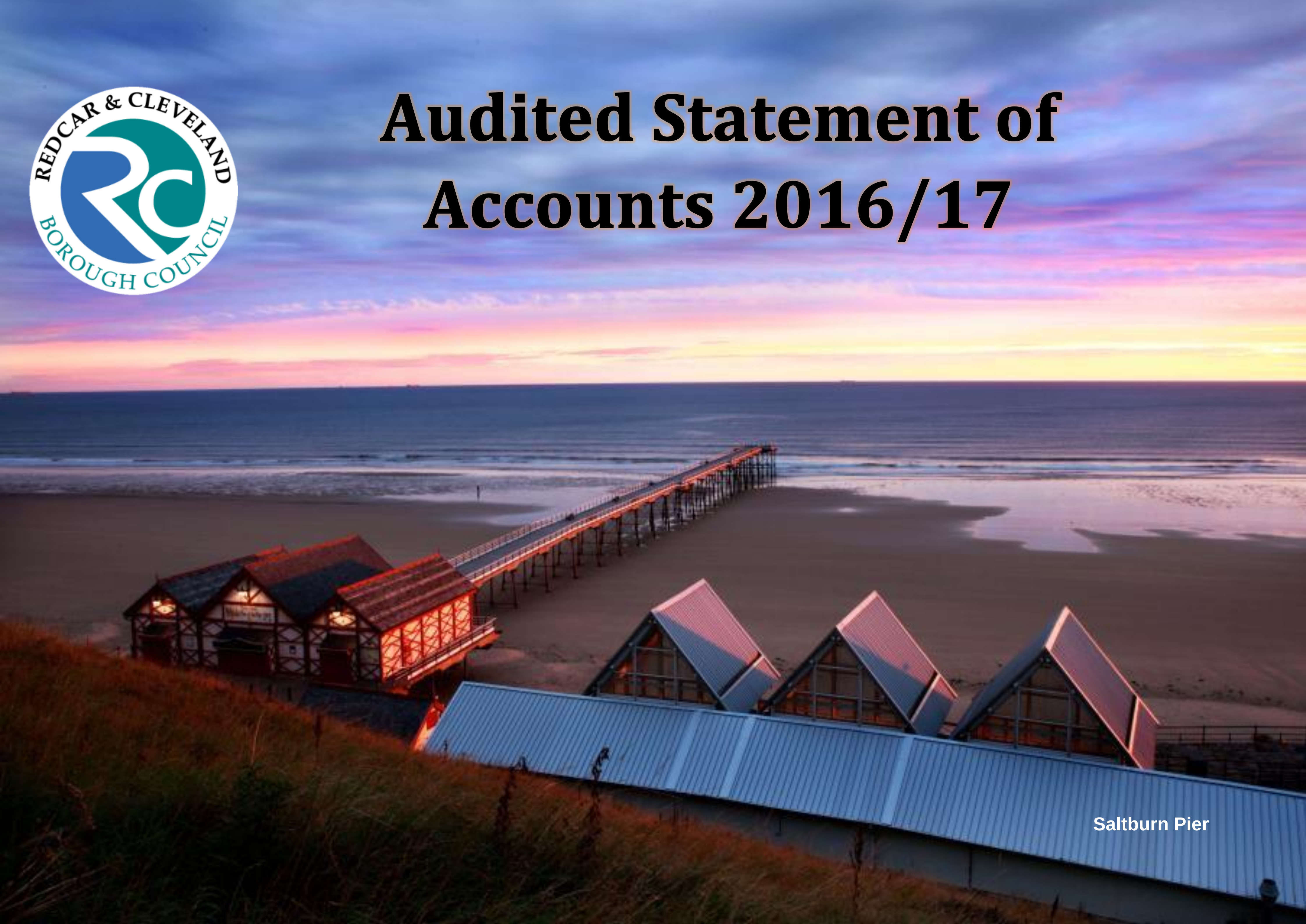
Audited Statement of Accounts 2016/17



Saltburn Pier

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Councillor's Preface

Councillor Christopher Massey, BA (Hons), MA, PhD – Cabinet Member for Resources

I am pleased once again to welcome you to Redcar and Cleveland Borough Council's Statement of Accounts for 2016/17. This document provides a detailed overview of the excellent management of the Council's finances over the last year in what remain very difficult economic times.

Despite a challenging economic backdrop, Redcar and Cleveland Borough Council remains focussed on delivering quality services to its residents, businesses and partners. Moreover, the Council's financial position, notwithstanding the challenges that we have overcome and continue to face, remains very secure. We have a clear financial strategy over the Medium Term through the Shaping our Future process and a clear corporate strategy through Our Plan in which the Council seeks to target its resources where they are most needed.

The economic landscape in local government continues to be incredibly challenging. Over the last six financial years Redcar and Cleveland has been forced to cut in excess of £60 million from our budgets and consequently has lost over 1,000 staff in the same period. Central Government's new financial settlement to Local Government has confirmed that the austerity programme will continue until the end of the decade, with Redcar and Cleveland being required to find a further £25.6 million of cuts to its revenue budget by 2020.

National Government's continuing austerity measures, typified by the stark reduction in the Revenue Support Grant received by Redcar and Cleveland, have led to our savings targets becoming ever more challenging. The 2016/17 financial year saw the end of the Council's 'Shaping our Future 2' process, which was forced due to Government cuts to manage, over the three years 2014-17, an overall revenue budget reduction of £20.86 million. This process was robustly managed at both a financial and a political level.

The revenue budget setting process for 2016/17 delivered a budget saving of £6 million alongside the planned use of one-off medium term financial strategy reserves of £7 million. Despite there being no Council Tax Freeze Grant available from Central Government for the first time since 2010/11, Redcar and Cleveland froze its level of Council Tax in the 2016/17 financial year. However, due to the demand-led pressures in Adult Social Care, replicated across the country, the Council took the necessary decision to accept the Government's Adult Social Care levy of 2%.

The Government's funding formula continues to greatly disadvantage Councils like Redcar and Cleveland. In the forthcoming financial year if our Council was to be apportioned the same Core Spending Power per dwelling as the England average at £1,838 then we would receive additional Revenue Support Grant of £4.8 million.

Our corporate direction is focussed around our three central priorities: to grow our economy and create more jobs, to develop great places to live, and to improve the quality of life for our residents. The Borough of Redcar and Cleveland is a wonderful mix of leading industry, fantastic coast lines and beautiful landscapes. Through 'Our Plan' the borough strives to be a great place to live, work, visit and invest. Furthermore, the regeneration of our Borough remains a top priority, the Council invested £12.578 million in capital projects across the Borough in 2016/17 and is set to invest a further £93.143 million over the medium term to 2021.

I would like to take this opportunity to thank all of our staff who work across the Council whose effort and dedication contributes so much to the appearance, economy and vibrancy of our Borough. In particular, I would like to thank the financial services team whose vigorous management of our finances allows the political leadership of the Council to make fully informed decisions regarding the use of Council finances so that we can continue to deliver the high quality services which our residents, businesses and visitors both expect and deserve.

Chief Finance Officer's Statement

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

Since 2010, and the beginning of austerity, we have a successful track record of delivering both expenditure reductions and income growth in each of the financial years. This has been achieved via our Shaping Our Future programme, which has allowed service changes to be balanced against available resources. Throughout 2016 we have refreshed our Shaping Our Future plans for the rest of the decade (2017 – 2020) and a summary of our proposals was approved by the Cabinet in December 2016. These service solutions set out a three-year plan of outcome-based reviews of what we do and how we do it which, as well as enhancing service delivery and improving outcomes for local people, will deliver £25.6 million of combined expenditure reductions and income growth by 2020.

I highlighted last year the effect that the closure of the Redcar SSI Steelworks in October 2015 had on local people, the wider Tees Valley area and the economy. A year on and with resilience of local people, the leadership of local politicians, partners and the Council, there is a significant recovery to report. As at the 31st March 2017 there have been 1,065 new jobs created through the SSI Fund, 409 existing jobs have been safeguarded, and 495 people have been given individual advice as a first step to starting their own business. A pleasing 248 businesses have been started and a further £5 million has been secured to invest in Redcar town centre, complementing the £5 million from the Council's capital programme for investment in our local towns.

A major impact for the Council of the closure of SSI was the loss of approximately £10 million of business rates income; however through the Government's business rates safety net arrangement the Council was partially protected for the bulk of this loss in 2016/17. The 2017 Business Rates Revaluation has seen our overall business rates rateable value fall by some 20.4% (the largest single decrease in the country). Of the £23.6 million reduction, £22.5 million relates to SSI closure. Our Medium Term Financial Plan has been amended to fully address this loss, and we have exciting and ambitious economic growth plans which see us supporting nationally and internationally important companies to grow in sectors such as low carbon technologies, minerals processing, and energy from waste.

Our external auditors - Mazars - continue to comment on the risk that austerity poses to the financial health of Local Government, in common with all other public sector bodies. But, they do highlight and comment positively on the Council's delivery of a balanced budget, and our arrangements to secure value for money. We have delivered this draft Statement of Accounts by 31st May 2017, meeting the improved timeliness standard we set ourselves last year ahead of this becoming a statutory target date from 2017/18.

Finally, I would like to take this opportunity to thank all of our staff who have worked throughout the year to enable the Council to deliver a balanced outturn position and also the professional way in which the formal closure of the 2016/17 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.

Council Performance

Our Priorities

Shaping our Future recognised that future local government funding arrangements directly linked the Council's own financial fortunes to that of its residents and businesses. Accordingly, it was essential to tackle the underlying issues that made for a prosperous Borough, develop great places to live and improve the quality of life of our residents, if the Council is to remain sustainable and continue to deliver against its priorities. A balanced, sustainable and secured financial position is the key to being able to fulfil that role and to enable the Council to continue to provide services that our residents need. Our Plan set out the key actions that were needed to implement the Shaping our Future phase 2 programme (SOF 2).

During 2016/17, the second phase saw the design and delivery of cross-cutting reviews, developed around a series of themes and associated outcomes, rather than by individual service area. These covered all areas of Council provision either directly or indirectly. Each review was outcome-based, focussing on the delivery of Our Plan priorities without the constraints of traditional organisational boundaries. The process was well managed with a high level of consultation and communication, particularly with staff, enabling the process to take place to timescale and with a high degree of transparency.

Shaping our Future is an ongoing process. The second phase reductions and growth covered the period 2014 to 2017, and provided a balanced annual budget and a three-year rolling financial plan, with a series of associated savings requirements totalling £20.86 million. We are now refreshing the Shaping Our Future process for the period 2017 to 2020, to provide a similar clarity about how we will manage our money, and deliver the outcomes that are important to the Council, and to local people.

Shaping Our Future, with partners, identifies nine key areas of activity that are critical to achieving the priorities we have set for the Borough:

- **Best start in life**
- **Reablement and independence**
- **Healthy lifestyles**
- **Pathways to work**
- **Driving our growth**
- **Things to enjoy**
- **Making our money go further**
- **Good governance**
- **Neighbourhoods and Customer Services**

Council Performance

Each theme is driven by a clear set of outcomes we want to achieve for our communities, and a clear annual budget, including a savings requirement. Each theme abides by the six key principles we have set ourselves for how we will go about Shaping Our Future:

- **Remaining focused on our priorities**
- **Protecting vulnerable people in our communities**
- **Concentrating on the delivery of front-line services**
- **Minimising the impact on job losses**
- **Focusing on the delivery of social value**
- **Deepening our approach to partnerships, joint working and collaboration**

The Shaping Our Future phase 2 reviews over-delivered against their stated financial targets in year one, met their targets in year 2 and as a consequence of the use of reserves and additional schemes during 2016/17, remain on track to deliver the revised target of £20.86 million over the course of the three year programme to the end of this financial year. It is important to note that much has been achieved through SOF2 which garnered considerable staff, partner, and political support across all parties. For example:

- **We managed total staff reduction between 2010 and 2016 of just over 1,000 with minimal compulsory redundancies**
- **We invested in the key area of Streetscene with 15 additional Full-Time Equivalents (FTEs)**
- **We maintained our budget for youth employment**
- **We introduced much tighter gatekeeping processes, with a strong focus on spending on needs, rather than wants**

Shaping
Our
Future

Council Performance

A summary of our performance during the 2016/17 financial year (by Shaping Our Future theme) is shown below. Details can be found in the quarterly performance reports that the Council publishes, and its Annual Review 2016/17 published in March 2017. In summary:

- **Best Start in Life** - The Redcar and Cleveland Teacher Training Partnership secured an 'outstanding' rating from Ofsted. Redcar and Cleveland's primary schools were commended for the level of achievement, ranked as the 4th best in the country in 2015 and 2016. We managed the successful transfer of the school nursing and health visiting teams into our Children's Services from the NHS.

- **Reablement & Independence** - We achieved Ethical Care Charter status from Unison. The Adult Social Care service has been delivered within budget and given the significant demographic and funding pressures the service is under, this is a major achievement. Partnership working arrangements have matured, enabling joint commissioning with the South Tees Clinical Commissioning Group, as well as the delivery of various new housing initiatives with partners such as Coast and Country and Thirteen Group. For example, January saw the opening of the Eston Community Village, which provides 51 new homes for the over 55s and people with dementia, mental health issues and learning difficulties.

- **Healthy Lifestyles** - Improvements to life expectancy in the borough have continued, including fewer cardiovascular disease deaths, narrowing the gap of life expectancy between our most and least disadvantaged areas, and a reduction in smoking prevalence. Additional homes have been brought back into use through the Empty Homes to Happy Homes programme. This has now passed the 100 homes milestone. We have supported vulnerable adults, and their families, to help increase their abilities to manage their own lives and live independently through the Transformation Challenge programme. Through Priority Places programme we have worked in the six most disadvantaged wards to improve health and well-being through community based initiatives, including screening programmes.

- **Pathways to Work** - The Foundation for Jobs partnership was launched to address skills shortages and tackle youth unemployment. In January 2017, a major milestone was reached with the launch of the Foundation for Jobs 11-16 year old young people's entitlement, covering employer participation in learning, engagement with the workplace, raised awareness of employment opportunities, preparation for the world of work and study, and practical techniques such as CV drafting and interview skills. The Adult Learning Team has achieved a 99% pass rate across all provision for 2015/16. The Council has employed 74 apprentices since April 2015.

- **Driving our Growth** – We proactively supported key inward investment projects such as Sirius Minerals and the development of the MGT Power Plant, bringing jobs and business rates income to the Borough. £3.5 million of external funding is being secured to support the regeneration of Kirkleatham Walled Garden and the new Catering Academy. We have worked with developers to support the building of 627 new homes in the borough since April 2015.

Council Performance

- **Things to Enjoy** - The Festival of Thrift attracted 35,000 people to Kirkleatham village over the weekend of 17th and 18th September 2016, introducing many people from this Borough, and the wider region, to locations such as the Stable Block and Walled Garden for the first time. We have secured the Festival again for September 23rd and 24th 2017. Key attractions in the borough continue to draw in increasing numbers of visitors. 180,000 people used the Saltburn Cliff Lift in 2016, 15,000 more than in 2015. Countryside events and activities such as the Walking Festivals remain popular. Kirkleatham Museum continues to grow in popularity, with major exhibits such as Lego Planet attracting over 22,000 people.

- **Neighbourhoods & Customer Services –** We worked with partners to design and implement the ‘This is Redcar and Cleveland, Love it’ campaign. A high profile campaign, ‘Pick up the Poo’, was introduced to reduce dog fouling. The ‘Check it before you chuck it’ recycling campaign was introduced and has resulted in an improvement in the quality of our recycling’. Green Flag status was retained for countryside sites in the borough including Flatts Lane Woodland and Country Park, Guisborough Forest Walkway and Saltburn Valley Gardens.

- **Good Governance –** Redcar & Cleveland Council led the development of the Tees Valley Combined Authority and in the negotiation of devolved powers and significant funding from Government. We retained Investors in People Gold status as well as Better Health at Work Ambassador Status for continuing excellence. Policies and procedures were carefully reviewed to ensure they were robust, to underpin the delivery of Shaping Our Future 2.

- **Making Our Money Go Further** - We successfully delivered Shaping Our Future 2, delivering significant savings to keep the Council on a sustainable footing. We received a clean bill of health from external auditors in respect of the Council’s accounts. 3000 people were supported by the Council’s financial support team, with investment totalling £2.4 million. Key IT systems were implemented to enhance efficiency such as Agresso and a new customer relationship management system.

Financial Performance

Revenue Spending 2016/17

The Council over the last six financial years has had to make in excess of £60 million in savings on its revenue budget in order 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. It has been a difficult time for the Redcar & Cleveland Borough area and continues to be a testing time for us.

The revenue budget for 2016/17 and future financial years' budgets were built based upon the nine themed reviews undertaken through the Shaping Our Future project as outlined in the Priorities and Performance sections above. It was also developed taking into account the following key assumptions:

- A Revenue Support Grant contribution of £21.551 million from Central Government.
- Modest increases in fees & charges income.
- Planned Shaping our Future Phase 2 reductions of £6.030 million.
- A freeze in the current council tax levels.
- Additional council tax yield of £0.741 million associated with targeted property growth.
- The introduction of a 2.0% adult social care precept.
- A reduced business rate yield across the medium term.
- A capital investment programme resourced through external grants and the receipts from the sale of capital assets.
- A forecasted capital receipts target of £3.744 million.
- A one off contribution to revenue from earmarked reserves of £7.043 million.

Strategically, these reviews cover all aspects of the Council's involvement with the community, ensuring that agreed outcomes from each review are complementary and consider the wider implications for service delivery within the Borough. Each of the Shaping our Future reviews were given an available budget from which they were to be funded based upon the key assumptions above. This planned approach to managing the overall budget reduction will see the following total planned savings across the three year period:

2014/15	**£11.075m**
2015/16	**£3.755m**
2016/17	**£6.030m**
3 year total	**£20.860m**

Council Performance

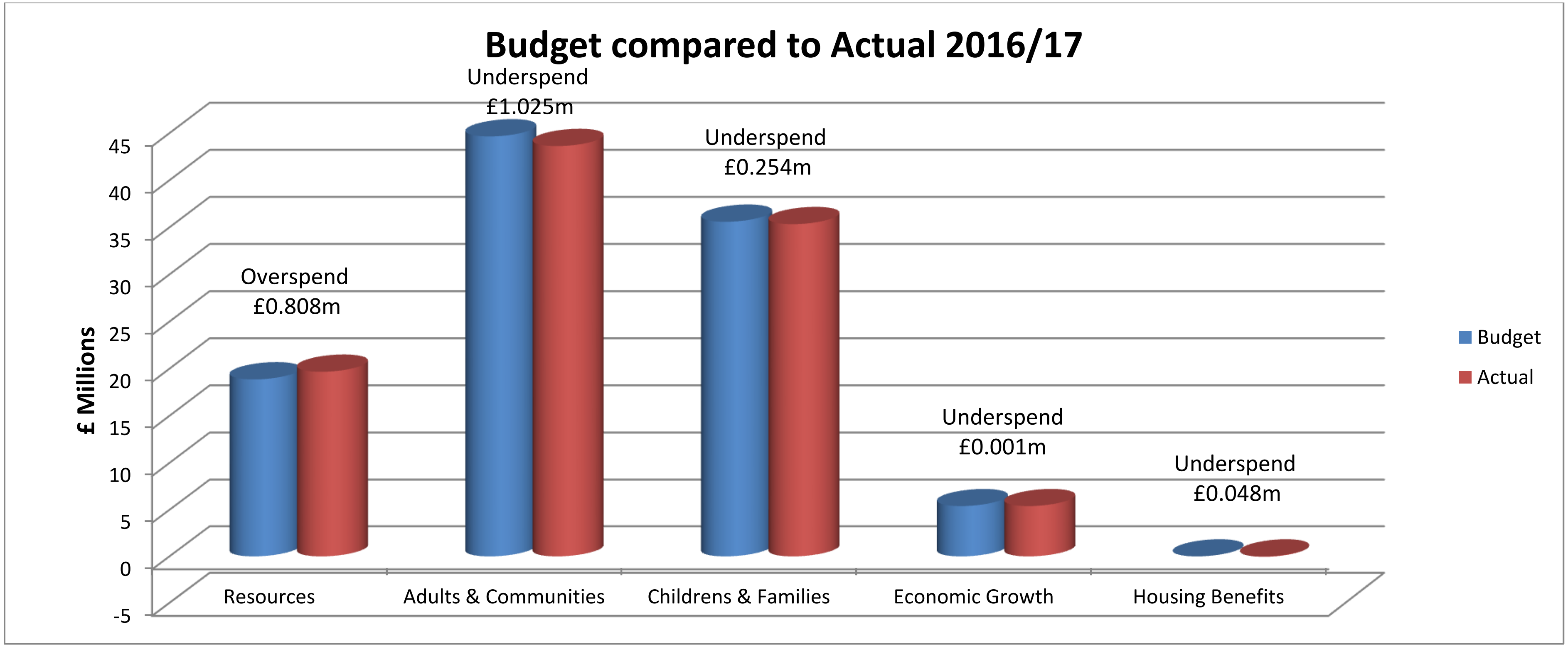
A rigorous approach to assist the financial control of the revenue budget has been in place for 2016/17 given the internal reorganisations within the Council and the level of financial savings needed. This has been supported by monthly monitoring to Directorate Management Teams and also to the Executive Management Team and quarterly reporting of the financial position to Cabinet. Budget management is now fully embedded within all senior managers' duties in the Council and this has been a very important focus given the changes this year. The information available via the Agresso ledger system, has also encouraged budget managers to use this management tool to manage their resources more effectively. Additional improvements and use of untapped functionality are planned in the coming year to encourage more self-service 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 been able to achieve a small under spend of £0.520 million in 2016/17. As can be seen below the Council's directorates continue to deliver their services within their resource allocations without overspending. This is an excellent outcome given the financial environment at present, the ongoing restructuring within directorates, the need to continue to maintain quality services for our residents and the level of savings that are needed to be achieved within the next financial year. The Council's financial strategy is to generate additional income through various projects including the review of fees and charges, securing external funding in addition to continually improving efficiency and effectiveness to produce savings and reduce costs.

