Statement of Accounts 2018/19

Redcar & Cleveland Borough Council

Wildflowers on local roundabouts

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Councillor's Preface

Councillor Christopher Massey, PhD, MA, PGCE, BA (Hons) – Former Deputy Leader of the Council and Cabinet Member for Resources

I welcome you once again to Redcar and Cleveland Borough Council's Statement of Accounts. As always, our 2018/19 accounts provide a detailed summary of the Council's finances over the last year.

In 2018/19 the economic backdrop for local government continues to be challenging, with the cuts to our Revenue Support Grant continuing. The 2018/19 year marked the fifth year of the Council's Shaping Our Future project. Due to a variety of cuts to government grants passed to Redcar and Cleveland over this period, the Council has been forced to cut £83.5 million from its budgets. These reductions have led to the loss of over 1,400 staff. The Council has also utilised £19.6 million of earmarked reserves across this period, but crucially, we have continued to set a balanced budget each year.

Despite proclamations that the era of austerity is over, the cuts to local government have not abated over the last year. In relation to local government, there appears to be no sign of abatement. The 2018/19 financial year was the second year of Shaping Our Future 3, which initially required cuts of £28.148 million over the three financial years from 2017/18 to 2019/20. The 2018/19 financial year saw a realignment of the Shaping Our Future cuts. In 2018/19 we have reduced our budget by £17.944 million of which £7.059 million was originally profiled under Shaping our Future 3. The additional savings are due to a £4.059 million cut in our Revenue Support Grant and service pressures of £6.526 million.

The Council has continued to be faced with increased pressures in children's services, waste disposal, libraries and educational services. It has been particularly challenging in children's services. The Children and Families directorate overspent by £4.938 million and although this was mitigated by savings in other directorates, it obviously showcases the huge challenges facing the Council in the Children and Families portfolio moving forward.

Due to the continued cuts to our government supported grants on top of continued revenue pressures from increased demands on our services, Redcar and Cleveland Borough Council took the necessary decision to accept the Government's Adult Social Care Levy of 2% on Council Tax, in lieu of any permanent funding from the Government in this area of increasing demand. In addition, the Council also took the decision for 2018/19 to increase the Council Tax by 1.99%, after a similar increase in 2017/18 and a Council Tax freeze in 2016/17. These small rises have been the lowest in the Tees Valley over the last three years.

The funding formula used by central government continues to greatly disadvantage Redcar and Cleveland Borough Council, and similar councils. If our Council was to be apportioned the same Core Spending Power per dwelling as the England average at £1,874.33 (Redcar & Cleveland average is £1,781.32) then our overall resources would be £5.950 million higher. We continue to make representations to Government about the challenges the Fair Funding Review presents to the Council.

Despite these financial challenges, through our Capital Programme we have continued to prioritise the regeneration of our Borough. The 2018/19 programme spent £19.996 million to improve our area. Principally, the Council continued with its Town Centre Investment Initiative, which began in the 2017/18 financial year and will see £8 million spent across the Borough's major town centres, industrial estates and public realm. This £8 million forms part of a wider £150 million growth strategy. On top of this the 2018/19 financial year saw the announcement of the £20 million Revitalising Redcar and £10 million Indigenous Growth Schemes, with funding secured from the Tees Valley Combined Authority. The £20 million pot will see investments made into the Redcar leisure offer as well as a range of other substantial investments. The Indigenous Growth Fund will see £10 million invested across the Borough alongside our own Capital Programme.

As always, I would like to take this opportunity to thank all our staff who work across the Council whose hard work contributes so much to the services we deliver. I would like to thank the financial services staff at the Council for their careful administration of the Council's resources during the last financial year. Working in partnership with all staff at the Council, our leadership team can make informed decisions to ensure that the high-quality services which our residents, businesses and visitors both deserve and expect are delivered across Redcar and Cleveland. Through these decisions, we can play a leading role in improving the economy, appearance and vitality of our Borough.

Chief Finance Officer's Statement

John Sampson BA (Hons), PG Dip, PG D, Adv Dip, FCCA – Corporate Director for Resources and Chief Finance Officer

Delivering a balanced outturn position for the 2018/19 financial year has been a challenge, but we have achieved it. The original Council budget had an injection of £6.526 million, when it was approved and set in March 2018. However, during the financial year, a further £5.160 million has been provided from reserves to address an increase in service demand, predominately within our Children & Families Directorate. The 2019/20 approved budget has therefore now catered for this additional funding requirement on an ongoing basis.

The Council's strategic approach to budget reductions has been through its cross cutting Shaping Our Future programme, which has helped the Council to manage this very difficult and continuing reduced funding versus increased service demand challenge. The Shaping our Future approach has enabled us to strike a very important balance, between making the most significant cuts we have ever known, delivering key priorities for the Borough's communities, and investing in sustainable growth. We have thus reduced the 2018/19 resources by £7.059 million through this programme.

Finally, I would like to take this opportunity to thank all our staff who have worked throughout the year to enable the Council to deliver a balanced outturn position and the professional way in which the formal closure of the 2018/19 accounts has been undertaken, ensuring quality remains uppermost. This continued robustness in our financial management framework, enables us to look forward with confidence and to deliver quality services that residents, visitors and businesses have every right to expect.

Our Flourishing Future

Our Flourishing Future is Redcar & Cleveland's corporate plan, which is the product of real engagement with staff and elected Members and includes the vision and values for the Council. It reflects our optimism for the future as well as underpinning organisational culture and the way we act as a Council. These values have underpinned the Council's performance during 2018/19 and the use of our resources.

The plan includes ambitious priorities, through which the Council along with the community and partners will create a flourishing future for local people.

These are:

- Strong and confident communities
- Prosperity for all
- A brighter future for our children
- Longer and healthier lives
- Attractive and vibrant places
- Good connections
- Clean and safe environment
- Enriching lives through culture and sport
- Improving the way we work

Council Performance

There have been many challenges facing local government over the last year but we have been monitoring our key achievements relating to each of the priorities in our Corporate Plan, 'Our Flourishing Future'. We have also reflected upon the progress we are making against a basket of key performance measures in relation to the health of the Borough. These measures are not wholly in the control of the Council but are an important part of the future prosperity of the Borough and should be considered.

- **Population** – The population of the Borough has started to grow, after many years of decline. However, the decline in the working age population coupled with a rising 65+ population has implications for the Borough, and our ambitions for growth will need to attract working age people and their families

- **Recovery from the closure of several large employers** - We are still feeling the effect of the loss of highly paid jobs at SSI, Boulby and elsewhere in recent years, with measures such as Gross Weekly Pay, Gross Value Added and People Economically Active all being low relative to the North East and nationally. This highlights the importance of our work investing in the Borough and at the South Tees site to further improve investment and growth for the Borough.

- **Unemployment -** Unemployment levels are low, but it is clear that many people are in lower paid jobs and part-time employment.

- **Child Poverty and Young Peoples Future Health -** Child poverty remains a major problem with around 25% of all under 20s living in poverty. The future health prospects of some young people are a concern as obesity rates are not improving, and it is a worsening picture as a child ages. The percentage of young people with obesity doubles from age 4/5 to age 10/11, although this is in line with national trends.

- **North East and National Comparators -** When we compare ourselves with the rest of the North East, it is a mixed picture. We compare well on primary education, crime rate and recycling rates. For many economic measures, and secondary school performance, we compare poorly. It should be noted that our position of having the highest carbon emissions, is about the Borough's emissions (not the Council's), reflecting the amount of energy hungry industry in the Borough.

Our Achievements

By working together with local communities, Members, officers and partners we have delivered a range of key achievements for the benefit of our Borough, communities and business:

Strong and confident communities - The Council has shown its support for the national Plastic Free Coastlines Campaign initiated by Surfers Against Sewage and supported locally by Keeping It Clean at Saltburn, Marske Litter Action and Friends of Redcar (FRED). From 1st September 2018, several single-use plastic products were removed from the Council's procurement catalogue.

We extended the South Bank Selective Licensing scheme to further improve the standard of private sector tenancies in the town, which saw a 29% reduction in the number of empty properties, a 7% reduction in anti-social behaviour, a 36% reduction in criminal offences, and a 52% fall in the number of acts of criminal damage.

The Mighty Redcar – the documentary, supported by the Council, aired in September 2018 and showcased the inspirational stories of young people from the area. Their passion to make something of their lives came across strongly, representing the spirit of our Borough.

Our new Empowering Communities Team worked with residents to deliver several initiatives, including the 'You Decide' participatory budget project, Feel Good Loftus which encourages better health and community events and festivals across the Borough. The team have secured £1 million external funding for several community groups and charities in the area.

Our Transformation Challenge Team continues to transform the lives of individuals with complex needs. November 2018 marked the team's third year anniversary having worked intensively with over 660 individuals. In addition to achieving significantly improved outcomes for people and supporting them to lead more fulfilling lives, the team reviewed the benefits provided for 160 closed cases and demonstrated an estimated £3.9 million savings across agencies.

Council Performance

The Council is striving to reduce poverty and did host a debt summit in November 2018. We brought together agencies from the public, private, voluntary and community sectors to pool their expertise and service offers. A new signposting service was circulated with Council Tax bills setting out how and where people can get advice and support on money and debt management, energy and utility bills, benefits entitlements, affordable loans, and banking and savings. We also scaled up our money advice offer by increasing our welfare rights capacity which helped us provide the Universal Credit Christmas period support, personal budgeting, and an increase in benefits received by families in the Borough. In the autumn, Moneywise Credit Union was announced as the operator of the South Tees Community Bank. Thanks to £0.465 million in support from the SSI Task Force, branches of the community bank offering a real alternative to high cost lenders, will open in Redcar and Middlesbrough in the spring.

2018/19 was a year of celebration for women from across Redcar and Cleveland. As well as the now annual Inspiring Women Awards in June which recognised the outstanding achievements of women from across the Borough, a range of activities took place to mark the centenary year of women being given the vote.

The 100th anniversary of the end of World War One was in 2018. Redcar and Cleveland hosted events including Armed Forces Day in June, Remembrance Sunday and, Redcar Beach was used to host one of Danny Boyle's Pages of the Sea.

The year has really seen the Redcar and Cleveland Ambassador programme take shape. Over 260 individuals and organisations have put their name forward to be ambassadors for Redcar and Cleveland, encouraging people to live, visit and invest in the area.

We welcome new people to live in Redcar & Cleveland. We are proud to have supported 42 families in the Borough through Government resettlement programmes for refugees. We have tailored support for families helping them integrate into the community. We have also welcomed more than 70 asylum seekers as part of the Home Office dispersal programme.

Prosperity for all - The SSI Task Force completed its second year of operation and support for people affected by the closure of the Redcar plant. Almost 2,000 new jobs were created, all 51 former SSI Apprentices were found training or employment, more than 340 new businesses have started and 23,700 training course places provided for affected workers.

The Council is part of the South Tees Development Corporation (STDC) and in January 2019 the purchase of 1,420 acres of land at the former SSI site was announced. Having investors in place was a massive step forward in delivering the vision to bring 20,000 jobs to the site.

Through the Grangetown Training and Employment Hub, 901 individuals have been supported into employment. Since the opening of the East Cleveland Training and Employment Hub in the spring of 2018, 517 individuals have registered for support with 196 people having secured employment to date. The Grangetown Hub won a second national award during the year in recognition of its innovative approach and impact on communities.

Council Performance

The latest intake of 25 apprentices has started following a recruitment drive in December 2018. We have been involved with a range of activities to mark National Apprenticeship Week from 4th March 2019, working with schools, our apprentices, and using promotional activity through social media and local radio.

The Council's Area Growth Plans are starting to have a positive impact in communities. Key projects such as the High Street Support and Welcome schemes have already seen close to 200 applications for support and circa £0.100 million spent since their introduction in the summer.

Several projects have commenced to enhance the industrial estates across the Borough, including improvements to highways, lighting and drainage at Skelton Industrial Estate, expanding and enhancing Skippers Lane Industrial Estate as well as repairing the highways at Longbeck Trading Estate.

Work has continued with projects such as the Sirius Minerals mine and MGT Power's renewable energy plant which will have a transformative effect on the Borough's economy, creating hundreds of high quality jobs. In 2018, we helped 328 Redcar & Cleveland people secure jobs at the MGT site, supported through the Grangetown Hub.

We have provided more support to social enterprises in 2018/19, including work with pre-start businesses at different stages of development. By Christmas 2018, our support helped 11 social enterprises start and grow, some of which are now recruiting their own staff. We also provided support to TALENT, Redcar & Cleveland's independent network of social enterprises.

A brighter future for our children - Over the course of the year the Council's apprenticeship scheme has provided over 100 young people with the opportunity to gain an industry recognised qualification, whilst working and earning a wage. With placements spanning from plumbing to horticulture to business administration the scheme is varied and a great way to start a career.

Our primary schools continue to perform exceptionally well, with 71% of children at Key Stage 2 achieving expected or above expected levels in reading, writing and maths, compared to 64% nationally. Special praise is required for St Bede's Primary in Marske which was named State Primary of the Year by the Sunday Times.

The Beach House opened in Redcar to provide a homely venue where children in care who do not live with their parents can spend quality time with their family. The new facility, which is a converted house, has 12 private rooms for families.

There were 620 young people who took part in the Duke of Edinburgh Award Scheme, more than 300 young people signed up to the National Citizen Service in summer/autumn 2018. Kellen Hadfield, Youth Member of Parliament for Redcar and Cleveland, took the lead for the north-east region in a Youth Parliament debate on knife crime.

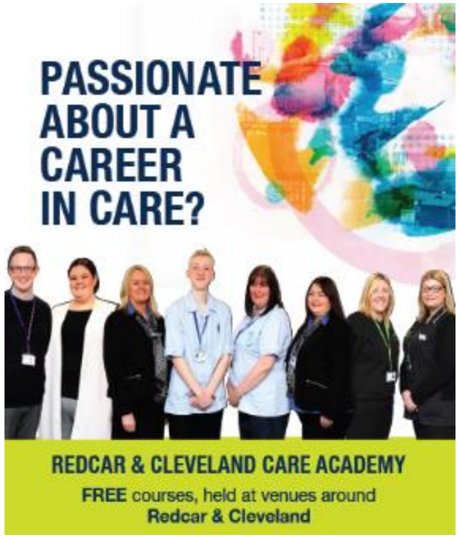
Following an extremely positive public response to the foster carer recruitment drive in the spring, 60 more local authority foster care placements were provided in 2018 than in 2017, guaranteeing that these young people could be placed in the borough. A further campaign commenced in January 2019.

Council Performance

A significant investment in the training of Children & Families staff has commenced to implement the Signs of Safety model of intervention with families. A comprehensive plan is in place to roll this out across the whole of Children & Families services from Early Help to Children in Our Care. The approach puts children and their wider families and networks at the centre of our interactions and involves them in the assessment and safety planning processes.

The merger of Redcar & Cleveland College with Stockton Riverside College was approved by government. This merger is already helping to secure the future of Redcar & Cleveland College and ensuring people of the Borough have a high quality further education college. Numbers of students enrolled on courses has already increased and Ofsted recognised that “a strong commitment exists in the college and in the local community to ensure the existence of a sustainable and high-quality college in Redcar”.

The Maternal and Infant Child Health Partnership has achieved some critical successes, including routine alcohol screening, improved maternal mental health training for midwives and health visitors and improved access to psychological therapies for mothers affected. In addition, the partnership has enhanced support for mothers-to-be to manage their weight and the introduction of a healthy weight programme to support children and families who may be at risk due to poor diet and lack of exercise. They have also introduced “Pregnancy Birth and Beyond”, an antenatal programme jointly delivered by midwives, health visitors and children’s centre teams, introduced BabyClear which has seen a 6.9% drop in smoking at time of delivery over the last six years (more than double the National reduction) and the introduction of screening for developmental delays at the earliest possible point so children get support earlier to help them start school on an equal footing with peers.



We launched our first ever paid works experience for young people this year. 25 young people were recruited and 21 completed the course and we have started recruiting for the second year. The scheme prepares young people for the world of work and one of the young people has secured an apprenticeship with the Council.

Longer and healthier lives - We have expanded our in-house service of specialist carers and therapists. There is a new base in Skelton Civic Centre, an existing base in the Redcar area and a third base planned as part of the new Intermediate Care facility in Eston.

A new service has been developed in collaboration with key partner agencies, Carers Together, Redcar & Cleveland MIND and Age UK, to help carers look after their own well-being and support them to continue in their caring role.

Working in partnership with Redcar & Cleveland College, Jobcentre Plus, Beyond Housing and local care companies the Council has introduced the Redcar & Cleveland Care Academy, providing high quality, sector specific training, which guarantees graduates an interview at a local care company. Of the 39 people completing the Care Academy in the first three cohorts, 21 secured jobs.

Council Performance

Residents from across the Borough continue to enjoy Parkrun and Junior Parkrun. Every week hundreds of residents head to Locke Park, Flatts Lane or Brotton to keep fit and have fun. Hundreds of residents took part in this year's summer and winter walking festivals and the walking festival was recently featured in an article in the Guardian which highlighted the best walking festivals in the country.

In June 2018, the joint Redcar and Cleveland and Middlesbrough Health and Wellbeing Board was established. The Board has set out a vision to "empower the citizens of South Tees to live longer and healthier lives" with shared priorities to address inequalities, integrate and collaborate on the commissioning and delivery of health and social care, and improve information and data sharing.

Working in collaboration with Beyond Housing, The Cliffs development was completed and opened in the autumn; the latest supported housing scheme by the successful Redcare partnership. The scheme provides 25 purpose built bungalows for older people and people with disabilities who need care and support to live independently.

A Dementia Friendly Programme was commenced in March 2018, which has seen the Council engage with over 50 local businesses and organisations pledging their commitment to become Dementia Friendly thus helping to increase awareness and knowledge of dementia and supporting people living with dementia to remain active. The vision is that Redcar and Cleveland will secure Dementia Friendly Communities Status by 2020.

Attractive and vibrant places – We formally adopted the Local Plan in May 2018 and several housing developments began to take shape across the Borough. By December 2018, 352 new homes had been built in the Borough.

Redcar's Northern Quarter has developed as a visitor destination with a range of independent retailers and a range of micropubs and restaurants such as the new Beacon Lounge.

Close to £0.200 million has been spent up to December 2018 on projects to improve the public realm across the Borough, with further spend planned. Projects of note include improvements to Skelton High Street and the cenotaph in Easington. Improvements to town centres such as Eston Square have also been made.

Good connections - We have modernised library services by investing in self-service technology and the Council's customer services team has been relocated into the Borough's libraries, allowing residents access information on a wide range of council business such as council tax, benefits, waste and recycling. Libraries also continue to host a wide range of community based activities.

In January 2019, the Tees Valley Investment Plan was approved which included several schemes in our Borough, including east-west connectivity along the A66 corridor, better connectivity for the port by road and rail, station improvements at Redcar Central, South Tees site, and Nunthorpe, the extension of Trans Pennine services through to Saltburn and a feasibility study for an eastern Tees crossing to connect us with Hartlepool.

Council Performance

The Council teamed up with Northern Rail to pilot the Job Seekers Rail Pass. The pass provides job seekers with free rail transport to job interviews anywhere in the area and we have achieved free public access to Wi-Fi in all our public buildings.

Clean and safe environment - The wildflowers planted on verges and roundabouts across the area have received extremely positive reviews and provide an environment for nature to flourish.

Residents recycled a total of 10,086 tonnes of cans, plastics and glass in 2018 which is 219 tonnes more than the previous year and saved the Council £0.259 million.

The Council agreed a scheme in September to replace the lanterns on all 15,400 street lights to energy efficient LED bulbs which will reduce the carbon output from street lights by 53% and 1200 tons per year.

A new flood defence system has been built in Saltburn Valley Gardens to protect the miniature railway and surrounding woodlands against flooding from Skelton Beck. The £0.050 million project included a 50 metre steel structure installed and masked by wooden logs to maintain the natural appearance of the popular woodland area.

The Council has reduced fly-tipping across the Borough through a combination of preventative measures and enforcement. We have held several 'Bring Out Your Dross' days and in the third quarter resulted in 62 tonnes of waste being removed.

Enriching lives through culture and sport - The Festival of Thrift was a hugely successful attracting over 45,000 visitors to Kirkleatham over the weekend. Performers and individuals launched the festival with a parade through Redcar and a special showing of the re-enactment of Atonement.

The Tour de Yorkshire has announced that Redcar and Cleveland will host a stage of the Tour de Yorkshire in 2020. The event attracted a global television audience of around 12.5 million in 2018 and will cement the Borough's position as a destination for world class cycling events.

The East Cleveland Klondike Grand Prix was a huge success in 2018. The event which is organised by East Cleveland Big Local combines world class cycling with the beautiful countryside of East Cleveland and attracts thousands of spectators both local and from further afield. The event will return in 2019.

The Borough's sporting events calendar includes Redcar Running Festival and Redcar Triathlon which brought Olympian Michelle Dillon to the area. Eston successfully hosted the inaugural Eston Nab Challenge Race which saw 200 hardy runners race up to the Nab and back.

Council Performance

Saltburn Cliff Tramway reopened in the summer following extensive renovations. The investment in the tramway, which was built in 1884 and is the oldest water-balanced cliff tramway in the country, will ensure that this attraction will be enjoyed for many years to come by the 150,000 visitors it receives each year.

Work commenced on site in the summer 2018 on the Kirkleatham Catering Academy and Walled Garden. This exciting £8 million project will see a new restaurant, wedding venue and horticultural gardens developed in the village and will be open for the public to enjoy from summer 2019.

Improving the way we work - The new, interactive Council website was launched in the autumn of 2018, with the aim of providing speedier access to information that users want. In the three months to 31st December 2018, the number of different users increased by 20% compared to the same period in 2017. The time spent by users on the page, dropped by 9 seconds, suggesting that they found what they wanted more quickly. Transactions through the web-site increased, with a 7% increase in the value of transactions in the same period. Web-sites for Place Marketing, Fostering and Teacher Training campaigns were new this year and attracted large numbers of hits. Redcar & Cleveland Borough Council Website

Redcar & Cleveland Council secured Investors in People Gold standard for the third successive time. We became the first council in the North East to secure Gold under the new, tougher criteria.

The Leader and Chief Executive have met with all five of the Borough's Parish and Town Councils in the last year to discuss issues of common concern and consider how we can work more closely together, including encouraging take up of the Town Centre grant schemes for small businesses, or encouraging parish councillors to galvanise community interest in the community seedcorn funding schemes.

Financial Performance

Redcar & Cleveland Borough Council serves its residents through an ambitious programme of work which is designed to improve the economic, social and environmental well-being of our communities. It is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and being used economically, efficiently and effectively. The Council also has a duty to constantly seek to secure continuous improvement in the way in which it operates. In these challenging economic times, good financial management is critical to enable the Council to deliver on its priorities.

During 2018/19 the Council was served by 59 Councillors representing the 22 Wards that made up the Borough of Redcar & Cleveland. The Councillors are democratically accountable to the residents, and they are all elected every four years. Councillors have an overriding duty to the whole community, and a special duty to their constituents. They have a responsibility to ensure the Council is properly managed, and to maintain proper standards of behaviour and stewardship of public funds.

The Council fully supports the voluntary and community sector and recognises the important role the sector plays in local communities and in the valuable contribution to the management of financial resources. The Council's commitment to the sector is evident, as the Council has adopted a Social Value Charter, so that as much of the Council's spending is recycled locally to support the economy and communities.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2014), and the Accounts & Audit Regulations 2015, together with clearly established capital expenditure guidelines too. The capital programme is a major source of investment in the Council's services. The programme is split into spending clusters which go to support the Council's top priorities. The programme is managed by three Strategic Capital Groups supporting economic growth investment, Council Assets and Information Technology. These groups ensure that projects are commissioned and resources committed to them where the expected outcomes link clearly to the Council's priorities and to the service planning process. All business cases are scrutinised to ensure they represent value for money and will deliver key project outcomes. Additionally, checks are made to ensure that any capital expenditure meets the relevant accounting standards, and that the revenue costs of any borrowing are factored into the medium term financial planning process.

How the Council is Funded and How It Performed in 2018/19

Comprehensive and robust budgeting and reporting systems are in operation. These processes include robust in-year monitoring of budgets with year-end forecasts and relevant financial and performance reports presented to Cabinet, Scrutiny and Governance Committees. All budgets are risk assessed, with additional support being provided in identified key areas. Budgets are monitored regularly with a clear format for reporting the quarterly financial position to the Executive Management Team and Members.

Our financial planning framework is integrated within our overall corporate planning cycle. This ensures that our spending plans are informed by our key plans and strategies. Our financial planning process is based on the following approach: -

- A budget based on a model of ‘budget building blocks’;
- Close integration of revenue allocations, capital investment and treasury management;
- An evidenced and priority based methodology;
- Assessing of investment by reference to the Council’s priorities, comparative benchmarking data and the robustness of cost driver evidence;
- Capital Investment Plans are supported by robust business cases, setting out whole life costing information, justification in terms of priorities and outline delivery plans and risks;
- Assignment of agreed budgets to named officers responsible for delivery, with Director level signed off;
- Key assumptions have been reviewed by service management and corporately using the latest available information;
- Targeted consultation with our stakeholders on our proposals enabling a targeted budget allocation to deliver services.

Revenue Spending 2018/19

It has been increasingly difficult for the Council to set and deliver a balanced financial position. The Government's austerity measures have resulted in the Council having to continue to make significant savings and we have achieved this through our Shaping Our Future initiative together with a clearly defined reserves strategy.

The revenue budget for 2018/19 and future financial years' budgets are built based upon the nine ambitious new priorities included in our Flourishing Future Plan as outlined in the Priorities and Performance sections above. It was also developed taking into account the following key assumptions:

- A Revenue Support Grant reductions of £4.059 million;
- A Council Tax increase of 1.99%;
- An Adult Social Care precept increase of 2.00%;
- Council Tax income growth of £0.650 million;
- Business Rate income growth of £0.880 million;
- Service investment due to demand led pressures of £2.759 million;
- Shaping our Future budget reductions of £5.570 million.

A rigorous approach to assist the financial control of the revenue budget has been in place for 2018/19. This has been supported by monthly monitoring to Directorate Management Teams and the Executive Management Team, and quarterly reporting of the financial position to Cabinet. The information available via the Agresso ledger system has encouraged budget managers to use this management tool to manage their resources more effectively. Additional improvements and use of new functionality are planned in the coming years to encourage more autonomy for budget managers and improve the quality of the information further.

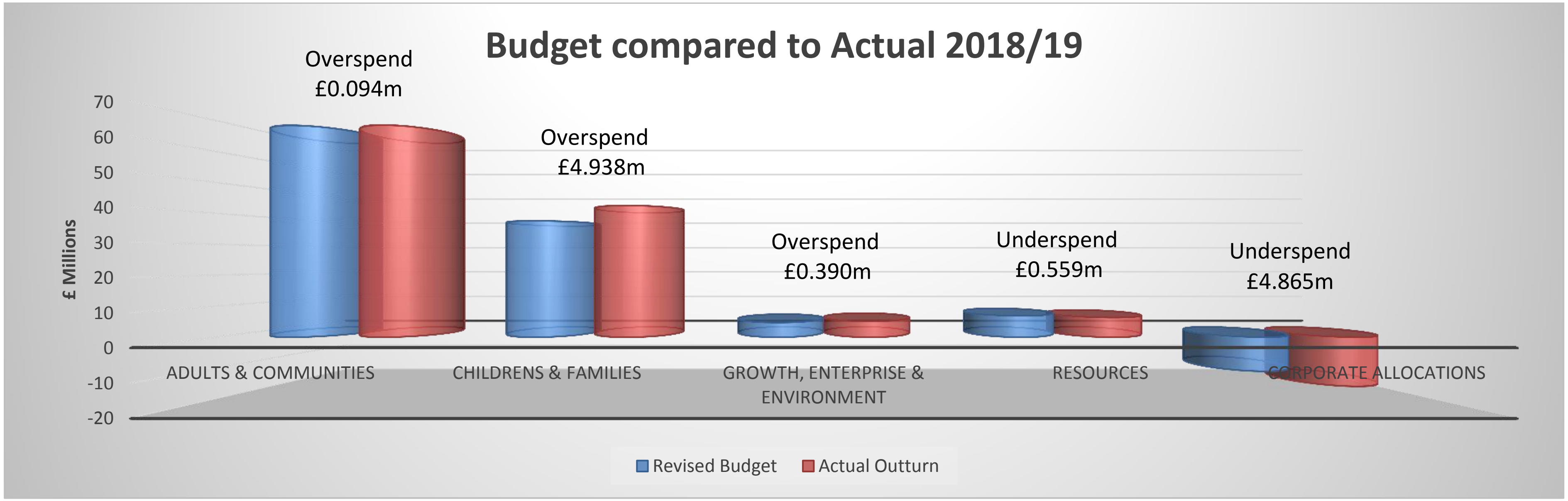
With forward planning and the continuous review of our Medium Term Financial Strategy, together with robust financial monitoring, the Council has reported a small underspend of £0.002 million in 2018/19. The table below shows the contributions each Directorate has made to the overall position. Given the funding pressures facing the Council, it is critical that we continue to monitor our financial performance and maintain quality services for our residents and achieve the level of savings that are needed in the next financial year. The Council's financial strategy is to generate additional growth income through various projects, securing external funding in addition to continually improving efficiency and effectiveness to produce savings and reduce costs.

