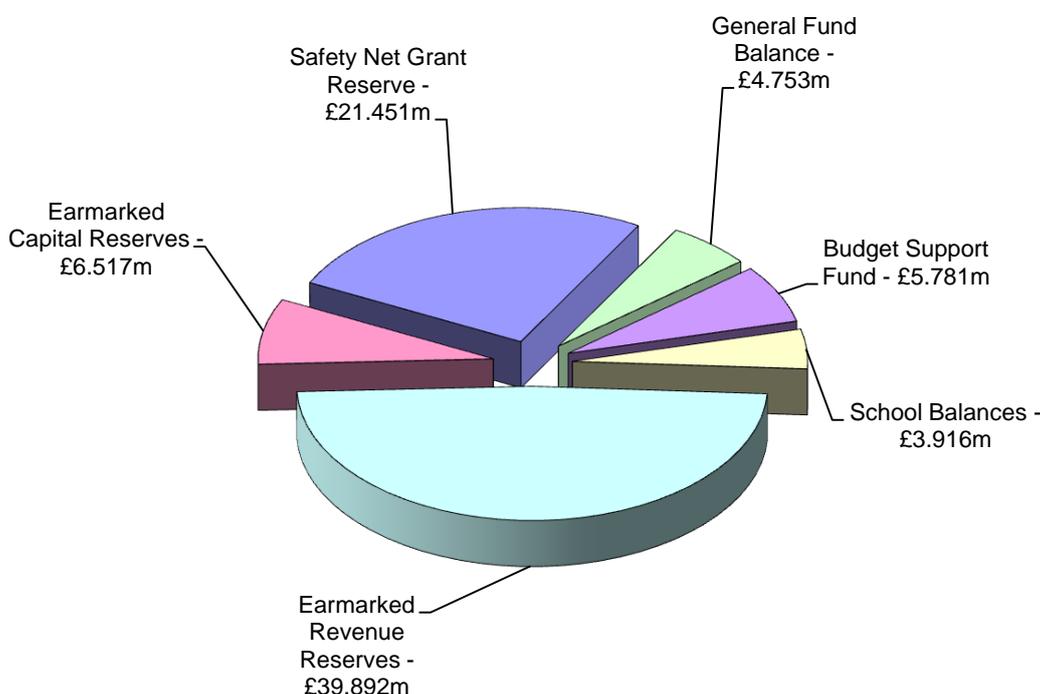
The Balance Sheet shows the value of the assets and liabilities recognised by the Council at 31 March, 2016. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, 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, Heritage Assets, Revaluation Reserve and Capital Adjustment Account – the Council's total fixed assets have increased by £15.875m which comprises expenditure on fixed assets of £19.602m, a donated asset of £0.226m, upward revaluations of existing assets of £11.973m, less depreciation, downward revaluations and disposals of £15.926m.
- Short Term Debtors - totalled £58.381m as at 31 March, 2016 (£13.872m at 31 March, 2015). The increase primarily relates to Safety Net Grant due to the Council from Central Government and Central Government's share of the Collection Fund deficit following the settlement of the Business Rates appeal for Hartlepool Power Station and the consequent reduction in its Rateable Value.
- Short Term Creditors - totalled £56.589m as at 31 March, 2016 (£18.359m at 31 March, 2015). The increase predominantly relates to Transitional Relief repayable to Central Government following the settlement of the Business Rates appeal for Hartlepool Power Station.
- Other Long Term Liabilities - as at 31 March, 2016, were £125.681m (£122.275m at 31 March, 2015). The increase is mainly owing to the yearly service costs being greater than employer contributions received. There is a corresponding decrease to the Pensions Reserve, which is included within Unusable Reserves in the balance sheet. Further detail of the movement in Unusable Reserves is provided in Note 29.

At the 31 March, 2016 the Authority had reserves of £82.310m (£61.896m at 31 March, 2015). Full details of the Council's reserves are provided in note 28 and include the following key reserves:

#### Analysis of Reserves 31/03/16 - Total £82.310m



## SECTION 1 : Narrative Report

Contributions have been made to specific reserves to manage risks and protect the Council's financial Position. Looking to the future, the Council's reserves will fall significantly as these resources are committed for one-off expenditure commitments and supporting the revenue budgets in 2016/17 and beyond. Details of the movement on reserves and balances are provided in Note 6.

The Council also held a specific Business Rates Safety Net Grant Reserve of £21.451m at 31 March, 2016 (£nil at the 31 March, 2015). This amount is fully committed to repay the deficit on the Collection Fund arising from Rateable Value reductions approved by the Valuation Office Agency predominantly in relation to the Power Station.

The Council reviews the level of reserves and financial risk on an annual basis and the next review will be completed during Summer 2016.

### 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.

### Pooled Budgets - Better Care Fund

The Better Care Fund (BCF) has been established by the Government to support the introduction of a fully integrated health and social care system. Section 75 of the National Health Service Act 2006 gives powers to Local Authorities and Clinical Commissioning Groups (CCG) to establish and maintain pooled budgets to support the outcomes of the BCF. The Council has entered into a pooled budget arrangement with NHS Hartlepool and Stockton Clinical Commissioning Group. 2015/16 is the first year of this arrangement. Further details are provided in Note 47.

### Supplementary Financial Statements

#### Collection Fund

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

The total Council Tax for the year was £1,695.32 (£1,689.99 in 2014/15) for Band D properties, excluding parish precepts where these applied. This comprised £1,418.70 for the Council's own services, £206.26 for the Police and Crime Commissioner and £70.36 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 33,368 Band D properties. When setting the charge a 1.5% allowance for non-collection was made.

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

	<b>£000</b>	<b>%</b>
<b>Expenditure</b>		
Hartlepool Council Precept	31,659	39%
Police and Crime Commissioner Precept	4,599	6%
Cleveland Fire Authority Precept	1,569	2%
Central Government's Share Non Domestic Rates	19,536	24%
Hartlepool Council Non Domestic Rates Precept	19,229	24%
Cleveland Fire Authority Non Domestic Rates Precept	392	0%
Other	4,001	5%
	<b>80,985</b>	100%
<b>Income</b>		
Council Tax	39,152	49%
NNDR from Rate Payers	27,872	41%
Transitional Protection Refund	(35,870)	10%
	<b>31,154</b>	100%
<b>Net Deficit / (Surplus) in Year</b>	<b>49,831</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. For the purpose of the Statement of Accounts, the Council's expenditure follows the standard classification recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the comparative figures for 2014/15 have been shown where appropriate.

### **HIGHWAYS NETWORK ASSET**

The CIPFA Code of Practice on Transport Infrastructure Assets takes effect from 1 April 2016. The Code confirms that retrospective adjustments to the accounts will not be required.

Infrastructure assets are currently included in Property, Plant and Equipment on the Council's Balance Sheet at historic cost. In 2016/17 these assets will be reclassified to a new asset category named the Highways Network Asset. This will consist of seven categories: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land. This will require the Council to disclose the assets separately on the Balance Sheet and also in the Notes to the Accounts. A change to the Council's Accounting policies will also be required.

The transfer of assets between infrastructure and the new highways asset categories is likely to result in a revaluation gain owing to the change from depreciated historic cost to depreciated replacement cost. The new valuation will reflect the current cost of replacement rather than the original costs of works, which would have been built up over a number of years.

If the changes had been implemented in 2015/16, based on current estimates the value of infrastructure assets would have increased from £71m to circa £318m.

### **FINANCING AND SERVICE PERFORMANCE - DELIVERY OF ECONOMY, EFFICIENCY & EFFECTIVENESS**

The Authority recognises that the delivery of economy, efficiency and effectiveness are a combination of strong financial and service performance. As detailed in previous sections the Council set a balanced budget for 2015/16 and this included implementing a detailed savings plan which makes a significant contribution towards delivering services which are economical, efficient and effective. The actions taken to achieve a managed under spend against the reduced budget level also made a significant contribution towards delivering services which are economical, efficient and effective.

The Council managed cash resources effectively by ensuring that all income was received promptly and payments were made when due. These arrangements are underpinned by a robust Treasury Management strategy which provides the framework for managing borrowing decisions and temporary investment of surplus cash. There are no concerns regarding the level of debtors at 31 March, 2016 as the amounts due to the Authority mainly relate to Government grants and payments due from local authorities which will be received in 2016/17.

In addition, to delivering on the financial targets the Authority also delivered strong service performance, as detailed in the following paragraphs. The Authority's 2015/16 Financial and Service performance demonstrates continued delivery of economy, efficiency and effectiveness in a challenging financial environment.

The Council Plan sets out the Council's overall service planning arrangements. It addresses the key priorities and issues facing the Council and is prepared in parallel with the Council's annual Budget and Medium Term Financial Strategy. The Council Plan is agreed annually by Full Council and contains;

- an action plan setting out how the Council proposes to deliver the priority outcomes,
- Performance Indicators (PIs) which are then used to monitor progress throughout the year and at year end, this includes both targeted and monitored PIs, and
- the key risks that could prevent the Council from delivering the priority outcomes.

## SECTION 1 : Narrative Report

In 2015/16 the Council Plan had 177 actions, 141 Performance Indicators (85 targeted and 56 monitored) and 91 Strategic Risks. In comparison, the 2014/15 Council Plan had 216 actions, 162 PIs (76 targeted and 86 monitored) and 91 Strategic Risks. Progress against the Council Plan is reported quarterly to the Corporate Management Team and Finance & Policy Committee. At the end of Quarter 4 the following progress was reported in 2014/15 and 2015/16:

<u>2014/15</u>			<u>2015/16</u>	
<b>Actions</b>				
179	83%	Completed	145	82%
9	4%	On track	7	4%
16	7%	Progress acceptable	23	13%
12	6%	Not completed	2	1%
<b>Performance Indicators (targeted only)</b>				
43	57%	Achieved	43	51%
8	11%	Expected to achieve	8	9%
8	11%	Acceptable	16	19%
10	13%	Not achieved	7	8%
7	8%	Results not yet available	11	13%

<u>2014/15</u>			<u>2015/16</u>	
<b>Key Finance Indicators</b>				
95.40%		Percentage of Council tax collected in year		95.40%
98.00%		Percentage of Business Rates collected in year		98.50%
92.89%		Percentage of invoices paid in 30 days		97.96%
87.57%		Percentage of invoices paid to local suppliers in 10 days		93.60%
23.08 days		Average time to process new Housing Benefit/Council Tax Benefit claims		17.14 days
<b>Long-Term Council Tax Collection Rates</b>				
99.28%		Council Tax collected after 5 years		99.30%
99.82%		Business Rates collected after 5 years		99.80%

### 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 2015/16 financial year the inspection period was 6 July, 2016 to 31 July, 2016.



Chris Little CPFA  
Chief Finance Officer  
Date: 30 September, 2016

## 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 Chief Finance Officer;
- 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 22 September, 2016.



Councillor Raymond Martin-Wells  
Chair of Audit and Governance Committee  
Date: 22 September, 2016

### The Chief Finance Officer's Responsibilities

The Chief Finance Officer 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 Chief Finance Officer 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 Chief Finance Officer 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 Chief Finance Officer

In accordance with the requirements of the Accounts and Audit Regulations 2015, I certify that Section 1 to 3 of the Financial Report 2015/16, 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, 2016.



Chris Little CPFA  
Chief Finance Officer  
Date: 22 September, 2016

## SECTION 3 : Statement of Accounts

### Movement in Reserves Statement for the year ended 31 March 2016

	General Fund Balance	Earmarked General Fund Reserves	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Reserves</b>
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance at 31 March 2014 carried forward</b>	5,153	10,774	38,455	16	352	54,750	89,901	144,651
<b><u>Movement in reserves during 2014/15</u></b>								
Surplus or (deficit) on provision of services	(7,213)	-	-	-	-	(7,213)	-	(7,213)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(16,232)	(16,232)
<b>Total Comprehensive Income and Expenditure</b>	(7,213)	-	-	-	-	(7,213)	(16,232)	(23,445)
Adjustments between accounting basis & funding basis under regulations (note 5)	16,074	-	(2,753)	1,065	(27)	14,359	(14,359)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	8,861	-	(2,753)	1,065	(27)	7,146	(30,591)	(23,445)
Transfers to/(from) Earmarked Reserves	(8,761)	552	8,209	-	-	-	-	-
<b>Increase/(Decrease) in Year</b>	<b>100</b>	<b>552</b>	<b>5,456</b>	<b>1,065</b>	<b>(27)</b>	<b>7,146</b>	<b>(30,591)</b>	<b>(23,445)</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>5,253</b>	<b>11,326</b>	<b>43,911</b>	<b>1,081</b>	<b>325</b>	<b>61,896</b>	<b>59,310</b>	<b>121,206</b>
<b><u>Movement in reserves during 2015/16</u></b>								
Surplus or (deficit) on provision of services	(9,597)	-	-	-	-	(9,597)	-	(9,597)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	15,681	15,681
<b>Total Comprehensive Income and Expenditure</b>	(9,597)	0	0	0	0	(9,597)	15,681	6,084
Adjustments between accounting basis & funding basis under regulations (note 5)	31,096	-	-	(1,081)	(4)	30,011	(30,011)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	21,499	-	-	(1,081)	(4)	20,414	(14,330)	6,084
Transfers to/(from) Earmarked Reserves	(21,999)	(1,629)	23,628	-	-	-	-	-
<b>Increase/(Decrease) in Year</b>	<b>(500)</b>	<b>(1,629)</b>	<b>23,628</b>	<b>(1,081)</b>	<b>(4)</b>	<b>20,414</b>	<b>(14,330)</b>	<b>6,084</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>4,753</b>	<b>9,697</b>	<b>67,539</b>	<b>0</b>	<b>321</b>	<b>82,310</b>	<b>44,980</b>	<b>127,290</b>

For detail on Usable and Unusable Reserves see Notes 28 and 29.

## SECTION 3 : Statement of Accounts

### Comprehensive Income and Expenditure Statement for the year ended 31 March 2016

2014/15			2015/16				
£000s	£000s	£000s		£000s	£000s	£000s	Note
Expenditure	Income	Net	Continuing operations:	Expenditure	Income	Net	
3,161	(2,200)	961	Central Services to the Public	2,741	(1,957)	<b>784</b>	
10,820	(2,348)	8,472	Cultural and Related Services	10,412	(2,209)	<b>8,203</b>	
13,023	(2,126)	10,897	Environmental and Regulatory Services	12,725	(2,712)	<b>10,013</b>	
3,576	(1,546)	2,030	Planning Services	3,285	(971)	<b>2,314</b>	
102,655	(79,711)	22,944	Education and Children's Services	96,291	(67,904)	<b>28,387</b>	
13,656	(5,357)	8,299	Highways and Transport Services	15,733	(5,730)	<b>10,003</b>	
55,309	(50,487)	4,822	Other Housing Services	55,718	(50,326)	<b>5,392</b>	
47,117	(16,384)	30,733	Adult Social Care	49,990	(21,318)	<b>28,672</b>	
6,603	(8,606)	(2,003)	Public Health	6,857	(8,863)	<b>(2,006)</b>	
2,238	(6)	2,232	Corporate and Democratic Core	2,167	(11)	<b>2,156</b>	
3,483	-	3,483	Non Distributed Costs	1,604	-	<b>1,604</b>	
<b>261,641</b>	<b>(168,771)</b>	<b>92,870</b>	<b>Cost of Services</b>	<b>257,523</b>	<b>(162,001)</b>	<b>95,522</b>	
5,394	(3,079)	2,315	Other Operating Expenditure	1,532	(1,045)	<b>487</b>	8
6,678	-	6,678	Transfer of School Assets (see Note (a) below)	-	-	-	8
21,247	(15,869)	5,378	Financing and Investment Income and Expenditure	17,731	(12,992)	<b>4,739</b>	9
-	-	-	NNDR Safety Net Grant (see Note (b) below)	-	(21,451)	<b>(21,451)</b>	10
-	(100,028)	(100,028)	Taxation and Non-Specific Grant Income	-	(69,700)	<b>(69,700)</b>	10
<b>294,960</b>	<b>(287,747)</b>	<b>7,213</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>276,786</b>	<b>(267,189)</b>	<b>9,597</b>	7
		(9,570)	(Surplus) / Deficit on Revaluation of Property, Plant and Equipment			(11,772)	29 Table 1
		26	(Surplus) / Deficit on Revaluation of Available for Sale Financial Assets			-	29 Table 2
		25,776	Remeasurement of net defined benefit liability / (asset)			(3,909)	29 Table 4
		<b>16,232</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(15,681)</b>	
		<b>23,445</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(6,084)</b>	

Note (a) - Following the conversion of Manor College of Technology, West Park School and West View School to Academy Status the legal transfer of assets was actioned during 2014/15. English Martyrs Voluntary Aided School also transferred to Academy status which resulted in the Council transferring the school playing field. This transfer resulted in the need to 'write out' the value of these assets from the Council's accounts. This 'write-out' totalled £6.678m for 2014/15 and is disclosed separately in the Comprehensive Income and Expenditure Statement owing to the exceptional nature of these transactions.

Note (b) - In 2015/16 the rateable value of the Power Station reduced by 48%. This put the Council beyond the 'safety net' threshold and consequently the Council is entitled to a 'safety net' grant of £21.451m which has been accrued. This was transferred to reserves and is fully committed to repay the deficit on the Collection Fund arising from Rateable Value reductions approved by the Valuation Office Agency predominantly in relation to the Power Station.

## SECTION 3 : Statement of Accounts

### Balance Sheet as at 31 March 2016

1 April 2015 £000s		31 March 2016 £000s	Note
241,485	Property, Plant and Equipment	259,416	14
14,721	Heritage Assets	14,947	17
16,476	Investment Property	15,664	16
197	Long Term Investments	197	18
488	Long Term Debtors	889	19
<b>273,367</b>	<b>Long Term Assets</b>	<b>291,113</b>	
55,323	Short Term Investments	54,972	37
712	Inventories	447	20
13,872	Short Term Debtors	58,381	21
13,006	Cash and Cash Equivalents	6,242	22
1,590	Assets Held for Sale	120	23
<b>84,503</b>	<b>Current Assets</b>	<b>120,162</b>	
(2,341)	Bank Overdraft	(1,317)	22
(1,192)	Provisions	(2,864)	25
(4,448)	Short Term Borrowing	(4,768)	37
(18,359)	Short Term Creditors	(56,589)	24
(5,445)	Capital Grants Receipts in Advance	(5,940)	27
(1,309)	Revenue Grant Receipts in Advance	(597)	27
<b>(33,094)</b>	<b>Current Liabilities</b>	<b>(72,075)</b>	
(1,274)	Provisions	(1,230)	25
(80,019)	Long Term Borrowing	(83,497)	37
(122,275)	Other Long Term Liabilities	(125,681)	26
-	Capital Grant Receipts in Advance	(1,500)	27
<b>(203,568)</b>	<b>Long Term Liabilities</b>	<b>(211,908)</b>	
<b>121,208</b>	<b>Net Assets:</b>	<b>127,292</b>	
5,253	Unearmarked General Fund Balances	4,753	28
5,455	Budget Support Fund	5,781	28
5,871	Schools Balances	3,916	28
38,425	Earmarked Revenue Reserves	39,892	28
6,892	Earmarked Capital Reserves	6,517	28
-	Business Rates Safety Net Grant Reserve	21,451	28
59,312	Unusable Reserves	44,982	29
<b>121,208</b>	<b>Total Reserves:</b>	<b>127,292</b>	

**Statement Of Cash Flows For The Year Ended 31 March 2016**

<u>2014/15</u> <u>£000s</u>		<u>2015/16</u> <u>£000s</u>	<i>Note</i>
(7,213)	Net Surplus / (Deficit) on the Provision of Services	(9,597)	
27,475	Adjustments to Net Surplus / (Deficit) on the Provision of Services for Non-cash Movements	39,556	40
(10,404)	Adjustments for items included in the Net Surplus / (Deficit) on the Provision of Services that are Investing and Financing Activities	(10,602)	41
<u>9,858</u>	<b>Net Cash (Outflow) / Inflow from Operating Activities</b>	<u>19,357</u>	
(38,365)	<b>Investing Activities</b>	(6,669)	42
30,408	<b>Financing Activities</b>	(18,428)	43
<u>1,901</u>	Net Increase / (Decrease) in Cash and Cash Equivalents	<u>(5,740)</u>	
8,764	Cash and Cash Equivalents at the beginning of the reporting period	10,665	
<u><u>10,665</u></u>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	<u><u>4,925</u></u>	22

An analysis of the components of cash and cash equivalents at the end of the reporting period are disclosed in Note 22.