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

Directorate	Base Budget £ million	Revised Budget £ million	Actual Outturn £ million	Variance to Revised Budget £ million
Resources	35.226	18.865	19.673	0.808
Adults and Communities	39.193	44.650	43.625	(1.025)
Children and Families	26.475	35.591	35.337	(0.254)
Economic Growth	3.615	5.403	5.402	(0.001)
Housing Benefits	-	-	(0.048)	(0.048)
Total	**104.509**	**104.509**	**103.989**	**(0.520)**

The following graphically illustrates the underspending in 2016-17 for each Directorate:



The revenue budget for the 2016/17 financial year has delivered a small surplus of £0.520 million. The revenue outturn has progressively improved across the financial quarters of 2016/17 with the improvement in the position relating mainly to staffing savings, increased income which has been offset by additional non-pay expenditure, generated from across all the Council's directorates. This underspend can be broken down across the major spending blocks, as follows:

- Pay related budgets £2.473 million underspend.
- Non-pay budgets £7.048 million overspend.
- Income targets £5.095 million overachievement.

£0.520 million underspend

Council Performance

The £0.520 million underspend has been transferred to earmarked reserves to support and underpin the Shaping our Future phase 3 programme.

The variances highlighted in the table above are due to the following:

- Resources - the net overspend position within the directorate is made up of a combination of savings on staffing costs, operational service costs, business rates along with an overall increase in income received. However, this is off-set by significant pressures remaining at the end of the financial year relating to Minimum Revenue Provision and the SOF target in relation to income regeneration. Elements of these pressures have been offset by additional income from court costs.

- Children and Families - the directorate has experienced budget pressures this year from increased numbers of looked after children. An in-year budget transfer has mitigated the majority of this pressure, with savings in other areas, mainly staffing, delivering an overall underspend at the year end.

- Adults and Communities - the directorate sought to achieve savings this year by managing demand for adult social care through early intervention and prevention. Whilst all key actions set out were taken there was some shortfall against these savings targets. However, this shortfall was more than offset with other savings in staffing and commissioning across a number of adult services. Public Health services further added to the overall underspend position through proactive identification of early savings opportunities in preparation for future year's savings requirements and public health grant reductions.

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 2016/17 presented to Cabinet on 30th May 2017. This is available on the Council's website.

www.redcar-cleveland.gov.uk.

All Council Directorates will continue to manage within 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.

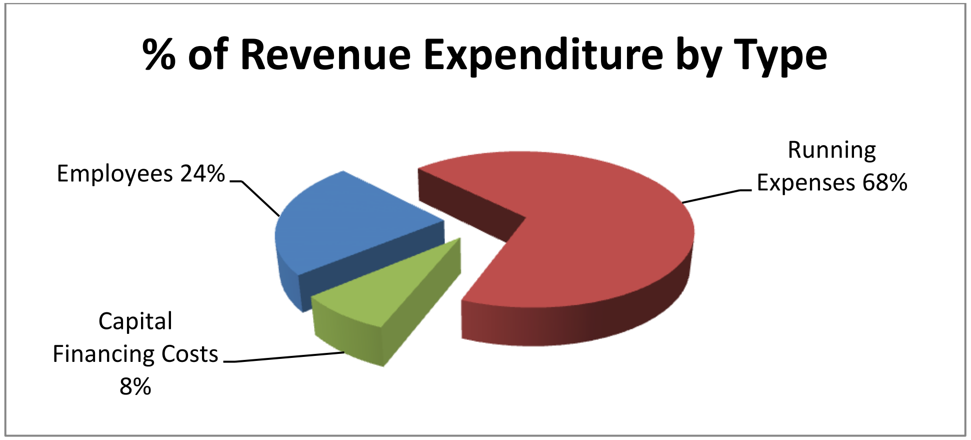
Council Performance

The Movement in Reserves statement shows the change in the different types of reserves held by the Council over the financial year (see page 32). These reserves can be analysed into usable reserves (see Note 39, page 121), those that can be applied to fund future expenditure or to reduce taxation, and other unusable reserves, held for accounting purposes (see Note 8, page 54). Of the total reserves, some £3.291 million relate to schools, £2.420 million relate to capital grants not yet utilised and £4.807 million relates to capital receipts not utilised. £28.676 million is available to help with delivering future revenue budgets and Council priorities.

The Comprehensive Income and Expenditure Statement (CIES) records all of the gains and losses experienced by the Council during the financial year, and highlights an annual total improvement in the net worth of the Council, of £12.010 million (albeit that the Council still has more liabilities than assets). Its primary purpose is to record revenue income and expenditure, which is generally spent on items consumed within the year such as employee costs, and supplies & services, and is financed from a combination of Council Tax, Business Rates, Government Grants and other income. This year the CIES provides a breakdown over the reporting segments that the Council reports and makes decisions on during the year.

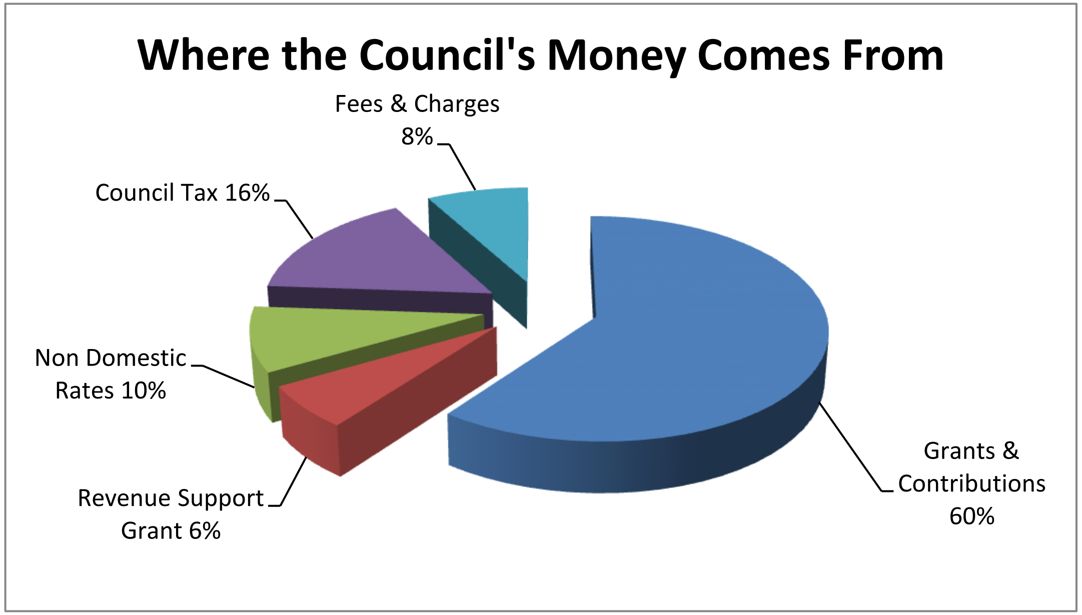
There is an initial surplus of £77.629 million on the CIES for the net cost of providing the Council's day to day revenue services. This includes various technical adjustments required by accounting standards such as capital accounting, pensions accounting and collection fund regulatory changes. Most of these costs or income are not chargeable against the funding from taxpayers and therefore can be removed from analysing how the Council has performed against its revenue budget. When other losses relating to pension fund performance of £66.675 million and gains relating to capital assets of £1.056 million are added back in, the net gain in the 'worth' or value of the Council for the financial year is £12.010 million.

Additional information on how the Comprehensive Income and Expenditure Statement reconciles to the Council's budgetary position by Directorate can be seen in Note 6 (page 48) to the Financial Statements and the diagrams below show an analysis of the gross revenue spending of £371.785 million as shown in the Comprehensive Income and Expenditure Statement. It is important to note that the contribution from the local community through Council Tax represents 16% of the Council's total income.



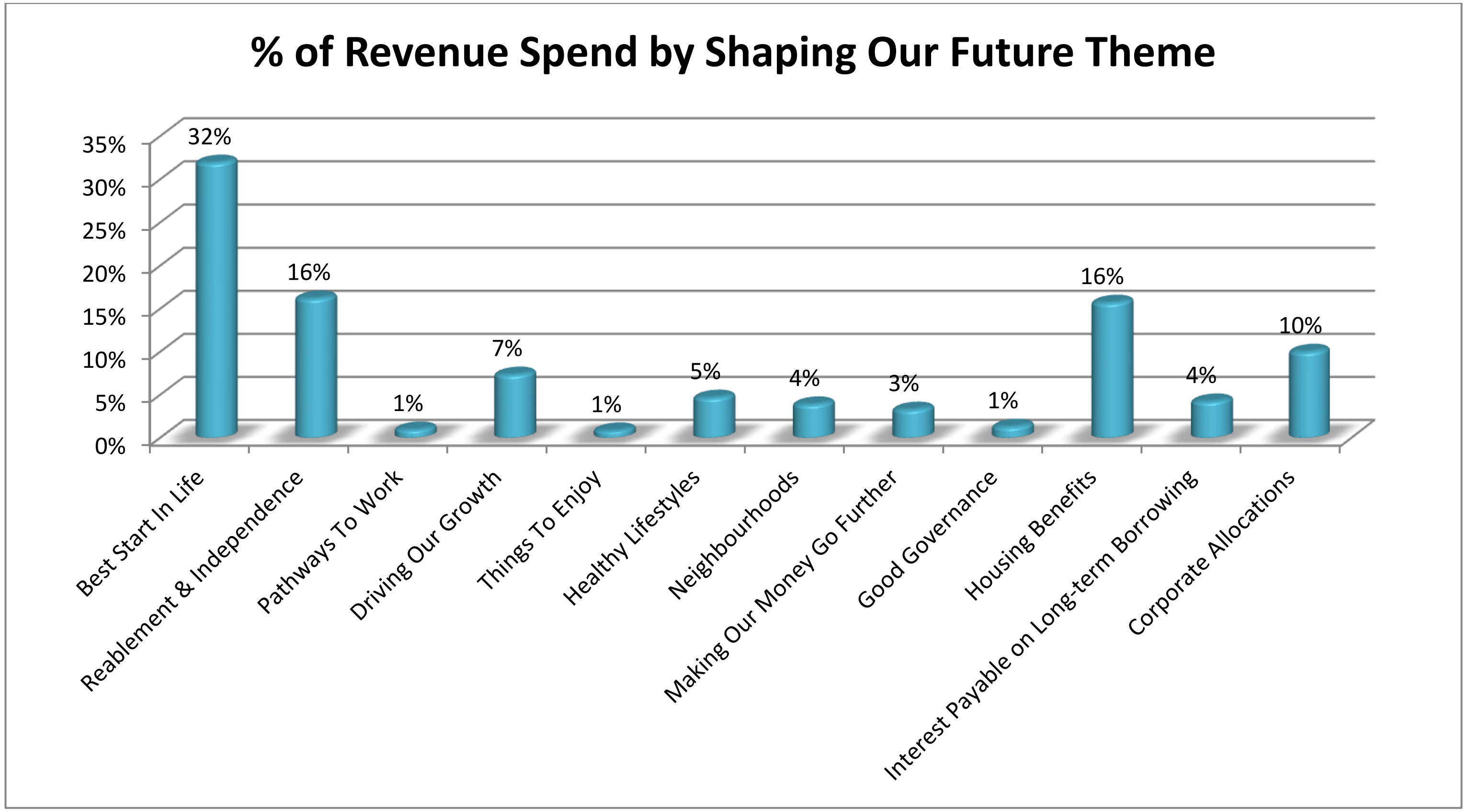
This chart shows that the majority of expenditure incurred by the Council relates to running expenses (68%), this includes premises, transport and external supplies and services.

Only 16% of the Council's funding comes from local Council Tax payers and 10% from localised Business Rates. The remainder of the Council's funding comes in the form of specific grants from Central Government and other public sector bodies (60%).



Council Performance

Some 32% of the Councils gross expenditure (£118 million) is utilised to give the children and young people of the Borough the best start in life, with 16% (£58 million) in relation to housing benefit claims, and 16% (£60 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 2016-17

The capital programme is run alongside the revenue budget. Spending on capital projects enhances the Council's assets and 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, however, financed in such a way as to even out the cost to council taxpayers and spread it over the life of the asset being used. Capital expenditure during the year 2016/17 amounted to £12.578 million (2015/16 - £18.676 million) compared to a budget of £13.029 million.

The underspend on capital of almost £0.451 million represents an achievement of 96.5% of our intended spending plan and this investment has been across a range of schemes and categories including:

- £3.525 million – Education – the major spend within the block has been on Galley Hill Primary which was extended from a one form school to a one and a half form school due to increased pupil numbers from housing developments. The remaining spend was on capitalised repairs to the school estate including new boilers and roof replacements.

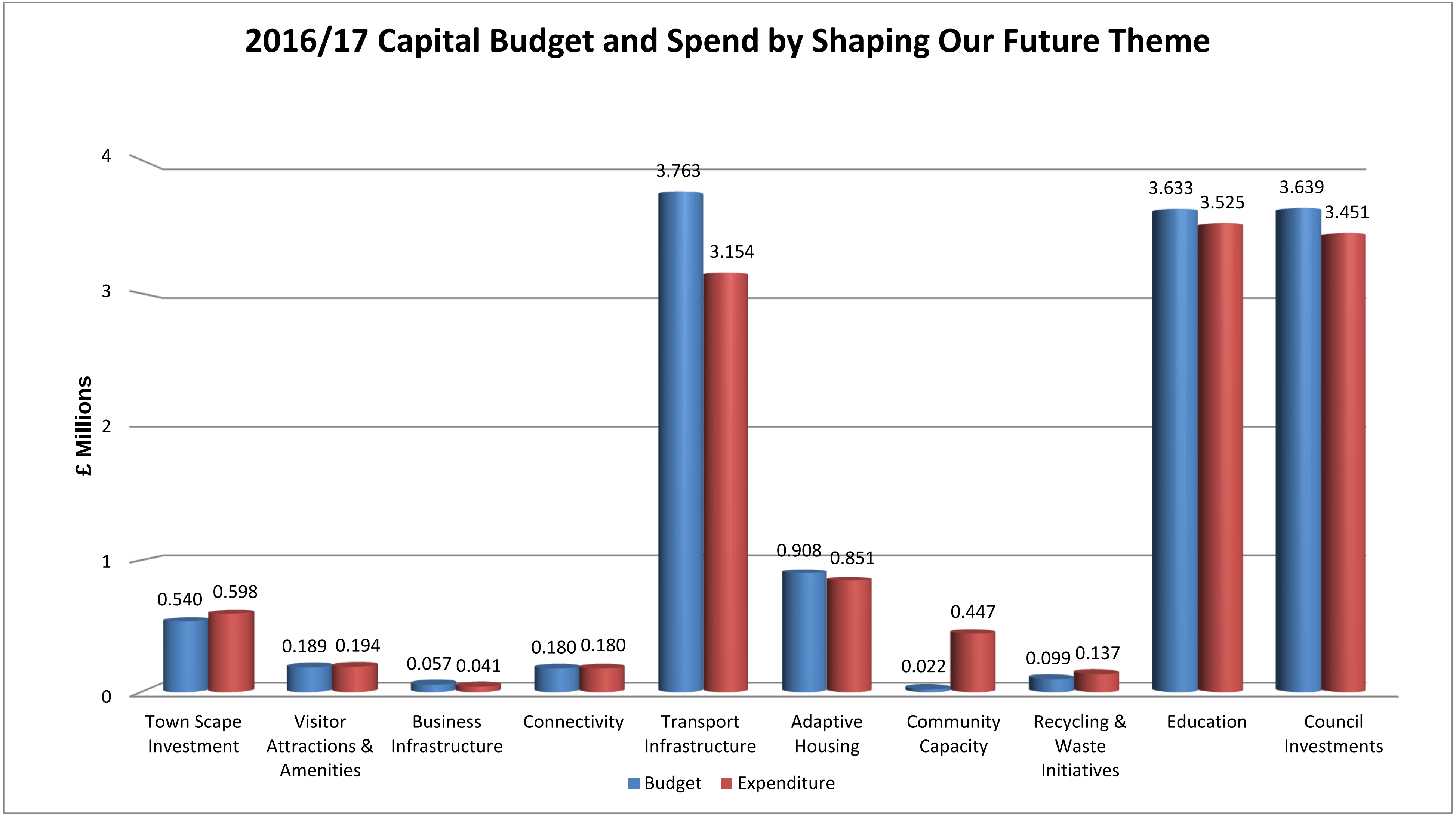
- £3.451 million – Council Investments - these investments mainly relate to the capital cost of maintaining and replacing Council assets and loans given to organisations for capital purposes.

- £3.154 million – Transport Infrastructure - these investments have been on the maintenance and replacement of highways assets including roads, bridges and drainage systems.

In addition to the top three capital investment categories, we also invested in our leisure centres and the Public Realm (i.e. 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.

The capital expenditure is as follows:



Council Performance

The following table details the capital schemes for the financial year 2016/17:

	2016/17 £'000
Town Scape Investment	
Public Realm	303
Skelton Townscape Heritage Initiative	54
Town Centre Improvements	10
The Great Street	25
Skinningrove Coastal Protection	206
	598
Visitor Attractions & Amenities	
Saltburn Cliff Lift	130
CCF Kirkleatham Academy and Walled Gardens	33
Tees Valley Rediscovered	31
	194
Business Infrastructure	
South Bank Wharf	41
	41
Connectivity	
Superfast Broadband	180
	180
Transport Infrastructure	
Drainage Asset Capture and Flood Prevention	178
Block Allocation - Local Transport Plan	581
Structural Highways Maintenance - Block Allocation	1,743
Highways Improvements	366
Highways Innovation Fund	117
Play Areas	65
Bus Network Review	104
	3,154

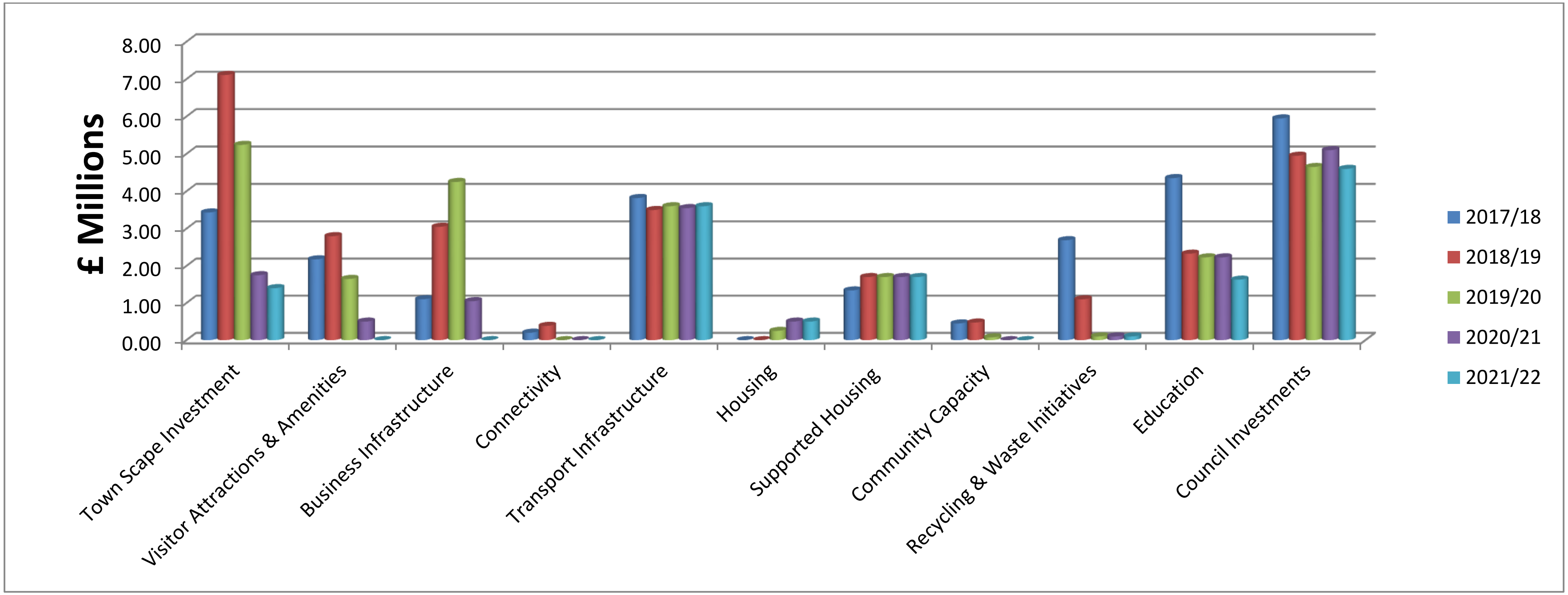
	2016/17 £'000
Adaptive Housing	
Disabled Facilities Grant	708
Other	143
	851
Community Capacity	
Middlesbrough Foundation Pitch Refurbishment	21
Investment in Leisure Centres	426
	447
Recycling & Waste Initiatives	
Purchase of Refuse Bins	137
	137
Education	
Maintenance	1,624
Galley Hill Extension	1,402
Devolved Formula Capital at LEA level	393
School Food Plan	20
Early Years - 2 Year Old Offer	86
	3,525
Council Investments	
Purchase of Vehicles (Fleet Replacement)	578
Fleet Management Software	17
Carbon Management Programme	200
Redcar Leisure and Community Heart	69
Information Technology Improvement Projects	404
Hosted System for Libraries	1
Redcar and Cleveland Investment Fund (RCIF)	2,017
Asset Management - Capitalised Repairs	165
	3,451
Total	**12,578**

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 the next 5 years and this capital programme 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 staff.

