Statement of Accounts 2022/23

Sunset on Redcar Beach

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1. Narrative Report

Councillor's Preface

Councillor Christopher Massey, PhD, Cabinet Member for Corporate Resources

The 2022/23 Statement of Accounts for Redcar and Cleveland Borough Council gives a detailed and comprehensive outline of the Council's finances.

As with other local authorities in the Country, Redcar and Cleveland Borough Council has dealt with several demand and inflation-led financial challenges during 2022/23 as well as seeking to deliver the four objectives of the Corporate Plan:

- Meeting resident's needs
- Investing for the long term
- Improving the physical appearance of the Borough and enhancing prosperity
- Tackling climate change and enhancing the natural environment

The financial accounts provide the context for the financial challenges in the next few years as the Country deals with the cost-of-living crisis and inflationary pressures. Following the May 2023 local elections there were changes to the Council's political leadership. Hence, these accounts provide a detailed overview of the Council's position under the previous administration. However, in the future, the Council will continue to work towards maintaining a level of financial resilience and will seek to ensure financial resources are effectively deployed.

Due to factors outlined above, the Council saw a significant overspend in 2022/23. This will need to be considered as part of the financial position for 2023/24 and the assumptions we make for future years to set an affordable and balanced budget

As in previous years, I wish to thank all our staff who have shown great commitment to meet the many challenges we have faced throughout recent years whilst supporting the delivery of the Council's priorities and administering its finances to the usual high standard.

Subject to Audit

Chief Finance Officer's Statement

Phil Winstanley – Director of Finance and Section 151 Officer

The 2022/23 financial year has brought with it a number of significant financial challenges. These challenges have arisen as a result of the after-effects of the Covid-19 pandemic, which has resulted in increased demand for our services, and as a result of the cost of living crisis, and escalating inflation pressures. These financial challenges will continue in 2023/24 and future years.

The Council's financial accounts show in comprehensive detail how the Council is funded and how the Council uses its resources to meet resident and business needs in the Borough. The Council's financial statements also provide an indication of the Council's financial health.

As we enter into 2023/24 the Council will face numerous financial challenges and opportunities which it will seek to embrace and address. These include:

- Delivering the Council's corporate priorities and serving a new Cabinet Administration.
- The delivery of an exciting capital investment plan including opportunities to deliver levelling up funding projects and regeneration projects in Eston, Redcar, Loftus and the wider Borough.
- Promoting economic development and regeneration in Teesworks as we support the creation of new businesses and economic activity – together with the jobs and skills this will create.
- Supporting the Borough as we experience a challenging cost-of-living crisis.
- Ensuring we maintain financial resilience in a very challenging financial environment, including the delivery of a very challenging Driving Change Savings programme.
- Ensuring we continue to put in measures which will support the Borough's determination to be carbon neutral and more environmentally sustainable.
- Looking at ways in which we can invest in updated waste collection and treatment solutions so we work in a more sustainable and efficient way.

The Council will continue to lobby the Government to ensure we get our fair share of funding for local government and look for opportunities to change the way we deliver services for the better. At the heart of this will be to ensure we stay financially resilient in the future.

As in previous years, I wish to thank all our staff who have shown great commitment to meet the many challenges we have faced throughout recent years whilst supporting the delivery of the Council's priorities and administering its finances to the usual high standard.

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Our Flourishing Future

The ambitions of Redcar and Cleveland's Corporate Plan were detailed in our corporate document, Our Flourishing Future. This represents a joined-up approach to the key priorities for the Council and the Borough of Redcar and Cleveland which was influenced by staff, elected Members and citizens of the Borough. It includes the vision and values for the Council and reflects our optimism for the future as well as underpinning organisational culture and the way we act as a Council. The Corporate Plan includes new ambitious priorities, through which the Council along with the community and partners will create a flourishing future for local people. These are:

- Tackling climate change and enhancing the natural environment
- Meeting residents' needs
- Improving the physical appearance of the Borough and enhancing prosperity
- Investing for the long-term

2022/23 has been a year dominated by the aftereffects of the pandemic and the Cost-of-Living Crisis. The Council's budget has been heavily affected by inflationary and demand pressures. However the Council have remained committed to deliver many aspects of its Corporate Plan.

- **Tackling Climate Change and Enhancing the Natural Environment: Achieving a carbon neutral borough by 2030; supporting nature & biodiversity; and improving recycling rates.**
  - The North East's first net carbon neutral road resurfacing scheme was complete in Redcar.
  - We now have solar panels on 14 Council buildings. This includes the panels recently installed on Redcar and Cleveland House, which during the summer often meant no electricity was required from the national grid at all. There are also solar installations on 16 schools across the Borough too.
  - We have doubled the amount of dedicated electric vehicle charging points for our fleet.
  - We have trialled Hydrotreated Vegetable Oil (HVO) in our fleet as an alternative fuel to diesel.
  - We are on track for almost 20% of our fleet to be zero or low carbon emissions by summer 2023.
  - We have bought and started planting more than 19,000 trees as well as thousands of bulbs across 32 locations. Starting in the Spring, a range of colourful flowers, attracting bees and butterflies will appear and be a fixture year on year.
  - The Council has supported the independent Redcar Town Deal Board to develop multi-million-pound plans to transform Redcar. As part of the Clean Energy Education Hub - an innovative training centre created with Redcar and Cleveland College - will help deliver the skills needed for our areas' growing green economy.

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- **Meeting Residents' Needs: Improving people's long-term physical health and well-being and boosting exercise opportunities; Taking more preventative actions and support to keep people safe and to enable more children and older people to live safely at home; and strengthening partnerships with schools and colleges to ensure young people's aspirations are raised and they receive better secondary school experience.**
    - We have provided opportunities for a wide range of young people to get on the career ladder at the Council, be it through the apprenticeship scheme which employed 31 people or through the Kickstart Scheme which provided 72 unemployed young people from the area with a paid work placement. The Youth Employment Initiative also supported its 1,000th young person into employment.
    - The Council has taken a number of positive steps to safeguard and care for children and young people including developing a range of follow-on accommodation for young people aged 16 and above who are leaving care or unable to live at home safely. We have also launched a social work academy to develop the next generation of social workers. Inspectors awarded a Good rating to our Health Visiting and School Nursing Service.
    - We have made progress in developing a supported living care community for older people with disabilities. This has included residents moving into 16 properties at Hummersea, Loftus – as well as starting with the construction of additional properties in the Kirkleatham Ward.
    - Our empowering Communities Team worked with charities and voluntary organisations to engage with more than 500 residents to support their mental well-being.
    - We became the first area in the Tees Valley to launch an award-winning scheme to give extra support to fostered children and their families. The Mockingbird programme aims to provide an extended family model for fostered children involving the kind of trips out, visits and sleepovers a child might receive in an extended family.
    - A total of 2,748 adaptions were made to people's homes to support and retain their independence and help them return home from hospital.
    - Some 262 people received support at the Meadowgate Centre, which helps people leaving hospital to regain independent living and a further 322 people received specialist support to remain at home after illness or a hospital stay.

Subject to Audit

- **Improving the Physical Appearance of the Borough and Enhancing Prosperity: Being more proactive in looking after the appearance of the Borough; delivering landmark projects to create jobs and improve quality of life; and creating an exciting and cultural visitor offer.**

    - Work has continued to transform Loftus as part of the multi-million-pound investment in the town. So far, Handale car park has been refurbished and the former Barclays Building in the Market Place has been restored to provide additional commercial space and accommodation. We have also started work on a new community facility at Duncan Place as well as progressing plans for the United Reform Church and Temperance Square.

    - The Festival of Thrift was held at Kirkleatham, bringing an estimated 50,000 visitors to the area.

    - The Regent Cinema opened its doors to the public in October to rave reviews, selling 4,600 tickets in the first nine days. The Regent, which has brought cinema back to the Borough, also won Building Project of the year at the Constructing Excellence North East awards.

    - More than 75% of apprenticeships ended with either a job, further training or education and 74 young people got a start on the paid work experience Kickstart programme.

    - Grangetown Employment and Training Hub celebrated its fifth year of helping people into work and training and initiated a new scheme. The Youth Shack is a three-week programme where young people take part in special volunteering and community projects.

    - The Council has worked with the Redcar Town Deal Board to develop multi-million plans to transform Redcar, which include creating an outdoor adventure play area, coastal activity hub adventure golf and a major leisure attraction.

Subject to

- **Investing for the Long-term: Ensuring community needs are better met; working to ensure the borough receives its fair share of resources; minimising the financial impact of the cost of living crisis on local people.**
    - A new school serving children across the Borough – and the entire Tees Valley – opened in Eston. The Progress School on Fabian Road offers specialist support.
    - Some 12,000 low-income households with about 6,000 children received a Household Support Fund payment prior to Christmas 2022, using government funding. This includes families with children that would be eligible for free school meals.
    - Following its restoration, Guisborough Town Hall opened its doors to the public, providing a prominent focal point in the heart of the town. The new facility offers visitor accommodation, information services and business space.
    - We cemented our place as a premier destination for world class cycling events, attracting thousands of people in the process. We welcomed the Tour Series back to Guisborough in May 2022 and followed this with successfully hosting the start of Stage 4 of the Tour of Britain in September 2022.
    - Our welfare rights team helped more than 1,900 residents receive an additional £4.9 million in benefits.
    - The Council opened and improved the offer of dozens of community venues, including libraries, to the public with a range of activities, hot drinks and snacks, to help ensure everyone stayed warm this winter.
    - We supported 669 unpaid carers with respite and also other support to help them continue in their caring role.
    - During 2022, we registered 2,671 children and their families with our Family Hubs (a 57% increase from 2021). A total of 1,465 individual children and young people registered with and accessed our youth club sessions across the Borough and there were 15,751 attendances at our youth club sessions, compared to 2021.
    - Total spend with suppliers with a postcode in Redcar and Cleveland in 2022/23 was more than £42.000 million.

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Council Performance

To deliver the new Corporate Plan, we have implemented several overarching strategies which we are now preparing to implement:

- Assets strategy – recognising the need to reduce our assets base to improve the offer to local people from multi-functional space, reduce our office space (on the back of successful agile working), reduce running costs, cut carbon emissions, and reduce on-going maintenance costs.

- Digital strategy – allowing more people to readily access more Council services online, 24/7, supporting staff and Members to work remotely and cut down on travel time spent and fuel from travelling between meetings, and supporting a healthier work-life balance. We are also progressing plans for delivering a new Council website that will make it easier for people to access services whenever convenient to them.

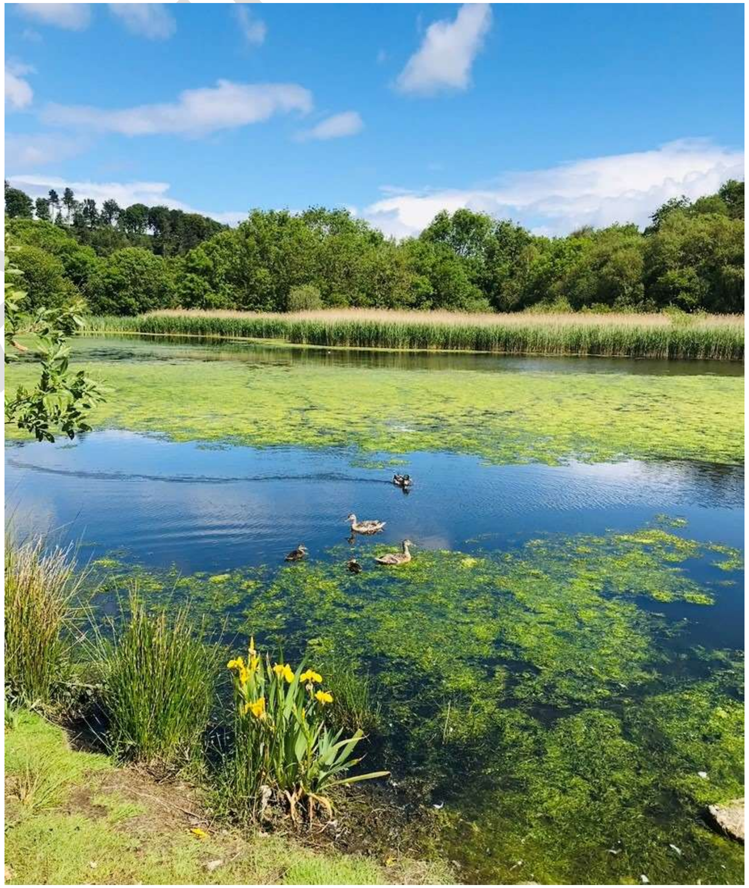
- Climate change strategy – to deliver our carbon neutral commitment by 2030.

- Medium-Term Financial Strategy (MTFS) – a balanced budget was set in February for 2023/24 and the Council are making plans for the next five-year period from 2024/25.

Revenue Spending 2022/23

The Council's revenue budget for 2022/23 was £114.947 million which was resourced by the following funding sources:

Council Budget Summary	2022/23 £m
Revenue Support Grant	7.704
Council Tax Income	61.523
Adult Services Levy	8.586
Business Rates Income	37.134
Sub Total	**114.947**



The 2022/23 revenue budget was based upon the following key parameters:

- A freeze on Council Tax.
- An Adult Social Care Precept increase of 2.00%.
- Additional investment in our services of £7.551 million
- Driving Efficiencies Programme of £2.850 million.

The Council's revenue budgets are allocated across operational budget managers, who receive support from colleagues in the Finance Function to manage and control the financial position. The Council's Directorate Management Teams and the Executive Management Team are regularly reported to regarding the financial position and a quarterly financial report is taken through to Cabinet. Any significant financial pressures which are identified as recurring are reflected in the ongoing Medium Term Financial Strategy of the Council.

Subject to Audit

How the Council is Funded and How It Performed in 2022/23

The Council's original revenue budget with actual expenditure is summarised below.

Directorate	Revised Budget £m	Actual Outturn £m	Year-end Variance £m	Q3 Forecast Full Year Variance £m
Adults and Communities	48.980	44.914	(4.066)	(2.261)
Children and Families	42.197	52.201	10.004	9.216
Growth, Enterprise and Environment	34.247	34.752	0.505	0.177
Resources	6.662	6.730	0.068	0.335
Corporate Allocations	(17.139)	(19.010)	(1.871)	(1.546)
Total	114.947	119.587	4.640	5.921

How the Council is Funded and How It Performed in 2022/23

The revenue budget outturn position for the 2022/23 was an overspend of £4.640 million.