### Summary of Significant Accounting Policies

#### 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March, 2016. 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 2015/16 and the Service Reporting Code of Practice 2015/16, 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 phenomena 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.

There are no transactions that require the Council to split the Other Comprehensive Income and Expenditure line in the Comprehensive Income and Expenditure Statement into two groups, as per IAS 1 Presentation of Financial Statements.

### Summary of Significant Accounting Policies

#### 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.

**Summary of Significant Accounting Policies****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, bonuses 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 Non Distributed Costs line in 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.

### Summary of Significant Accounting Policies

#### 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 Mouchel 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 Education and Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year; the Public Health line is charged with the employer's 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 as part of Non Distributed 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.

### Summary of Significant Accounting Policies

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

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

#### Discretionary Benefits

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

### 8. Events After the Balance Sheet Date

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

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

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

### 9. Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as either Capital or Revenue Grant Receipts in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service 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.

### Summary of Significant Accounting Policies

#### 10. Interests in Companies and Other Entities

Under Local Government Reorganisation the Council was allocated 2.47% of the shares in Durham Tees Valley Airport Limited, which has reduced to 1.08% upon the sale of the airport to Peel Investments (DVTA) LTD, and 16.5% of the former County Council's shareholding in SITA Team Valley Limited.

#### 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 Chief Finance Officer 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.

### Summary of Significant Accounting Policies

#### 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.

### Summary of Significant Accounting Policies

#### 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. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

**Corporate and Democratic Core** – costs relating to the Council's status as a multi functional, democratic organisation.

**Non Distributed Costs** – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in CIPFA Service Reporting Code of Practice 2015/16 and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

The cost of support services is fully allocated to services, or to the Best Value expenditure category of Corporate and Democratic Core. The basis of allocation used for the main costs of management and administration are outlined below:

- Central Departmental & Technical Staff - actual time spent by staff, or unit charge based upon cost.
- Democratic Processes - direct charge to Corporate and Democratic Core.
- Administrative Buildings - area occupied.

#### **15. 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. The next valuation must be completed as at 1<sup>st</sup> April, 2018. 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.

### Summary of Significant Accounting Policies

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

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

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

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

#### Recognition

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

#### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- Community assets and assets under construction – historical cost
- Infrastructure – depreciated historical cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Surplus and Investment assets - fair value, determined using the basis of market value (FV-MV)
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

### Summary of Significant Accounting Policies

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 service 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 service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service 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.

### Summary of Significant Accounting Policies

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.

#### 16. 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.

The Council does not purchase Heritage Assets.

#### 17. 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 service 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.

### Summary of Significant Accounting Policies

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.

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments and are disclosed as Contingent Liabilities.

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

#### **18. 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.

#### **19. 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.

#### **20. VAT**

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

#### **21. 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.

### Summary of Significant Accounting Policies

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 into two types:

- Loans and receivables 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. 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 for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan
- Available for Sale assets 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. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it

Available for Sale assets are maintained in the Balance Sheet at fair value. Values are based on the value of equity shares and the net worth of the company. Changes in fair value are balanced by an entry in the Available for Sale Reserve.

Debtors are included within loans and receivables. The Council recognises that debts are not always paid and makes provision for impairment of bad debts. Bad debt impairment is calculated using a percentage based on known historic collection rates. This is applied to current outstanding debt.

#### **22. 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 authority 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 requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code.

IAS 16 Property Plant and Equipment - includes clarifications on the treatment of accumulated depreciation and impairment following consideration of the Annual Improvements 2010 to 2012.

IAS 1 Presentation of Financial Statements. This standard provides guidance on the presentation of the financial statements and will result in changes to the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statements and will introduce a new Expenditure and Funding Analysis. These changes are as a result of the 'Telling the Story' review of the presentation of local authority financial statements, and changes to IAS 1 Disclosure Initiative.

Annual Improvements to IFRSs (2010 -2012 Cycle and 2012-2014 Cycle). These improvements are minor and are not expected to have a material impact on the Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

### 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:

- The Council has reviewed its policy in relation to the accrual of income and expenditure and has increased the de minimis level for accruals from £1,000 to £5,000. 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.
- There is a high degree of uncertainty about future levels of funding for local government beyond 2016/17. 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 contract was renewed in October, 2013 for a period of seven years.
- The Council has undertaken a review of all schools in Hartlepool and their accounting treatment. There are 38 schools in Hartlepool;
  - Eleven are Voluntary Aided (VA) Schools owned and accounted for by the Roman Catholic Diocese of Hexham and Newcastle or the Church of England Diocese of Durham.
  - One Voluntary Controlled (VC) School which is owned and accounted for by the Church of England Diocese of Durham.
  - One foundation School which is owned by the School Governing Body.
  - Sixteen Community Schools owned by the Council.
  - Nine Academy Schools which the Council have transferred to the Academies under a 125 year leases.

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

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

The income and expenditure of all schools, excluding Academies who produce their own statutory accounts, is included in the Councils 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, 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.066m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effect on the net pensions liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption would result in a decrease in liability of £8.974m, however, the assumptions interact in complex ways. During 2015/16, the Authority's actuaries advised that the net pension liability for funded LGPS benefits had decreased by £4.202m as a result of estimates being corrected as a result of experience and decreased by £18.858m attributable to updating financial assumptions. 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 2014/15. A 0.1% increase in this rate would increase the Authority's revenue budget requirement for pension costs by £0.007m.
Income Shortfalls	Owing to the current economic downturn the Council continues to face income shortfalls in relation to car park income, shopping centre income and land charges.	The Council has determined that the income shortfalls will continue in future years and has therefore created an Income Risk Reserve of £0.500m.
Arrears	At 31 March, 2016, the Council had a balance of £13.495m on general, Council Tax Payers, NNDR Payers and Trade debtors. A review of these balances suggested that an impairment of doubtful debts of £5.226m was appropriate. However in the current climate it is not certain that such an allowance would be sufficient.	If bad debt provision was made for an additional 1% of outstanding debt this would result in an additional charge of £0.135m.

## SECTION 3 : Statement of Accounts

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Localisation of Business Rates	The level of Business Rates retained by the Council and the implementation of the 'safety net' threshold.	The Council has to manage potential annual Business Rates shortfalls of up to £2.740m before receiving any 'safety net' grant from the Government. The Council has set aside a reserve of £5.370m to help manage this risk. In 2015/16 the rateable value of the Power Station reduced by 48%. This put the Council beyond the 'safety net' threshold and consequently the Council is entitled to a 'safety net' grant of £21.451m which has been accrued. This was transferred to reserves and is fully committed to repay the deficit on the Collection Fund arising from Rateable Value reductions approved by the Valuation Office Agency predominantly in relation to the Power Station.

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

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

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 30 September, 2016. 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, 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There is one non-adjusting post balance sheet event. On 3 June, 2016 the Council signed an agreement with the National Museum of the Royal Navy to lease the Hartlepool Maritime Experience for a period of 35 years and take over the running of the site. Members of staff have been transferred under TUPE arrangement

Brougham Primary School will become an Academy from 1 July, 2016. This school asset is currently reflected in the Council's Balance Sheet. Our judgement in respect of this school is that where we retain legal ownership and title we also retain the balance of risks and rewards. Therefore, this asset will remain on the Council's Balance Sheet until legal ownership is transferred to the Academy. The value of Land & Buildings of the school transferring to Academy is £5.184m.

## 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.

2015/16	Usable Reserves					Movement in Unusable Reserves £000s
	General Fund Balance £000s	Earmarked General Fund Reserves £000s	Earmarked Reserves £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	13,118	-	-	-	-	(13,118)
Charges for Revaluation losses on Property Plant and Equipment	2,210	-	-	-	-	(2,210)
Movements in the Market Value of Investment Properties	(1,316)	-	-	-	-	1,316
Capital Grants and Contributions	(9,629)	-	-	-	-	9,629
Direct Revenue Funding	(2,303)	-	-	-	-	2,303
Revenue Expenditure Funded from Capital Under Statute	1,639	-	-	-	-	(1,639)
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	1,714	-	-	-	-	(1,714)
<i>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</i>						
Provision for the Financing of Capital Investment (MRP)	(4,457)	-	-	-	-	4,457
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	-	-	-	-	(4)	4
<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	(841)	-	-	841	-	-
Use of the Capital Receipts Reserve to finance new Capital Expenditure	-	-	-	(1,922)	-	1,922
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income & Expenditure Statement	(359)	-	-	-	-	359
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	14,674	-	-	-	-	(14,674)
Employer's Pension Contributions and Direct Payments to Pensioners payable in year	(7,595)	-	-	-	-	7,595

## SECTION 3 : Statement of Accounts

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

2015/16	General Fund Balance £000s	Earmarked General Fund Reserves £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
<b>Adjustments Primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income and non-domestic rating income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	24,295	-	-	-	-	(24,295)
<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	(54)	-	-	-	-	54
<b>Total Adjustments</b>	<b>31,096</b>	<b>-</b>	<b>-</b>	<b>(1,081)</b>	<b>(4)</b>	<b>(30,011)</b>

2014/15	Usable Reserves					
	General Fund Balance £000s	Earmarked General Fund Reserves £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<u>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>						
Charges for Depreciation and Impairment of Non-current Assets	12,018	-	-	-	-	(12,018)
Charges for Revaluation losses on Property Plant and Equipment	2,294	-	-	-	-	(2,294)
Movements in the Market Value of Investment Properties	(97)	-	-	-	-	97
Capital Grants and Contributions	(7,481)	-	-	-	-	7,481
Direct Revenue Funding	-	-	(2,753)	-	-	2,753
Revenue Expenditure Funded from Capital Under Statute	2,032	-	-	-	-	(2,032)
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	11,937	-	-	-	-	(11,937)
<u>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>						
Provision for the Financing of Capital Investment (MRP)	(4,383)	-	-	-	-	4,383

## SECTION 3 : Statement of Accounts

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

2014/15	General Fund Balance	Earmarked General Fund Reserves	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Adjustments primarily involving the Capital</b>						
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	-	(27)	27
<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	(2,934)	-	-	2,934	-	-
Use of the Capital Receipts Reserve to finance new Capital Expenditure	-	-	-	(1,308)	-	1,308
Transfer of Capital Receipts for the Repayment of Debt	-	-	-	(561)	-	561
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	13,388	-	-	-	-	(13,388)
Employer's Pension Contributions and Direct Payments to Pensioners payable in year	(7,784)	-	-	-	-	7,784
<b>Adjustments Primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income and non-domestic rating income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non-domestic rating Income calculated for the year in accordance with statutory requirements	(2,225)	-	-	-	-	2,225
<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	(691)	-	-	-	-	691
<b>Total Adjustments</b>	<b>16,074</b>	<b>-</b>	<b>(2,753)</b>	<b>1,065</b>	<b>(27)</b>	<b>(14,359)</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 2015/16. Further details are provided in Note 28.

	Balance at 31 March 2014	Transfer Between Reserves	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 March 2015	Transfer Between Reserves	Transfers Out 2015/16	Transfers In 2015/16	Balance at 31 March 2016
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Unearmarked General Fund Balance</b>									
General Fund Balance	5,153	(495)	-	595	5,253	-	(596)	96	4,753
	5,153	(495)	-	595	5,253	-	(596)	96	4,753
<b>Earmarked General Fund Reserves</b>									
Budget Support Fund 2016/17 to 2018/19	3,732	279	(788)	2,232	5,455	-	(1,037)	1,363	5,781
	3,732	279	(788)	2,232	5,455	-	(1,037)	1,363	5,781
<b>School Balances</b>									
Balances held by schools under a scheme of delegation	4,852	-	(4,927)	3,988	3,913	-	(4,367)	3,165	2,711
Strategic Change & Ring Fenced Grants Reserves - Held in Trust for Schools	2,047	-	(1,009)	847	1,885	(503)	(556)	109	935
Other Fund School Balances	143	-	(150)	80	73	13	(89)	273	270
	7,042	-	(6,086)	4,915	5,871	(490)	(5,012)	3,547	3,916
<b>Earmarked Revenue Reserves</b>									
Strategic Change Ring Fenced Grants Reserve	4,677	(371)	(591)	2,709	6,424	(500)	(936)	964	5,952
Strategic One Off Costs	7,629	-	(1,178)	-	6,451	-	(576)	-	5,875
Business Rates Risk Reserve	1,900	750	-	2,134	4,784	-	-	586	5,370
Insurance Fund	4,023	-	(8)	89	4,104	-	(5)	203	4,302
Strategic Change Reserves	4,513	(711)	(608)	536	3,730	-	(557)	606	3,779
Support for Local Council Tax Support Scheme	2,057	375	-	488	2,920	-	-	-	2,920
Public Health Grant Reserve	500	-	-	1,178	1,678	-	(152)	879	2,405
Strategic Risk Reserve	2,028	-	(1,000)	-	1,028	-	-	-	1,028
Capital Risk Strategy Reserve	501	-	-	-	501	-	-	400	901
Treasury Management Risk Reserve	870	-	-	-	870	-	(66)	-	804
Protection Costs Reserve	-	-	-	750	750	-	-	-	750
Children's Social Care & Early Intervention Reserve	999	-	-	-	999	-	(279)	-	720
Tees Education & Skills Reserve - Held in Trust	-	-	-	-	-	200	-	378	578
Royal Navy Museum Reserve	-	146	-	374	520	-	-	-	520
Income Risk Reserve	500	-	-	-	500	-	-	-	500
Supporting Family Poverty	149	(149)	-	-	-	500	-	-	500
Lotteries Reserve	442	-	(11)	18	449	-	(35)	11	425
Education Commission Reserve	-	-	-	-	-	500	(86)	-	414
Regeneration Projects	400	-	-	-	400	-	-	-	400
School Attainment Reserve	95	711	(95)	-	711	(210)	(167)	55	389
Trading Account Reserves	285	-	(40)	-	245	-	-	89	334
Better Care Fund Reserve	-	-	-	220	220	-	-	-	220
Environmental Enhancement Projects	-	-	-	-	-	-	-	196	196
Building / Development Control Income Shortfall	204	-	(81)	-	123	-	-	-	123
Pay Costs Reserve	-	-	-	100	100	-	-	-	100
Funding for Modern Apprentices	50	-	-	100	150	-	(60)	-	90
Museums Acquisition	76	-	-	4	80	-	-	4	84
Living Wage Reserve	49	-	-	-	49	-	-	-	49
Members Ward Budget Reserve	186	-	(163)	132	155	-	(107)	-	48
Concessionary Fare	38	-	-	-	38	-	-	-	38
Community Centre Reserve	-	-	-	30	30	-	-	-	30
Environmental Apprenticeships Scheme	34	-	(34)	42	42	-	(17)	-	25
Works in Default Empty Homes	19	-	-	-	19	-	(4)	-	15
NDC Fund	8	-	-	-	8	-	-	-	8
Business Rates Equalisation Reserve	750	(750)	-	-	-	-	-	-	-
Secure Accommodation Reserve	-	-	-	264	264	-	(264)	-	-
WW1 Commemoration Reserve	60	-	-	-	60	-	(60)	-	-
Property Reserve	-	-	-	23	23	-	(23)	-	-
Pension Actuarial Reserve	312	-	(312)	-	-	-	-	-	-
Support 12/13 Loss of Council Tax Freeze Grant	379	-	(379)	-	-	-	-	-	-
Academies Reserve	363	-	(363)	-	-	-	-	-	-
Social Housing Development Reserve	-	215	(215)	-	-	-	-	-	-
Public Relations Reserve	10	-	(10)	-	-	-	-	-	-
Public Inquiry Reserve	3	-	(3)	-	-	-	-	-	-
Business Transformation	135	-	(135)	-	-	-	-	-	-
Carbon Reduction Commitment	137	-	(137)	-	-	-	-	-	-
	34,380	216	(5,362)	9,191	38,425	490	(3,393)	4,371	39,892
<b>Total Revenue Reserves</b>	50,307	-	(12,236)	16,933	55,004	-	(10,038)	9,377	54,342
<b>Earmarked Capital Reserves</b>									
Capital Funding Reserve	4,075	-	(2,856)	4,267	5,486	-	(2,576)	3,286	6,196
Capital Grants Unapplied	352	-	(27)	-	325	-	(4)	-	321
Capital Receipts Unapplied	16	-	(1,869)	2,934	1,081	-	(1,922)	841	-
	4,443	-	(4,752)	7,201	6,892	-	(4,502)	4,127	6,517
<b>Total Usable Reserves</b>	54,750	-	(16,988)	24,134	61,896	-	(14,540)	13,504	60,859
<b>Safety Grant Reserve</b>									
Business Rates Safety Net Grant Reserve	-	-	-	-	-	-	-	21,451	21,451
	-	-	-	-	-	-	-	21,451	21,451

## SECTION 3 : Statement of Accounts

### Note 7: Amounts Reported for Segmental Reporting

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Finance and Policy Committee on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

The income and expenditure of the Council's directorates recorded in the budget reports for the year are as follows:

<b>Income and Expenditure 2015/16</b>	<b>Child and Adult Services £000s</b>	<b>Chief Executives £000s</b>	<b>Public Health £000s</b>	<b>Regeneration &amp; Neighbourhoods £000s</b>	<b>Corporate £000s</b>	<b>Total £000s</b>
Fees, Charges & Other Service Income	(33,906)	(6,739)	(2,785)	(40,184)	(6,792)	<b>(90,406)</b>
Government Grants	(15,584)	(48,921)	(8,764)	(2,354)	(26,072)	<b>(101,695)</b>
<b>Total Income</b>	<b>(49,490)</b>	<b>(55,660)</b>	<b>(11,549)</b>	<b>(42,538)</b>	<b>(32,864)</b>	<b>(192,101)</b>
Employee Expenses	40,490	7,624	3,871	20,888	1,150	<b>74,023</b>
Other Operating Expenses	101,250	49,283	8,897	30,019	39,130	<b>228,579</b>
Support Service Recharges	5,083	2,483	65	12,290	226	<b>20,147</b>
<b>Total Expenditure</b>	<b>146,823</b>	<b>59,390</b>	<b>12,833</b>	<b>63,197</b>	<b>40,506</b>	<b>322,749</b>
<b>Net Expenditure</b>	<b>97,333</b>	<b>3,730</b>	<b>1,284</b>	<b>20,659</b>	<b>7,642</b>	<b>130,648</b>