The table below shows the future capital programme and how it has been allocated:



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 2016/17 financial year (31 March 2017) is shown in the table below:

Balance Sheet	2015/16 £m	2016/17 £m	+/- £m
What the Council Owns	320.1	297.1	-22.9
What the Council is Owed	29.9	33.0	3.1
Total Assets of the Council	**350.0**	**330.1**	**-19.8**
What the Council Owes	-438.8	-406.9	31.8
Council Reserves	**-88.8**	**-76.8**	**12.0**

The Council has a negative equity balance sheet at 31 March 2017. This means that liabilities are more than assets by £76.8 million. This is mainly driven by the deficit on the Pension Fund Liability (see what the Council owes and Note 40 (page 128) in the Statement of Accounts disclosure notes for more details).

As the pension fund deficit reflects all the possible liabilities over the next 20-40 years, 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 remain appropriate at £39.2 million. The Movement in Reserves statement within the Core Financial Statements gives further details (see page 32).

The Value of What the Council Owns

Balance Sheet	2015/16 £m	2016/17 £m	+/- £m
Property, Plant & Equipment	281.1	277.6	-3.4
Heritage Assets	0.6	0.6	0.0
Investment Properties	8.0	7.7	-0.3
Assets Held for Sale	15.9	3.3	-12.6
Cash & Cash Equivalents	10.7	4.6	-6.1
Others	3.8	3.3	-0.5
Total	**320.1**	**297.1**	**-22.9**

Assets Held for Sale have significantly reduced mainly due to the sale of land at Swans Corner in Nunthorpe. Capital receipts have therefore increased.

Cash and cash equivalents are lower in 2016/17. The reduction is mainly in short term investments in financial institutions, as a result of a strategic decision during 2016/17 to use the Council's own cash and the maturity of existing debt, with a consequent reduction in cash available to invest.

Council Performance

What the Council is Owed

Balance Sheet	2015/16 £m	2016/17 £m	+/- £m
Short Term Debtors	22.2	25.3	3.1
Short Term Investments	6.5	2.6	-3.9
Long Term Debtors	1.2	5.2	4.0
Total	**29.9**	**33.1**	**3.2**

The level of debt owed to the Council has slightly increased during 2016/17. 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.

The Long Term Debtors position has increased and relates to deferred income from the sale of Swan's Corner, which will be received by the Council in two further tranches.

What the Council Owes

Balance Sheet	2015/16 £m	2016/17 £m	+/- £m
Private Finance Schemes Debt	-62.0	-59.8	2.2
Pensions Liability	-172.5	-152.4	20.1
Short Term Creditors	-21.1	-24.4	-3.3
Provisions	-6.1	-6.2	-0.1
Short Term Borrowing	-11.9	-5.2	6.7
Long Term Borrowing	-157.6	-154.6	3.0
Other	-7.6	-4.3	3.3
Total	**-438.8**	**-406.9**	**31.9**

The Council has three private finance schemes in operation currently 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 24.

Note 41 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 three year valuation commenced at the end of 2016/17 financial year and is applicable from the start of the financial year 2017/18.

Short term creditors are mainly due to timing differences when the financial year closes at 31 March each year. The increase for 2016/17 relates mainly to overpayments received by the Council in relation to Business Rates, which have been repaid in the early part of 2017/18.

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.

<u>Council Reserves</u>

Balance Sheet	2015/16 £m	2016/17 £m	+/- £m
Schools Balances	-5.1	-3.3	1.8
Usable Reserves	-41.6	-35.9	5.7
Unusable Reserves	135.5	116.0	-19.5
Total	**88.8**	**76.8**	**-12.0**

Schools Balances continue to reduce as schools convert to academies and the assets transfer out of the Council's accounts and also as schools spend their reserves.

The reduction in the level of reserves were all planned as part of the approach to setting the budget or are the roll forward of grant funding between financial years. The use of the other reserves is reactive to events that have happened during the financial year.

Unusable Reserves collect 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 decrease in the Council's pension liability.

Areas with Significant Financial Implications

Collection Fund (See Page 162)

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 surplus of £0.978 million with £0.067m attributable to council tax and £0.911 million in relation to business rates.

The budget for 2016/17 was based on a freeze on council tax with this setting the Band D equivalent amount for 2016/17 as £1,376.19 per annum. The introduction of a 2.0% precept in respect of Adult Social Care costs was agreed for 2016/17 and is calculated as part of the annual council tax bill, but is ring-fenced for adult social care. This resulted in a total Band D equivalent amount increasing to £1,403.64. The addition of the Cleveland Police and Crime Commissioner and Cleveland Fire Authority spending requirements resulted in a total Band D Council Tax of £1,685.70 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 £64.421 million. Total income on council tax for 2016/17 was £65.327 million, when we factored in previous years' collection fund surpluses. For more details refer to Page 162.

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 does also allow 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 £37 million which was slightly above the budgeted position and has led to a small surplus in this element of the Collection Fund.

Council Performance

Pensions (See Page 41)

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 £152.440 million as at 31 March 2017. 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 £76.828 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. As these are currently very low, this is increasing the amount of the pensions forecast deficit as a result. 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.

A full actuarial valuation was carried at 31 March 2016 and the results of this have been reflected in the financial position for the pension fund outlined above.

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 2017, the Council's Capital Finance Requirement (or underlying need to borrow) was £262.843 million and its external debt was £219.915 million (this includes the outstanding PFI and finance lease 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 been addressed via internal borrowing from day to day liquidity and from the minimum revenue provision. As the Council's level of cash balances were healthy during 2016/17 the only external borrowing taken out by the Council was £1.100 million of short term borrowing. This was used for cash-flow purposes to maintain liquidity levels for a 10-day period over Christmas 2016.

The under-borrowed position of the Council has increased to £42.928 million from a position of £34.827 million in 2015/16, due in the main to the level of debt maturing being repaid but not replaced. This is 16.3% of our capital financing requirement of £262.843 million or our underlying need to borrow for capital purposes. The average local authority position on under-borrowing is currently around 20% and is high as local authorities avoid the cost of carrying external debt, preferring to use less expensive internal funds as an alternative.

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.

arlingclose

Group Accounts

The 2016 Code of Practice requires all local authorities to consider their relationships with associated companies, strategic partnerships, joint ventures, and any other service delivery vehicles and to produce Group Accounts where a significant exposure to economic benefits or financial risks can be established. Work has been undertaken to document all the entities connected with the Borough Council and their financial relationship. Following the Chartered Institute of Public Finance and Accountancy guidance on Group Accounts, it has been established that the Council has a group relationship with one body, Achieving Real Change in Communities (ARCC).

ARCC is a joint board and Community Interest Company formed from a multidisciplinary partnership including local authorities, registered social landlords, and other interest parties, to run the local area probation contract. The local authorities involved in the project have given a financial guarantee to Stockton Borough Council who have in turn given a financial guarantee to the Ministry of Justice to underwrite the financial losses of not being able to successfully deliver the probation service contract. The contract receives government funding of over £10.6 million per annum.

The Board comprises 10 members with local authorities having 3 representatives, one of which represents this Council. No individual Member has outright control of the operating company and voting rights on significant policy or financial matters are important. As a result the Council has concluded that the company is a joint operation within its group boundary. Given the representation on the Board, the voting rights and the size of the annual contract; the size of any financial relationship is viewed as immaterial in the context of the Council’s total assets and liabilities. As a result group financial statements have not been prepared.

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 2016/17 Redcar & Cleveland Council was structured into four main directorates and each directorate was led by a Director.

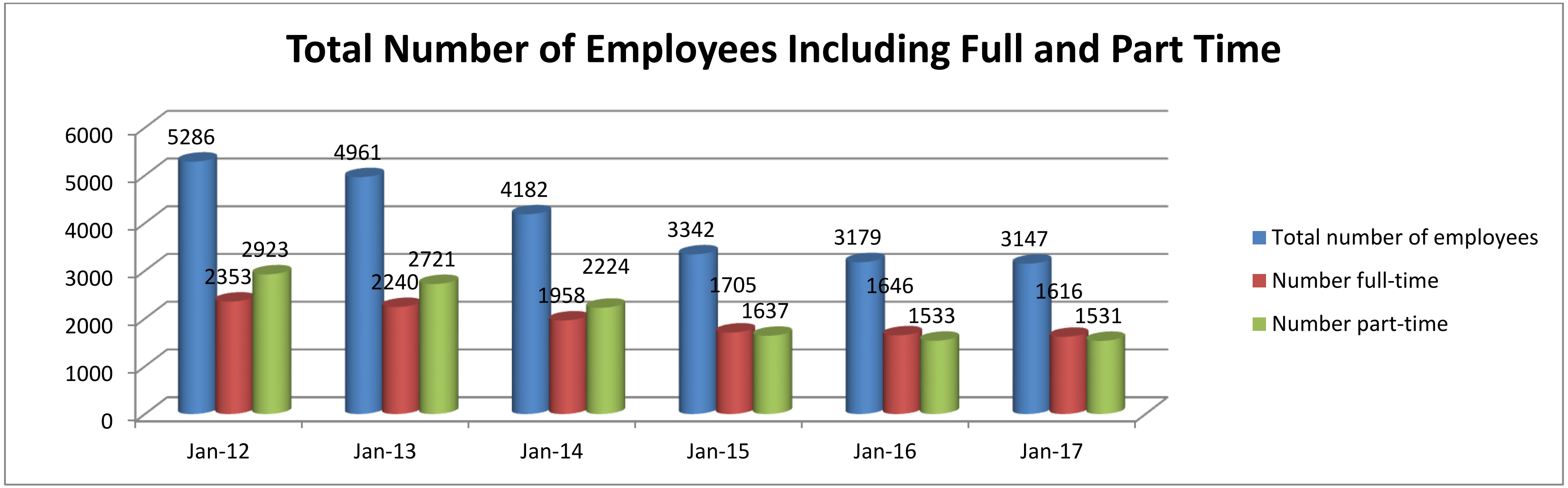
- Resources - John Sampson.
- Adults and Communities - Patrick Rice (Interim).
- Children and Families - Barbara Shaw.
- Economic Growth - 2016/17 reporting into Amanda Skelton, managed by John Sampson.

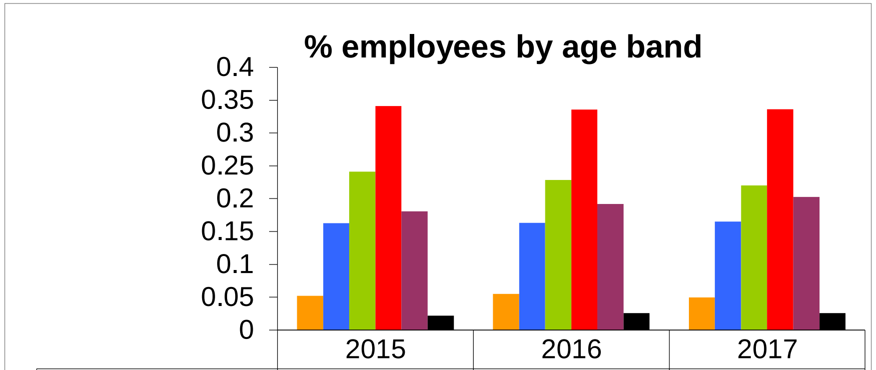
The Chief Executive and the Directors are joined by the Assistant Director – Governance and Monitoring Officer and the Assistant Director Organisational Change to form the Council's Executive Management Team (EMT). Together they are responsible for translating the Council's policies and plans (Our Plan) into action.

- Assistant Director - Governance and Monitoring Officer - Steve Newton.
- Assistant Director Organisational Change - Pauline Kavanagh.
- Head of Policy and Performance - Rob Mitchell
- Communication Manager - Miranda Sykes
- Service Director of Economic Growth - Mark Ladyman

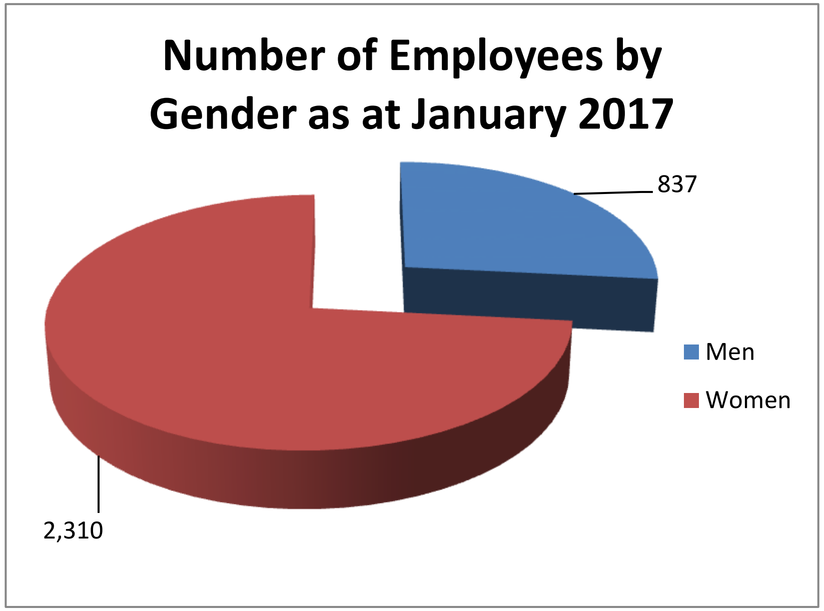
The Executive Management Team lead and encourage staff to develop services and improve delivery for the people of Redcar & Cleveland. Meeting regularly, EMT develops new policy, reviews and challenges performance, leads on service improvements and develops partnership opportunities to help the Council to deliver as effectively as possible. EMT makes recommendations to the Cabinet and Borough Council, which are our key decision-making bodies 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.

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





	2015	2016	2017
Below 25	0.0524	0.055	0.0499
Between 25 – 34	0.1628	0.1633	0.1652
Between 35 – 44	0.2412	0.2284	0.2202
Between 45 – 54	0.3408	0.3356	0.3362
Between 55 – 64	0.181	0.1919	0.2027
65+	0.0218	0.0258	0.0257



Statement of Responsibilities for the Statement of Accounts

The Authority'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 2017 and for its income and expenditure for the year ended 31 March 2017.

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

Date: 26th September 2017

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Governance Committee at the meeting held on 25 July 2017.

Councillor Stuart Smith
Chair of the Governance Committee

Date: 26th September 2017

2. Core Financial Statements

Kirkleatham Museum

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				
2016/17	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 2016 brought forward	**(5,925)**	**(32,908)**	**(5,176)**	**-**	**(2,732)**	**(46,741)**	**135,579**	**88,838**
Movement in reserves during 2016/17								
Total Comprehensive Income and Expenditure	(77,629)	-	-	-	-	(77,629)	65,619	**(12,010)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	89,671	-	-	(4,807)	312	**85,176**	(85,176)	**-**
Net (Increase)/Decrease in 2016/17 before transfer into other reserves	**12,042**	**-**	**-**	**(4,807)**	**312**	**7,547**	**(19,557)**	**(12,010)**
Transfers to/(from) other reserves	(11,342)	9,457	1,885	-	-	-	-	**-**
Net (Increase)/Decrease in year	**700**	**9,457**	**1,885**	**(4,807)**	**312**	**7,547**	**(19,557)**	**(12,010)**
Balance at 31 March 2017 carried forward	**(5,225)**	**(23,451)**	**(3,291)**	**(4,807)**	**(2,420)**	**(39,194)**	**116,022**	**76,828**

Movement In Reserves Statement

2015/16	Revenue Reserves			Capital Reserves				
	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 2015 brought forward	**(6,074)**	**(16,423)**	**(5,507)**	**-**	**(3,009)**	**(31,013)**	**130,218**	**99,205**
Movement in reserves during 2015/16								
Total Comprehensive Income and Expenditure	30,021	-	-	-	-	30,021	(40,388)	**(10,367)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	(46,026)	-	-	-	277	**(45,749)**	45,749	**-**
Net (Increase)/Decrease in 2015/16 before transfer into other reserves	**(16,005)**	**-**	**-**	-	**277**	**(15,728)**	**5,361**	**(10,367)**
Transfers to/(from) other reserves	16,154	**(16,485)**	331	-	-	-	-	**-**
Net (Increase)/Decrease in year	**149**	**(16,485)**	**331**	**-**	**277**	**(15,728)**	**5,361**	**(10,367)**
Balance at 31 March 2016 carried forward	**(5,925)**	**(32,908)**	**(5,176)**	**-**	**(2,732)**	**(46,741)**	**135,579**	**88,838**

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.

2015/16 *				2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
48,045	(14,934)	33,111	Resources	48,978	(15,678)	33,300
68,948	(31,515)	37,433	Adults and Communities	77,757	(33,975)	43,782
126,244	(88,309)	37,935	Children and Families	125,522	(85,039)	40,483
9,865	(3,737)	6,128	Economic Growth	9,106	(3,456)	5,650
59,186	(59,714)	(528)	Housing Benefits	58,563	(58,611)	(48)
312,289	**(198,210)**	**114,079**	**Net Cost of Services**	**319,926**	**(196,759)**	**123,167**
1,083	-	1,083	Other Operating Expenditure (Note 9)	711	(965)	(254)
46,534	(306)	46,228	Financing and Investment Income and Expenditure (Note 10)	51,148	(110,831)	(59,683)
-	(131,369)	(131,369)	Taxation and Non-Specific Grant Income (Note 11)	-	(140,859)	(140,859)
359,906	**(329,885)**	**30,021**	**(Surplus)/Deficit on Provision of Services**	**371,785**	**(449,414)**	**(77,629)**
		(10,116)	(Surplus)/Deficit on revaluation of non-current assets (Note 39)			(1,056)
		-	(Surplus)/Deficit on revaluation of available for sale financial assets (Note 27)			-
		(30,272)	Actuarial (gains)/losses on pension assets/liabilities (Note 41)			66,675
		(40,388)	**Other Comprehensive Income and Expenditure**			**65,619**
		(10,367)	**Total Comprehensive Income and Expenditure**			**(12,010)**

* The 2016/17 Code of Practice requires local authorities to present the service analysis on the basis of organisational structure. This is a change from previous requirements to present the service analysis on the basis of the Service Reporting Code of Practice. As a result, the 2015/16 comparator figures have been restated in accordance with this new requirement.

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 2017.

31 March 2016 £000		Note No.	31 March 2017 £000
281,038	Property, Plant & Equipment	19	277,643
589	Heritage Assets	21	589
8,010	Investment Property	22	7,719
3,447	Intangible Assets	23	2,856
313	Long Term Investments	27	313
1,208	Long Term Debtors	28	5,162
294,605	**Long Term Assets**		**294,282**
6,532	Short Term Investments	36	2,554
15,940	Assets Held for Sale	29	3,343
38	Inventories	30	91
22,151	Short Term Debtors	31	25,316
10,679	Cash and Cash Equivalents	32	4,612
55,340	**Current Assets**		**35,916**
(11,871)	Short Term Borrowing	36	(5,217)
(21,060)	Short Term Creditors	33	(24,438)
(575)	Short Term Provisions	34	(527)
(6,029)	Revenue Grants Receipts in Advance	38	(2,172)
(39,535)	**Current Liabilities**		**(32,354)**
(711)	Long Term Creditors	35	(841)
(5,486)	Long Term Provisions	34	(5,719)
(157,617)	Long Term Borrowing	36	(154,591)
(234,548)	Other Long Term Liabilities	37	(212,226)
(886)	Capital Grants Receipts in Advance	38	(1,295)
(399,248)	**Long Term Liabilities**		**(374,672)**
(88,838)	**Net Assets**		**(76,828)**
(46,740)	Usable Reserves		(39,194)
135,578	Unusable Reserves	39	116,022
88,838	**Total Reserves**		**76,828**

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.

2015/16 £000		2016/17 £000
(30,021)	Net surplus/(deficit) to the provision of services (CIES)	77,629
44,574	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements (Note 42)	(56,429)
(11,906)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities (Note 42)	(31,810)
2,647	**Net Cash Flows from Operating Activities (Note 42)**	**(10,610)**
(3,669)	Net Cash Flows from Investing Activities (Note 43)	10,042
(26,434)	Net Cash Flows from Financing Activities (Note 44)	(5,499)
(27,456)	**Net increase/(decrease) in cash and cash equivalents**	**(6,067)**
38,135	Cash and cash equivalents at the beginning of the reporting period	10,679
10,679	**Cash and cash equivalents at the end of the reporting period (Note 32)**	**4,612**

3. Notes to the Accounts

Wilton International Site

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.