For the original budget setting process in 2022/23, local authority funding requirements were assessed as part of the outcomes of the Comprehensive Spending Review in October 2021. The Comprehensive Spending Review, at the time, expected the rate of the Consumer Prices Index (CPI) to peak at 4% in 2022. However, inflation has in fact been much higher than this projection due a variety of external factors. CPI rose by 10.1% in the 12 months to March 2023 and was at a 41-year high in October 2022, of 11.1%. This has had an impact in terms of the prices the Council pays for construction and service contracts. The Council has also experienced significant energy and fuel cost inflation. Finally, the Council's local government pay award was higher than the 2% budgeted increase assumed in 2022. As a result, the Government's 2022/23 funding allocations did not cater for the excess levels of cost inflation experienced in 2022/23.

In response to growing inflation the Bank of England base rate has risen on thirteen consecutive occasions, which has contributed to higher interest rates for borrowing which the Council needs to use to fund the Capital Investment Programme. The impact of this is to increase the capital financing costs of the Council compared to budgeted assumptions for future years when the 2022/23 budget was set. The Council has tried to minimise the requirements for prudential borrowing to fund the capital programme in 2022/23 and future years. During the first six months of 2022/23, the Council was able to refinance much of its short-term borrowing and lock-in interest rates before they rose significantly during Quarters two to four of 2022/23.

There remains increasing demand for some services which has been influenced by the aftereffects of the COVID-19 pandemic and cost of living pressures. These additional demands relate to children social care costs and home to school transport costs for children who attend specially commissioned educational placements outside of mainstream school. These demands have effectively costed more than the original budget throughout the financial year.

The reasons for the variances per Directorate are:

- **Adult and Communities – Underspend of £4.066 million**
    - The Directorate have achieved an underspend of £4.066 million due to the implementation of a number of one-off measures to support the overall financial position of the Council. However, many of these measures will not recur in 2023/24.
    - The Directorate's adult social care team have had numerous challenges during the year supporting the delivery of a backlog of case assessments which needed to be undertaken to identify suitable care packages for adult social care customers. The Directorate has also faced difficulties in recruiting to front-line posts. This has resulted in an underspend on staffing costs of around £1.000 million.
    - The Directorate underspent on the provision of Homecare services during the year by £1.350 million. This was in part due to supplier staffing shortages in delivering the provision of Homecare services, difficulties in identifying the preferred care package for adults in a

Subject to Audit

timely manner and delays in providing adults with a care assessment due to staffing shortages. The Council was able to maximise the level of external funding received from the NHS, to fund some care packages, which also contributed to the year-end position.
  - Within Public Health, the Service has successfully identified opportunities to draw in one-off specific grant funding to fund specific services and identified options to redirect funding to mitigate wider financial pressures in the Council's revenue budget (£0.986 million). Recurring savings have been achieved in the current public health joint arrangements and one-off staff savings have been made due to the recruitment freeze - both totalling £0.723 million.

- **Children and Families**: **– Overspend of £10.004 million**
  - The Directorate has had to manage some severe financial pressures during the year which have had a large influence on the medium-term financial strategy for 2023/24 to 2027/28 and the level of financial resource which is targeted into these service areas. These pressures relate to children in our care and home to school transport.
  - A Staffing overspend of £1.890 million occurred due to the cost of the 2022/23 pay award, the costs of recruiting more expensive agency children social workers to backfill vacancies in hard-to-recruit social care positions and other service team overspend pressures. In particular, a dedicated agency social worker team was employed to tackle a significant rise in the number of caseloads requiring resolution. The Council have sought to mitigate these agency cost pressures moving into 2023/24 by investing in a social worker academy programme to encourage new entrants into the social work profession.
  - The Council's budget for children in our care overspent by £6.780 million. This is split out across the different placement types available within this service. The most significant element of the overspend related to residential placements which overspent by £4.593 million in 2022/23 and has risen significantly since the 2023/24 Budget was consulted upon and approved. The average annual cost of these types of placements is £0.251 million per placement, and there were 43 children in this type of care provision at the end of March 2023. This needs to be considered against a budget which would have catered for 32 children being ordinarily placed in this type of accommodation. This overspend includes the costs of providing supported accommodation to young people aged between 16 and 18. This overspend has been magnified by the need to place some children in care placements where additional supervisory staffing is required to ensure the child's safety. These placements have resulted in a significant rise in forecast outturn as an additional premium has had to be agreed with the provider to facilitate these exceptional requirements.
  - The Children in our Care budget also overspent by £1.017 million in relation to rising demand for placements and associated allowances paid to friends & families who look after children in our care, and special guardianship arrangements for those children who would otherwise have been in our care. In addition, the Council's budget for foster care provision is overspent by £0.529 million, due to rising demand and associated allowances paid to carers for children based on a child's age and domiciliary requirements.
  - The high demand and increasingly complex nature of children's social care caseload resulted in higher demands placed upon the Council's legal services budget, which overspent by £0.726 million in 2022/23. These extra costs were because of the rising number of children in our care cases requiring court judgment, and the associated need to pay for additional disbursement costs associated with children in care legal proceedings.
  - The budget for Home to School Transport overspent by £1.216 million due to costs of fuel resulting in the need to pay a supplementary fee uplift to some transport providers during the financial year and the requirement to lay on more transport routes due to an increasing number of children attending education placements outside of their mainstream school placement.

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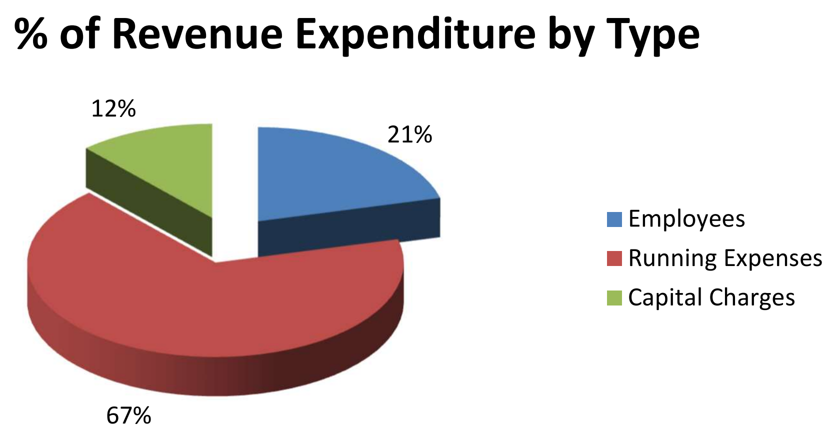
- **Growth, Enterprise, and Environment – Overspend of £0.505 million**
  - The Directorate's overspend position has been driven by a number of cost pressures. Excessive inflation on utilities resulted in cost pressures of around £0.300 million. The Engineering Service has incurred some additional one-off costs due to highway winter maintenance pressures, one-off professional fees in relation to an incident and other general safety costs (£0.127 million).
  - The Council's Fleet Service incurred additional inflationary fuel pressures of £0.400 million, additional fleet hire costs of £0.200 million and additional spare part costs of £0.100 million (arising from delays in the capital acquisition of new fleet vehicles).
  - The Directorate also incurred an overspend in relation to Streetscene services of £0.185 million and other income shortfalls.
  - Offsetting these overspend pressures, the Planning Service achieved a higher than budgeted income target of £0.413 million; and a rebate was received on the contribution made to TVCA for Concessionary Fares of £0.475 million.

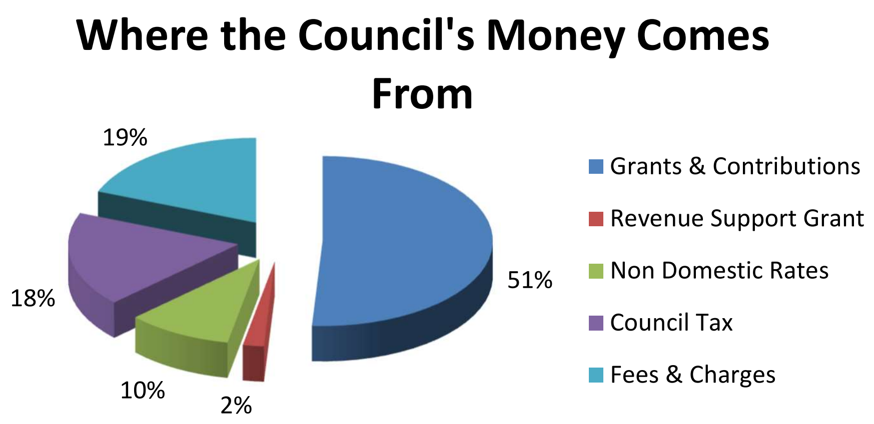
- **Resources**: **– Overspend of £0.068 million**
  - The overspend was caused primarily by the impact of the pay award (£0.400 million) and utility cost pressures in some of the Council's commercial properties (£0.320 million). However, these overspends were offset by rebate income from NEPO more than budget (£0.124 million), staff & supplier savings in IT (£0.230 million), grant income to deliver democratic support functions of the Police Crime Commissioner (£0.100 million), property management savings (£0.100 million) and SLA school income (£0.050 million).

- **Corporate Allocations**: **– Underspend of £1.871 million**
  - The year-end underspend has arisen in part due to a centrally held general inflation provision of £0.950 million which is offsetting the inflationary pressures relating to fuel and utility, which were faced during 2022/23 and will continue into 2023/24.
  - The Council also achieved some net budget savings due to rises in interest rates and the fact increased interest yield on cash balances resulted in additional income of £0.635 million more than the budget (which was based on ultra-low rates of interest), which are offset by the impact of rising costs of borrowing resulting in higher capital financing costs of £0.282 million on new borrowing incurred during 2022/23.
  - As part of the 2023/24 Finance Settlement, the Government has distributed £100m across English local authorities from the Business Rates Levy Account in 2022-23 based on an overall national excess of business rates levy income over and above what has needed to be used to fund safety net funding to local authorities. There were no distributions from either the 2020-21 or 2021-22 levy accounts. The funding was accrued in the 2022/23 financial year and the Council's share of this is £0.302 million, which was used to support the Council's challenging financial position for 2022/23.

Subject to Audit

This chart shows that most expenditure incurred by the Council relates to running expenses (67%), this includes premises, transport and external supplies and services.





Only 18% of the Council's funding comes from local council taxpayers and 10% from localised business rates. Much of the remainder of the Council's funding comes in the form of specific grants from Central Government and other public sector bodies of 51%.

How the Council is Funded and How It Performed in 2022/23

Medium Term Financial Strategy (MTFS)

In February 2023, the Council approved a five-year medium term financial plan between 2023/24 and 2027/28.

A key commitment underpinning the delivery of the Council's priorities within the Corporate Plan has been a focus on financial resilience and sustainability. This principle has been adopted in the current MTFS, seeking to fund permanent commitments on a permanent basis to promote sustainability, and to protect and replenish reserve levels where appropriate to improve resilience. Alongside this we have also sought to maximise the external funding opportunities available to fund our Capital Investment Programme, helping to achieve our growth and regeneration aspirations, and invest in the infrastructure needed to deliver our services, whilst also helping to manage the Council's borrowing requirements and the call on the revenue budget for the associated repayment and interest costs.

The 2023/24 budget was set based on raising Council Tax for 2023/24 by 1.99% and increasing the Adult Social Care precept by 2%. The Budget was based on the second year of the Government's multi-year Comprehensive Spending Review, which covered a three-year period from 2022/23 to 2024/25. In December 2022, the Government announced a one-year local government finance settlement. As part of this settlement, the Government provided additional social care funding to support the rising costs of these service areas.

Additional budgetary allocations for rising budgetary pressures and service investment were made for £22.836 million in 2023/24. This included allocations for adult social care cost pressures, general demand pressures, children social care pressures, utility inflation, fuel inflation, additional costs to provide home to school transport provision, an estimated 4% pay award, additional waste management price costs and changing funding streams.

Driving change savings have had to be found of £6.408 million in 2023/24 and a further £2.432 million in 2024/25. These savings cover a range of areas including buildings & accommodation, changing how we deliver services, invest to save measures to reduce carbon emissions, increases in fees & charges, changes to contractual arrangements and improving business efficiency.

The Council's fees and charges for 2023-24 were also approved by Full Council in February 2023. The planned income increases from the fees and charges approved will help to support the 2023/24 budget.

As part of the approved MTFS, the Council updated its Capital and Treasury Strategy including the approval of an updated Capital Investment Plan and a refreshed policy for the amount set aside to repay debt on an annual basis – the Minimum Revenue Provision.

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The Council's MTFS is summarised below as reported in February 2023:

Council Budget Summary	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Revenue Support Grant	8.711	8.929	9.107	9.290	9.475
Council Tax Income	63.577	67.111	69.210	71.242	73.342
Adult Services Levy	10.078	10.912	11.785	12.670	13.588
Business Rates Income	43.953	45.549	48.199	50.303	51.301
Sub Total	**126.319**	**132.501**	**138.301**	**143.505**	**147.706**
Education Funding	42.014	42.014	42.014	42.014	42.014
Housing Benefit Funding	34.206	33.000	33.000	33.000	33.000
Fees & Charges	17.431	18.906	19.281	19.581	19.881
Grants & Other Funding	81.537	83.498	83.498	83.498	83.498
Sub Total	**175.188**	**177.418**	**177.793**	**178.093**	**178.393**
Total Council Funding	**301.508**	**309.918**	**316.094**	**321.596**	**326.100**
Education Budget Allocation	42.014	42.014	42.014	42.014	42.014
Housing Benefit Payments	34.206	33.000	33.000	33.000	33.000
Base - Council Pay & Non-Pay Budget	211.389	229.293	236.859	243.379	249.379
Service Investments	22.837	9.623	6.284	5.894	4.664
Budget Reductions	(6.408)	(2.432)	(0.065)	(0.195)	(0.120)
Total Council Expenditure	**304.038**	**311.498**	**318.092**	**324.092**	**328.937**
Net Revenue Position	2.530	1.580	1.998	2.496	2.837

Subject to Audit

Capital Spending 2022/23

Spending on capital projects enhances the Council's assets, enables improved service delivery, and secures essential infrastructure. Capital expenditure can vary considerably between years depending on the way the projects are planned to be delivered. The Programme is financed in such a way as to even out the cost to council taxpayers and spread it over the life of the asset being used. Capital expenditure during the year 2022/23 amounted to £36.289 million (2021/22 - £31.459 million) compared to a budget of £32.601 million, and overspend of £3.688 million (11%).

The investment has been across a range of schemes and categories including:

- £8.570 million - Town Scape Investment - the majority of the spend is for the delivery of Loftus Future High Street and Redcar Town Deal projects. These are predominantly grant funded.