<b>Income and Expenditure 2014/15</b>	<b>Child and Adult Services £000s</b>	<b>Chief Executives £000s</b>	<b>Public Health £000s</b>	<b>Regeneration &amp; Neighbourhoods £000s</b>	<b>Corporate £000s</b>	<b>Total £000s</b>
Fees, Charges & Other Service Income	(27,593)	(9,063)	(2,233)	(39,429)	(11,638)	<b>(89,956)</b>
Government Grants	(11,963)	(48,796)	(8,550)	(3,211)	(4,385)	<b>(76,905)</b>
<b>Total Income</b>	<b>(39,556)</b>	<b>(57,859)</b>	<b>(10,783)</b>	<b>(42,640)</b>	<b>(16,023)</b>	<b>(166,861)</b>
Employee Expenses	38,498	7,890	3,497	21,188	1,607	<b>72,680</b>
Other Operating Expenses	104,247	49,406	8,649	33,642	20,428	<b>216,372</b>
Support Service Recharges	8,397	2,837	69	12,269	250	<b>23,822</b>
<b>Total Expenditure</b>	<b>151,142</b>	<b>60,133</b>	<b>12,215</b>	<b>67,099</b>	<b>22,285</b>	<b>312,874</b>
<b>Net Expenditure</b>	<b>111,586</b>	<b>2,274</b>	<b>1,432</b>	<b>24,459</b>	<b>6,262</b>	<b>146,013</b>

### Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2014/15 £000s	2015/16 £000s
Net Expenditure in the Directorate Analysis	146,013	130,648
Amounts Not Reported in the Directorate Analysis	(37,350)	(21,935)
In Directorate Analysis not in Comprehensive Income & Expenditure Statement	(15,793)	(13,191)
<b>Cost of Services in Comprehensive Income &amp; Expenditure Statement</b>	<b>92,870</b>	<b>95,522</b>

## SECTION 3 : Statement of Accounts

### Note 7: Amounts Reported for Segmental Reporting

#### Amounts Reported for Resource Allocation Decisions

##### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2015/16	Directorate Analysis	Amounts not Reported in the Directorate Analysis	In Directorate Analysis not in CI&ES	Cost of Service - Continuing Operations	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, Charges & Other Service Income	(90,406)	(6,825)	61,818	(35,413)	(1,045)	(36,458)
Interest and Investment Income	-	-	-	-	(12,992)	(12,992)
Income from Council Tax	-	-	-	-	(32,607)	(32,607)
Government Grants and Contributions	(101,695)	(49,764)	24,871	(126,588)	(58,544)	(185,132)
<b>Total Income</b>	<b>(192,101)</b>	<b>(56,589)</b>	<b>86,689</b>	<b>(162,001)</b>	<b>(105,188)</b>	<b>(267,189)</b>
Employee Expenses	74,023	11,001	(7,593)	77,431	15,861	93,292
Other Operating Expenses	228,579	8,325	(92,287)	144,617	160	144,777
Support Service Recharges	20,147	-	-	20,147	-	20,147
Interest Payments	-	-	-	-	3,026	3,026
Precepts and levies	-	-	-	-	130	130
Depreciation, Amortisation and Impairment	-	15,328	-	15,328	(1,316)	14,012
Disposal of Fixed Assets	-	-	-	-	1,402	1,402
<b>Total Expenditure</b>	<b>322,749</b>	<b>34,654</b>	<b>(99,880)</b>	<b>257,523</b>	<b>19,263</b>	<b>276,786</b>
<b>(Surplus) / Deficit on the Provision of Services</b>	<b>130,648</b>	<b>(21,935)</b>	<b>(13,191)</b>	<b>95,522</b>	<b>(85,925)</b>	<b>9,597</b>
2014/15	Directorate Analysis	Amounts not Reported in the Directorate Analysis	In Directorate Analysis not in CI&ES	Cost of Service - Continuing Operations	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, Charges & Other Service Income	(89,956)	1,867	53,218	(34,871)	(3,079)	(37,950)
Interest and Investment Income	-	-	-	-	(15,869)	(15,869)
Income from Council Tax	-	-	-	-	(31,769)	(31,769)
Government Grants and Contributions	(76,905)	(59,780)	2,785	(133,900)	(68,259)	(202,159)
<b>Total Income</b>	<b>(166,861)</b>	<b>(57,913)</b>	<b>56,003</b>	<b>(168,771)</b>	<b>(118,976)</b>	<b>(287,747)</b>
Employee Expenses	72,680	8,963	(7,784)	73,859	18,791	92,650
Other Operating Expenses	216,372	(2,773)	(62,055)	151,544	187	151,731
Support Service Recharges	23,822	-	(1,957)	21,865	-	21,865
Interest Payments	-	-	-	-	2,371	2,371
Precepts and levies	-	-	-	-	127	127
Depreciation, Amortisation and Impairment	-	14,311	-	14,311	(97)	14,214
Disposal of Fixed Assets	-	62	-	62	11,940	12,002
<b>Total Expenditure</b>	<b>312,874</b>	<b>20,563</b>	<b>(71,796)</b>	<b>261,641</b>	<b>33,319</b>	<b>294,960</b>
<b>(Surplus) / Deficit on the Provision of Services</b>	<b>146,013</b>	<b>(37,350)</b>	<b>(15,793)</b>	<b>92,870</b>	<b>(85,657)</b>	<b>7,213</b>

The "Amounts not reported in the Directorate Analysis", includes depreciation, impairment and IAS 19 pension adjustments. The management accounts concentrate on managing cash expenditure. These technical adjustments do not have an impact on the Council's bottom line.

## 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.

<b>2014/15</b> <b>£000s</b>		<b>2015/16</b> <b>£000s</b>
127	Parish council precepts and levies	130
5	Payments to the Government Housing Capital Receipts Pool	-
(146)	Receipts from Sale of Former Council Houses	(203)
6,678	Loss resulting from Transfer of School Assets	-
2,329	(Gain) or loss on the disposal of non-current assets	560
<u>8,993</u>		<u>487</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.

<b>2014/15</b> <b>£000s</b>		<b>2015/16</b> <b>£000s</b>	<b>Note</b>
2,368	Interest payable and similar charges on borrowing	3,014	37
3	Finance lease Interest payable	12	37
3,735	Pensions Interest Cost & Expected Return on Pensions Assets	3,786	45
(339)	Interest Receivable and Similar Income	(354)	37
(292)	Net (Gain) / Loss on Investment Properties	(403)	16
(97)	Changes in fair values of investment properties	(1,316)	16
<u>5,378</u>		<u>4,739</u>	

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

Taxation and Non-Specific Grant Income comprises the following:

<b>2014/15</b> <b>£000s</b>		<b>2015/16</b> <b>£000s</b>	<b>Note</b>
31,769	Council Tax Income	32,607	
21,168	NNDR Distribution	(5,724)	
-	NNDR Safety Net Grant	21,451	
41,044	Non-ring Fenced Government Grants	33,552	
6,047	Capital Grants and Contributions	9,265	
<u>100,028</u>		<u>91,151</u>	27

### 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 2015/2016, together with other expenses and costs allocated to individual Councillors.

This detailed disclosure exceeds the minimum legal requirements specified by the Government in "Statutory Instrument 2003 Number 1021 – The Local Authorities (Councillors Allowances) (England) Regulations 2003" which requires local authorities to publish details of the amounts paid to individual Councillors for each financial year for the following categories:

- Basic Allowance and Special Responsibility Allowances;
- Dependent Carers Allowance;
- Travelling and Subsistence Allowance; and
- Co-optees Allowances.

The Council paid no Dependent Carers Allowances or Co-optees Allowances in 2015/2016 or 2014/2015.

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).

The Council considered a report from IRP on 3 July, 2014 which recommended increasing the Basic Allowance to £6,267 from 1 April, 2014 with a further increase to £6,517 from 1 April, 2015.

The Council did not approve these increases and determined to limit the increase in the Basic Allowance to the level of the Local Government pay award. As there was not a percentage increase in Local Government pay on 1 April, 2014 the Basic Allowance was frozen for the period 1 April, 2014 to 31 December, 2014 at £5,825, the same level as in 2013/14.

With effect from 1 January, 2015 a Local Government pay award of 2.2% was agreed and the Basic Allowance increased to £5,953. The 2.2% increase was also applied to the Special Responsibility Allowance. This amount is fixed until 31 March, 2016. A number of Councillors determined to waive this increase and this is reflected in the detailed table of allowances and expenses.

#### - **General and General Subsistence**

This covers expenses claimed by Councillors for travel and subsistence within a 35 mile radius of Hartlepool in respect of approved duties as a Councillor. In some instances this includes the travel expenses claimed by individual Councillors in their role representing the Council on Regional Organisations.

#### - **Telephone Expenses**

Councillors can be reimbursed for the cost of line and telephone rental. Councillors are also eligible to claim for installing a telephone line if a line is not already connected. Councillors cannot claim for the cost of telephone calls.

#### - **Taxation, National Insurance and Pensionable Status of Allowances**

Individual Councillors pay income tax and national insurance on all allowances payable to them. These allowances are not pensionable. When a Councillor loses office all allowances stop with immediate effect and no payments are made for the loss of office.

## SECTION 3 : Statement of Accounts

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

**Table 1 - Councillor's Allowances & Expenses**

The total amount paid to Councillors' in respect of basic, special responsibility and travel and subsistence allowances was £270,528.27 (2014/15: £264,482.63). An analysis of the allowance payments are detailed below.

Councillor	Basic Allowance	Special Responsibility Allowance	General Travel	General Subsistence	Telephone Expenses	Total 2015/16
	£	£	£	£	£	£
Ainslie J	5,952.96	566.53	6.15	-	-	<b>6,525.64</b>
Akers-Belcher C	5,952.96	17,859.00	944.90	-	-	<b>24,756.86</b>
Akers-Belcher S J	5,952.96	944.16	-	-	-	<b>6,897.12</b>
Atkinson K	5,952.96	1,126.60	-	-	-	<b>7,079.56</b>
Barclay A	5,952.96	-	12.35	-	-	<b>5,965.31</b>
Beck P	5,952.96	3,005.51	-	-	207.88	<b>9,166.35</b>
Belcher S (11.05.15 - 31.03.16)	5,296.86	-	-	-	-	<b>5,296.86</b>
Brash J	5,825.04	-	-	-	-	<b>5,825.04</b>
Clark A	5,952.96	3,005.51	-	-	-	<b>8,958.47</b>
Cook R W	5,952.96	5,952.96	-	-	-	<b>11,905.92</b>
Cranney K H	5,952.96	5,575.34	-	-	-	<b>11,528.30</b>
Dawkins K (01.04.15 - 10.05.15)	642.01	196.84	-	-	-	<b>838.85</b>
Fleet M	5,952.96	5,008.81	-	-	-	<b>10,961.77</b>
Gibbon S	5,952.96	-	-	-	-	<b>5,952.96</b>
Griffin S	5,952.96	-	-	-	-	<b>5,952.96</b>
Hall G G	5,952.96	-	-	-	-	<b>5,952.96</b>
Hargreaves P (01.04.15 - 10.05.15)	642.01	-	-	-	-	<b>642.01</b>
Hind T	5,952.96	113.24	-	-	-	<b>6,066.20</b>
Jackson P	5,952.96	-	-	-	-	<b>5,952.96</b>
James M A	5,952.96	5,973.96	-	-	-	<b>11,926.92</b>
Lauderdale J	5,825.04	-	-	-	-	<b>5,825.04</b>
Lawton P (11.05.15 - 31.03.16)	5,296.86	-	-	-	-	<b>5,296.86</b>
Lilley G (01.04.15 - 10.05.15)	656.11	-	-	-	-	<b>656.11</b>
Lindridge J (11.05.15 - 31.03.16)	5,296.86	-	83.54	-	67.96	<b>5,448.36</b>
Loynes B	5,952.96	-	-	-	-	<b>5,952.96</b>
Martin-Wells R	5,952.96	5,952.96	-	-	-	<b>11,905.92</b>
Morris G	5,952.96	3,572.04	-	-	-	<b>9,525.00</b>
Payne R W (01.04.15 - 10.05.15)	656.11	656.11	-	-	-	<b>1,312.22</b>
Richardson C	5,952.96	5,952.96	-	-	-	<b>11,905.92</b>
Riddle D	5,825.04	-	-	-	-	<b>5,825.04</b>
Robinson J	5,952.96	-	-	-	-	<b>5,952.96</b>
Simmons C	5,952.96	5,952.96	-	-	-	<b>11,905.92</b>
Sirs K	5,952.96	-	-	-	738.49	<b>6,691.45</b>
Springer G A	5,952.96	751.40	152.41	-	239.86	<b>7,096.63</b>
Tempest S (11.05.15 - 31.03.16)	5,296.86	-	-	-	-	<b>5,296.86</b>
Thomas Stephen	5,952.96	-	-	-	-	<b>5,952.96</b>
Thompson P	5,825.04	-	-	-	-	<b>5,825.04</b>
<b>Total 2015/16</b>	<b>195,907.84</b>	<b>72,166.89</b>	<b>1,199.35</b>	<b>-</b>	<b>1,254.19</b>	<b>270,528.27</b>
Totals 2014/15	192,275.50	71,096.03	817.41	0.00	293.69	264,482.63
Totals 2013/14	191,781.82	75,264.34	1,011.63	18.40	460.98	268,537.17

## 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, covering the following conferences:

- National Association of Councils
- Local Government Association

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 £12,561.13 (2014/15: £10,536.11 ). An analysis of the payments are detailed below.

Councillor	Conference Travel £	Conference Subsistence £	Conference Fees £	Conference Accommodation £	Total 2015/16 £
Akers-Belcher C	507.60	-	2,595.00	1,632.95	<b>4,735.55</b>
Akers-Belcher S J	-	-	2,595.00	877.00	<b>3,472.00</b>
Barclay A	-	-	350.00	120.00	<b>470.00</b>
Cranney K H	-	-	700.00	474.00	<b>1,174.00</b>
James M A	-	-	1,750.00	600.00	<b>2,350.00</b>
Lindridge J	-	-	150.00	209.58	<b>359.58</b>
<b>Totals for 2015/16</b>	<b>507.60</b>	<b>0.00</b>	<b>8,140.00</b>	<b>3,913.53</b>	<b>12,561.13</b>
Totals for 2014/15	656.21	35.75	6,960.75	2,883.40	10,536.11
Totals for 2013/14	518.10	0.00	5,545.00	2,515.85	8,578.95

**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			Total £	Period of Office
	Basic Allowances £	Special Responsibility Allowances	Travel, Subsistence or Conference Allowances £		
Akers-Belcher S J	1,675.95	-	-	<b>1,675.95</b>	26/06/15-31/03/16
Cook R W	1,675.95	-	-	<b>1,675.95</b>	26/06/15-31/03/16
James M	2,193.96	-	22.00	<b>2,215.96</b>	01/04/15-31/03/16
Lilley G	241.81	-	-	<b>241.81</b>	01/04/15-10/05/15
Martin-Wells R	2,193.96	-	-	<b>2,193.96</b>	01/04/15-31/03/16
Payne R	241.81	-	-	<b>241.81</b>	01/04/15-10/05/15
	<b>8,223.44</b>	-	<b>22.00</b>	<b>8,245.44</b>	

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

Councillor S Thomas was elected Vice-Chair of River Tees Port Health Authority for the period 05/06/15 - 02/06/16. A Special Responsibility Allowance of £1,200 is payable for that period. An amount of £1,000 was paid to Councillor S Thomas for the period 05/06/15 - 31/03/16.

## 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 Chief Executive, statutory Chief Officers and all other senior managers reporting directly to the Chief Executive. Details of the remuneration for these officers are provided below.

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

The Council had no senior officers with a salary of £150,000 or more per year during 2015/16. The highest paid officer was the Chief Executive; this post was held by David Stubbs (April to May 2015) and Gill Alexander (from June 2015). The salary grade has been fixed since November 2012 at £140,000 to £150,000 per year. Ms Alexander was appointed in June 2015 on an annual salary of £140,000 and annual increments of £2,000 are subject to assessment under the Council's Performance Increment Scheme (for the Chief Executive and Directors), The increments for the Chief Executive, Director of Regeneration and Neighbourhoods and Director of Child and Adults are implemented automatically on an annual basis, subject to the Council Plan, Annual Governance Statement and the conclusion of the Budget and Policy Framework being agreed by the Finance and Policy Committee and Council.

The Chief Executive is the senior officer who leads and takes responsibility for the work of the 2,796 (2,785 in 2014/15) full-time equivalent employees, including schools, and runs the Local Authority on a day to day basis. The role of Chief Executive is a full time appointment.

Permanent post holders are selected on merit, against objective criteria, following public advertisement. They are appointed by the whole Council.

As Head of Paid Service, the Chief Executive 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 the 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.

Details of the Chief Executive's remuneration is shown in the following tables:-

#### **2015/16 - TABLE A**

Post holder information (Post title and name)	Salary	Pension Contributions (Note g)	Total Remuneration including Pension Contributions 2015/16	Note
	£	£	£	
<b>Chief Executive</b>				
David Stubbs (April 15 - May 15)	24,000	-	24,000	
Gill Alexander (June 15 - March 16)	116,667	16,567	133,234	
<b>Total</b>	<b>140,667</b>	<b>16,567</b>	<b>157,234</b>	<i>a</i>

#### **2014/15 - TABLE B**

Post holder information (Post title and name)	Salary	Pension Contributions (Note g)	Total Remuneration including Pension Contributions 2014/15	Note
	£	£	£	
<b>Chief Executive</b>				
David Stubbs	142,833	-	142,833	
<b>Total</b>	<b>142,833</b>	<b>-</b>	<b>142,833</b>	<i>a</i>

(a) David Stubbs retired as Chief Executive on 31 May, 2015 and was replaced by Gill Alexander (previously Director of Child and Adult Services) who was appointed from 1 June, 2015. There were no employer pension contributions in respect of Mr Stubbs as he ceased to be a member of the pension scheme on 1 April, 2012.

## SECTION 3 : Statement of Accounts

### Note 12 - Officers' Remuneration

#### Senior Officers reporting directly to the Chief Executive

During 2015/16 financial year there were six officers, including three departmental Directors, reporting directly to the Chief Executive. Remuneration details for these posts are shown below.

Director of Child and Adult - responsible for a gross annual revenue budget (excluding schools) of £129m and managing 587 full-time equivalent employees (excluding schools) who provide a diverse range of services, including education and early years related services, services for vulnerable children and families including looking after children at risk, child and adult protection services, young offenders, children's fostering and adoption services, caring for older people, people with mental health issues and people with physical or learning disabilities.

Director of Regeneration and Neighbourhoods - responsible for a gross annual revenue budget of £55m and managing 750 full-time equivalent employees who provide a diverse range of services, including planning and building control, economic development and regeneration, community safety, refuse collection, street cleansing, highways maintenance, car parks, libraries, culture and leisure services.

Director of Public Health - responsible for a gross annual revenue budget of £13m and managing 109 full-time equivalent employees who provide a diverse range of services including substance misuse, drug prevention, school nursing, sexual health, smoking cessation, Consumer Services and sport and recreation.

#### 2015/16 - Table C

Post Holder Information (Post Title)	Salary	Pension Contributions (Note g)	Total Remuneration including Pension Contributions 2015/16	Note
	£	£	£	
Director of Child & Adult (April - May 15)	18,333	2,603	<b>20,936</b>	<i>b</i>
Director of Child & Adult (June 15 - March 16)	83,333	11,833	<b>95,166</b>	<i>b</i>
<b>Total Director of Child &amp; Adult</b>	101,666	14,436	<b>116,102</b>	<i>b</i>
Director of Regeneration & Neighbourhoods	104,308	14,861	<b>119,169</b>	<i>c</i>
Director of Public Health	81,481	11,652	<b>93,133</b>	<i>d</i>
Chief Finance Officer	82,683	11,741	<b>94,424</b>	<i>e</i>
Chief Solicitor	93,196	13,234	<b>106,430</b>	<i>f</i>
Assistant Chief Executive	82,683	11,741	<b>94,424</b>	<i>g</i>
	546,017	77,665	<b>623,682</b>	

## SECTION 3 : Statement of Accounts

### Note 12 - Officers' Remuneration

#### 2014/15 - Table D

Post Holder Information (Post Title)	Salary	Pension Contributions (Note g)	Total Remuneration including Pension Contributions 2014/15	Note
	£	£	£	
Director of Child & Adult	110,000	15,620	<b>125,620</b>	<i>b</i>
Director of Regeneration & Neighbourhoods	102,656	14,577	<b>117,233</b>	<i>c</i>
Director of Public Health	81,481	11,407	<b>92,888</b>	<i>d</i>
Chief Finance Officer	81,467	11,568	<b>93,035</b>	<i>e</i>
Chief Solicitor	91,939	13,056	<b>104,995</b>	<i>f</i>
Assistant Chief Executive	81,467	11,568	<b>93,035</b>	<i>g</i>
	<b>549,010</b>	<b>77,796</b>	<b>626,806</b>	

There has been no annual "cost of living" pay award for the Chief Executive, Director of Child and Adults and Director of Regeneration and Neighbourhoods since April 2008, a 1% pay award has been agreed for the Chief Executive and all Senior Officers except the Director of Public Health from 1 April 2016.