How the Council is Funded and How It Performed in 2018/19

The Council's original revenue budget with actual expenditure is summarised below. Any underspends achieved by directorates have been transferred to reserves:

Directorate	Revised Budget £000	Actual Outturn £000	Variance to Revised Budget £000
Adults & Communities	68,320	68,414	94
Children & Families	37,542	42,480	4,938
Growth, Enterprise & Environment	4,745	5,135	390
Resources	6,901	6,342	(559)
Corporate Allocations	(10,962)	(15,827)	(4,865)
Total	**106,546**	**106,544**	**(2)**

The following graphically illustrates the overspend in 2018/19 for each Directorate:



How the Council is Funded and How It Performed in 2018/19

The revenue budget for the 2018/19 financial year has delivered a broadly breakeven position. The reasons for the variances per Directorate are:

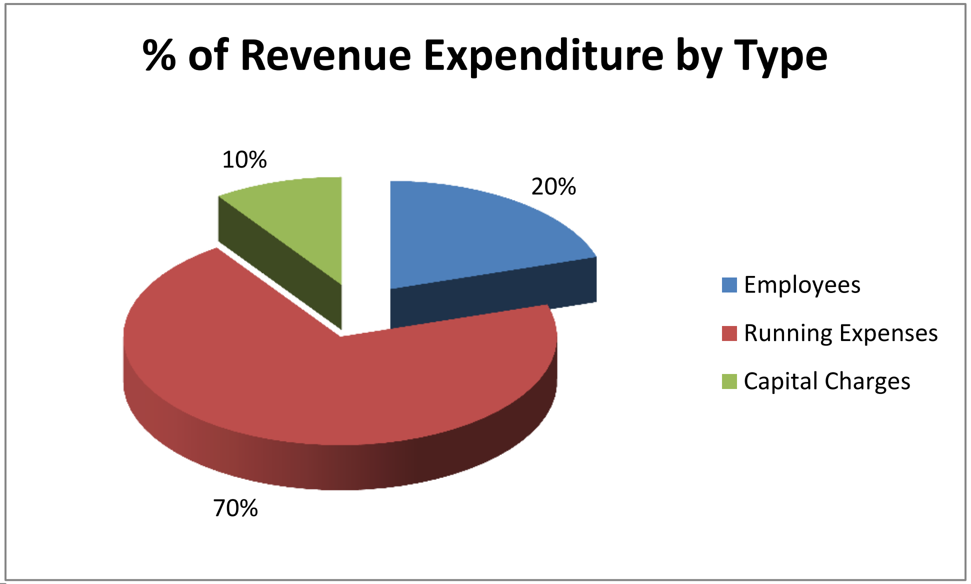
- Adult and Communities: – The small overspend relates to Neighbourhood services. Both Adult Social Care and Public Health achieved a breakeven position. The overspend in Neighbourhoods has been caused by cost pressures in the Engineering and Waste Services sections.
- Children & Families: - the Directorate has continued to experience increasing significant budget pressures through the financial year, as a result of the rapid increase in numbers of children in care and other demand-led services resulting in an over-spend of £4.0 million. In addition education services funded by Council budgets such as home to school transport services have overspent by a combined £0.924 million.
- Growth, Enterprise & Environment: - the over-spend position relates to income pressures in the planning function and the unexpected closure costs relating to Saltburn Cliff Lift.
- Resources: - The service achieved an underspend relating to the enhanced performance management of a number of PFI contracts & service contracts, and some modest staff cost savings.
- Corporate Allocations: - the underspend was generated through the realignment of directorate budgets, savings relating to the repayment of pre-2008 borrowing, interest savings from the restructuring of debt, and the planned draw-down of one-off ear-marked reserves to balance the position.

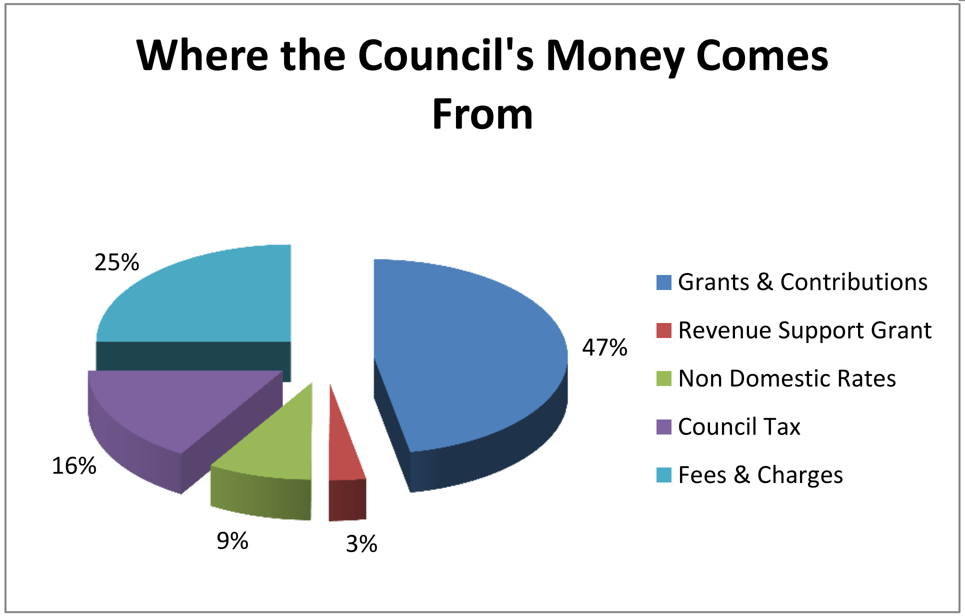
The £0.002 million underspend has been transferred to the Council's reserve balances. The general reserve balance is £5.099 million, which equates to 5% of the 2019/20 net revenue budget and the underspend in year. More details on the managed budget position for each directorate and reasons for specific variances can be seen in the Council's financial outturn report 2018/19.

All Council Directorates continue to manage their budget allocations through a combination of strict gatekeeping arrangements and additional income generation or cost reduction solutions. Additionally, as part of the Shaping our Future process, there will remain regular scrutiny and governance around individual savings and their delivery.

How the Council is Funded and How It Performed in 2018/19

This chart shows that most expenditure incurred by the Council relates to running expenses (70%), this includes premises, transport and external supplies and services.

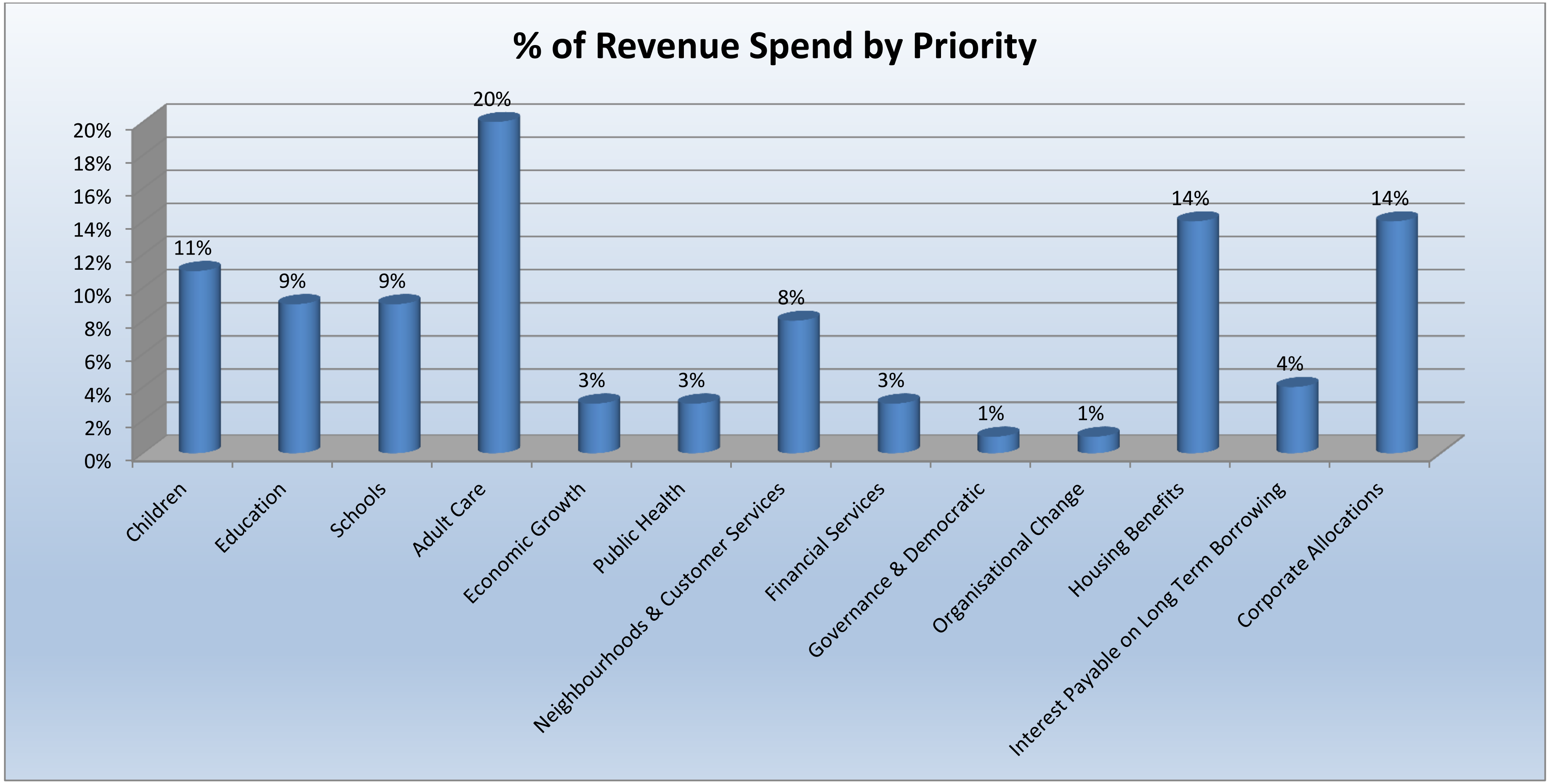




Only 16% of the Council's funding comes from local Council Tax payers and 9% from localised Business Rates. Much of the remainder of the Council's funding comes in the form of specific grants from Central Government and other public sector bodies (50%).

How the Council is Funded and How It Performed in 2018/19

Some 29% of the Councils gross expenditure (£112 million) is utilised to give the children and young people of the Borough the best start in life, with 14% (£54 million) in relation to housing benefit claims, and 20% (£78 million) on services designed to give vulnerable people the ability to live an independent and fulfilling life. The remaining expenditure on other themes is shown in the graph below:



Capital Spending 2018/19

Spending on capital projects enhances the Council's assets, enables improved service delivery and also secures essential infrastructure. Capital expenditure can vary considerably between years depending on the way the projects are planned to be delivered. The Programme is financed in such a way as to even out the cost to council tax payers and spread it over the life of the asset being used. Capital expenditure during the year 2018/19 amounted to £19.996 million (2017/18 - £13.568 million) compared to a budget of £20.673 million.

The underspend on capital of £0.677 million represents an achievement of 96.73% of our intended spending plan and this investment has been across a range of schemes and categories including:

- £3.508 million – Council Investments - these investments mainly relate to the capital cost of maintaining and replacing Council assets and loans given to organisations for capital purposes.

- £4.741 million – Transport Infrastructure - these investments have been on the maintenance and replacement of highways assets including roads, bridges and drainage systems.

- £3.278 million - Supported Housing – capital costs associated with providing housing assistance for people with physical, mental and learning disabilities including the refurbishment of an intermediate care facility and numerous adaptations in peoples' homes.

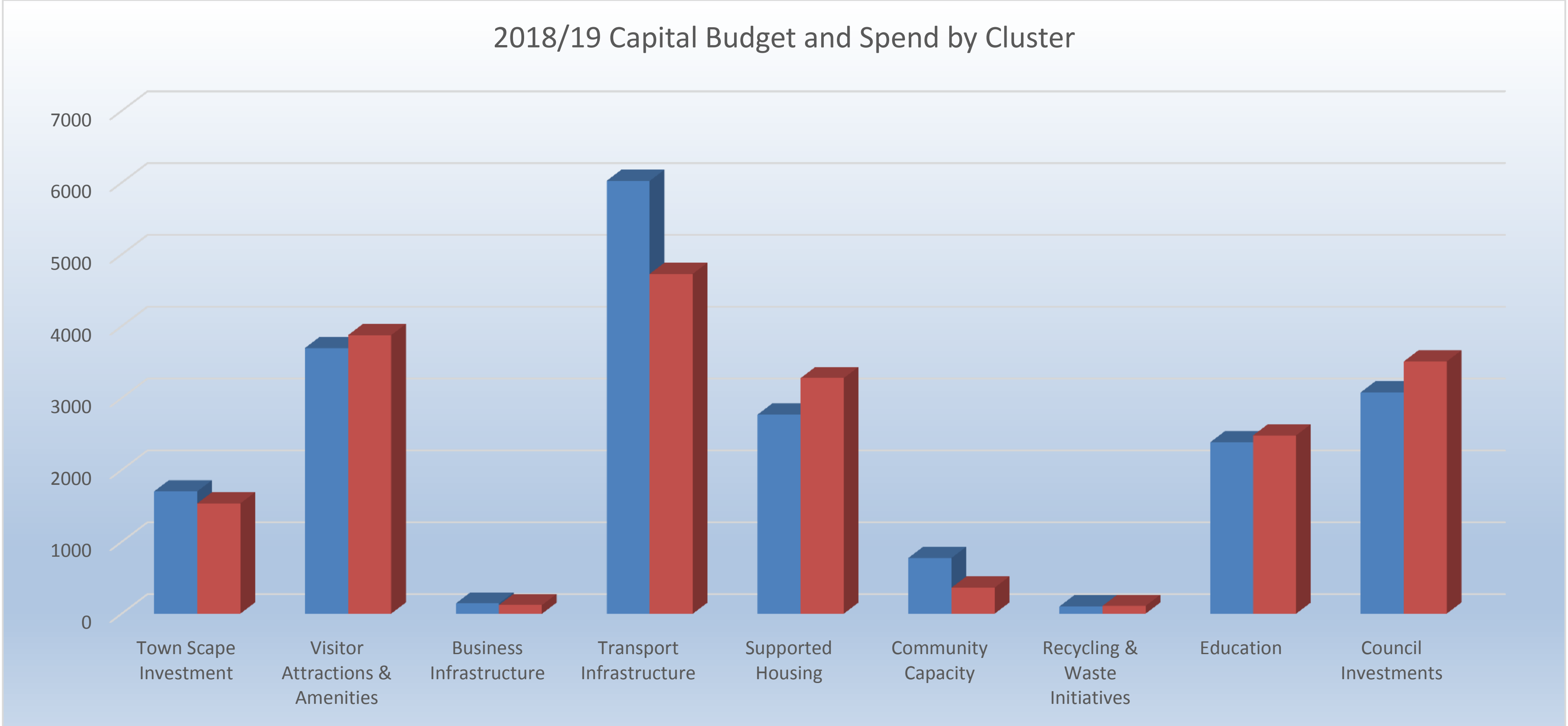
- £4,070 million - Visitor Attractions & Amenities – these capital costs are mainly in relation to the Council's investment into Kirkleatham infrastructure and walled gardens.

In addition to the top four capital investment categories, we also invested in our Townscape projects including improvements in Redcar, Loftus, Eston, Saltburn and Guisborough and in local spaces and amenities across the Borough.

We continue to tightly control our external borrowing. Our strategy is to use capital receipts, grants and the effective use of cash flow in order to minimise external borrowing whilst enhancing our capital assets as planned in our Capital Programme.

How the Council is Funded and How It Performed in 2018/19

The capital expenditure is as follows:



How the Council is Funded and How It Performed in 2018/19

The following table details the capital schemes for the financial year 2018/19:

Capital Spend by Cluster	2018/19 £000
Town Scape Investment	
Public Realm	345
Skelton Townscape Heritage Project	331
Redcar Town Centre Revival	80
Eston Town Centre Revival	198
Loftus Town Centre Revival	62
Saltburn Town Centre Revival	72
Guisborough Town Centre Revival	39
Redcar Station	114
Growth Plans	98
	1,339
Visitor Attractions & Amenities	
Kirkleatham Infrastructure & Walled Garden	3,084
Kirkleatham Future Development	146
River Tees Rediscovered	16
Saltburn Cliff Lift	590
Skinningrove toilets	1
Regent Cinema	195
Cleveland Ironstone Mining Museum	37
	4,069
Business Infrastructure	
South Bank Wharf	14
Coatham Masterplan	47
Industrial Estates Programme	59
	120

Capital Spend by Cluster	2018/19 £000
Transport Infrastructure	
Highways Improvement Schemes	493
Drainage Asset Capture and Flood Prevention	222
Highways Innovation Fund	206
Street Lighting Upgrade	185
Swans Corner & Flatts Lane	52
Local Transport Plan	612
Alley Gates	10
Structural Highways Maintenance	2,961
	4,741
Supported Housing	
CSDP Adaptations	88
Learning Disability Extra Care Housing	108
Disabled Facilities Grant	1,626
Community Capacity Grant	36
Intermediate Care Centre	1,420
	3,278
Community Capacity	
Investment in Leisure Centres	254
Middlesbrough FC Foundation Pitch Refurbishment	98
	352

Capital Spend by Cluster	2018/19 £000
Recycling & Waste Initiatives	
Purchase Refuse Bins	108
	108
Education	
Devolved Capital for Schools	678
Schools Estate Investment	1,124
Hillsview Academy	410
Archway Relocation	145
Pathways New Build	12
Supervised Contact Centre	42
Churchview Children's LD Centre	5
Early Years - Capital	10
Belmont Primary School	55
	2,481
Council Investments	
Vehicles	741
IT Improvement Projects	1,149
Asset Management - Capitalised Repairs	1,285
Carbon Management Program	50
R&C Investment Fund	198
Fleet Management Software	41
Libraries and Customer Servicing Restructuring Works	10
Licensing and Parking IT Systems	34
	3,508
Total Capital Spend	**19,996**

Future Capital Programme

The Council has produced a capital programme to support our long term needs and help achieve our objectives. This capital investment plan covers 5 years and has been approved by the Council as part of the Medium Term Financial Strategy.

The objective of the Capital Programme is to support the Council's corporate planning process by identifying and maximising available resources, supporting the delivery of our priorities and ensuring that all our resources are effectively managed, making best use of resources to deliver value for money for our residents, local businesses, visitors and employees.

The table below shows the Capital Programme and how it has been allocated:

Cluster	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Townscape Investment	1,460	7,248	1,284	350
Visitor Attractions & Amenities	4,816	1,390	-	-
Business Infrastructure	715	14,539	11,080	9,000
Transport Infrastructure	8,911	3,800	3,600	3,500
Housing	-	750	500	-
Supported Housing	3,865	1,050	1,050	1,050
Community Capacity	-	-	-	516
Recycling & Waste Initiatives	150	1,050	100	100
Education	4,035	4,678	479	200
Council Investments	5,492	4,604	3,626	3,475
	29,444	**39,109**	**21,719**	**18,191**

Statement of Financial Accounts

The Council's Statement of Financial Accounts is presented in a prescribed format which requires the Council to outline financial information through four core financial statements.

Movement in Reserves Statement (MIRS): This statement shows the change in the different types of reserves held by the Council over the financial year (see page 37). These reserves can be analysed into usable reserves, those that can be applied to fund future expenditure or to reduce taxation, and other unusable reserves, held for statutory accounting purposes (see Note 35, page 126). Of the total reserves, £3.012 million relate to schools, £4.590 million relate to capital grants not yet utilised and £2.217 million relates to capital receipts not utilised. £24.998 million is available to help with delivering future revenue budgets and Council priorities.

Comprehensive Income and Expenditure Statement (CIES): This statement records all the gains and losses experienced by the Council during the financial year, and highlights an annual total decline in the net worth of the Council of £19.752 million. Its primary purpose is to record revenue income and expenditure, including operational running costs such as employee costs, and supplies & services, and is financed from a combination of Council Tax, Business Rates, Government Grants and other income. The CIES provides a breakdown over the reporting segments that the Council operates and makes decisions on during the year.

There is a deficit of £54.456 million on the CIES for the net cost of providing the Council's day to day revenue services. This includes various technical adjustments required by accounting standards such as capital accounting, pensions accounting and collection fund regulatory changes. Most of these technical adjustments are not chargeable against the funding from taxpayers and are excluded from the analysis of how the Council has performed against its revenue budget. When other gains relating to pension fund performance of £23.986 million and gains relating to capital assets of £10.718 million are added back in, the net gain in the 'worth' or value of the Council for the financial year is £19.752 million.

Balance Sheet

Balance Sheet Position

The Balance Sheet shows what the Council owns, what it is owed, and what it owes to others and how these amounts have been funded. A summary of the position at the end of the 2018/19 financial year (31 March 2019) is shown in the table below:

Balance Sheet	2017/18 £m	2018/19 £m	+/- £m
What the Council Owns	303.5	301.9	(1.6)
What the Council is Owed	32.6	35.5	2.9
Total Assets of the Council	**336.1**	**337.4**	**1.3**
What the Council Owes	(426.2)	(447.3)	(21.1)
Council Reserves	**(90.1)**	**(109.9)**	**(19.8)**

The Council has a negative equity balance sheet at 31 March 2019. This means that liabilities are more than assets by £109.9 million. This is mainly driven by the deficit on the Pension Fund Liability (see what the Council owes and Note 37 (page 135) in the Statement of Accounts disclosure notes for more details).

As the pension fund deficit reflects all the possible liabilities over many decades, the liabilities will not crystallise at any one point in time and can be managed as part of the pension fund investment strategy by the Council. A better indicator of the financial health of the Council is the level of usable and earmarked reserves which are at £34.8 million. The Movement in Reserves statement within the Core Financial Statements gives further details (see page 37).

The Value of What the Council Owns

Balance Sheet	2017/18 £m	2018/19 £m	+/- £m
Property, Plant & Equipment	278.9	274.7	(4.2)
Heritage Assets	0.6	0.6	0.0
Investment Properties	8.1	8.9	0.8
Assets Held for Sale	1.6	2.8	1.2
Cash & Cash Equivalents	11.3	3.0	(8.3)
Others	3.0	11.9	8.9
Total	**303.5**	**301.9**	**(1.6)**

Property, plant and equipment has decreased in 2018/19. There have been some improvements and enhancements to existing Council property but the main reason for the decrease relates to the disposal of several schools as they transfer to Academy status.

Cash & cash equivalents has decreased in 2018/19 due to a strategic decision to invest in longer term property funds.

Balance Sheet

What the Council is owed

Balance Sheet	2017/18 £m	2018/19 £m	+/- £m
Short Term Debtors	26.0	32.8	6.8
Short Term Investments	2.0	0.1	(1.9)
Long Term Debtors	4.6	2.6	(2.0)
Total	**32.6**	**35.5**	**2.9**

The level of debt owed to the Council has slightly increased during 2018/19. Short term debtors have increased mainly in relation to reclassification of long term debtors to short term debtors and some increases in debt relating to social care and Council Tax. Short term investments (money invested for periods greater than three months) has decreased slightly during the financial year due to utilisation of reserves and repayment of maturing debt with cash balances.

What the Council Owes

Balance Sheet	2017/18 £m	2018/19 £m	+/- £m
Private Finance Schemes Debt	(57.5)	(55.3)	2.2
Pensions Liability	(163.3)	(156.1)	7.2
Short Term Creditors	(34.0)	(30.1)	3.9
Provisions	(4.5)	(3.9)	0.6
Short Term Borrowing	(9.2)	(66.6)	(57.4)
Long Term Borrowing	(152.6)	(126.0)	26.6
Other	(5.1)	(9.3)	(4.2)
Total	**(426.2)**	**(447.3)**	**(21.1)**

The Council currently has three private finance schemes in operation and the outstanding debt in relation to these schemes is being repaid over the life of the individual contracts. Further details are given in Note 23.

Note 37 gives further details in relation to the Council's pension fund, the financial liabilities involved, and the reason for the year on year movements. This position is reviewed each year by a pension fund actuary with a formal revaluation every three financial years. The last triannual valuation was completed on 31 March 2016.

The Council has a number of provisions set aside to meet known liabilities that occurred prior to the financial year end but have yet to be settled. The main provisions for the Council cover insurance claims and appeals on business rates valuations.

Short term borrowing has increased significantly mainly due to restructuring of debt and to take advantage of savings in interest costs.

Balance Sheet

Council Reserves

Balance Sheet	2017/18 £m	2018/19 £m	+/- £m
Schools Balances	(3.5)	(3.0)	0.5
Usable Reserves	(38.4)	(31.8)	6.6
Unusable Reserves	132.0	144.7	12.7
Total	**90.1**	**109.9**	**19.8**

School balances have remained stable over the last year. The Council's useable reserves are made up of a number of ear marked reserves, which are planned to be used over the next few years for specific areas of required spend and general balances. These reserves have decreased over the year following the planned use to mitigate funding issues for the Council.

Unusable Reserves are used to account for all the technical accounting adjustments that have to be charged to comply with proper accounting practice but under regulation are not a charge to the Council's revenue budget. The main in-year movement relates to the disposal of schools transferring to academies and restructuring of long term debt, partly offset by a reduction in the Council's pension liability.

Collection Fund (See Page 166)

The Collection Fund is an account that the Council maintains, in its statutory role as the Billing Authority, to record the income and expenditure from council tax and business rates. It is a separate legal fund from the Council's general fund and the transactions involved are defined by regulation. The Collection Fund is an income and expenditure statement only showing income receivable, precepts payable to relevant bodies, and any other associated costs involved in administering the Fund. All assets and liabilities are included within each precepting body's balance sheet. The Collection Fund shows a deficit of £8.092 million with £1.531 million surplus attributable to council tax and £9.623 million deficit in relation to business rates.

The budget for 2018/19 was based on an increase in council tax with the Band D equivalent amount for 2018/19 being £1,516.86 per annum (including the social care levy). The addition of the Cleveland Police and Crime Commissioner and Cleveland Fire Authority spending requirements resulted in a total Band D Council Tax of £1,818.58 for residents of the Borough in non-parish areas. Residents of areas with parish council responsibilities paid marginally more than this depending on their own parish council tax amount. This resulted in a total precept income requirement of £71.190 million. Total income on council tax for 2018/19 was £72.015 million. For more details refer to Page 166.

In 2013/14, the local government finance regime was revised with the introduction of the business rate retention scheme. The main aim of the scheme is to give the Council a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk due to non-collection and the volatility of business rates income. The scheme allows the Council to retain a proportion of the total business rates income received. Redcar & Cleveland's share is 49% with the remainder paid over to precepting bodies (Central Government 50% and Cleveland Fire Authority 1%).

The total income collectable from business rates payers was £39.102 million which was less than the budgeted position and has contributed to the deficit in this element of the Collection Fund.

Areas with Significant Financial Implications

Pensions (See Page 135)

The Council participates in the Local Government Pension Scheme (Teesside Pension Fund), administered by Middlesbrough Council. This is reflected in the Balance Sheet, which includes a pension liability, as retirement benefits are recognised when they are earned rather than when they are paid out, and a pension reserve, of £156.063 million as at 31 March 2019. Although these pension liabilities decrease the overall net worth of the Council's assets, they do not represent a reduction in the Council's usable reserves. This liability does impact on the Balance Sheet and is the main factor creating a negative net worth (total liabilities greater than total assets) to a negative position of £109.902 million.

Whilst this pension liability suggests a significant shortfall between the forecast cost of future pensions and the level of assets held in the fund, it should be noted that these are subject to fluctuations in value depending on the current state of stock markets and expectations around the level of inflation. The liabilities are also based on cash flows forecast over the medium term and would not crystallise at one point in time.

The Pension Scheme has an investment strategy in place to address this funding deficit over an aggregated 20 year period, based on an appropriate level of employer's contributions producing a positive cash flow into the fund. In addition, assumptions are made about increasing inflation levels and the bank rate returning to more natural levels as global economies continue to grow. All of these factors should return the pension fund's financial position to a more realistic and balanced basis. The size of the current deficit for the Council proportionally is not dissimilar to that being experienced by other local authorities at present and in 2018/19, the fund liability decreased by £7.259 million.

teesside pension fund

Areas with Significant Financial Implications

Treasury Management

The Council borrows money to fund its Capital Investment Programme and operates within its own prudential limits set in accordance with the CIPFA Prudential Code for Capital Finance. This is seen as best practice in relation to local authorities and their treasury management activities. As at 31 March 2019, the Council's Capital Finance Requirement (or underlying need to borrow) was £258.399 million and its external debt was £248.278 million (this includes the outstanding PFI liabilities).

The Council's policy on borrowing is set out in its Treasury Management and Investment Strategy approved by the Council each year in February or March. Any prudential borrowing need arising from the Capital Programme has historically been addressed via internal borrowing, but due to the low level of liquidity the Council is currently maintaining, this is no longer possible.

The under-borrowed position of the Council is £10.129 million. This is 4% of our capital financing requirement of £258.399 million or our underlying need to borrow for capital purposes. This has reduced significantly from previous financial years due to the repayment of £31.600 million of Lender Option Borrower Option (LOBO) loans which attracted a premium of £15.723 million and an investment of £10.000 million into the CCLA Property Fund.

The Council utilises a treasury management advisor, Arlingclose, to help develop its treasury management strategy and practices. Arlingclose advise the Council on all borrowing and investment decisions taken in the financial year and they have been under contract to the Council since September 2013.

Our People

Our people are our most valuable asset and their development, participation and motivation are critical to our success. Our culture, values and leadership behaviour all have a major influence on the quality of staff contribution and on the achievements to which individuals and teams can aspire. Our approach to valuing our people is ambitious and comprehensive. It will enable the Council to succeed as a vibrant, dynamic, high-performing organisation.

Led by the Chief Executive Amanda Skelton, during 2018/19 Redcar & Cleveland Council was structured into four main directorates and each directorate was led by a Director.

- Adults and Communities - Patrick Rice.
- Children and Families - Barbara Shaw.
- Growth, Enterprise & Environment – Sarah Robson
- Resources - John Sampson.