- £2.096 million - Visitor Attractions & Amenities – these capital costs are mainly in relation to the investment into the Cleveland Ironstone Mining Museum and Eston Sports Village.

- £2.221 million - Business Infrastructure - this is mainly for the improvements at Coatham including the new car park and other leisure activities.

- £5.626 million – Transport Infrastructure - these investments have been on the maintenance and replacement of highways assets including roads, cycle paths, bridges and drainage systems.

- £2.864 million - Education – capital costs associated with the construction of the extension to Kirkleatham Hall School and investments into school estates.

- £10.096 million – Council Investments – capital cost for the termination of the Office PFI contract, investments relating to the cost of maintaining and replacing council assets and information technology improvements.

In addition to the above capital investment categories, we also invested in our recycling and waste initiatives and adaptations and energy efficiency measures in residents' homes.

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

Subject to Audit

The following table details the capital schemes for the financial year 2022/23:

Capital Spend by Cluster	2022/23 £'000
Town Scape Investment	
Public Realm	197
Redcar Central Station	281
East Cleveland Town Centre Revival	156
Saltburn Town Centre Revival	567
Guisborough Town Centre Revival	(6)
Loftus Future High Street	2,672
Redcar Town Deal	4,425
LUF Connecting People and Place	9
Boroughwide High Street Support	169
Parks & Play Equipment	27
Levelling Up Parks Improvement	9
Kingsley Field	63
Skinningrove Coastal Protection	1
	8,570
Visitor Attractions & Amenities	
Welcome to Redcar & Cleveland Grants	77
Cleveland Ironstone Mining Museum	1,239
Regent Cinema Development	86
Guisborough Town Hall Gateway Project	37
Eston Sports Village	657
	2,096
Business Infrastructure	
Coatham Leisure – Phase 1	2,194
Industrial Estates Programme	27
	2,221
Transport Infrastructure	
Block Allocation – Local Transport Plan	1,106
Hightways – City Regional Sustainable Transport Settlement Allocation	2,234
Highways Innovation Fund	370
Environment Assets	106
Eston to South Bank Cycleway	379
Swans Corner & Flatts Lane Traffic Improvements	1,431
	5,626
Housing	
Green Homes	1,761
	1,761

Capital Spend by Cluster	2022/23 £'000
Supported Housing	
CSDP Adaptations	133
Aids & Adaptations	600
Disabled Facilities Grant	1,663
	2,396
Community Capacity	
Investment in Leisure Centres	-
4G Pitch – R&C College	250
	250
Recycling & Waste Initiatives	
Recycling Initiatives	155
Purchase of Refuse Bins	122
Procurement of Waste Facility	132
	409
Education	
School Estate Investment	742
Devolved Formula Capital at LEA Level	201
Kirkleatham School Expansion	1,751
A Special Free School for the Tees Valley in Grangetown	4
Churchview	33
Moving on Accommodation	101
The Ridings - Renovation	32
	2,864
Council Investments	
Business Premises Improvements	484
Purchase of Vehicles (Fleet Replacement)	1,321
Climate Strategy	161
Information Technology Improvement Projects	1,153
PFI Lifecycle Costs	580
PFI Office Termination	5,534
Changing Places	16
Asset Management – Capitalised Repairs	847
	10,096
Total Expenditure	36,289

Subject to Audit

Future Capital Programme

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

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

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

Cluster	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Townscape Investment	27.793	20.196	311	100	100
Visitor Attractions & Amenities	8.729	4.382	-	-	-
Business Infrastructure	4.540	-	-	-	-
Transport Infrastructure	6.280	5.419	5.419	4.969	3.419
Housing	190	-	-	-	-
Supported Housing	2.398	2.390	2.290	2.090	2.090
Community Capacity	295	-	-	-	515
Recycling & Waste Initiatives	470	100	100	100	100
Education	654	225	225	175	175
Council Investments	6.386	4.426	4.485	4.490	4.490
Total	**57.735**	**37.138**	**12.830**	**11.924**	**10.889**

Subject to Audit

Statement of Financial Accounts

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

Movement in Reserves Statement (MIRS): This statement shows the change in the different types of reserves held by the Council over the financial year (see page 32). These reserves can be analysed into usable reserves, those that can be applied to fund future expenditure or to reduce taxation, and other unusable reserves, held for statutory accounting purposes (see Note 34, page 118).

Comprehensive Income and Expenditure Statement (CIES): This statement records all the gains and losses experienced by the Council during the financial year and highlights an annual total increase in the net worth of the Council of £204.736 million. The primary purpose of the statement is to record revenue income and expenditure, including operational running costs such as employee costs, and supplies & services, and is financed from a combination of council tax, business rates, Government grants and other income. The CIES provides a breakdown over the reporting segments that the Council operates and makes decisions on during the year.

There is a deficit of £45.971 million on the CIES for the net cost of providing the Council’s day to day revenue services. This includes various technical adjustments required by accounting standards such as capital accounting, pensions accounting and collection fund regulatory changes. Most of these technical adjustments are not chargeable against the funding from taxpayers and are excluded from the analysis of how the Council has performed against its revenue budget. When gains relating to pension fund performance of £234.990 million and gains relating to capital assets of £15.717 million are added back in, the net increase in the value of the Council balance sheet for the financial year is £204.736 million.

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 2022/23 financial year (31 March 2023) is shown in the table below:

Balance Sheet	2021/22 £m	2022/23 £m	+/- £m
What the Council Owns	319.1	315.3	(3.8)
What the Council is Owed	46.2	136.9	90.7
Total Assets of the Council	**365.3**	**452.2**	**86.9**
What the Council Owes	(442.3)	(324.5)	117.8
Council Reserves	**(77.0)**	**127.7**	**204.7**

The Council has a positive equity balance sheet on 31 March 2023. This means that assets are more than liabilities by £127.721 million. This is significantly different from the prior year due to there now being a surplus on the Pension Fund Liability (see what the Council is owed and Note 36 (page 127) in the Statement of Accounts disclosure notes for more details).

As the pension fund surplus reflects all the possible pension commitments payable to employees over many decades, the commitment to pay pensions will not crystallise at any one point in time and can be managed as part of the pension fund investment strategy. The pension fund is underpinned by financial investment assets which fluctuate in financial value. A better indicator of the financial health of the Council is the level of usable and earmarked reserves which are at £42.748 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	2021/22 £m	2022/23 £m	+/- £m
Property, Plant & Equipment	277.4	278.4	1.0
Heritage Assets	0.6	0.6	-
Investment Properties	11.3	12.3	1.0
Assets Held for Sale	0.1	-	(0.1)
Cash & Cash Equivalents	15.3	11.1	(4.2)
Long-term Investments	12.5	10.5	(2.0)
Others	1.9	2.4	0.5
Total	**319.1**	**315.3**	**(3.8)**

The value of what the Council owns is similar to the 2021/22 position.

What the Council is owed

Balance Sheet	2021/22 £m	2022/23 £m	+/- £m
Short Term Debtors	43.9	47.9	4.0
Long Term Debtors	2.3	1.7	(0.6)
Short Term Investments	-	5.0	5.0
Net Pension Asset	-	82.3	82.3
Total	**46.2**	**136.9**	**90.7**

The main movements relate to the Net Pension Asset previously highlighted as this is now an asset rather than a liability. Note 36 gives further details in relation to the Council's pension fund 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 triannual valuation was completed as at 31 March 2022.

Subject to Audit

Balance Sheet

What the Council Owes

Balance Sheet	2021/22 £m	2022/23 £m	+/- £m
PFI and Leases – Long Term	(47.4)	(42.4)	5.0
Pensions Liability	(130.6)	-	130.6
Short Term Creditors	(59.4)	(49.0)	10.4
Provisions	(6.7)	(4.2)	2.5
Short Term Borrowing	(41.4)	(30.9)	10.5
Long Term Borrowing	(146.1)	(186.2)	(40.1)
Other	(10.7)	(11.8)	(1.1)
Total	**(442.3)**	**(324.5)**	**117.8**

The Council now has two private finance schemes in operation following the termination of the Office Accommodation PFI contract in February 2023. The outstanding debt in relation to these schemes are being repaid over the life of the individual contracts. Further details are given in Note 23.

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.

The Council has increased its total borrowing by £29.651 million. This is due to the in-year requirement from the Capital Investment Plan and the use of reserves. Within the borrowing portfolio the Council has continued to reduce the risk on short-term borrowing by locking in rates by taking out longer term loans. This reduces the interest rate exposure which is essential given the interest rate rises that have occurred as well as further anticipated increase. Further details are provided in Note 32.

Council Reserves

Balance Sheet	2021/22 £m	2022/23 £m	+/- £m
Schools Balances	(2.4)	(2.4)	-
Business Rates Relief	(3.1)	-	3.1
Usable Reserves	(47.5)	(40.3)	7.2
Unusable Reserves	130.0	(85.0)	(215.0)
Total	**77.0**	**(127.7)**	**(204.7)**

The Council's usable reserves are made up of several earmarked reserves, which are planned to be used over the next few years for specific areas of required spend and general balances. The earmarked reserves held by the Council at the 31 March 2023 have reduced from the 2021/22 balances. This is due to an overspend position of £4.640 million which has to be funded from reserves and other planned drawdown of reserves.

Unusable Reserves are used to account for all the technical accounting adjustments that must 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 Council's pension asset.

Subject to Audit

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 deficit of £6.630 million with £2.028 million deficit attributable to council tax and £4.602 million deficit in relation to business rates.

The deficit on council tax is mainly due to the increase in the bad debt provision required due to a reduction in the collection rate. For business rates the deficit is due to a higher deficit carried forward from 2021/22 than forecast, a drop in rateable value, additional reliefs which will be funded by central government offset by a reduction in the appeal provision. Within both the deficits for council tax and business rates there is the balance brought forward from 2021/22 of £1.459 million which will be funded in 2023/24. This is following the Government providing exceptional dispensation to local authorities to spread the impact of the 2020/21 deficit across a three-year period between 2021/22 to 2023/24.

The budget for 2022/23 was based on an increase in council tax with the Band D equivalent amount for 2022/23 being £1,739.97 per annum (including the social care levy). The addition of the Cleveland Police and Crime Commissioner and Cleveland Fire Authority spending requirements resulted in a total Band D Council Tax of £2,097.56 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 £85.200 million. Total income on council tax for 2022/23 was £86.659 million. 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 allows the Council to retain a proportion of the total business rates income received. Redcar & Cleveland's share is 49% with the remainder paid over to precepting bodies (Central Government 50% and Cleveland Fire Authority 1%). The total income collectable from business rates payers was £32.134 million.

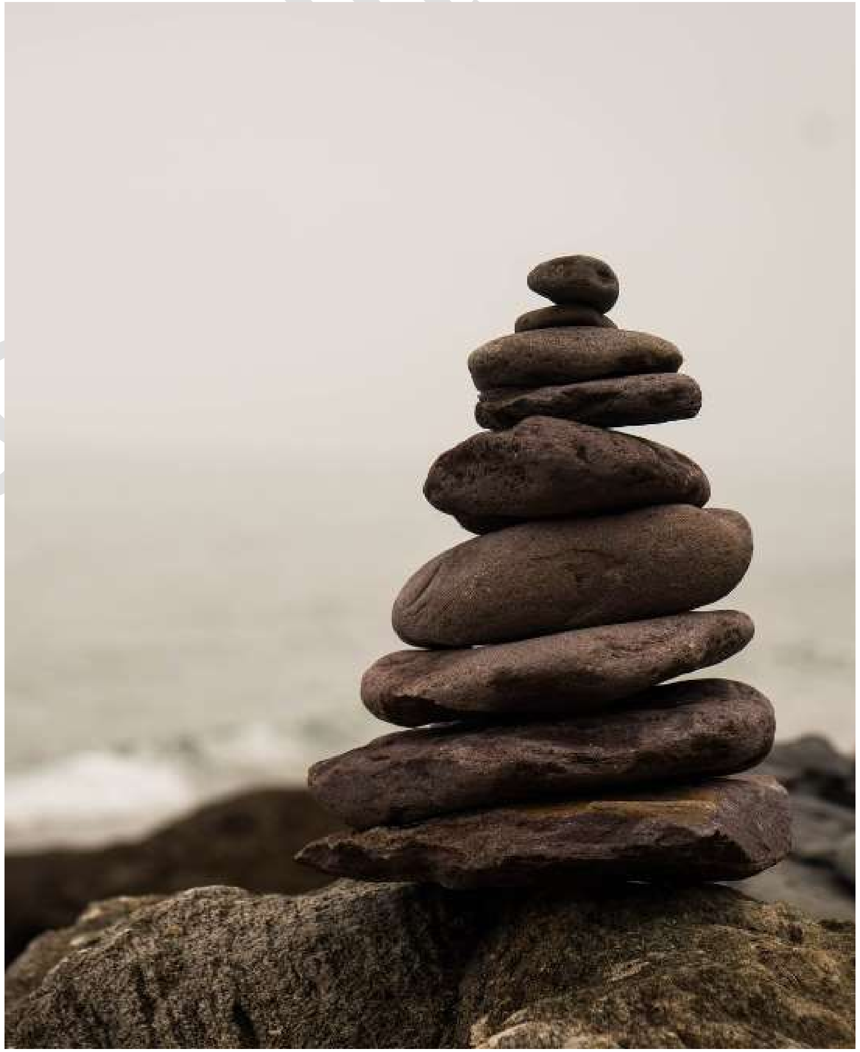
Subject to Audit

Pensions (See Page 127)

The Council participates in the Local Government Pension Scheme (Teesside Pension Fund), administered by Middlesbrough Council. Retirement benefits are recognised when they are earned rather than when they are paid out. The value of future retirement benefits is professionally valued by an actuary resulting in either an asset or liability for the Council. At the 31 March 2023, the pension scheme valuation has resulted in a pension scheme asset and a pension reserve of £82.338 million is included in the balance sheet. This asset impacts on the Balance Sheet value and is a key factor in creating a net worth (total assets greater than total liabilities) of £127.721 million.

Whilst this pension asset suggests a significant surplus between the forecast cost of future pensions and the level of assets held in the fund, it should be noted that valuation is subject to fluctuations in the state of stock markets and expectations around the level of inflation and interest rates. At 31 March 2022, the scheme was valued to be in deficit of £130.557 million. The most recent valuation has produced a significant movement from liability to asset, which is due to the changes in interest and discount rates used in the valuation. Continuing changes in economic conditions may result in a reduction in valuation in future years and a change from asset to liability.