#### Notes

(b) The previous Director of Child and Adult Services was appointed as the Council's Chief Executive on 1 June, 2015. The new Director of Child and Adult Services commenced in the role on 1 June, 2015 on a salary of £100,000. The salary scale for the Director of Child and Adult Services for 2015/16 was £100,000 to £110,000.

(c) The salary scale for the Director of Regeneration & Neighbourhoods for 2015/16 was £100,000 to £110,000. The current postholder's salary was incrementally increased from £104,000 to £106,000 on 3 December, 2015 in line with agreed contractual arrangements.

(d) The Director of Public Health joined the authority on 1 April, 2013 under TUPE transfer on a salary of £81,481. The postholders NHS terms and conditions of employment have applied for a period of three years ending 31 March, 2016 from TUPE transfer. During this period the postholder was not subject to an incremental salary scale and remained on a fixed salary of £81,481.

(e) The salary scale for the Chief Finance Officer's post was increased by 2% with effect from 1 January, 2015 up to 31 March, 2016. The Salary Scale for this post during 2015/16 is £66,147 to £82,683.

(f) The salary scale for the Chief Solicitor's post was increased by 2% with effect from 1 January, 2015 up to 31 March, 2016. The Salary Scale for this post during 2015/16 is £66,147 to £82,683. The Chief Solicitor's salary includes a payment of £3,432 (£3,432 in 2014/15) in respect of this post holder also acting as Legal Officer to Cleveland Fire Authority. This cost is paid for by the Fire Authority. The post holder also received £7,081 in 2015/16 (£7,040 in 2014/15) as the Council's designated Returning Officer for elections.

(g) The salary scale for the Assistant Chief Executive's post was increased by 2% with effect from 1 January, 2015 up to 31 March, 2016. The Salary Scale for this post during 2015/16 is £66,147 to £82,683.

(h) The pension contributions included in the Remuneration Disclosure Tables only relate to the Council's contribution to the pension scheme. In addition, the employee contributes a percentage of their salary to the scheme. For salaries between £60,701 to £86,000 this is 9.9%, for salaries between £86,001 to £101,200 it is 10.5% and for salaries between £101,201 to £151,800 the rate is 11.4%.

No expense allowances were paid to Council Officers during 2015/16.

## 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 tables overleaf. 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 local authority employees then it would be £61,933.

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

During 2014/15 a pay award was agreed at a rate of 2.2% for the period 1 January, 2015 to 31 March, 2016 in addition a non consolidated payment was approved and the rate varied dependant upon salary scale which equates to between £100 and £220 for eligible employees.

The details shown for 2015/16 under the heading "Left in Year" includes the annual salary payment in the year plus the termination costs of making these posts redundant. Details of the termination costs are provided in Note 13.

**TABLE E - NON-SCHOOLS EMPLOYEES**

2014/15 No. of Non-School Employees			Remuneration Band (£)	2015/16 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>
6	2	8	50,000 to 54,999	6	-	6
3	1	4	55,000 to 59,999	4	-	4
3	3	6	60,000 to 64,999	4	1	5
1	-	1	65,000 to 69,999	3	-	3
2	-	2	70,000 to 74,999	1	1	2
-	-	-	75,000 to 79,999	-	1	1
3	-	3	80,000 to 84,999	2	-	2
-	1	1	85,000 to 89,999	-	-	-
-	-	-	90,000 to 94,999	-	-	-
-	-	-	95,000 to 99,999	-	-	-
-	1	1	100,000 to 104,999	-	-	-
-	1	1	105,000 to 109,999	-	-	-
-	-	-	110,000 to 194,999	-	-	-
-	1	1	195,000 to 199,999	-	-	-
18	10	28		20	3	23

**TABLE F - SCHOOL EMPLOYEES**

2014/15 No. of School Employees			Remuneration Band (£)	2015/16 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>
4	1	5	50,000 to 54,999	7	-	7
5	-	5	55,000 to 59,999	3	-	3
6	-	6	60,000 to 64,999	7	-	7
4	-	4	65,000 to 69,999	6	-	6
1	-	1	70,000 to 74,999	1	-	1
1	-	1	75,000 to 79,999	-	-	-
-	-	-	80,000 to 84,999	-	-	-
-	1	1	85,000 to 89,999	-	-	-
-	-	-	90,000 to 94,999	-	-	-
-	-	-	95,000 to 99,999	-	-	-
-	-	-	100,000 to 104,999	-	-	-
21	2	23		24	-	24

The remuneration for school employees is determined by each individual Governing Body in accordance with national pay guidelines. Academies, Foundation and Voluntary Aided school employees are excluded from the Table as the Governing Body, not the Council, are the employer.

## SECTION 3 : Statement of Accounts

### Note 13: Termination Costs

In response to cuts in Government grants the Council has had to make significant reductions in ongoing expenditure. The Council has mitigated the impact on staff by managing vacancies and redeploying staff where possible. However, as staff costs make up the largest single element of the Council's budget it has not been possible to avoid reductions in staffing levels. Therefore, in 2015/16 a total of 47 employees (77 in 2014/15) either took voluntary redundancy or were made compulsorily redundant. The 2015/16 costs of this involved payments of £0.351m (£0.718m in 2014/15) to employees in the form of redundancy payments and £0.358m (£0.457m in 2014/15) to the pension fund in respect of retirement benefits. The Council also incurred other costs of £0.001m (£0.001m in 2014/15). These payments incorporate schools and further details are provided in Note 44.

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 2015/16 the average pay back period was 9 months (10 months in 2014/15). In 2015/16 this has enabled the authority to achieve permanent salary savings of £0.818m (£1.122m in 2014/15).

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

**TABLE G - NON-SCHOOLS EMPLOYEES**

2014/15				Remuneration Band (£)	2015/16			
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 £
21	25	46	363,044	0 to 20,000	1	32	33	210,053
-	11	11	296,214	20,001 to 40,000	-	5	5	151,034
-	-	-	-	40,001 to 60,000	-	2	2	96,917
-	2	2	139,005	60,001 to 80,000	-	1	1	79,780
-	-	-	-	80,001 to 100,000	-	-	-	-
-	1	1	100,093	100,001 to 120,000	-	1	1	113,245
-	-	-	-	120,001 to 140,000	-	-	-	-
-	1	1	146,378	140,001 to 160,000	-	-	-	-
-	-	-	-	160,001 to 180,000	-	-	-	-
-	-	-	-	180,001 to 200,000	-	-	-	-
21	40	61	1,044,734		1	41	42	651,029

**TABLE H - SCHOOLS EMPLOYEES**

2014/15				Remuneration Band (£)	2015/16			
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 £
9	4	13	44,293	0 to 20,000	4	-	4	37,524
3	-	3	87,362	20,001 to 40,000	1	-	1	22,000
12	4	16	131,655		5	-	5	59,524

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 H as the Governing Body and 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 2015/16.

#### Movements in 2015/16

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost or Valuation</b>								
As at 1 April 2015	6,952	137,288	31,549	111,935	5,691	3,242	8,217	<b>304,874</b>
Additions	2,703	3,680	2,011	4,199	3	895	6,088	<b>19,579</b>
Accumulated Depreciation Written Off to Gross Carrying Amount	(9)	(2,325)	-	-	-	(40)	-	<b>(2,374)</b>
Accumulated Impairment Written Off to Gross Carrying Amount	-	(2,191)	-	-	-	(998)	-	<b>(3,189)</b>
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	349	8,602	-	-	-	3,022	-	<b>11,973</b>
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(2,084)	1,145	-	-	-	(732)	-	<b>(1,671)</b>
Derecognition-Disposals	-	(130)	(152)	-	(41)	(348)	(103)	<b>(774)</b>
Reclassified (to)/from Held for Sale	-	-	-	-	-	(100)	-	<b>(100)</b>
Reclassified (to)/from Investment Property	-	(181)	-	-	-	2,300	-	<b>2,119</b>
Other movements in Cost or Valuation	668	1,654	28	3,547	-	597	(6,492)	<b>2</b>
<b>At 31 March 2016</b>	<b>8,579</b>	<b>147,542</b>	<b>33,436</b>	<b>119,681</b>	<b>5,653</b>	<b>7,838</b>	<b>7,710</b>	<b>330,439</b>
<b>Accumulated Depreciation and Impairment</b>								
As at 1 April 2015	(87)	(2,415)	(16,044)	(44,812)	-	(31)	-	<b>(63,389)</b>
Depreciation Charge	(90)	(2,158)	(3,451)	(3,771)	-	(28)	-	<b>(9,498)</b>
Depreciation written out to the Revaluation Reserve	-	(656)	(99)	-	-	(1)	-	<b>(756)</b>
Accumulated Depreciation Written Off to Gross Carrying Amount	9	2,325	-	-	-	40	-	<b>2,374</b>
Accumulated Impairment Written Off to Gross Carrying Amount	-	54	-	-	-	-	-	<b>54</b>
Derecognition - Disposals	-	7	150	-	-	14	-	<b>171</b>
Reclassified (to)/from Investment Property	-	15	-	-	-	7	-	<b>22</b>
Other movements in Depreciation and Impairment	-	1	-	(1)	-	(1)	-	<b>(1)</b>
<b>At 31 March 2016</b>	<b>(168)</b>	<b>(2,827)</b>	<b>(19,444)</b>	<b>(48,584)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(71,023)</b>
<b>Net Book Value</b>								
At 31 March 2016	8,411	144,715	13,992	71,097	5,653	7,838	7,710	<b>259,416</b>
<b>Nature of Asset Holding</b>								
Owned	8,411	144,715	13,464	71,097	5,653	7,838	7,710	<b>258,888</b>
Finance Lease	-	-	528	-	-	-	-	<b>528</b>
<b>Total</b>	<b>8,411</b>	<b>144,715</b>	<b>13,992</b>	<b>71,097</b>	<b>5,653</b>	<b>7,838</b>	<b>7,710</b>	<b>259,416</b>

## SECTION 3 : Statement of Accounts

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

#### Movements in 2014/15

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost or Valuation</b>								
As at 1 April 2014	5,588	133,180	27,888	101,481	5,556	7,323	18,507	<b>299,523</b>
Adjustment for Impairment 2013/14	-	53	-	-	-	-	-	<b>53</b>
Additions	1,396	2,251	3,403	2,144	144	789	6,185	<b>16,312</b>
Accumulated Depreciation Written Off to Gross Carrying Amount	(51)	(2,594)	-	-	-	(50)	-	<b>(2,695)</b>
Accumulated Impairment Written Off to Gross Carrying Amount	-	(23)	-	-	-	(2,767)	-	<b>(2,790)</b>
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	372	9,343	-	-	-	(114)	-	<b>9,601</b>
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(1,789)	1,076	-	-	-	(1,581)	-	<b>(2,294)</b>
Derecognition-Disposals	-	(8,257)	(619)	-	(10)	(1,848)	(580)	<b>(11,314)</b>
Reclassified (to)/from Held for Sale	-	(1,570)	-	-	-	-	-	<b>(1,570)</b>
Reclassified (to)/from Investment Property	(80)	134	-	-	-	-	-	<b>54</b>
Other movements in Cost or Valuation	1,516	3,695	877	8,310	1	1,490	(15,895)	<b>(6)</b>
<b>At 31 March 2015</b>	<b>6,952</b>	<b>137,288</b>	<b>31,549</b>	<b>111,935</b>	<b>5,691</b>	<b>3,242</b>	<b>8,217</b>	<b>304,874</b>
<b>Accumulated Depreciation and Impairment</b>								
As at 1 April 2014	(81)	(2,571)	(13,433)	(41,673)	-	(4)	-	<b>(57,762)</b>
Adjustment for Impairment 2013/14	-	(53)	-	-	-	-	-	<b>(53)</b>
Depreciation Charge	(67)	(2,782)	(3,142)	(3,141)	-	(96)	-	<b>(9,228)</b>
Accumulated Depreciation Written Off to Gross Carrying Amount	51	2,594	-	-	-	50	-	<b>2,695</b>
Accumulated Impairment Written Off to Gross Carrying Amount	-	-	-	-	-	-	-	<b>-</b>
Derecognition - Disposals	-	391	530	-	-	23	-	<b>944</b>
Reclassified (to)/from Investment Property	10	-	-	-	-	-	-	<b>10</b>
Other movements in Depreciation and Impairment	-	6	1	2	-	(4)	-	<b>5</b>
<b>At 31 March 2015</b>	<b>(87)</b>	<b>(2,415)</b>	<b>(16,044)</b>	<b>(44,812)</b>	<b>-</b>	<b>(31)</b>	<b>-</b>	<b>(63,389)</b>
<b>Net Book Value</b>								
At 31 March 2015	6,865	134,873	15,505	67,123	5,691	3,211	8,217	<b>241,485</b>
<b>Nature of Asset Holding</b>								
Owned	6,865	134,873	15,275	67,123	5,691	3,211	8,217	<b>241,255</b>
Finance Lease	-	-	230	-	-	-	-	<b>230</b>
<b>Total</b>	<b>6,865</b>	<b>134,873</b>	<b>15,505</b>	<b>67,123</b>	<b>5,691</b>	<b>3,211</b>	<b>8,217</b>	<b>241,485</b>

## SECTION 3 : Statement of Accounts

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

#### Depreciation

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

- Council Dwellings - 50 years.
- Other Land and Buildings - straight-line allocation over the useful life of the property as estimated by the valuer, between 25 and 40 years.
- Vehicles, Plant, Furniture & Equipment - straight-line allocation over the useful life of the asset, up to 15 years.
- Infrastructure - between 15 and 100 years.

#### Revenue Expenditure Funded from Capital Under Statute

The cost of Revenue Expenditure Funded from Capital Under Statute is charged to the Comprehensive Income and Expenditure Account. An amount of £1.639m (£2.032m in 2014/15) 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 corporate resources of £0.842m (£0.444m in 2014/15), capital grants of £0.368m (£1.461m in 2014/15) and prudential borrowing £0.429m (£0.127m in 2014/15).

#### Capital Commitments

As at 31 March, 2016, the Council had rephased capital expenditure totalling £12.881m into 2016/2017, of which £2.733m will be funded from grant, £6.432m will be funded by prudential borrowing and the remaining £3.716m will be funded from the Council's own resources. The comparable rephased capital expenditure at 31 March, 2015 was £10.544m. The Council has entered into a number of contracts for which capital monies are committed.

The major commitments are:

Scheme	Total Project Budget £000s	Expenditure over Years to 31 March 16 £000s	Commitment £000s
Seaton Carew Coast Protection	7,530	2,927	4,603
Centre for Independent Living	4,961	1,267	3,694
Empty Property Purchasing Scheme - Phase 2	4,178	872	3,306

#### Surplus Assets - Fair Value Disclosures

Details of the authority's surplus assets and information about the fair value hierarchy at 31 March, 2016 are as follows:

<i>Recurring fair value measurements using:</i>	Quoted prices in active markets for identical assets (Level 1) £000s	Other significant observable inputs (Level 2) £000s	Significant observable inputs (Level 3) £000s	Fair Value as at 31 March 2016 £000s
Surplus Assets	-	7,747	91	<b>7,838</b>
Total	-	<b>7,747</b>	<b>91</b>	<b>7,838</b>

There were no transfers between Levels 1, 2 and 3 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 Observable 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

#### Change in Valuation Method

The 2015/16 Code introduced the adoption of IFRS 13 Fair Value Measurement. Therefore, in 2015/16 estimation of the fair value of the Council's Surplus Assets is based on Fair Value Market Value. In 2014/15 these assets were valued on the basis of Fair Value in Existing Use based on the last use of the asset.

## SECTION 3 : Statement of Accounts

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

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. All valuations were carried out internally and valuations are based on certificates issued by the Council's Estates Manager, Mr D Clarke, a member of the Royal Institute of Chartered Surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost.

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

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

The following statement shows the progress of the Council's rolling programme for the revaluation of non current assets and property, plant and equipment, excluding Community Assets (£5.653m), Heritage Assets (£14.947m), Infrastructure Assets (£71.097m) and Property, Plant and Equipment under construction (£7.710m). The basis for the valuation is set out in the Statement of Accounting Policies.

	<b>Operational Assets</b>				<b>Total £000s</b>
	<b>Council Dwellings £000s</b>	<b>Other Land &amp; Buildings £000s</b>	<b>Vehicles, Plant &amp; Equipment £000s</b>	<b>Surplus Assets £000s</b>	
<b>Valued at Historical Cost</b>	-	-	13,992	-	13,992
<b>Valued at current value as at:</b>					
<u>Current Year</u>					
2015/2016	3,087	79,122	-	7,838	90,047
2014/2015	1,836	16,104	-	-	17,940
2013/2014	1,327	32,251	-	-	33,578
2012/2013	-	11,086	-	-	11,086
2011/2012	2,161	6,152	-	-	8,313
<b>Total</b>	<b>8,411</b>	<b>144,715</b>	<b>13,992</b>	<b>7,838</b>	<b>174,956</b>

#### Alternative Valuation Model

Council Dwellings are measured at current value - social housing, Other Land and Buildings are measured at current value and Surplus Assets are measured at fair value. If the Council had chosen to measure the value of these assets under the cost model, their carrying amount as at 31 March, 2016 would have been:

	<b>£000s</b>
Council Dwellings	2,361
Other Land & Buildings	53,164
Surplus Assets	4,655

#### Custodian Authority Assets

The Balance Sheet excludes an asset held by the Council in its capacity as Custodian Authority. This asset was last revalued in 2015/16 at £0.003m. The interest in this asset was passed to the Council following the abolition of Cleveland County Council on 1 April, 1996. This asset is held on behalf of the four unitary authorities pending its disposal. Any sale proceeds will be distributed to the four unitary authorities in accordance with an agreed basis.