The Chief Executive and the Directors are joined by the following senior managers to form the Council's Executive Management Team (EMT). Together they are responsible for translating the Council's policies and plans (Our Flourishing Future) into action:

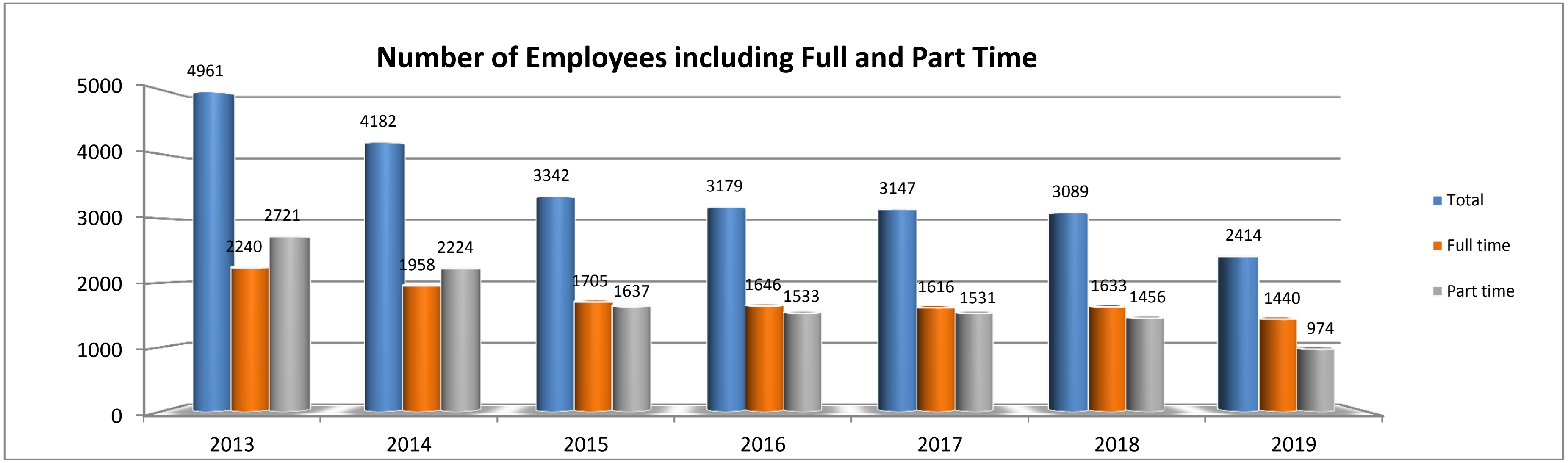
- Assistant Director Governance and Monitoring Officer - Steve Newton.
- Assistant Director Organisational Change - Pauline Kavanagh.
- Head of Policy and Performance - Rob Mitchell
- Head of Marketing and Communications – Chris Styles
- Director of Public Health - Edward Kunonga (Employed by Middlesbrough Council)

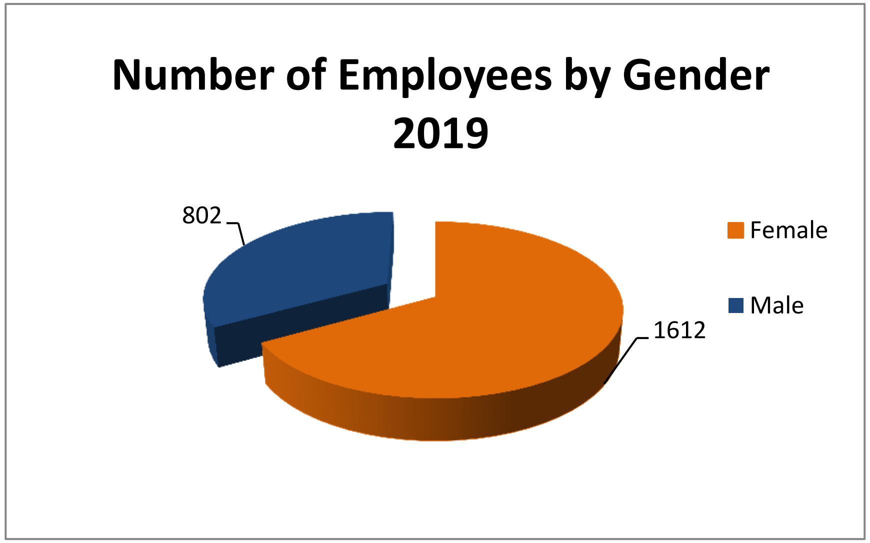
INVESTORS IN PEOPLE | Gold

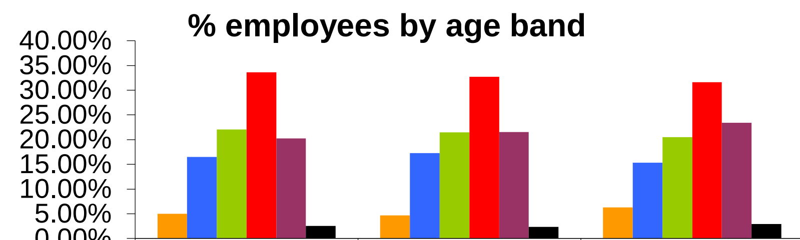
The Executive Management Team (EMT) lead and encourage staff to develop services and improve delivery for the people of Redcar & Cleveland. Meeting regularly, EMT develops new policy, reviews and challenges performance, leads on service improvements and develops partnership opportunities to help the Council to deliver as effectively as possible. EMT makes recommendations to the Cabinet and Borough Council, which are our key decision-making groups and are made up of democratically elected councillors. EMT monitors the use of resources and makes sure the Council stays on track both in terms of priorities and spending.

Our People

EMT is responsible for our workforce, who are made up as follows:







	2017	2018	2019
Below 25	4.99%	4.66%	6.26%
Between 25 – 34	16.52%	17.25%	15.33%
Between 35 – 44	22.02%	21.50%	20.51%
Between 45 – 54	33.62%	32.70%	31.61%
Between 55 – 64	20.27%	21.56%	23.41%
65+	2.57%	2.33%	2.90%

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 Corporate Director for Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Corporate Director for Resources' Responsibilities

The Corporate Director for Resources is responsible for the preparation of the Authority'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 Corporate Director for Resources 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.

The Corporate Director for Resources has also:

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

I hereby state that the Statement of Accounts presents a true and fair view of the financial position of the Council as at 31 March 2019 and for its income and expenditure for the year ended 31 March 2019.

John Sampson, BA (Hons), PG Dip, PG D, Adv. Dip, FCCA
Corporate Director for Resources

Signature: ______________________

Date: 30/07/2019

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Governance Committee at the meeting held on 30 July 2019.

Councillor Carole Morgan
Chair of the Governance Committee

Signature: C H Morgan ______________________

Date: 30/07/2019.

Kirkleatham Business Park

2. Core Financial Statements

Movement In Reserves Statement

This statement shows the movement in the different reserves held by the Council over the financial year. These reserves can be analysed into usable reserves, those that can be applied to fund expenditure or to reduce taxation, and other unusable reserves, held for accounting purposes.

	Revenue Reserves			Capital Reserves				
2018/19	General Fund Balance £000	Other Earmarked Reserves £000	School Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Council Reserves £000**
Balance at 31 March 2018 brought forward	**(4,905)**	**(25,058)**	**(3,471)**	**(5,778)**	**(2,593)**	**(41,805)**	**131,955**	**90,150**
Movement in reserves during 2018/19								
Total Comprehensive Income and Expenditure	54,456	-	-	-	-	54,456	(34,704)	**19,752**
Adjustments between accounting basis & funding basis under regulations (Note 6)	(49,032)	-	-	3,561	(1,997)	(47,468)	47,468	**-**
Net (Increase)/Decrease in 2018/19 before transfer into other reserves	**5,424**	**-**	**-**	**3,561**	**(1,997)**	**6,988**	**12,764**	**19,752**
Transfers to/(from) other reserves	(5,619)	5,160	459	-	-	-	-	**-**
Net (Increase)/Decrease in year	**(195)**	**5,160**	**459**	**3,561**	**(1,997)**	**6,988**	**12,764**	**19,752**
Balance at 31 March 2019 carried forward	**(5,100)**	**(19,898)**	**(3,012)**	**(2,217)**	**(4,590)**	**(34,817)**	**144,719**	**109,902**

Movement In Reserves Statement

2017/18	Revenue Reserves General Fund Balance £000	Other Earmarked Reserves £000	School Reserves £000	Capital Reserves Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Council Reserves £000**
Balance at 31 March 2017 brought forward	**(5,225)**	**(23,451)**	**(3,291)**	**(4,807)**	**(2,420)**	**(39,194)**	**116,022**	**76,828**
<u>Movement in reserves during 2017/18</u>								
Total Comprehensive Income and Expenditure	11,774	-	-	-	-	11,774	1,548	**13,322**
Adjustments between accounting basis & funding basis under regulations (Note 6)	(13,241)	-	-	(971)	(173)	(14,385)	14,385	**-**
Net (Increase)/Decrease in 2017/18 before transfer into other reserves	**(1,467)**	**-**	**-**	**(971)**	**(173)**	**(2,611)**	**15,933**	**13,322**
Transfers to/(from) other reserves	1,787	(1,607)	(180)	-	-	-	-	**-**
Net (Increase)/Decrease in year	**320**	**(1,607)**	**(180)**	**(971)**	**(173)**	**(2,611)**	**15,933**	**13,322**
Balance at 31 March 2018 carried forward	**(4,905)**	**(25,058)**	**(3,471)**	**(5,778)**	**(2,593)**	**(41,805)**	**131,955**	**90,150**

Comprehensive Income and Expenditure Statement

This Statement brings together both income and expenditure relating to all of the Council's day to day services for the year and also shows how this is financed from a combination of local taxation, government grants and other income. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded by taxation.

2017/18 *				2018/19		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
111,356	(46,416)	64,940	Adults and Communities	122,326	(55,481)	66,845
122,471	(80,886)	41,585	Children and Families	111,497	(66,387)	45,110
9,553	(5,066)	4,487	Growth, Enterprise & Environment	10,771	(5,481)	5,290
56,713	(56,883)	(170)	Housing Benefits	53,718	(54,534)	(816)
19,141	(11,187)	7,954	Resources	17,373	(10,567)	6,806
319,234	**(200,437)**	**118,797**	**Net Cost of Services**	**315,685**	**(192,450)**	**123,235**
736	(242)	494	Other Operating Expenditure (Note 9)	881	(184)	697
34,446	(17,004)	17,442	Financing and Investment Income and Expenditure (Note 10)	69,762	(15,280)	54,482
1,207	(126,166)	(124,959)	Taxation and Non-Specific Grant Income (Note 11)	2,480	(126,438)	(123,958)
355,623	**(343,849)**	**11,774**	**(Surplus)/Deficit on Provision of Services**	**388,808**	**(334,352)**	**54,456**
		(2,342)	(Surplus)/Deficit on revaluation of non-current assets (Note 35)			(10,718)
		3,890	Actuarial (gains)/losses on pension assets/liabilities (Note 37)			(23,986)
		1,548	**Other Comprehensive Income and Expenditure**			**(34,704)**
		13,322	**Total Comprehensive Income and Expenditure**			**19,752**

* As a result of a restructure of directorates during 2018/19, the 2017/18 directorate analysis figures (above Net Cost of Services) have been restated in order to ensure that they are comparable to the 2018/19 figures. The changes mainly relate to the transfer of the Neighbourhoods and Highways services from the Resources directorate to the Adults & Communities and Growth, Enterprise & Environment directorates respectively.

Balance Sheet

This is a statement of the financial position of the Council and shows the balances and reserves at its disposal, its long term indebtedness, and the fixed and net current assets employed in its operations, as at 31 March 2019.

31 March 2018 £000		Note No.	31 March 2019 £000
278,887	Property, Plant & Equipment	19	274,673
589	Heritage Assets		589
8,080	Investment Property	21	8,897
2,601	Intangible Assets	22	2,260
313	Long Term Investments	32	9,581
4,569	Long Term Debtors	25	2,614
295,039	**Long Term Assets**		**298,614**
2,031	Short Term Investments	32	130
1,552	Assets Held for Sale	26	2,834
147	Inventories		105
26,011	Short Term Debtors	27	32,748
11,305	Cash and Cash Equivalents	28	2,979
41,046	**Current Assets**		**38,796**
(9,177)	Short Term Borrowing	32	(66,558)
(33,976)	Short Term Creditors	29	(30,120)
(759)	Short Term Provisions	30	(1,047)
(1,428)	Revenue Grants Receipts in Advance	34	(1,664)
(45,341)	**Current Liabilities**		**(99,389)**
(1,982)	Long Term Creditors	31	(2,780)
(3,763)	Long Term Provisions	30	(2,883)
(152,589)	Long Term Borrowing	32	(125,987)
(57,520)	Other Long Term Liabilities - Private Finance Initiatives	33	(55,350)
(163,322)	Other Long Term Liabilities – Pension Fund	33	(156,063)
(1,719)	Capital Grants Receipts in Advance	34	(4,860)
(380,894)	**Long Term Liabilities**		**(347,923)**
(90,150)	**Net Assets**		**(109,902)**
(41,805)	Usable Reserves		(34,817)
131,955	Unusable Reserves	35	144,719
90,150	**Total Reserves**		**109,902**

Cash Flow Statement

This Statement shows the changes in cash and cash equivalents held by the Council during the financial year. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows into operating, investing and financing activities.

2017/18 £000		2018/19 £000
(11,774)	Net surplus/(deficit) to the provision of services (CIES)	(54,456)
29,354	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements (Note 38)	26,394
(17,268)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities (Note 38)	1,581
312	**Net Cash Flows from Operating Activities (Note 38)**	**(26,481)**
4,417	Net Cash Flows from Investing Activities (Note 39)	(4,015)
1,964	Net Cash Flows from Financing Activities (Note 40)	22,170
6,693	**Net increase/(decrease) in cash and cash equivalents**	**(8,326)**
4,612	Cash and cash equivalents at the beginning of the reporting period	11,305
11,305	**Cash and cash equivalents at the end of the reporting period (Note 28)**	**2,979**

3. Notes to the Accounts

Artist's Impression of Kirkleatham Future Development

Notes to the Accounts

Note 1 Expenditure & Funding Analysis

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

2017/18 *				2018/19		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
53,400	11,540	64,940	Adults and Communities	53,817	13,028	66,845
34,667	6,918	41,585	Children and Families	39,755	5,355	45,110
3,448	1,040	4,488	Growth, Enterprise & Environment	3,308	1,982	5,290
(170)	-	(170)	Housing Benefits	(816)	-	(816)
4,935	3,019	7,954	Resources	2,932	3,874	6,806
96,280	**22,517**	**118,797**	**Net Cost of Services**	**98,996**	**24,239**	**123,235**
(98,891)	(8,132)	(107,023)	Other Income and Expenditure	(92,008)	23,229	(68,779)
(2,611)	**14,385**	**11,774**	**(Surplus)/Deficit**	**6,988**	**47,468**	**54,456**
(31,968)			**Opening General Fund Balance**	**(33,434)**		
(1,466)			**Plus/Less (Surplus) or Deficit on General Fund Balance in Year**	5,424		
(33,434)			**Closing General Fund Balance at 31 March**	**(28,010)**		
(8,371)			**Capital Receipts and Grants Unapplied**	(6,807)		
(41,805)			**Closing Total Usable Reserves**	**(34,817)**		

* As a result of a restructure of directorates during 2018/19, the 2017/18 directorate analysis figures (above net Cost of Services) have been restated in order to ensure that they are comparable to the 2018/19 figures.
All of the tables within this note have been restated due to this restructure.

2018/19	Adjustments for Capital Purposes (1) £000	Net Change for Employee Benefits (2) £000	Other Differences (3) £000	Total Adjustments £000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:				
Adults and Communities	8,218	4,810	-	13,028
Children and Families	1,662	3,693	-	5,355
Growth, Enterprise & Environment	1,145	837	-	1,982
Housing Benefits	-	-	-	-
Resources	1,679	2,195	-	3,874
Net Cost of Services	**12,704**	**11,535**	**-**	**24,239**
Other Income and Expenditure from the Expenditure and Funding Analysis	**(741)**	**4,127**	**19,843**	**23,229**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**11,963**	**15,662**	**19,843**	**47,468**

2017/18 *	Adjustments for Capital Purposes (1) £000	Net Change for Employee Benefits (2) £000	Other Differences (3) £000	Total Adjustments £000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:				
Adults and Communities	9,567	1,973	-	11,540
Children and Families	4,207	2,711	-	6,918
Growth, Enterprise & Environment	678	362	-	1,040
Housing Benefits	-	-	-	-
Resources	2,065	954	-	3,019
Net Cost of Services	**16,517**	**6,000**	**-**	**22,517**
Other Income and Expenditure from the Expenditure and Funding Analysis	**(10,343)**	**1,118**	**1,093**	**(8,132)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**6,174**	**7,118**	**1,093**	**14,385**

Adjustments for Capital Purposes

1) Adjustments for capital purposes includes:-

- Charges of depreciation and amortisation of assets
- Revaluation losses on property, plant & equipment, investment properties & assets held for sale
- Accounting for capital gains
- Revenue expenditure funded from capital under statute
- Gains & losses from the disposal of assets
- Minimum revenue provision

The in-year amounts are dependent on activity in year. One of the material changes in year relates to a high number of academy transfers.

Net Change for the Pension Adjustments and other employee benefits

2) Net change for the removal of pension contributions and the addition of International Accounting Standard (IAS) 19 ‘Employee Benefits’ pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure the net interest on the defined benefit liability is charged to the CIES.
- The main change in 2018/19 relates to interest costs of £19.085 million, offset by interest income and a gain on the asset of £49.548 million.

Other Differences

3) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts. The amount in 2018/19 is significantly higher than 2017/18 due to the payment of £15.723 million of premium for the settlement of LOBO loans.

- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

All adjustments are analysed further in Note 6.

Income received on a segmental basis is analysed below:

Income from Services 2017/18 * £000	Services	Income from Services 2018/19 £000
(46,416)	Adults and Communities	(55,481)
(80,886)	Children and Families	(66,387)
(5,066)	Growth, Enterprise & Environment	(5,481)
(56,883)	Housing Benefits	(54,534)
(11,187)	Resources	(10,567)
(200,438)	**Total income analysed on a segmental basis**	**(192,450)**

Note 2 Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

Accounting changes that are introduced by the 2019/20 code are:

IFRIC 22 Foreign Currency Transactions and Advanced Consideration - clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.

IFRIC 23 Uncertainty over Income Tax Treatments - it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes.

Accounting changes that are introduced by the 2020/21 code are:

IFRS16 Leases will require local authorities that are lessees to recognise most leases on their balance sheet as wholly-owned assets, with a corresponding lease liability. The new accounting standard effectively removes the distinction between a finance lease and an operating lease. The implications of this accounting standard are quite significant, including the potential to increase the Capital Financing (borrowing) Requirement of the Council. The Council will undertake a review of its lease arrangements to assess the implications of the change when detailed guidance has been published. It is anticipated that the introduction of the standard will not have a material impact on the Council's accounts. Some short-term and low value leases will be exempted.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies used to produce the Statement of Accounts, the Council has made certain critical judgements about complex transactions or those involving uncertainty about future events. In the accounts these are as follows:

Funding

The Council anticipates that the pressures on public expenditure will continue. An assessment of the ongoing pressures and mitigation measures has been undertaken through the development of the Council's Medium Term Financial Strategy (the MTFS) which has been produced for the period between 1 April 2019 and 31 March 2023. The Council awaits more detail about the funding arrangements for local government as part of the Government's Fair Funding Review which is expected to impact on the Council's budgets from 1 April 2020. The level of uncertainty over future funding arrangements will continue to be assessed during the financial year.

Accounting for Schools – Consolidation

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools in the Borough are considered to be entities controlled by the Council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the Council's single entity accounts.

Accounting for Schools - Balance Sheet Recognition

The Council recognises the land and buildings used by schools in line with the Code of Practice on Local Authority Accounting. The Council recognises the schools land and buildings on its balance sheet where the Council directly owns the assets, the school or schools governing body own the assets, or the rights to use the assets have been transferred from another entity.

Where the land and building assets used by the school are owned by an entity other than the Council, school or school governing body, then it is not included on the Council's balance sheet. The exception is where the entity has transferred the rights of use of the asset to the Council, school or school governing body.

There are currently 4 types of schools within the Borough:

- Community schools
- Foundation Trust schools
- Voluntary Controlled (VC) schools
- Academies

The Council has completed an assessment on the control of schools. Non-current assets of schools that have either transferred to academy status or are voluntary controlled in nature, are no longer included within the Council's balance sheet. The Council has determined that ability to control the service potential and/or flow of economic benefits associated with the assets does not rest with the Council. Further schools are expected to transfer to Academy Status in 2019/20, with the associated transfer of the Academy's land and property to the Board of Trustees on a long (125 year) lease at peppercorn rent.

Schools which are community-controlled or Foundation-status are held on the Council's Balance Sheet.

PFI Schemes

The Council is involved with three Private Finance Initiatives (PFI) contracts to provide office accommodation, schools and street lighting. It has been determined that the majority of the assets provided under these PFI arrangements are effectively under the control of the Council. The exception to this is on the schools PFI where the school has transferred to academy status.

Investment Properties

The Council has assessed the classification of investment properties. Investment properties are held to either earn a rental income, or for the purposes of gaining capital appreciation, or both. The Council does have properties that earn rentals but it has been determined that these assets are primarily held for regeneration purposes or wider socio-economic reasons. These properties are classed as Property, Plant and Equipment.

Pensions

The Council has made estimates of the net liability to pay pensions to current and ex-employees of the Council. These estimates are based on a number of complex judgements and projections which are supported by a pension fund actuary, which include: the discount rate at which salaries are projected to increase, changes in retirement ages mortality rates and expected future returns on Pension Fund Assets.

Bad Debt Provision

The Council has determined its bad debt provision based on a range of factors including the age of the debt and the action being undertaken by the Council to recover debt.

Grant Income

Judgement is required to assess whether the Council can be assured that the conditions of specific grants received have been met before recognising them as income in the Comprehensive Income and Expenditure Statement. Where the grant conditions require associated expenditure to be incurred, the grant monies will not be recognised as income in the financial year, until this expenditure is incurred. Similarly, where conditions of the grant are in place which mean that a grant or contribution must be re-paid in the event of non-expenditure, the income is not recognised until the conditions of the grant are met.

IFRS 9 - Financial Assets

The Council has undertaken a detailed exercise to determine the basis of the categorisation and valuation of a range of financial assets held by the Council. For certain classes of company shareholding and pooled funds, the Council has had to undertake a detailed assessment of the contractual nature of the assets and the purpose and objectives of holding the asset - including whether the intention is to hold the financial asset for a tradable purpose. This has resulted in a decision to categorise its shareholdings in companies through Fair Value Other Comprehensive Income (FVOCI), and to value its Pooled Funds as Fair Value through Profit & Loss (FVPL). Furthermore in the case of the valuation of company shares, the Council have concluded that its shareholding in Durham Tees Valley Airport continues to remain held at nil value, despite the recent purchase by Tees Valley Combined Authority of an 89% shareholding from the previous operating company of the airport.

Note 4 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 other factors 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 as at 31 March 2019, 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 estimates 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 estimated useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. The annual depreciation charge for buildings would increase by £0.255 million for every year that useful lives had to be reduced.
Provisions - Insurance Claims	The Council has made a total provision of £1.517 million for the settlement of insurance claims for Public Liability, Vehicles and Property. These are based on estimated amounts through claims. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.152 million to the provision needed.
Provisions – Business Rate Appeals	The Council is liable for successful appeals under the Business Rates Retention Scheme. A provision has been recognised for £1.956 million based on an estimate using the Valuations Office Agency (VOA) ratings list of appeals and an analysis of successful appeals to date.	An increase over the forthcoming year of 10% in value of successful appeals would have the effect of adding £0.196 million to the provision needed.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 rates to be applied.	The effects on the net pension liability of changes in individual assessments can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £12.381 million. Note 37 provides further detail within a sensitivity analysis for other key assumptions.
Fair Value Measurements of CCLA Investment	The Council has 3.070 million units with the CCLA Property Fund (purchase price of £10.000 million). The Council is using the Government's current statutory override to account for fair value movements in the fund by transferring the gain/loss to an unusable reserve. In the event that these units are sold or the statutory override expires the amount in the unusable reserve will become chargeable to the Council's Income and Expenditure account.	The current fair value adjustment on the Council's CCLA investment is £0.731 million. A 5% fall in property prices will reduce the value of the investment by an additional £0.463 million.
Britain leaving the European Union: asset values and pension liability	There is a high level of uncertainty about the implications of Britain leaving the European Union. At the current time there are three possible scenarios: a 'no deal' Brexit, an agreement with a transition period and an extension to EU membership of unknown length. It is not possible to predict which path will be taken and whether asset values and the discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. However, this assumption needs to be revisited and reviewed regularly.	Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.

Note 5 Events after the Balance Sheet Date (31 March 2019)

Adjusting Post-Balance Sheet Event:

The Council has made an adjusting post-balance sheet event for two pension-related issues:

1. McCloud Judgement:

In December 2018, the Court of Appeal ruled in the McCloud & Sargeant Judgement. The ruling related to the 2015 reformed pension scheme for Firefighters and Judges. The Court of Appeal ruled that the transitional protection awarded to members of the scheme who were within 10 years of the state retirement age at the time of the reforms was in fact age discriminatory. The National Government applied to the Supreme Court for permission to appeal this judgement, however on 27 June 2019 the Supreme Court rejected the Government's request.

It is expected that the Government will now seek a remedy for all public sector pension schemes where transitional protection has been adopted, in order to preserve the value of an employee or ex-employee's pension benefits.

In relation to the Local Government Pension Scheme (LGPS), all members of this scheme were moved to a modified career-average scheme in 2014. However members who were deemed to be within 10 years of their pension age as at 1 April 2012 were given an assurance that their benefits would be at least as valuable in terms of the amount and when they could be drawn had they remained in the pre-2014 scheme. It is now expected that the LGPS scheme will need to be extended to all members to allow them to choose between retaining the benefits linked to either the pre or post 2014 scheme.

An assessment has been undertaken by the Government Actuary Department under instruction from the National LGPS Advisory Board. This assessment has concluded that the Local Government Pension Schemes in the Local Government sector could face increased liabilities in the region of 1% of the gross liabilities of the active employees in the Pension Scheme.

2. Guaranteed Minimum Pension (GMP):

An adjustment has also been made for the implications of the High Court ruling in October 2018 which related to a pension scheme provided by Lloyds Bank, which concluded that the pension scheme did not adequately equalise the pension benefits for men and women to ensure a guaranteed minimum pension level was provided. The National LGPS Advisory Board during 2018/19 has determined that it must also amend a similar disparity for scheme members who accrued benefits in the Pension Scheme between 1978 and 1997, when the scheme was contracted-out of the State Second Pension on a salary-related basis. The Government has further indicated its intention to correct this disparity and provide equalised guaranteed minimum pension benefits to all members who reach state pension age from 5 April 2021 onwards.

AON, the Teesside Pension Fund Actuary have estimated that the potential IAS 19 accounting liability of the full GMP indexation and equalisation for members is in the region of 0.3% of the defined benefit liabilities held by the Council for pension funds.

Post Balance Sheet Adjustments: The Council obtained a reassessment of the valuation as at 31 March 2019 of the Council's pension fund assets and liabilities. This assessment has been performed by AON, who have concluded that funded liabilities have increased by £6.718 million, from £745.695 million to £752.413 million. Pension Fund assets have slightly dropped in value by £1.791 million, from £621.545 million to £619.754 million.

Non-adjusting Post Balance Sheet Event:

Announcement of a proposed Senior Management restructure

The Council's current administration is proposing a new format for the senior management structure and governance of the authority. A Council report, issued on the 16th July 2019 and considered by a special full Council on the 24th July 2019, will look to approve recommendations which facilitate, through some interim arrangements, a senior management structure that effectively operates without the requirement for the Chief Executive role.
These interim arrangements, if approved, will come into force with effect from the Council decision on the 24th July 2019, which will include the Corporate Director for Resources being appointed as the Head of Paid Service and the Assistant Director – Governance & Monitoring Officer being appointed as the Returning Officer for the Council.

The intention is that a permanent senior management structure will then be considered by Members, for approval, in the Autumn 2019, which will look to facilitate the Council in delivering the new administration's priorities, within the available budget provision of the Council.

The special Council report of the 24th July 2019 can be found on the Council website at www.redcar-cleveland.gov.uk by searching on the 'Cabinet and Committee Papers' page.

Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations

(CIES = Comprehensive Income and Expenditure Statement)

2018/19	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or (credited) to the CIES				
Charges for depreciation and impairment of non-current assets	(14,089)	-	-	14,089
Revaluation losses on Property, Plant and Equipment, Investment Properties and Assets Held for Sale	6,995	-	-	(6,995)
Amortisation of Intangible Assets	(748)	-	-	748
Capital grants and Contributions Applied	11,383	-	-	(11,383)
Revenue Expenditure Funded from Capital Under Statute	(4,305)	-	-	4,305
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(19,834)	(762)	-	20,596
Insertion of items not debited or (credited) to the CIES		-	-	-
Statutory provision for the financing of capital investment	5,075	-	-	(5,075)
Capital Expenditure charged against the General Fund	-	-	-	-
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	1,997	-	(1,997)	-

2018/19	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	6,750	-	(6,750)
Other Adjustments involving the Capital Receipts Reserve	-	(2,427)	-	2,427
Adjustments involving the Deferred Capital Receipts Reserve:				
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in year in accordance with statutory requirements	(15,335)	-	-	15,335
Adjustments against the Pooled Investment Fund Adjustment Account				
Amount by which the movement in fair value of pooled funds charged to the CIES are different from the amount chargeable in year in accordance with statutory requirements	(731)	-	-	731
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 37)	(25,926)	-	-	25,926
Employers Pension Contributions and direct payments to pensioners payable in the year	9,199	-	-	(9,199)
Adjustments involving the Collection Fund Adjustment Account (NDR and Council Tax):				
Amount by which the collection fund income credited to the CIES is different from the collection fund income calculated for the year in accordance with statutory requirements	(3,777)	-	-	3,777
Adjustments involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in year in accordance with statutory requirements	1,064	-	-	(1,064)
Total Adjustments	**(49,032)**	**3,561**	**(1,997)**	**47,468**

2017/18	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or (credited) to the CIES				
Charges for depreciation and impairment of non-current assets	(12,352)	-	-	12,352
Revaluation losses on Property, Plant and Equipment, Investment Properties and Assets Held for Sale	(1,545)	-	-	1,545
Amortisation of Intangible Assets	(857)	-	-	857
Capital grants and contributions	11,546	-	-	(11,546)
Revenue Expenditure Funded from Capital Under Statute	(1,763)	-	-	1,763
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES – Assets	(884)	(1,563)	-	2,447
Insertion of items not debited or (credited) to the CIES				
Statutory provision for the financing of capital investment	601	-	-	(601)
Capital Expenditure charged against the General Fund	50	-	-	(50)
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	173	-	(173)	-
Adjustments involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	7,000	-	(7,000)
Other Adjustments involving the Capital Receipts Reserve	-	(2,424)	-	2,424

2017/18	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Deferred Capital Receipts Reserve:	-	(3,984)	-	3,984
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in year in accordance with statutory requirements	237	-	-	(237)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 37)	(16,251)	-	-	16,251
Employers Pension Contributions and direct payments to pensioners payable in the year	9,259	-	-	(9,259)
Adjustments involving the Collection Fund Adjustment Account (NDR and Council Tax):				
Amount by which the collection fund income credited to the CIES is different from the collection fund income calculated for the year in accordance with statutory requirements	(1,330)	-	-	1,330
Adjustments involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in year in accordance with statutory requirements	(125)	-	-	125
Total Adjustments	**(13,241)**	**(971)**	**(173)**	**14,385**

Note 7 Expenditure and Income Analysed by Nature

Local authorities are required to provide a subjective analysis of expenditure and income analysed by nature, showing how the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement is comprised.