The Pension Scheme has a long-term investment strategy in place to address the funding level requirements over a 20-year period, based on an appropriate level of employer's contributions to the fund. In addition, assumptions are reviewed regarding inflation levels, bank interest rates and the global economic outlook. On a three-yearly basis, the Teesside Pension Fund undertakes a Triennial Revaluation to review and determine the required level of employer pension fund contributions to be made by the Council on behalf of its employees.



Areas with Significant Financial Implications

Treasury Management

The Council borrows money to fund its Capital Investment Programme and operates within its own prudential limits set in accordance with the CIPFA Prudential Code for Capital Finance. This is seen as best practice in relation to local authorities and their treasury management activities. As at 31 March 2023, the Council's Capital Finance Requirement (the underlying need to borrow) was £266.265 million and its external debt was £260.070 million (this includes the outstanding PFI and 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 historically been addressed via internal borrowing, but due to the low level of liquidity the Council is currently maintaining, this is becoming harder to sustain.

The Council is currently under-borrowed by £6.195 million. This is 2% of our Capital Financing Requirement of £266.265 million or our underlying need to borrow for capital purposes.

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

Our People

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

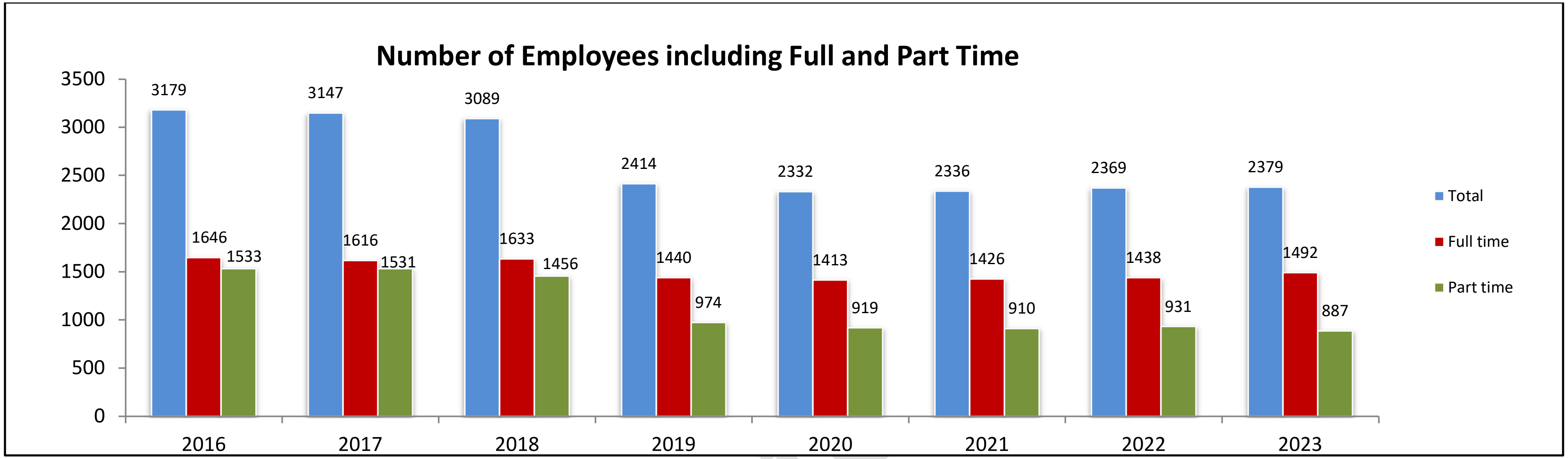
During 2022/23, the Redcar and Cleveland Management Team was made up of a Managing Director and three Corporate Directors, responsible for the leadership of four Directorates. These were Resources; Children and Families; and Adults and Communities; and Growth, Enterprise and Environment.

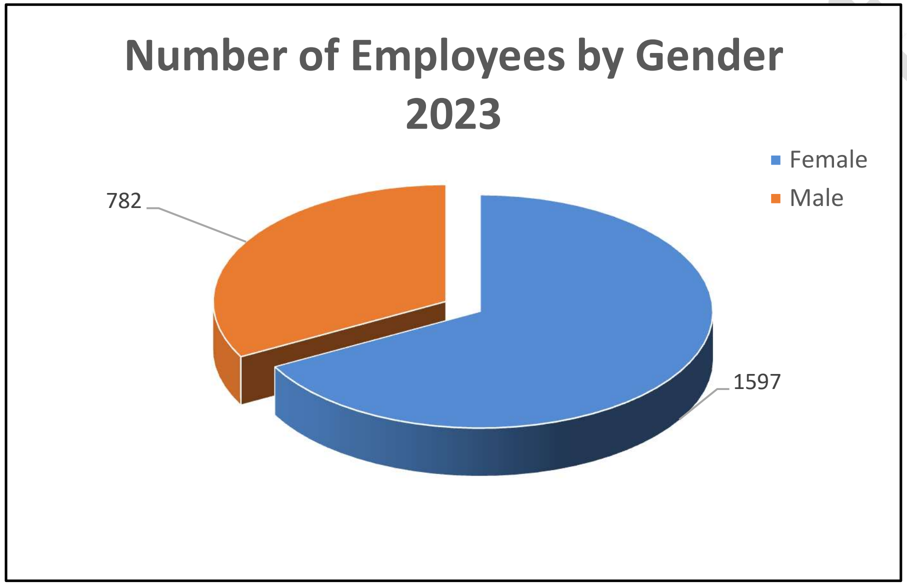
The Directors are joined by three other senior officers to form the Council's Executive Management Team (EMT), ensuring that the following corporate responsibilities are also represented; Head of Marketing and Communications, Governance Director (Monitoring Officer) and the Director of Finance (S151) Officer.

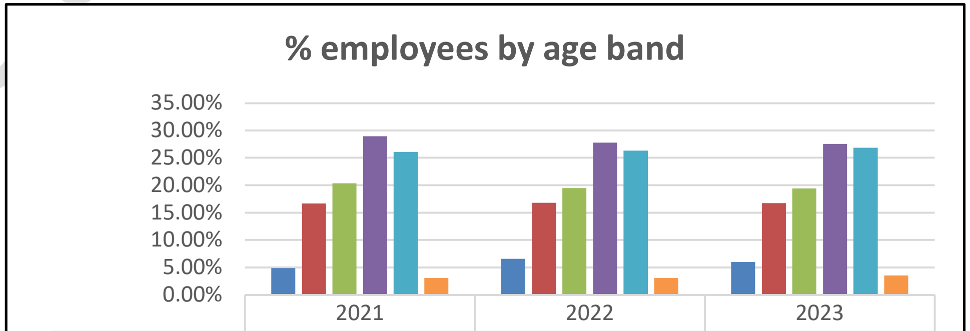
EMT are responsible for translating the Council's policies and plans (Our Flourishing Future) into action. They also lead and encourage staff to develop services and improve delivery for the people of Redcar & Cleveland. Meeting regularly, EMT develops new policy, reviews, and challenges performance,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

INVESTORS IN PEOPLE | Gold

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







	2021	2022	2023
Below 25	4.88%	6.59%	5.97%
Between 25 - 34	16.70%	16.80%	16.73%
Between 35-44	20.38%	19.46%	19.42%
Between 45 -54	28.93%	27.77%	27.53%
Between 55 -64	26.07%	26.30%	26.82%
65+	3.04%	3.08%	3.53%

Subject to Audit

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Director of Finance (Section 151 Officer).

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- Approve the Statement of Accounts.

Director of Finance (Section 151 Officer Responsibilities

The Director of Finance (Section 151 Officer) 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 Director of Finance (Section 151 Officer) has:

- Selected suitable accounting policies and then applied them consistently.

- Made judgements and estimates that were reasonable and prudent.

- Complied with the Code of Practice.

The Director of Finance (Section 151 Officer) 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 2023 and for its income and expenditure for the year ended 31 March 2023.

Phil Winstanley
Director of Finance (Section 151 Officer)

Signature:- P.A. Winstanley

Date: 30.06.2023

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Governance Committee at the meeting held on XX XX 2023.

Councillor Carole Morgan
Chair of the Governance Committee

Signature:-

Date:-

2. Core Financial Statements

Saltburn

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.

2022/23	General Fund Balance £000	Other Earmarked Reserves £000	Revenue Reserves Earmarked Reserves – Collection Fund Timing Difference £000	School Reserves £000	Capital Reserves Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Council Reserves £000**
Balance at 31 March 2022	**(5,747)**	**(36,971)**	**(3,085)**	**(2,404)**	**-**	**(4,735)**	**(52,942)**	**129,957**	**77,015**
Movement in reserves during 2022/23									
Total Comprehensive Income and Expenditure	45,971	-	-	-	-	-	45,971	(250,707)	**(204,736)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	(36,488)	-	-	-	-	711	(35,777)	35,777	-
Net (Increase)/Decrease in 2022/23 before transfer into other reserves	**9,483**	**-**	**-**	**-**	**-**	**711**	**10,194**	**(214,930)**	**(204,736)**
Transfers to/(from) other reserves	(9,483)	6,400	3,085	(2)	-	-	-	-	-
Net (Increase)/Decrease in year	**-**	**6,400**	**3,085**	**(2)**	**-**	**711**	**10,194**	**(214,930)**	**(204,736)**
Balance at 31 March 2023 carried forward	**(5,747)**	**(30,571)**	**-**	**(2,406)**	**-**	**(4,024)**	**(42,748)**	**(84,973)**	**(127,721)**

Subject to Audit

Movement In Reserves Statement

2021/22	General Fund Balance £000	Other Earmarked Reserves £000	Earmarked Reserves – Collection Fund Timing Difference £000	School Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Council Reserves £000**
	Revenue Reserves				Capital Reserves				
Balance at 31 March 2021 brought forward	**(5,203)**	**(26,504)**	**(6,718)**	**(2,974)**	**(248)**	**(4,327)**	**(45,974)**	**258,124**	**212,150**
Movement in reserves during 2021/22									
Total Comprehensive Income and Expenditure	(325)	-	-	-	-	-	(325)	(134,810)	**(135,135)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	(6,484)	1	-	-	248	(408)	(6,643)	6,643	-
Net (Increase)/Decrease in 2021/22 before transfer into other reserves	**(6,809)**	**1**	**-**	**-**	**248**	**(408)**	**(6,968)**	**(128,167)**	**(135,135)**
Transfers to/(from) other reserves	6,265	(10,468)	3,633	570	-	-	-	-	-
Net (Increase)/Decrease in year	**(544)**	**(10,467)**	**3,633**	**570**	**248**	**(408)**	**(6,968)**	**(128,167)**	**(135,135)**
Balance at 31 March 2022 carried forward	**(5,747)**	**(36,971)**	**(3,085)**	**(2,404)**	**-**	**(4,735)**	**(52,942)**	**129,957**	**77,015**

Subject to Audit

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.

2021/22				2022/23		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
121,375	(77,718)	43,657	Adults and Communities	126,965	(75,380)	51,585
97,963	(49,895)	48,068	Children and Families	112,468	(53,580)	58,888
61,280	(25,567)	35,713	Growth, Enterprise and Environment	51,416	(14,561)	36,855
37,243	(37,145)	98	Housing Benefits	35,076	(35,157)	(81)
11,074	(6,109)	4,965	Resources	32,004	(13,348)	18,656
328,935	**(196,434)**	**132,501**	**Net Cost of Services**	**357,929**	**(192,026)**	**165,903**
828	-	828	Other Operating Expenditure (Note 9)	1,288	-	1,288
33,527	(15,922)	17,605	Financing and Investment Income and Expenditure (Note 10)	54,305	(20,785)	33,520
-	(151,260)	(151,260)	Taxation and Non-Specific Grant Income (Note 11)	-	(154,740)	(154,740)
363,290	**(363,616)**	**(326)**	**(Surplus)/Deficit on Provision of Services**	**413,522**	**(367,551)**	**45,971**
		(18,907)	(Surplus)/Deficit on revaluation of non-current assets (Note 34)			(15,717)
		(115,903)	Actuarial (gains)/losses on pension assets/liabilities (Note 36)			(234,990)
		(134,810)	**Other Comprehensive Income and Expenditure**			**(250,707)**
		(135,136)	**Total Comprehensive Income and Expenditure**			**(204,736)**

* As a result of a restructure of directorates during 2022/23, the 2021/22 directorate analysis figures have been restated in order to ensure that they are comparable to the 2022/23 figures.

Subject to Audit

Balance Sheet

This is a statement of the financial position of the Council and shows the balances and reserves at its disposal, it's long term indebtedness, and the fixed and net current assets employed in its operation, as at 31 March 2023.

31 March 2022 £000		Note No.	31 March 2023 £000
277,380	Property, Plant & Equipment	19	278,445
589	Heritage Assets		589
11,312	Investment Property	21	12,304
1,901	Intangible Assets	22	2,405
12,485	Long Term Investments		10,454
2,313	Long Term Debtors	25	1,734
-	Other Long Term Assets – Pension Fund	36	82,338
305,980	**Long Term Assets**		**388,269**
-	Short Term Investments	32	5,026
90	Assets Held for Sale	26	-
54	Inventories		60
43,926	Short Term Debtors	27	47,777
15,317	Cash and Cash Equivalents	28	11,075
59,387	**Current Assets**		**63,938**
(41,373)	Short Term Borrowing	32	(30,912)
(35,051)	Short Term Creditors	29	(37,733)
(3,292)	Short Term Provisions	30	(1,525)
(24,325)	Revenue Grants Receipts in Advance	33	(11,277)
(104,041)	**Current Liabilities**		**(81,447)**
(4,491)	Long Term Creditors	31	(4,391)
(3,380)	Long Term Provisions	30	(2,718)
(146,114)	Long Term Borrowing	32	(186,226)
(47,441)	Other Long Term Liabilities - Private Finance Initiatives & Leasing	23	(42,362)
(130,557)	Other Long Term Liabilities – Pension Fund	36	-
(6,358)	Capital Grants Receipts in Advance	33	(7,342)
(338,341)	**Long Term Liabilities**		**(243,039)**
(77,014)	**Net Assets**		**127,721**
(52,943)	Usable Reserves		(42,748)
129,957	Unusable Reserves	34	(84,973)
77,014	**Total Reserves**		**(127,721)**

Subject to Audit

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.