2015/16				2016/17		
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**
26,837	6,275	33,112	Resources	24,677	8,623	33,300
37,093	339	37,432	Adults and Communities	41,386	2,396	43,782
33,665	4,271	37,936	Children and Families	32,801	7,682	40,483
5,175	953	6,128	Economic Growth	4,927	723	5,650
(529)	-	(529)	Housing Benefits	(48)	-	(48)
102,241	**11,838**	**114,079**	**Net Cost of Services**	**103,743**	**19,424**	**123,167**
(118,246)	34,188	(84,058)	Other Income and Expenditure	(91,700)	(109,096)	(200,796)
(16,005)	**46,026**	**30,021**	**(Surplus)/Deficit**	**12,043**	**(89,672)**	**(77,629)**
(28,004)			**Opening General Fund Balance**	**(44,009)**		
(16,005)			**Plus/Less (Surplus) or Deficit on General Fund Balance in Year**	**12,042**		
(44,009)			**Closing General Fund Balance at 31 March**	**(31,967)**		
(2,732)			**Capital Receipts and Grants Unapplied**	**(7,227)**		
(46,741)			**Closing Total Usable Reserves**	**(39,194)**		

2016/17	Adjustments for Capital Purposes (1) £000	Net Change for the Pensions Adjustments (2) £000	Other Differences (3) £000	Total Adjustments £000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:				
Resources	9,519	(896)	-	8,623
Adults and Communities	1,637	759	-	2,396
Children and Families	5,230	2,452	-	7,682
Economic Growth	529	194	-	723
Housing Benefits	-	-	-	-
Net Cost of Services	**16,915**	**2,509**	**-**	**19,424**
Other Income and Expenditure from the Expenditure and Funding Analysis	**(15,105)**	**(89,089)**	**(4,902)**	**(109,096)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**1,810**	**(86,580)**	**(4,902)**	**(89,672)**

2015/16	Adjustments for Capital Purposes (1) £000	Net Change for the Pensions Adjustments (2) £000	Other Differences (3) £000	Total Adjustments £000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:				
Resources	7,555	(1,280)	-	6,275
Adults and Communities	(480)	819	-	339
Children and Families	2,749	1,522	-	4,271
Economic Growth	638	315	-	953
Housing Benefits	-	-	-	-
Net Cost of Services	**10,462**	**1,376**	**-**	**11,838**
Other Income and Expenditure from the Expenditure and Funding Analysis	**(17,290)**	**30,540**	**20,938**	**34,188**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(6,828)**	**31,916**	**20,938**	**46,026**

Adjustments for Capital Purposes

1) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

   - Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
   - Financing and investment income and expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
   - Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

2) Net change for the removal of pension contributions and the addition of 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.

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 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.

Income received on a segmental basis is analysed below:

Income from Services 2015/16 £000	Services	Income from Services 2016/17 £000
(14,934)	Resources	(15,678)
(31,515)	Adults and Communities	(33,975)
(88,309)	Children and Families	(85,039)
(3,737)	Economic Growth	(3,456)
(59,714)	Housing Benefits	(58,611)
(198,209)	**Total income analysed on a segmental basis**	**(196,759)**

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2017/18 Code.

The current provisions in the 2016/17 Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, it would therefore not be appropriate for their financial statements to be provided on anything other than a going concern basis. CIPFA/LASAAC has augmented the Code's provisions in Section 3.4 (Presentation of Financial Statements) of the 2017/18 Code to confirm the going concern basis of accounting for local authorities.

The 2017/18 Code also introduces changes in relation to narrative reporting and accounting policies as a result of the "Telling the Story" of local authority financial statements. It also introduces changes in relation to accounting and reporting by pension funds, a restructure of the introduction of the code and other minor amendments.

The 2017/18 Code requires implementation from 1 April 2017 and there is therefore no impact on the 2016/17 Statement of Accounts.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies the Council has had to make 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 to be severe due to continuing austerity, the government election and the decision by Britain to leave the European Union. These pressures will be mitigated by further service and corporate reductions identified through the Shaping Our Future programme and a limited use of reserves. An assessment of the ongoing pressures and means of mitigation has been made by way of the Council's Medium Term Financial Plan (the MTFP) which has been assessed up until 31 March 2022. As a consequence, the Council is of the view that the level of uncertainty is not significant enough in terms of its anticipated impact to warrant an impairment of assets due to a reduced level of service provision, or a need to close facilities.

Accounting for Schools – Consolidation

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools in the Borough are now 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 provisions of the Code of Practice on Local Authority Accounting. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangement that prevail for the property.

The Council recognises the schools land and buildings on its balance sheet where it 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. The judgement is that 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 ability to control the service potential and/or flow of economic benefits associated with the assets does not rest with the Council.

Schools which are community controlled will always remain in the Council's accounts, as generally will foundation schools. The foundation schools governing body has legal ownership of the land and buildings and thus these are also included on the Council's balance sheet.

The table below illustrates the number and type of schools within the borough split into primary, secondary and special schools and also whether they are on/off balance sheet.

Type of School	No. of Primary Schools	No. of Secondary Schools	No. of Special Schools
Community	11	-	3
Foundation Trust	16	2	-
On Balance Sheet	**27**	**2**	**3**
Voluntary Controlled	2	-	-
Academy	15	8	1
Total	**44**	**10**	**4**

PFI Schemes

The Council is involved with three PFI contracts to provide office accommodation, schools and street lighting. After an assessment under the requirements of IFRIC 12, it has been determined that the majority are effectively under the control of the Council. The exception to this is on the schools PFI where the school has academy status. The accounting policies relating to PFI schemes have therefore been applied to this arrangement and the associated assets have been recognised on the Council's balance sheet (except for the academy schools highlighted above).

Investment Properties

The Council has applied its judgement in the classification of investment properties. Investment properties are held to earn rentals or for capital appreciation or both. The Council does have properties that earn rentals but these are held for regeneration purposes or wider socio-economic reasons. These properties are classed as Property, Plant and Equipment.

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 2017 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 useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.158m for every year that useful lives had to be reduced.
Provisions - MMI	The Council has made a total provision of £1.991m for the settlement of claims for industrial injuries through the Municipal Mutual Initiative (MMI) scheme. 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 £0.199m 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 £2.218m 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 £0.222m to the provision needed.
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 £0.44m.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value Measurements	When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 Inputs) their fair value is measured using valuation techniques (e.g. quoted prices for similar assets and liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where level 1 inputs are not available, the Council uses Arlingclose to determine fair value for financial instruments and their Valuation team for investment properties. Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities are disclosed in notes 22 and 36.	The Council uses the discounted cash flow (DCF model) to measure the fair value of some of its investment properties and financial instruments. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors. Significant changes in any of the unobservable inputs would result in a significant lower or higher fair value measurement for both investment properties and financial instruments.

Note 5 Events after the Balance Sheet Date (31 March 2017)

There are no events at the authorised for issue date that affect any of the values in either the Financial Statements for 2016/17 or in the Notes to the Accounts.

Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations

(CIES = Comprehensive Income and Expenditure Statement)

2016/17	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	(12,876)	-	-	12,876
Revaluation losses on Property, Plant and Equipment, Investment Properties and Assets Held for Sale	(1,720)	-	-	1,720
Amortisation of Intangible Assets	(995)	-	-	995
Capital grants and Contributions Applied	24,652	-	-	(24,652)
Revenue Expenditure Funded from Capital Under Statute	(1,324)	-	-	1,324
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(12,947)	(15,362)	-	28,309
Insertion of items not debited or (credited) to the CIES				
Statutory provision for the financing of capital investment	3,464	-	-	(3,464)
Capital Expenditure charged against the General Fund	-	-	-	
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	(313)	1	312	-
Adjustments involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	5,052	-	(5,052)

2016/17	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Other Adjustments involving the Capital Receipts Reserve	-	(2,388)	-	2,388
Adjustments involving the Deferred Capital Receipts Reserve:	-	7,890	-	(7,890)
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	247	-	-	(247)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 41)	76,593	-	-	(76,593)
Employers Pension Contributions and direct payments to pensioners payable in the year	10,163	-	-	(10,163)
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	4,903	-	-	(4,903)
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	(176)	-	-	176
Total Adjustments	**89,671**	**(4,807)**	**312**	**(85,176)**

2015/16	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	(12,799)	-	-	12,799
Revaluation losses on Property, Plant and Equipment, Investment Properties and Assets Held for Sale	4,924	-	-	(4,924)
Amortisation of Intangible Assets	(896)	-	-	896
Capital grants and contributions	11,018	-	-	(11,018)
Revenue Expenditure Funded from Capital Under Statute	(1,692)	-	-	1,692
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES – Assets	(318)	(880)	-	1,198
Insertion of items not debited or (credited) to the CIES				
Statutory provision for the financing of capital investment	6,565	-	-	(6,565)
Capital Expenditure charged against the General Fund	52	-	-	(52)
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	(277)	-	277	-
Adjustments involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	1,164	-	(1,164)
Other Adjustments involving the Capital Receipts Reserve	-	(285)	-	285
Adjustments involving the Deferred Capital Receipts Reserve:	-	1	-	(1)
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	250	-	-	(250)

2015/16	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 41)	(42,285)	-	-	42,285
Employers Pension Contributions and direct payments to pensioners payable in the year	9,958	-	-	(9,958)
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	(20,938)	-	-	20,938
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	412	-	-	(412)
Total Adjustments	**(46,026)**	**-**	**277**	**45,749**

Note 7 Expenditure and Income Analysed by Nature

The 2016/17 Code of Practice places a new requirement on local authorities 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:

2016/17	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	86,944	-	-	-	86,944
Other service expenses	204,267	-	35,538	-	239,805
Support service recharges	15,267	-	-	-	15,267
Depreciation, amortisation and impairment	13,448	-	-	-	13,448
Interest payments	-	-	15,610	-	15,610
Precepts & Levies	-	711	-	-	711
Loss on Disposal of Fixed Assets	-	-	-	-	-
Total Expenditure	**319,926**	**711**	**51,148**	**-**	**371,785**
Fees, charges & other service income	(20,578)	-	(110,659)	-	(131,237)
Interest and investment income	-	-	(172)	-	(172)
Income from council tax and NDR	-	-	-	(86,500)	(86,500)
Government grants and contributions	(176,181)	-	-	(54,359)	(230,540)
Gain on Disposal of Fixed Assets	-	(965)	-	-	(965)
Total Income	**(196,759)**	**(965)**	**(110,831)**	**(140,859)**	**(449,414)**
(Surplus)/Deficit on the Provision of Services	**123,167**	**(254)**	**(59,683)**	**(140,859)**	**(77,629)**

2015/16	Directorate Analysis £000	Other Operating Expenditure (Note 9) £000	Transfer of School Assets and 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	82,598	-	-	-	82,598
Other service expenses	203,989	-	30,540	-	234,529
Support service recharges	18,542	-	-	-	18,542
Depreciation, amortisation and impairment	7,160	-	-	-	7,160
Interest payments	-	-	15,994	-	15,994
Precepts & Levies	-	709	-	-	709
Loss on Disposal of Fixed Assets	-	374	-	-	374
Total Expenditure	**312,289**	**1,083**	**46,534**	**-**	**359,906**
Fees, charges & other service income	(23,119)	-	-	-	(23,119)
Interest and investment income	-	-	(306)	-	(306)
Income from council tax and NDR	-	-	-	(83,985)	(83,985)
Government grants and contributions	(175,091)	-	-	(47,384)	(222,475)
Gain on Disposal of Fixed Assets	-	-	-	-	-
Total Income	**(198,210)**	**-**	**(306)**	**(131,369)**	**(329,885)**
(Surplus)/Deficit on the Provision of Services	**114,079**	**1,083**	**46,228**	**(131,369)**	**30,021**

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 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000		Balance at 1 April 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000
(250)	142	(142)	(250)	Risk Management Fund	(250)	123	-	(127)
(386)	-	(235)	(621)	Leisure Contract Risk Fund	(621)	53	-	(568)
(25)	-	(225)	(250)	MMI Reserve	(250)	-	-	(250)
(193)	-	(807)	(1,000)	Insurance Reserve	(1,000)	-	(326)	(1,326)
-	-	(1,527)	(1,527)	Private Finance Initiative – Schools	(1,527)	46	-	(1,481)
-	-	(2,132)	(2,132)	Private Finance Initiative – Street Lighting	(2,132)	268	-	(1,864)
(174)	-	(255)	(429)	New Homes Bonus - Corporate Allocations	(429)	429	-	-
(334)	95	(190)	(429)	Council Tax Reserve Reliefs	(429)	-	(47)	(476)
(7)	107	(100)	-	Direct Revenue Funding Reserve	-	-	-	-
(9)	158	(358)	(209)	Alternative Delivery Models Reserve	(209)	89	-	(120)
(1,659)	3,331	(10,747)	(9,075)	MTFS Reserve	(9,075)	4,111	(5,616)	(10,580)
-	-	(2,500)	(2,500)	Funding Strategy Reserve	(2,500)	2,500	-	-
(2,544)	619	(4,419)	(6,344)	Budget Strategy Reserve	(6,344)	6,409	(65)	-
(40)	20	-	(20)	River Tees Port Health Authority Reserve	(20)	-	-	(20)
(108)	-	-	(108)	Trust Funds (On Deposit with the Council)	(108)	-	-	(108)
(10,694)	7,694	(5,014)	(8,014)	Directorate Reserves *	(8,014)	2,299	(816)	(6,531)
(5,507)	5,787	(5,456)	(5,176)	Balances held by schools under a scheme of delegation *	(5,176)	5,367	(3,482)	(3,291)
(21,930)	**17,953**	**(34,107)**	**(38,084)**	**Total**	**(38,084)**	**21,694**	**(10,352)**	**(26,742)**

* 2015/16 figures restated due to movements between Directorates and correction of duplicate entries

- Risk Management Fund - This Fund was established to pay for one-off goods or services to eliminate or reduce future potential incidents, that otherwise may impose a cost to the Council.

- Leisure Contract Risk Fund - This fund was created through additional savings which were above the council's original target. The fund is used to manage property costs which are over and above those included within the leisure contract.

- MMI Reserve - In March 2012 the Supreme Court on the Employers' Liability Policy Trigger Litigation relating to Mesothelioma Claims ruled that the insurer, Municipal Mutual Insurance (MMI) who was at risk at the time of the employee's exposure to asbestos was liable to pay compensation for the employee's Mesothelioma. The Council received information relating to possible MMI claims and a provision was created for these. In addition a reserve was established to provide for potential future claims not currently included within the provision created.

- Insurance Reserve - The Council operates a self-funding arrangement on its insurance liability policies. An Insurance Reserve has been established for potential future insurance claims not currently provided for within the insurance provision. The current excess on this fund is £5.000 million.

- 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. These reserves were utilised in 2014/15 to fund a shortfall in business rates in 2014/15 and were replenished in 2015/16 from surpluses on the Collection Fund.

- New Homes Bonus - Corporate Allocations Reserve: This funding is as a result of lower spend by the Council on New Homes Bonus related initiatives in the first few years of the grant being awarded. This reserve has been fully utilised within year.

- 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.

- The Direct Revenue Funding Reserve was earmarked to fund future years' capital expenditure. This reserve has been fully utilised within previous year.

- Alternative Delivery Models - The Council continues to review the way in which it works and is developing proposals to deliver significant savings for the Council whilst ensuring it remains sustainable and that communities continue to receive high quality services to meet their needs and enhance their quality of life. The Alternative Delivery Models reserve has been established to support this work going forward.

- MTFS Reserve - The Budget Strategy Reserve, MTFS Reserve and Funding Strategy Reserve will be used to manage the volatility of the assumptions around the Medium Term Financial Plan, particularly changes in funding for local government expected following the introduction of the new funding formula and changes to the welfare reform and business rate regimes.

- The River Tees Port Health Authority Reserve - This fund is held by the Council on behalf of the four precepting authorities within the Tees Valley. The reserve has been set up to cover future volatility on the costs and income of providing the service.

- Trust Funds - These Funds are all in respect of sums deposited with the Council for 'safekeeping' by bodies with aims that the Council supports and has some involvement of Members/Officers as either members of the Management or as a Trustee.

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

- Balances held by schools are the accumulated balances and the differences between the school budget and actual expenditure incurred for all of the Redcar and Cleveland 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.

The level of earmarked reserves held by the Council has reduced during 2016/17 by just under £11.3m. The reduction in the level of reserves were planned as part of the approach to setting the budget or are the roll forward of grant funding between financial years. The use of the other reserves is reactive to events that have happened during the financial year.

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:

2015/16 £000		2016/17 £000
559	Town and Parish council precepts	559
150	Northumbria Flood Defence and N.E. Sea Fisheries Levies	152
-	Business rates contribution and shortfall	-
374	(Gains)/Losses on the disposal of non-current assets	(965)
1,083	**Total**	**(254)**

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:

2015/16 £000		2016/17 £000
15,995	Interest payable and similar charges	15,610
30,539	Net interest on the defined pension liability	(89,089)
(306)	Interest receivable and similar income	(172)
-	Loss on Disposal of Academies	13,968
46,228	**Total**	**(59,683)**

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 2016/17 are as follows:

2015/16 £000		2016/17 £000
	Credited to Taxation and Non-Specific Grant Income	
(52,851)	Council Tax Income	(54,476)
(31,134)	Distribution from Non-Domestic Rates	(32,024)
	Non-Ring Fenced Government Grants:	
(27,651)	Revenue Support Grant	(21,551)
(1,417)	Central Education Services Grant (LACSEG) *	-
(7,123)	PFI Grant	(7,123)
(1,658)	New Homes Bonus Scheme	(2,381)
(9,390)	Capital Grants and Contributions	(23,265)
(145)	Other Grants	(39)
(131,369)	**Total**	**(140,859)**

* Central Education Services Grant is now allocated within Children's services.

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 Finance (England) Regulations 2015. 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 2016/17 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2016/17 before academy recoupment	9,716	99,120	108,836
Academy figure recouped for 2016/17	-	(44,624)	(44,624)
Total DSG after academy recoupment for 2016/17	9,716	54,496	64,212
Brought Forward from 2015/16	1,745	-	1,745
Carry forward to 2017/18 agreed in advance	-	-	-
Agreed initial budgeted distribution in 2016/17	**11,461**	**54,496**	**65,957**
In Year Adjustments:			
Early Years additional allocation re. 2015/16, received in 2016/17	-	5	5
Final budget distribution for 2016/17	**11,461**	**54,501**	**65,962**
Actual central expenditure	(11,021)	-	(11,021)
Actual ISB deployed to schools	-	(54,501)	(54,501)
Local authority contribution for 2016/17	-	-	-
Carry forward to 2017/18	**440**	**-**	**440**

Note 13 Members' Allowances

2015/16 £000		2016/17 £000
596	Salaries	587
160	Allowances	164
14	Expenses	11
770	**Total**	**762**

During the year, the Council had a total of 59 elected Members. The cost of remuneration includes basic allowances, special responsibility allowance, dependents' carer's allowance, co-optees' allowance, travel and subsistence and telephone costs paid to Elected Members in 2016/17. This figure also includes employers Superannuation and National Insurance contributions. The figures shown for 2015/16 are a direct comparison with 2016/17.

Note 14 Officers' Remuneration

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

2015/16				2016/17		
School Employees	Non-School Employees	Total Employees	Remuneration Band (£)	School Employees	Non-School Employees	Total Employees
12	20	32	50,000 to 54,999	25	17	42
14	5	19	55,000 to 59,999	14	7	21
14	4	18	60,000 to 64,999	6	17	23
5	3	8	65,000 to 69,999	8	3	11
1	1	2	70,000 to 74,999	13	2	15
1	4	5	75,000 to 79,999	1	1	2
1	-	1	80,000 to 84,999	3	4	7
1	4	5	85,000 to 89,999	-	3	3
-	-	-	90,000 to 94,999	-	-	-
1	-	1	95,000 to 99,999	1	3	4
-	-	-	100,000 to 104,999	-	-	-
1	-	1	105,000 to 109,999	-	1	1
-	-	-	110,000 to 114,999	-	-	-
-	2	2	115,000 to 119,999	-	-	-
-	-	-	120,000 to 124,999	-	-	-
-	-	-	125,000 to 129,999	-	-	-
-	1	1	130,000 to 134,999	-	1	1
-	-	-	135,000 to 139,999	-	1	1
-	-	-	140,000 to 144,999	-	1	1
-	1	1	145,000 to 149,999	-	-	-
-	-	-	150,000 to 154,999	-	-	-
-	-	-	155,000 to 159,999	1	-	1
-	-	-	160,000 to 164,999	-	-	-

2015/16				2016/17		
School Employees	**Non-School Employees**	**Total Employees**	**Remuneration Band (£)**	**School Employees**	**Non-School Employees**	**Total Employees**
-	-	-	165,000 to 169,999	-	1	1
-	-	-	170,000 to 174,999	-	-	-
-	-	-	Over £180,000	-	2	2
51	**45**	**96**	**Total**	**72**	**64**	**136**

Payments in respect of early retirement and voluntary redundancy as part of an organisational change process have been included. The total number of employees included in the table above has increased due to an increased number of redundancy packages within 2016/17 compared to 2015/16, resulting in an increase in total remuneration.

In terms of statutory requirements any senior member of staff with a gross salary (not remuneration) in excess of £150,000 needs to be named. No officer of the Council met this requirement in 2016/17.

Senior Officers included in the above table who are required to be separately identified are as follows:

2016/17	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy	Gross Remuneration Excl. Pension Contributions 2016/17	Pension Contributions 2016/17	Total Remuneration Including Pension Contributions 2016/17
	£	£	£	£	£	£	£	£
Chief Executive	146,691	-	-	-	-	146,691	22,150	168,841
Corporate Director for Resources	117,896	-	-	-	-	117,896	16,963	134,859
Assistant Director of Regeneration Services	86,537	-	-	-	-	86,537	13,067	99,604
Director of People Services	118,599	-	-	-	-	118,599	17,908	136,508
Interim Director Adult Care & Health	93,224	-	-	-	-	93,224	14,077	107,301
Assistant Director Organisational Change (part time hours)	58,774	-	-	-	-	58,774	8,875	67,649
Head of Policy & Performance	70,149	-	-	-	-	70,149	10,593	80,742
Assistant Director – Governance and Monitoring Officer	86,537	-	-	-	-	86,537	13,067	99,604
Communications and Media Manager	67,230	-	-	-	-	67,230	9,410	76,640
	845,637	**-**	**-**	**-**	**-**	**845,637**	**126,111**	**971,748**

2015/16	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy	Gross Remuneration Excl. Pension Contributions 2015/16	Pension Contributions 2015/16	Total Remuneration Including Pension Contributions 2015/16
	£	£	£	£	£	£	£	£
Chief Executive	145,239	-	-	-	-	145,239	21,931	167,170
Director of Corporate Resources	116,729	-	-	-	-	116,729	16,799	133,528
Director of Regeneration Services (left part year)	58,889	-	-	-	-	58,889	7,540	66,429
Director of People Services	116,729	-	-	-	-	116,729	17,626	134,355
Financial Services Manager	76,598	-	-	-	-	76,598	11,566	88,164
Assistant Director Organisational Change (part time hours)	57,177	-	-	-	-	57,177	8,634	65,811
Head of Policy & Performance	69,455	-	-	-	-	69,455	10,488	79,943
Assistant Director – Governance and Monitoring Officer	85,680	-	-	-	-	85,680	11,860	97,540
Total	**726,496**	**-**	**-**	**-**	**-**	**726,496**	**106,444**	**832,940**

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 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).