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

2018/19	Cost of Services £000	Other Operating Expenditure (Note 9) £000	Financing and Investment Income and Expenditure (Note 10) £000	Taxation and Non-specific Grant income (Note 11) £000	Surplus or Deficit on provision of Services £000
Expenditure/Income					
Expenditure					
Employee expenses	77,275	-	-	-	77,275
Other service expenses	216,402	-	39,004	-	255,406
Support service recharges	15,238	-	-	-	15,238
Depreciation, amortisation and impairment	6,770	-	176	-	6,946
Interest payments	-	-	30,582	-	30,582
Precepts & Levies	-	744	-	2,480	3,224
Loss on Disposal of Fixed Assets	-	137	-	-	137
Total Expenditure	**315,685**	**881**	**69,762**	**2,480**	**388,808**
Fees, charges & other service income	(22,776)	-	-	-	(22,776)
Interest and investment income	-	-	(15,280)	-	(15,280)
Income from council tax and NDR	-	-	-	(95,129)	(95,129)
Government grants and contributions	(169,674)	-	-	(31,309)	(200,983)
Gain on Disposal of Fixed Assets	-	(184)	-	-	(184)
Total Income	**(192,450)**	**(184)**	**(15,280)**	**(126,438)**	**(334,352)**
(Surplus)/Deficit on the Provision of Services	**123,235**	**697**	**54,482**	**(123,958)**	**54,456**

2017/18	Cost of Services £000	Other Operating Expenditure (Note 9) £000	Financing and Investment Income and Expenditure (Note 10) £000	Taxation and Non-specific Grant income (Note 11) £000	Surplus or Deficit on provision of Services £000
Expenditure/Income					
Expenditure					
Employee expenses	89,187	-	-	-	89,187
Other service expenses	202,398	-	17,910	-	220,308
Support service recharges	14,666	-	-	-	14,666
Depreciation, amortisation and impairment	12,984	-	-	-	12,984
Interest payments	-	-	15,410	-	15,410
Precepts & Levies	-	736	-	1,207	1,943
Loss on Disposal of Fixed Assets	-	-	1,126	-	1,126
Total Expenditure	**319,235**	**736**	**34,446**	**1,207**	**355,624**
Fees, charges & other service income	(26,121)	-	(16,792)	-	(42,913)
Interest and investment income	-	-	(212)	-	(212)
Income from council tax and NDR	-	-	-	(91,159)	(91,159)
Government grants and contributions	(174,317)	-	-	(35,007)	(209,324)
Gain on Disposal of Fixed Assets	-	(242)	-	-	(242)
Total Income	**(200,438)**	**(242)**	**(17,004)**	**(126,166)**	**(343,850)**
(Surplus)/Deficit on the Provision of Services	**118,797**	**494**	**17,442**	**(124,959)**	**11,774**

Note 8 Transfers to/from Earmarked Reserves

Earmarked Reserves are credit sums set aside to meet a liability expected to be met in the future, but for which the timing is uncertain.

Balance at 1 April 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000		Balance at 1 April 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000
(127)	126	-	(1)	Risk Management Fund	(1)	2	(1)	-
(568)	150	-	(418)	Leisure Contract Risk Fund	(418)	1	-	(417)
(250)	-	(284)	(534)	MMI Reserve	(534)	34	-	(500)
(1,326)	-	(274)	(1,600)	Insurance Reserve	(1,600)	1,097	(844)	(1,347)
(1,481)	622	(787)	(1,646)	Private Finance Initiative – Schools	(1,646)	258	-	(1,388)
(1,864)	300	-	(1,564)	Private Finance Initiative – Street Lighting	(1,564)	625	-	(939)
(476)	102	(10)	(384)	Council Tax Reserve Reliefs	(384)	31	-	(353)
-	50	(50)	-	Direct Revenue Funding Reserve	-	93	(93)	-
(120)	71	-	(49)	Alternative Delivery Models Reserve	(49)	49	-	-
(1,130)	2,365	(3,469)	(2,234)	MTFS Reserve	(2,234)	4,541	(2,347)	(40)
(9,450)	6,871	(5,206)	(7,785)	Budget Strategy Reserve	(7,785)	7,667	(8,809)	(8,927)
-	-	-	-	Brexit Funding	-	-	(105)	(105)
(20)	-	(17)	(37)	River Tees Port Health Authority Reserve	(37)	37	-	-
(108)	-	-	(108)	Trust Funds (On Deposit with the Council)	(108)	108	-	-
(6,531)	3,664	(5,830)	(8,697)	Directorate Reserves	(8,697)	6,811	(3,996)	(5,882)
(3,291)	3,519	(3,699)	(3,471)	Balances held by schools under a scheme of delegation	(3,471)	8,082	(7,623)	(3,012)
(26,742)	**17,840**	**(19,627)**	**(28,529)**	**Total**	**(28,529)**	**29,436**	**(23,818)**	**(22,910)**

- Leisure Contract Risk Fund - The fund is used to manage property costs which are over and above those included within the leisure contract.

- MMI Reserve - A reserve was established in relation to Municipal Mutual Insurance (MMI) which is to provide for potential estimated future claims that are not currently included within the provision. See Note 30 for a more detailed explanation of MMI.

- Insurance Reserve - An Insurance Reserve has been established for potential future insurance claims not currently provided for within the insurance provision.

- Private Finance Initiative - The Council receives support from the Government in the form of PFI grant that is paid on an annuity basis. Where the funding available is in excess of the contract payments to be made in the year, the surplus is transferred to an earmarked PFI reserve. This reserve is called upon in future years when contract payments exceed funding available. PFI reserves are in operation for both Schools and Street Lighting.

- Council Tax Reserve Reliefs Reserve - This funding relates to the timing of income being received in relation to court costs on council tax. As the number of court cases varies from year to year this income is being set aside to ensure that a fixed revenue budget can be financed over the medium term.

- Budget Strategy Reserve - is used to manage the volatility of the assumptions around the Medium Term Financial Plan.

- Brexit Funding – a reserve set up to fund the additional workload which the Government expects to be created by leaving the European Union.

- Directorate Reserves – These have been created from grant income where there are no conditions attached to the funding and by income generated through trading operations.

- MTFS – To fund remaining commitments from previous years.

- School Balances – These are the accumulated balances and the differences between the school budget and actual expenditure incurred for all of the Redcar and Cleveland controlled Schools. In accordance with Government regulations and the Council's Scheme of Delegation for Schools, these funds are carried forward and specifically earmarked for use by schools in future years. This fund is greatly affected by schools converting to Academy status.

Note 9 Other Operating Expenditure

The line, Other Operating Expenditure, below the Cost of Services in the Comprehensive Income and Expenditure Statement can be analysed as follows:

2017/18 £000		2018/19 £000
582	Town and Parish council precepts	587
154	Northumbria Flood Defence and N.E. Sea Fisheries Levies	157
(242)	(Gains)/Losses on the disposal of non-current assets	(47)
494	**Total**	**697**

Note 10 Financing and Investment Income and Expenditure

The line, Financing and Investment Income and Expenditure, below the Cost of Services in the Comprehensive Income and Expenditure Statement can be analysed as follows:

2017/18 £000		**2018/19 £000**
15,410	Interest payable and similar charges	14,897
1,118	Net interest on the defined pension liability	4,127
(212)	Interest receivable and similar income	(322)
1,126	Loss on Disposal of Academies	19,882
-	Premium from settlement of LOBO loans	15,723
-	Net (gains)/losses on fair value of investment properties*	(556)
-	Net (gains)/losses on fair value of financial instruments through profit & loss	731
17,442	**Total**	**54,482**

*The movement in fair value of investment properties for 2017/18 was included in Net Cost of Services. The equivalent amount was £0.241 million.

Note 11 Taxation and Non Specific Grant Income

The line, Taxation and Non-Specific Grant Income, below the Net Cost of Services in the Comprehensive Income and Expenditure Statement holds a number of grants and contributions that are used on a corporate basis. The grants and contributions for 2018/19 are as follows:

2017/18 £000		2018/19 £000
	Credited to Taxation and Non-Specific Grant Income	
(57,129)	Council Tax Income	(60,754)
(32,823)	Distribution from Non-Domestic Rates	(31,895)
	Non-Ring Fenced Government Grants:	
(15,462)	Revenue Support Grant	(11,403)
(7,123)	PFI Grant	(7,123)
(2,150)	New Homes Bonus Scheme	(1,522)
(10,264)	Capital Grants and Contributions	(11,128)
(7)	Other Grants	(133)
(124,959)	**Total**	**(123,958)**

All the above grants are allocated to the Council with no restrictions on their future use. However in most cases the Council has honoured the remit of the grant in making spending decisions.

Note 12 Dedicated Schools Grant

The Council's expenditure on schools is funded through the Dedicated Schools Grant (DSG) allocated by the Department for Education. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2018/19 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2018/19 before academy recoupment	Not Applicable		114,497
Academy figure recouped for 2018/19			(64,062)
Total DSG after academy recoupment for 2018/19			**50,435**
Brought Forward from 2017/18			353
Carry forward to 2018/19 agreed in advance			-
Agreed initial budgeted distribution in 2018/19	**12,608**	**38,180**	**50,788**
In year adjustments:			
Early Years additional allocation re. 2017/18, received in 2018/19	-	(356)	(356)
Final budget distribution for 2018/19	**12,608**	**37,824**	**50,432**
Actual central expenditure	(12,834)	-	(12,834)
Actual ISB deployed to schools	-	(37,932)	(37,932)
Local authority contribution for 2018/19	-	-	-
Carry forward to 2019/20	**(226)**	**(108)**	**(334)**

Note 13 Members' Allowances

2017/18 £000		2018/19 £000
592	Basic Allowances	589
148	Special Responsibility Allowances	162
12	Expenses	12
752	**Total**	**763**

During the year, the Council had a total of 59 elected Members. The cost of remuneration includes basic allowances, special responsibility allowance, dependents' carers' allowance, co-optees' allowance, travel and subsistence and telephone costs paid to Elected Members.

Note 14 Officers' Remuneration

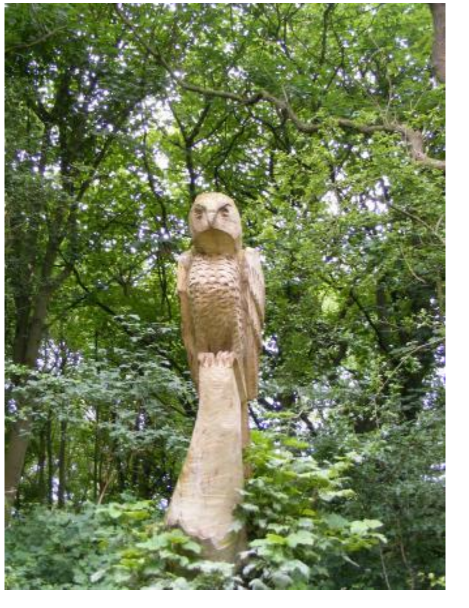
The number of employees (including teaching staff) whose gross remuneration (being Basic Salary, employee pension benefits, expense allowances, redundancy and other severance payments) exceeded £50,000 is shown below in bands of £5,000.

2017/18				2018/19		
School Employees	**Non-School Employees**	**Total Employees**	**Remuneration Band (£)**	**School Employees**	**Non-School Employees**	**Total Employees**
25	19	44	50,000 to 54,999	15	45	60
16	11	27	55,000 to 59,999	9	11	20
13	15	28	60,000 to 64,999	11	15	26
7	6	13	65,000 to 69,999	5	16	21
13	4	17	70,000 to 74,999	6	3	9
5	1	6	75,000 to 79,999	5	5	10
3	2	5	80,000 to 84,999	3	1	4
4	-	4	85,000 to 89,999	-	2	2
1	2	3	90,000 to 94,999	4	6	10
-	-	-	95,000 to 99,999	-	-	-
-	2	2	100,000 to 104,999	-	1	1
-	1	1	105,000 to 109,999	-	1	1
-	-	-	110,000 to 114,999	-	-	-
-	-	-	115,000 to 119,999	-	-	-
-	-	-	120,000 to 124,999	-	-	-
-	-	-	125,000 to 129,999	-	-	-
-	-	-	130,000 to 134,999	-	-	-
-	2	2	135,000 to 139,999	-	-	-
-	-	-	140,000 to 144,999	-	3	3
-	-	-	145,000 to 149,999	-	-	-
-	-	-	150,000 to 154,999	-	-	-

	2017/18				2018/19	
School Employees	**Non-School Employees**	**Total Employees**	**Remuneration Band (£)**	**School Employees**	**Non-School Employees**	**Total Employees**
-	1	1	155,000 to 159,999	-	-	-
-	-	-	160,000 to 164,999	-	-	-
-	-	-	165,000 to 169,999	-	-	-
-	1	1	170,000 to 174,999	-	-	-
-	-	-	175,000 to 179,999	-	1	1
-	-	-	Over £180,000	-	-	-
87	**67**	**154**	**Total**	**58**	**110**	**168**

There is a reduction in the number of school employees between the financial years resulting from schools becoming Academy status.

There is an increase in the number of non-school employees between the financial years as there are a significant number who by virtue of pay awards, exceeded the £0.050 million threshold band. This is highlighted in the number of non-school employees increasing in the lowest banding of the table above.



Senior Officers with a gross salary (not full remuneration, i.e. not including expense allowances, redundancy and other severance payments) in excess of £50,000 included in the above table who are required to be separately identified are as follows:

2018/19	Salary (including Fees & Allowances) £	Recurring Payment £	One Off Payment £	Benefits in Kind £	Redundancy £	Gross Remuneration Excl. Pension Contributions 2018/19 £	Pension Contributions 2018/19 £	Total Remuneration Including Pension Contributions 2018/19 £
Chief Executive (Amanda Skelton)	151,122	-	-	-	-	151,122	24,179	175,301
Corporate Director for Resources	121,457	-	-	-	-	121,457	19,259	140,716
Corporate Director for Children's Services	121,457	-	-	-	-	121,457	31,433	152,890
Service Director for Economic Growth*	54,800	-	-	-	31,077	85,877	4,484	90,361
Corporate Director for Growth, Enterprise and Environment**	20,243	-	-	-	-	20,243	3,239	23,482
Corporate Director for Adults and Communities	121,457	-	-	-	-	121,457	19,433	140,890
Director of Public Health***	-	-	-	-	-	-	-	-
Assistant Director of Organisational Change (part time hours)	64,692	-	-	-	-	64,691	10,351	75,042
Head of Policy & Performance	72,268	-	-	-	-	72,268	11,563	83,831
Assistant Director - Governance and Monitoring Officer	89,150	-	-	-	-	89,150	14,264	103,414
Communications and Media Manager****	49,061	-	-	-	3,850	52,911	6,644	59,556
Total	**865,706**	**-**	**-**	**-**	**34,927**	**900,633**	**144,849**	**1,045,482**

* Post removed as part of a restructure of Redcar & Cleveland Services.
** A new post was created from 1 February 2019 which incorporated the role of the previous Service Director for Economic Growth as well as a wider span of service responsibilities.
*** Employed by Middlesbrough Council.
**** Post vacant for part of the financial year.

2017/18	Salary (including Fees & Allowances) £	Recurring Payment £	One Off Payment £	Benefits in Kind £	Redundancy £	Gross Remuneration Excl. Pension Contributions 2017/18 £	Pension Contributions 2017/18 £	Total Remuneration Including Pension Contributions 2017/18 £
Chief Executive	148,158	-	-	-	-	148,158	23,705	171,863
Corporate Director for Resources	119,075	-	-	-	-	119,075	18,073	137,148
Corporate Director for Children's Services	119,075	-	-	-	-	119,075	37,052	156,127
Service Director of Economic Growth	92,000	-	-	-	-	92,000	14,720	106,720
Corporate Director for Adults and Communities	117,011	-	-	-	-	117,011	18,722	135,733
Director of Public Health	-	-	-	-	-	-	-	-
Assistant Director Organisational Change (part time hours)	59,615	-	-	-	-	59,615	9,538	69,153
Head of Policy & Performance	70,851	-	-	-	-	70,851	11,336	82,187
Assistant Director - Governance and Monitoring Officer	87,402					87,402	13,984	101,386

2017/18	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy	Gross Remuneration Excl. Pension Contributions 2017/18	Pension Contributions 2017/18	Total Remuneration Including Pension Contributions 2017/18
	£	£	£	£	£	£	£	£
Communications and Media Manager *	36,930	-	-	-	-	36,930	5,828	42,758
Total	**850,117**	**-**	**-**	**-**	**-**	**850,117**	**152,959**	**1,003,076**

* Post vacant for part of the financial year.

An additional requirement for local authorities is to disclose an appropriate level of detail on local government pay and officer's salaries. The transparency agenda requires disclosure of salaries (before the payment of other benefits) over £50,000.

The table below gives salary and remuneration details for all staff above the £50,000 threshold (excluding the senior officer details given above).

2018/19	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy	Gross Remuneration Excl. Pension Contributions 2018/19	Pension Contributions 2018/19	Total Remuneration Including Pension Contributions 2018/19
	£	£	£	£	£	£	£	£
Non-schools:								
Assistant Director Neighbourhoods and Customer Services	80,898	-	-	-	-	80,898	12,970	93,868
Assistant Director - Adult Care	80,298	-	-	-	-	80,298	12,848	93,146
Assistant Director - Safeguarding	80,298	-	-	-	-	80,298	12,785	93,083

2018/19	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy	Gross Remuneration Excl. Pension Contributions 2018/19	Pension Contributions 2018/19	Total Remuneration Including Pension Contributions 2018/19
	£	£	£	£	£	£	£	£
Assistant Director - Early Help	80,298	-	-	-	-	80,298	12,792	93,090
Assistant Director of Public Health	80,298	-	-	-	-	80,298	12,848	93,146
Commercial & Legal Manager	68,936	-	-	-	-	68,936	11,030	79,966
Financial Services Manager	67,759	-	-	-	-	67,759	10,841	78,600
Head of Alternative Education	66,302	-	-	-	-	66,302	10,927	77,229
Assistant Director - Education	63,569	-	-	-	-	63,569	10,171	73,740
Service Manager	59,046	-	-	-	-	59,046	9,387	68,433
Service Lead - Streetscene	57,875	-	-	-	-	57,875	9,260	67,135
School Improvement Advisor	57,810	-	-	-	-	57,810	9,250	67,060
Service Lead – Business Development & Improvement	57,677	-	-	-	-	57,677	9,228	66,905
Service Manager	57,507	-	-	-	-	57,507	9,201	66,708
Senior Psychologist Manager	57,425	-	-	-	-	57,425	9,188	66,613
Service Manager	57,021	-	-	-	-	57,021	9,123	66,144
Service Manager	56,821	-	-	-	-	56,821	9,091	65,912
Head of Planning & Development	56,821	-	-	-	-	56,821	9,091	65,912
Audit & Assurance Manager	56,821	-	-	-	-	56,821	9,091	65,912
Service Manager HV/SN	56,821	-	-	-	-	56,821	8,171	64,992
Service Manager	56,821	-	-	-	-	56,821	9,091	65,912

2018/19	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy	Gross Remuneration Excl. Pension Contributions 2018/19	Pension Contributions 2018/19	Total Remuneration Including Pension Contributions 2018/19
	£	£	£	£	£	£	£	£
Service Manager	56,821	-	-	-	-	56,821	9,091	65,912
Principal Manager – Services to Schools	56,607	-	-	-	-	56,607	9,057	65,664
Chief Accountant	55,599	-	-	-	-	55,599	8,896	64,495
Service Manager	55,249	-	-	-	-	55,249	8,840	64,089
Strategic IT Manager	54,308	-	-	-	-	54,308	8,689	62,997
Governance & Strategic Performance Manager	54,199	-	-	-	-	54,199	8,672	62,871
Virtual School Head	53,919	-	-	-	-	53,919	8,627	62,546
Team Manager	53,829	-	-	-	-	53,829	8,613	62,442
Special Projects Officer	53,544	-	-	-	-	53,544	8,567	62,111
Transport Strategy Manager	53,398	-	-	-	-	53,398	8,544	61,942
Team Manager - Practice & Performance	52,839	-	-	-	-	52,839	7,837	60,676
School Business Manager	52,491	-	-	-	-	52,491	8,399	60,890
Team Manager - Practice & Performance	51,075	-	-	-	-	51,075	7,692	58,767
Schools:								
Head Teacher	81,515	-	-	-	-	81,515	13,424	94,939
Head Teacher	80,200	-	-	-	-	80,200	13,217	93,417
Head Teacher	78,255	-	-	-	-	78,255	12,897	91,152

2018/19	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy	Gross Remuneration Excl. Pension Contributions 2018/19	Pension Contributions 2018/19	Total Remuneration Including Pension Contributions 2018/19
	£	£	£	£	£	£	£	£
Head Teacher	78,255	-	-	-	-	78,255	12,897	91,152
Head Teacher	72,810	-	-	-	-	72,810	11,999	84,809
Deputy Head Teacher	72,119	-	-	-	-	72,119	11,885	84,004
Deputy Head Teacher	72,119	-	-	-	-	72,119	11,885	84,004
Head Teacher	66,712	-	-	-	-	66,712	10,998	77,710
Head Teacher	65,928	-	-	-	-	65,928	10,865	76,793
Head Teacher	64,981	-	-	-	-	64,981	10,709	75,690
Head Teacher	64,934	-	-	-	-	64,934	10,701	75,635
Head Teacher	63,413	-	-	-	-	63,413	10,450	73,864
Head Teacher	63,102	-	-	-	-	63,102	10,402	73,504
Deputy Head Teacher	62,855	-	-	-	-	62,855	8,710	71,565
Head Teacher	61,260	-	-	-	-	61,260	10,096	71,356
Head Teacher	61,259	-	-	-	-	61,259	10,096	71,355
Head Teacher	60,727	-	-	-	-	60,727	10,008	70,735
Deputy Head Teacher	56,961	-	-	-	-	56,961	9,387	66,348
Deputy Head Teacher	56,961	-	-	-	-	56,961	9,387	66,348
Deputy Head Teacher	55,854	-	-	-	-	55,854	9,205	65,059
Head Teacher	54,724	-	-	-	-	54,724	9,019	63,743
Deputy Head Teacher	54,175	-	-	-	-	54,175	8,928	63,103

2018/19	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy	Gross Remuneration Excl. Pension Contributions 2018/19	Pension Contributions 2018/19	Total Remuneration Including Pension Contributions 2018/19
	£	£	£	£	£	£	£	£
Assistant Head Teacher	53,494	-	-	-	-	53,494	8,711	62,205
Deputy Head Teacher	52,854	-	-	-	-	52,854	8,710	61,564
Deputy Head Teacher	52,491	-	-	-	-	52,491	8,399	60,890
Assistant Head Teacher	52,414	-	-	-	-	52,414	9,638	62,052
Assistant Head Teacher	52,414	-	-	-	-	52,414	9,638	62,052
Deputy Head Teacher	51,628	-	-	-	-	51,628	8,512	60,140
Assistant Head Teacher	51,233	-	-	-	-	51,233	9,443	60,676
Assistant Head Teacher	51,233	-	-	-	-	51,233	9,443	60,676
Deputy Head Teacher	50,918	-	-	-	-	50,918	8,391	59,309
Senior Teacher	50,879	-	-	-	-	50,879	9,385	60,264
Deputy Head Teacher	50,575	-	-	-	-	50,575	8,505	59,080
Assistant Head Teacher	50,390	-	-	-	-	50,390	8,308	58,698
Deputy Head Teacher	50,386	-	-	-	-	50,386	8,304	58,690
Assistant Head Teacher	50,157	-	-	-	-	50,157	8,127	58,284
Teacher Training Programme Manager	50,357	-	-	-	-	50,357	8,057	58,414

Note 15 Termination Benefits

The Council terminated the contracts of 72 employees in the 2018/19 financial year, incurring liabilities of £0.960 million (£0.574 million for 2017/18). Of this total £0.960 million was payable to 67 officers in respect of various voluntary arrangements agreed and £0.024 million was paid to 5 officers who received compulsory redundancy.

The table below shows an analysis of the total cost incurred by directorate during 2018/19.

Directorate	£000	Number of Employees
Resources	64	10
Adults and Communities	35	5
Children and Families (Schools)	53	4
Children and Families (Non Schools)	690	47
Growth, Enterprise & Environment	118	6
Total	**960**	**72**

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package Cost Band (Including Special Payments) £	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
							£000	£000
0 to 20,000	2	5	40	51	42	56	352	**383**
20,001 to 40,000	1	-	5	11	6	11	170	**306**
40,001 to 60,000	-	-	1	4	1	4	52	**197**
60,001 to 80,000	-	-	-	1	-	1	-	**74**
80,001 to 100,000	-	-	-	-	-	-	-	**-**
100,001 to 150,000	-	-	-	-	-	-	-	**-**
Over 150,001	-	-	-	-	-	-	-	**-**
Provision	-	-	-	-	-	-	-	**-**
Total	**3**	**5**	**46**	**67**	**49**	**72**	**574**	**960**

Note 16 Trading Operations

Trading accounts are maintained where services are provided on a basis other than a straightforward recharge of costs. The following trading accounts are operated by the Council.

2017/18						2018/19				
Income £000	**Expend-iture £000**	**(Surplus)/ Deficit £000**	**Technical Adjust-ments £000**	**Net (Surplus)/ Deficit £000**	**Trading Operation**	**Income £000**	**Expend-iture £000**	**(Surplus)/ Deficit £000**	**Technical Adjust-ments £000**	**Net (Surplus)/ Deficit £000**
(659)	675	16	(7)	9	**Trade Refuse Collection**	(679)	607	(72)	(8)	(80)
(52)	66	14	28	42	**Industrial Estates**	(40)	89	49	(9)	40
(9)	3	(6)	-	(6)	**Markets**	(8)	11	3	-	3
(203)	505	302	(35)	267	**Business Centres**	(185)	413	228	(36)	192
(873)	1,007	134	(120)	14	**Car Parking**	(946)	774	(172)	(37)	(209)
(209)	214	5	(10)	(5)	**Taxi Licensing**	(194)	231	37	(11)	26
(152)	122	(30)	(7)	(37)	**General Licensing**	(177)	198	21	(12)	9
(2,157)	**2,592**	**435**	**(151)**	**284**	**Total**	**(2,229)**	**2,323**	**94**	**(113)**	**(19)**

All of the income and expenditure relating to the Council's trading operations is incorporated within headings in the Cost of Services in the Comprehensive Income and Expenditure Statement.

Examples of technical adjustments in the table above are shown in Note 6.

The Council's trading accounts are explained in more detail below:

- Trade Refuse Collection – contracted collection of waste from commercial properties, schools and other premises within the Borough.

- Industrial Estates – as part of the Council's priority theme to provide business space to attract and sustain businesses, the Council provides units in a range of sizes throughout the Borough.

- Markets – provision of a site for the operation of markets within the Borough, to boost retail and tourism for the local area.

- Business Centres – provision of workshop and office accommodation in a range of sizes at South Tees Business Centres, as part of the priority theme to provide business space to attract and sustain businesses for the local economy.

- Car Parking – provision of both on-street and off-street parking throughout the Borough. Any surpluses in the parking account are applied for the purposes of enforcement and the provision of highway or road improvement project in the local authority's area (Section 55 of the Road Traffic Regulation Act 1984).

- Taxi Licensing – local authority costs and income recovered in relation to hackney carriage and private taxi services within the Borough. Case Law has established that any surplus or deficit in licensing accounts is carried forward from year to year and taken into account when setting future fees.

- General Licensing – local authority costs and income recovered in relation to licences, permits and other authorisations within the Borough. Case Law has established that any surplus or deficit in licensing accounts is carried forward from year to year and taken into account when setting future fees.

Note 17 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. Section 75 of the National Health Service Act 2006 gives powers to local authorities and Clinical Commissioning Groups (CCGs) to establish and maintain pooled funds to support the outcomes of the BCF. The Council has entered into a pooled budget arrangement with NHS South Tees Clinical Commissioning Group (STCCG) for the provision of health and social care services to meet the needs of the population of the Borough. The services being commissioned or provided by the Authority or the STCCG depend upon the needs of the service recipient. The Council and the STCCG have an ongoing Section 75 agreement in place for funding these services and this is reviewed annually. The Council is the host for this pooled budget and each partner's contribution is set out in the Better Care Fund Section 75 Agreement.

The aims and benefits for the Partners in entering into this Agreement are to:

a) Improve the quality and efficiency of health and social care services, in particular to reduce the number of the non-elective admissions to Acute Hospitals;

b) Meet the national conditions and local objectives of the Government's Better Care Fund;

c) Make more effective use of available resources through the establishment and maintenance of a pooled fund for revenue and capital expenditure on health and social care services.

2017/18 £000		2018/19 £000
(94)	Balance brought forward - Revenue	(329)
(790)	Balance brought forward - Capital	(1,017)
-	*Adjustment to balance brought forward - Capital	(751)
(884)		**(2,097)**
	Funding Provided to the Pooled Budget	
(1,361)	The Authority	(1,677)
(10,464)	South Tees CCG	(10,662)
(11,825)		**(12,339)**
	Expenditure Met from Pooled Budget	
8,327	The Authority	9,313
3,036	South Tees CCG	3,191
11,363		**12,504**
(1,346)	**Total surplus**	**(1,932)**
(1,017)	Capital amounts slipped to Future Years	**1,932**
(329)	**Net revenue surplus arising on the Better Care Fund pooled budget to be carried forward**	**-**

* Adjustment to balance brought forward for capital due to use of incorrect grant allocations in 2016/17 and 2017/18

The Improved Better care Fund (iBCF) was first announced in the 2015 Spending Review, and is a paid as a direct grant to local government, with a condition that it is pooled into the local BCF plan. The IBCF grant allocations were increased in the 2017 Spring Budget. According to the grant determination, the funding can be spent on three purposes:

a) Meeting adult social care needs.
b) Reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready.
c) Ensuring that the local social care provider market is supported.