2021/22 £000		2022/23 £000
325	Net surplus/(deficit) to the provision of services (CIES)	(45,971)
54,059	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements (Note 37)	45,310
(22,954)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities (Note 37)	(28,813)
31,430	**Net Cash Flows from Operating Activities (Note 37)**	**(29,474)**
(159)	Net Cash Flows from Investing Activities (Note 38)	(2,890)
(23,508)	Net Cash Flows from Financing Activities (Note 39)	28,122
7,763	**Net increase/(decrease) in cash and cash equivalents**	**(4,242)**
7,554	Cash and cash equivalents at the beginning of the reporting period	15,317
15,317	**Cash and cash equivalents at the end of the reporting period (Note 28)**	**11,075**

Subject to Audit

3. Notes to the Accounts

Saltburn Cliff Tramway

Notes to the Accounts

PLEASE NOTE: Values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match the core statements or other tables due to rounding differences.

Note No.	Note Description	Page
1	Expenditure & Funding Analysis	39
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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.

2021/22*				2022/23		
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**
35,728	7,929	43,657	Adults and Communities	38,356	13,229	51,585
39,568	8,500	48,068	Children and Families	51,104	7,784	58,888
19,485	16,228	35,713	Growth, Enterprise & Environment	21,789	15,065	36,855
98	-	98	Housing Benefits	(81)	-	(81)
1,670	3,295	4,965	Resources	2,755	15,901	18,656
96,549	**35,952**	**132,501**	**Net Cost of Services**	**113,923**	**51,979**	**165,903**
(103,520)	(29,307)	(132,827)	Other Income and Expenditure	(103,729)	(16,203)	(119,932)
(6,971)	**6,645**	**(326)**	**(Surplus)/Deficit**	**10,194**	**35,776**	**45,971**
(41,399)			**Opening General Fund Balance**	**(48,207)**		
(6,808)			**Plus/Less (Surplus) or Deficit on General Fund Balance in Year**	9,483		
(48,207)			**Closing General Fund Balance at 31 March**	**(38,724)**		
(4,735)			**Capital Receipts and Grants Unapplied**	(4,024)		
(52,942)			**Closing Total Usable Reserves**	**(42,748)**		

* As a result of a restructure of directorates during 2022/23, the 2021/22 directorate analysis figures (above Net Cost of Services) have been restated in order to ensure that they are comparable to the 2022/23 figures.

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2022/23	Adjustments for Capital Purposes (1) £000	Net Change for Employee Benefits (2) £000	Other Differences (3) £000	Total Adjustments £000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:				
Adults and Communities	7,822	5,407	-	13,229
Children and Families	1,784	6,000	-	7,784
Growth, Enterprise & Environment	11,067	3,999	-	15,066
Resources	13,045	2,856	-	15,901
Net Cost of Services	**33,718**	**18,262**	**-**	**51,980**
Other Income and Expenditure from the Expenditure and Funding Analysis	**(19,688)**	**3,764**	**(279)**	**(16,203)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**14,030**	**22,026**	**(279)**	**35,777**

2021/22	Adjustments for Capital Purposes (1) £000	Net Change for Employee Benefits (2) £000	Other Differences (3) £000	Total Adjustments £000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:				
Adults and Communities	2,903	5,025	-	7,928
Children and Families	2,628	5,872	-	8,500
Growth, Enterprise & Environment	12,615	3,612	-	16,227
Resources	472	2,824	-	3,296
Net Cost of Services	**18,618**	**17,333**	**-**	**35,951**
Other Income and Expenditure from the Expenditure and Funding Analysis	**(27,389)**	**4,978**	**(6,897)**	**(29,308)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(8,771)**	**22,311**	**(6,897)**	**6,643**

* As a result of a restructure of directorates during 2022/23, the 2021/22 directorate analysis figures have been restated in order to ensure that they are comparable to the 2022/23 figure.

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Adjustments for Capital Purposes

1) Adjustments for Capital Purposes - this column adds in depreciation and impairment and revaluation gains and losses for non-current assets attributable to service lines, and for:
   - Other operating expenditure – adjustments for capital disposals with a transfer of income on disposal of assets and the amounts written off for the assets
   - Financing and investment income and expenditure – the statutory charges for capital financing i.e. 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 Pension Adjustments and other employee benefits

2) Net change for the removal of pension contributions and the addition of International Accounting Standard (IAS) 19 ‘Employee Benefits’ pension related expenditure and income:
   - For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs. (See note 36)
   - 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 and changes to the fair value of investments.
   - 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.
   - Other differences also includes adjustments for the transfer of DSG over/underspends to the DSG Adjustment Account. DSG is a ring-fenced specific grant separate from the general funding of local authorities. Any deficit an authority may have on it's DSG account is expected to be carried forward to the next year’s schools budget and is not required to be covered by the authority’s general reserves.

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Income received by service is analysed below:

Income from Services 2021/22 £000	Services	Income from Services 2022/23 £000
(77,718)	Adults and Communities	(75,380)
(49,895)	Children and Families	(53,580)
(25,567)	Growth, Enterprise & Environment	(14,561)
(37,145)	Housing Benefits	(35,157)
(6,109)	Resources	(13,348)
(196,434)	**Total income Analysed by Service**	**(192,026)**

*As a result of a restructure of directorates during 2022/23, the 2021/22 directorate analysis figures (above Net Cost of Services) have been restated in order to ensure that they are comparable to the 2022/23 figures.

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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) 2022/23 requires the Council to disclose information setting out the impact of accounting changes by a new accounting standard that has been issued but not yet adopted by the Code. The relevant changes relate to the following standards all of which will be amended for accounts produced for financial periods starting after 1 April 2023.

- Definition of Accounting Estimates, Amendments to IAS8.
- Disclosure of Accounting Policies, Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements.
- Deferred Tax relating to Assets and Liabilities arising from a Single Transaction, Amendments to IAS 12 Income Taxes.
- Updating to Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

Although full adoption will not be required until 1 April 2023, the Council is required to disclose the estimated effect of the changes in these financial statements. None of these amendments are expected to have a material impact on the information contained in the Council's financial statements.

- IFRS 16: Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is an exemption for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for Local Government to 1 April 2024. This is not expected to impact on the Council's Statement of Accounts.

Note 3 Critical Judgements in Applying Accounting Policies

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

Funding

There continues to be a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of future changes in levels of service provision.

Accounting for Schools – Consolidation

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

Accounting for Schools - Balance Sheet Recognition

The Council recognises the land and buildings used by schools in line with the Code of Practice on Local Authority Accounting. Property used by the Council's maintained schools has been assessed to determine whether the Council hold the school land and property on or off balance sheet. The Council recognises the schools land and buildings on its balance sheet where the Council directly owns the assets, the school or schools governing body own the assets, or the rights to use the assets have been transferred from another entity.

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

There are currently 4 types of schools within the Borough:

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

The Council has completed an assessment on the control of schools. Non-current assets of schools that have either transferred to academy status or are voluntary controlled in nature, are no longer included within the Council’s balance sheet. The Council has determined that ability to control the service potential and/or flow of economic benefits associated with the assets does not rest with the Council.

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

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PFI Schemes

The Council is involved with two Private Finance Initiatives (PFI) contracts to provide schools and street lighting. The street lighting contract is on the balance sheet as it has been determined that the assets provided under this PFI arrangements are effectively under the control of the Council. The majority of the schools provided under the PFI contract are off balance sheet as the schools have transferred to academy status (South Bank Primary remains on balance sheet).

Investment Properties

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

Pensions

The Council has made estimates of the net assets or liabilities to pay pensions to current and ex-employees of the Council. These estimates are based on a number of complex judgements and projections which are provided by a pension fund actuary, which include: the discount rate at which salaries are projected to increase, changes in retirement ages, mortaility rates and expected future returns on Pension Fund Assets. These rates can fluctuate from year-to-year and result in material annual changes to the value of pension assets and liabilities.

Bad Debt Provision

The Council has determined its bad debt provision based on a range of factors including the age of the debt and the action been undertaken by the Council to liase with the debtor to recover debt. This success of securing the income has been impacted by the cost of living crisis.

Grant Income

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

The Council has received funding streams from the Government to support the cost of living crisis for residents. An assessment is made as to whether the Council is acting as an agent or as a principal body in distributing grant funding onto residents in the Borough. In cases where the Council is merely passporting grant funding onto third parties based on criteria set by the Government, the Council has determined it is acting as an agent and is not recognising the income and associated expenditure in the Comprehensive Income and Expenditure Statement.

IFRS 9 - Financial Assets

The Council has undertaken a detailed exercise to determine the basis of the categorisation and valuation of a range of financial assets held by the Council. For certain classes of company shareholding and pooled (property) funds, the Council has had to undertake a detailed assessment of the contractual nature of the assets and the purpose & objectives of holding the asset - including whether the intention is to hold the financial asset for a tradable

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purpose. This has resulted in a decision as to categorise its shareholdings in companies through Fair Value Other Comprehensive Income (FVOCI), and to value its Pooled Property Fund through Fair Value through Profit & Loss (FVPL). Furthermore in the case of the valuation of company shares, the Council have concluded that its shareholding in Teesside Airport continues to remain held at nil value, despite the purchase by Tees Valley Combined Authority of an 89% shareholding from the previous operating company of the airport.

Group Accounts

The Council has financial relationships with other related companies, joint ventures and joint arrangements. Details of these can be found under the related party section of these accounts. By applying certain criteria, the Council must determine whether its interests in such bodies are significant enough to be included in the Council's consolidated accounts. After consideration of these criteria, the Council has determined that the consolidation of related companies would have no material impact on the Council's financial position and therefore it is not necessary to produce group accounts for 2022/23. The Related Party Transactions Disclosure Note provides details of the group status of companies for which the Council has a close financial relationship.

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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 2023, for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Land and Buildings and Investment Properties	Valuations are carried out on a 5-year rolling programme meaning that there is a possibility of material changes in value between valuations. In addition, each asset has been reviewed to confirm that it sits within the correct categorisation and there have been no material effects (market or physical impairments/additions) that would affect its value.	At 31 March 2023, the Council had land and buildings to the value of £166.070 million, and investment properties to the value of £12.304 million. A 1% change in the estimation of property values would lead to a £1.661 million change in the value of the Council's land and buildings and £0.123 million change in the value of the Council's investment properties. These changes to valuations would not have a direct impact on the Council's general fund, since any effect charged to the CIES would be reversed to the Council's unusable reserves.
Provisions - Insurance Claims	The Council has made a total provision of £1.893 million for the settlement of insurance claims for Public Liability, Vehicles and Property. These are based on estimated amounts through claims. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.189 million to the provision needed.
Provisions – Business Rate Appeals	The Council is liable for successful appeals under the Business Rates Retention Scheme. A provision has been recognised for £1.402 million based on an estimate using the Valuations Office Agency (VOA) ratings list of appeals and an analysis of successful appeals to date.	An increase over the forthcoming year of 10% in value of successful appeals would have the effect of adding £0.140 million to the provision needed.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the rates to be applied.	The effects on the net pension liability of changes in individual assessments can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £9.893 million. Note 36 provides further detail within a sensitivity analysis for other key assumptions.
Fair Value Measurements of CCLA Investment	The Council has 3.070 million units with the CCLA Property Fund (purchase price of £10.000 million). The Council is currently using the Government's statutory override to account for fair value movements in the fund by transferring the gain/loss to an unusable reserve. In the event that these units are sold or the statutory override expires the amount in the unusable reserve will become chargeable to the Council's Income and Expenditure account.	The current fair value adjustment on the Council's CCLA investment is a loss of £1.288 million. A 5% fall in property prices will reduce the value of the investment by an additional £0.406 million.

Note 5 Events after the Balance Sheet Date (31 March 2023)

There are no events at the authorised for issue date that affect any of the values in either the Financial Statements for 2022/23 or in the Notes to the Accounts.

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Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations

(CIES = Comprehensive Income and Expenditure Statement)

2022/23	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	(12,937)	-	-	12,937
Revaluation gains/(losses) on Property, Plant and Equipment, Investment Properties and Assets Held for Sale	(23,148)	-	-	23,148
Amortisation of Intangible Assets	(506)	-	-	506
Capital grants and Contributions Applied	29,265	-	-	(29,265)
Revenue Expenditure Funded from Capital Under Statute	(8,007)	-	-	8,007
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	(4,686)	(258)	-	4,944
Insertion of items not debited or (credited) to the CIES				
Statutory provision for the financing of capital investment	5,886	-	-	(5,886)
Capital Expenditure charged against the General Fund	103	-	-	(103)
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	(711)	-	711	-
Adjustments involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	457	-	(457)
Other Adjustments involving the Capital Receipts Reserve	-	(199)	-	199

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2022/23	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
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	505	-	-	(505)
Adjustments against the Pooled Investment Fund Adjustment Account				
Amount by which the movement in fair value of pooled funds charged to the CIES are different from the amount chargeable in year in accordance with statutory requirements	(1,729)	-	-	1,729
Adjustments against the Available for Sale Financial Instruments Reserve				
Amount by which the movement in fair value of available for sale financial instruments charged to the CIES are different from the amount chargeable in year in accordance with statutory requirements	(313)	-	-	313
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 36)	(29,691)	-	-	29,691
Employers Pension Contributions and direct payments to pensioners payable in the year	7,596	-	-	(7,596)
Adjustments involving the Collection Fund Adjustment Account (NDR and Council Tax):				
Amount by which the collection fund income credited to the CIES is different from the collection fund income calculated for the year in accordance with statutory requirements	3,438	-	-	(3,438)
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	69	-	-	(69)
Adjustments involving the Delegated Schools Grant Adjustment Account				
Transfer of Dedicated Schools Grant (DSG) over/(underspend) to the DSG Adjustment Account	(1,622)	-	-	1,622
Total Adjustments	**(36,488)**	**-**	**711**	**35,777**

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2021/22	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	(12,944)	-	-	12,944
Revaluation (gains)/losses on Property, Plant and Equipment, Investment Properties and Assets Held for Sale	(1,080)	-	-	1,080
Amortisation of Intangible Assets	(570)	-	-	570
Capital grants and contributions Applied	22,113	-	-	(22,113)
Revenue Expenditure Funded from Capital Under Statute	(4,389)	-	-	4,389
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES – Assets	(573)	(433)	-	1,006
Insertion of items not debited or (credited) to the CIES				
Statutory provision for the financing of capital investment	5,809	-	-	(5,809)
Capital Expenditure charged against the General Fund	157	-	-	(157)
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	408	-	(408)	-
Adjustments involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	834	-	(834)
Other Adjustments involving the Capital Receipts Reserve	-	(153)	-	153