2016/17	Salary (including Fees & Allowances) £	Recurring Payment £	One Off Payment £	Benefits in Kind £	Redundancy £	Gross Remuneration Excl. Pension Contributions 2016/17 £	Pension Contributions 2016/17 £	Total Remuneration Including Pension Contributions 2016/17 £
Non-schools:								
Clinical Director *	99,521	-	-	-	243,553	343,074	12,124	355,198
Assistant Director of Public Health	77,944	-	-	-	-	77,944	11,769	89,713
Assistant Director Neighbourhoods and Customer Services	77,944	-	-	-	-	77,944	11,769	89,713
Financial Services Manager	77,363	-	-	-	-	77,363	11,682	89,045
Service Manager	72,267	-	-	-	-	72,267	10,148	82,415
Service Manager – Review & Inspection/Principal Social Worker	72,267	-	-	-	-	72,267	10,912	83,179
Senior School Improvement Advisor	71,960	-	-	-	-	71,960	10,866	82,826
Commercial & Legal Manager	61,431	-	-	-	-	61,431	9,276	70,707
School Improvement Advisor	58,216	-	-	-	-	58,216	8,791	67,007
Senior Psychologist Manager	56,153	-	-	-	-	56,153	8,479	64,632
Senior Psychologist Manager	56,153	-	-	-	-	56,153	8,479	64,632
Service Manager	55,155	-	-	-	-	55,155	8,328	63,483
Service Manager	55,155	-	-	-	-	55,155	8,328	63,483
Service Manager	55,155	-	-	-	-	55,155	8,328	63,483
Service Lead – Business Development & Improvement	55,155	-	-	-	-	55,155	9,035	64,190
Asset Manager	55,155	-	-	-	-	55,155	8,328	63,483
Service Manager	55,155	-	-	-	-	55,155	8,328	63,483
Audit & Assurance Manager	55,155	-	-	-	-	55,155	8,328	63,483
Partnership Lead	55,155	-	-	-	-	55,155	8,328	63,483
Principal Manager – Services to Schools	55,155	-	-	-	-	55,155	8,328	63,483

2016/17	Salary (including Fees & Allowances) £	Recurring Payment £	One Off Payment £	Benefits in Kind £	Redundancy £	Gross Remuneration Excl. Pension Contributions 2016/17 £	Pension Contributions 2016/17 £	Total Remuneration Including Pension Contributions 2016/17 £
Public Health Specialist	55,124	-	-	-	-	55,124	7,883	63,007
Service Manager	54,072	-	-	-	-	54,072	8,165	62,237
Service Leader - Streetscene	54,072	-	-	-	-	54,072	8,165	62,237
School Improvement Advisor	53,865	-	-	-	-	53,865	8,134	61,999
Service Manager HV/SN	53,010	-	-	-	-	53,010	7,580	60,590
Chief Accountant	51,975	-	-	-	-	51,975	7,848	59,823
Service Manager	51,538	-	-	-	-	51,538	7,782	59,320
Assistant Director Regeneration	51,280	-	-	-	42,049	93,329	5,035	98,364
Head of Public Health Intelligence	50,854	-	-	-	130,109	180,963	7,272	188,235
Schools:								
Executive Head Teacher	102,450	-	-	-	37,300	139,750	16,884	156,634
Head Teacher	83,044	-	-	-	-	83,044	13,686	96,730
Head Teacher	72,834	-	-	-	-	72,834	12,003	84,837
Head Teacher	72,833	-	-	-	-	72,833	12,003	84,836
Head Teacher	69,889	-	-	-	-	69,889	11,518	81,407
Head Teacher	66,705	-	-	-	-	66,705	10,993	77,698
Deputy Head Teacher	63,427	-	-	-	-	63,427	10,453	73,880
Head Teacher	63,382	-	-	-	-	63,382	10,445	73,827
Head Teacher	63,357	-	-	-	-	63,357	10,441	73,798
Head Teacher	63,046	-	-	-	-	63,046	10,676	73,722
Head Teacher	62,879	-	-	-	-	62,879	10,363	73,242
Head Teacher	62,711	-	-	-	-	62,711	10,335	73,046
Head Teacher	62,521	-	-	-	-	62,521	10,303	72,824
Head Teacher	62,521	-	-	-	-	62,521	10,303	72,824
Head Teacher	62,511	-	-	-	-	62,511	10,302	72,813

2016/17	Salary (including Fees & Allowances) £	Recurring Payment £	One Off Payment £	Benefits in Kind £	Redundancy £	Gross Remuneration Excl. Pension Contributions 2016/17 £	Pension Contributions 2016/17 £	Total Remuneration Including Pension Contributions 2016/17 £
Head Teacher	61,981	-	-	-	-	61,981	10,215	72,196
Head Teacher	61,727	-	-	-	-	61,727	10,173	71,900
Head Teacher	61,360	-	-	-	-	61,360	10,112	71,472
Head Teacher	60,754	-	-	-	-	60,754	10,012	70,766
Head Teacher	59,282	-	-	-	-	59,282	9,770	69,052
Deputy Head Teacher	58,677	-	-	-	-	58,677	9,670	68,347
Head Teacher	57,884	-	-	-	-	57,884	9,539	67,423
Deputy Head Teacher	57,237	-	-	-	-	57,237	9,433	66,670
Head Teacher	57,035	-	-	-	-	57,035	9,399	66,434
Head Teacher	56,432	-	-	-	-	56,432	9,300	65,732
Head Teacher	56,277	-	-	-	-	56,277	9,274	65,551
Head Teacher	56,140	-	-	-	-	56,140	9,252	65,392
Head Teacher	53,308	-	-	-	-	53,308	8,998	62,306
Deputy Head Teacher	52,951	-	-	-	-	52,951	8,726	61,677
Deputy Head Teacher	52,951	-	-	-	-	52,951	8,726	61,677
Deputy Head Teacher	52,389	-	-	-	-	52,389	8,634	61,023
Deputy Head Teacher	51,942	-	-	-	-	51,942	8,560	60,502
Deputy Head Teacher	50,441	-	-	-	-	50,441	8,313	58,754
Deputy Head Teacher	50,440	-	-	-	-	50,440	8,313	58,753
Deputy Head Teacher	50,440	-	-	-	-	50,440	8,313	58,753
Deputy Head Teacher	50,303	-	-	-	-	50,303	8,290	58,593
Deputy Head Teacher	50,145	-	-	-	-	50,145	8,264	58,409
Head Teacher	50,118	-	-	-	-	50,118	8,259	58,377

* Clinical Director part of shared service with the other 4 Tees Valley local authorities contributing

Note 15 Termination Benefits

The Council terminated the contracts of 65 employees in the 2016/17 financial year, incurring liabilities of £1.434 million (£0.807 million for 2015/16). Of this total £0.720 million was payable to 45 officers in respect of various voluntary arrangements agreed and £0.714 million was paid to 20 officers who received compulsory redundancy. These figures are higher than the previous financial year due to further restructuring of the Council services.

The table below shows an analysis of the total cost incurred by directorate during 2016/17.

Directorate	£000	Number of Employees
Resources	392	26
Adults and Communities	641	14
Children and Families	202	18
Economic Growth	198	7
Total	**1,434**	**65**

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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
							£000	£000
0 to 20,000	7	11	22	35	29	46	249	**413**
20,001 to 40,000	1	3	6	7	7	10	189	**250**
40,001 to 60,000	-	4	3	1	3	5	148	**229**
60,001 to 80,000	-	-	2	1	2	1	140	**76**
80,001 to 100,000	-	-	1	1	1	1	81	**92**
100,001 to 150,000	-	1	-	-	-	1	-	**130**
Over 150,001	-	1	-	-	-	1	-	**244**
Provision	-	-	-	-	-	-	-	**-**
Total	**8**	**20**	**34**	**45**	**42**	**65**	**807**	**1,434**

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.

2015/16				2016/17				
(Surplus)/ Deficit £000	Less Technical Adjust- ments £000	Net (Surplus)/ Deficit £000	Trading Operation	Income £000	Expend- iture £000	(Surplus)/ Deficit £000	Less Technical Adjust- ments £000	Net (Surplus)/ Deficit £000
6	-	6	**Catering**	-	-	-	-	-
(379)	-	(379)	**Trade Refuse Collection**	(689)	519	(170)	(2)	(168)
99	-	99	**Industrial Estates**	(38)	47	9	(86)	95
(5)	-	(5)	**Markets**	(9)	(665)	(674)	(669)	(5)
100	(49)	149	**Business Centres**	(256)	488	233	55	178
(524)	(213)	(311)	**Car Parking**	(843)	511	(333)	10	(343)
(30)	-	(30)	**Taxi Licensing ***	(243)	218	(26)	7	(33)
(33)	-	(33)	**General Licensing ***	(179)	99	(80)	(33)	(47)
(766)	**(262)**	**(504)**	**Total**	**(2,258)**	**1,217**	**(1,041)**	**(718)**	**(324)**

* Taxi Licensing and General Licensing have been reclassified as trading accounts in 2016/17. Local authorities should set licence fees to recover reasonable costs associated with providing the licensing service. 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.

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.

The technical adjustments in the table above relate to revaluation of assets. As these are calculated at the end of each financial year and are one-off costs based on unanticipated events, the true trading position needs to be considered with these deducted. The effect on the individual trading accounts of deducting upward revaluations is shown in the table above.

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

- Catering – provision of meals in schools throughout the Borough.

- Trade Refuse Collection – collection of waste from commercial properties, schools and other premises within the Redcar and Cleveland area, where contracted to do so.

- 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 a market based in Redcar, to boost retail and tourism for the local area.

- Business Centres – provision of workshop and office accommodation in a range of sizes at Redcar Station and 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.

- Taxi Licensing – local authority costs and income recovered in relation to hackney carriage and private taxi services within the Borough.

- General Licensing – local authority costs and income recovered in relation to licences, permits and other authorisations within the Borough.

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 of Redcar & Cleveland. 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 the Services and in particular 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 the Services.

2015/16 £000		2016/17 £000
0	Balance brought forward - Revenue	275
0	Balance brought forward - Capital	381
0		656
	Funding Provided to the Pooled Budget	
1,187	The Authority	1,260
10,416	South Tees CCG	10,429
11,603		**11,689**
	Expenditure Met from Pooled Budget	
7,438	The Authority	7,622
3,509	South Tees CCG	3,839
10,947		**11,461**
381	Capital amounts slipped to Future Years	**790**
275	**Net surplus arising on the pooled budget to be carried forward**	**94**

Note 18 Fees Payable to Auditors

For 2016/17 the following fees relating to external audit and inspection were payable by the Council:

2015/16 £000		2016/17 £000
124	Fees payable for services provided by the External Auditors	124
19	Fees payable for the certification of grant claims.	14
143	**Total**	**138**

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 2016/17:

2016/17	**Other Land and Buildings**	**Vehicles, Plant, Furniture and Equipment**	**Infrastructure Assets**	**Community Assets**	**Assets Under Construction**	**Surplus Assets**	**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**	**£000**
Cost or Valuation										
At 1 April 2016	168,294	27,551	191,248	7,035	317	-	394,445	370,438	135	23,872
Additions	3,542	861	3,703	185	33	-	8,324	8,118	-	206
Donations	17,180	-	-	-	-	-	17,180	17,180	-	-
Revaluation increases/(decreases) to RR	(642)	-	-	(31)	-	-	(673)	(673)	-	-
Revaluation increases/(decreases) to SDPS	(2,256)	-	-	(230)	-	-	(2,486)	(2,481)	-	(5)
Derecognition - Disposals	(14,455)	(1,008)	-	-	-	-	(15,463)	(15,463)	-	-
Derecognition - Other	-	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(1,462)	-	-	-	-	-	(1,462)	(1,462)	-	-
Assets reclassified (to)/from Investment Properties	985	-	-	-	-	-	985	985	-	-
Other movements	200	-	-	-	(200)	-	-	-	-	-
At 31 March 2017	171,386	27,404	194,951	6,959	150	-	400,850	376,642	135	24,073

2016/17	**Other Land and Buildings**	**Vehicles, Plant, Furniture and Equipment**	**Infrastructure Assets**	**Community Assets**	**Assets Under Construction**	**Surplus Assets**	**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**	**£000**
Accumulated Depreciation and Impairment										
At 1 April 2016 (Restated)	8,399	19,796	85,213	(1)	-	-	113,407	107,244	96	6,067
Depreciation charge for the year	5,035	1,502	6,339	-	-	-	12,876	12,031	27	818
Depreciation written out to the RR	(1,580)	-	-	-	-	-	(1,580)	(1,580)	-	-
Depreciation written out to the SDPS	-	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the RR	-	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the SDPS	-		-	-	-	-	-	-	-	-
Derecognition - Disposals	(486)	(991)	-	-	-	-	(1,477)	(1,477)	-	-
Derecognition - Other	-	-	-	-	-	-	-	-	-	-
Asset Reclassification	(19)	-	-	-	-	-	(19)	(19)	-	-
At 31 March 2017	11,349	20,307	91,552	(1)	-	-	123,207	116,199	123	6,885
Net Book Value										
At 31 March 2017	160,037	7,097	103,399	6,960	150	-	277,643	260,443	12	17,188
At 31 March 2016	159,895	7,755	106,035	7,036	317	-	281,038	263,194	39	17,805

Depreciation

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

- Infrastructure – 20 to 40 years.
- Vehicles, Plant and Equipment – 3 to 10 years.
- Land is not depreciated.
- Buildings depreciated over the lifespan denoted by the valuer.

Movements in tangible non-current assets for the year 2015/16:

2015/16	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	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	£000
Cost or Valuation										
At 1 April 2015 (Restated)	158,497	25,573	183,615	7,183	117	-	374,985	350,914	201	23,870
Additions	2,976	2,892	7,634	146	200	-	13,848	13,846	-	2
Donations	-	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) to RR	4,959	-	-	(294)	-	-	4,665	4,665	-	-
Revaluation increases/(decreases) to SDPS	3,182	-	-	-	-	-	3,182	3,182	-	-
Derecognition - Disposals	(720)	(914)	-	-	-	-	(1,634)	(1,634)	-	-
Derecognition - Other	-	-	-	-	-	-	-	66	(66)	-
Assets reclassified (to)/from Held for Sale	(388)	-	-	-	-	-	(388)	(388)	-	-
Assets reclassified (to)/from Investment Properties	(212)	-	-	-	-	-	(212)	(212)	-	-
Other movements	-	-	(1)	-	-	-	(1)	(1)	-	-
At 31 March 2016	168,294	27,551	191,248	7,035	317	-	394,445	370,438	135	23,872

2015/16	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £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 2015	8,956	18,867	79,118	(1)	-	-	106,940	101,556	135	5,249
Depreciation charge for the year (Restated)	4,893	1,811	6,095	-	-	-	12,799	11,954	27	818
Depreciation written out to the RR	(5,451)	-	-	-	-	-	(5,451)	(5,451)	-	-
Depreciation written out to the SDPS	-	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the RR	-	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the SDPS	-	-	-	-	-	-	-	-	-	-
Derecognition - Disposals	-	(883)	-	-	-	-	(883)	(817)	(66)	-
Derecognition - Other	-	-	-	-	-	-	-	-	-	-
Other movements	1	1	-	-	-	-	2	2	-	-
At 31 March 2016 (Restated)	8,399	19,796	85,213	(1)	-	-	113,407	107,244	96	6,067
Net Book Value	-	-	-	-	-	-	-	-	-	-
At 31 March 2016	159,895	7,755	106,035	7,036	317	-	281,038	263,194	39	17,805
At 31 March 2015	149,541	6,706	104,497	7,184	117	-	268,045	249,358	66	18,621

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 2017	134,007	7,109	103,400	5,112	151	-	249,779
Valued at current value as at:							
31 March 2017	36,758			308			37,066
31 March 2016	57,330	-	-	286	-	-	57,616
31 March 2015	70,446	-	-	1,971	-	-	72,417
31 March 2014	53,852	-	-	0	-	-	53,852
31 March 2013	33,541	-	-	2,076	-	-	35,617
Total Cost or Valuation	251,927	-	-	4,641	-	-	256,568

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 2016/17.

Note 21 Heritage Assets

The table below shows the carrying value of Heritage Assets held by the Council.

	Art Collection £000	Civic Regalia £000	Military Equipment £000	Artefacts £000	Total Assets £000
Cost or Valuation					
1 April 2015	169	132	25	263	**589**
Additions	-	-	-	-	**-**
Disposals	-	-	-	-	**-**
Revaluations	-	-	-	-	**-**
Impairment Losses	-	-	-	-	**-**
31 March 2016	169	132	25	263	**589**
Cost or Valuation					
1 April 2016	169	132	25	263	**589**
Additions	-	-	-	-	**-**
Disposals	-	-	-	-	**-**
Revaluations	-	-	-	-	**-**
Impairment Losses	-	-	-	-	**-**
31 March 2017	**169**	**132**	**25**	**263**	**589**

Art Collection

The Council's collection of paintings is reported in the Balance Sheet at cost and valuation. The majority of paintings were obtained during the 1970's and revalued in 2006. A number of Watercolours from the 1940's by JH Cole were purchased for £0.016m in 2000 and are shown at cost in the Balance Sheet. Within the Borough we display a Ray Lonsdale statue and two Ian Randall Sculptures which are reported in the Balance Sheet at cost.

Civic Regalia

The items reported in the Balance Sheet are based on a valuation which was undertaken in 2006.

Military Equipment

The Council's collection of Arms and Armoury is reported in the Balance Sheet at cost. The items were purchased from 1999 to 2001 with the majority obtained from auction.

Artefacts

The Council's collection of Anglo-Saxon artefacts is reported in the Balance Sheet at cost. In the Council’s opinion the Saxon Jewellery is a rarity and as such there is no active market or market value for the goods. In addition the Council is holding the asset for public consumption as opposed to profit and this is unlikely to change in the foreseeable future.

Additions to Heritage Assets

During 2016/17 no Heritage Assets were purchased.

Disposal of Heritage Assets

During 2016/17 no Heritage Assets were disposed of.

Note 22 Investment Properties

Fair Value Hierarchy

All the Council's investment portfolio has been assessed as level 3 for valuation purposes as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

Valuation Techniques Used to Determine Level 3 Fair Values for Investment Properties

The fair value of investment properties are measured using the rental income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been adopted using the Council's own comparable data and other external sources requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, maintenance costs, etc.

The unobservable inputs used are specific to the asset and significant changes will result in a material lower or higher fair value.

The fair value of the Council's investment properties are measured annually at each reporting date. All of this year’s valuations have been carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors and the current edition of the RICS Valuation-Professional Standards Book (commonly referred to as the Red Book).

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use where appropriate.

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

2015/16 £000		2016/17 £000
4,885	Balance at start of the year	8,010
	Additions:	
92	Purchases	83
-	Construction	-
-	Subsequent expenditure	-
-	Disposals	-
1,698	Net gains/(losses) from fair value adjustments	628
	Transfers:	
-	(To)/From Inventories	-
1,335	(To)/From Property, Plant and Equipment and Assets Held for Sale	(1,002)
-	Other Changes	-
8,010	**Balance at end of the year**	**7,719**

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:

2015/16 £000		2016/17 £000
5,954	Properties for rental income purposes	5,516
1,648	Properties held for an undetermined future use	-
-	Properties currently vacant held to be leased out	89
408	Properties held for capital appreciation purposes	2,114
8,010		**7,719**

Note 23 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.

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 2016 £000	Expenditure 2016/17 £000	Amortisation 2016/17 £000	31 March 2017 £000
Internally Generated						
Adult Services System	10 Years	5 Years	539	-	(93)	446
Agresso	10 Years	9 Years	1,744	-	(232)	1,512
Hosted System for Libraries	3 Years	1 Year	27	1	(14)	14
Self-Assessment Web Based Site	5 Years	3 Years	82	-	(20)	62
Customer Relationship Management System	5 Years	4 Years	-	167	(33)	134
Unified Communications System	5 Years	4 Years	-	154	(31)	123
Other						
Other IT Software	Various	Various	1,055	82	(572)	565
			3,447	404	(995)	2,856

Amortisation of £0.995 million has been charged to the Comprehensive Income and Expenditure Statement in 2016/17. This has been allocated across directorates as follows (Note 19):

Service Area	2016/17 £000
Resources – Non Central Support	17
Resources – Central Support *	791
Economic Growth	21
Children and Families	45
Adults and Communities	121
Total	**995**

* Amortisation of £0.791 million has been charged to support services. This has been reallocated across all services within the Comprehensive Income and Expenditure Statement as part of the central support reallocation.

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

2015/16 £000		2016/17 £000
9,709	Gross carrying amounts	10,755
(6,412)	Accumulated amortisation	(7,308)
3,297	Net carrying amount at start of year	3,447
-	Additions – internal development	
1,046	Additions - purchases	404
-	Additions – through business combinations	-
-	Disposals – gross carrying amount	(4,310)
-	Disposals – accumulated depreciation	4,310
-	Impairment losses recognised or reversed directly in the Revaluation Reserve	-
(896)	Amortisation for the period	(995)
-	Other changes	-
3,447	**Net carrying amount at end of year**	**2,856**
	Comprising:	
10,755	Gross carrying amounts	6,849
(7,308)	Accumulated amortisation	(3,993)

Note 24 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
- Office Accommodation in Guisborough
- 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 £39.000 million, excluding estimates of inflation. The original building value was £9.130 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 £214.000 million, excluding estimates of inflation. The original building value for the five schools was £48.050 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. This was impaired in previous financial years and is currently being rebuilt with completion scheduled for summer 2017.