2017/18 £000	Improved Better Care Fund	2018/19 £000
-	Balance brought forward	**(2,625)**
	Funding Provided to the Pooled Budget	
(3,595)	The Authority	**(4,870)**
	Expenditure Met from Pooled Budget	
970	The Authority	**5,660**
(2,625)	**Net Balance Carried Forward**	**(1,835)**

Note 18 Fees Payable to Auditors

For 2018/19 the following fees relating to external audit and inspection were payable by the Council:

2017/18 £000		2018/19 £000
124	Fees payable for services provided by the External Auditors	96
11	Fees payable for the certification of grant claims	19
10	Fee for responding to a challenge received by an elector on LOBO loans	-
(18)	Refund received from the Public Sector Audit Appointments organisation	-
127	**Total**	**115**

Note 19 Property, Plant and Equipment (PPE)

(SDPS = Surplus/Deficit on Provision of Services)
(RR = Revaluation Reserve)

Movements in tangible non-current assets for the year 2018/19:

2018/19	**Other Land and Buildings**	**Vehicles, Plant, Furniture and Equipment**	**Infrastructure Assets**	**Community Assets**	**Assets Under Construction**	**Total PPE**	**Included in Total PPE - Owned**	**Included in Total PPE - Finance Leased**	**Included in Total PPE – PFI Assets**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation									
At 1 April 2018	176,592	19,924	200,603	5,348	343	402,810	374,106	135	28,569
Additions	2,577	2,360	5,010	245	4,623	14,815	14,605	-	210
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) to Revaluation Reserve	8,838	-	-	-	-	8,838	8,758	-	80
Revaluation increases/(decreases) to Surplus or Deficit on Provision of Service	(2,123)	-	-	-	-	(2,123)	(2,035)	-	(88)
De-recognition - Disposals	(21,391)	(485)	(7,278)	-	-	(29,154)	(29,154)	-	-
De-recognition - Other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(53)	-	-	-	-	(53)	(53)	-	-
Assets reclassified (to)/from Investment Properties	-	-	-	-	-	-	-	-	-
Other movements	(935)	-	-	-	935	-	-	-	-
At 31 March 2019	163,505	21,799	198,335	5,593	5,901	395,133	366,227	135	28,771

2018/19	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total PPE £000	Included in Total PPE - Owned £000	Included in Total PPE - Finance Leased £000	Included in Total PPE – PFI Assets £000
Accumulated Depreciation and Impairment									
At 1 April 2018	(13,423)	(12,919)	(97,581)	-	-	(123,923)	(116,149)	(135)	(7,639)
Depreciation charge for the year	(6,495)	(1,599)	(5,968)	-	(28)	(14,090)	(13,283)	-	(807)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus or Deficit on Provision of Service	8,515	-	-	-	-	8,515	8,427	-	88
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus or Deficit on Provision of Service	-	-	-	-	-	-	-	-	-
De-recognition - Disposals	1,347	413	7,278	-	-	9,038	9,038	-	-
De-recognition - Other	-	-	-	-	-	-	-	-	-
Asset Reclassification	2	-	-	-	(2)	-	-	-	-
At 31 March 2019	(10,054)	(14,105)	(96,271)	-	(30)	(120,460)	(111,967)	(135)	(8,358)
Net Book Value									
At 31 March 2019	153,451	7,694	102,064	5,593	5,871	274,673	254,260	-	20,413
At 31 March 2018	163,169	7,005	103,022	5,348	343	278,887	257,957	-	20,930

Depreciation

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

- Infrastructure – majority 10 to 40 years.
- Vehicles, Plant and Equipment – 3 to 10 years.
- Land is not depreciated.
- Buildings depreciated over the lifespan denoted by the valuer – majority 25 to 30 years

Movements in tangible non-current assets for the year 2017/18:

2017/18	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total PPE £000	Included in Total PPE - Owned £000	Included in Total PPE - Finance Leased £000	Included in Total PPE – PFI Assets £000
Cost or Valuation									
At 1 April 2017	171,386	27,404	194,951	6,959	150	400,850	376,642	135	24,073
Additions	3,183	1,537	4,378	136	193	9,427	9,275	-	152
Donations	4,379	-	-	-	-	4,379	-	-	4,379
Revaluation increases/(decreases) to Revaluation Reserve	2,125	-	-	(15)	-	2,110	2,056	-	54
Revaluation increases/(decreases) to Surplus or Deficit on Provision of Service	(3,393)	-	-	(458)	-	(3,851)	(3,778)	-	(73)
De-recognition - Disposals	(1,222)	(8,764)	-	-	-	(9,986)	(9,970)	-	(16)
De-recognition - Other	-	(253)	-	-	-	(253)	(253)	-	-
Assets reclassified (to)/from Held for Sale	261	-	-	-	-	261	261	-	-
Assets reclassified (to)/from Investment Properties	(127)	-	-	-	-	(127)	(127)	-	-
Other movements	-	-	1,274	(1,274)	-	-	-	-	-
At 31 March 2018	176,592	19,924	200,603	5,348	343	402,810	374,106	135	28,569

2017/18	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total PPE £000	Included in Total PPE - Owned £000	Included in Total PPE - Finance Leased £000	Included in Total PPE – PFI Assets £000
Accumulated Depreciation and Impairment									
At 1 April 2017	(11,349)	(20,307)	(91,552)	1	-	(123,207)	(116,199)	(123)	(6,885)
Depreciation charge for the year	(4,421)	(1,575)	(6,355)	-	-	(12,351)	(11,512)	(12)	(827)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus or Deficit on Provision of Service	2,197	-	-	325	-	2,522	2,449	-	73
Impairment losses/(reversals) recognised in the RR	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus or Deficit on Provision of Service	-	-	-	-	-	-	-	-	-
De-recognition - Disposals	72	8,710	-	-	-	8,782	8,782	-	-
De-recognition - Other	-	253	-	-	-	253	253	-	-
Asset Reclassification	78	-	326	(326)	-	78	78	-	-
At 31 March 2018	(13,423)	(12,919)	(97,581)	-	-	(123,923)	(116,149)	(135)	(7,639)
Net Book Value									
At 31 March 2018	163,169	7,005	103,022	5,348	343	278,887	257,957	-	20,930
At 31 March 2017	160,037	7,097	103,399	6,960	150	277,643	260,443	12	17,188

Revaluations

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation and Principles Guidance notes, issued by the Royal Institution of Chartered Surveyors (RICS).

During the year land and building assets have been valued by qualified registered Valuers employed by the Council (the Valuations team).

The Council carries out a rolling revaluation programme that ensures that all items of PPE are revalued at least once every five years.

Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The categories of assets revalued, and the net book value of assets revalued each year, in the rolling programme, are detailed below:

	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total PPE
	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost at 31 March 2019	**123,177**	**7,695**	**101,672**	**4,170**	**5,871**	**-**	**242,585**
Valued at current value as at:							
31 March 2019	70,659	-	-	831	-	-	71,490
31 March 2018	20,358	-	-	466	-	-	20,824
31 March 2017	36,758	-	-	308	-	-	37,066
31 March 2016	57,330	-	-	286	-	-	57,615
31 March 2015	70,446	-	-	1,971	-	-	72,418
Total Cost or Valuation	**255,551**	**-**	**-**	**3,862**	**-**	**-**	**259,413**

Note 20 Impairment Losses

Paragraph 4.7.4.2(1) of the Code of Practice requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. There has been no impairment of assets in 2018/19.

Note 21 Investment Properties

The movement in investment properties during the financial year is as follows:

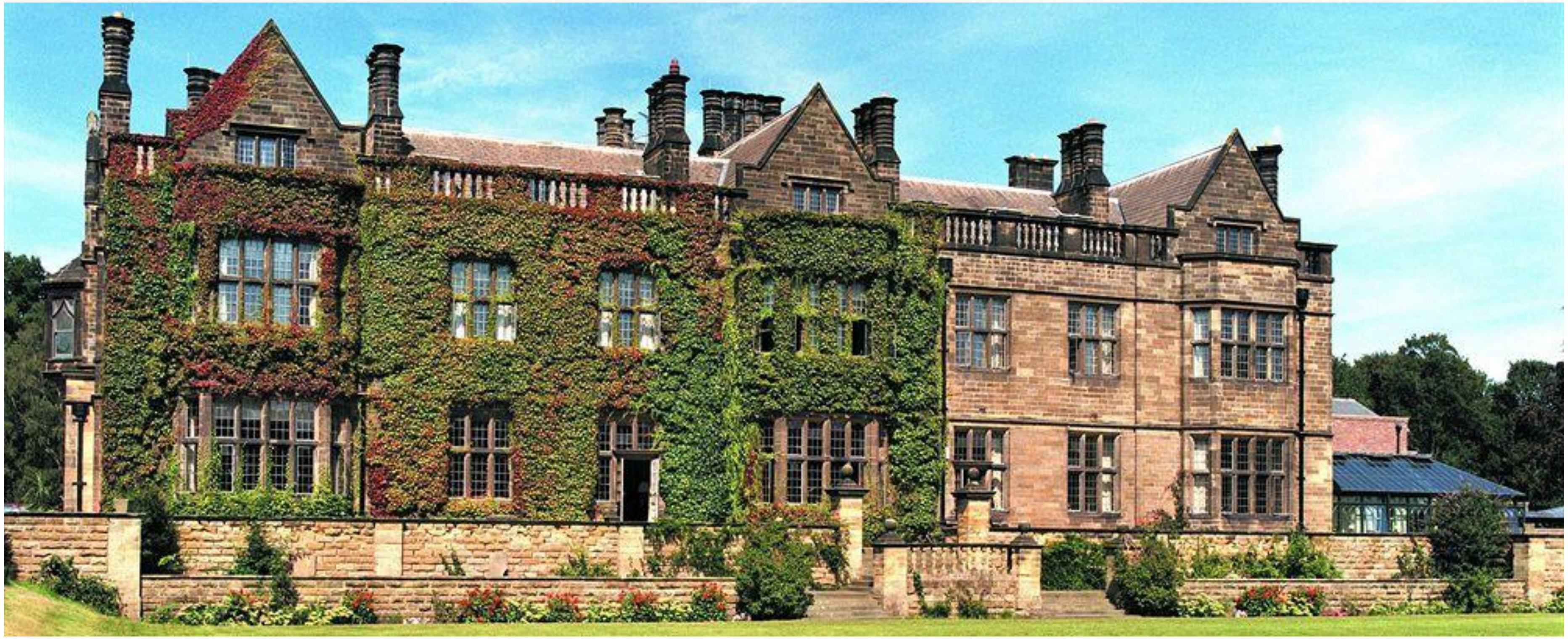
2017/18 £000		2018/19 £000
7,719	Balance at start of the year	8,080
	Additions:	
-	Purchases	-
-	Construction	-
-	Subsequent expenditure	18
	Disposals:	
241	Net gains/(losses) from fair value adjustments	556
	Transfers:	
-	(To)/From Inventories	-
120	(To)/From Property, Plant and Equipment and Assets Held for Sale	243
-	Other Changes	
8,080	**Balance at end of the year**	**8,897**

The Council does not account for rental income and expenditure associated with investment properties as a separate item in the Comprehensive Income and Expenditure Statement. Income and costs associated with Investment Properties are charged to the service that utilises the property.

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 repairs, maintenance or enhancement.

The split of the assets held solely to earn rental income and for capital appreciation is a follows:

2017/18 £000		2018/19 £000
7,162	Properties for rental income purposes	6,297
115	Properties held for an undetermined future use	1,220
-	Properties currently vacant held to be leased out	-
803	Properties held for capital appreciation purposes	1,380
8,080		**8,897**



Note 22 Intangible Assets

The Council accounts for its software as intangible assets as the software is not an integral part of a particular IT system. The hardware is accounted for within Property, Plant and Equipment. The intangible assets include both purchased licences and software.

All software is given a finite useful life, based on expert assessments of the period of use to the Council, and amortised on a straight line basis. The useful lives assigned, amortisation charged for the year and carrying amounts of intangible assets are as follows:

Assets	Useful Life	Useful Life Remaining	31 March 2018 £000	Expenditure 2018/19 £000	Amortisation 2018/19 £000	31 March 2019 £000
Internally Generated						
Adult Services System	10 Years	5 Years	353	-	(93)	260
Agresso	10 Years	8 Years	1,341	47	(245)	1,143
Self-Assessment Web Based Site	5 Years	2 Years	41	-	(20)	21
Customer Relationship Management System	5 Years	3 Years	109	32	(42)	99
Unified Communications System	5 Years	3 Years	188	7	(56)	139
Corporate Web	5 Years	4 Years	-	113	(23)	90
Other						
Other IT Software	Various	Various	569	208	(269)	508
			2,601	**407**	**(748)**	**2,260**

The movement on Intangible Asset balances during the year is as follows:

2017/18 £000		2018/19 £000
6,849	Gross carrying amounts	7,348
(3,993)	Accumulated amortisation	(4,747)
2,856	Net carrying amount at start of year	2,601
	Additions – internal development	-
603	Additions - purchases	407
-	Additions – through business combinations	-
(104)	Disposals – gross carrying amount	-
104	Disposals – accumulated depreciation	-
-	Impairment losses recognised or reversed directly in the Revaluation Reserve	-
(858)	Amortisation for the period	(748)
-	Other changes	-
2,601	**Net carrying amount at end of year**	**2,260**
	Comprising:	
7,348	Gross carrying amounts	7,755
(4,747)	Accumulated amortisation	(5,495)

Note 23 Private Finance Initiatives and Similar Contracts

This note details the Council's current commitments under its three PFI schemes on office accommodation, schools and street lighting.

Office Accommodation and Business Centre

In 2002 the Council entered into a contract for the provision of:

- Office Accommodation in Redcar (Seafield House)
- Office Accommodation in Guisborough (Belmont House)
- A Business Centre in South Bank

Seafield House and Belmont House are operational buildings accommodating Council employees. The South Tees Business Centre is a purpose built facility offering over 1,200 square metres of high quality managed workshops and office space to support the growth of technology, knowledge based businesses and entrepreneurship.

The contract entered into is for a period of 25 years and has two elements. These are construction (for the design, construction and financing of the buildings) and operations (for the maintenance of the buildings after commencement of operations).

In return for the payment of a monthly unitary charge the contractor has undertaken responsibility for both elements of this contract. The construction phase was completed and the buildings became operational in June 2003. The value of the contract over the 25 years is £38.513 million, excluding estimates of inflation. The original building value was £9.131 million.

The offices used in this contract are recognised on the Council's Balance Sheet under Property, Plant and Equipment and are depreciated and revalued in line with Council policy on non-current assets.

Schools

The contract for the provision of schools relates to two new primary schools (St Benedict's and South Bank) and three new secondary schools (Sacred Heart, Outwood Academy and Hillsview Academy).

The contract entered into is for a period of 30 years and has two elements, as detailed above. The schools were completed and became operational in September 2006. The value of the contract over the 30 years is £214.319 million, excluding estimates of inflation. The original building value for the five schools was £48.049 million.

<u>Classification of Schools</u>

St Benedict's Primary School	Academy
South Bank Primary School	Council
Sacred Heart Secondary School	Academy
Outwood Secondary School	Academy
Hillsview Secondary School	Academy

Where the school is an academy the building is not recognised on the Council's Balance Sheet as the economic benefits and service potential for the building rest with the governing body. However as the PFI contract is an agreement between the Council and the contractor, the corresponding liability remains with the Council for the remaining period of the contract.

South Bank Primary School building is included in property, plant and equipment on the Council's Balance Sheet and is depreciated and revalued in line with Council policy on non-current assets. The corresponding liability is reflected in the Council's Balance Sheet. The school was impaired in previous financial years due to structural defects. The school has now been rebuilt and is operational.

Street Lighting

In 2007 the Council entered into a 25 year agreement for the replacement of 85% of its street lighting stock and 100% of its illuminated signs, to replace the existing obsolete infrastructure. Over the first 3 years of the scheme the contractor has provided replacement capital (approximately 15,000 lighting columns). For the remainder of the contract ongoing maintenance and life cycle replacements will be carried out. Energy costs are not included in the PFI contract and are payable directly by the Council to the appropriate provider.

The overall cost of the contract is £72.863 million, excluding estimates for inflation. The value of the street lighting infrastructure is £19.790 million.

Street lighting is recognised in the Council's Balance Sheet as an infrastructure asset and is depreciated in line with Council policy on non-current assets. The corresponding liability is also reflected in the Council's Balance Sheet.

An analysis of the movement in the values of assets recognised under PFI schemes is included in Note 19 on Property, Plant & Equipment.

Payments

The Council makes an agreed monthly payment on each of the three PFI schemes for the services provided in each financial year which is increased by inflation. Payments are for an agreed level of service, and can be amended if the contractor fails to meet availability and performance standards.

Other reasons why costs might vary in future years are:

- The provision of facilities management services may be subject to benchmarking and/or market testing. Payments to the contractor may be adjusted to reflect the outcome of these exercises and could reduce or increase costs.

- Once PFI contracts are operational it is sometimes possible to re-finance the contract which reduces the cost of borrowing incurred by the contractor.

- The Council can vary the contract regarding services provided which may impact on the unitary charge.

The contractor provides for the Council to receive some of the savings arising from re-financing. Re-financing is only possible if market conditions allow.

Payments remaining to be made over the life of the three PFI contracts at 31 March 2019 (excluding any estimation of inflation and availability/performance deductions) are detailed below:

Payments due to be made under PFI Contracts (excluding inflation) - Outstanding as at 31 March 2019

	Repayment of leasing liability	Payment of interest	Provision of services	Total
	31 March 2019 £000	31 March 2019 £000	31 March 2019 £000	31 March 2019 £000
Within 1 year	2,170	5,374	4,296	11,840
Within 2 - 5 years	11,011	19,379	16,972	47,362
Within 6 – 10 years	17,629	18,091	20,667	56,387
Within 11 -15 years	19,827	9,345	17,737	46,909
Within 16 - 20 years	6,883	826	3,992	11,701
Total Future Payments	**57,520**	**53,015**	**63,664**	**174,199**

The contract payments are partially linked to inflation and increase each year in line with the PFI financial model. The estimates detailed below assume a 2.5% increase for the remainder of the contract.

Payments due to be made under PFI Contracts (including inflation) - Outstanding as at 31 March 2019

	Repayment of leasing liability	Payment of interest	Provision of services	Total
	31 March 2019 £000	31 March 2019 £000	31 March 2019 £000	31 March 2019 £000
Within 1 year	2,170	7,492	4,811	14,473
Within 2 - 5 years	11,011	30,403	20,778	62,192
Within 6 – 10 years	17,629	36,821	27,290	81,740
Within 11 -15 years	19,827	29,191	21,713	70,731
Within 16 - 20 years	6,883	7,282	5,656	19,821
Total Future Payments	**57,520**	**111,189**	**80,248**	**248,957**

The figures below represent the amount of debt outstanding with the PFI contractor for the assets held under contract as at 31 March 2019. This is repayable over the remaining term of the contracts.

Value of liabilities held under PFI schemes

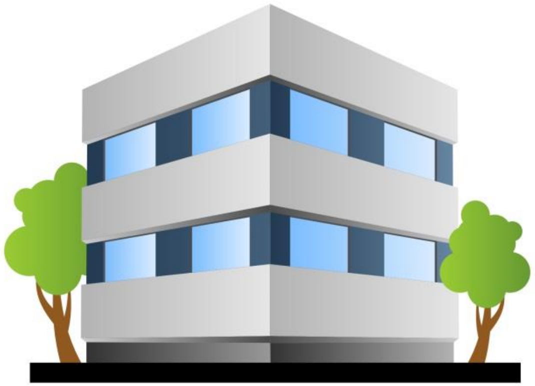
2017/18 £000	Outstanding PFI Liability	2018/19 £000
(62,013)	Opening Balance	(59,787)
2,225	Repayments	2,267
-	Adjustment	-
-	Additions	-
(59,787)	**Closing Balance**	**(57,520)**

Note 24 Capital Expenditure and Capital Financing

The Capital Financing Requirement shows the underlying need of the Council to borrow to finance its purchase of capital assets.

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement.

The movement in the Capital Financing Requirement is analysed as follows.



2017/18			2018/19	
£000	£000		£000	£000
	262,842	**Opening Capital Financing Requirement**		**261,610**
		Capital Investment		
9,409		Property, Plant and Equipment	14,814	
603		Intangible Assets	407	
1,792		Loans & Advances Treated as Capital Expenditure	452	
-		Investment Properties	18	
1,764		Revenue Expenditure Funded from Capital under Statute	4,305	
	13,568	Total Capital Investment		19,996
		Sources of Finance		
(7,000)		Capital Receipts	(6,750)	
(7,149)		Government grants and other contributions	(11,382)	
-		Sums set aside from revenue:		
(50)		Direct revenue contributions	-	
(601)		MRP/Loans Fund Principal	(5,075)	
	(14,800)	Total Sources of Finance		(23,207)
	261,610	**Closing Capital Financing Requirement**		**258,399**
	(1,232)	Movement in Year		(3,211)
		Explanation of movement in year		
-		Increase in underlying need to borrow (supported by government assistance)	-	
1,792		Increase in underlying need to borrow (unsupported by government assistance)	4,406	
		Assets acquired under finance leases		
(2,423)		Write down of long term debtor	(2,427)	
-		Additional use of capital receipts	(115)	
	(631)	**Increase/(Decrease) in Capital Financing Requirement**		1,864
	(601)	Reduced by Minimum Revenue Provision		(5,075)
	(1,232)			(3,211)

Capital Commitments

As at 31 March 2019, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in future years in excess of £1.000 million. The major commitments are as follows:

Scheme	Contract £000's	Payments £000's	Remaining £000's
Intermediate Care Centre	3,551	741	2,810
Kirkleatham new road infrastructure	1,073	57	1,016
Kirkleatham Academy and Walled Gardens	5,648	2,989	2,659
	10,272	3,787	6,485

The Council has no contractual commitments exceeding £1.000 million in 2017/18.

Note 25 Long Term Debtors

The Council has a number of loans exceeding one year. These include:

Loan to Leisure Service Provider - As part of the current leisure contract with Sports and Leisure Management Ltd (SLM) the Council agreed to use its prudential borrowing powers to finance the capital investment programme put forward by SLM as part of its successful bid. The rationale being that the Council could access cheaper long term external finance than SLM could obtain from the banking sector. This would result in savings to the Council as these capital borrowing costs are recharged back to the Council through the regular billing process. As the assets involved, principally leisure centres, are owned by the Council in a freehold capacity, this process is similar to the Council investing in its own buildings portfolio.

Land at Swan's Corner – was sold to a housing developer. The balance has been reclassified as a short-term debtor as the final instalment is due in January 2020.

FROG (Future Regeneration of Grangetown) Loan – a cash flow loan £0.017 million to FROG as part of their role in the Youth Employment Initiative contract. The loan will be for a period of 2 years.

Prepayment to Middlesbrough Council - the Council paid an amount to Middlesbrough Council (who are acting as the lead authority) to extend the waste disposal plant until 2025.

Car Loans to Employees - These have now been discontinued which accounts for the reducing balance.

	Balance 31 March 2018 £000	Total Spend £000	Disposals/ Transfers £000	Amounts Written Off/ Repaid £000	Balance 31 March 2019 £000
Car Loans	2	-	-	-	2
Loan to Leisure Service Provider - SLM	605	254	-	(303)	556
Swans Corner - Bellway	3,945	-	(3,945)	-	-
FROG Loan	17	-	-	-	17
Payment in Advance - Middlesbrough Council	-	2,039	-	-	2,039
Total	**4,569**	**2,293**	**(3,945)**	**(303)**	**2,614**

Note 26 Assets Held for Sale

Assets held for sale are properties that are currently marketed. It is anticipated that they will be sold within 12 months of the reporting period.

2017/18 £000		2018/19 £000
3,343	**Balance outstanding at start of year**	**1,552**
1,168	Assets newly classified as held for sale - PPE	53
(458)	Revaluation losses	-
232	Revaluation gains	1,927
(1,500)	Assets declassified as held for sale: Investment properties	(242)
(1,233)	Assets sold	(456)
1,552	**Balance outstanding at year end**	**2,834**

There is an increase in the net book value of assets held for sale at the end of this financial year of £1.282 million. The increase in year is mainly due to the newly classified Asset held for sale Morton Carr Lane Market Garden.

Note 27 Short Term Debtors

31 March 2018 £000		31 March 2019 £000
3,891	Central Government Bodies	5,612
2,129	Other Local Authorities	3,392
1,502	NHS Bodies	724
286	Public Corporation and Trading Funds	86
13,315	Council Tax Payers	15,496
6,470	Business Rates	6,247
3,818	Housing Benefits Overpayments	3,711
7,586	Other Entities and Individuals	9,106
38,997	**Total**	**44,374**
	Provisions for Doubtful Debts	
(652)	Directorate Contribution to Bad Debt Provision	(930)
(11)	Other Entities and Individuals	(10)
(5,040)	Council Tax Payers	(4,091)
(5,795)	Business Rates	(5,590)
(1,488)	Housing Benefits Overpayments	(1,005)
26,011	**Total debtors including provision for doubtful debt**	**32,748**

Note 28 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2018 £000		31 March 2019 £000
37	Cash held by the Council	36
1,411	Bank current accounts – school accounts	2,987
(1,618)	Bank current accounts – main Council	(4,968)
11,475	Short term deposits with Financial Institutions	4,924
11,305	**Total Cash and Cash Equivalents**	**2,979**

The negative balance on the Council's current account relates to payments which have been charged within the Council's financial system but have yet to be processed within our clearing account at the bank, as at 31 March 2019.

Note 29 Short Term Creditors

31 March 2018 £000		31 March 2019 £000
(12,083)	Central Government Bodies	(3,381)
(3,210)	Other Local Authorities	(8,176)
(741)	NHS Bodies	(648)
-	Public Corporation and Trading Funds	(320)
(2,150)	Short Term Accumulating Compensated Absences	(1,085)
(13,790)	Other Entities and Individuals	(13,844)
(2,002)	Local Taxation	(2,666)
(33,976)	**Total**	**(30,120)**

Note 30 Provisions

	Balance at 1 April 2018	Provisions made in 2018/19	Provisions utilised in 2018/19	Other Transfers in 2018/19	Balance at 31 March 2019	Short Term Provisions	Long Term Provisions
	£000	£000	£000	£000	£000	£000	£000
MMI Claims	(1,813)	-	189	915	(709)	(200)	(509)
Insurance Provision	(1,012)	-	310	(107)	(809)	-	(809)
Business Rates Appeals	(1,668)	(396)	108	-	(1,956)	(391)	(1,565)
Early Retirement/Voluntary Redundancy	-	(456)	-	-	(456)	(456)	-
GVA Invoices Swans Corner	(28)	-	28	-	-	-	-
Total Provisions	**(4,521)**	**(852)**	**635**	**808**	**(3,930)**	**(1,047)**	**(2,883)**

A provision is a monetary sum set aside in respect of a known event which may occur, and for which the timing is uncertain but the actual financial liability is known with some degree of confidence.

MMI Claims:

This provision relates to activities under the Municipal Mutual Insurance (MMI) scheme of which the Council was a member. On the 28 March 2012 the Supreme Court ruled on the Employers' Liability Policy Trigger Litigation relating to Mesothelioma Claims. MMI was liable to settle compensation claims relating to Council employee's, who were exposed to asbestos, which caused mesothelioma. MMI have been in administration since 2014, and the administrators have since triggered the scheme of arrangement, which results in the Council being liable for annual levy payments.

Insurance Provision:

The Insurance Fund was established in 1996 to provide for all payments that fall within the policy excess on claims for property, motor and liability. Claims can be quite historic and take time to investigate and settle.

The value of the provision is underpinned by the latest actuary report and the best estimate of the financial liability of existing claims outstanding at 31st March 2019. The transfer out of £0.915 million relates to an adjustment following a review of the probabilities attached to the eventual settlement value of individual claims, to reflect that claims are often settled at below the level of the original initial lodged claim.

Business Rates Appeals:

The level and value of appeals within particular localities is maintained by the Valuations Office Agency (VOA) and are significant in both value and volume. As there is a degree of uncertainty regarding whether appeals will be successful and the timing of any refunds to business rate payers, and the appeals relate to bills already issued, a provision has been established within the Collection Fund for the expected cost. Although this reduces the surplus in year, it will act as protection against reductions in future years' income.

The value of the provision has been established based on discussions with the Council's own staff, the outsourced provider, Liberata, and the VOA. This is based on the value of appeals outstanding, past experience of appeals being successful, and adjusted for any significant appeals that are in progress. The total value of the provision is £3.992 million with the 49% share in the Council's own accounts being £1.956 million.

Early Retirement/Voluntary Redundancy:

Following a review of the Early Help team at the end of the financial year and the acceptance during March 2019 of the offers to employees, a provision has been made for the early retirement and voluntary redundancy costs.

Note 31 Long Term Creditors

	Balance at 31 March 2018 £000	Income £000	Expenditure £000	Balance at 31 March 2019 £000
Section 38 / 278 Agreements	(282)	(71)	30	(323)
Section 106 Agreements	(1,663)	(1,143)	494	(2,312)
Commuted Sums	(37)	(16)	17	(36)
Trust Funds	-	(109)	-	(109)
Total	**(1,982)**	**(1,339)**	**541**	**(2,780)**

Section 38 / 278 agreements relate to the creation of new highways upon newly developed land which will then be adopted by the Council as a public highway. The agreement secures a bond for the cost of the works, to enable completion of the works by the Council upon default by the developer. There are currently 9 agreements in place.

Section 106 Agreements provide councils with the power to enter into a legally binding agreement with a person with an interest in land. The agreement may restrict development or use of the land, require operations or activities to be carried out on the land or require land to be used in a particular way. There are currently 15 agreements in place.

Commuted sums are a payment made by a developer to the Council which will cover the future maintenance of an asset which will be adopted by the Council. There are currently 4 agreements in place.

The Council is the custodian of three trust funds. These have been reclassified as long-term creditors from earmarked reserves in year.

Note 32 Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

Financial Liabilities

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus the accrued interest.

Financial Assets

To meet the new Code requirements, financial assets are now classified into one of three categories:

- Financial assets measured at amortised cost. These represent loans and loan-type agreements where repayments of interest and principal take place on set dates and at specified amounts. The amounts presented in the Balance Sheet represent the outstanding principal received plus accrued interest. Interest credited to the Income and Expenditure account relates to the amount receivable as per the loan agreement.

- Fair Value through Other Comprehensive Income (FVOCI). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through an unusable reserve, with the balance debited or credited to the CIES when the asset is disposed of. The Council has elected to designate the shareholding in Durham Tees Valley Airport and Suez Recycling & Recovery (Tees Valley) LTD to FVOCI. Both equity holdings are strategic investments and not held for trading.

- Fair Value through Profit and Loss. These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are generally recognised in the CIES. The exception to this are pooled investments which can be accounted for by using a temporary statutory override issued by the Ministry for Housing, Communities and Local Government (MHCLG). This is for a period of five years commencing on the 1st April 2018. The Council has opted to use this override to account for any changes in the fair value on its pooled funds in an usable reserve.

Financial Instruments: Balances

The Council has adopted the IFRS9 Financial Instruments accounting standard with effect from the 1st April 2018. The main changes include the reclassification and re-measurement of financial assets and the earlier recognition of the impairment of financial assets.