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2021/22	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
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	508	-	-	(508)
Adjustments against the Pooled Investment Fund Adjustment Account				
Amount by which the movement in fair value of pooled funds charged to the CIES are different from the amount chargeable in year in accordance with statutory requirements	1,564	-	-	(1,564)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 36)	(29,169)	-	-	29,169
Employers Pension Contributions and direct payments to pensioners payable in the year	6,844	-	-	(6,844)
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	5,409	-	-	(5,409)
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	14	-	-	(14)
Adjustments involving the Delegated Schools Grant Adjustment Account				
Transfer of Dedicate Schools Grant (DSG) over/(underspend) to the DSG Adjustment Account	(584)	-	-	584
Total Adjustments	**(6,483)**	**248**	**(408)**	**6,643**

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Note 7 Expenditure and Income Analysed by Nature

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

2022/23	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	87,450	-	-	-	87,450
Other service expenses	226,974	-	35	-	227,009
Support service recharges	20,598	-	-	-	20,598
Depreciation, amortisation and impairment	22,907	-	12,625	-	35,532
Interest payments	-	-	37,491	-	37,491
Precepts & Levies	-	765	-	-	765
Loss on Disposal of Fixed Assets	-	523	4,154	-	4,677
Total Expenditure	**357,929**	**1,288**	**54,305**	**-**	**413,522**
Income				-	
Fees, charges & other service income	(26,299)	-	-	-	(26,299)
Interest and investment income	-	-	(20,785)	-	(20,785)
Income from council tax and NDR	-	-	-	(108,761)	(108,761)
Government grants and contributions	(165,726)	-	-	(45,978)	(211,705)
Gain on Disposal of Fixed Assets	-	-	-	-	-
Gain on Revaluation of Financial Instruments	-	-	-	-	-
Total Income	**(192,025)**	**-**	**(20,785)**	**(154,739)**	**(367,550)**
(Surplus)/Deficit on the Provision of Services	**165,903**	**1,288**	**33,520**	**(154,739)**	**45,971**

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2021/22	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	81,613	-	-	-	81,613
Other service expenses	216,885	-	532	-	217,417
Support service recharges	17,024	-	-	-	17,024
Depreciation, amortisation and impairment	13,413	-	437	-	13,850
Interest payments	-	-	32,558	-	32,558
Precepts & Levies	-	760	-	-	760
Loss on Disposal of Fixed Assets	-	68	-	-	68
Total Expenditure	**328,935**	**828**	**33,527**	**-**	**363,290**
Income					
Fees, charges & other service income	(26,923)	-	-	-	(26,923)
Interest and investment income	-	-	(14,358)	-	(14,358)
Income from council tax and NDR	-	-	-	(107,570)	(107,570)
Government grants and contributions	(169,511)	-	-	(43,690)	(213,201)
Gain on Disposal of Fixed Assets	-	-	-	-	-
Gain on Revaluation of Financial Instruments	-	-	(1,564)	-	(1,564)
Total Income	**(196,434)**	**-**	**(15,922)**	**(151,260)**	**(363,616)**
(Surplus)/Deficit on the Provision of Services	**132,501**	**828**	**17,605**	**(151,260)**	**(326)**

Subject to Audit

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 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000		Balance at 1 April 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31 March 2023 £000
(417)	-	-	(417)	Leisure Contract Risk Fund	(417)	-	-	(417)
(500)	-	-	(500)	MMI Reserve	(500)	-	-	(500)
(1,455)	-	(45)	(1,500)	Insurance Reserve	(1,500)	-	(373)	(1,873)
(1,111)	36	-	(1,075)	Private Finance Initiative – Schools	(1,075)	-	(63)	(1,138)
(469)	-	(142)	(611)	Private Finance Initiative – Street Lighting	(611)	119	-	(492)
(353)	-	(169)	(522)	Council Tax Reserve Reliefs	(522)	-	-	(522)
-	157	(207)	(50)	Direct Revenue Funding Reserve	(50)	153	(103)	-
(7,805)	-	(545)	(8,350)	MTFS Reserve	(8,350)	4,757	(4,557)	(8,150)
(174)	42	-	(132)	Brexit Funding	(132)	46	-	(86)
(2,445)	2,445	-	-	COVID-19 Funding	-	-	-	-
(876)	332	-	(544)	Business Rates Taxation Compensation Reserve	(544)	272	-	(272)
(1,404)	1,404	(1,867)	(1,867)	Business Rates Funding Reserve	(1,867)	133	(675)	(2,409)
(1,000)	-	(3,500)	(4,500)	Strategic Change and Resilience	(4,500)	166	(200)	(4,534)
-	-	(320)	(320)	Climate Change Initiatives	(320)	160	-	(160)
-	-	(1,301)	(1,301)	Collection Fund Risk Reserve	(1,301)	-	-	(1,301)
-	-	(300)	(300)	Utilities Risk Reserve	(300)	300	-	-
(8,494)	1,925	(8,413)	(14,982)	Directorate Reserves	(14,982)	6,608	(344)	(8,718)
(26,503)	**6,341**	**(16,809)**	**(36,971)**	**Total Excluding Schools and Business Rate Relief Accounting Reserve**	**(36,971)**	**12,714**	**(6,315)**	**(30,572)**
(6,718)	6,295	(2,662)	(3,085)	Business Rate Relief Accounting Reserve	(3,085)	3,085	-	-
(2,975)	2,975	(2,404)	(2,404)	Balances held by schools under a scheme of delegation	(2,404)	2,404	(2,405)	(2,405)
(36,196)	**15,611**	**(21,875)**	**(42,460)**	**Total Including Schools and Business Rate Relief Accounting Reserve**	**(42,460)**	**18,203**	**(8,720)**	**(32,977)**

Subject to Audit

- Leisure Contract Risk Fund – The fund is used to manage property costs which are over and above those included within the leisure contract which may result in the provider claiming for loss of income during periods of property upgrade.

- 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.

- Private Finance Initiative - The Council receives support from the Government in the form of PFI grant that is paid on an annuity basis. In previous years, 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.

- 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 relates to revenue resources which are earmarked to fund capital expenditure.

- The MTFS Reserve will be used to manage the volatility of the assumptions around the Medium Term Financial Strategy.

- Brexit Reserve – this is funding received from central Government to fund the legal and operational impact of Brexit.

- Business Rates Taxation Compensation Reserve - this reserve has been created through the receipt of grant funding, received from Central Government, to compensate the Council for Business Rates tax losses due to the impact of COVID-19 in 2020/21. The grant is to compensate local authorities for 75% of the loss in income on business rates which was anticipated at budget set, and will be used to part-fund the three-year spreading of the 2020/21 Business Rates Collection Fund deficit (as permitted by Central Government for one-year only).

- Business Rates Funding Reserve – this is a reserve created from income from refunds and grants which will be used to offset deficits to be funded by the Council.

- Strategic Change and Resilience – a reserve created to build the financial resilience of the Council.

- Climate Change Initiatives – to provide additional capacity to the climate change service to support initiatives to help address the Council's priority on climate change.

- Collection Fund Risk Reserve – the reserve is created from funding provided by Government to fund the additional cost of providing council tax support due to pressures on households as a result of Covid-19.

Subject to Audit

- Utilities Risk Reserve – a reserve set aside to mitigate the current risk of excessive inflationary pressures on our utility budgets.

- Directorate Reserves – these have been created from grant income where there are no conditions attached to the funding, by income generated through trading operations or created by directorates to fund future year spending commitments.

- Business Rate Relief Accounting Reserve - this is a Section 31 grant received from Central Government to cover the cost of the additional reliefs awarded for business rates. This grant is held for technical accounting purposes and will fund a significant element of the business rates deficit in future years.

- Balances held by schools represent the accumulated cash balances of schools within the Borough's control. 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 does not include cash balances held by schools which are under Multi-academy Trust control.

The earmarked reserves held by the Council at the 31 March 2023 have decreased from the 2021/22 balances. This is primarily attributed to the need to absorb the overspend reported on the revenue outturn position of £4.640 million and the planned use of the Business Rate Relief Accounting Reserve of £3.085 million.

Subject to

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:

2021/22 £000		2022/23 £000
592	Town and Parish council precepts	593
168	Northumbria Flood Defence and N.E. Sea Fisheries Levies	172
68	(Gains)/Losses on the disposal of non-current assets	523
828	**Total**	**1,288**

Note 10 Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure is analysed in the table below. The loss on disposal of academies is due to the removal of an asset from the balance sheet. The net loss on the fair value of investment properties relates to the recognition of Guisborough Town Hall and the Regent Cinema as investment properties. As investment properties are valued at their rental income, this results in a loss on the Comprehensive Income and Expenditure Statement.

2021/22 £000		2022/23 £000
13,689	Interest payable and similar charges	14,739
4,978	Net interest on the defined pension liability	3,763
(440)	Interest receivable and similar income	(1,760)
505	Loss on Disposal of Academies	4,154
365	Net (gains)/losses on fair value of investment properties	10,881
(1,492)	Net (gains)/losses on fair value of financial instruments through profit & loss	1,743
17,605	**Total**	**33,520**

Subject to Audit

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 2022/23 are as follows:

2021/22 £000		2022/23 £000
	Credited to Taxation and Non-Specific Grant Income	
(68,884)	Council Tax Income	(70,065)
(38,686)	Distribution from Non-Domestic Rates	(38,696)
	Non-Ring Fenced Government Grants:	
(7,472)	Revenue Support Grant	(7,704)
(7,123)	PFI Grant	(6,957)
(882)	New Homes Bonus Scheme	(949)
(18,965)	Capital Grants and Contributions	(21,164)
(4,792)	Other Grants	(9,204)
(4,456)	COVID-19 Funding	-
(151,260)	**Total**	**(154,739)**

All the above grants are allocated to the Council with no restrictions on their future use. However, the Council has allocated the grant to services that fall within the original remit of the grant.

Subject to Audit

Note 12 Dedicated Schools Grant

The Council's expenditure on schools is funded through the Dedicated Schools Grant (DSG) allocated by the Department for Education. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations [2022]. 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 2022/23 are as follows:

	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
Final DSG for 2022/23 before academy and high needs recoupment			(135,924)
Academy and high needs figure recouped for 2022/23			97,463
Total DSG after academy and high needs recoupment for 2022/23			**(38,461)**
Plus: Brought forward from 2021/22			-
Less: Carry-forward to 2023/24 agreed in advance			-
Agreed initial budgeted distribution in 2022/23	**(17,432)**	**(21,029)**	**(38,461)**
In year adjustments			
Early Years additional allocation re. 2021/22, recouped in 2022/23	-	85	85
Final budget distribution for 2022/23	**(17,432)**	**(20,944)**	**(38,376)**
Less: Actual central expenditure	19,071	-	19,071
Less: Actual ISB deployed to schools	-	20,928	20,928
Plus: Local authority contribution for 2022/23	-	-	-
In Year Carry-forward to 2023/24	**1,639**	**(16)**	**1,623**
Plus/Minus: Carry-forward to 2023/24 agreed in advance	-	-	-
Carry-forward to 2023/24	**1,639**	**(16)**	**1,623**
DSG unusable reserve at the end of 2021/22			3,347
Addition to DSG unusable reserve at the end of 2022/23			1,622
Total of DSG unusable reserve at the end of 2022/23			4,970
Net DSG position at the end of 2022/23			**4,970**

Subject to Audit

Note 13 Members' Allowances

2021/22 £000		2022/23 £000
617	Basic Allowances	630
162	Special Responsibility Allowances	176
5	Expenses	10
784	**Total**	**816**

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 2022/23. This figure also includes employers National Insurance contributions. The figures shown for 2021/22 are a direct comparison with 2022/23.

Note 14 Officers' Remuneration

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

2021/22 Total Employees	Remuneration Band (£)	2022/23 Total Employees
68	50,000 to 54,999	76
19	55,000 to 59,999	37
21	60,000 to 64,999	10
25	65,000 to 69,999	24
3	70,000 to 74,999	9
4	75,000 to 79,999	1
7	80,000 to 84,999	7
3	85,000 to 89,999	4
7	90,000 to 94,999	2
-	95,000 to 99,999	7
2	100,000 to 104,999	-
-	105,000 to 109,999	-
-	110,000 to 114,999	1
-	115,000 to 119,999	-
1	120,000 to 124,999	1
-	125,000 to 129,999	-
-	130,000 to 134,999	-
-	135,000 to 139,999	-
2	140,000 to 144,999	2
-	145,000 to 149,999	-
1	150,000 to 154,999	-
-	155,000 to 159,999	1
163	**Total**	**182**

Subject to Audit

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. Only one officer of the Council met this requirement in 2022/23. John Sampson, Managing Director (Head of Paid Services).

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

2022/23	Salary (including Fees & Allowances) £	Recurring Payment £	One Off Payment £	Benefits in Kind £	Redundancy and other severance payments £	Gross Remuneration Excl. Pension Contributions 2022/23 £	Pension Contributions 2022/23 £	Total Remuneration Including Pension Contributions 2022/23 £
Managing Director (Head of Paid Services)	142,719	-	-	-	-	142,719	13,038	155,757
Executive Director for Children and Families	131,128	-	-	-	-	131,128	12,320	143,448
Executive Director for Growth, Enterprise & Environment (1)	32,782	-	-	-	-	32,782	3,158	35,940
Executive Director for Adults and Communities	131,128	-	-	-	-	131,128	12,110	143,238
Director for Finance (Section 151 Officer)	100,207	-	-	-	-	100,207	10,206	110,413
Governance Director	112,650	-	-	-	-	112,650	11,503	124,153
Assistant Director of Public Health (2)	-	-	-	-	-	-	-	-
Head of Policy & Performance (3)	28,733	-	-	-	37,724	66,457	2,899	69,355
Head of Marketing and Communications	62,518	-	-	-	-	62,518	6,377	68,895
Total	**741,865**	**-**	**-**	**-**	**37,724**	**779,589**	**71,611**	**851,199**

Items to note:

1. Corporate Director for Growth, Enterprise & Environment post vacant part year
2. Employed by Middlesbrough Council
3. Head of Policy & Performance post deleted in year

Subject to Audit

2021/22	Salary (including Fees & Allowances) £	Recurring Payment £	One Off Payment £	Benefits in Kind £	Redundancy and other severance payments £	Gross Remuneration Excl. Pension Contributions 2021/22 £	Pension Contributions 2021/22 £	Total Remuneration Including Pension Contributions 2021/22 £
Managing Director (Head of Paid Services)	140,793	-	-	-	-	140,793	13,783	154,576
Corporate Director for Children and Families	129,203	-	-	-	-	129,203	13,179	142,382
Corporate Director for Growth, Enterprise & Environment (1)	-	-	-	-	-	-	-	-
Corporate Director for Adults, Communities and Environment	129,203	-	-	-	-	129,203	12,393	141,596
Director of Public Health (2)	-	-	-	-	-	-	-	-
Assistant Director – Governance and Monitoring Officer	110,845	-	-	-	-	110,845	11,306	122,151
Head of Policy & Performance	36,929	-	-	-	-	36,929	3,767	40,696
Assistant Director – Finance (Section 151 Officer)	85,419	-	-	-	-	85,419	8,713	94,132
Total	632,392	-	-	-	-	632,392	63,141	695,533

Items to note:

1. Corporate Director for Growth, Enterprise & Environment post vacant
2. Employed by Middlesbrough Council

Subject to Audit

Note 15 Termination Benefits

The Council terminated the contracts of 17 employees in the 2022/23 financial year, incurring liabilities of £0.142m (£0.148m for 2021/22). The payments were all for agreed voluntary arrangements.