## 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.

2014/15 £000s		2015/16 £000s
1,096	Council Dwellings	1,445
36,026	Other Land & Buildings	43,775
398	Vehicles, Plant and Equipment	299
8	Community Assets	8
340	Surplus Assets	3,183
591	Investment Properties	595
4,843	Heritage Assets	4,843
1,048	Assets Held for Sale	69
<b>44,350</b>		<b>54,217</b>

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

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

2014/15 £000s		2015/16 £000s
(474)	Rental income from investment property	(562)
182	Direct operating expenses arising from investment property	159
<b>(292)</b>	<b>Net (gain)/loss</b>	<b>(403)</b>

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

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

2014/15 £000s		2015/16 £000s
17,953	Balance at the start of the year	16,476
	<u>Additions:</u>	
29	Acquisitions	23
	Subsequent expenditure	
(1,507)	Disposals	(10)
65	Net Gains/(Losses) from fair value adjustments	1,316
	<u>Transfers</u>	
(64)	(To)/from Property, Plant & Equipment	(2,141)
<b>16,476</b>	<b>Balance at the end of the year</b>	<b>15,664</b>

## SECTION 3 : Statement of Accounts

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

#### Investment Property - Fair Value Disclosures

Details of the authority's investment properties and information about the fair value hierarchy at 31 March, 2016 are as follows:

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant observable inputs (Level 3)	Fair Value as at 31 March 2016
	£000s	£000s	£000s	£000s
<i>Recurring fair value measurements using:</i>				
Office Units	-	2,074	3	<b>2,077</b>
Commercial Units	-	12,279	1,308	<b>13,587</b>
<b>Total</b>	<b>-</b>	<b>14,353</b>	<b>1,311</b>	<b>15,664</b>

There were no transfers between Levels 1, 2 and 3 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 measures 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:

2015/16 Cost or Valuation	Museum Exhibits & Art Collection	Civic Collection	Sculptures, Monuments & War Memorials	Total
	£000s	£000s	£000s	£000s
	At 1 April 2015	13,137	354	1,230
Additions	226	-	-	226
Disposals	-	-	-	-
Revaluations	-	-	-	-
<b>At 31 March 2016</b>	<b>13,363</b>	<b>354</b>	<b>1,230</b>	<b>14,947</b>

2014/15 Cost or Valuation	Museum Exhibits & Art Collection	Civic Collection	Sculptures, Monuments & War Memorials	Total
	£000s	£000s	£000s	£000s
	At 1 April 2014	13,128	354	1,170
Additions	9	-	60	69
Disposals	-	-	-	-
Revaluations	-	-	-	-
<b>At 31 March 2015</b>	<b>13,137</b>	<b>354</b>	<b>1,230</b>	<b>14,721</b>

#### Museum Exhibits & The Art Collection

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

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

Hartlepool has an impressive and important collection of over 1,000 pieces of fine art. The collection is mainly Victorian and Edwardian in period, largely as a result of the founding collection by Sir William Gray. With few exceptions, most subsequent collecting has been work of artists living or working at least part of their lives in the Hartlepool area. In 2015/16 the Council received donations of exhibits and art with a value of £0.226m which included an oil painting of Lanscar rocks, a Hartlepool Mail Photographic collection and Reg Smythe's Andy Capp Collection.

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 1980's many of the plans were returned to Hartlepool and now feature in the collection. A hugely informative collection is that preserved by Robert Wood, a local historian which contains over 40,000 examples of 19th century and early 20th century ephemera, manuscript material and posters from the Hartlepool printing firm owned by John Procter. The collection reflects the social aspects of life as well as the industry in the town.

#### Civic Collection

The Civic collection includes the Civic Regalia, ceremonial silverware, and a number of decorative artefacts. During 2011/12 the collection was valued at £0.354m by the External Valuers. In addition the Books of Remembrance have been included within the Civic Collection and are held at Historic Cost.

**Note 17: Non Current Assets - Heritage Assets****Valuation of the Collections**

Although there is no requirement to have Heritage assets externally valued, during 2011/12 External Valuers Anderson & Garland Ltd carried out an insurance based valuation of the assets. Museum exhibits and Works of Art were valued at £13.128m and £0.354m for the Civic Collection, compared to previous valuations of £8.417m and £0.350m respectively.

**Sculptures, Monuments, War Memorials & Archaeology**

The Council has recorded 11 Public Works of Art, 7 Sculptures, 6 War Memorials which are considered to principally contribute to knowledge and culture.

**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.

**Note 18: Long Term Investments**

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

2014/15 £000s		2015/16 £000s
-	Durham and Tees Valley Airport Limited	-
197	SITA Tees Valley Limited	197
<hr/>		<hr/>
197		<b>197</b>
<hr/> <hr/>		<hr/> <hr/>

Under Local Government Reorganisation the Council was allocated 2.47% of the shares in Durham Tees Valley Airport Limited, which has reduced to 1.08% upon the sale of the airport to Peel Investments (DVTA) LTD. The shares have no value (nil in 2014/15).

The Council has 196,845 £1 preference shares in SITA Tees Valley Limited.

These assets are held on the balance sheet at Fair Value, further details in relation to the valuation of these assets is disclosed in Note 37 Financial Instruments.

Further details of the Council's long term investments are included in Note 30 Related Party Transactions.

## SECTION 3 : Statement of Accounts

### Note 19: Long Term Debtors

This note sets out the value of Long Term Debtors held by the Council at 31 March, 2016.

2014/15 £000s		2015/16 £000s
7	Housing Advances	6
77	Trincomalee Loan and Advances	77
97	Car Loans to Employees	111
240	NDC Trust Loan	240
67	Other	455
<u>488</u>		<u>889</u>

### Note 20: Inventories

This note sets out the value of inventories held by the Council at 31 March, 2016.

2014/15 £000s		2015/16 £000s
743	Balance at 1 April	712
2,557	Purchases	2,499
(2,579)	Recognised as an expense in year	(2,751)
(9)	Written off balances	(13)
<u>712</u>	<b>Balance at 31 March</b>	<u>447</u>

### Note 21: Short Term Debtors

This note sets out amounts owed to the Council as at 31 March, 2016.

2014/15 £000s		2015/16		
		Gross Debtor	Impairment	Net Debtor
		£000s	£000s	£000s
1,954	Central Government Bodies	47,151	-	47,151
463	Other Local Authorities	1,075	-	1,075
2,512	NHS Bodies	383	-	383
	<b>Bodies external to general government:</b>			
3,406	General and Other Debtors	4,818	(1,640)	3,178
1,477	Payments in Advance	1,503	-	1,503
2,273	Council Tax Payers	5,116	(2,484)	2,632
376	NNDR Payers	1,119	(551)	568
<u>1,411</u>	Trade Debtors	<u>2,442</u>	<u>(551)</u>	<u>1,891</u>
<u>13,872</u>		<u>63,607</u>	<u>(5,226)</u>	<u>58,381</u>

The increase of Central Government Bodies relates to the Safety Net Government Grant in relation to the Power Station (£21.5m) and Central Government's share of the deficit on the Collection Fund (£23.3m). The decrease in NHS Bodies debtors reflects the late payment of Section 256 funding by CCG (£2.2m) in 2014/15 which is part of the Better Care Fund in 2015/16 and was all paid in year. The increase in Council Tax Payers relates to an increase in council tax arrears.

## SECTION 3 : Statement of Accounts

### Note 22: 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.

2014/15 £000s		2015/16 £000s
	<b>Assets</b>	
76	Bank and Imprests	76
12,930	Liquidity Investment Accounts	6,166
<u>13,006</u>		<u>6,242</u>
	<b>Liabilities</b>	
(2,341)	Bank Overdraft	(1,317)
<u>10,665</u>		<u>4,925</u>

### Note 23: 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.

2014/15 £000s		2015/16 £000s
80	Balance outstanding at start of year	1,590
	Adjustment to 2014/2015	
	Assets newly classified as Held for Sale	920
	Revaluation losses	<u>(1,390)</u>
	New Balance outstanding at start of year	<b>1,120</b>
	Assets newly classified as Held for Sale:	
1,570	Property, Plant and Equipment	120
	Assets declassified as Held for Sale:	
-	Property, Plant and Equipment	(20)
(60)	Assets sold	<u>(1,100)</u>
<u>1,590</u>	<b>Balance outstanding at year-end</b>	<u><b>120</b></u>

### Note 24: Short Term Creditors

This note sets out amounts owed by the Council as at 31 March, 2016.

2014/15 £000s		2015/16 £000s
5,813	Central Government Bodies	43,620
723	Other Local Authorities	958
469	NHS Bodies	323
	<b>Bodies external to General Government:</b>	
5,586	General and Other Creditors	5,016
1,783	Trade Creditors	1,853
1,416	Employee Absences	1,362
1,499	Income in Advance	603
642	Council Tax Payers	569
428	NNDR Payers	<u>2,285</u>
<u>18,359</u>		<u><b>56,589</b></u>

The increase in amounts owed to Central Government Bodies relates to Transitional Relief repayable to the Government, following the settlement of the Business Rates appeal for Hartlepool Power Station.

## SECTION 3 : Statement of Accounts

### Note 25: Provisions

Total provisions at 31 March, 2016, were £4.094m (£2.466m in 2014/2015), as detailed below.

#### Current Liabilities

		2015/16				
		Litigation	Land Charges	Rating Appeals	MMI Insurance	Total
2014/15		£000s	£000s	£000s	£000s	£000s
2,630	<b>Balance at 1 April</b>	417	70	681	24	<b>1,192</b>
140	Additional provisions made in year	-	74	8,947	-	<b>9,021</b>
(317)	Amounts used in year	(5)	(85)	(7,303)	-	<b>(7,393)</b>
-	Amounts transferred (to) / from long term provisions	-	-	-	44	<b>44</b>
(1,261)	Unused amounts reversed in year	-	-	-	-	-
1,192	<b>Balance at 31 March</b>	412	59	2,325	68	<b>2,864</b>

#### Long Term Liabilities

		2015/16				
		Custodian Authority Property Charges	Land Charges	Contaminated Land	MMI Insurance	Total
2014/15		£000s	£000s	£000s	£000s	£000s
1,274	<b>Balance at 1 April</b>	97	-	634	543	<b>1,274</b>
-	Amounts transferred (to) / from short term provisions	-	-	-	(44)	<b>(44)</b>
1,274	<b>Balance at 31 March</b>	97	-	634	499	<b>1,230</b>

Custodian Authority Property Charges - this provision is earmarked to meet the Council's share of the costs of the Custodian Authority properties inherited from the former Cleveland County Council.

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.

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.

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 rundown 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 1 October, 1992. The Scheme of Arrangement under section 899 of the Companies Act 2006 was triggered in November 2012. In February 2013 the Creditors Committee set a levy rate of 15% based on a percentage share of the liabilities outstanding. Therefore the Council has recognised a £0.567m provision in the accounts for these liabilities.

Land Charges - this provision has been created to cover refunds of land charges following the revocation of personal search fees on the local land charges register. The Council also has a Contingent liability see Note 46.

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 26: 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 35 Finance Leases.

2014/15 £000s		2015/16 £000s	Note
178	Finance lease liability	414	35
<u>122,097</u>	Net Pensions liability	<u>125,267</u>	29
<u>122,275</u>		<u>125,681</u>	

The finance lease liability has increased as a result of new IT equipment acquired under the embedded lease with the Council's IT provider, Northgate.

The net pensions liability has increased owing to Actuarial asset losses and an increase in expected liability obligations. See Note 45 for further information.

### Note 27: Grant Income - 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 2015/16.

2014/15 £000s		2015/16 £000s
30,952	Revenue Support Grant	22,684
31,769	Council Tax Income	32,607
-	NNDR Safety-Net Grant	21,451
21,168	NNDR Redistribution#	(5,724)
7,308	NNDR - Top-Up	7,448
1,417	New Homes Bonus Grant	1,767
870	Business Rates Relief	1,187
408	Council Tax Freeze Grant	409
89	Local Support Services Grant	57
106	Capital - Environment Agency*	3,275
1,491	Capital - Local Transport Plan*	2,110
1,210	Capital - Other DfE Grants	741
55	Capital - Homes & Communities Agency	708
340	Capital - Devolved Formula Capital Grant	172
1,515	Capital - Building Schools for the Future	34
<u>1,330</u>	Other Capital Grants & Contributions*	<u>2,225</u>
<u>100,028</u>	<b>Total</b>	<u>91,151</u>

# In 2015/16 the rateable value of the Power Station reduced by 48%. This resulted in a deficit on the Collection Fund and the negative NNDR Redistribution figure represents the net position for the year as a result of this deficit.

\* The 2014/15 comparators for these capital grants have been re-analysed as they were previously included in 'Other Capital Grants and Contributions.'

## SECTION 3 : Statement of Accounts

### Note 27: Grant Income - Credited to Services

2014/15 £000s		2015/16 £000s
58,337	Dedicated Schools Grant	49,338
47,176	Housing Benefit Subsidy	47,480
8,486	Public Health Grant	8,675
-	Better Care Fund	6,651
5,204	Pupil Premium	4,313
2,636	Other Grants	2,447
1,640	Other Department for Education Grants	1,474
1,443	Education Funding Agency/ Skills Funding Agency	1,388
1,428	European Social Fund	1,218
1,433	Education Services Grant	1,000
773	Housing Benefit and Council Tax Benefit Administration	899
-	Independent Living Fund	507
1,112	Department for Work & Pensions	454
1,087	Department for Communities & Local Government - Troubled Families	342
310	Department of Health Grants	314
50	Environment Agency	50
106	Local Council Tax New Burdens	38
384	Building Schools for the Future	-
2,297	Integrated Adult Social Care - Dept of Health	-
<b>133,902</b>	<b>Total</b>	<b>126,588</b>

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 :-

#### Current Liabilities

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

2014/15 £000s		2015/16 £000s
928	Environment Agency*	1,776
1,227	Local Transport Plan*	1,020
883	Other Department for Education Grants	896
644	Building Schools for the Future	610
222	Department for Transport	53
1,541	Other Capital Grants & Contributions*	1,585
<b>5,445</b>	<b>Total</b>	<b>5,940</b>

\* The 2014/15 comparators for these capital grants have been re-analysed as they were previously included in 'Other Capital Grants and Contributions.'

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

2014/15 £000s		2015/16 £000s
697	Education Funding Agency/ Skills Funding Agency	376
103	Other Grants	178
-	Department for Communities & Local Government	43
509	European Social Fund	-
<b>1,309</b>	<b>Total</b>	<b>597</b>

#### Long-Term Liabilities

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

2014/15 £000s		2015/16 £000s
-	Environment Agency	1,500
<b>-</b>	<b>Total</b>	<b>1,500</b>

## SECTION 3 : Statement of Accounts

### Note 28: Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 5 and 6 and are summarised below.

2014/15 £000s		2015/16 £000s	Note
5,253	<b><u>Unearmarked General Fund Balance</u></b>	4,753	<b>1</b>
5,455	<b><u>Earmarked Budget Support Fund 2016/17 to 2018/19</u></b>	5,781	<b>2</b>
	<b><u>School Balances</u></b>		
3,913	Balances held by schools under a scheme of delegation	2,711	<b>3</b>
1,885	School Strategic Change & Ring Fenced Grants Reserves	935	<b>4</b>
73	Other Fund School Balances	270	<b>5</b>
5,871		3,916	
	<b><u>Earmarked Revenue Reserves</u></b>		
6,424	Ring Fenced Grants Reserves	5,952	<b>6</b>
6,451	Strategic One Off Costs	5,875	<b>7</b>
4,784	Business Rates Risk Reserve	5,370	<b>8</b>
4,104	Insurance Fund	4,302	<b>9</b>
3,730	Strategic Change Reserves	3,779	<b>10</b>
2,920	Support for Local Council Tax Support Scheme	2,920	<b>11</b>
1,678	Public Health Grant Reserve	2,405	<b>12</b>
1,028	Strategic Risk Reserve	1,028	<b>13</b>
501	Capital Risk Strategy Reserve	901	<b>14</b>
870	Treasury Management Risk reserve	804	<b>15</b>
750	Protection Costs Reserve	750	<b>16</b>
999	Children's Social Care & Early Intervention Reserve	720	<b>17</b>
-	Tees Education & Skills Reserve	578	<b>18</b>
520	Hartlepool Maritime Experience Reserve	520	<b>19</b>
500	Income Risk Reserve	500	<b>20</b>
-	Supporting Family Poverty	500	<b>21</b>
449	Lotteries Reserve	425	<b>22</b>
-	Education Commission Reserve	414	<b>23</b>
400	Regeneration Projects	400	<b>24</b>
711	School Attainment Reserve	389	<b>25</b>
245	Trading Account Reserves	334	<b>26</b>
220	Better Care Fund Reserve	220	<b>27</b>
-	Environmental Enhancement Projects	196	<b>28</b>
123	Building / Development Control Income Shortfall	123	<b>29</b>
100	Pay Costs Reserve	100	<b>30</b>
150	Funding for Modern Apprentices	90	<b>31</b>
80	Museums Acquisition	84	<b>32</b>
49	Living Wage Reserve	49	<b>33</b>
155	Members Ward Budget Reserve	48	<b>34</b>
38	Concessionary Fares	38	<b>35</b>
30	Community Centre Reserve	30	<b>36</b>
42	Environmental Apprenticeships Scheme	25	<b>37</b>
19	Works in Default Empty Homes	15	<b>38</b>
8	NDC Fund	8	<b>39</b>
264	Secure Accommodation Reserve	-	<b>40</b>
60	WW1 Commemoration Reserve	-	<b>40</b>
23	Property Reserve	-	<b>40</b>
38,425		39,892	
	<b><u>Earmarked Capital Reserves</u></b>		
5,486	Capital Funding Reserve	6,196	<b>41</b>
1,081	Capital Receipts Unapplied	-	<b>42</b>
325	Capital Grants Unapplied	321	<b>43</b>
6,892		6,517	
61,896	<b><u>Total Usable Reserves</u></b>	60,859	

## SECTION 3 : Statement of Accounts

### Note 28: Usable Reserves

#### Part 2 - Safety Net Grant Reserve

-	Business Rates Safety Net Grant Reserve	21,451	44
-		21,451	

#### Notes to Usable Reserves

The Councils reserves have been established as part of the Medium Term Financial Strategy (MTFS) and are allocated to support the revenue budget over the next three years, or to manage financial risks. An annual review of reserves is undertaken and the next review is scheduled for September 2016. The following notes explain the purpose of individual reserves.

#### Unearmarked General Fund Balance

- 1 The General Fund Balance of £4.753m held at 31 March, 2016 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.

#### Earmarked Budget Support Fund 2016/17 to 2018/19

- 2 This reserve has been established to support the budget between 2016/17 and 2018/19.

#### School Balances

- 3 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 Child & Adult Services Department. The net balance consists of individual school balances less loans to schools of £0.062m.
- 4 These risk reserves are held in trust for Schools to manage specific commitments and one-off risks.
- 5 School balances generated from other funding.

#### Earmarked Revenue Reserves

- 6 Strategic Change Ring Fenced Grants Reserve are grants received for specific commitments in 2016/17 or future years in accordance with grant conditions.
- 7 This reserve was created to cover one-off strategic financial issues including redundancy and early retirement costs over the period of the MTFS.
- 8 This reserve has been established to address the financial impact of Business Rates being relocalised in April 2013 and the implementation of the 'safety net' arrangements. Under these arrangements the Council will only receive 'safety net' grant for shortfalls above £1.7m. Following the decision of the Valuation Office Agency to reduce the rateable value of the Hartlepool Nuclear Power Station, this reserve is committed to partly offset the income loss over the period 2016/17 to 2018/19.
- 9 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.
- 10 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.
- 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 was created from an in-year underspend 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 2016/17.
- 13 This risk reserve is set aside to manage one-off risks in relation to Equal Pay/Equal Value claims.
- 14 This reserve was created to manage potential capital receipt risks in relation to the Jacksons Landing project.
- 15 This reserve was created as part of the 2013/14 MTFS to manage the risk of interest rates increasing and to ensure permanent saving built into the MTFS can be achieved if interest rates increase. This was approved by Council 14 February, 2013.
- 16 Created to fund protection costs arising from implementation of changes to Terms and Conditions.
- 17 This reserve was created from underspends against previous years Early Intervention Grant to support longer term funding changes for Early Intervention Services and Children's Social Care. The reserve will be utilised over the period of the MTFS.