Financial Liabilities

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long-term 31 March 2019 £000	Long-term 31 March 2018 £000	Current 31 March 2019 £000	Current 31 March 2018 £000
Loans at amortised cost:				
- Principal sum borrowed – PWLB	(32,506)	(32,508)	(3)	(2,003)
- Principal sum borrowed – LOBO	(25,000)	(56,600)	-	-
- Principal sum borrowed – Market	(48,750)	(48,750)	-	-
- Principal sum borrowed – Local Authority	(20,000)	(15,000)	(64,500)	(5,000)
Accrued interest				
- Accrued interest – PWLB	-	-	(406)	(417)
- Accrued interest – LOBO	-	-	(449)	(752)
- Accrued interest – Market	-	-	(800)	(800)
- Accrued interest – Local Authority	-	-	(401)	(205)
EIR adjustments - PWLB	269	269	-	-
Total Borrowing	**(125,987)**	**(152,589)**	**(66,559)**	**(9,177)**
Loans at amortised cost:				
- Bank Overdraft	-	-	(4,968)	(1,618)
Total Cash Overdrawn	**-**	**-**	**(4,968)**	**(1,618)**
Liabilities at amortised cost:				
- PFI arrangements	(55,350)	(57,519)	-	-
Other Long Term Liabilities	**(55,350)**	**(57,519)**	**-**	**-**
Liabilities at amortised cost:				
- Trade payables	(2,780)	(1,982)	(16,942)	(19,293)
- PFI arrangements	-	-	(2,170)	(2,267)
Included in Creditors *	**(2,780)**	**(1,982)**	**(19,112)**	**(21,560)**
Total Financial Liabilities	**(184,117)**	**(212,090)**	**(90,639)**	**(32,355)**

* The creditors lines on the Balance Sheet includes £11.008 million (2018 £12.416 million) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

Financial Assets

The Council has made use of the transitional provisions in IFRS9 to not restate the prior year's financial statement. The changes made on transition to the balance sheet for financial assets are summarised below:

	IAS39 01 April 2018 £000	Reclassification £000	IFRS9 01 April 2018 £000
Loans and Receivables	2,031	(2,031)	-
Amortised cost	-	2,024	2,024
Available-For-Sale Investments	312	(312)	-
Fair value through other comprehensive income (FVOC)	-	312	312
Total Investments	**2,343**	**(7)**	**2,336**
Loans and Receivables	11,475	(11,475)	-
Amortised cost	-	7,820	7,820
Fair Value through profit and loss (FVPL)	-	5,102	5,102
Current Financial Assets	1,448	(1,448)	-
Total Cash & Cash Equivalents (Excludes overdraft shown within liabilities)	**12,923**	**-**	**12,923**
Debtors	14,721	(14,721)	-
Amortised cost	-	-	-
Trade receivables	-	12,701	12,701
Loans made for service provision and employees	-	2,027	2,027
Total Debtors	**14,721**	**7**	**14,728**
Total Financial Assets	**29,987**	**-**	**29,987**

An assessment has been made of the earlier recognition of the impairment of financial assets. The amount calculated for 2017/18 is £0.011 million and has been deemed immaterial.

Financial Assets	Long-term 31 March 2019 £000	31 March 2018 £000	Current 31 March 2019 £000	31 March 2018 £000
At amortised cost:				
- Principal	-	-	26	2,020
- Accrued interest	-	-	-	4
At fair value through other comprehensive income:				
- Equity investments elected FVOCI	312	312	-	-
At fair value through profit and loss				
- Fair value	9,269	-	104	-
Total Investments	**9,581**	**312**	**130**	**2,024**
At amortised cost:				
- Principal	-	-	5,810	7,818
- Accrued interest	-	-	2	2
- Impairment allowance	-	-	(1)	-
At fair value through profit and loss				
- Fair value	-	-	2,137	5,103
Total Cash & Cash Equivalents	**-**	**-**	**7,948**	**12,923**
At amortised cost:				
- Trade receivables	2,614	4,569	11,668	8,132
- Loans made for service purposes and employees	-	-	-	2,020
- Accrued interest	-	-	-	7
Included in Debtors *	**2,614**	**4,569**	**11,668**	**10,159**
Total Financial Assets	**12,195**	**4,881**	**19,746**	**25,106**

* The debtors lines on the Balance Sheet include £21.080 million (2018 £15.852 million) short term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

Equity Instruments Elected To Fair Value Through Other Comprehensive Income

The Council has elected to account for the following equity instruments at fair value through other comprehensive income because they are long-term historic holdings and changes in fair value do not impact on the Council's annual financial performance.

	Fair Value 31 March 2019 £000	31 March 2018 £000
Durham Tees Valley Airport	-	-
Suez Recycling & Recovery (Tees Valley) Ltd	312	312
	312	**312**

Financial Instruments: Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to Financial Instruments are made up as follows:

2018/19	Financial Liabilities Liabilities measured at amortised cost	Financial Assets Amortised Cost	Fair Value through Profit & Loss	2018/19 Total	2017/18 Total
	£000	£000	£000	£000	£000
Interest expense	14,859	-	-	14,859	15,410
Impairment losses	-	1	-	1	-
Fees paid	37	-	-	37	-
Interest payable and similar charges	**14,896**	**1**	**-**	**14,897**	**15,410**
Interest income *	-	(129)	(193)	(322)	(212)
Net impact on surplus/deficit on provision of services	**14,896**	**(128)**	**(193)**	**14,575**	**15,198**
Losses on revaluation	**-**	**-**	**731**	**731**	**-**
Impact on other comprehensive income	**-**	**-**	**731**	**731**	**-**
Net (gain)/loss for the year	**14,896**	**(128)**	**538**	**15,306**	**15,198**

* The interest earned from treasury management activities was £0.225 million. Any additional income over and above this amount is in respect of other activities which have earned interest.

Financial Instruments: Fair Value of Assets and Liabilities

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. The Council holds investments in various money market funds and the CCLA Property Funds and their fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of long-term "Lender's Option Borrower Option" (LOBO) loans have been increased by the value of the embedded options for the Council to re-finance at the lender's discretion. Lender options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. The borrower's contingent options to accept the increased rate or repay the loan (at nil premium) have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA rated corporate bond yield.
- No early repayment or impairment is recognised. However the Council has recognised an impairment relating to historic Icelandic bank investments. See detailed note on the impairment of financial assets.
- The fair value of short-term instruments, including trade payables and receivables is assumed to approximate to the carrying amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 - fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.
- Level 2 - fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 - fair value is only determined using unobservable inputs, e.g. non-market data such as cash flow forecast or estimated credit worthiness.

31 March 2018				31 March 2019	
Balance Sheet £000	Fair Value £000		Fair Value Level	Balance Sheet £000	Fair Value £000
		Financial liabilities held at amortised cost:			
(34,659)	(41,987)	Long-term loans from PWLB	2	(32,646)	(39,729)
(57,352)	(123,950)	Long-term LOBO loans	2	(25,448)	(61,589)
(69,755)	(142,121)	Other Long Term loans	2	(134,451)	(210,283)
(59,786)	(138,420)	Lease payables and PFI liabilities	3	(57,520)	(135,618)
(221,552)	**(446,478)**	**Total**		**(250,065)**	**(447,219)**
(22,893)		Liabilities for which fair value is not disclosed*		(24,690)	
(244,445)		**Total financial liabilities**		**(274,755)**	
		Recorded on Balance Sheet as:			
(19,293)		Short-term creditors		(19,112)	
(9,177)		Short-term borrowing		(66,559)	
(1,618)		Cash and cash equivalents		(4,968)	
(1,982)		Long-term creditors		(2,780)	
(152,589)		Long-term borrowing		(125,986)	
(59,786)		Other long- term liabilities		(55,350)	
(244,445)		**Total financial liabilities**		**(274,755)**	

* The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

31 March 2018 Balance Sheet £000	31 March 2018 Fair Value £000		Fair Value Level	31 March 2019 Balance Sheet £000	31 March 2019 Fair Value £000
		Financial assets held at fair value:			
312	312	Shares in listed companies	1	312	312
-	-	Pooled Property Fund	1	9,373	9,373
5,102	5,121	Money Market Funds	1	2,137	2,137
		Financial assets held at amortised cost:			
2,031	2,034	Loans and receivables over 90 days	2	26	26
6,372	6,391	Loans and receivables under 90 days	2	2,788	2,788
13,817	**13,858**	**Total**		**14,636**	**14,636**
16,169		Assets for which fair value is not disclosed*		17,304	
29,986		**Total financial assets**		**31,940**	
		Recorded on balance sheet as:			
12,923		Cash and cash equivalents		7,947	
2,031		Short-term investments		130	
312		Long-term investments		9,581	
10,151		Short-term debtors		11,668	
4,569		Long-term debtors		2,614	
29,986		**Total financial assets**		**31,940**	

* The fair value of short-term financial assets, including trade receivables is assumed to be approximate to the carrying amount.

Financial Instruments: Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

(a) Credit risk - the possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a monetary loss to the Council.

(b) Liquidity risk - the possibility that the Council might not have the cash available to make contracted payments on time.

(c) Market risk - the possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates on equity prices.

(a) Credit Risk - Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of a high credit quality, as set out in the Annual Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A- (this excludes the Council's clearing bank which doesn't currently meet the minimal credit quality and is therefore restricted to overnight investments only), the UK Government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice.

The Council uses the credit worthiness service provided by Arlingclose, the Council's Treasury Management Advisors. This service uses a sophisticated modelling approach with credit ratings from all three major rating agencies, Fitch, Moodys and Standard and Poors, which form the core element of any given rating.

The Council also uses the following as indicators:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2018/19 was approved by Full Council on 9 March 2018 and is available on the Council's website. The Investment Strategy for 2019/20 was approved by Full Council on 28 February 2019 and it became operational immediately. It is therefore the 2019/20 strategy that drives the investment decisions on 31st March 2019.

In 2008/09, the Council suffered from a default on £6.000 million of investments with Icelandic banks based in the UK. Full details of the impairment of these investments, including the expected recoverable amount, impact on the authority and accounting treatment are included in the note on Financial Instruments - Impairment of Investments.

The Council sets an investment limit for individual counterparties and a total limit per category of investment. The only exception to this is for money deposited with the UK government. No more then £25.000 million in total can be invested for periods longer than one year.

The table below summarises the credit risk exposures of the Council's investment by credit rating.

Deposits with banks and financial institutions (not including accrued interest)	**Amount at 31 March 2018 £000**	**Amount at 31 March 2019 £000**
AAA rated counterparties - The rated institution has an exceptional degree of creditworthiness	5,100	2,135
AA+ rated counterparties - Very low expectation of credit risk	-	-
AA rated counterparties - Very low expectation of credit risk	-	-
AA- rated counterparties - Very low expectation of credit risk	2,450	2,450
A+ rated counterparties – Low expectation of credit risk	-	-
A rated counterparties - Low expectation of credit risk	5,650	-
A- rated counterparties - Low expectation of credit risk	-	-
BBB rated counterparties – Adequate capacity to meet financial commitments	270	337
Credit Risk not applicable*	-	10,000
Total	**13,470**	**14,922**

*Credit risk is not applicable to shareholdings and pooled funds where the Council has no short term contractual right to receive any sum of money upon request by the Council to redeem the cash instruments.

The anticipated recoverable balance on Icelandic Bank investments has been excluded from the table above.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies and adjusted for current and economic conditions. A two year delay in cash flows is assumed to arise in the event of a default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retail an investment grade credit rating. They are determined to be credit impaired when awarded a "D" credit rating or equivalent. At 31 March 2019 £0.001million of loss allowance related to treasury investments.

Credit Risk - Receivables

The Council does not generally allow credit for customers, although £3.954 million of the £6.258 million debtors invoices balance is past its due date for payment. The overdue amount can be analysed by age as follows:

	31/03/2018 £000	31/03/2019 £000
Less than one month	916	2,304
One to three months	616	928
Three to six months	929	687
Six months to one year	585	508
More than one year	1,848	1,831
Total	**4,894**	**6,258**

As the Council maintains a bad debt provision for debts based on age of debt and nature of dispute, no further assessment of the fair value has needed to be made. The amounts are carried on the Balance Sheet at their amounts outstanding and no amounts have been included in the table above for the Council's exposure to default. The £6.258 million above relates to invoiced debt and forms part of the debtor total in Note 27.

Credit Risk – Loans

The Council has debtor loans outstanding as at 31 March 2019 of £4.630 million to support either the achievement of the Council's objectives or to its employees. The amounts recognised on the balance sheet, and the Council's total exposure to credit risk is as follows:

	31/03/2018 £000	31/03/19 £000
Charity	623	647
Business	3,956	3,994
Employees	10	(12)
Durham Tees Valley Rehabilitation Service	2,000	-
Total	**6,589**	**4,629**

The Council manages the credit risk inherent in its loans for service purposes in line with its published Investment Strategy. No loss allowance has been calculated on the above loans as the majority (£4.540 million) is either secured by a land charge or on assets that will revert to the Council on company failure.

(b) Liquidity Risk

The Council has ready access to borrowings at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourable high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 35% of the Council's borrowing matures in any one financial year.

The maturity analysis of financial liabilities (excluding PFI/Leases) is as follows, with the maximum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

Period	Approved Maximum Limits	Actual 31 March 2018 £000	%	Actual 31 March 2019 £000	%
Less than 1 year	35%	(7,003)	5%	(64,503)	34%
Between 1 and 2 years	40%	(3)	0%	(5,000)	3%
Between 2 and 5 years	80%	(7,965)	5%	(13,570)	7%
Between 5 and 10 years	90%	(15,606)	10%	(10,000)	5%
More than 10 years	100%	(72,685)	45%	(72,685)	38%
Uncertain date *		(56,600)	35%	(25,000)	13%
Total		**(159,862)**	**100%**	**(190,758)**	**100%**

* The Council has £25.000 million of "Lender Option, Borrower's Option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

Creditors are paid in accordance with suppliers terms which, for liquidity risk purposes to the Council, are less than one year and are not shown in the table above. The Council utilises "call accounts" that provide sufficient liquidity to meet its short term creditor and cash payment commitments. Further analysis of creditors can be found in Note 29.

c) Market Risk

(i) 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 effect:

- Borrowings at variable rates - the interest expense will rise;
- Borrowings at fixed rates - the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates - the interest income credited will rise; and
- Investments at fixed rates - the fair value of the assets will fall (no impact on revenue balances).

Investments and loans measured at amortised cost are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. 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. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income on the surplus or deficit on the provision of services depending on the accounting treatment for the investment.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposure to fixed and variable interest rates. At 31 March 2019 100% of the net principal borrowed was exposed to fixed rates.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(161)
Decrease in fair value of investments held at FVPL	(3)
Impact on Surplus or Deficit on the Provision of Services	**(164)**
Decrease in fair value of fixed rate investment assets	-
Impact on Comprehensive Income and Expenditure	**-**
Decrease in fair value of fixed rate investment assets	(29)
Decrease in fair value of fixed rate borrowings	1,670
No Impact on Comprehensive Income and Expenditure Statement	**1,641**

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

The investments with Iceland are currently part of an ongoing administration process. They are not included in this calculation.

The Council has £25.000 million of LOBO loans where the lender has the option to propose an increase in the rate payable. The Council will then have the option to accept the new rate or repay the loan without penalty. In the current low interest rate environment, the likelihood of the lender increasing the rate is low and the debt is currently classified as fixed rate borrowings for the above assessment.

(ii) Price Risk

The Council's £10.000 million investment in a pooled property fund is subject to the risk of falling commercial property prices. A 5% fall in commercial property prices at the 31st March 2019 would result in a £0.463 million charge to surplus or deficit on the provision of services which is then reversed out of the account through the movement in reserves statement.

(iii) Foreign Currency Risk
The Council has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

Financial Instruments: Impairment of Investments

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £6.000 million deposited across two of these institutions, with varying maturity dates and interest rates as shown in the table below.

Investments included in the Balance Sheet include the following that have been impaired because of the financial difficulties being experienced by Icelandic banks.

Bank	Date Invested	Maturity Date	Amount Invested	Interest Rate	Interest	Total Value of Investment	Total Value of Claim 07/10/2008
			£000	%	£000	£000	£000
Kaupthing Singer and Friedlander	22/5/2008	21/5/2009	2,000	6.15	106	2,106	**2,047**
Heritable	1/10/2008	13/2/2009	4,000	6.37	126	4,126	**4,004**
Total			**6,000**		**232**	**6,232**	**6,051**

The amount of the claim covers principal and interest accrued up to 7 October 2008.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers.

The commentary and tables below outline the prudent accounting treatment of these investments by the Council.

Kaupthing Singer and Friedlander Ltd

Kaupthing Singer and Friedlander Ltd is a UK registered bank under English law. The company was placed in administration on 8 October 2008, and original estimates suggested that 50% recovery would be made.

To date, the Council has recovered £1.755 million representing 85.75% of the amount claimed. According to the latest administrator's reports, the Council expects to recover approximately 87.00% of the claim. Future dividends will be paid subject to consultation with the creditors committee, and when the level of distributable funds makes it cost effective to do so.

Heritable Bank

Heritable Bank is a UK registered bank under Scottish law. The company was placed in administration on 7 October 2008. At this time, the total amount to be received was estimated by the administrators, Ernst and Young, to be between 70-80%.

To date, the Council has recovered £3.924 million, 98% of the amount claimed. The latest report states that the administrators do not intend to make any further distributions to unsecured creditors until the conclusion of the Landsbanki claim is known.

Accounting for Icelandic Investments – 2018/19

Bank	Total Value of Investment £000	Carrying Amount £000	Received to date £000	Interest £000	Impairment £000
Kaupthing Singer and Friedlander	2,106	26	1,755	-	**(325)**
Heritable	4,126	-	3,924	-	**(202)**
Total	**6,232**	**26**	**5,679**	**-**	**(527)**
		(a)	(b)		
Predicted total recoverable		**(a) + (b)**	**5,705**		

Due to the amounts received to date (£5.679 million) and revised assumptions on the discounted future cash flows relating to these investments (the carrying amount); the Council anticipates recovering £5.705 million from these investments. The impairments charged to the Income and Expenditure Account in previous years are as follows.

Financial Year	£000
2008/09	1,232
2010/11	22
2011/12	(205)
2012/13	(53)
2013/14	(264)
2015/16	(160)
2016/17	(35)
2018/19	(10)
Total	**527**

Note 33 Other Long Term Liabilities

The balance of other long term liabilities is made up of the following elements:

31 March 2018 £000		31 March 2019 £000
(163,322)	Pension Scheme (Note 37)	(156,063)
(57,520)	PFI (Note 23)	(55,350)
(220,842)	**Total**	**(211,413)**

Note 34 Grant Income, Contributions and Donations

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

2017/18 £000		2018/19 £000
	Credited to Services	
(128)	Department for Works & Pensions	(262)
(636)	Council Tax and Business Rates Administration	(595)
(56,455)	Housing Benefits Subsidy and Admin Grant	(54,514)
(7,412)	Department for Communities & Local Government	(8,354)
(179)	Department of Health	(187)
(11,827)	Public Health Grant	(11,523)
(60,654)	Dedicated Schools Grant	(50,432)
(2,458)	Department for Education	(1,672)
(4,561)	Pupil Premium Grant	(3,534)
(1,882)	Skills Funding Agency	(2,228)
(64)	Department for Environment, Food and Rural Affairs	(93)
(145)	Department for Transport	(133)
(641)	Home Office	(867)
(1,871)	Diocese Contributions	(1,719)
(13,617)	Health Authorities	(23,906)
(91)	Police Authorities	(90)
(1,001)	Other Local Authorities	(1,094)
(1,911)	Other Grants and Contributions	(1,364)
(177)	Donations	(30)
(165,710)	**Total**	**(162,597)**
(124,959)	**Credited to Taxation and Non-Specific Grant Income (See Note 11)**	**(123,958)**

The Council has a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may still require the funds to be repaid. These funds are treated as income in advance in the Council's balance sheet. The totals at the year-end are as follows:

31 March 2018 £000		31 March 2019 £000
	Revenue Receipts in Advance	
(395)	Department for Education	-
(299)	Ministry for Housing, Communities & Local Government	(212)
(15)	Department for Works & Pensions	(40)
(482)	Education & Skills Funding Agency	(880)
(21)	Other Local Authorities	-
(216)	Other Contributions	(532)
(1,428)	**Total**	**(1,664)**

31 March 2018 £000		31 March 2019 £000
	Capital Receipts in Advance	
(206)	Devolved Formula Capital Grant	(45)
(4)	Early Years Two Year Old Offer	(4)
(6)	Town Centre Improvement	(6)
(630)	Kirkleatham Academy & Walled Garden	(3,240)
(47)	River Tees Rediscovered	(38)
(58)	Skinningrove Coast Protection	(58)
(200)	Living Sober	(200)
(10)	30 Hours Child Care Delivery Support	-
(245)	Cleveland Ironstone Mining Museum	(773)
(8)	National Productivity Inv Fund (A174/A66)	(156)
(305)	Pothole Grant	(236)
-	Industrial Estates Programme	(60)
-	St Germains Tower	(44)
(1,719)	**Total**	**(4,859)**
(293,816)	**Total Grants, Contributions and Donations Credited to the Comprehensive Income and Expenditure Statement**	**(293,079)**

Note 35 Unusable Reserves

31 March 2018 £000		31 March 2019 £000
	CAPITAL RESERVES	
(31,906)	Revaluation Reserve	(34,992)
(312)	Financial Instruments Revaluation Reserve	(312)
(847)	Capital Adjustment Account	3,484
(3,907)	Deferred Capital Receipts	(3,907)
	REVENUE RESERVES	
163,322	Pensions Reserve	156,063
(23)	Collection Fund Adjustment Account	3,754
3,478	Financial Instruments Adjustment Account	18,813
2,150	Accumulating Compensated Absences Adjustment Account	1,085
-	Pooled Fund Adjustment Account	731
131,955	**Total Unusable Reserves**	**144,719**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. 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 (CAA).

2017/18 £000			2018/19 £000	
	(30,952)	**Balance at 1 April**		(31,906)
		Opening balance adjustment written off to CAA		
(3,221)		Upward revaluation of assets and impairment	(13,813)	
879		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,095	
	(2,342)	(Surplus)/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(10,718)
702		Difference between fair value depreciation and historic cost depreciation	581	
686		Accumulated gains on assets sold or scrapped	6,051	
-		Non-current assets transferred to direct to Capital Adjustment Account	1,000	
	1,388	Amounts written off to the Capital Adjustment Account		7,632
	(31,906)	**Balance at 31 March**		**(34,992)**

Financial Instruments Revaluation Reserve

The reserve has been renamed from the Available for Sale Financial Instruments Reserve following the introduction of IFRS9. This reserve represents shares in Suez Recycling & Recovery (Tees Valley) Ltd. The 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.
- Disposed of and the gains are realised.

2017/18 £000		2018/19 £000
(312)	**Balance at 1 April**	**(312)**
-	Upward revaluation of investments	-
-	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-
-	Accumulated gains on assets sold and maturing assets written out of the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
(312)	**Balance at 31 March**	**(312)**

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 6 provides details of the source of transactions posted to the account, apart from those involving the Revaluation Reserve.

2017/18 £000		2018/19 £000
(1,649)	**Balance at 1 April**	**(847)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES)	
11,650	Charges for depreciation and impairment of non-current assets	13,507
1,545	Revaluation losses on Property, Plant and Equipment, Investment Properties and Assets Held For Sale	(7,995)
857	Amortisation of intangible assets	748
1,763	Revenue expenditure funded from capital under statute	4,305
1,753	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	14,522
17,568	**Net amount written out of the cost of non-current assets consumed in the year**	**25,087**
	Capital financing applied in the year	
(7,000)	Use of the Capital Receipts Reserve to finance new capital expenditure	(6,751)
(50)	Direct Revenue Financing	-
2,424	Write down long term debtor/capital receipt deferred	2,427
(7,149)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(11,382)
(4,398)	Donated Assets	-
(601)	Statutory provision for the financing of capital investment charged against the General Fund in year (MRP)	(5,075)
8	Disposal expenses	25
(16,766)	**Total Capital Financing**	**(20,756)**
(847)	**Balance at 31 March**	**3,484**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the account to manage premiums paid on the early redemption of debt. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred. The Council then uses a statutory override to reverse this entry through the Movement in Reserves Statement. The cost of the transaction is then posted back to the General Fund Balance over the life of the replacement borrowing taken. This spreads the burden on council tax.

2017/18 £000		2018/19 £000
3,714	**Debt - Balance as at 1 April**	**3,478**
-	Premium incurred in the year and charged to the Comprehensive Income and Expenditure Statement	15,723
(236)	Proportion of premiums incurred in the previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	(388)
3,478	**Total Debt**	**18,813**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets for which cash settlement has yet to take place. Under statutory arrangement, 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.

2017/18 £000		2018/19 £000
(7,891)	**Balance at 1 April**	**(3,907)**
3,984	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	-
-	Transfer to the Capital Receipts Reserve upon receipt of cash	-
(3,907)	**Balance at 31 March**	**(3,907)**

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.

2017/18 £000		2018/19 £000
152,440	**Balance at 1 April**	**163,322**
3,890	Actuarial gains/(losses) on pensions assets and liabilities	(23,986)
16,251	Reversal of items relating to retirement benefits debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	25,926
(9,259)	Employer's pensions contributions and direct payments to pensioners	(9,199)
163,322	**Balance at 31 March**	**156,063**

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any 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.

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 rate payers, compared with the statutory arrangements for paying across amounts to precepting bodies.

2017/18 £000		2018/19 £000
(1,352)	**Balance at 1 April**	**(23)**
1,329	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	3,777
(23)	**Balance at 31 March**	**3,754**

Accumulating Compensated Absences Adjustment Account

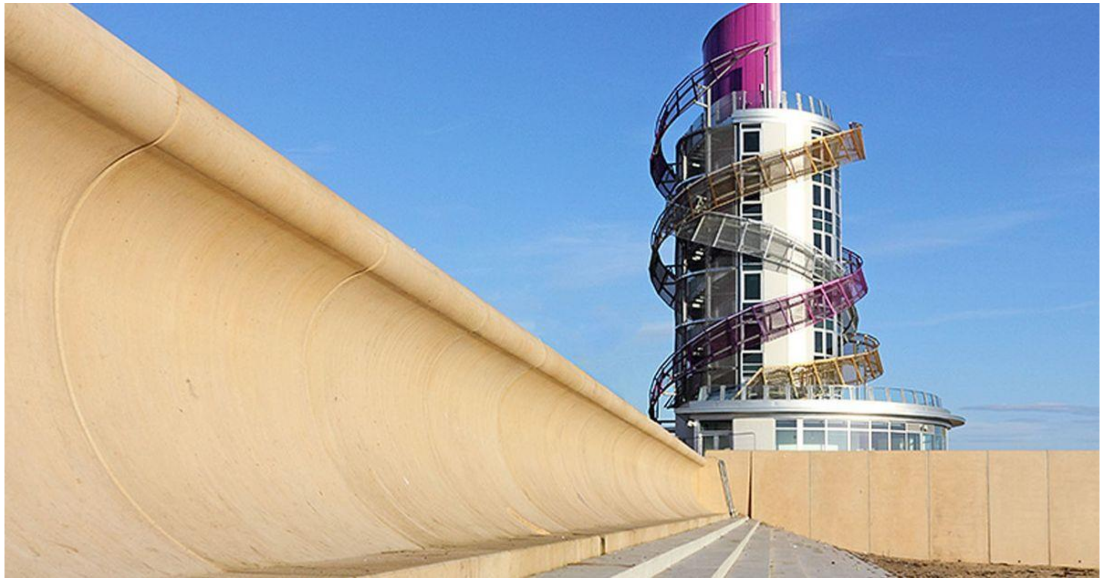
The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that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

2017/18 £000		2018/19 £000
2,024	**Balance at 1 April**	**2,150**
(2,024)	Settlement or cancellation of accrual made at the end of the preceding year	(2,150)
2,150	Amounts accrued at the end of the current year	1,085
-	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	-
2,150	**Balance at 31 March**	**1,085**

Pooled Investment Fund Adjustment Account

The Ministry of Housing, Communities and Local Government (MHCLG) has granted a statutory override for fair value movements in pooled property investment funds for a period of at least five years. The reserve contains the gains and losses from movements in fair value through the Comprehensive Income and Expenditure Statement. The balance is reduced when either, a gain in fair value is realised, the investment is sold or the statutory override is discontinued.

2017/18 £000		2018/19 £000
-	**Balance at 1 April**	
-	Upward revaluation of investments	-
-	Downward revaluation of investments	731
-	Change in impairment loss allowances	-
-	**Balance at 31 March**	**731**



Note 36 Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers

The Council employs teachers and former NHS staff who are members of the Teachers and NHS pension schemes.

The schemes provide these employees with specified benefits upon their retirement and the Council contributes towards the costs by making contributions, based on a percentage of members' pensionable costs.

The arrangements for these schemes mean that 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 the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2018/19, the Council paid £1.045 million to Teachers' Pensions Agency in respect of teachers' retirement benefits, representing 16.40% of pensionable pay. The figures for 2017/18 were £3.692 million and 16.42%. The difference between years relate to the transfer of several schools to academies during 2018/19.

The contributions the Council made to NHS Pensions was £0.213 million, representing 14.38% of pensionable pay. The figures for 2017/18 were £0.222 million and 14.30%.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' and NHS schemes. These costs are accounted for on a defined benefit basis and detailed in Note 37.

Note 37 Defined Benefit Pension Schemes

The disclosures below relate to the funded and unfunded liabilities within the Teesside Pension Fund which is part of the Local Government Pension Scheme.

The Council participates in the following post-employment scheme:

The Local Government Pension Scheme (LGPS), administered locally by Middlesbrough Borough Council, is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits earned after 31 March 2014 are based on a Career Average Revalued Earnings Scheme. Details of the benefits earned over the period covered by this disclosure are set out in 'The Local Government Pension Scheme Regulations 2013' and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014'.

The unfunded pension arrangements relate to termination benefits made on a discretionary basis upon early retirement in respect of members of the Local Government Pension Scheme under the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations.

The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2016 and the contributions to be paid until 31 March 2019 resulting from the valuation are set out in the Fund's Rates and Adjustment Certificate.

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund 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:

2017/18 £000		2018/19 £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
15,133	Current service cost	14,871
-	Past service costs (including curtailments)	6,928
-	Settlements	-
	Financing and Investment Income and Expenditure	
17,910	Interest cost on liabilities	19,085
(16,792)	Interest income on assets	(14,958)
16,251	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**25,926**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
-	Remeasurement (gain)/loss on assets	(34,590)
(627)	Actuarial (gains)/losses on liabilities – financial assumptions	38,561
-	Actuarial (gains)/losses on liabilities – demographic assumptions	(29,344)
4,517	Actuarial (gains)/losses on liabilities - experience	1,387
3,890	**Total Actuarial (gains) and losses**	**(23,986)**
20,141	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**1,940**
	Movement in Reserves Statement	
(16,251)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(25,926)
	Actual amount charged against General Fund Balance for pensions in the year	
9,259	Employers’ contributions payable to scheme	9,199

The liabilities used for accounting purposes are calculated using a discount rate set with reference to corporate bond yields. If assets underperform, this yield will create a deficit in the accounts. The Fund holds a significant proportion of growth assets which while expected to outperform corporate bonds in the long term, creates volatility and risk in the short-term in relation to the accounting figures.

The majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are either unaffected or loosely correlated with inflation meaning that an increase in inflation will increase the level of the deficit.

The majority of the Pension Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

Employers who leave the Fund may have to make an exit payment to meet any shortfall in assets against their pension liabilities. If the employer is not able to meet this exit payment the liability may, in certain circumstances fall on the other employers in the Fund. Further, the assets at exit in respect of these 'orphan liabilities' may, in retrospect, not be sufficient to meet the liabilities. This risk may fall on other employers. 'Orphan liabilities' are currently a small proportion of the overall liabilities in the Fund.