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 £72.000 million, excluding estimates for inflation. The value of the street lighting infrastructure is £19.820 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. Payments are either on behalf of capital (payment for the asset concerned) or for revenue (the day to day services provided), normally facilities management based.

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 2017 (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 2017

	Repayment of leasing liability	Payment of interest	Provision of services	Total
	31 March 2017 £000	31 March 2017 £000	31 March 2017 £000	31 March 2017 £000
Within 1 year	2,227	5,775	3,839	11,841
Within 2 - 5 years	9,458	21,106	16,799	47,363
Within 6 – 10 years	15,929	21,010	22,263	59,202
Within 11 -15 years	19,496	13,072	19,211	51,779
Within 16 - 20 years	14,903	3,402	9,391	27,696
Within 20 -22 years	-	-	-	-
Total Future Payments	**62,013**	**64,365**	**71,503**	**197,881**

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 2017

	Repayment of leasing liability	Payment of interest	Provision of services	Total
	31 March 2017 £000	31 March 2017 £000	31 March 2017 £000	31 March 2017 £000
Within 1 year	2,227	7,515	4,820	14,562
Within 2 - 5 years	9,458	30,074	22,327	61,859
Within 6 – 10 years	15,929	37,489	32,988	86,406
Within 11 -15 years	19,496	32,906	31,410	83,812
Within 16 - 20 years	14,903	17,859	16,791	49,553
Within 20 -22 years	-	-	-	-
Total Future Payments	**62,013**	**125,843**	**108,336**	**296,192**

The figures below represent the amount of debt outstanding with the PFI contractor for the assets held under contract as at 31 March 2017. This is repayable over the remaining term of the contracts.

Value of liabilities held under PFI schemes

2015/16 £000	Outstanding PFI Liability	2016/17 £000
(65,820)	Opening Balance	(63,969)
1,851	Repayments	1,956
-	Adjustment	-
-	Additions	-
(63,969)	**Closing Balance**	**(62,013)**

Note 25 Leases

Council as Lessee – Finance Leases

The Council has a lease arrangement for Home Call alarms which allow users to continue living independently in their homes. This has been determined as a finance lease under IFRS as the risks and rewards associated with the assets have transferred to the Council under the lease agreement. The lease is for the majority of the asset's useful life and expires in September 2017 when the equipment will either have to be returned to the lessor, purchased or the lease extended.

These assets are held on the Council's Balance Sheet under property, plant and equipment and are depreciated and impaired in line with the Council's policy on non-current assets.

31 March 2016 £000	Property, Plant and Equipment	31 March 2017 £000
40	Vehicles, Plant, Furniture and Equipment	13

The Council is committed to making an annual minimum payment for the lease comprising settlement of the long-term liability for the interest in the asset acquired by the Council (i.e. principal) and the finance cost (i.e. interest). These will be payable by the Council in future years while any liability is outstanding. The minimum lease payments are made up of the following amounts:

31 March 2016 £000		31 March 2017 £000
28	Current - Repayment of leasing liability within 1 year	14
14	Non-Current - Repayment of leasing liability Later than 1 year	-
6	Finance Costs Payable in Future Years (Interest)	1
48	**Future minimum lease payments**	**15**

The minimum lease payment will be payable over the following periods:

Minimum Lease Payments 31 March 2016 £000	Finance Lease Liabilities 31 March 2016 £000		Minimum Lease Payments 31 March 2017 £000	Finance Lease Liabilities 31 March 2017 £000
33	28	Not later than one year	15	14
15	14	Later than one year and not later than five years	-	-
-	-	Later than five years	-	-
48	**42**	**Future minimum lease payments**	**15**	**14**

Council as Lessee – Operating Leases

The Council had no remaining leases relating to vehicles that are classified as an operating lease under IFRS. The last remaining lease expired in March 2016. The Council purchased these vehicles rather than extending the lease as this represented value for money.

The expenditure charged to service revenue accounts during the year in respect of operating leases was as follows:

2015/16 £000		2016/17 £000
57	Minimum lease payments	-
-	Contingent rents	-
57	**Total**	**-**

The Council now purchases vehicles and equipment through the Capital Programme and finances them through capital receipts or prudential borrowing rather than either a finance or operating lease. This has enabled the Council to achieve revenue savings by taking advantage of the low interest rates that are available to the Council.

Note 26 Capital Expenditure and Capital Financing

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

This occurs where assets are funded by borrowing. The Capital Financing Requirement therefore shows the underlying need of the Council to borrow to finance its capital assets.

The Capital Financing Requirement is analysed in the table to the right:

2015/16			2016/17	
£000	£000		£000	£000
	266,651	**Opening Capital Financing Requirement**		**266,252**
		Capital Investment		
13,846		Property, Plant and Equipment	8,324	
1,046		Intangible Assets	404	
2,000		Loans & Advances Treated as Capital Expenditure	2,443	
92		Investment Properties	83	
1,692		Revenue Expenditure Funded from Capital under Statute	1,324	
	18,676	Total Capital Investment		12,578
		Sources of Finance		
(1,440)		Capital Receipts	(5,052)	
(11,018)		Government grants and other contributions	(7,472)	
-		Sums set aside from revenue:	-	
(52)		Direct revenue contributions	-	
-		Minimum Revenue Provision - Previous years adjustment	-	
(6,565)		MRP/Loans Fund Principal	(3,464)	
	(19,075)	Total Sources of Finance		(15,988)
	266,252	**Closing Capital Financing Requirement**		**262,842**
	(399)	Movement in Year		(3,410)
		Explanation of movement in year		
		Increase in underlying need to borrow (supported by government assistance)		
6,726		Increase in underlying need to borrow (unsupported by government assistance)	2,443	
		Assets acquired under finance leases		
(560)		Write down of long term debtor	(2,389)	
		Assets acquired under PFI/PPP contracts		
	6,166	**Increase/(Decrease) in Capital Financing Requirement**		54
	(6,565)	Reduced by Minimum Revenue Provision		(3,464)
	(399)			(3,410)

The capital investment figures above match to the additions line in the notes detailing movements on the non-current asset balances.

2015/16 £000	Analysis of Revenue Expenditure Funded as Capital Under Statute	2016/17 £000
713	Grants to individuals and organisations	953
13	Expenditure on Housing	-
966	Expenditure on assets not belonging to the Council	371
-	Expenditure on Pensions and Redundancy costs	-
1,692	**Total**	**1,324**

Contractual Commitments

As at 31 March 2017, the Council has no capital contracts in excess of £0.500 million. Similar commitments at 31 March 2016 were £1.600 million.

Note 27 Long term investments

Investment	Type of Investment	Value at 31 March 2016 £000	Gain/(Loss) on Revaluation £000	Value at 31 March 2017 £000
Durham Tees Valley Airport Ltd	Ordinary Shares	-	-	-
SITA Tees Valley Limited	Loan Shares	312	-	313
Total		**312**	**-**	**313**

The long term investment in Durham Tees Valley Airport Ltd is valued at zero due to operating losses incurred during recent financial years.

The investment in SITA Tees Valley Limited relates to preference shares only. As such the Council is not entitled to the retained profits of the company. The valuation of the shares, based upon trading results, is unlikely to change.

Note 28 Long term debtors

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

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

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 remaining receipt will be received in two additional tranches on the first and third anniversary of the sale agreement.

FROG (Future Regeneration of Grangetown) Loan – a cash flow loan for just over £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.

	Balance 31 March 2016 £000	Total Spend £000	Disposals/ Transfers £000	Amounts Written Off/ Repaid £000	Balance 31 March 2017 £000
Car Loans	3	-	-	-	3
Private Mortgages	2	-	-	(1)	1
Loan to Leisure Service Provider - SLM	1,188	425	-	(378)	1,235
Economic Development Loans	1	-	(1)	-	-
RCIF – Loan Repayment	14	-	(4)	(10)	-
Swans Corner - Bellway	-	3,906	-	-	3,906
FROG Loan	-	17	-	-	17
Total	**1,208**	**4,348**	**(5)**	**(389)**	**5,162**

Note 29 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.

2015/16 £000		2016/17 £000
17,078	**Balance outstanding at start of year**	**15,940**
	Assets newly classified as held for sale	
388	- Property, Plant and Equipment	1,462
(27)	Revaluation losses	(112)
71	Revaluation gains	398
	Assets declassified as held for sale:	
(1,123)	- Investment Properties	-
(447)	Assets sold	(14,345)
15,940	**Balance outstanding at year end**	**3,343**

There is a decrease in the net book value of assets held for sale at the end of this financial year of £12.600 million. The material decrease in year is due to the sale of assets, mainly Swans Corner.

Note 30 Inventories

2016/17 Financial Year	Balance at 1 April 2016	Purchases	Recognised as an expense in the year	Written off balances	Balance at 31 March 2017
	£000	£000	£000	£000	£000
Stocks	38	423	(369)	(1)	91

2015/16 Financial Year	Balance at 1 April 2015	Purchases	Recognised as an expense in the year	Written off balances	Balance at 31 March 2016
	£000	£000	£000	£000	£000
Stocks	36	686	(684)	-	38

Stocks held relate to highways, vehicle and museum activities. The in-year increase relates to stock transfers from external providers as a result of the return of the highways contract to the Council.

Note 31 Short Term Debtors

31 March 2016 £000		31 March 2017 £000
6,236	Central Government Bodies	1,875
1,103	Other Local Authorities	1,339
1,221	NHS Bodies	1,745
1	Public Corporation and Trading Funds	-
9,099	Council Tax Payers	10,991
6,075	Business Rates	6,902
3,485	Housing Benefits Overpayments	3,597
7,502	Other Entities and Individuals	11,749
34,722	**Total**	**38,198**
	Provisions for Doubtful Debts	
(78)	Directorate Contribution to Bad Debt Provision	(441)
(227)	Other Entities and Individuals	(220)
(5,430)	Council Tax Payers	(5,123)
(5,897)	Business Rates	(5,777)
(940)	Housing Benefits Overpayments	(1,321)
22,151	**Total debtors including provision for doubtful debt**	**25,316**

Note 32 Cash and Cash Equivalents

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

31 March 2016 £000		31 March 2017 £000
44	Cash held by the Council	42
2,168	Bank current accounts – school accounts	1,271
(4,100)	Bank current accounts – main Council	43
12,567	Short term deposits with Financial Institutions	3,256
10,679	**Total Cash and Cash Equivalents**	**4,612**

Cash flow balances are lower than previous years due to the utilisation of reserves and the repayment of maturing debt.

Note 33 Short Term Creditors

31 March 2016 £000		31 March 2017 £000
(4,352)	Central Government Bodies	(5,970)
(2,156)	Other Local Authorities	(2,135)
(505)	NHS Bodies	(725)
(1,848)	Short Term Accumulating Compensated Absences	(2,024)
(11,632)	Other Entities and Individuals	(10,976)
(567)	Local Taxation	(2,608)
(21,060)	**Total**	**(24,438)**

Note 34 Provisions

	Balance at 1 April 2016	Provisions made in 2016/17	Provisions utilised in 2016/17	Other Transfers in 2016/17	Balance at 31 March 2017	Short Term Provisions	Long Term Provisions
	£000	£000	£000	£000	£000	£000	£000
MMI Claims	(1,916)	(160)	85	-	(1,991)	(27)	(1,964)
Insurance Provision	(1,830)	(464)	313	-	(1,981)	-	(1,981)
Business Rates Appeals	(2,315)	(848)	945	-	(2,218)	(444)	(1,774)
GVA Invoices Swans Corner	-	(56)	-	-	(56)	(56)	-
Total Provisions	**(6,061)**	**(1,528)**	**1,343**	**-**	**(6,246)**	**(527)**	**(5,719)**

As defined by IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) 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: On the 28th March 2012 the Supreme Court on the Employers' Liability Policy Trigger Litigation relating to Mesothelioma Claims ruled that the insurer who was at risk at the time of the employee's exposure to asbestos was liable to pay compensation for the employee's Mesothelioma. In 2014 the Council received a statement detailing potential claims and a claims provision was created based upon this information. This relates to activities under the Municipal Mutual Insurance (MMI) scheme of which the Council was a member. MMI is currently in administration. The administrators triggered the scheme of arrangement in February 2014 and issued initial levies to local authorities.

Insurance Provision: The Council operates a self-funding arrangement for liability, motor and property and the Insurance Fund was established in 1996 to provide for all payments that fall within the policy excess on claims. The excess on liability (public liability and employers liability) is £5.000 million for each and every claim. The property excess of £5.000 million covers claims relating to Council property but this no longer includes schools as they have now purchased insurance in their own name. The motor excess of £5.000 million relates to own damage and third party damage. The excess of each claim is funded by the Council with additional amounts claimed covered by its insurance policies. The value of the provision relates to an estimate of the financial total of all existing claims outstanding at 31st March 2017 and a 15% estimate for IBNR (Incurred but not reported).

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 £4.526 million with the 49% share in the Council's own accounts being £2.218 million.

<u>GVA Invoices Swans Corner:</u> Sale of land at Swans Corner completion date 12th January 2017 – payments agreed to be received in 3 tranches. GVA are acting as agents for the sale and there are two outstanding invoices to be paid around the same time as the tranches of income.

Note 35 Long Term Creditors

	Balance at 31 March 2016 £000	Income £000	Expenditure £000	Balance at 31 March 2017 £000
Section 38 / 278 Agreements	(121)	(101)	100	(122)
Section 106 Agreements	(543)	(405)	268	(680)
Commuted Sums	(47)	-	8	(39)
Total	**(711)**	**(506)**	**376**	**(841)**

Section 38 / 278 agreements relate to the creation of new highways upon land in the ownership of anyone other than the highway authority. It is an agreement between the land owner and the Council for the construction of new highways and the ultimate adoption 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 6 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 10 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.

Note 36 Financial Instruments

The Council has adopted the CIPFA Code of Practice on Treasury Management. This code provides a framework of operating procedures for an authority to follow. The framework is designed to reduce the risks associated with Treasury Management activities, improve understanding of treasury and increase accountability.

Financial Instruments: Balances

The investments and borrowing disclosed in the Balance Sheet are made up of the following categories of Financial Instruments.

	Long-term		Current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£000	£000	£000	£000
Financial Liabilities (Principal Amounts)				
Loans with PWLB	(34,241)	(37,267)	(3,028)	(9,527)
LOBO Loans	(56,600)	(105,350)	-	-
Market Loans	(48,750)	-	-	-
Local Authority Loans	(15,000)	(15,000)	-	-
Accrued Interest				
Loans with PWLB	-	-	(433)	(511)
LOBO Loans	-	-	(754)	(1,630)
Market Loans	-	-	(799)	-
Local Authority Loans	-	-	(203)	(203)
	(154,591)	(157,617)	(5,217)	(11,871)
Current Financial Liability (Overdraft)	-	-	-	(4,100)
Financial Liabilities at Amortised Cost	(154,591)	**(157,617)**	(5,217)	**(15,971)**
PFI and Finance Lease Liabilities				
PFI				
Schools	(38,648)	(39,850)	(1,202)	(1,003)
Offices	(4,803)	(5,180)	(377)	(354)
Street Lighting	(16,335)	(16,983)	(648)	(599)
	(59,786)	(62,013)	(2,227)	(1,956)
Finance leases	-	(14)	(14)	(28)
Creditors	(841)	(711)	(12,404)	(11,872)
Other Liabilities	**(60,627)**	**(62,738)**	**(14,644)**	**(13,856)**
Total Financial Liabilities	**(215,218)**	**(220,355)**	**(19,862)**	**(29,827)**

	Long-term		Current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£000	£000	£000	£000
Loans and Receivables (Principal Amounts)				
Principal at Amortised (Over 90 Days)	-	-	2,500	2,500
Accrued interest	-	-	8	13
Impaired investments	-	-	46	21
Available-For-Sale Investments				
Principal at Amortised (Over 90 Days)	312	312	-	3,996
Accrued interest	-	-	-	2
Total investments	**312**	**312**	**2,554**	**6,532**
Loans and Receivables (Principal Amounts)				
Investments (90 Days and under)	-	-	3,254	12,553
Accrued interest	-	-	2	14
Available-For-Sale Investments				
Principal at Amortised (Under 90 Days)	-	-	-	-
Accrued interest	-	-	-	-
Current Financial Assets	-	-	1,356	2,212
Total Cash & Cash Equivalents			**4,612**	**14,779**
Debtors	5,162	1,208	14,098	9,223
Total Financial Assets	**5,474**	**1,520**	**21,264**	**30,534**

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:

2016/17	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale Assets	Total
	£000	£000	£000	£000
Interest expense	(15,610)	-	-	(15,610)
Impairment losses/(gains)	-	35	-	35
Total Expense in Surplus/Deficit on the provision of services	(15,610)	**35**	**-**	**(15,575)**
Interest income *	-	172	-	172
Gains on derecognition	-	-	-	-
Total Income in Surplus/Deficit on the provision of services	**-**	**172**	**-**	**172**
Gains on revaluation	-	-	-	-
Losses on revaluation	-	-	-	-
Amounts recycled to the CIES after impairment	-	-	-	-
Surplus/(Deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**-**	**-**
Net (gain)/loss for the year	(15,610)	**207**	**-**	**(15,403)**
Memo item:				
Losses on derecognition of Impaired Financial Asset	-	-	-	-
Total Amount written off through Movement in Reserves Statement	-	-	-	-

* The interest earned from Treasury Management Activities was £122,019

2015/16	Financial Liabilities Liabilities measured at amortised cost £000	Financial Assets Loans and receivables £000	Available-for-sale Assets £000	Total £000
Interest expense	15,995	-	-	15,995
Impairment losses/(gains)	-	(160)	-	(160)
Total Expense in Surplus/Deficit on the provision of services	**15,995**	**(160)**	**-**	**15,835**
Interest income	-	(306)	-	(306)
Gains on derecognition	-	-	-	-
Total Income in Surplus/Deficit on the provision of services	**-**	**(306)**	**-**	**(306)**
Gains on revaluation	-	-	-	-
Losses on revaluation	-	-	-	-
Amounts recycled to the CIES after impairment	-	-	-	-
Surplus/(Deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**-**	**-**
Net (gain)/loss for the year	**15,995**	**(466)**	**-**	**15,529**
Memo item:				
Losses on derecognition of Impaired Financial Asset	-	-	-	-
Total Amount written off through Movement in Reserves Statement	-	-	-	-

Financial Instruments: Fair Value of Assets and Liabilities

Financial liabilities and financial assets, represented by loans and receivables, 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 2017.

Arlingclose were appointed as the Council's treasury advisor in September 2013. The fair value calculations for both the 31st March 2016 and the 31st March 2017 have been calculated using their recommended models, which are based on the methods described below:

- 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. Lender options to propose an increase to the interest rate have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan 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 corporate bond yield.
- No early repayment or impairment is recognised. However the Council has recognised an impairment relating to the 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 2016 Balance Sheet £000	31 March 2016 Fair Value £000		Fair Value Level	31 March 2017 Balance Sheet £000	31 March 2017 Fair Value £000
		Financial liabilities held at amortised cost:			
(47,305)	(57,910)	Long-term loans from PWLB	2	(37,702)	(46,729)
(106,980)	(219,692)	Long-term LOBO	2	(57,354)	(130,192)
(15,203)	(17,855)	Other Long Term loans	2	(64,753)	(142,145)
(64,011)	(149,485)	Lease payables and PFI liabilities	3	(62,027)	(150,190)
(233,499)	**(444,941)**	**Total**		**(221,836)**	**(469,256)**
(16,684)		Liabilities for which fair value is not disclosed*		(13,245)	
(250,183)		**Total financial liabilities**		**(235,081)**	
(11,872)		Short-term creditors		(12,404)	
(11,871)		Short-term borrowing		(5,218)	
(4,101)		Cash and cash equivalents		-	
(711)		Long-term creditors		(841)	
(157,617)		Long-term borrowing		(154,591)	
(64,011)		Other long- term liabilities		(62,027)	
(250,183)		**Total financial liabilities**		**(235,081)**	

* 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.

There is a significant movement between the values for market loans and LOBO's. This is due to a decision by Barclays to convert their LOBO loans to market debt by removing the option to vary the interest rates on the loans. The other factor to the overall increase in fair value on both market debt and LOBO's is a reduction in discount rates which results in a higher fair value.

31 March 2016			Fair Value Level	31 March 2017	
Balance Sheet £000	Fair Value £000			Balance Sheet £000	Fair Value £000
		Financial assets held at fair value:			
312	312	Shares in listed companies	1	312	312
7,218	7,218	Money Market Funds	1	954	954
		Financial assets held at amortised cost:			
2,535	2,535	Loans and receivables over 90 days	2	2,554	2,550
5,349	5,353	Loans and receivables under 90 days	2	2,300	2,300
3,997	3,997	Treasury Bills	2	-	-
19,411	**19,415**	**Total**		**6,120**	**6,116**
12,643		Assets for which fair value is not disclosed*		20,617	
32,054		**Total financial assets**		**26,737**	
		Recorded on balance sheet as:			
14,779		Cash and cash equivalents		4,611	
6,532		Short-term investments		2,554	
312		Long-term investments		312	
9,223		Short-term debtors		14,098	
1,208		Long-term debtors		5,162	
32,054		**Total financial assets**		**26,737**	

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

Financial Instruments: Risks

The Council has adopted the CIPFA Code of Practice on Treasury Management (and subsequent amendments) and complies with the Prudential Code for Capital Finance in Local Authorities.