## SECTION 3 : Statement of Accounts

### Note 28: Usable Reserves

- 18 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.
- 19 This reserve was created to fund the contributions required to support the Hartlepool Maritime Experience and developments with the National Museum of the Royal Navy (NMRN).
- 20 This reserve was created as part of the 2013/14 MTFS approved by Council 4 February, 2013 and is earmarked to offset in year income shortfalls.
- 21 This reserve was created to Support Family Poverty over the period of the MTFS.
- 22 The Lotteries Reserve, which consists of the proceeds of the Civic Lottery and donations received, is an earmarked reserve and the investment income generated is used for grants and donations to local organisations.
- 23 This reserve was created to identify and address key priorities to support sustainable educational improvement across the town.
- 24 This reserve was created from one-off funding to support Regeneration Priorities.
- 25 This reserve was created towards improving School Attainment.
- 26 This reserve is earmarked to manage future financial risks on Trading Operations.
- 27 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.
- 28 This reserve was created to fund Environmental Improvements & initiatives across the town.
- 29 The level of income is being affected by the continued weakness in the economy and this reserve has been created to cover this shortfall in income in the short term.
- 30 This was created to fund the impact of a higher pay award than budgeted.
- 31 This amount was previously set to provide re-training of staff on the redeployment register. Council agreed on the 17 October, 2013 to use this reserve to provide Modern Apprenticeships. This amount will be used over the period of the MTFS.
- 32 The Museums Acquisition Reserve was set up from external donations for the acquisition of items for the Museum.
- 33 This reserve was created to fund the cost of introducing the Hartlepool Living Wage.
- 34 This reserve is to be used by Members to support minor issues within their wards.
- 35 This reserve is to cover the tri-annual cost of replacing Concessionary Fare passes.
- 36 This reserve was created to retain community centres to provide a longer lead time to develop alternative funding/operational arrangements.
- 37 This reserve was created to fund costs over more than one financial year in relation to Apprentices.
- 38 This reserve has been created to provide a cash backed fund for the completion of housing works in default.
- 39 This reserve had been created to fund any outstanding expenditure on New Deals for Communities.
- 40 This reserve was fully utilised in 2015/16.
- 41 The Capital Funding Reserve is earmarked to finance capital expenditure rephased to 2016/17.
- 42 These resources were fully utilised in 2015/16.
- 43 These are capital grants that will be used to finance capital expenditure in future years.
- 44 This reserve was set up to reflect the timing difference between recognition of the receipt of Safety Net Grant in 2015/16 and repayment of the deficit on the Collection Fund in 2016/17 arising from Rateable Value reductions approved by the Valuation Office Agency predominantly in relation to the Power Station.

## SECTION 3 : Statement of Accounts

### Note 29: Unusable Reserves

The Unusable Reserves are shown below.

2014/15 £000s		2015/16 £000s	Table
44,350	Revaluation Reserve	54,217	1
197	Available for Sale Financial Instruments Reserve	197	2
135,758	Capital Adjustment Account	138,613	3
(122,097)	Pensions Reserve	(125,267)	4
7	Deferred Capital Receipts Reserve	366	5
2,512	Collection Fund Adjustment Account	(21,783)	6
(1,415)	Accumulated Absences Account	(1,361)	7
59,312		<b>44,982</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.

2014/15 £000s			2015/16 £000s
37,610	<b>Balance at 1 April</b>		44,350
11,681	Upward revaluation of assets	13,415	
(2,111)	Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	(1,372)	
-	Impairment losses not charged to the Surplus/Deficit on the Provision of Services	(271)	
9,570	Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		11,772
(655)	Difference between fair value depreciation and historical cost depreciation	(756)	
(2,175)	Accumulated gains/(losses) on assets sold or scrapped	(1,149)	
(2,830)	Amount written off to the Capital Adjustment Account		(1,905)
44,350	<b>Balance at 31 March</b>		<b>54,217</b>

#### **Table 2 - Available for Sale Financial Instruments Reserve**

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. 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.

2014/15 £000s			2015/16 £000s
223	<b>Balance at 1 April</b>		197
(26)	Upward/(downward) revaluation of investments not charged to the Surplus/Deficit on the Provision of Services		-
197	<b>Balance at 31 March</b>		<b>197</b>

**Note 29: Unusable Reserves**
**Table 3 -Capital Adjustment Account**

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

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

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

2014/15 £000s		2015/16 £000s
144,599	<b>Balance at 1 April</b>	135,758
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(12,018)	- Charges for depreciation and impairment of non-current assets	(13,118)
(2,294)	- Revaluation losses on Property, Plant and Equipment	(2,210)
(2,032)	- Revenue expenditure funded from capital under statute	(1,639)
(11,937)	- 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	(1,714)
(28,281)		(18,681)
2,830	Adjusting amounts written out of the Revaluation Reserve	1,905
(25,451)	Net written out amount of the cost of non-current assets consumed in the year	(16,776)
	Capital financing applied in the year:	
1,308	- Use of the Capital Receipts Reserve to finance new capital expenditure	1,922
561	- Use of the Capital Receipts Reserve to repay prudential borrowing	-
7,481	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	9,629
27	- Application of grants to capital financing from the Capital Grants Unapplied Account	4
4,383	- Statutory provision for the financing of capital investment charged against the General Fund	4,457
2,753	- Direct revenue funding credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,303
16,513		18,315
97	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,316
135,758	<b>Balance at 31 March</b>	<b>138,613</b>

**Note 29: Unusable Reserves**
**Table 4 - 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 and pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2014/15 £000s		2015/16 £000s
(90,717)	<b>Balance at 1 April</b>	(122,097)
(25,776)	Remeasurement of defined liability on pensions assets and liabilities	3,909
(13,388)	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	(14,674)
7,784	Employer's pensions contributions and direct payments to pensioners payable in the year	7,595
<b>(122,097)</b>	<b>Balance at 31 March</b>	<b>(125,267)</b>

**Table 5 - Deferred Capital Receipts Reserve**

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

2014/15 £000s		2015/16 £000s
7	<b>Balance at 1 April</b>	7
-	Transfer to the Capital Receipts Reserve upon receipt of cash	-
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	359
<b>7</b>	<b>Balance at 31 March</b>	<b>366</b>

**Note 29: Unusable Reserves**
**Table 6 - 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.

2014/15 £000s		2015/16 £000s
287	<b>Balance at 1 April</b>	<b>2,512</b>
2,225	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	<b>(24,295)</b>
2,512	<b>Balance at 31 March</b>	<b>(21,783)</b>

**Table 7 - Accumulated Absences Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March, 2016. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2014/15 £000s		2015/16 £000s
(2,106)	<b>Balance at 1 April</b>	(1,415)
2,106	Settlement or cancellation of accrual made at the end of the preceding year	1,415
(1,415)	Amounts accrued at the end of the current year	(1,361)
691	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	<b>54</b>
(1,415)	<b>Balance at 31 March</b>	<b>(1,361)</b>

### Note 30: 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 are set out in the subjective analysis in Note 7 on reporting for resource allocation decisions. Grant receipts outstanding at 31 March, 2016 are shown in Note 27.

#### Members

Members of the Council have direct control over the Council's Financial and Operating Policies. The total of Members' allowances paid in 2015/16 is shown in Note 11.

The Council pays grants and/or makes contractual payments to voluntary organisations where an individual Councillor(s) may sit on the voluntary organisation's management board e.g. Hartlepool Carers and Hartlepool Voluntary Development Agency. These interests are recorded in the declaration of interests completed by individual Members. Details of these interests are recorded in the Register of Members' Interest, open to public inspection at the Civic Centre during office hours.

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

#### Officers

Members of the Corporate Management Team are required to provide an annual declaration of interest and to keep this under review during the year. All declarations have been reviewed. Only one declaration requires disclosing. The Chief Solicitor is a director of the Cleveland Fire Brigade Risk Management Services Community Interest Company. This is a non remunerated position.

**Note 30: Related Party Transactions****Other Public Bodies (subject to common control by central government)**

The Council provides various support services, predominantly in relation to financial and legal services, to Cleveland Fire Authority for which it received income of £0.233m (£0.219m in 2014/15). In particular, the Council's Chief Solicitor holds the position of Legal Advisor and the Chief Finance Officer holds the position of Treasurer.

The Council continues to provide a range of support services to Thirteen Group (formerly Housing Hartlepool) such as Building Cleaning. The income from these services amounted to £0.370m (£0.347m in 2014/15) which represented the cost of the service provided. Thirteen group no longer provides a management function for domestic properties. This was internalised in 2015/16. The previous charge in 2014/15 was £0.035m.

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. This income amounted to £0.203m (£0.145m in 2014/15).

The Council provides a range of Support Services to Hartlepool Academies, including Property Services, Building Cleaning and School Catering. The income from the services amounted to £3.100m, (£2.105m in 2014/15).

**Other**

The Council holds minority shares in Durham Tees Valley Airport Ltd and SITA Tees Valley Ltd.

The value of shares held by the Council in Durham Tees Valley Airport Limited (formerly Teesside International Airport) is nil based on a shareholding of 1.08%. The value has been determined with reference to the net worth of the company, which is negative as per their latest accounts for the financial year ending 31 March, 2015. The shareholding was valued at nil in the previous financial year.

Issues of note include a loss on the Profit and Loss Account of £1.262m (previous year loss of £3.899m) and a net Liability position of £4.519m (previous year net liability position of £1.733m). Further information and copies of their accounts are available from their Registered Office – Liverpool John Lennon Airport, Liverpool, L24 1YD.

In addition, the Council holds shares in SITA Tees Valley Limited, (formerly Cleveland Waste Management) with a value of £0.197m, equating to 16.5% of a £1.194m preference shareholding in the company. SITA Tees Valley Limited have produced accounts for the financial year to 31 December, 2014, that includes a profit on the Profit and Loss Account of £4.407m (previous year profit of £6.305m) and a net asset position of £44.907m (previous year £40.500m). Further information on their accounts is available from the Registered Office, SITA House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES. The partner of one of our members is a Director of SITA, this has been properly disclosed in the Register of Member interests.

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

## SECTION 3 : Statement of Accounts

### Note 31: Trading Operations

Following the abolition of Compulsory Competitive Tendering, the Council is no longer required to maintain statutory DSO trading accounts. The Council previously determined to maintain separate trading accounts for these operations. The (surplus)/deficit of each trading account is contained within the appropriate service of the net cost of services and totals £0.142m surplus in 2015/16 (£0.634m surplus in 2014/15).

2014/15 (Surplus) / Deficit £000s	Internal Trading Operations	2015/16		(Surplus) / Deficit £000s
		Expenditure £000s	Income £000s	
30	Catering	227	(204)	23
(176)	Building Maintenance	3,760	(3,834)	(74)
(220)	Highways Works	1,805	(1,945)	(140)
(304)	Fleet & Garage	3,315	(3,278)	37
(37)	Passenger Transport	1,039	(1,048)	(9)
10	Building Cleaning	2,366	(2,381)	(15)
(1)	School Catering	3,714	(3,728)	(14)
-	Community Housing	877	(877)	-
64	Garden Centre	169	(119)	50
<b>(634)</b>		<b>17,272</b>	<b>(17,414)</b>	<b>(142)</b>

Catering - provision of catering services at Council venues, including the Inspirations Coffee House.

Building Maintenance - repairs and maintenance to all Council buildings. Capital works and external work, including school works, are subject to competitive tendering.

Highways Works - works to roads, street lighting and gullies within the Borough. The surplus reported is owing to additional essential maintenance works required in year which has generated additional income.

Fleet & Garage - provides all vehicles for the provision of Council Services e.g. Refuse Vehicles. This service also undertakes external work in relation to MOT's, servicing and repairs for members of the public and businesses in the area.

Passenger Transport - provides transport services to Schools and Adult Services as well as external customers.

Building Cleaning - cleaning of all Council buildings. Some external work is undertaken and this was subject to competitive tendering e.g. Vela Group or Schools via a buy back arrangement.

School Catering - provision of school meals to schools within the Borough. This is subject to a buy back arrangement.

Community Housing - relates to newly built community housing and empty properties purchased by the Council and brought back into use. The properties are managed by the Council and the Secretary of State granted the Council an exclusion under section 74(3)d of the Local Government and Housing Act 1989 from operating a Housing Revenue Account (HRA). From 1 April, 2016 the Council will reopen its HRA as a result of exceeding the Governments threshold of 200 dwellings. The position reported includes a transfer of £0.017m to fund major repairs.

Garden Centre - This is the second year of trading for the Garden Centre. This was previously a nursery used by the in-house grounds maintenance service and this has been expanded to form a new retail facility open to the public.

The above figures reflect the actual cost of running the services which are used as the basis for charges to service users.

## SECTION 3 : Statement of Accounts

### Note 32: 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:

2014/15 £000s		2015/16 £000s
145	Fees payable in respect of external audit services carried out by the appointed auditor for the year	109
(12)	Rebate on previous years Audit Fee	-
18	Fees payable for the certification of grant claims and returns for the year	15
<u>151</u>		<u>124</u>

### Note 33: Dedicated Schools Grant

The Council's expenditure on schools is primarily funded by grant monies provided by the Department for Education through the Education Funding Agency (EFA), the Dedicated Schools Grant (DSG). The EFA recouped the funding for all existing and new academies in the council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. DSG has been deployed in 2015/16 in accordance with regulations made under the School Standards Framework Act 1998 (England). 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 2015/16 are as follows: -

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2015/16 before Academy recoupment			75,755
Academy figure recouped for 2015/16			26,417
Total DSG after academy recoupment for 2015/16			49,338
Plus: Brought Forward from 2014/15			1,586
Less: Carry forward to 2016/17 agreed in advance			-
Agreed Initial Budget Distribution in 2015/16	7,905	43,019	50,924
In Year Adjustments	(2,051)	2,051	-
Final Budget Distribution for 2015/16	5,854	45,070	50,924
Less: Actual Central Expenditure	(5,020)		(5,020)
Less Actual Individual Schools Budget Deployed to Schools		(44,948)	(44,948)
Plus Local authority contribution for 2015/16	-	-	-
Carried forward to 2016/17	<b>834</b>	<b>122</b>	<b>956</b>

## SECTION 3 : Statement of Accounts

### Note 34: Operating Leases

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

#### Council as lessee

<u>2014/15</u> <u>£000s</u>	<b>Future minimum lease payments due</b>	<u>2015/16</u> <u>£000s</u>
228	Not later than one year	248
240	Later than one year & not later than five years	511
747	Later than five years	196
<u>1,215</u>		<u>955</u>

#### Council as lessor

<u>2014/15</u> <u>£000s</u>	<b>Future minimum lease payments receivable</b>	<u>2015/16</u> <u>£000s</u>
405	Not later than one year	390
985	Later than one year & not later than five years	1,062
1,028	Later than five years	876
<u>2,418</u>		<u>2,328</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.

The Council has sub-let some of the office accommodation held under these operating leases. At 31 March, 2016 the minimum payments expected to be received under non-cancellable sub-leases was £0.015m (£0.015m as at 31 March, 2015). Where appropriate the value of these leases are shown in Note 16.

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

<u>2014/15</u> <u>£000s</u>		<u>2015/16</u> <u>£000s</u>
	<b>Payments recognised as an expense</b>	
396	Minimum lease payments	444
(181)	Sub-lease payments	(145)
<u>215</u>	<b>Total</b>	<u>299</u>

## SECTION 3 : Statement of Accounts

### Note 35: Finance Leases

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

#### Council as lessee

2014/15 £000s		2015/16 £000s
230	<b>Value of Assets held under Finance Leases</b>	
	Vehicles, Plant & Equipment	528
230	<b>Total</b>	<b>528</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest 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:-

2014/15 £000s		2015/16 £000s
	<b>Future minimum lease payments due</b>	
52	Current	120
178	Non-current	414
32	Finance costs payable in the future	74
262	<b>Total minimum lease payments</b>	<b>608</b>

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

2014/15			2015/16	
Minimum Lease Payments £000s	Finance Lease Liabilities £000s		Minimum Lease Payments £000s	Finance Lease Liabilities £000s
64	52	<b>Payable:</b>		
		Not later than one year	146	120
198	178	Later than one year & not later than five years	462	414
262	230	<b>Total</b>	<b>608</b>	<b>534</b>

## SECTION 3 : Statement of Accounts

### Note 36: 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.

2014/15 £000s		2015/16 £000s
92,236	<b>Brought Forward Opening Capital Financing Requirement</b>	94,427
	<b>Capital investment</b>	
16,312	Property, Plant and Equipment	19,579
29	Investment Properties	23
69	Heritage Assets	226
2,032	Revenue Expenditure Funded from Capital under Statute	1,639
262	Long Term Debtors	21
	<b>Sources of Finance</b>	
(1,308)	Capital receipts	(1,922)
(561)	Application of Capital Receipts to Repay Borrowing	-
(7,508)	Government Grants and Other Contributions	(9,633)
	<i>Sums set aside from revenue:</i>	
(2,753)	Direct Revenue Contributions	(2,303)
(4,383)	Minimum Revenue Position (MRP)	(4,457)
<u>94,427</u>	<b>Closing Capital Financing Requirement</b>	<u>97,600</u>
	<b>Explanation of movements in year</b>	
(561)	Application of Capital Receipts to Repay Borrowing	-
185	Assets acquired under Finance Lease	353
-	Increase in borrowing supported by government financial assistance	9
6,950	Increase in borrowing unsupported by government financial assistance	7,268
(4,383)	Minimum Revenue Provision (MRP)	(4,457)
<u>2,191</u>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<u>3,173</u>

## SECTION 3 : Statement of Accounts

### Note 37: 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 2015			31 March 2016	
Long Term £000s	Current £000s		Long Term £000s	Current £000s
		<b>Investments</b>		
-	55,323	Loans and receivables - Principal Amount	-	54,972
-	12,930	Liquidity Accounts included in Cash Equivalents	-	6,166
<hr/>			<hr/>	
-	68,253	Loans and receivables at Amortised Cost	-	61,138
197	-	Available-for-sale financial assets *	197	-
<hr/>			<hr/>	
197	68,253	<b>Total Investments</b>	<b>197</b>	<b>61,138</b>
<hr/>			<hr/>	

\* Includes Tees Valley Airport Shares which are valued at zero in 2015/16 (zero in 2014/15).

The carrying value of the Council's investment with Durham Tees Valley Airport (Note 18) has been determined from the Council's 1.08% shareholding and the net worth of the company as per the latest audited accounts.

		<b>Debtors</b>		
-	7,073	Loans and receivables (Trade Debtors and General and Other Debtors)	-	7,260
<hr/>		<b>Total debtors</b>	<hr/>	
-	7,073		-	<b>7,260</b>
<hr/>			<hr/>	

		<b>Borrowings</b>		
80,019	4,448	Financial liabilities at amortised cost **	83,497	4,768
<hr/>		<b>Total Borrowings</b>	<hr/>	
80,019	4,448		<b>83,497</b>	<b>4,768</b>
<hr/>			<hr/>	

\*\*As required accrued interest relating to long term borrowing is disclosed within the short term borrowing figure on the balance sheet.

		<b>Other Long Term Liabilities</b>		
178	-	Finance lease liabilities	414	-
<hr/>		<b>Total Other Long Term Liabilities</b>	<hr/>	
178	-		<b>414</b>	-
<hr/>			<hr/>	

		<b>Creditors</b>		
-	7,369	Financial liabilities carried at contract amount (Trade Creditors and General and Other Creditors)	-	6,869
<hr/>		<b>Total Creditors</b>	<hr/>	
-	7,369		-	<b>6,869</b>
<hr/>			<hr/>	

## SECTION 3 : Statement of Accounts

### Note 37: 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. During 2015/16 there were no reclassifications or derecognitions of Financial Instruments.