Guaranteed Minimum Pension (GMP) Indexation and Equalisation

Following a high court ruling that confirmed pension fund trustees have a duty to equalise benefits for men and women so as to alter the result which is at present produced in relation to GMP's, there may be some adjustments required to the pension liability, however as public sector schemes already have a method to equalise GMP's, no allowance has been made.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Year to 31 March 2018 £000		Year to 31 March 2019 £000
(725,990)	**Opening balance at 1 April**	**(743,453)**
(15,133)	Current Service Cost	(14,871)
(17,910)	Interest Cost	(19,085)
(3,111)	Contributions by scheme participants	(3,077)
	Re-measurement Gain	
627	Actuarial (gains)/losses on liabilities – financial assumptions	(38,561)
-	Actuarial (gains)/losses on liabilities – demographic assumptions	29,344
(4,517)	Actuarial (gains)/losses on liabilities - experience	(1,387)
22,581	Benefits paid	22,201
-	Past Service Cost including Curtailments	(6,928)
-	Settlements	-
(743,453)	**Closing balance at 31 March**	**(775,817)**

Reconciliation of fair value of the scheme (plan) assets:

Year to 31 March 2018 £000		Year to 31 March 2019 £000
573,550	**Opening balance at 1 April**	**580,131**
14,214	Interest Income on assets	14,958
2,578	Re-measurement gains/(losses) on assets	34,590
9,259	Contributions by the Employer	9,199
3,111	Contributions by scheme participants	3,077
(22,581)	Net Benefits paid out	(22,201)
580,131	**Closing balance at 31 March**	**619,754**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

The actual gain on scheme assets in the year was £49.548 million (2017/18 £16.792 million). This includes interest income on assets of £14.985 million and a re-measurement gain on assets of £34.590 million due to changes in financial assumptions.

Scheme History

	2018/19 £000	2017/18 £000	2016/17 £000	2015/16 £000	2014/15 £000	2013/14 £000	2012/13 £000
Present Value of Funded Scheme Liabilities	(752,413)	(719,078)	(701,024)	(618,782)	(635,304)	(567,417)	(576,073)
Present Value of Unfunded Scheme Liabilities	(23,404)	(24,375)	(24,966)	(24,473)	(26,275)	(26,066)	(21,466)
Fair Value of Scheme Assets	619,754	580,131	573,550	470,734	491,113	459,126	440,342
Surplus/(Deficit) in the scheme	**(156,063)**	**(163,322)**	**(152,440)**	**(172,521)**	**(170,466)**	**(134,357)**	**(157,197)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £156.063 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. This has decreased in 2018/19 by £7.259 million due to changes in financial assumptions, mainly related to fluctuations in interest rates.

The unfunded pension arrangements relate to termination benefits made on a discretionary basis upon early retirement in respect of members of the Local Government Pension Scheme under Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations.

The deficit on the scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 is £7.930 million.

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. The scheme has been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2016.

The principal assumptions used by the actuary have been:

2017/18		2018/19
	Mortality assumptions (years)	
	Member aged 65 at accounting date:	
22.9	Men	22.2
25.0	Women	24.1
	Member aged 45 at accounting date:	
25.1	Men	23.9
27.3	Women	25.9
2.10%	Rate of Inflation	2.20%
3.10%	Rate of increase in salaries	3.20%
2.10%	Rate of increase in pensions	2.20%
2.60%	Rate for discounting scheme liabilities	2.40%

The assets allocated to the Employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole (based on data supplied by the Administering Authority) is shown below. The Administering Authority may invest a small proportion of the Fund's investments in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy.

Year to 31 March 2018		**Year to 31 March 2019**		
%	**Assets**	**% Quoted**	**% Unquoted**	**% Total**
79.9	Equities	75.6	0	75.6
0.0	Government Bonds	0.0	0	0
0.0	Corporate Bonds	0.0	0	0
7.3	Property	7.4	1.2	8.6
11.1	Cash	13.2	0	13.2
1.7	Other*	2.6	0	2.6
100	**TOTAL**	**98.8**	**1.2**	**100**

* Other holdings may include hedge funds, currency holdings and other financial instruments.

Sensitivity Analysis

The results shown in this report are sensitive to the assumptions used. The approximate impact of changing the key assumptions on the present value of the funded benefit obligation as at 31 March 2019 and the projected service cost for the year ending 31 March 2019 is set out below.

In each case, only the assumption mentioned is altered; all other assumptions remain the same. The sensitivity of unfunded benefits is not included on materiality grounds.

Funded LGPS Benefits			
Discount rate assumptions			
Adjustments to discount rate	**+0.1% p.a.**	**Base Figure**	**-0.1% p.a.**
Present Value of total obligation (£M's)	740,032	752.413	765.001
% change in present value of total obligation	-1.6%		1.7%
Projected service cost (£M's)	15,331	15.763	16,205
Approximate % change in projected service cost	-2.7%		2.8%
Rate of general increase in salaries			
Adjustment to salary increase rate	**+0.1% p.a.**	**Base Figure**	**-0.1% p.a.**
Present Value of total obligation (£M's)	754,623	752,413	750,223
% change in present value of total obligation	0.3%		-0.3%
Projected service cost (£M's)	15,763	15,763	15,763
Approximate % change in projected service cost			
Rate of increase to pensions in payment and deferred pensions assumptions, and rate of revaluation of pension accounts assumption			
Adjustment to pension increase rate	**+0.1% p.a.**	**Base Figure**	**-0.1% p.a.**
Present Value of total obligation (£M's)	762,774	752,413	742,206
% change in present value of total obligation	1.4%		-1.4%
Projected service cost (£M's)	16,205	15,763	15,331
Approximate % change in projected service cost	2.8%		-2.7%
Post retirement mortality assumption			
Adjustment to mortality age rating assumption *	**-1 year**	**Base Figure**	**+1 year**
Present Value of total obligation (£M's)	776,741	752,413	728,344
% change in present value of total obligation	3.2%		-3.2%
Projected service cost (£M's)	16,378	15,763	15,155
Approximate % change in projected service cost	3.9%		-3.9%

*a rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

Note 38 Cash Flow Statement – Operating Activities

This note shows the cash inflow from operating activities. This adjusts the surplus/deficit on provision of services for non-cash items, and removes other items relating to financing or investing activities. This leaves the cash movement arising from taxation, grant income and payments from service users.

2017/18 £000		2018/19 £000
(11,774)	**Surplus/(Deficit) on Provision of Services**	(54,456)
	Adjust net surplus/(deficit) on the provision of services for non-cash movements	
13,209	Depreciation/Amortisation	14,837
1,545	Revaluation losses on Property, Plant & Equipment, Investment Property and Assets Held for Sale	(6,995)
(1,723)	Other non-cash items charged to the net surplus/(deficit) on the provision of services in year	(15,633)
4,531	Increase/(Decrease) in Creditors	2,202
2,427	(Increase)/Decrease in Debtors	(5,389)
(56)	(Increase)/Decrease in Inventories	42
6,975	Pension Liability	16,734
2,446	Carrying amount of non-current assets sold	20,596
29,354	Total	26,394
	Adjust for items included in the net surplus/deficit on the provision of services that are investing or financing activities	
(11,720)	Capital Grants Credited	(13,380)
-	Payment of premium on LOBO Loans	15,723
(5,548)	Proceeds from Sale of Assets	(762)
(17,268)	Total	1,581
312	**Net Cash flow from Operating Activities**	**(26,481)**

Memo Item – Operating Activities – Interest

Operating activities within the cash flow statement include the following cash flows relating to interest:

2017/18 £000		2018/19 £000
200	Interest Received	196
(15,423)	Interest Paid	(15,015)
(15,223)	**Total**	**(14,819)**

Note 39 Cash Flow Statement – Investing Activities

The note below details cash flows arising from investing activities. 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.

2017/18 £000		2018/19 £000
(10,034)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(15,280)
525	Purchase/(Disposal) of short and long term investments	(7,995)
(1,792)	Other Payments for Investing Activities	(452)
5,548	Capital Receipts	762
10,170	Capital Grants and Other Receipts	18,950
4,417	**Net cash flows from investing activities**	**(4,015)**

Note 40 Cash Flow Statement – Financing Activities

The note below details cash flows arising from financing activities. This shows the movement in cash flows that arise from the council's borrowing and other debt activities. 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.

2017/18 £000		2018/19 £000
5,000	Cash receipts of short- and long-term borrowing	64,497
2,233	Other payments for financing activities	(2,266)
(3,028)	Repayment of short term/long term borrowing	(33,600)
(2,241)	Other payments relating to PFI and Finance Lease debt	(6,461)
1,964	**Net cash flows from financing activities**	**22,170**

Note 41 Related Parties

In accordance with IAS 24 on Related Parties Disclosures, the financial statements should contain a disclosure necessary to draw attention to the possibility that the reported financial position of the Council may have been affected by the existence of related parties and by material transaction within them. In accordance with the requirement, those related parties are set out in this note.

Central government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes many of the transactions that the Council has with other parties. Grants received from government departments are set out in the subjective analysis in Note 7 on expenditure and income analysed by nature. Grant receipts outstanding at 31 March 2019 are also set out in Note 34.

Of the 59 Elected Members and 58 chief and senior officers' posts, 56 Members and 55 Officers have provided details of any related party transactions, as required by the latest Code of Practice. There are 3 vacant Officers posts. There are no items declared that are material to the activities of the Council and its related parties apart from those details separately disclosed below. A number of Elected Members serve on community groups and associations who receive grants from the Council. All interests are declared in the Register of Member's Interests. The Members have direct control over the financial and operating policies of the Council. The total of Members allowances for the 2018/2019 financial year is shown in Note 13.

The Council's Corporate Director for Resources/Section 151 Officer, the Commercial and Legal Manager, and the Director of Adults & Communities are the Treasurer, the Chief Legal Officer and the Head of Paid Service respectively, for River Tees Port Health Authority. Five Members also hold positions on the Board of River Tees Port Health Authority. The Council's financial contribution to River Tees Port Health Authority for 2018/2019 was £0.058 million.

One member is a member of the board of Beyond Housing. The financial transactions between Beyond Housing and RCBC were a net expenditure of £0.579 million to RCBC covering various grants and call out charges for Council properties.

Grants from Central Government, the European Community and other bodies are included in the column headed "Gross Income" shown in the Comprehensive Income and Expenditure Account on Page 39. A more detailed analysis of these grants is given in Note 34 Grant Income.

Some services are provided to bodies which seek to advance aims which the Council would support such as community development, economic regeneration and charitable purposes. Some of these services, such as payroll preparation and professional advice and support are provided without charge – but the total cost is not significant.

Note 42 Contingent Assets and Liabilities

There are no material contingent assets or contingent liabilities pertaining to the Council's activities as at 31 March 2019.

Note 43 Statement of Accounting Policies

GENERAL

The Statement of Accounts summarises the Council's financial transactions for the 2018/19 financial year and its financial position at the year ended 31 March 2019, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2018/19, produced under International Financial Reporting Standards. It also complies with the Service Code of Accounting Practice which constitutes proper practice under Part IV of the Local Government and Housing Act 1989.

ESTIMATION TECHNIQUES

These are the methods adopted by a council to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

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:

- 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 a non-current asset consumed in a period.

- Different methods used to estimate the proportion of debtor balances that will not be recovered, particularly where such methods consider the debts as a whole rather than individual balances.

ACCRUALS OF INCOME & EXPENDITURE (DEBTORS & CREDITORS)

Financial transactions are accounted for in the year in which the activity takes place, not simply when cash payments are made and received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods and services.

- Supplies and services are recorded as expenditure when they are received. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet where appropriate.

- Interest payable on borrowing and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where income and expenditure have 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 debt will be settled, the balance of debtors is written down and a charge is made to revenue for the income that might not be collected.

A few exceptions to this are periodic payments in respect of gas, electricity and telephone charges where amounts have not been accrued. However, the accounts do include the equivalent of a full year's expenditure in respect of these items.

PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND 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. A change is only made when material and 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.

REVENUE

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.

Revenue is measured at the fair value of the consideration received or receivable except for a financial asset that is measured in accordance with financial instruments.

In most cases, the consideration receivable is in the form of cash and cash equivalents and the amount of revenue is the amount of cash and cash equivalents receivable. However, if payment is on deferred terms (i.e. beyond normal credit terms), the consideration receivable is recognised initially at the cash price equivalent (that is, the discounted amount). The difference between this amount and the total payments received is recognised as interest revenue in Surplus or Deficit on the Provision of Services.

TAX INCOME (COUNCIL TAX AND NON-DOMESTIC RATES (NDR))

Non-Domestic Rates (NDR)

Retained business rates, top up and safety net grant income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

Council Tax

Council tax income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

Both NDR, top up and safety net grant income and council tax will be recognised in the Comprehensive Income & Expenditure Statement in the line Taxation & Non-Specific Grant Income. Due to the Council having billing authority status, the difference between the NDR and council tax included in the Comprehensive Income & Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement. Each major preceptor's share of the accrued NDR and council tax Income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

The income for council tax and NDR is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority and the amount of the revenue can be measured reliably.

<u>RESERVES</u>

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service reserve account in that year to be set off against the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund resulting in no charge against council tax for the expenditure.

Reserves are an accumulation of previous years surpluses, deficits, and transfers and are categorised as either 'usable' or unusable' and are detailed in the notes to the accounts.

Usable reserves may be utilised by the Council to fund revenue or capital expenditure as permitted.

Unusable reserves are non-distributable reserves and are disclosed in Note 35 to the Statement of Accounts. These represent 'technical non-cash' reserves which are statutorily held to manage the accounting processes and other statutory accounting adjustments. These reserves do not represent usable cash resources available to the Council, they do not impact upon the level of local taxation required and are not able to be utilised in support of service delivery.

<u>EVENTS AFTER THE BALANCE SHEET DATE</u>

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 as:

Adjusting Events

Those events that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts (in particular the Balance Sheet and Comprehensive Income & Expenditure Statement) are adjusted to reflect such events.

Non-Adjusting Events

Those events that are indicative of conditions that arose after the reporting period – the Statement of Accounts are 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 either their estimated financial effect or a statement that such an estimate cannot be made reliably.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ACQUIRED OPERATIONS

All operations acquired in year will be treated in line with the Council's accounting policies.

TRUST FUNDS

Trust Funds administered by the Council are included in the Balance Sheet. However ownership does not sit with the Council and forms part of the Council's stewardship role. The amounts involved are immaterial.

GRANTS AND CONTRIBUTIONS

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement as income, unless the grant or contribution has a condition that the Council has not satisfied, in which case they will be recognised as receipts in advance on the Balance Sheet before ultimately being recognised as income in the Comprehensive Income and Expenditure Statement once the condition has been met.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund 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.

EMPLOYEE BENEFITS

Benefits payable during employment

Benefits payable during employment cover two classes:

- Short-term benefits - short-term employee benefits (other than post-employment benefits and termination benefits) that are due to be settled within 12 months after the end of the financial reporting period.

- Long-term benefits - long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are due to be settled after 12 months after the end of the financial reporting period.

Short-term employee benefits include wages, salaries and social security contributions, compensated absences and non-monetary benefits.

Short-term compensated absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid. Compensated absences may be accumulating or non-accumulating.

Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. Annual leave, flexi-time, and time in lieu are usually accumulating. Accumulating absences may be either vesting or non-vesting. Where vesting, employees who leave are entitled to a cash payment in respect of any unused entitlement. Where non-vesting, benefits lapse if an employee leaves before the vesting date.

Non-accumulating absences are those that cannot be carried forward for use in future periods if the current period entitlement is not used in full. Sick leave, maternity leave, paternity leave and jury service will usually be non-accumulating. Non-accumulating compensated absences are recognised when the absence occurs.

The cost of providing non-monetary benefits (i.e. benefits in kind), including housing, cars and free or subsidised goods or services, is recognised according to the same principles as benefits payable in cash. The amount recognised as a liability and an expense is the cost to the employer of providing the benefit.

Long-term employee benefits are not usually significant for local authorities and include long-term paid absences such as long service or sabbatical leave, long-term disability benefits and bonuses.

Termination benefits

Termination benefits are dealt with separately from other employee benefits because the event which gives rise to an obligation is the termination rather than employee service. Termination benefits are payable as a result of either:

a) An employer's decision to terminate an employee's employment before the normal retirement date, or

b) An employee's decision to accept voluntary redundancy in exchange for those benefits.

Termination benefits are often lump-sum payments, but also include:

a) Enhancement of retirement benefits, and

b) Salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the organisation.

Voluntary early retirement benefits under scheme rules are not termination benefits since such benefits are a right of all scheme members. They are accounted for as post-employment benefits rather than termination benefits.

Post-employment benefits

Employees of the Council are entitled to membership of one of the following three pension schemes, dependent on the posts held:

- The Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by NHS Pensions.
- The Local Government Pension Scheme administered locally by the Teesside Pension Fund.

These schemes provide defined benefits to members in the form of retirement lump sums and pensions.

The arrangements for the teachers' and NHS schemes mean that liabilities for these benefits do not belong to the Council. These schemes are therefore accounted for as a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

These are charged against the appropriate service within the Comprehensive Income and Expenditure Statement.

Local Government Pension Scheme

The Teesside Pension Fund, administered locally by Middlesbrough Borough Council is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits earned after 31 March 2014 are based on a Career Average Revalued Earnings Scheme. The Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Estimating the benefit that employees have earned

Actuarial techniques are used to:

a) Estimate the variables that will determine the ultimate cost of providing post-employment benefits. The main actuarial assumptions for pension benefits include financial and demographic. Demographic assumptions include mortality, employee turnover and expected early retirement. In addition, financial assumptions are made including applying a suitable discount rate and estimations of future salary levels.

b) Determine how much benefit is attributable to the current and prior periods. Benefits are attributed to periods of service in accordance with the plan's benefit formula.

Actuarial assumptions are unbiased and mutually compatible. They are unbiased as they are neither imprudent nor excessively conservative. Financial assumptions are based on market expectations at the end of the reporting period for the period over which the obligations are to be settled.

Discounting the benefit to determine the present value of the defined benefit obligation

The liabilities of the 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 actuarial assumptions about mortality rates, employee turnover rates, etc., and projections of future earnings for current employees. This method views each period of service as giving rise to an additional unit of benefit entitlement, with each unit being measured separately to build up the obligation.

The rate used to discount post-employment benefit obligations is determined by reference to market yields at the Balance Sheet date on high quality corporate bonds. The currency and term of the corporate bonds are consistent with the currency and estimated term of the post-employment benefit obligations. The interest cost is computed by multiplying the discount rate as determined at the start of the period by the present value of the defined benefit obligation throughout that period, taking account of any material changes in the obligation.

Determining the fair value of any pension fund assets

The fair value of any pension fund assets is deducted in determining the defined benefit liability. When no market price is available, the fair value of pension fund is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the pension fund assets and the maturity or expected disposal date of those assets. The pension fund assets exclude unpaid contributions due from the Council to the fund and are reduced by any liabilities of the fund that do not relate to employee benefits, for example, trade and other payables and liabilities resulting from derivative financial instruments.

Determining the re-measurement of actuarial gains and losses

Re-measurement of actuarial gains and losses comprise of:

- The return on plan assets – recognised in the pensions reserve.
- Actuarial gains and losses – changes in the net pensions liability that arise from differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions – recognised in the pensions reserve.

Past Service cost:

Past service cost usually arises when the benefits payable for past service under an existing defined benefit pension plan are changed - for example where an employee enters into an agreement with the employer to receive their pension in full before the normal retirement age. In this situation the amendment becomes immediately payable, and the past service costs are recognised in full regardless of the fact that the cost refers to employee service in previous periods.

Where an employee retires and they choose to draw down an element of their pension as a lump sum, the benefits payable are changed so that the present value of the defined benefit obligation decreases, with the resulting reduction in the defined benefit liability recognised as a negative past service cost.

Where a plan has been curtailed or settled, determining the resulting gain or loss

Curtailments and settlements are events that change the liabilities relating to a defined benefit plan and that are not covered by normal actuarial assumptions.

A curtailment occurs when the Council either:

a) Is demonstrably committed to making a significant reduction in the number of employees covered by a plan; or

b) Amends the terms of a defined benefit plan so that a significant element of future service by current employees will no longer qualify for benefits, or will qualify only for reduced benefits.

When a planned amendment reduces benefits, only the effect of the reduction for future service is a curtailment. The effect of any reduction for past service is a negative past service cost.

A curtailment may arise from an isolated event, such as the discontinuance of an activity, or a reduction in the extent to which future salary increases are linked to the benefits payable for past service. Curtailments are often linked with a restructuring. When this is the case a curtailment is accounted for at the same time as for a related restructuring.

A settlement arises when a transaction is entered into that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan. Settlements have the effect of extinguishing a portion of the plan liabilities, usually by transferring plan assets to or on behalf of plan members to their new employer or an insurance company in settlement of the obligation.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised in the Surplus or Deficit on the Provision of Services when the curtailment or settlement occurs. The gain or loss comprises:

a) Any resulting change in the present value of the defined benefit obligation;

b) Any resulting change in the fair value of the plan assets;

c) Any unamortised related past service costs.

Before determining the effect of a curtailment or settlement, the obligation is re-measured (and the related plan assets) using current actuarial assumptions (including current market interest rates and other current market prices).

Balance Sheet recognition

The amount recognised as a defined benefit liability is the net total of the following amounts:

a) the present value of the defined benefit obligation at the Balance Sheet date;

b) minus any past service cost not yet recognised (i.e. past service costs that have not become due at the Balance Sheet date);

c) minus the fair value at the Balance Sheet date of plan assets out of which the obligations are to be settled directly.

The present value of defined benefit obligations and the fair value of any plan assets are formally valued every three years as part of the Triennial Revaluation - which determine the appropriate level of employer contribution rate.

Surplus or deficit on the provision of services

The net total of the following amounts is recognised in Surplus or Deficit on the Provision of Services:

a) Current service cost.

b) Interest cost.

c) The expected return on any plan assets and on any reimbursement rights.

d) Past service cost.

e) The effect of any curtailments or settlements.

CHARGES TO REVENUE FOR THE USE OF NON–CURRENT ASSETS OR INTANGIBLE ASSETS

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the non-current assets used by the relevant service.

- Revaluation and impairment losses on non-current assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to cover these charges and they are subsequently reversed out in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account. However, they are replaced with an annual charge to the General Fund, which is known as the Minimum Revenue Provision (MRP), and this contributes towards the reduction in the Council's overall borrowing requirement.

VAT

All amounts presented in the Council's financial statements exclude any amounts relating to VAT except to the extent that it is irrecoverable.

PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment are non-current assets (assets with physical substance) that are held for use in the supply of goods and services, for rental to others or for administrative purposes and are expected to be used during more than one accounting period. The Council maintains a detailed asset register of all non-current assets, above de Minimis levels, which it owns, or recognises under PFI arrangements and finance leases.

Recognition

Expenditure on land, property, plant and equipment is capitalised and recognised on the Balance Sheet when it is probable that future economic benefits or service potential associated with the asset will flow to the Council over more than one year.

Subsequent costs arising from day-to-day servicing of a non-current asset such as repairs and maintenance, are not recognised as additions to property, plant and equipment because the expenditure does not add to the future economic benefits or service potential of the asset. Rather the expenditure maintains the asset's potential to deliver future economic benefits or service potential that it was expected to provide when originally acquired. This type of expenditure is charged to the relevant service revenue account when it is incurred.

Where a component of a non-current asset is replaced or restored (i.e. enhancements), the carrying amount of the old component is derecognised to avoid double counting and the new component reflected in the carrying amount, subject to the recognition principles as set out above being met.

The Council applies the following de Minimis levels for the recognition of expenditure on the acquisition, creation or enhancement of property, plant and equipment:

Land acquisition and building and development works	£20,000
Vehicles, plant and equipment	£10,000
IT Equipment	£10,000
Items held by Schools	£3,000

Measurement

An item of property, plant and equipment is initially measured at cost, comprising the purchase price and all expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequently, an item of property, plant and equipment is carried in the Balance Sheet using the following measurement bases:

- Land and buildings: Fair value (the amount that would be paid for land and buildings in their existing use) or depreciated replacement costs using the instant build approach if fair value cannot be determined.

- Items of a specialised nature, where no market-based evidence is available: Depreciated replacement cost (current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation).

- Infrastructure assets and community assets: Depreciated historical cost (cost of acquisition adjusted for subsequent depreciation or impairment).

- Non-property assets with short useful lives and/or low values: Depreciated historical cost (cost of acquisition adjusted for subsequent depreciation or impairment).

- All other classes of property, plant and equipment: Fair value (the amount for which an asset could be exchanged in an arms-length transaction).

Revaluation

Assets that are held in the Balance Sheet at fair value are revalued by professionally qualified valuer on a rolling basis at intervals of no more than five years.

Where the carrying amount of an item of property, plant and equipment is increased as a result of a revaluation, the increase is recognised in the Revaluation Reserve. This is the case unless the increase is reversing a previous impairment loss charged to the cost of services on the same asset or reversing a previous revaluation decrease charged to the cost of services on the same asset.

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, (i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset) as opposed to an impairment, the decrease is recognised in the Revaluation Reserve. This will be up to the credit balance existing in respect of the asset (i.e. up to its historical cost) and thereafter in surplus or deficit on the cost of services.

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

Impairment

At the end of each reporting period, an assessment is made of whether there is any indication that an item of property, plant and equipment may be impaired. If there is indication of impairment, the recoverable amount of the asset is estimated to determine any impairment loss.

If there has been an impairment loss, the asset is written down to its recoverable amount. The impairment loss is charged to the Revaluation Reserve, to the extent that it does not exceed the amount in the Revaluation Reserve for the same asset and, thereafter, to the Surplus or Deficit on the Provision of Services.

Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the carrying amount that would have been determined had there been no initial impairment loss. Any excess of the impairment loss reversed above this carrying amount is charged to the Revaluation Reserve.

Depreciation

All Directorates that use tangible assets in the provision of their services are charged with an annual provision for depreciation. Depreciation applies to all items of property, plant and equipment whether held at historical cost or re-valued amount.

The depreciation charge is based on the depreciable amount allocated over an asset's useful life. The methods of depreciation that reflect the pattern in which the future economic benefits or service potential of different assets are expected to be consumed, are determined as follows:

- Land: No depreciation.
- Buildings: Straight-line allocation over the life of the property as estimated by the valuer. The lifespan of property ranges from between 1 - 60 years.
- Vehicles, plant and equipment: Straight line allocation generally between 5 and 10 years.
- Infrastructure: Straight-line allocation between 10 – 40 years.
- Community assets: No depreciation as generally in the form of land. The valuer assesses the useful life of any building included in this category.
- Items of property, plant and equipment are not depreciated until they become available for use (i.e. when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management). Depreciation ceases at the earlier of the date that items of property, plant and equipment are classified as held for sale and the date they are derecognised.
- The residual value of an item of property, plant and equipment, their useful life and depreciation methods are to be reviewed at least at each financial year-end. If expectations differ from previous reviews or there has been a significant change in the pattern of consumption of the future economic benefits or service potential, the change is accounted for as a change in accounting estimate.

Componentisation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item should be depreciated separately.

To be separately identified as a component, an element of an asset must meet the following criteria:

- the asset must have a value in excess of £500,000; and
- the component should have a cost of at least 20% of the cost of the overall asset and;
- have a materially different useful life (at least 20% different) and/or;
- have a different depreciation method that materially affects the amount charged.

Where individual assets are beneath the de minimis threshold but collectively are above, they should be considered for componentisation where they are generally treated together elsewhere.

Where components are identified, they will be set up separately in the asset register and have individual values, useful lives and depreciation methods recorded.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from de-recognition is the difference between the net disposal proceeds (if any) and the asset’s carrying amount and is included in the surplus or deficit on the provision of services.

HERITAGE ASSETS

Heritage assets are those assets that are intended to be preserved in trust for future generations, because of their cultural, environmental or historic significance. Heritage assets can include historic buildings, archaeological sites, civic regalia, museums, gallery collections and works of art.

The Council is required to carry heritage assets in the Balance Sheet at valuation. However, the Code of Practice acknowledges that it may not be possible to establish a valuation. Where this has not been possible this is disclosed in the detailed note.

Assets that are used mainly for service delivery purposes are accounted for as operational regardless of whether they have historical or other heritage qualities.

In 1996 Kirkleatham Museum became the principal museum site for the Council. The Museum service also supports the other four independent museums in the borough. The museums hold items of local historical interest relating to social and industrial history and a number of these items have been identified as heritage assets.

The Museum follows a code of practice in collecting and managing its collection. Kirkleatham Museum has a number of collection policies which deals with all areas of conservation, storage, and recording. These policies were updated during 2014/15 as part of the process of achieving accreditation status. These deal with all areas of conservation, storage and recording.

The Museum stores its collection in a purpose built building located close to the main museum. Most of the collection is wrapped, stored and recorded on the Museum’s Modes system.

INVESTMENT PROPERTY

An investment property is one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property and is accounted for as property, plant and equipment.

An investment property is measured initially at cost. After initial recognition, investment property is measured at fair value, based on 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.

A gain or loss arising from a change in the fair value of an investment property is recognised in the surplus or deficit on the cost of services for the period in which it arises. An investment property held at fair value is not depreciated.

INTANGIBLE ASSETS

An intangible asset is an identifiable non-monetary asset without physical substance. It is controlled by the Council, as a result of past events, and future economic or service benefits are expected to flow from the intangible asset to the Council. The most common class of intangible asset are computer software.

An intangible asset is measured initially at cost. After initial recognition, an intangible asset may be carried at a revalued amount where its fair value can be determined by reference to an active market. Otherwise, an intangible asset will be carried at historical cost less any accumulated amortisation and any accumulated impairment loss.

The depreciable amount of an intangible asset with a finite useful life is amortised on a straight-line basis over its useful life. Any Directorate that has the use of intangible assets in the provision of their services is charged with an annual amount for amortisation within their service revenue account. The amortisation period and method is reviewed at least at the end of each reporting period.

PRIVATE FINANCE INITIATIVE

A Private Finance Initiative (PFI) arrangement involves a private sector operator constructing or enhancing an asset with which it is contractually obliged to deliver, on behalf of the Council, and to operate and maintain it for a specified period of time. A PFI arrangement can include infrastructure (including roads and street lighting) schools and office and administrative buildings, which contribute to the delivery of public services.

The Council controls or regulates what services the private sector operator must provide with the asset, to whom it must provide them and at what price. The Council also controls any significant residual interest in the asset at the end of the term of the arrangement.

The asset is recognised in the Balance Sheet as property, plant and equipment when it is made available for use and its value can be measured reliably. It is depreciated over its estimated useful economic life. A related liability is recognised in the Balance Sheet at the same time and accounted for as a finance lease.

Subsequent to initial recognition, the asset is measured at fair value in the same way as other items of property, plant and equipment of that generic type. Revaluations of the asset following initial recognition do not affect the carrying value of the related liability.

The private sector operator is paid for its services over the period of the arrangement by means of an annual unitary charge which is allocated between a construction element (comprising repayment of the finance lease liability and the finance charge) and a service element. The finance charge and service element are charged to the relevant service revenue account, based on the life of the asset.