As part of the adoption of 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 Annual Investment Strategy in compliance with the Department for Communities and Local Government's (DCLG) 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 are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

(a) Credit risk - the possibility that the counterparty to a financial instrument 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 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 does not 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, forming the core element of any given rating.

However, the Council does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- credit Default Swaps 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 2016/17 was approved by Full Council on 1 March 2016 and is available on the Council's website. The Investment Strategy for 2017/18 was approved by Full Council on 23 February 2017 and it became operational immediately. It is therefore the 2017/18 strategy that drives the investment decisions on 31st March 2017.

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 notes 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 than £5.000 million in total can be invested for periods longer than one year due to the uncertainty within the UK economy at present.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £6.142 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. This amount includes the balance held in NatWest on the 31st March 2017 which although isn't deemed an investment, it is included within this analysis as it is still a credit risk. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31st March that this was likely to crystallise.

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 2016 £000**	**Amount at 31 March 2017 £000**
AAA rated counterparties - The rated institution has an exceptional degree of creditworthiness	7,215	954
AA+ rated counterparties - Very low expectation of credit risk	3,996	-
AA rated counterparties - Very low expectation of credit risk	-	-
AA- rated counterparties - Very low expectation of credit risk	2,400	300
A+ rated counterparties – Low expectation of credit risk	-	-
A rated counterparties - Low expectation of credit risk	5,000	4,500
A- rated counterparties - Low expectation of credit risk	-	-
BBB rated counterparties – Adequate capacity to meet financial commitments	438	388
Total	**19,049**	**6,142**

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

(a) Credit Risk - Receivables

The Council does not generally allow credit for customers, although £3.931 million of the £5.360 million debtors invoices balance is past its due date for payment. The overdue amount can be analysed by age as follows:

As the Council maintains a bad debt provision for debts based on age of debt and dispute code, no further assessment of the fair value has therefore been 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 £5.360 million above relates to invoiced debt only and is an element of the debtor total in Note 31.

	31/03/2016 £000	**31/03/2017 £000**
Less than one month	365	1,429
One to three months	569	828
Three to six months	1,031	960
Six months to one year	583	591
More than one year	1,498	1,552
Total	**4,046**	**5,360**

(b) Liquidity Risk

The Council has ready access to borrowings at favourable rates from the Public Works Loan Board (PWLB) and other local authorities, and at higher rates, from banks and building societies.

The Council is also required to produce a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. There is the risk that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. However, this risk has been mitigated through the management of the maturity structure of its borrowings.

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

Period	**Approved Maximum Limits**	**Actual 31 March 2017 £000**	**%**	**Actual 31 March 2016 £000**	**%**
Less than 1 year	10%	3,027	3%	9,526	7%
Between 1 and 2 years	20%	2,003	1%	3,021	2%
Between 2 and 5 years	80%	7,968	5%	2,000	1%
Between 5 and 10 years	90%	10,606	6%	13,582	7%
More than 10 years	100%	77,684	49%	33,935	20%
Uncertain date *		56,600	36%	105,350	63%
Total		**157,888**	**100%**	**167,414**	**100%**

* The Council has £56.600 million of “Lender option, borrower option” (LOBO) loans where the lender has the option to propose an increase in the rate payable (previously £105.350 million); the Council will then have the option to accept the new rate or repay the loan without penalty. Due to the 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. The reduction in year is as a result of Barclays transferring their loans from LOBO’s to market rate debt by removing the option to vary interest rates on the loans.

Creditors are paid in accordance with supplier 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 33.

All investments held with banks and financial institutions are due to mature within one year.

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 classed as “loans and receivable” and loans borrowed 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 classed as “available for sale” will be reflected in Other Comprehensive Income and Expenditure.

The Annual 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 2017, 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	48
Impact on Surplus or Deficit on the Provision of Services	**48**
Decrease in fair value of available for sale financial assets	13
Impact on Comprehensive Income and Expenditure Statement	**13**
Decrease in fair value of fixed rate investment assets	48
Decrease in fair value of fixed rate borrowings *	(1,619)
No impact on Comprehensive Income and Expenditure Statement	**(1,571)**

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

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

* The Council has £56.600 million of “Lender option, borrower option” (LOBO) loans where the lender has the option to propose an increase in the rate payable. These have currently been included within fixed rate borrowing as per the Code of Practice. They will need to be reassessed if and when the rate actually changes. In the event this happens, it is probable that these would be replaced with shorter term loans through the PWLB or other local authorities.

(ii) Price Risk

The Council does not invest in equity shares but does have shareholdings in Durham Tees Valley Airport Limited and SITA Tees Valley Limited. These shares are all classified as Available-for-Sale, meaning that all movements in price will impact on gains and losses recognised in the Available for Sale Reserve.

(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 £6.000m deposited across two of these institutions, with varying maturity dates and interest rates as follows:

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 reclaimed 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 £1.724 million representing 84% of the amount claimed. According to the latest administrator's reports, the Council expects to recover between 86% - 86.5% of the claim. Future dividends will be paid subject to consultation with the creditors committee, and when the level of distributable funds make 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 – 2016/17

Bank	Total Value of Investment £000	Carrying Amount £000	Received to date £000	Interest £000	Impairment £000
Kaupthing Singer and Friedlander	2,106	46	1,725	-	**(335)**
Heritable	4,126	-	3,924	-	**(202)**
Total	**6,232**	**46**	**5,649**	**-**	**(537)**
		(a)	(b)		
Predicted total recoverable		**(a) + (b)**	**5,695**		

Due to the amounts received to date (£5.649 million) and revised assumptions on the discounted future cash flows relating to these investments (the carrying amount), the Council anticipates recovering £5.695 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)
Total	**537**

Note 37 Other Long Term Liabilities

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

31 March 2016 £000		31 March 2017 £000
(172,521)	Pension Scheme (Note 41)	(152,440)
(62,013)	PFI (Note 24)	(59,786)
(14)	Leasing (Note 25)	-
(234,548)	**Total**	**(212,226)**

Note 38 Grant Income, Contributions and Donations

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

2015/16 £000		2016/17 £000
	Credited to Services	
(539)	Department for Works & Pensions *	(57)
(1,578)	Council Tax and Business Rates Administration **	(687)
(59,829)	Housing Benefits Subsidy and Admin Grant **	(58,474)
(10)	Ministry of Defence	-
(2,519)	Department for Communities & Local Government *	(1,970)
(171)	Department of Health	(103)
(11,289)	Public Health Grant	(12,126)
(67,935)	Dedicated Schools Grant	(65,523)
(2,028)	Department for Education	(2,115)
(5,169)	Pupil Premium Grant	(5,003)
(1,966)	Skills Funding Agency	(1,927)
(563)	Department for Environment, Food and Rural Affairs	-
(130)	Department for Transport	(273)
-	Home Office	(341)
(1,867)	Diocese Contributions	(1,865)
(9,937)	Health Authorities	(11,689)
(67)	Police Authorities	(81)
(1,727)	Other Local Authorities	(2,617)
(1,103)	Other Grants and Contributions	(1,207)
(181)	Donations	(215)
(168,608)	**Total**	**(166,273)**
(131,369)	**Credited to Taxation and Non-Specific Grant Income (See Note 11)**	**(140,859)**

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 will require the monies or property to be returned to the giver. These are treated as deferred receipts in the Council's balance sheet. The totals at the year end are as follows:

31 March 2016 £000		31 March 2017 £000
	Revenue Receipts in Advance	
(1,932)	Department for Education	(440)
(1,441)	Department for Communities & Local Government	(1,082)
(42)	Department of Health	(107)
(41)	Department for Works & Pensions	-
(188)	Education Funding Agency	(153)
(17)	Police Authority	(20)
(214)	Skills Funding Agency	(163)
(870)	Other Local Authorities	(15)
(1,284)	Other Contributions	(192)
(6,029)	**Total**	**(2,172)**

31 March 2016 £000		31 March 2017 £000
	Capital Receipts in Advance	
(283)	Devolved Formula Capital Grant	(189)
-	Early Years Two Year Old Offer	(4)
(21)	Town Centre Improvement	(11)
(214)	Kirkleatham Academy & Walled Garden	(825)
(57)	River Tees Rediscovered	(32)
(111)	Skinningrove Coast Protection	-
(200)	Living Sober	(200)
-	South Bank Wharf	(34)
(886)	**Total**	**(1,295)**
(306,892)	**Total Grants, Contributions and Donations Credited to the Comprehensive Income and Expenditure Statement**	**(310,599)**

* 2015/16 SSI Task Force £493k classified as DWP when credited to services – 16/17 classified as DCLG

** 2015/16 Housing Benefit Subsidy £529k classified as Council Tax and Business rates admin – 16/17 classified as Housing Benefits Subsidy and Admin Grant

Note 39 Unusable Reserves

31 March 2016 £000		31 March 2017 £000
	CAPITAL RESERVES	
(41,368)	Revaluation Reserve	(30,952)
(312)	Available for Sale Financial Instruments Reserve	(312)
(4,620)	Capital Adjustment Account	(1,649)
3,961	Financial Instruments Adjustment Account	3,714
(2)	Deferred Capital Receipts	(7,891)
	REVENUE RESERVES	
172,521	Pensions Reserve	152,440
3,550	Collection Fund Adjustment Account	(1,352)
1,848	Accumulating Compensated Absences Adjustment Account	2,024
135,578	**Total Unusable Reserves**	**116,022**

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).

2015/16 £000			2016/17 £000	
	(32,168)	**Balance at 1 April**		(41,368)
		Opening balance adjustment written off to CAA		
(10,907)		Upward revaluation of assets and impairment	(1,552)	
791		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	496	
	(10,116)	(Surplus)/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(1,056)
452		Difference between fair value depreciation and historic cost depreciation	779	
464		Accumulated gains on assets sold or scrapped	10,693	
-		Non-current assets direct to Capital Adjustment Account	-	
	916	Amounts written off to the Capital Adjustment Account		11,472
	(41,368)	**Balance at 31 March**		**(30,952)**

Available for Sale Financial Instruments Reserve

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

- Revalued downwards or impaired and the gains are lost.
- Disposed of and the gains are realised.

2015/16 £000		2016/17 £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.

2015/16 £000		2016/17 £000
3,150	**Balance at 1 April**	**(4,620)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES)	
12,345	Charges for depreciation and impairment of non-current assets	12,097
(4,924)	Revaluation losses on Property, Plant and Equipment, Investment Properties and Assets Held For Sale	1,720
896	Amortisation of intangible assets	995
1,692	Revenue expenditure funded from capital under statute	1,324
735	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	17,637
10,744	**Net amount written out of the cost of non-current assets consumed in the year**	**33,773**
	Capital financing applied in the year	
(1,165)	Use of the Capital Receipts Reserve to finance new capital expenditure	(5,052)
-	Capital Financing Reserve	-
(52)	Direct Revenue Financing	-
285	Write down long term debtor/capital receipt deferred	2,388
(11,018)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(7,472)
-	Application of grants to capital financing from the Capital Grants Unapplied Account	-
-	Donated Assets	(17,180)
(6,565)	Statutory provision for the financing of capital investment charged against the General Fund in year (MRP)	(3,464)
-	Amendment to accounting estimates and reduction of (MRP)	-
1	Disposal expenses	(22)
(18,514)	**Total Capital Financing**	**(30,802)**
(4,620)	**Balance at 31 March**	**(1,649)**

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.

2015/16 £000		2016/17 £000
4,212	**Debt - Balance as at 1 April**	**3,961**
(251)	Proportion of premiums incurred in the previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	(247)
3,961	**Total Debt**	**3,714**
-	**Investments - Balance as at 1 April**	**-**
3,961	**Balance at 31 March**	**3,714**

Deferred Capital Receipts

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.

2015/16 £000		2016/17 £000
(3)	**Balance at 1 April**	**(2)**
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	(7,890)
1	Transfer to the Capital Receipts Reserve upon receipt of cash	1
(2)	**Balance at 31 March**	**(7,891)**

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.

2015/16 £000		2016/17 £000
170,466	**Balance at 1 April**	**172,521**
(30,272)	Actuarial gains/(losses) on pensions assets and liabilities	66,675
42,285	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	(76,593)
(9,958)	Employer's pensions contributions and direct payments to pensioners	(10,163)
172,521	**Balance at 31 March**	**152,440**

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 rated 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.

2015/16 £000		2016/17 £000
(17,387)	**Balance at 1 April**	**3,550**
20,937	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	(4,902)
3,550	**Balance at 31 March**	**(1,352)**

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.

2015/16 £000		2016/17 £000
(2,260)	**Balance at 1 April**	**(1,848)**
2,260	Settlement or cancellation of accrual made at the end of the preceding year	1,848
(1,848)	Amounts accrued at the end of the current year	(2,024)
-	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-
(1,848)	**Balance at 31 March**	**(2,024)**

Note 40 Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of 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 2016/17, the Council paid £4.130 million to Teachers' Pensions Agency in respect of teachers' retirement benefits, representing 16.40% of pensionable pay. The figures for 2015/16 were £4.055 million and 15.50%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 41.

Former NHS Staff

There are staff employed by the Council in the Public Health Service, who are members of the NHS pension scheme, administered by NHS Pensions.

The scheme provides these employees with specific benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The arrangements for the NHS pension scheme means that the Council is not able to identify its share of 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 2016/17, the Council paid £0.298 million to NHS Pensions in respect of retirement benefits, representing 14.40% of pensionable pay. The figures for 2015/16 were £0.108 million and 10.20%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the NHS scheme. These costs are accounted for on a defined benefit basis and detailed in Note 41.

Note 41 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.

Participation in Pension Schemes

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

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 last actuarial valuation was at 31 March 2013, the next triannual valuation will commence on the 31st March 2017 and the contributions to be paid until 31 March 2020 resulting from that 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:

2015/16 £000		2016/17 £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
11,485	Current service cost	12,219
260	Past service costs (including curtailments)	277
-	Settlements	-
	Financing and Investment Income and Expenditure	
20,846	Interest cost	21,570
9,694	Actual return on assets	(110,659)
42,285	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**(76,593)**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
(23,481)	Actuarial (gains)/losses on liabilities – financial assumptions	124,155
-	Actuarial (gains)/losses on liabilities – demographic assumptions	(14,894)
(6,791)	Actuarial (gains)/losses on liabilities - experience	(42,586)
(30,272)	Total Actuarial (gains) and losses	66,675
12,013	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(9,918)**
	Movement in Reserves Statement	
(42,285)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	76,593
	Actual amount charged against General Fund Balance for pensions in the year	
9,958	Employers' contributions payable to scheme	10,163

The cumulative amount of actuarial loss recognised in the Comprehensive Income and Expenditure Statement from 1 April 2014 to the 31 March 2017 is a loss of £81.523 million. (2015/16 loss of £14.848 million plus current year actuarial loss of £66.675 million). This has resulted mainly from changes in the financial and demographic assumptions underpinning the actuarial model and in particular the discount rate used to calculate the level of the projected obligation.

The discount rate is derived from a number of factors including the Bank of England's Market Implied RPI inflation curve. An inflation risk premium of 0.3% per annum is added as market expectations of RPI inflation may be less than the Bank of England inflation curve, primarily due to investors demand for a higher expected return from fixed interest deposits compared with the index-linked bonds. The market implied CPI inflation is on average 1.1% lower than RPI over the long term.

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 and the level of the overall pensions deficit.

A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes although this will be marginally offset by the increase in the assets as a result.

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 expected within the Scheme.

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.

Assets and Liabilities in Relation to Post-employment Benefits

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

Year to 31 March 2016 £000		Year to 31 March 2017 £000
661,579	**Opening balance at 1 April**	**643,255**
11,485	Current Service Cost	12,219
20,846	Interest Cost	21,570
3,075	Contributions by scheme participants	3,181
	Remeasurement Gain	
(23,481)	Actuarial (gains)/losses on liabilities – financial assumptions	124,155
-	Actuarial (gains)/losses on liabilities – demographic assumptions	(14,894)
(6,791)	Actuarial (gains)/losses on liabilities - experience	(42,586)
(23,718)	Benefits paid	(21,187)
260	Past Service Cost including Curtailments	277
-	Settlements	-
643,255	**Closing balance at 31 March**	**725,990**

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

Year to 31 March 2016 £000		Year to 31 March 2017 £000
491,113	**Opening balance at 1 April**	**470,734**
15,549	Interest Income on assets	15,876
(25,243)	Remeasurement gains/(losses) on assets	94,783
9,958	Contributions by the Employer	10,163
3,075	Contributions by scheme participants	3,181
(23,718)	Net Benefits paid out	(21,187)
470,734	**Closing balance at 31 March**	**573,550**

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 £110.659 million (2015/16 £9.694 million) due to changes in financial assumptions.

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

Scheme History

	2016/17 £000	2015/16 £000	2014/15 £000	2013/14 £000	2012/13 £000	2011/12 £000
Present Value of Funded Scheme Liabilities	(701,024)	(618,782)	(635,304)	(567,417)	(576,073)	(538,744)
Present Value of Unfunded Scheme Liabilities	(24,966)	(24,473)	(26,275)	(26,066)	(21,466)	(21,808)
Fair Value of Scheme Assets	573,550	470,734	491,113	459,126	440,342	386,133
Surplus/(Deficit) in the scheme	**(152,440)**	**(172,521)**	**(170,466)**	**(134,357)**	**(157,197)**	**(174,419)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £152.440 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. This has decreased in 2016/17 by £20.081 million due to changes in financial assumptions, mainly related to fluctuations in interest rates. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The effect of this is a negative overall balance of £76.828 million.

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 2018 is £8.240 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 2013.

The principal assumptions used by the actuary have been:

2015/16		2016/17
	Mortality assumptions (years)	
	Member aged 65 at accounting date:	
23.1	Men	22.8
25.6	Women	24.9
	Member aged 45 at accounting date:	
25.3	Men	25.0
28.0	Women	27.2
1.8%	Rate of Inflation *	2.0%
3.3%	Rate of increase in salaries	3.0%
1.8%	Rate of increase in pensions	2.0%
3.4%	Rate for discounting scheme liabilities	2.5%
80.0%**	Take-up of option to convert annual pension into retirement lump sum	80.0%**

* The rate of inflation since 2010/11 relates to the Consumer Price Index, prior years related to the Retail Price Index.

** Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 80% of the permitted maximum.

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 2016		**Year to 31 March 2017**		
%	**Assets**	**% Quoted**	**% Unquoted**	**% Total**
84.9	Equities	80.0	-	80
1.4	Government Bonds	0.2	-	0.2
1.6	Corporate Bonds	0.2	-	0.2
7.0	Property	0.7	6.2	6.9
5.1	Cash	11.2	-	11.2
-	Other*	1.1	0.4	1.5
100	**TOTAL**			**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 2017 and the projected service cost for the year ending 31 March 2017 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)	689,489	701,024	712,752
% change in present value of total obligation	-1.6%		1.7%
Projected service cost (£M's)	15,490	15,930	16,381
Approximate % change in projected service cost	-2.8%		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)	703,032	701,024	699,033
% change in present value of total obligation	0.3%		-0.3%
Projected service cost (£M's)	15,930	15,930	15,930
Approximate % change in projected service cost	0.0%		0.0%
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)	710,729	701,024	691,465
% change in present value of total obligation	1.4%		-1.4%
Projected service cost (£M's)	16,381	15,930	15,490
Approximate % change in projected service cost	2.8%		-2.8%
Post retirement mortality assumption			
Adjustment to mortality age rating assumption *	**-1 year**	**Base Figure**	**+1 year**
Present Value of total obligation (£M's)	722,166	701,024	680,025
% change in present value of total obligation	3.0%		-3.0%
Projected service cost (£M's)	16,512	15,930	15,352
Approximate % change in projected service cost	3.7%		-3.6%

*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 42 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.

2015/16 £000		2016/17 £000
(30,021)	**Surplus/(Deficit) on Provision of Services**	77,629
	Adjust net surplus/(deficit) on the provision of services for non-cash movements	
13,695	Depreciation/Amortisation	13,871
(3,226)	Impairment	1,720
(1,617)	Other non-cash items charged to the net surplus/(deficit) on the provision of services in year	(7,529)
(1,333)	Increase/(Decrease) in Creditors	(2,396)
3,531	(Increase)/Decrease in Debtors	(3,594)
(2)	(Increase)/Decrease in Inventories	(53)
32,327	Pension Liability	(86,756)
1,199	Carrying amount of non-current assets sold	28,308
44,574	Total	(56,429)
	Adjust for items included in the net surplus/deficit on the provision of services that are investing or financing activities	
(10,741)	Capital Grants Credited	(24,339)
(1,165)	Proceeds from Sale of Assets	(7,471)
(11,906)	Total	(31,810)
2,647	**Net Cash flow from Operating Activities**	**(10,610)**

Memo Item – Operating Activities – Interest

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

2015/16 £000		2016/17 £000
327	Interest Received	172
(15,991)	Interest Paid	(15,609)
(15,664)	**Total**	**(15,438)**

Note 43 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.

2015/16 £000		2016/17 £000
(14,985)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(8,951)
1,530	Purchase/(Disposal) of short and long term investments	4,006
(2,354)	Other Payments for Investing Activities	(2,443)
881	Capital Receipts	7,472
11,259	Capital Grants and Other Receipts	9,958
(3,669)	**Net cash flows from investing activities**	**10,042**

Note 44 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.

2015/16 £000		2016/17 £000
-	Cash receipts of short- and long-term borrowing	-
(20,525)	Other payments for financing activities	6,012
(4,033)	Repayment of short term/long term borrowing	(9,527)
(1,877)	Other payments relating to PFI and Finance Lease debt	(1,984)
(26,435)	**Net cash flows from financing activities**	**(5,499)**

Note 45 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 2017 are also set out in Note 38.