	2015/16				
	Financial Liabilities measured at amortised cost	Finance Lease Payments	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total
	£000s	£000s	£000s	£000s	£000s
Interest expense	3,014	12	-	-	<b>3,026</b>
Interest income	-	-	(354)	-	<b>(354)</b>
(Gain) / Loss on revaluation	-	-	-	-	-
<b>Net (gain)/loss for the year</b>	<b>3,014</b>	<b>12</b>	<b>(354)</b>	-	<b>2,672</b>

	2014/15				
	Financial Liabilities measured at amortised cost	Finance Lease Payments	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total
	£000s	£000s	£000s	£000s	£000s
Interest expense	2,368	3	-	-	<b>2,371</b>
Interest income	-	-	(339)	-	<b>(339)</b>
(Gain) / Loss on revaluation	-	-	-	26	<b>26</b>
<b>Net (gain)/loss for the year</b>	<b>2,368</b>	<b>3</b>	<b>(339)</b>	<b>26</b>	<b>2,058</b>

## SECTION 3 : Statement of Accounts

### Note 37: 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 fair value is required and is set out below.

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

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

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

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

The fair values are calculated as follows:

31 March 2015			31 March 2016	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000s	£000s		£000s	£000s
<b>Financial Liabilities</b>				
45,383	73,194	Market Loans	45,388	76,530
37,521	44,899	Public Works Loan Board	41,314	51,024
1,563	1,563	Non-Market Loans*	1,563	1,549
7,369	7,369	Trade Creditors and General and Other Creditors	6,869	6,869
178	178	Long Term Finance Lease Liability	414	414
<u>92,014</u>	<u>127,203</u>		<u>95,548</u>	<u>136,386</u>
<b>Financial Assets</b>				
68,253	68,253	Money market loans < 1 year	61,138	61,138
7,073	7,073	Short term debtors	7,260	7,260
<u>75,326</u>	<u>75,326</u>		<u>68,398</u>	<u>68,398</u>

\* The non-market loan relates to a 0% loan from Tees Valley Unlimited to purchase Jackson's Landing. It is envisaged that this loan will be repaid from the sale proceeds from the redevelopment of this site. To manage the potential risk that this redevelopment is not complete before the loan repayment date, the Council has earmarked one-off resources of £1.293m at 31 March, 2016.

**Note 37: Financial Instruments**

The fair value of Public Works Loan Board (PWLB) loans of £51.024m 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 0.80% 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 £41.314m would be valued at £45.191m. If the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans would be the outstanding loan debt and accrued interest of £41.314m plus a penalty charge of £9.710m totalling £51.024m.

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional loss (based on economic conditions at 31 March, 2016) arising from a commitment to pay interest to lenders above current market rates.

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

**The Fair Values of Financial Assets and Financial Liabilities Measured at Fair Value**

Some of the authority's financial assets are measured in the balance sheet at fair value on a recurring basis and are described in the following table, including 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	
			30 March 2015	31 March 2016
			£000s	£000s
Available for sale -Level 3 Equity shareholdings in Durham Tees Valley Ltd		Based on company's net worth (see below)	-	-
Available for sale -Level 3 Equity shareholdings in SITA Tees Valley Ltd		Face value (see below)	197	197
			<u>197</u>	<u>197</u>

**Equity shareholdings in Durham Tees Valley Airport Ltd**

The Authority's shareholding in Durham Tees Valley Airport Ltd - the shares in this company are not traded in an active market and the fair value has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on an analysis of the assets and liabilities in the company's latest audited accounts, as the company has a negative net worth as a result of an operating loss incurred during recent financial years, the year end fair value is deemed to be zero.

**Equity shareholdings in SITA Tees Valley Ltd**

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

**Changes in Valuation Technique**

There has been no change in the valuation technique used during the year for the financial instruments. There has been no transfer between Levels 1, 2 and 3 during the year.

### Note 38: Nature and Extent of Risks Arising from Financial Instruments

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

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 5 February, 2015 and is available on the Council website. The key issues within the strategy were:

- the Authorised Limit for the 2015/16 was set at £125m (£125m in 2014/15). This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £115m (£115m in 2014/15). 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 £115m and £70m respectively (£115m and £60m respectively in 2014/15).
- the maximum amount of gross variable interest rate exposure for borrowing and investments was set at £85m and £35m respectively (£85m and £30m respectively in 2014/15).

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

**Note 38: Nature and Extent of Risks Arising from Financial Instruments**

**Credit Risk**

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

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

The Investment Strategy for 2015/16 was approved by Full Council on the 5th February, 2015 and is available on the Council's website.

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.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £19.165m 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 the 31 March, 2016 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.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last three financial years, adjusted to reflect current market conditions.

Estimated maximum exposure at 31 March 2015		Amount at 31 March 2016	Historical experience of default	Adjustment for market conditions at 31 March 2016	Estimated maximum exposure to default at 31 March 2016
£000s		£000s	%	%	£000s
685	Trade Debtors and General and Other Debtors	7,260	19.35%	0.00%	1,405
<u>685</u>					<u><b>1,405</b></u>

The historical experience of default is calculated with reference to the outstanding debt balance, rather than as a percentage of income generated in the year.

**Note 38: Nature and Extent of Risks Arising from Financial Instruments**

The Council does not generally allow credit for customers, such that £1.399m of the £7.260m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31 March 2015 £000s		<b>31 March 2016 £000s</b>
551	Less than three months	600
286	Three to six months	112
185	Six months to one year	89
487	More than one year	598
<u>1,509</u>		<u><b>1,399</b></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 happens, 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 £115m, equal to the operational boundary.

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

31 March 2015 £000s		<b>31 March 2016 £000s</b>
4,112	Less than one year	2,720
9,842	Between one and five years	12,954
6,243	Between five and ten years	5,463
2,066	Between ten and fifteen years	3,597
1,735	Between fifteen and twenty years	3,406
1,784	Between twenty and twenty-five years	1,940
1,964	Between twenty-five and thirty years	2,054
2,350	Between thirty and thirty-five years	2,458
6,185	Between thirty-five and forty years	5,844
2,395	Between forty and forty-five years	2,460
45,455	More than forty-five years	45,298
<u>84,131</u>		<u><b>88,194</b></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.

**Note 38: 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 (£45m) 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 Chief Finance Officer is that limits on fixed and variable rates of borrowings are unhelpful and could lead to unnecessary higher cost of borrowing. 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, 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£000s</b>
Increase in interest payable on borrowings	883
Increase in interest receivable on variable rate investments	(611)
Impact on Surplus or Deficit on the Provision of Services	<b>272</b>
	<b>£000s</b>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Comprehensive Income and Expenditure Statement)	<b>(24,962)</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 Durham Tees Valley Airport Limited and SITA Tees Valley Limited. These shares are all classified as Available for Sale, meaning that all movements in price will impact on gains and losses recognised in the Available for Sale 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 39: Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2014/15 £000s		2015/16 £000s
321	Interest Received	315
(2,250)	Interest Paid	(2,978)

### Note 40: 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:

2014/15 £000s		2015/16 £000s
9,228	Depreciation	10,256
5,084	Impairment and Downward Valuations	5,072
(97)	Downward / (Upward) Valuation of Investment Property	(1,316)
(1,439)	Increase / (Decrease) in Provisions	1,628
(1,100)	Increase / (Decrease) in Creditors	35,465
(1,773)	(Increase) / Decrease in Debtors	(20,544)
31	(Increase) / Decrease in Inventories	265
5,604	Pension Liability	7,079
11,937	Carrying amount of Non-Current Assets Sold	1,714
-	Other non-cash movements	(63)
27,475		<b>39,556</b>

### Note 41: 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:

2014/15 £000s		2015/16 £000s
(7,470)	Capital Grants credited to surplus or deficit on the provision of services	(9,402)
(2,934)	Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(1,200)
(10,404)		<b>(10,602)</b>

### Note 42: Cash Flow Statement - Investing Activities

2014/15 £000s		2015/16 £000s
(17,561)	Purchase of Property, Plant and Equipment and Investment Property	(19,188)
(27,940)	Purchase of Short-term and Long-term Investments	-
(355)	Other Payments for Investing Activities	(31)
2,934	Proceeds from the sale of property, plant and equipment, investment property	841
-	Proceeds from the sale of Short-term and Long-term Investments	390
4,557	Other Receipts from Investing Activities	11,319
(38,365)	<b>Net cash flows from investing activities</b>	<b>(6,669)</b>

## SECTION 3 : Statement of Accounts

### Note 43: Cash Flow Statement - Financing Activities

2014/15 £000s		2015/16 £000s
29,522	Cash receipts of short-term and long-term borrowing	6,080
1,026	Council Tax and NNDR adjustment	(22,138)
(11)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(52)
(129)	Repayments of short and long-term borrowing	(2,318)
<u>30,408</u>	<b>Net cash flows from financing activities</b>	<u><b>(18,428)</b></u>

### Note 44: Pensions Schemes Accounted for as Defined Contribution Schemes

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

This is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating employers' contribution rate paid by local authorities. The last valuation was completed as at 31 March, 2012.

The scheme has in excess of 3,700 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 2016, the Council's own contributions equate to approximately 0.05%.

The Council's contribution to the Teacher's Pension Scheme in 2015/16 amounted to £2.859m (£3.170m in 2014/15) which represented 16.48% of pensionable pay from 1 September, 2015 (14.1% up to 31 August, 2015). 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 £3m.

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, 2012 and determined current contribution rates for employers and scheme members. The scheme has in excess of 9,000 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, 2016 the Council's own contributions equate to approximately 0.0005%.

The Council's contribution to the NHS Pension Scheme in 2015/16 amounted to £0.052m (£0.034m in 2014/2015) which represented 14.3% of pensionable pay (14.0% in 2014/2015). 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 £0.053m.

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.

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

## SECTION 3 : Statement of Accounts

### Note 45: 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 (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

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

#### Transactions Relating to Post-employment Benefits

We 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 we are 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 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	
	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s
<b>Comprehensive Income and Expenditure Statement</b>						
Cost of Services:						
- Current Service cost	9,338	10,696	-	-	9,338	10,696
- Past Service Costs (inc. curtailments)	315	192	-	-	315	192
Financing and Investment Income and Expenditure:						
_ Net Interest Expense	3,171	3,365	564	421	3,735	3,786
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	12,824	14,253	564	421	13,388	14,674
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)	(17,494)	19,605	-	-	(17,494)	19,605
_ Actuarial (gains) and losses arising from changes in financial assumptions	45,376	(18,858)	561	(222)	45,937	(19,080)
_ Actuarial (gains) and losses arising from changes in demographic assumptions	-	-	-	-	-	-
_ Actuarial (gains) and losses owing to liability experience	(2,512)	(4,202)	(155)	(232)	(2,667)	(4,434)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	38,194	<b>10,798</b>	970	<b>(33)</b>	39,164	<b>10,765</b>

## SECTION 3 : Statement of Accounts

### Note 45: Defined Benefit Pension Schemes

#### Movement in Reserves Statement

Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(12,824)	14,253	(564)	421	(13,388)	14,674
---	----------	--------	-------	-----	----------	--------

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

- Employers' contribution payable to scheme	6,863	<b>6,679</b>			6,863	<b>6,679</b>
- Retirement Benefits payable to pensioners			921	<b>916</b>	921	<b>916</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	
	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s
Fair value of plan assets	380,002	366,979	-	-	380,002	366,979
Present value of the defined benefit obligation	(488,479)	(479,575)	(13,620)	(12,671)	(502,099)	(492,246)
<b>Net liability arising from defined benefit obligation</b>	<b>(108,477)</b>	<b>(112,596)</b>	<b>(13,620)</b>	<b>(12,671)</b>	<b>(122,097)</b>	<b>(125,267)</b>

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s
Opening fair value of assets	(352,593)	(380,002)	-	-	(352,593)	(380,002)
Interest Income on assets	(15,056)	(12,076)	-	-	(15,056)	(12,076)
Remeasurement gains/(losses):						
- Return on plan assets (excl amount in net interest)	(17,494)	19,605	-	-	(17,494)	19,605
Contributions by the employer	(6,863)	(6,679)	(921)	(916)	(7,784)	(7,595)
Contributions by participants	(2,966)	(2,936)	-	-	(2,966)	(2,936)
Net benefits paid out	14,970	15,109	921	916	15,891	16,025
<b>Closing fair value of assets</b>	<b>(380,002)</b>	<b>(366,979)</b>	<b>-</b>	<b>-</b>	<b>(380,002)</b>	<b>(366,979)</b>

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s
Opening balance at 1 April	(429,739)	(488,479)	(13,571)	(13,620)	(443,310)	(502,099)
Current Service Cost	(9,338)	(10,696)	-	-	(9,338)	(10,696)
Interest Cost	(18,227)	(15,441)	(564)	(421)	(18,791)	(15,862)
Contributions from scheme participants	(2,966)	(2,936)	-	-	(2,966)	(2,936)
Remeasurement gains/(losses):						
- Actuarial gains and (losses) on liabilities - financial assumptions	(45,376)	18,858	(561)	222	(45,937)	19,080
- Actuarial gains and (losses) on liabilities - demographic assumptions	-	-	-	-	-	-
- Actuarial gains and (losses) on liabilities - experience	2,512	4,202	155	232	2,667	4,434
Past Service Costs (inc. curtailments)	(315)	(192)	-	-	(315)	(192)
Benefits paid	14,970	15,109	921	916	15,891	16,025
<b>Closing present value of assets</b>	<b>(488,479)</b>	<b>(479,575)</b>	<b>(13,620)</b>	<b>(12,671)</b>	<b>(502,099)</b>	<b>(492,246)</b>

## SECTION 3 : Statement of Accounts

### Note 45: Defined Benefit Pension Schemes

#### Local Government Pension Scheme Assets

The Local Government Pension Scheme's assets comprised:

	2014/15 £'000	Quoted 2015/16 £'000	Unquoted 2015/16 £'000	2015/16 £000s
Equity investments	319,202	309,730	1,835	311,565
Property	24,320	3,303	22,385	25,688
Government Bonds	6,460	5,138	-	5,138
Corporate Bonds	12,920	5,872	-	5,872
Cash	9,500	18,716	-	18,716
Other Investments	7,600	-	-	-
	<b>380,002</b>	<b>342,759</b>	<b>24,220</b>	<b>366,979</b>

#### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March, 2013.

Principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2014/15	2015/16	2014/15	2015/16
Long-term expected rate of return on assets in the scheme:				
Equities	3.2%	<b>3.4%</b>	-	-
Property	3.2%	<b>3.4%</b>	-	-
Government Bonds	3.2%	<b>3.4%</b>	-	-
Corporate Bonds	3.2%	<b>3.4%</b>	-	-
Cash	3.2%	<b>3.4%</b>	-	-
Other	3.2%	<b>3.4%</b>	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	23.0	<b>23.1</b>	23.0	<b>23.1</b>
Women	25.5	<b>25.6</b>	25.5	<b>25.6</b>
Longevity at 65 for future pensioners:				
Men	25.2	<b>25.3</b>	-	-
Women	27.8	<b>28</b>	-	-
Other assumptions:				
Rate of inflation - RPI	2.9%	<b>2.9%</b>	2.9%	<b>2.9%</b>
Rate of inflation - CPI	1.8%	<b>1.8%</b>	1.8%	<b>1.8%</b>
Rate of general increase in salaries	3.3%	<b>3.3%</b>	-	-
Rate of increase in pensions - deferred and pensions in payment	1.8%	<b>1.8%</b>	1.8%	<b>1.8%</b>
Rate for discounting scheme liabilities	3.2%	<b>3.4%</b>	3.2%	<b>3.4%</b>

**Note 45: Defined Benefit Pension Schemes**
**Sensitivity Analysis**

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

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	Decrease in Assumption
	£000s	£000s
Adjustment to Discount rate (+/- 0.1%)	8,974	9,146
Adjustment to Salary increase rate (+/- 0.1%)	2,140	2,119
Adjustment to Pension increase rate (+/- 0.1%)	6,984	6,876
Adjustment to Longevity (decrease/increase 1 year)	12,284	12,307

**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 101%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March, 2016.

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 £7.620m contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 18.9 years in 2015/16 (18.8 years in 2014/15).

### Note 46: 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.

In 2015/16 the contingent liabilities are as follows:

- 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.
- A guarantee given to the Teesside Pension Scheme for the staff transferred to Housing Hartlepool in 2004 in the event that Housing Hartlepool had financial difficulties. This liability reduces each year.
- 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.
- A group of Property Search Companies were seeking refunds of fees paid to the Council to access land charges data. The parties involved have resolved the matter to their mutual satisfaction. The Council has a provision for the repayment see Note 25. It is anticipated that the Government will provide a contribution to the sums paid by the Council.
- The National Museum of the Royal Navy Trading has leased the Hartlepool Maritime Experience for a period of 35 years and has taken over the running of the site. Members of staff have been transferred under TUPE arrangement. The Council has indemnified against all losses incurred by the National Museum of the Royal Navy Trading in any failure by the Council to comply with its obligations. Any liabilities, costs or contributions arising under the Pension Scheme have also been indemnified. The pension liability reduces each year.

## SECTION 3 : Statement of Accounts

### Note 47: Pooled Budgets

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

In 2015/16 the Council entered into a pooled budget arrangement with NHS Hartlepool and Stockton Clinical Commissioning Group for the provision of services in accordance with the requirements of the Better Care Fund.

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

The Hartlepool BCF Plan will contribute to the delivery of:

- Reduced non-elective admissions;
- Reduced admissions of older people into residential care;
- Increased proportion of older people still at home 91 days after discharge from hospital into reablement/rehabilitation services;
- Reduced delayed transfers of care from hospital;
- Increase in the estimated diagnosis rate for dementia; and,
- Improved patient experience of services.

As 2015/16 is the first year the Council entered into a pooled budget arrangement, there are no prior year comparatives in the table below.

	<b>2015/16</b> <b>£000s</b>
<b>Revenue Funding provided to the Pooled Budget:</b>	
Hartlepool Borough Council	-
NHS Hartlepool and Stockton Clinical Commissioning Group	(6,651)
	<b>(6,651)</b>
<b>Expenditure met from the Pooled Budget:</b>	
Hartlepool Borough Council	5,916
NHS Hartlepool and Stockton Clinical Commissioning Group	735
	<b>6,651</b>
<b>Net Surplus arising on the Pooled Budget during the year</b>	<b>-</b>
	<b>2015/16</b> <b>£000s</b>
<b>Capital Funding provided to the Pooled Budget:</b>	
Hartlepool Borough Council	(825)
NHS Hartlepool and Stockton Clinical Commissioning Group	-
	<b>(825)</b>
<b>Expenditure met from the Pooled Budget:</b>	
Hartlepool Borough Council	499
NHS Hartlepool and Stockton Clinical Commissioning Group	-
	<b>499</b>
<b>Net Surplus arising on the Pooled Budget during the year</b>	<b>(326)</b>

The capital balance remaining relates to the Disabled Facilities Grant and has been fully committed in 2016/17 to fund additional commitments within this area.