Where a PFI arrangement makes use of existing assets of the Council, enhancements are recognised in accordance with the recognition requirements of property, plant and equipment.

LEASES

Leases are classified as either finance leases or operating leases as follows:

The Council as lessee

Finance leases

A lease is accounted for as a finance lease when substantially all the risks and rewards relating to the leased property, plant or equipment lie with the Council as lessee. This depends on the substance of the transaction rather than the form of the contract.

The Council recognises finance leases as assets and liabilities on its Balance Sheet at amounts equal to the fair value of the asset or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge (interest charged to surplus or deficit on the provision of services) and the reduction of the outstanding liability. The finance charge is calculated so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses to the surplus or deficit on the cost of services in the periods in which they are incurred.

The depreciation policy for assets held under finance leases is consistent with the depreciation policy for owned assets. Where it is not certain that ownership of the asset will transfer at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful economic life.

Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Assets subject to operating leases are not held on the Council's Balance Sheet. Lease payments are recognised as an expense in the service revenue account on a straight-line basis over the lease term.

The Council as lessor

Operating leases

The Council account for these leases as operating leases. These assets are held on the Council's Balance Sheet according to the nature of the asset and rental income is recognised, in the surplus or deficit on the cost of services, on a straight-line basis over the lease term.

EXPENDITURE FOR CAPITAL PURPOSES THAT DOES NOT RELATE TO TANGIBLE OR INTANGIBLE ASSETS

Expenditure for capital purposes that does not relate to tangible or intangible assets may be capitalised under statutory provisions although it does not result in the creation of an asset. Such expenditure is referred to as Revenue Expenditure Funded from Capital Under Statute (REFCUS) and is defined by regulation or by direction of the Minister of State to enable expenditure to be funded from capital resources (e.g. grants to outside bodies, redundancy costs).

The expenditure is initially charged to the revenue cost of services within the Comprehensive Income and Expenditure Statement and is subsequently funded from capital resources via the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account, therefore having a neutral impact on the amount required through local taxation.

NON-CURRENT ASSETS HELD FOR SALE

A non-current asset is classified as held for sale if the asset's carrying amount will be recovered principally through a sale transaction rather than through continued use and meets the following criteria:

- the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- the sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;
- the asset must be actively marketed for a sale at a price that is reasonable in relation to its current fair value;
- the sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease in fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale they are re-classified back to non-current assets and valued at the lower of their carrying amount before they were classified as Assets held for Sale; adjusted for depreciation or revaluation 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.

CAPITAL RECEIPTS

Capital receipts from the disposal of assets are invested temporarily until such time as they are used to finance capital expenditure or to repay debt.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value and held on the Balance Sheet.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with any financial institution repayable without penalty on notice of not more than twenty-four hours.

Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Bank overdrafts which are repayable on demand and which form an integral part of the Council's cash management are also included as a component of cash and cash equivalents.

PROVISIONS

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. A provision is recognised when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term 'financial instrument' covers both financial assets and financial liabilities.

Financial Assets

Typical financial assets include a variety of instruments, including:

- Cash
- Money Market Funds
- Property Funds
- Shares in other organisations
- Loans to third party organisations
- Finance leases where the Council is lessor
- Financial guarantees and commitments to lend below market rate
- Trade Receivables

Financial Liabilities

Financial liabilities include trade payables and other payables, borrowings and financial guarantees.

Recognition

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the instrument.

In the case of a financial asset, the Council becomes a party to the contractual provisions when it becomes committed to the purchase (i.e. the contract date) and is usually referred to as the trade date. The sale of a financial asset is also recognised on the trade date. Trade receivables are an exception. The receivable is not recognised when the Council becomes committed to supply the goods or services but when the ordered goods or services have been delivered or rendered.

In the case of a financial liability, the Council becomes a party to the contractual provisions when one of the parties has performed their obligation under the financial instrument. For example a loan debt contract is recognised when the cash is received rather than when the Council becomes committed to the loan agreement. A trade payable is recognised when the ordered goods or services have been received.

Classification & Measurement

Financial Assets

Financial assets are classified based on a classification and measurement approach which reflects the Council's business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual 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 (CIES) 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 financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

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

The Council has made an irrevocable election to designate its equity instruments in Suez Recycling & Recovery (Tees Valley) Ltd and Durham Tees Valley Airport as FVOCI on the basis that they are held for non-contractual benefits, it is not held for trading but for strategic purposes. The asset was transferred to the new asset category on 1 April 2018.

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

When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on the Provision of Services.

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

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

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

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

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price

- Other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.

- Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 – unobservable inputs for the asset.

The Council classifies their holding of Pooled Property Funds and Money Market Funds under FVPL. The Council has applied the Government's statutory override to its accounts which allows a reversal of gains/losses from the CIES to an unusable reserve. This override is currently due to expire on the 1st April 2023 at which point any balance in the reserve will need to be charged to the CIES.

Expected Credit Loss Model:

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing loans. Where there is tangible evidence that risk has increased significantly since the instrument was initially recognised, losses are assessed on a lifetime basis.

Financial Liabilities:

Financial liabilities are recognised on the Balance Sheet when the Council becomes 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 (CIES) 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 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 most of the borrowings which the Council has on balance sheet, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable. The reconciliation of amounts charged to the CIES, to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

CONTINGENT ASSETS & LIABILITIES

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

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

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

4. Collection Fund Accounts and Explanatory Notes

Redcar Wind Farm

Collection Fund Income and Expenditure Account

2017-18 Council Tax £000	2017-18 Non-Domestic Rates £000	2017-18 Total £000		2018/19 Council Tax £000	2018/19 Non-Domestic Rates £000	2018/19 Total £000
			INCOME			
(68,451)	-	(68,451)	Council Tax Receivable	(72,015)	-	(72,015)
-	(38,967)	(38,967)	Business Rates Receivable	-	(39,102)	(39.102)
(68,451)	**(38,967)**	**(107,418)**		**(72,015)**	**(39,102)**	**(111,117)**
			Contribution from preceptors for previous year's surplus/(deficit)			
-	510	510	Central Government	-	953	953
217	499	716	Billing Authority	590	934	1,524
11	10	21	Cleveland Fire Authority	29	19	48
32	-	32	Cleveland Police & Crime Commissioner	86	0	86
260	**1,019**	**1,279**		**705**	**1,906**	**2,611**
			Precepts, Demands and Shares			
-	17,255	17,255	Central Government	0	18,884	18,884
56,373	16,910	73,283	Billing Authority (RCBC)	59,476	18,507	77,983
2,794	345	3,139	Cleveland Fire Authority	2,919	378	3,297
8,206	-	8,206	Cleveland Police & Crime Commissioner	8,795	-	8,795
67,373	**34,510**	**101,883**		**71,190**	**37,769**	**108,959**
			Charges to the Collection Fund			
174	184	358	Less: (Decrease)/Increase in Bad Debt Provision	(700)	(287)	(987)
-	(1,122)	(1,122)	Less: (Decrease)/Increase in Provision for Appeals	-	588	588
-	157	157	Less: Cost of Collection	-	157	157
-	7,756	7,756	Transitional Protection Payment	-	1,781	1,781
-	2,092	2,092	Less: Disregarded amounts	-	2,101	2,101
174	**9,067**	**9,241**		**(700)**	**4,340**	**3,640**
(644)	5,629	4,985	(Surplus)/Deficit arising during the year	(820)	4,913	4,093
(67)	(911)	(978)	(Surplus)/Deficit brought forward 1 April	(711)	4,710	3,999
-	(8)	(8)	Adjustment to previous years surplus	-	-	-
(711)	**4,710**	**3,999**	**(Surplus)/Deficit carried forward 31 March**	**(1,531)**	**9,623**	**8,092**

GENERAL INFORMATION

The Council, as a billing authority, is statutorily required to maintain a separate Collection Fund account, into which all transactions relating to the collection of business rates and council tax income from taxpayers and distribution to local government bodies and central government are made. The Collection Fund account is held separately from the General Fund.

Surpluses or deficit on the council tax income and distributions are apportioned to the relevant pre-empting authorities in the following financial year in proportion to each body's Band D council tax amount.

Business rates surpluses or deficits are distributed in accordance with the relevant proportions set out in the localised business rate regulations.

For 2018/19, the proportions are as follows:

	Council Tax	Business Rates
Redcar and Cleveland Borough Council (General Fund)	83.55%	49%
Cleveland Police and Crime Commissioner	12.35%	-
Cleveland Fire Authority	4.10%	1%
Central Government	-	50%
Total	**100%**	**100%**

NOTE 1 – COUNCIL TAX LEVELS AND TAX BASE

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 the Police and Fire Authorities expenditure, through precepts made on the Council's Collection Fund.

The level of council tax in any year is determined by estimating the income required by the Council 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 financial years and local authorities, the tax base is expressed as the number of Band D equivalent properties in the Borough, which is calculated by multiplying the number of properties in a band by an appropriate weighting, ranging from 5/9 to 18/9 (A to H). Within the table the band D equivalent is adjusted for the local council tax support scheme.

Set out in the table are the Band D weightings, property numbers and income from each band level, as per the council tax base, which was set by the Council in March 2018. The council tax base for 2018/19 was 38,823.00 (38,249.30 in 2017/18). The increase is mainly due to property growth in the area.

Band	Property Value	Weighting to Band D	Number of Chargeable Dwellings	Band D Equivalent Incl Council Tax Support	Redcar & Cleveland Demand Excluding Parishes	Police Authority Demand Per Property	Fire Authority Demand Per Property	Total Demand Per Property
			No.	No.	£	£	£	£
A	Entitled to disabled relief	5/9	120.00	38.88	842.70	125.86	41.77	1,010.33
A	Up to £40,000	6/9	26,566.00	10,049.52	1,011.24	151.03	50.12	1,212.39
B	£40,001 - £52,000	7/9	13,229.00	7,892.84	1,179.78	176.20	58.47	1,414.45
C	£52,001 - £68,000	8/9	13,955.00	10,590.37	1,348.32	201.37	66.83	1,616.52
D	£68,001 - £88,000	9/9	5,576.00	4,996.32	1,516.86	226.54	75.18	1,818.58
E	£88,001 - £120,000	11/9	3,217.00	3,626.75	1,853.94	276.88	91.89	2,222.71
F	£120,001 - £160,000	13/9	878.00	1,189.17	2,191.02	327.22	108.59	2,626.83
G	£160,001 - £320,000	15/9	399.00	613.65	2,528.10	377.57	125.30	3,030.97
H	Over £320,000	18/9	26.00	20.50	3,033.72	453.08	150.36	3,637.16
			63,966.00	**39,018.00**				
Less non collection 0.5%				195.00				
Council Tax Base				**38,823.00**				

NOTE 2 – COUNCIL TAX INCOME

The calculation of the council tax base takes into account an assumed number of exempt dwellings, disabled reductions and discounts. However, the opening liability does not take these assumptions into account. All exemptions, disabled reductions and discounts during the year are shown within the table to show the actual income collectable from council tax payers.

The income is determined from the following sources:

2017/18 £000		2018/19 £000
(91,439)	Opening Liability	(95,868)
133	Disabled Reduction	137
21,201	Discount	21,866
1,654	Exemptions	1,850
(68,451)	**Income collectable from Council Tax Payers**	**(72,015)**

NOTE 3 – INCOME FROM NON-DOMESTIC RATES

The NDR income collectable from ratepayers by the Council is shown in the following table:

2017/18			2018/19	
£000	**£000**		**£000**	**£000**
		Estimated Income		
(91,780)		Gross Rateable Value	(95,681)	
46.6p		Multiplier (pence in the £)	48.0p	
	(42,769)	**Estimated Opening Debit**		**(45,927)**
		Actual Income		
(39,511)		Actual Opening charges payable	(46,462)	
	(39,511)			**(46,462)**
4,732		Reduced Assessments	5,037	
(7,756)		Transitional Protection	(1,781)	
4,235		Mandatory Relief	3,689	
(833)		Discretionary Relief	307	
27		Enterprise Zone	22	
139		Revaluation Support	86	
	544			**7,360**
	(38,967)	**Actual Income Collectable**		**(39,102)**

NOTE 4 – COLLECTION FUND (SURPLUS)/DEFICIT DUE TO PRECEPTORS

Details of the major precepts on the Collection Fund are shown in the following table for council tax and business rates in respect of the year end (surplus)/deficit:

2017/18 Total £000		2018/19 Council Tax £000	2018/19 Non-Domestic Rates £000	2018/19 Total £000
(87)	Cleveland Police & Crime Commissioner	(185)	-	(185)
18	Cleveland Fire Authority	(63)	96	33
2,355	Central Government	-	4,812	4,812
1,713	Redcar & Cleveland Borough Council	(1,283)	4,715	3,432
3,999		**(1,531)**	**9,623**	**8,092**

NOTE 5 – COLLECTION FUND GLOSSARY OF TERMS

A number of technical terms are used in compiling the Collection Fund and supporting notes. These are explained below:

Council Tax Support Scheme - Council Tax Support (CTS) is a reduction to a council tax bill and can be awarded to people on low incomes. It replaced Council Tax Benefit from 1 April 2013.

Disabled Reduction – Reduction in charge by one council tax band due to a resident meeting certain criteria due to their disability.

Discount – The Local Government Finance Act 2012 provides local authorities with the power to allow discounts on their council tax liability.

Exemptions – Certain classes of property are exempt as laid down in the Local Government Finance Act 1992, i.e. properties empty less than six months, properties undergoing structural alteration (maximum one year), solely occupied by students etc.

Reduced Assessments – Reductions in liability due to changes in rateable value as directed by the valuation office.

Transitional Relief – Mandatory government scheme to phase in the effects to liability over a number of years caused by the issue of a new valuation list.

Mandatory Relief – Relief where the ratepayer has a mandatory entitlement. Under the Local Government Finance Act 1988, offset is in full against the Council's contribution to the pool.

Discretionary Relief – Relief which the Council has discretionary power to grant under the Local Government Finance Act 1988. The cost to the Council is generally 25% of the relief granted unless it is used to top up mandatory charity relief where the cost to the Council is 75%.

Section 44A – A ratepayer is liable for the full non-domestic rate whether the property is fully or only partly used. Where a property is partly occupied for a short time with an intention to fully occupy the whole property again, in certain circumstances, we can use discretionary powers to apply to the Valuation Office Agency to award a temporary reduction for the part that is not in use. This can be awarded for a maximum of 3 months, or 6 months in the case of industrial properties.

Enterprise Zone – A specific geographical area that has been designated by Central Government. Businesses within the enterprise zone are entitled to receive various types of financial aid. These include tax benefits, business rates relief and other incentives to encourage businesses to establish and maintain a presence within the zone.

5. Auditor's Report

Locke Park

Independent auditor's report to the Members of Redcar and Cleveland Borough Council

Report on the financial statements

Opinion

We have audited the financial statements of the Council for the year ended 31 March 2019, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporate Director for Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporate Director for Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Corporate Director for Resources for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Corporate Director for Resources 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 2018/19, and for being satisfied that they give a true and fair view. The Corporate Director for Resources is also responsible for such internal control as the Corporate Director for Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Corporate Director for Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Corporate Director for Resources is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor’s responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Authority’s website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Redcar and Cleveland Borough Council’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Qualified conclusion – Except for

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, with the exception of the matters described in the ‘Basis for qualified conclusion’ paragraph below, we are satisfied that, in all significant respects, Redcar and Cleveland Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for qualified conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. 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.

In considering the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources, we identified the following matter.

The Council’s latest Medium Term Financial Strategy (MTFS) was reported to the Council on 27 February 2019, setting out the budget for 2019/20 and the indicative financial position for 2020/21 to 2022/23.

The Council produced a balanced budget for 2019/20 by drawing on £8.9m of its revenue reserves, but did not present a balanced or sustainable financial position over the medium term. A total budget gap of £34.2m was identified for the period 2020/21 to 2022/23, with £11.6m of this relating to 2020/21. After accounting for the use of reserves in 2019/20, the remaining revenue reserves available to the Council are £16.1m, which includes the £5.1m General Fund Balance which the Council has identified as the minimum needed to be kept aside for unforeseen circumstances. On the Council’s current spending trajectory and without identifying and delivering savings, the Council is in danger of exhausting its revenue reserves in one to two years.

Since preparing the MTFS, officers have been exploring the options to bridge the budget gap. This has included reviewing the assumptions and financial pressures identified in the initial budget gap and working on phase 4 of its ‘Shaping Our Future’ programme, with a view to identifying further savings and increasing income generation. The medium term financial position is therefore dependent on options which are still being developed, which will require consideration and approval by the Cabinet and the Council, and will then need to be implemented and monitored as to whether planned savings and increased income are achievable. Any measures taken to balance the 2020/21 budget without drawing further on reserves will need to be delivered quickly due to the lack of lead-in time for savings to be realised.

These matters are evidence of weaknesses in proper arrangements for securing sustainable resource deployment in planning finances effectively to support the sustainable delivery of strategic priorities.

Responsibilities of the Council

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

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

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

Use of the audit report

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

Certificate

We certify that we have completed the audit of Redcar and Cleveland Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Gavin Barker
Director
For and on behalf of Mazars LLP
Salvus House
Aykley Heads
Durham
DH1 5TS

30 July 2019

6. Glossary of Terms

Groynes on Redcar Beach

Glossary of Terms

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April and ending as at the Balance Sheet date of 31 March.

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

(a) Recognising
(b) Selecting measurement bases for, and
(c) 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.

ACCRUAL

A sum included in the final accounts attributable to that accounting period but for which payment has yet to be made or income received. Accruals are made for revenue and capital expenditure and income.

ACTUARIAL GAINS & LOSSES

For a defined benefit pension scheme the changes in actuarial deficits or surpluses that arise because:

(a) Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or

(b) The actuarial assumptions have changed.

AMORTISED COST

A measure of the real cost that the Council bears by entering into a financial liability. This is not necessarily based on the contractual term but on the effective rate of interest within the contract.

AGENCY

The provision of services by one body (the Agent) on behalf of, and generally reimbursed by, the responsible body.

ASSET

An item having value in monetary terms. Assets are defined as current or non-current.

- a current asset will be consumed or cease to have value within the next financial year e.g. stock and debtors.
- a non-current asset provides benefits to the Council and to the services it provides for a period of more than one year.
- an asset held for sale is an asset that is currently in the process of being sold. They must be actively marketed, with the sale expected within 12 months.

AUDIT

An independent examination of the Council's activities, either by Internal Audit or the Council's External Auditor, Mazars.

BALANCE SHEET

A Statement of the recorded assets, liabilities and other balances at a specified date usually at the end of an accounting period.

BALANCES

The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the general fund or any other fund.

BERMUDAN CANCELLABLE SWAP

A financial instrument entered into by a Lender Option Borrower Option issuer to reduce the impact of interest rate exposure if the borrower opts to redeem the loan.

BUDGET

The forecast of revenue and capital expenditure over the accounting period.

CAPITAL CHARGES

A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a non-current asset or expenditure which increases the benefit in service to the Council and not merely maintains the non-current asset.

CAPITAL FINANCING

The raising of money to pay for capital expenditure. This includes borrowing, leasing, direct revenue financing (DRF), usable capital receipts, capital grants, capital contributions and revenue reserves.

CAPITAL FINANCING REQUIREMENT (CFR)

A calculation to show the Council's underlying need to borrow to fund capital resources.

CAPITAL GRANT

Grant used to finance specific schemes in the capital programme. Where capital grants are receivable, and all conditions are met and expenditure incurred, they are released to the Comprehensive Income & Expenditure Statement. Where conditions to the funder exist, or the Council may be required to repay the grant, it is held as a creditor. Where there are no conditions but the funding is not spent, it is carried forward as a usable reserve.

CAPITAL PROGRAMME

The capital schemes the Council intends to carry out over a specific time period.

CAPITAL RECEIPT

Income received from the disposal of land or other capital assets. Capital receipts can be utilised to finance new capital expenditure or on qualifying revenue spend that is forecast to generate ongoing savings to the Council. Any use of receipts on revenue spend must be approved by Council within the budget setting report.

CARRYING AMOUNT

The Balance Sheet value recorded of either an asset or a liability.

CASH AND CASH EQUIVALENTS

Cash held by the Council, along with short term investments held for periods of less than 90 days.

CASH FLOW STATEMENT

A statement summarising the inflows and outflows of cash, arising from transactions between the Council and third parties, for revenue and capital purposes.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code sets out the accounting concepts and accounting principles, which underpin the statement of accounts.

COLLECTION FUND

A fund administered by the Council, which records all the income received in relation to local taxation and non-domestic rates. It also shows how the income has been distributed to the preceptors and the general fund.

COMMUNITY ASSETS

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples are parks and historic buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement brings together the income and expenditure relating to all of the Council’s functions and also identifies how this is financed from local taxation and government grants.

CONSISTENCY

The principle that the accounting treatment of like items within an accounting period, and from one period to another, is the same.

CONTINGENCY

The sum of money set aside to meet unforeseen expenditure or liability.

CONTINGENT ASSET

A contingent asset is a possible asset 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.

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 Council'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.

COST OF CARRY

This is the difference between the interest received from investments against the interest paid for borrowing.

COUNCIL TAX

The form of local taxation in use since April 1993, based on property values.

CREDITORS

Amounts owed by the Council 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 arise 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 employees' 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 only for reduced benefits.

DEBT OUTSTANDING

Amounts borrowed to finance capital expenditure which is still to be repaid.

DEBTORS

Amounts due to the Council 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.

DEFERRED CAPITAL RECEIPTS

Amounts due to the Council from the sale of fixed assets which are not receivable immediately on sale. The amounts will usually be received in instalments over an agreed period of time.

DEFERRED LIABILITIES

Liabilities which, by arrangement, are payable beyond the next year, at some point in the future or paid off by an annual sum over a period of time.

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.

DEDICATED SCHOOLS GRANT (DSG)

A ring fenced central government grant paid direct to the education service as fundamental support for its revenue expenditure.

DE MINIMIS

A de minimis level is adopted to only reflect material transactions in the capital accounts. The Council's policy on de Minimis levels are outlined in the statement of accounting policies.

DEPRECIATION

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passing of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

DERECOGNISED

The process of removing a financial asset or financial liability from the Balance Sheet once performance under the contract is complete or the contract is terminated.

DIRECT REVENUE FINANCING

Resources provided from the Council's revenue budget to finance the cost of capital projects.

DISCRETIONARY BENEFITS

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

EARMARKED RESERVES

These reserves represent monies set aside that can only be used for a specific purpose.

EFFECTIVE RATE OF INTEREST

The rate of interest that will discount all the cash flows that take place throughout the expected life of a financial instrument down to the fair value of the asset calculated at initial measurement.

ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM

An ERP system consists of integrated software allowing the Council to record, report and process transactions to facilitate the management and planning of important parts of the organisation including human and financial resources. The Council's current ERP system is Unit 4 Business World (UBW).

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those 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 which derive from events or transactions that fall within the ordinary activities of the Council but 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.

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

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.

FINANCIAL INSTRUMENT

Any contract that gives rise to a financial asset of one entity and a financial liability of another.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee. Such a transfer of risks and reward may be presumed to occur if:

- at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.
- The Council will hold the asset for substantially all of its useful life
- There will be little residual value in the asset at the end of the lease term.

GENERAL FUND

The main revenue account of the Council, which summarises the cost of all services provided by the Council which are paid for from government grants, non-domestic (business) rates contributions, council tax and other income.

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 the Council in return for past or future compliance with certain conditions relating to the activities of the Council.

HERITAGE ASSET

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. Heritage assets include civic regalia, museum and gallery collections and works of art.

IMPAIRMENT

A reduction in the value of an asset below its carrying amount on the statement caused by a specific event or reason.

INCOME

Amounts which the Council receives or expects to receive from any source, including fees, charges, sales and grants.

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.

INFRASTRUCTURE ASSETS

Non-current assets that are non-transferable, expenditure on which is only recoverable by continued use of the asset created. Examples are highways and footpaths.

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 STANDARD (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 to these Standards or disclosures in the notes if there are any material departures from those 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 comprise the following categories:

(a) Goods or other assets purchased for resale;

(b) Consumable stores;

(c) Raw materials and components purchased for incorporation into products for sale;

(d) Products and services in intermediate stages of completion;

(e) Long-term contract balances, and

(f) Finished goods.

INVESTMENT PROPERTIES

Properties that are held by the Council for the purpose of generating income, whether through:

- Rental income

- Capital appreciation, or where an asset is declared surplus but is not yet marketed for sale.

INVESTMENTS

A long term investment is one that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the Investment. Investments which do not meet the above criteria should be classified as current assets.

INVESTMENTS (PENSION FUND)

The investments of the pension 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.

LEASING

A method of financing capital expenditure where a rental charge is paid for the asset over a specified period of time.

LIABILITY

A liability is where the Council owes payment to an individual or another organisation. Liabilities are usually classed as contingent or current.

- A **contingent liability** is a potential liability at the Balance Sheet date which arises as the result of a condition which exists where the outcome will be confirmed only on the occurrence or non-occurrence of one or more future events. The financial liability is included in the Balance Sheet where it can be reasonably estimated. Where the contingency is material but a financial estimate cannot be made, the existence of the liability is disclosed as a note to the accounts.

- A **current liability** is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn.

Glossary of Terms

LENDER OPTION BORROWER OPTION (LOBO)

A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every 5 years), the lender has the ability to alter the interest rate. Should the lender make this offer, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum with no other penalty.

LOANS OUTSTANDING

The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the Balance Sheet date.

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 substantially to 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.

MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE II (MIFID II)

Introduced in January 2018, to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection. Under the Directive the Council has chosen to opt up to professional status to enable access to certain financial instruments and improved yields. To meet this status the Council needs to meet both qualitative and quantitative criteria which include maintaining an investment balance of £10.000m.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements.

MEDIUM TERM FINANCIAL PLAN (MTFP)

A five year forward assessment of the Council’s expenditure plan for both revenue and capital expenditure. This is produced as part of the Council’s annual budget process.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

MOVEMENT IN RESERVES STATEMENT

This statement shows movement in the year on the different reserves held by the Council analysed into ‘usable reserves’ and ‘unusable reserves’.

NON-DOMESTIC RATES (NDR)

NDR is the levy on a business property, based on a national rate in the pound applied to the rateable value of the property. The Government determines national rate poundage each year which is applicable to all local authorities. NDR income is collected by the billing authority and then distributed to central government and other pre-empting bodies.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or 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, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET DEBT

The Council’s borrowings less cash and cash equivalents. Where cash and cash equivalents exceed borrowings, reference should be made to net funds rather than net debt.

NET REALISABLE VALUE

The open market value of the asset in its existing use (or 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 Council, and the services it provides, for a period of more than one year.

NON-DISTRIBUTED COSTS

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

OPERATING LEASE

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Authority.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

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.

PENSIONS INTEREST COST

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

PRECEPT

The amount levied by various Authorities that is collected by the Council on their behalf, e.g. Central Government, Parish Councils, Police and Fire Authorities.

PREMIUMS

These are discounts that have arisen following the early redemption of long term debt, which are written down over the lifetime of replacement loans where applicable.

PRIOR PERIOD ADJUSTMENTS

Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. A fundamental 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.

PRIVATE FINANCE INITIATIVE

A partnership arrangement whereby a private sector provider provides purpose built buildings/equipment etc. for long term rental by public sector users.

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 on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

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.

PRUDENCE

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

PUBLIC WORKS LOAN BOARD (PWLB)

A government agency which lends money to public bodies for capital purposes.

RATEABLE VALUE

The annual assumed rental of a hereditament (property) which is used for NDR purposes.

RELATED PARTIES

Two or more parties are related parties when one party has the ability to control the other party or exercise significant influence in making financial and operating decisions, or if the related party entity and another entity are subject to common control. Related parties include:

(a) entities that the authority directly, or indirectly through one or more intermediaries, controls, has an interest in that gives it significant influence over the entity or has joint control over
(b) associates
(c) joint ventures in which the authority is a venture
(d) an entity that has an interest in the authority that gives it significant influence over the authority
(e) key management personnel, and close members of the family of key management personnel
(f) entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, key management personnel, and close members of the family of key management personnel
(g) post-employment benefit plan (pension fund) for the benefit of employees of the authority, or of any entity that is a related party of the authority

RELATED PARTY TRANSACTIONS

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:

(a) the purchase, sale, lease, rental or hire of assets between related parties;
(b) the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the Pension Fund;
(c) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;

(d) the provision of services to a related party, including the provision of Pension Fund administration services;

(e) transactions with individuals who are related parties of a Council or a Pension Fund, except those applicable to other members of the community or the Pension Fund, such as council tax, rents and payments of benefits.

The above examples are not intended to be comprehensive. The materiality of related party transactions should be judged not only in terms of their significance to the Council, but also in relation to its related party.

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 Council. 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 the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

(a) an employer's decision to terminate an employee's employment before the normal retirement date, or

(b) 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.

REVALUATION RESERVE

The revaluation reserve was introduced as part of the changes included within the 2006 SORP. The purpose of the reserve is to record the gains on revaluation of fixed assets that have not been realised through the disposal of the asset. The balance on the reserve represents the revaluation gains accumulated since 1 April 2007.

REVENUE EXPENDITURE

The day-to-day expenses of providing services. This comprises staff costs, other operating costs and capital charges.

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 Council. Expenditure is therefore charged to the CIES.

REVENUE SUPPORT GRANT (RSG)

A general Central Government grant paid to the Income and Expenditure Account in support of the Council's revenue expenditure.

SAFETY NET

A mechanism that protects local authorities on NDR income by paying additional government grant when actual income is less than 92.5% of the funding baseline position.

SCHEME LIABILITIES

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit methods reflect 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 irrevocable 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) A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;

(b) The purchase of an irrevocable annuity contract sufficient to cover vested benefits and

(c) The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

SHAPING OUR FUTURE

This is the Councils change framework enabling the transformation of the Council into a new service delivery model.

SPECIFIC GRANTS

Government grants given to local authorities and earmarked for specific services, e.g. Standards Fund Grant paid to Education Services.

SUPPORT SERVICES

The costs of directorates which provide professional and administrative assistance to services.

TANGIBLE ASSETS

Expenditure which may properly be capitalised and results in an asset with physical substance. Examples of this type of expenditure are Land and Buildings, Infrastructure, Vehicle Plant and Equipment.

TOP UP GRANT

A grant payable by central government when a local authority's business rate income is less than that generated by the local government finance settlement methodology.

TREASURY MANAGEMENT

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

TREASURY MANAGEMENT STRATEGY (TMS)

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

TRUST FUNDS

Funds administered by the Council for such purposes as prizes, charities, specific projects, and on behalf of minors.

UNOBSERVABLE INPUTS

Unobservable inputs are based on the reporting entity's own assumptions where market data is unavailable.

USEFUL LIFE

The period over which the Council will derive benefits from the use of a fixed asset.

WORK IN PROGRESS

The value of work done on an uncompleted project which has not been recharged to the appropriate account at the Balance Sheet date.