The table below shows an analysis of the total cost incurred by Directorate during 2022/23.

Directorate	£000	Number of Employees
Resources	48	3
Adults and Communities	31	3
Children and Families (Schools)	-	-
Children and Families (Non Schools)	9	4
Growth, Enterprise and Environment	54	7
Total	**142**	**17**

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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22 £000	2022/23 £000
0 to 20,000	4	-	18	15	**22**	**15**	**92**	**78**
20,001 to 40,000	-	-	-	2	**-**	**2**	**-**	**64**
40,001 to 60,000	1	-	-	-	**1**	**-**	**56**	**-**
60,001 to 80,000	-	-	-	-	**-**	**-**	**-**	**-**
80,001 to 100,000	-	-	-	-	**-**	**-**	**-**	**-**
100,001 to 150,000	-	-	-	-	**-**	**-**	**-**	**-**
Over 150,001	-	-	-	-	**-**	**-**	**-**	**-**
Total	**5**	**-**	**18**	**17**	**23**	**17**	**148**	**142**

Subject to Audit

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.

2021/22 Income £000	2021/22 Expend-iture £000	2021/22 (Surplus)/ Deficit £000	2021/22 Less Technical Adjust-ments £000	2021/22 Net (Surplus)/ Deficit £000	Trading Operation	2022/23 Income £000	2022/23 Expend-iture £000	2022/23 (Surplus)/ Deficit £000	2022/23 Less Technical Adjust-ments £000	2022/23 Net (Surplus)/ Deficit £000
(725)	599	(126)	(29)	(155)	**Trade Refuse Collection**	(804)	734	(70)	(35)	(105)
(82)	63	(19)	(17)	(36)	**Industrial Estates**	(52)	63	11	(16)	(5)
(3)	8	5	-	5	**Markets**	(6)	10	4	-	4
(117)	326	209	(34)	175	**Business Centres**	(137)	1,891	1,754	(1,537)	217
(1,111)	1,287	176	(150)	26	**Car Parking**	(1,142)	1,177	35	(63)	(28)
(152)	209	57	(30)	27	**Taxi Licensing**	(167)	242	75	(32)	43
(185)	177	(8)	(16)	(24)	**General Licensing**	(159)	208	49	(32)	17
(2,375)	**2,669**	**294**	**(276)**	**18**	**Total**	**(2,467)**	**4,325**	**1,858**	**(1,715)**	**143**

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.

Technical adjustments in the table above are shown within Note 6.

Subject to Audit

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

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

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

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

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

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

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

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

Note 17 Pooled Budgets

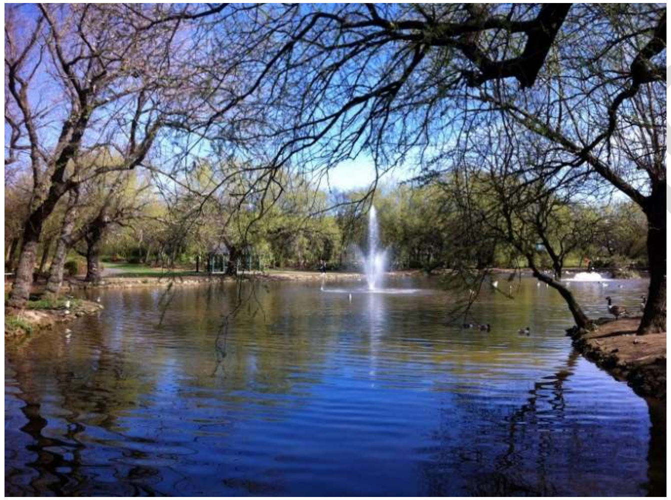
The Better Care Fund (BCF) has been established by the Government to support the introduction of a fully integrated health and social care system. Section 75 of the National Health Service Act 2006 gives powers to local authorities and is Integrated Care Boards (ICBs) to establish and maintain pooled funds to support the outcomes of the BCF. The Council has entered into a pooled budget arrangement with NHS North East & North Cumbria Integrated Care Board (NE&NCICB) 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 NE&NCICB depend upon the needs of the service recipient. The Council and the NE&NCICB have an ongoing Section 75 agreement in place for funding these services and this is reviewed annually. The Council is the host for this pooled budget and each partner's contribution is set out in the Better Care Fund Section 75 Agreement.

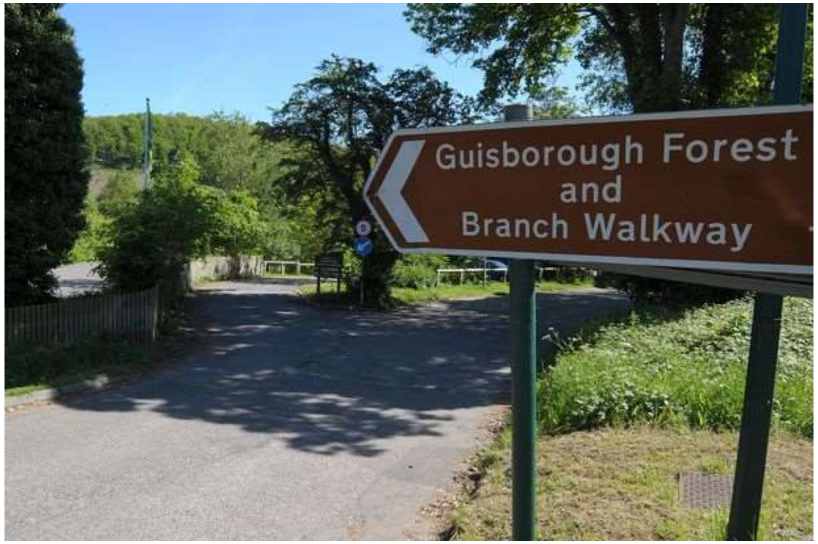
The aims and benefits for the Partners in entering into this Agreement are to:

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

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

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





2021/22 £000	Pooled Budgets	2022/23 £000
(1,120)	Balance brought forward - Revenue	(1,898)
(1,784)	Balance brought forward - Capital	(1,955)
(2,904)		**(3,853)**
	Funding Provided to the Pooled Budget	
(1,790)	The Authority	(2,391)
(12,927)	North East & North Cumbria ICB	(13,647)
(14,717)		**(16,038)**
	Expenditure Met from Pooled Budget	
11,075	The Authority	13,729
2,693	North East & North Cumbria ICB	3,762
13,768		**17,491**
(3,853)	**Total surplus**	**(2,400)**
(1,955)	Capital amounts carried forward into Future Years	**(1,361)**
(1,898)	**Net revenue surplus arising on the Better Care Fund pooled budget to be carried forward**	**(1,039)**

The Improved Better Care Fund (iBCF) is paid as a direct grant to local Government, with a condition that it is pooled into the local BCF plan. According to the grant determination, the funding can be spent on three purposes:

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

Subject to Audit

2021/22 £000	Improved Better Care Fund	2022/23 £000
-	Balance brought forward	-
	Funding Provided to the Pooled Budget	
(6,724)	The Authority	(6,928)
	Expenditure Met from Pooled Budget	
6,724	The Authority	6,928
-	**Net Balance Carried Forward**	**-**

Note 18 Fees Payable to Auditors

For 2022/23 the following fees relating to external audit and inspection were payable by the Council:

2021/22 £000		2022/23 £000
145	Fees payable for services provided by the External Auditors	135
22	Fees payable for the certification of grant claims	16
(19)	Refund received from the Public Sector Audit Appointments organisation	-
148	**Total**	**151**

Note 19 Property, Plant and Equipment (PPE)

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

Movements in tangible non-current assets (excluding Infrastructure Assets) for the year 2022/23:

2022/23	**Other Land and Buildings £000**	**Vehicles, Plant, Furniture and Equipment £000**	**Community Assets £000**	**Assets Under Construction £000**	**Total PPE (excluding Infrastructure) £000**	**Included in Total PPE – Owned (excluding Infrastructure) £000**	**Included in Total PPE - Finance Leased £000**	**Included in Total PPE – PFI Assets £000**
Cost or Valuation								
At 1 April 2022	153,970	26,678	5,411	7,632	193,691	181,776	75	11,840
Additions	10,951	2,364	230	7,915	21,460	15,892	-	5,568
Revaluation increases/(decreases) to Revaluation Reserve	15,717	-	-	-	15,717	16,053	-	(336)
Revaluation increases/(decreases) to Surplus or Deficit on Provision of Service	(17,815)	-	(228)	-	(18,043)	(8,362)	-	(9,681)
De-recognition - Disposals	(4,154)	(582)	-	-	(4,736)	(4,736)	-	-
Assets reclassified (to)/from Investment Properties	(8,595)	-	-	(3,260)	(11,855)	(11,855)	-	-
Other movements	(807)	-	-	807	-	1,565	-	(1,565)
At 31 March 2023	**149,267**	**28,460**	**5,413**	**13,094**	**196,234**	**190,333**	**75**	**5,826**

Subject to Audit

2022/23	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000	Assets Under Construction £000	Total PPE (excluding Infrastructure) £000	Included in Total PPE – Owned (excluding Infrastructure) £000	Included in Total PPE - Finance Leased £000	Included in Total PPE – PFI Assets £000
Accumulated Depreciation and Impairment								
At 1 April 2022	(2,989)	(16,167)	-	(2)	(19,158)	(19,097)	(25)	(34)
Depreciation charge for the year	(4,491)	(2,164)	-	-	(6,655)	(6,369)	(25)	(261)
Depreciation written out to the Surplus or Deficit on Provision of Service	5,776	-	-	-	5,776	5,481	-	295
De-recognition - Disposals	-	533	-	-	533	533	-	-
Other movements	25	2	2	(25)	4	4	-	-
At 31 March 2023	**(1,679)**	**(17,797)**	**2**	**(27)**	**(19,500)**	**(19,448)**	**(50)**	**-**
Net Book Value								
At 31 March 2023	**147,588**	**10,663**	**5,415**	**13,067**	**176,734**	**170,885**	**25**	**5,826**
At 31 March 2022	**150,981**	**10,511**	**5,411**	**7,630**	**174,533**	**162,677**	**50**	**11,806**

Depreciation

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

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

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Movements in tangible non-current assets for the year 2022/23:

2021/22	**Other Land and Buildings**	**Vehicles, Plant, Furniture and Equipment**	**Community Assets**	**Assets Under Construction**	**Total PPE (excluding infrastructure)**	**Included in Total PPE – Owned (excluding infrastructure)**	**Included in Total PPE - Finance Leased**	**Included in Total PPE – PFI Assets**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation								
At 1 April 2021	129,743	28,462	5,673	5,934	169,812	137,401	135	32,276
Additions	3,986	2,006	154	11,864	18,010	17,923	75	12
Donations	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) to Revaluation Reserve	18,894	-	12	-	18,906	16,797	-	2,109
Revaluation increases/(decreases) to Surplus or Deficit on Provision of Service	(7,775)	-	(111)	-	(7,886)	(9,500)	-	1,614
De-recognition – Disposals	(743)	(3,790)	-	-	(4,533)	(4,398)	(135)	-
De-recognition – Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Investment Properties	(301)	-	-	-	(301)	(301)	-	-
Other movements	10,166	-	(317)	(10,166)	(317)	23,854	-	(24,171)
At 31 March 2022	**153,970**	**26,678**	**5,411**	**7,632**	**193,691**	**181,776**	**75**	**11,840**

Subject to Audit

2021/22	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000	Assets Under Construction £000	Total PPE (excluding infrastructure) £000	Included in Total PPE – Owned (excluding infrastructure) £000	Included in Total PPE - Finance Leased £000	Included in Total PPE – PFI Assets £000
Accumulated Depreciation and Impairment								
At 1 April 2021	(6,291)	(17,432)	-	(2)	(23,725)	(13,983)	(135)	(9,607)
Depreciation charge for the year	(4,108)	(2,436)	-	-	(6,544)	(6,348)	(25)	(171)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus or Deficit on Provision of Service	7,249	-	-	-	7,249	6,852	-	396
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus or Deficit on Provision of Service	-	-	-	-	-	-	-	-
De-recognition - Disposals	124	3,701	-	-	3,825	3,690	135	-
De-recognition - Other	-	-	-	-	-	-	-	-
Other movements	37	-	-	-	37	(9,311)	-	9,348
At 31 March 2022	**(2,989)**	**(16,167)**	**-**	**(2)**	**(19,158)**	**(19,099)**	**(25)**	**(34)**
Net Book Value								
At 31 March 2022	**150,981**	**10,511**	**5,411**	**7,630**	**174,533**	**162,676**	**50**	**11,806**
At 31 March 2021	**123,452**	**11,030**	**5,673**	**5,932**	**146,087**	**123,418**	**-**	**22,669**

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Highways Infrastructure Assets

In accordance with the statutory override guidance provided by the code, on Infrastructure Assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	31 Mar 2022 £000	31 Mar 2023 £000
Net Book Value at 1 April	**103,892**	**102,847**
Additions	5,335	5,791
Derecognition	(319)	(2,938)
Depreciation	(6,378)	(3,988)
Other Movements in Cost	317	-
Net Book Value at 31 March	**102,847**	**101,712**

Subject to Audit

A reconciliation to the amount on the Balance Sheet for Property, Plant and Equipment is as follows:

	31 Mar 2022 £000	31 Mar 2023 £000
Other PPE Assets	174,533	176,733
Infrastructure Assets	102,847	101,712
Net Book Value 31 March	**277,380**	**278,445**

The authority has determined in accordance with Regulation [30M England] of The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets where there is replacement expenditure on that asset should be nil.