## 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.

2014/2015 £000		2015/2016 £000	Notes
	<b>INCOME</b>		
	<b>Council Tax :</b>		
(38,435)	Billed to tax payers	(39,152)	
(38,435)		(39,152)	1
	<b>Non Domestic Rates :</b>		
(32,796)	Income Collectable from Business Ratepayers	(27,872)	2
(7,998)	Transitional Protection Payment	35,870	
(104)	Deferral Scheme	-	
(40,898)		7,998	
(79,333)		(31,154)	
	<b>TOTAL INCOME</b>		
	<b>EXPENDITURE</b>		
	<b>Council Tax :</b>		
31,092	Precepts Hartlepool Borough Council	31,659	
4,429	Police & Crime Commissioner	4,599	
1,512	Cleveland Fire Authority	1,569	
595	Increased Provision for Non-Payment of Council Tax	192	
37,628		38,019	
	<b>Non Domestic Rates :</b>		
	Payment of Non Domestic Rates to Preceptors		
19,095	Hartlepool Borough Council	19,229	
390	Cleveland Fire Authority	392	
19,412	Payment of Non Domestic Rates to Central Government	19,536	
125	Cost of Collection Allowance	125	
147	Increased Provision for Non-Payment of NNDR	204	
(2,576)	Provision for Non Domestic Rating Appeals	3,355	
73	Enterprise Zone Relief	86	
36,666		42,927	
	<b>Contributions for previous years estimated</b>		
	<b>Collection Fund Surplus/(Deficit) - Council Tax</b>		
399	Hartlepool Borough Council	652	
56	Police & Crime Commissioner	93	
19	Cleveland Fire Authority	32	
474		777	
	<b>Contributions for previous years estimated</b>		
	<b>Collection Fund Surplus/(Deficit) - Non-Domestic Rates:</b>		
117	Hartlepool Borough Council	(362)	
2	Cleveland Fire Authority	(7)	
119	Central Government	(369)	
238		(738)	
75,006		80,985	
(4,327)		49,831	
	<b>NET TOTAL</b>		
	<b>Movement on Fund Balances</b>		
	<b>Council Tax:</b>		
(333)	(Surplus)/Deficit for the year	(356)	
(464)	(Surplus)/Deficit brought forward	(797)	
(797)	(Surplus)/Deficit carried forward	(1,153)	
	<b>Non Domestic Rates:</b>		
(3,994)	(Surplus)/Deficit for the year	50,187	
252	(Surplus)/Deficit brought forward	(3,742)	
(3,742)	(Surplus)/Deficit carried forward	46,445	

## 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 Comprehensive Income and Expenditure Statement. It is also used to finance Hartlepool's share of the Police & Crime Commissioner's and Fire Authority's 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 and the Police and Fire Authorities, and 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 33,368 Band D equivalents in 2015/16 (33,207 for 2014/15) and the basic amount of Council Tax for a Band D property was £1,695.32 (£1,689.99 in 2014/15).

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	24,015	16,010	945.80	137.51	46.91	1,130.22	27,142
B	7/9	7,098	5,521	1,103.43	160.42	54.72	1,318.57	9,359
C	8/9	5,870	5,218	1,261.07	183.34	62.54	1,506.95	8,846
D	9/9	3,049	3,049	1,418.70	206.26	70.36	1,695.32	5,169
E	11/9	1,536	1,877	1,733.97	252.10	86.00	2,072.07	3,183
F	13/9	600	867	2,049.23	297.93	101.63	2,448.79	1,469
G	15/9	426	710	2,364.50	343.77	117.27	2,825.54	1,204
H	18/9	58	116	2,837.40	412.52	140.72	3,390.64	197
<b>TOTALS</b>		<b>42,652</b>	<b>33,368</b>					<b>56,569</b>

The income of £39.152m for 2015/16 (£38.435m for 2014/15) is receivable from the following sources :

<b>2014/2015</b>		<b>2015/2016</b>
<b>£000</b>		<b>£000</b>
56,118	Opening Liability	56,569
530	Net increase/(decrease) in liability	694
(118)	Disabled Relief	(98)
(5,600)	Discounts	(5,467)
(962)	Exemptions	(1,062)
(48)	Write Offs	(84)
(11,485)	Council Tax Support Scheme	(11,400)
<b>38,435</b>		<b>39,152</b>

**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 48.0p in 2015/16 (47.1p in 2014/15), and; the Non Domestic Rate Multiplier, which was 49.3p in 2015/16 (48.2p in 2014/15). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The total non-domestic rateable value at the year end was £80.549m.

The owners of the Power Station appealed against its 2010 rateable value and made a further appeal linked to reduced power generating capacity. These appeals were settled in 2015/16 and have significantly impacted on the rates payable by the Power Station, a reduction of 48%. The NNDR income collectable from Ratepayers including the impact of the Power Station appeal is shown below.

<b>2014/2015</b>		<b>2015/2016</b>		
		<b>Rates Payable prior to Power Station Appeal</b>	<b>Impact of Power Station Appeal</b>	<b>Rates Payable after impact of Power Station Appeal</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
46,636	Gross Rates payable	46,734	(48,938)	(2,204)
(5,768)	Mandatory Reliefs	(5,720)	0	(5,720)
(7,998)	Transitional Relief	29	35,841	35,870
(74)	Write Offs	(74)	0	(74)
<b>32,796</b>		<b>40,969</b>	<b>(13,097)</b>	<b>27,872</b>

## SECTION 3 : Statement of Accounts

### MEMORANDUM NOTES - TRUST FUNDS

During 2015/16 the Council acted as trustee for eleven Educational Trust Funds that were inherited from Cleveland County Council. Only two of these are active and are used to provide funds for the following purposes:

- Music awards; and
- Pursuit of Education awards.

The Council also acts as a trustee of the Doughty Fund that was set up following a bequest from Colonel Henry Doughty. This is available to support any charitable objects within the Hartlepool area.

All of the Trust Funds administered by the Council fall below the threshold set by the Charities Act 1996 and therefore no longer require an Audit Certificate.

The balances held by the Council on behalf of various Trust Funds are as follows: -

	<b>Balance at 1st April 2015 £000</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Balance at 31st March 2016 £000</b>
Preston Simpson & Sterndale Scholarship in Music	80	9	7	82
Doughty Fund	5	-	-	5
Education Trust Funds	121	9	1	129
	<b>206</b>	<b>18</b>	<b>8</b>	<b>216</b>

The Preston Simpson & Sterndale Scholarship in Music Fund consisted of a cash investment of £81,635 with Hartlepool Borough Council as at 31 March, 2016. The Trust also held two separate external investments valued respectively at £108,129 as at 5 April, 2016 (£114,698 as at 5 April, 2015) and £17,904 as at 31 March, 2016 (£18,674 as at 31 March, 2015).

External investments for the above Trust Funds are not shown in the Council's Accounts.

As at 31 March, 2016, the Doughty Fund consisted wholly of a cash balance investment with the Council.

## 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, 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 Framework Delivering Good Governance in Local Government. A copy of the code is on our website at [www.Hartlepool.gov.uk](http://www.Hartlepool.gov.uk) or can be obtained from the Councils Contact Centre. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, Part 2 6(1), which requires all relevant bodies to prepare an annual governance statement.

### **The Purpose of the Governance Framework**

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically. The governance framework has been in place at the Council for the year ended 31 March, 2016 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 Chief Finance Officer and the Assistant Chief Executive. As part of the process regular updates have been given to the Performance and Risk Management Officer Group and the Corporate Management Team (CMT).

### **Significant Governance Issues Update from 2014/15 Statement**

Progress has been made over the course of 2015/16 to actively manage and address issues identified as part of the 2014/15 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><u>Issue Raised</u></b>	<b><u>Action Undertaken</u></b>
Delivery of Medium Term Financial Strategy	Revised Savings Programme encompassing key required programme elements at a corporate and department level were developed and implemented. Strategic multi year approach to financial management has been implemented. Member's seminars and staff communication strategy in conjunction with budget monitoring and defunding budgets at decision point have been implemented. Project planning and management reporting to Finance and Policy Committee and CMT have all been implemented.
Delivery of Council Plan	The Council plan has been largely delivered and is reported to Members via Finance and Policy Committee on a quarterly basis. The plan for 2016/17 has been developed based on the priorities established and in the light of the revised MTFS and will be the subject of the same approval processes and monitoring.
Joint Working Arrangement with Health and other external partners, e.g. the Children's Hub.	Reports presented to members on 21 September, 2015 and 14 March, 2016, updating progress and outlining future development of the Children's Hub.

## 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. An officer working group supported the governance working group in developing proposals for the new constitution in line with the outcome of the Mayoral referendum. The new constitution was agreed on 6th March, 2013 with training delivered for officers and members in respect of the requirements and expectations. The Constitution has subsequently been reviewed and the outcomes reported to Council on 3 April, 2014 with a supplemental review reported to Council on 30 October, 2014. A further update was reported to Council on 26 March, 2015.

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. Induction training is arranged by Customer and Workforce Services for all staff, departments have responsibility to provide induction training specific to their departmental needs. Legal personnel participate in training events.

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 changes. 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 10 December, 2015 and referred to Council for approval on 18 February, 2016 for the financial year 2016/17. 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 DCLG 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 Chief Finance Officer reports to the Audit and Governance Committee how the Council 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.

Workforce Services 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.

A Health and Safety Policy has been approved and published and a Communication Strategy implemented to ensure general awareness.

The Council has an ongoing programme of monitoring and reviewing arrangements in place in respect of the operation of its key partnerships. A framework of reporting by exception to Corporate Management Team operates and Internal Audit provides audit coverage of partnership arrangements.

The Council reviewed and adopted their Community Strategy on 3 April, 2014 following consultation with residents and key partners. This identified a number of key priorities for Hartlepool which would be the main focus for improvement over the following 5 years. The Council's performance management arrangements are based around an Outcome Framework which has been developed over a number of years and is set out around the 8 themes of the Community Strategy plus an additional Organisational Development theme. This integration has enhanced management and political accountability. The Council produces an annual Council Plan that incorporates the strategic priorities of the 4 departments the most recent of which was agreed by Council on 17 March, 2016 for the 2016/17 financial year.

The Council's Outcome Framework is reviewed annually and agreed by Finance and Policy Committee, most recently on 14 March, 2016. Departments also complete extensive consultation with service users, forums, partners and residents. The feedback from these exercises is used to link service and departmental objectives to both the planning process for service delivery and to the corporate outcomes. In order to further embed the process of risk management, control identification and the production of the AGS into the culture and management processes at the Council, risks to meeting departmental outcomes 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 service planning, risk management and control identification which has enabled a much more focussed and joined up approach to the use of management information and the production of the AGS. Progress against the Council Plan is reported to CMT and Finance and Policy Committee on a quarterly basis.

## SECTION 4 : Annual Governance Statement

A Data Quality framework is in place with Internal Audit conducting a targeted annual review of PIs. The Council's Performance Management system (Covalent) includes information relating to departmental and officer responsibility for the collation of data, target setting and addressing performance issues. Covalent also includes action plans, risks and performance indicators enabling clearer links between corporate, departmental and service planning outcomes, actions, risks and PIs.

Key performance indicators are identified in the Council plan. These indicators are monitored throughout the year and quarterly reports are presented to Members on the delivery of performance targets.

Key policies such as the Corporate Complaints 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 IPF Better Governance Forum, the National Anti Fraud Network and also takes part in regular National Fraud Initiative reviews and the North East Fraud Forum. The Council is currently updating its Fraud and Corruption Strategy in line with CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

The Council agreed the current Risk Management Framework on 5 March, 2015. The Framework sets out the structure of the Council's risk registers and the agreed risk tolerance level which helps to prioritise risk activity. Key risks are identified within the Council Plan and changes are reported to Elected Members quarterly through the service planning process.

The Framework is 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. Regular risk introduction/refresher sessions are offered as and when individual departments/teams require them.

The Finance and Policy Committee Chair is Hartlepool Borough Councils risk 'champion'. Each department also has a risk co-ordinator. Risks and control measures relating to the Council Plan are analysed within the quarterly reports to help ensure that risk and performance reporting are linked. The Council Plan is considered as part of the preparation of the AGS.

The Council's Performance and Risk Management system (Covalent) holds the risk registers. 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 Council has a 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 yearly.

A review of the Council's Flu Pandemic Plan is being undertaken by Public Health to take into account the changes in the National Health Pandemic Flu Plan. Once this is completed the plan will be incorporated into the Corporate Business Continuity Plan.

The Corporate Business Continuity Group meets quarterly and includes lead officers from all departments and the Hartlepool Emergency Planning Officer. A Revised Business Continuity Policy and accompanying Plan has been developed to complement the existing Business Continuity Database. A rolling exercising programme is in place to test the plan focusing on two separate services per year. Work is still ongoing to identify and document formal decant arrangements for the delivery of priority services in the event of a disruption.

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

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

- Publish equalities information to demonstrate its compliance with the Equality Duty by the 31st January each year; and
- Develop and publish equality objectives by 6 April, 2012 and then every four years.

## SECTION 4 : Annual Governance Statement

In order to demonstrate our compliance with the above requirements, we have compiled two equality reports 'Equality Information 2016' and 'Workforce Equalities Information 2015' 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 both reports are regularly updated. Our latest equality objectives were agreed by Council as part of the Council Plan 2016/17 on 17 March, 2016.

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.

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.

Other review bodies external to the Council also make regular reports on efficiency, effectiveness and compliance with regulations. Ofsted has rated the Council's children's services as "performing well". Most childcare providers and schools are rated "good" or "outstanding" and none are "inadequate". The Care Quality Commission has rated the Council's adult social care as excellent and Hartlepool Connect has achieved the Customer Service Excellence standard. In their 2014/15 Annual Audit Letter, Mazars, the Council's External Auditor, issued an unqualified opinion on the financial statements and value for money conclusion at the Council.

### **Review of Effectiveness**

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

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

- Corporate Management Team agreed process for the review of the internal control environment. The risk inherent in meeting departmental objectives and the controls to mitigate those risks are recorded as part of the corporate service planning process at a departmental level. This has brought together risk management, control identification and the process for compiling the evidence needed to produce the AGS. This enables managers to provide documented evidence regarding the controls within their service units as part of the service planning process. The controls in place are designed to negate the identified and recorded risks of not achieving service, departmental or corporate objectives. In order to ensure adequate controls are in place the procedures, processes and management arrangements in place to mitigate identified risks and the officers responsible for them are also documented. Gaps in controls can be addressed as part of the regular reviews of departmental risks and control measures.
- Chief Finance Officer – The CFO carries out a review of the effectiveness of the system of internal audit and reports the findings to the Audit and Governance Committee. The CFO reports to the Audit and Governance Committee how the Council's financial arrangements conform with 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 is reviewing its procedures in line with Public Sector Internal Audit Standards (PSIAS).
  - Internal Audit reports to the Section 151 Officer and Audit and Governance Committee.
  - 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.

## SECTION 4 : Annual Governance Statement

- 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, Audit Commission, 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.

### Significant Governance Issues

The following significant governance issues have been identified:

No	Issue	Action	Timescale	Responsible Officer
1	Delivery of Medium Term Financial Strategy, the sustainability of services and level of performance.	Revised Savings Programme encompassing key required programme elements at a corporate and department level. Strategic multi year approach to financial management implemented. Member's seminars and staff communication strategy. Budget monitoring and defunding budgets at decision point process. Project planning and management reporting to Finance and Policy Committee and CMT. Enhanced financial management and reporting as identified in peer review.	2016/18	CMT
2	Delivery of Council Plan.	The development and agreement of a revised Council Plan taking into account the impact of the financial challenges facing the Council, with regular performance reporting to CMT and Members.	2017/18	CMT
3	Ensuring adequate management arrangements for non core grant funding.	The Government is increasing Council reliance on competitively secured time limited grant resources for projects requires the authority to have in place robust arrangements for managing such funding streams. Ongoing assurance of adequate systems to ensure appropriate governance. Development and agreement of strategy and plan for effective working between HBC and partners.	2016/17	CMT

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed on behalf of Hartlepool Borough Council:**

**Chief Executive**



**Chair of Audit and Governance Committee**



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

#### **Opinion on the Council Financial Statements**

We have audited the financial statements of Hartlepool Borough Council for the year ended 31 March, 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. 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 2015/16.

This report is made solely to the members of Hartlepool Borough Council in accordance with Part 5 of the Local Audit and Accountability Act 2014, and paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Hartlepool Borough Council, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Chief Finance Officer and Auditor**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer 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 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the Audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on Financial Statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Hartlepool Borough Council as at 31 March, 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

#### **Opinion on Other Matters**

In our opinion, the information given in the Narrative Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

#### **Matters on which We Report by Exception**

We report to you if;

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum; we issue a report in the public interest under section 24, schedule 7 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24, schedule 7 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

#### **Conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

##### **Respective responsibilities of the Council and the Auditor**

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

We are required under Section 20 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. The Code of Audit Practice issued by the National Audit Office, requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

##### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required to conclude whether the Council has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the National Audit Office and had regard to relevant guidance. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office, we are satisfied that, in all significant respects, Hartlepool Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March, 2016.

**Certificate**

We certify that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.



Mark Kirkham,

For and on behalf of Mazars LLP  
The Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS

Date: 23 September 2016

## **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.

### **CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

### **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.

### **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.

### **IMPAIRMENT**

A reduction in the value of Property, Plant and Equipment below its carrying amount on the Balance Sheet.

### **INFRASTRUCTURE ASSETS**

These assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

### **INTANGIBLE ASSETS**

Expenditure which may properly be capitalised, but which does not result in an asset with substance. Examples of this type of expenditure are software and other licences, patents and trademarks and artistic originals.

### **INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the period is the present value of the scheme liabilities because the benefits are one period closer to settlement.

### **INTERNATIONAL ACCOUNTING STANDARDS (IAS)**

These standards are developed by the International Accounting Standards Board and regulate the preparation and presentation of financial statements.

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

These standards are developed by the International Accounting Standards Board and regulate the preparation and presentation of financial statements. The Companies Act 1985 requires compliance with these Standards or disclosures in the notes if there are any material departures from these Standards.

### **INVENTORIES**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Inventories comprises the following categories:

- goods or other assets purchased for resale;
- consumable stores;
- raw materials and components purchased for incorporation into products for sale;
- products and services in intermediate stages of completion;
- long term contract balances; and
- finished goods.

## **SECTION 6 : Glossary of Terms**

### **INVESTMENT PROPERTIES**

Interest in land and/or buildings:

- a) in respect of which construction work and development have been completed; and
- b) which is held for its investment potential, any rental income being negotiated at arm's length.

### **INVESTMENTS (PENSIONS FUND)**

The investments of the Pensions Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of Pension Scheme assets associated with their underlying obligations.

### **LIQUID RESOURCES**

Current asset investments that are readily disposable by the Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

### **LONG TERM CONTRACTS**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long term contracts if they are sufficiently material to the activity of the period.

### **MINIMUM REVENUE PROVISION (MRP)**

The statutory minimum amount that authorities must set aside each year as provision for debt repayment based on the Capital Financing Requirement.

### **NET BOOK VALUE**

The amount at which assets are included in the Balance Sheet, that is their historical cost of current value less the cumulative amounts provided for depreciation.

### **NET CURRENT REPLACEMENT COST**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, that is the cost of its replacement or of the nearest equivalent asset adjusted to reflect the current condition of the existing asset.

### **NET DEBT**

The Authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

### **NET REALISABLE VALUE**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

### **NON-CURRENT ASSET**

Assets that yield benefits to the Authority, and the services it provides, for a period of more than one year.

### **NON-DISTRIBUTED COST**

These are overheads for which no user of the Authority benefits and should not be apportioned to services.

### **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 on 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.

اگر آپ کو اس لیفلٹ کے اردو ترجمے کی ضرورت ہے تو برائے مہربانی نیچے دئے گئے فون نمبر پر رابطہ کریں۔

আপনি এই প্রচারপত্র বাংলায় পেতে চাইলে অনুগ্রহ করে নীচের নম্বরে টেলিফোন করবেন।

如果你需要中文板的小册子, 請撥以下電話號碼.

ਜੇਕਰ ਤੁਸੀਂ ਇਸ ਪੱਤ੍ਰਿਕਾ ਦਾ ਪੰਜਾਬੀ ਵਿਚ ਤਰਜਮਾ ਚਾਹੁੰਦੇ ਹੋ ਤਾਂ ਕ੍ਰਿਪਾ ਕਰਕੇ ਹੇਠਾਂ ਦਿੱਤੇ ਟੈਲੀਫੋਨ ਨੰਬਰ ਤੇ ਫੋਨ ਕਰੋ।