Of the 59 Elected Members and 52 Chief and senior officers' posts, All Members and 48 Officers have provided details of any 'related party transactions', as required by the latest Code of Practice. There are 4 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 Members Interests. The Members have direct control over the financial and operating policies of the Council. The total of Members allowances for the 2016/2017 financial year is shown in Note 13.

The Council's Corporate Director for Resources/Section 151 Officer, the Assistant Director - Governance/Monitoring Officer and the Director of Children & Families 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 2016/2017 was £0.053 million.

One member is a member of the board of Coast & Country Housing. The financial transactions between Coast & Country Housing and RCBC were a net payment of £0.554M covering various grants from the Council 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 34. A more detailed analysis of these grants is given in Note 38 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 46 Contingent Assets and Liabilities

There are no contingent assets pertaining to the Council's activities at 31 March 2017.

The Teachers' Pension Scheme is a defined benefit scheme, administered by the Teachers' Pension Agency (TPA). Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employers' contribution rate paid by the local authority. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees.

Liberata continue to have admitted body status to the Teesside Local Government Pension Scheme and have a £0.100 million pension bond in place until contract termination (in 2018). The bond value is recalculated on an annual basis to ensure its adequacy and Liberata are required to adjust the bond accordingly. The Council is party to this arrangement with its liability being limited to that required by the Pension Fund Resolution i.e. any residual deficit on the fund in the event of premature termination of the contract after application of the pension bond will fall to the Council.

A number of the Council's capital schemes are underpinned by European Regional Development Fund (ERDF) financing. This funding is contingent on the capital investment only being for particular purposes and various conditions apply. The Redcar Beacon and the Creative Industries Hub are examples of where ERDF funding has been used. If any of their conditions for the agreed use of the assets are contravened, some of the funding may be repayable. At this stage it is not possible to quantify the likelihood of this happening or whether any funding will need to be repaid.

The Council is one of the partners in a consortium that provides financial and operational backing to the ARCC (Achieving Real Change in Communities). This is a community interest company backed by a number of public sector organisations to run the local area probation contracts for the Ministry of Justice (MoJ). One of the requirements is for every bidding organisation to provide a Deed of Guarantee to reimburse the MoJ for significant failures in performance up to and including catastrophic failure requiring a re-commissioning process. A value of Guarantee has been set for each regional area and for Durham Tees Valley it is circa. £13.800 million. Stockton Borough Council is the main guarantor for the contract with this Council providing a secondary guarantee in case of contract failure. Given the various partners involved, the maximum exposure for the Council is £2.4 million. Following discussion with the other local authorities involved, the conclusion is that the chance of the contract being terminated is extremely remote and therefore the total financial liability is difficult to value but minimal in size.

Note 47 Statement of Accounting Policies

GENERAL

The Statement of Accounts summarises the Council's financial transactions for the 2016/17 financial year and its financial position at the year ended 31 March 2017, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2016/17, 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 an organisation to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- 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 tangible fixed asset consumed in a period.
- Different methods used to estimate the proportion of debts 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 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. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

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.

RESERVES

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 prescribed.

Unusable reserves are non-distributable reserves and are disclosed in Note 39 to the Statement of Accounts. These represent 'technical non-cash' reserves which are maintained to manage the accounting processes and other statutory accounting adjustments under regulations. These reserves do not represent usable 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.

EVENTS AFTER THE BALANCE SHEET DATE

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

Adjusting Events

Those events that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is 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 is not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and 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 vest with the Council but 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, except to the extent that the grant or contribution has a condition that the Council has not satisfied. In this 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 cannot ordinarily be identified specifically 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 2015 being linked to final salary. Benefits earned after 31 March 2015 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 and financial assumptions include the discount rate and salary and benefit 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 plan assets

The fair value of any plan assets is deducted in determining the defined benefit liability. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets. Plan 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.

Where a plan has been changed, determining the resulting past service cost

Past service cost usually arises when the benefits payable for past service under an existing defined benefit plan are changed. Past service cost is measured as the change in the liability resulting from the amendment. Where the amendment vests immediately, the past service costs are recognised immediately regardless of the fact that the cost refers to employee service in previous periods. Sometimes there is a vesting period, in which case the past service cost is amortised on a straight-line basis over the average period until the benefits become vested. The amortisation schedule for past service cost is fixed when the amendment is introduced and is not to be revised unless there is a curtailment or settlement.

Where benefits payable under an existing defined benefit plan attributable to past service are changed so that the present value of the defined benefit obligation decreases, the resulting reduction in the defined benefit liability is recognised as a negative past service cost over the average period until the change in benefits becomes vested. Where, at the same time as the reduction in liability, other changes are made that result in an increase in the liability under the plan for the same employees, the change is treated as a single net change.

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 vested 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 defined benefit liability as determined above may be negative (i.e. an asset). Where this is the case there is a limit on the amount that can be recognised on the Balance Sheet as an asset. Any Minimum Funding Requirement of the pension plan may also affect the amount that can be recognised as an asset.

The present value of defined benefit obligations and the fair value of any plan assets are determined with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the Balance Sheet date. This is interpreted to mean that between the formal actuarial valuations every three years, there are approximate assessments in intervening years. Acceptable approximations include adjusting full valuation results using the latest available membership data.

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.

COST OF SUPPORT SERVICES

All budgeted costs of support services have been fully allocated to directorates. A comparison of actual costs and budgeted costs was undertaken and the variance identified has been allocated back to directorates.

There are several bases of allocation used for the main cost of support services, which include; number of transactions, officer time, floor area and employee numbers. The basis is dependent on the nature of the service involved.

CHARGES TO REVENUE FOR THE USE OF TANGIBLE OR INTANGIBLE ASSETS

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

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- 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 provision from revenue, 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 tangible 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 assets, above de minimis levels, which it owns, or recognises under PFI arrangements and finance leases.

Recognition

The cost of recognition of an item of property, plant and equipment is recognised when it is probable that future economic benefits or service potential associated with the asset will flow to the Council and that the cost can be measured reliably. This type of expenditure is capitalised on an accruals basis.

Subsequent costs arising from day-to-day servicing of an asset (i.e. labour costs and consumables), commonly referred to as 'repairs and maintenance', are not recognised as 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 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 cost 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 valuers 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 surplus or deficit on the cost of services on the same asset or reversing a previous revaluation decrease charged to surplus or deficit on 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 1-99 years with the majority having a lifespan of between 30-70 years.
- Vehicles, plant and equipment: Straight line allocation generally between 3 and 6 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, museum and gallery collections and works of art.

The Council is now 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.

Previously heritage assets were either recognised as property, plant and equipment or community assets at cost, or in some cases they may not have been recognised on the Balance Sheet.

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 Redcar & Cleveland Borough Council. The Museum service also supports the other four independent museums in the borough. The museums within the Borough hold items of local historical interest relating to social history 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.

The Council uses valuation techniques that are appropriate in the circumstances and for where sufficient data is available, maximising the use of relevant observable inputs (Market Data such as Interest rates or quoted yield prices) and minimising the use of unobservable inputs (Non Market data such as cash flow forecasts). Properties are required to be classified within the fair value hierarchy which are Level 1, 2, and 3. All of the Council's investment properties are Level 3 with the valuation based on a number of unobservable inputs which are property specific.

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 in local authorities is 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 systematic basis over its useful life, beginning when the intangible asset is available for use. The amortisation method used reflects the expected pattern of use of the economic benefits. If the pattern cannot be determined reliably, the straight-line method is used. 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.

An intangible asset with an indefinite life is not to be amortised, but is tested for impairment annually, and whenever there is an indication the asset may be impaired. Any impairment is again charged to the relevant service revenue account. The useful life of the asset is reviewed annually.

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 initially recognised in the Balance Sheet as property, plant and equipment when it is made available for use and its cost 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. If the asset is recognised in phases, the related liability is also recognised in phases.

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.

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.

Where the operator is given access to existing assets of the Council that are not to be used in the PFI arrangement, in exchange for reduced or eliminated payments, this may involve a permanent transfer of the assets to the operator, or may allow the operator access for a specified period. Where the arrangement involves a permanent transfer of an asset to the operator, the Council derecognises the asset in accordance with the de-recognition requirements of property, plant and equipment. Where the arrangement does not involve a permanent transfer of the assets to the operator, the Council will account for the arrangement as a lease.

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

Finance leases

Where the Council is lessor of property, plant or equipment and the risks and rewards are judged to be passed to the lessee under a finance lease, the asset is removed from the Council's Balance Sheet as property, plant and equipment and replaced as a long term debtor at an amount equal to the net investment in the lease. The lease payment receivable is treated as repayment of principal, reducing the long term debtor, and finance income which is credited to the surplus or deficit on the provision of services. The finance income is calculated so as to produce a constant periodic rate of return on the net investment.

Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Assets subject to operating leases 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.

The policy for depreciable leased assets is consistent with the depreciation policy for other similar assets.

Arrangements containing a lease

An arrangement (other than a PFI arrangement) comprising a transaction that does not take the legal form of a lease, but conveys a right to use an asset (e.g. an item of property, plant and equipment), in return for a payment or series of payments, may be accounted for as though the arrangement is, or contains, a lease.

Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether:

a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and

b) the arrangement conveys a right to use the asset.

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 Secretary 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. Interest on capital receipts is credited to the General Fund.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value and held on the Balance Sheet subject to a de minimis level of £1,000.

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.

Typical financial assets include bank deposits, trade receivables, loans receivables, other receivables and advances, and investments. Typical 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.

Measurement

Financial assets and liabilities should be recognised on the basis of fair value, adjusted for transaction costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Transaction costs include fees and commissions paid to agents, advisors, brokers, levies by regulatory agencies and security exchanges, and transfer taxes and duties. Transaction costs do not include internal administrative costs.

Fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

Classification

Although all financial instruments are required to be measured initially on the basis of fair value, subsequent measurement depends on the classification of an instrument.

Financial assets and liabilities are classified into one of the following categories:

- 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 or liability.

Amortised cost using the effective interest rate method

Amortised cost is a mechanism that sees through contractual terms to measure the real cost that the Council bears / receives each year from entering into a financial instrument.

The Council is required to use a single effective interest rate. The effective interest rate is the rate of interest that will discount all the cash flows that will take place throughout the expected life of a financial instrument down to the fair value of the asset calculated at initial measurement. The cash flows included in the calculation will cover both interest and principal, plus any other consideration that the authority is scheduled to give or receive during the instruments life, however described in the contract.

Impairment

A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of a past event that occurred subsequent to the initial recognition of the asset. An expected loss as a result of future events, no matter how likely, is not recognised.

At the end of each reporting period an assessment is made of whether there is objective evidence that any financial asset may be impaired. An assessment is first made of whether evidence of significant impairment exists for individual financial assets. Then an assessment of impairment is made collectively for financial assets that are not individually significant.

De-recognition

De-recognition is the term used for the removal of an asset or liability from the Balance Sheet.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset have expired or have been transferred. A financial liability is derecognised when it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

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

2015-16 Council Tax £000	2015-16 Non-Domestic Rates £000	2015-16 Total £000		2016/17 Council Tax £000	2016/17 Non-Domestic Rates £000	2016/17 Total £000
			INCOME			
(63,579)	-	(63,579)	Council Tax Receivable	(65,327)	-	(65,327)
-	(48,184)	(48,184)	Business Rates Receivable	-	(37,056)	(37,056)
(63,579)	**(48,184)**	**(111,763)**		**(65,327)**	**(37,056)**	**(102,383)**
			Contribution from preceptors for previous year's surplus/(deficit)			
-	13,934	13,934	Central Government	-	(4,761)	(4,761)
2,586	13,656	16,242	Billing Authority	1,446	(4,665)	(3,219)
130	279	409	Cleveland Fire Authority	71	(95)	(24)
370	-	370	Cleveland Police & Crime Commissioner	208	-	208
3,086	**27,869**	**30,955**		**1,725**	**(9,521)**	**(7,796)**
			Precepts, Demands and Shares			
-	23,697	23,697	Central Government	-	17,999	17,999
51,954	23,223	75,177	Billing Authority (RCBC)	53,736	17,638	71,374
2,628	476	3,104	Cleveland Fire Authority	2,716	360	3,076
7,703	-	7,703	Cleveland Police & Crime Commissioner	7,969	-	7,969
62,285	**47,396**	**109,681**		**64,421**	**35,997**	**100,418**
			Charges to the Collection Fund			
971	10,841	11,812	Less: (Decrease)/Increase in Bad Debt Provision	26	(19)	7
-	(73)	(73)	Less: (Decrease)/Increase in Provision for Appeals	-	(199)	(199)
-	169	169	Less: Cost of Collection	-	168	168
-	-	-	Transitional Protection Payment	-	70	70
-	(20)	(20)	Less: Disregarded amounts	-	850	850
971	**10,917**	**11,888**		**26**	**870**	**896**
2,763	37,998	40,761	(Surplus)/Deficit arising during the year	845	(9,710)	(8,865)
(3,675)	(29,199)	(32,874)	(Surplus)/Deficit brought forward 1st April	(912)	8,799	7,887
(912)	**8,799**	**7,887**	**(Surplus)/Deficit carried forward 31st March**	**(67)**	**(911)**	**(978)**

GENERAL INFORMATION

The Council, as a billing authority, is statutorily required to maintain a separate agency 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 precepting authorities in the following financial year in proportion to each bodies 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 2016/17, the proportions are as follows:

	Council Tax	Business Rates
Redcar and Cleveland Borough Council (General Fund)	83.41%	49%
Department of Communities and Local Government	-	50%
Cleveland Fire Authority	4.22%	1%
Cleveland Police and Crime Commissioner	12.37%	-

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

The level of council tax in any year is determined by estimating the income required by the Council and the Police and Fire Authorities and by 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 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).

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 2016. The council tax base for 2016/17 was 37,884.74 (37,346 in 2015/16). The increase is mainly due to property growth in the area.

Band	Property Value	Weighting to Band D	Number of Chargeable Dwellings No.	Band D Equivalent Inc Council Tax Support No.	Redcar & Cleveland Demand Excluding Parishes £	Police Authority Demand Per Property £	Fire Authority Demand Per Property £	Total Demand Per Property £	Total Income Per Band £000
A		5/9	97.80	70.80	779.80	116.87	39.83	936.50	92
A	Up to £40,000	6/9	22,848.80	17,846.03	935.76	140.24	47.80	1,123.80	25,677
B	£40,001 - £52,000	7/9	11,724.80	9,510.90	1,091.72	163.61	55.77	1,311.10	15,372
C	£52,001 - £68,000	8/9	12,608.50	11,310.00	1,247.68	186.99	63.73	1,498.40	18,893
D	£68,001 - £88,000	9/9	4,993.80	4,993.80	1,403.64	210.36	71.70	1,685.70	8,418
E	£88,001 - £120,000	11/9	2,900.30	3,533.10	1,715.56	257.11	87.63	2,060.30	5,975
F	£120,001 - £160,000	13/9	828.30	1,191.00	2,027.48	303.85	103.57	2,434.90	2,017
G	£160,001 - £320,000	15/9	366.80	609.50	2,339.40	350.60	119.50	2,809.50	1,031
H	Over £320,000	18/9	10.80	21.50	2,807.28	420.72	143.40	3,371.40	36
			56,379.90	**49,086.63**					**77,511**
Council Tax Support				10,819.23					
Less non collection 1%				382.66					
Council Tax Base				**37,884.74**					

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:

2015/16 £000		2016/17 £000
(85,367)	Opening Liability	(87,463)
126	Disabled Reduction	127
20,302	Discount	20,604
1,360	Exemptions	1,405
(63,579)	**Income collectable from Council Tax Payers**	**(65,327)**

NOTE 3 – INCOME FROM NON-DOMESTIC RATES

The Council collects business rates for its area based rateable values provided by the Valuation Office Agency (VOA) and multipliers set nationally by central government.

The business rate share payable for the 2016/17 financial year was estimated before the start of the year as £17.999 million to Government, £0.360 million to the Fire Authority and £17.638 million to the Council. These sums have been paid in 2016/17 and charged to the collection fund in year.

When the scheme was introduced central government set a baseline level for each local authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities received their baseline amount of funding. Tariffs due from authorities payable to central government are used to finance the top up payments to those councils who do not receive their baseline funding position via the local collection of business rates. In this respect Redcar and Cleveland Borough Council is a top up authority and received a top-up grant of £8.540 million in 2016/17 as a general fund grant to compensate for the difference between the two figures.

A further safety net or levy system acts to ensure that any local authority is protected from a net localised business rate yield of less than 92.5% of the baseline funding position. In these circumstances a local authority will receive a safety net grant. This grant is paid for by imposing a 50% levy on localised business rate receipts in excess of their baseline funding level. In 2016/17, the Council estimated that it would be due a safety net payment of £4.029 million before the start of the year, but due to a slightly improved position the actual grant payment is £3.904 million.

When determining the total NDR payable by a business, the Government specifies an amount which is shown in the table below and subject to the effects of transitional arrangements. Local businesses pay rates calculated by multiplying their rateable value by that amount.

2015/16 Pence		2016/17 Pence
48.0	NDR multiplier	48.4

NOTE 4 – NON-DOMESTIC RATEABLE VALUE

The total non-domestic rateable value at the year-end is shown in the following table:

2015/16 £000		2016/17 £000
116,955	Total NDR rateable value	115,571

NOTE 5 – INCOME FROM NON-DOMESTIC RATES

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

2015/16			2016/17	
£000	£000		£000	£000
		Estimated Income		
(116,955)		Gross Rateable Value	(115,571)	
48.0p		Multiplier (pence in the £)	48.4p	
	(56,138)	**Estimated Opening Debit**		**(55,936)**
		Actual Income		
(55,123)		Actual Opening charges payable	(54,580)	
	(55,123)			**(54,580)**
3,783		Reduced Assessments	13,862	
37		Transitional Protection	(71)	
2,714		Mandatory Relief	3,386	
379		Discretionary Relief	353	
26		Section 44A	(33)	
-		Interest Due	-	
-		Enterprise Zone	27	
	6,939			**17,524**
	(48,184)	**Actual Income Collectable**		**(37,056)**

The total income collectable from business rates payers was £37.056 million which was significantly lower than the budgeted position. This is due to a major manufacturer going into administration in 2015/16 and being granted a reduced assessment.

In addition to the local management of business rates, Councils are expected to finance appeals made in respect of rateable values as defined by the VOA and hence business rates outstanding as at 31st March 2017. As such authorities are required to make a financial provision for this amount as the qualifying obligation i.e. the appeal being made is in the past. Appeals are charged and provided for in proportion to the precepting shares. The total provision charged to the Collection Fund in 2016/17 was for £4.526 million with the Council's share in its Balance Sheet being £2.218 million.

NOTE 6 – MAJOR PRECEPTS AND COLLECTION FUND SURPLUS/DEFICIT

Details of the major precepts on the Collection Fund are shown in the following table for both council tax and business rates:

2015/16 Total £000		2016/17 Council Tax £000	Non-Domestic Rates £000	Total £000
7, 703	Cleveland Police & Crime Commissioner	7,969	-	7,969
3,104	Cleveland Fire Authority	2,716	360	3,076
23,697	Central Government	-	17,999	17,999
75,177	Redcar & Cleveland Borough Council	53,736	17,638	71,374
109,681		**64,421**	**35,997**	**100,418**

After precepts the Collection Fund is adjusted for provisions (bad debt for both council tax and NDR and appeals for NDR) and other costs.

The total value of the bad debt provision for the Collection Fund is £17.913 million (£6.124 million for council tax and £11.789 million for business rates) and has reduced by £0.631 million compared to 2015/16.

The total value of the appeals provision for the Collection Fund is £4.526 million (NDR only) and has reduced from £4.725 million in 2015/16.

After deducting the various costs from the income receivable, the share of the Collection Fund (surplus) or deficit is as follows.

2015/16 Total £000		2016/17 Council Tax £000	Non-Domestic Rates £000	Total £000
(113)	Cleveland Police & Crime Commissioner	(9)	-	(9)
50	Cleveland Fire Authority	(3)	(9)	(12)
4,400	Central Government	-	(456)	(456)
3,550	Redcar & Cleveland Borough Council	(55)	(446)	(501)
7,887		**(67)**	**(911)**	**(978)**

These amounts are not held within the Council's revenue balances but the individual authority share is now part of the Collection Fund Adjustment Account. The forecast surplus/deficit for 2016/17 reported as part of the budget setting report will form part of the preceptor payment for 2017/18 with the residual amount impacting on 2018/19.

NOTE 7 – 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.

Interest Due – Interest payable on overpayments due to reduced assessments. Interest rate notified to the Council annually (1% below bank rate in September the previous year). Due to the interest rate falling to 0.25% the Council has been notified that the interest rate for 2016/17 will be 0%.

Summons Costs – Costs raised at a time a summons is issued for unpaid rates, to cover administration costs.

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

East Cleveland Klondike
Grand Prix, Guisborough

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REDCAR AND CLEVELAND BOROUGH COUNCIL

Opinion on the Council financial statements

We have audited the financial statements of Redcar and Cleveland Borough Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Redcar and Cleveland Borough Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

- in our opinion the Annual Governance Statement does not comply with Delivering Good Governance in Local Government: Framework (2016);
- 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 the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Auditor’s Report

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

Respective responsibilities of the Council and the auditor

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

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

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General, we are satisfied that in all significant respects, Redcar and Cleveland Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed our work on an objection raised in relation to the Council’s financial statements for the year ended 31 March 2017. We are satisfied that these matters do not have a material effect on the financial statements or on our value for money conclusion.

Mark Kirkham
For and on behalf of Mazars LLP
Salvus House
Aykley Heads
Durham
DH1 5TS
29 September 2017

6. Glossary of Terms

Redcar Leisure & Community Heart

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, are 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 are 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.

HIGHWAYS NETWORK ASSET

A grouping of interconnected components, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Components include carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land.

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.

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.

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 a 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 precepting 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 venturer

(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 method 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.