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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	Community Assets	Assets Under Construction	Total PPE
	£000	£000	£000	£000	£000
Carried at historical cost at 31 March 2023	**85,416**	**10,674**	**4,012**	**12,261**	**112,363**
Valued at current value as at:					
31 March 2022	139,861	-	392	-	140,253
31 March 2021	127,909	-	3,307	-	131,216
31 March 2020	31,581	-	1,720	-	33,301
31 March 2019	43,665	-	286	-	43,951
31 March 2018	70,659	-	831	-	71,490

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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 2022/23.

Note 21 Investment Properties

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

2021/22 £000		2022/23 £000
9,978	Balance at start of the year	11,312
	Additions:	
-	Purchases	-
69	Subsequent expenditure	21
	Disposals:	
(365)	Net gains/(losses) from fair value adjustments	(10,881)
-	Other Disposals	-
	Transfers:	
1,630	(To)/From Property, Plant and Equipment and Assets Held for Sale	11,852
11,312	**Balance at end of the year**	**12,304**

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.

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

2021/22 £000		2022/23 £000
8,599	Properties for rental income purposes	9,715
289	Properties held for an undetermined future use	576
134	Properties currently vacant held to be leased out	248
2,165	Properties held for capital appreciation purposes	1,640
125	Properties which are being constructed/developed for future investment use	125
11,312		**12,304**

Note 22 Intangible Assets

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

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

Assets	Useful Life	Useful Life Remaining	31 March 2022 £000	Expenditure 2022/23 £000	Amortisation 2022/23 £000	31 March 2023 £000
Adult Services System	10 Years	10 Years	66	49	(1)	114
Agresso	10 Years	10 Years	544	95	(64)	575
Back Up Disaster Recover	5 Years	5 Years	-	159	-	159
Customer Relationship Management System	5 Years	2 Years	65	-	(19)	46
Xais Software	10 Years	10 Years	-	89	-	89
Corporate Web	5 Years	5 Years	43	87	(11)	119
Recovery CYBER	5 Years	5 Years	522	360	(131)	751
Route Optimisation	3 Years	3 Years	-	41	-	41
Technology Forge	5 Years	5 Years	115	73	(27)	161
Other IT Software	Various	Various	546	57	(253)	350
			1,901	**1,010**	**(506)**	**2,405**

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

2021/22 £000		2022/23 £000
6,583	Gross carrying amounts	7,127
(4,655)	Accumulated amortisation	(5,226)
1,928	Net carrying amount at start of year	1,901
	Additions – internal development	
544	Additions - purchases	1,010
-	Disposals – gross carrying amount	(102)
-	Disposals – accumulated amortisation	102
(571)	Amortisation for the period	(506)
-	Other changes	-
1,901	**Net carrying amount at end of year**	**2,405**
	Comprising:	
7,127	Gross carrying amounts	8,035
(5,226)	Accumulated amortisation	(5,630)

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Note 23 Private Finance Initiatives and Similar Contracts

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

Office Accommodation and Business Centre

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

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

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

The contract entered into was for a period of 25 years and had 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 had undertaken responsibility for both elements of this contract. The construction phase was completed and the buildings became operational in June 2003. The original building value was £9.131 million.

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

During 2022/23 the Council voluntarily terminated its private finance initiative (PFI) contract for Office Accommodation.

The majority of the buy-out has been funded by Government Grant, following the approval of a full business case submitted to DLUHC in January 2022, which demonstrated the proposal would deliver value for the Council and the wider public sector as a whole. The key benefits include:

- Enhanced value for money.
- Rationalisation of surplus office accommodation to secure savings and facilitate economic regeneration.
- Opportunity to re-configure accommodation to support modern ways of working.
- Reduce carbon emissions from the Council's estate towards the zero-carbon target.

The Council served notice in August 2022 and negotiated a value-for-money termination of the contract. The buy-out payment agreed falls within the parameters of the business case submitted to DLUHC, achieves the associated savings targeted in the Council's 2023/24 budget, and avoids future contractual inflationary rises which would have made the arrangement less affordable for its remaining term.

Schools

The contract for the provision of schools relates to two primary schools (St Benedict's and South Bank) and three secondary schools

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(Sacred Heart, Outwood Academy Bydales and Outwood Academy Normanby).

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

Classification of Schools

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

Where the school becomes an academy, the building is de-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.

Street Lighting

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

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

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

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

Payments

The Council makes an agreed monthly payment on each of the three PFI schemes for the services provided in each financial year which is increased by inflation. Payments are for an agreed level of service and can be amended if the contractor fails to meet availability and performance standards. Payments are either on behalf of capital (payment for the financing of the asset concerned) or for revenue (to pay for 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

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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 to be made over the life of the remaining two PFI contracts at 31 March 2023 (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 2023

	Repayment of leasing liability	Payment of interest	Provision of services	Total
	31 March 2023 £000	31 March 2023 £000	31 March 2023 £000	31 March 2023 £000
Within 1 year	2,511	4,319	3,475	10,305
Within 2 - 5 years	11,669	14,844	14,706	41,219
Within 6 – 10 years	20,053	11,247	18,524	49,824
Within 11 -15 years	10,641	1,905	6,546	19,092
Total Future Payments	**44,874**	**32,315**	**43,251**	**120,440**

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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 forecast inflation factor increase for the remainder of the contract.

Payments due to be made under PFI Contracts (including inflation) - Outstanding as at 31 March 2023

	Repayment of leasing liability	Payment of interest	Provision of services	Total
	31 March 2023 £000	31 March 2023 £000	31 March 2023 £000	31 March 2023 £000
Within 1 year	2,511	6,256	4,461	13,228
Within 2 – 5 years	11,669	24,125	19,820	55,614
Within 6 – 10 years	20,053	26,298	27,365	73,716
Within 11 – 20 years	10,641	9,910	10,571	31,122
Total Future Payments	**44,874**	**66,589**	**62,217**	**173,680**

The figures below represent the amount of debt outstanding with the PFI contractor for the assets held under contract as at 31 March 2023. This is repayable over the remaining term of the contracts.

Subject to

Value of liabilities held under PFI schemes

2021/22 £000	Outstanding PFI Liability	2022/23 £000
(52,942)	Opening Balance	(50,329)
2.613	Repayments	2,864
-	Repayment of outstanding liability payment following termination of office PFI contract	2,591
(50,329)	**Closing Balance**	**(44,874)**

Note 24 Capital Expenditure and Capital Financing

The Capital Financing Requirement shows the underlying need of the Council to borrow to finance its Capital Investment Plan.

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

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

2021/22 £000	2021/22 £000		2022/23 £000	2022/23 £000
	263,142	**Opening Capital Financing Requirement**		**265,687**
		Capital Investment		
23,346		Property, Plant and Equipment	27,251	
544		Intangible Assets	1,010	
1,389		Loans & Advances Treated as Capital Expenditure	-	
69		Investment Properties	21	
1,722		Long Term Investment	-	
4,389		Revenue Expenditure Funded from Capital under Statute	8,007	
	31,459	Total Capital Investment		36,289
		Sources of Finance		
(834)		Capital Receipts	(457)	
(22,113)		Government grants and other contributions	(29,265)	
		Sums set aside from revenue:		
(158)		Direct revenue contributions	(103)	
(5,809)		MRP/Loans Fund Principal	(5,886)	
	(28,914)	Total Sources of Finance		(35,711)
	265,687	**Closing Capital Financing Requirement**		**266,265**
	2,545	Movement in Year		578
		Explanation of movement in year		
-		Increase in underlying need to borrow (supported by Government assistance)		
8,507		Increase in underlying need to borrow (unsupported by Government assistance)	6,662	
		Assets acquired under finance leases		
(153)		Write down of long term debtor	(198)	
-		Additional use of capital receipts	-	
	8,354	**Increase/(Decrease) in Capital Financing Requirement**		6,464
	(5,809)	Reduced by Minimum Revenue Provision		(5,886)
	2,545	**Total Movement in Year**		**578**

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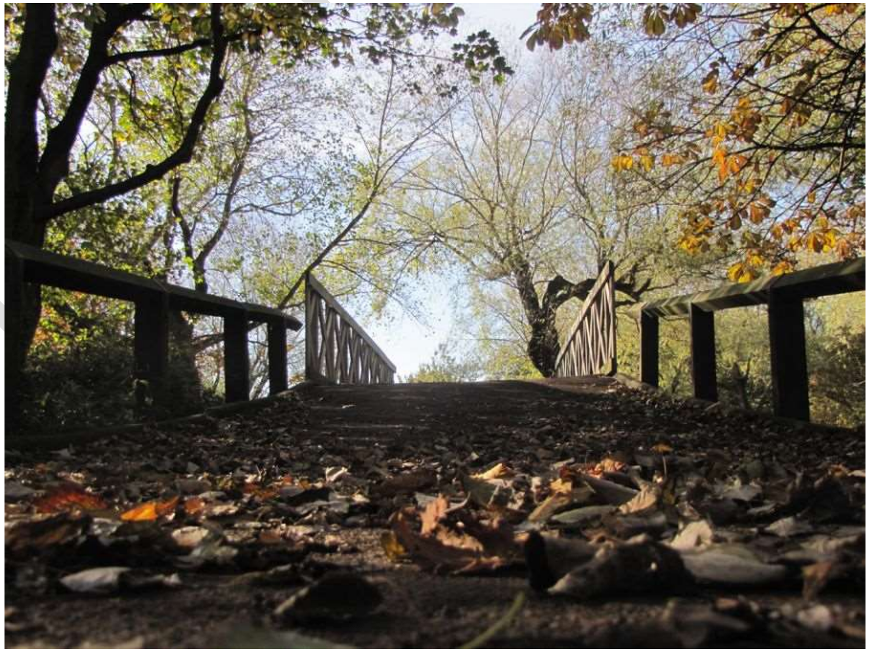
Capital Commitments

As at 31 March 2023, there were no contracts for the construction or enhancement of Property, Plant and Equipment in future years in excess of £1.000 million.

The Council had one scheme with contractual commitments exceeding £1.000 million in 2021/22. The value outstanding on this contract was £1.682 million.



Note 25 Long Term Debtors

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

Loan to SLM - As part of the current leisure contract with Sports and Leisure Management Ltd (SLM) the Council uses its prudential borrowing powers to finance the capital investment programme put forward by SLM as part of its successful bid.

Children and Families Social Care Loans – loans to assist Foster Carers and Special Guardianships with essential adaptations to their homes and other capital purchases. These loans are repaid by deductions to allowances over an agreed number of years.

FROG (Future Regeneration of Grangetown) Loan – a cash flow loan £0.017 million to FROG as part of their role in the Youth Employment Initiative contract. This loan will be repaid by instalments.

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

Car Loans to Employees – These have now been discontinued which accounts for the reducing balance. Write off of existing loan agreed and actioned in 2022/23.

Redcar and Cleveland Legal Services Ltd Loan – A loan to the Council's subsidiary to acquire 100% share capital of Cygnet Family Law.

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	Balance 31 March 2022 £000	Total Spend £000	Disposals/ Transfers £000	Amounts Written Off/ Repaid £000	Balance 31 March 2023 £000
Car Loans	1	-	-	(1)	-
Loan to Leisure Service Provider - SLM	221		-	(199)	22
FROG Loan	17	-	-	-	17
Payment in Advance - Middlesbrough Council	836	-	-	(401)	435
Redcar and Cleveland Legal Services Ltd Loan	1,227		-	-	1,227
Children and Families Social Care Loans	11	32	-	(10)	33
Total	**2,313**	**32**	**-**	**(611)**	**1,734**

Note 26 Assets Held for Sale

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

2021/22 £000		2022/23 £000
1,533	**Balance outstanding at start of year**	**90**
-	Assets newly classified as held for sale - PPE	-
(78)	Revaluation losses	-
-	Revaluation gains	-
(1,365)	Assets declassified as held for sale: Investment properties	-
-	Assets sold	(90)
90	**Balance outstanding at year end**	**-**

There is a decrease in the net book value of assets held for sale at the end of this financial year of £0.090 million due to one declassified asset held for sale.

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Note 27 Short Term Debtors

31 March 2022 £000		31 March 2023 £000
8,330	Central Government Bodies	3,661
10,008	Other Local Authorities	13,099
729	NHS Bodies	3,621
174	Public Corporation and Trading Funds	328
24,226	Council Taxpayers	27,594
1,817	Business Rates	1,336
2,976	Housing Benefits Overpayments	3,105
5,423	Other Entities and Individuals	6,341
53,683	**Total**	**59,085**
	Provisions for Doubtful Debts	
(1,296)	Directorate Contribution to Bad Debt Provision	(1,488)
(6,785)	Council Taxpayers	(8,135)
(724)	Business Rates	(678)
(952)	Housing Benefits Overpayments	(1,006)
43,926	**Total debtors including provision for doubtful debt**	**47,777**

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Note 28 Cash and Cash Equivalents

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

31 March 2022 £000		31 March 2023 £000
44	Cash held by the Council	44
2,032	Bank current accounts – school accounts	2,124
(329)	Bank current accounts – main Council	(1,443)
13,570	Short term deposits with Financial Institutions	10,350
15,317	**Total Cash and Cash Equivalents**	**11,075**

Note 29 Short Term Creditors

31 March 2022 £000		31 March 2023 £000
(1,731)	Central Government Bodies	(1,812)
(8,643)	Other Local Authorities	(12,832)
(1,111)	NHS Bodies	(963)
(1,424)	Public Corporation and Trading Funds	(110)
(857)	Short Term Accumulating Compensated Absences	(788)
(17,285)	Other Entities and Individuals	(16,813)
(4,000)	Local Taxation	(4,415)
(35,051)	**Total**	**(37,733)**

Note 30 Provisions

	Balance at 1 April 2022	Provisions made in 2022/23	Provisions utilised in 2022/23	Other Transfers in 2022/23	Balance at 31 March 2023	Short Term Provisions	Long Term Provisions
	£000	£000	£000	£000	£000	£000	£000
Insurance Provision	(2,300)	(5)	412	-	(1,893)	(940)	(953)
Business Rates Appeals	(3,425)	-	2,022	-	(1,403)	(585)	(818)
Childrens' Social Care Provision	(947)	-	-	-	(947)	-	(947)
Total Provisions	**(6,672)**	**(5)**	**2,434**	**-**	**(4,243)**	**(1,525)**	**(2,718)**

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.

Insurance Provision:

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

The value of the provision is underpinned by the latest actuary report and the best estimate of the financial liability of existing claims outstanding at 31 March 2023.

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, a provision has been established within the Collection Fund for the estimated 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 £2.862 million with the 49% share in the Council's own accounts being £1.403 million.

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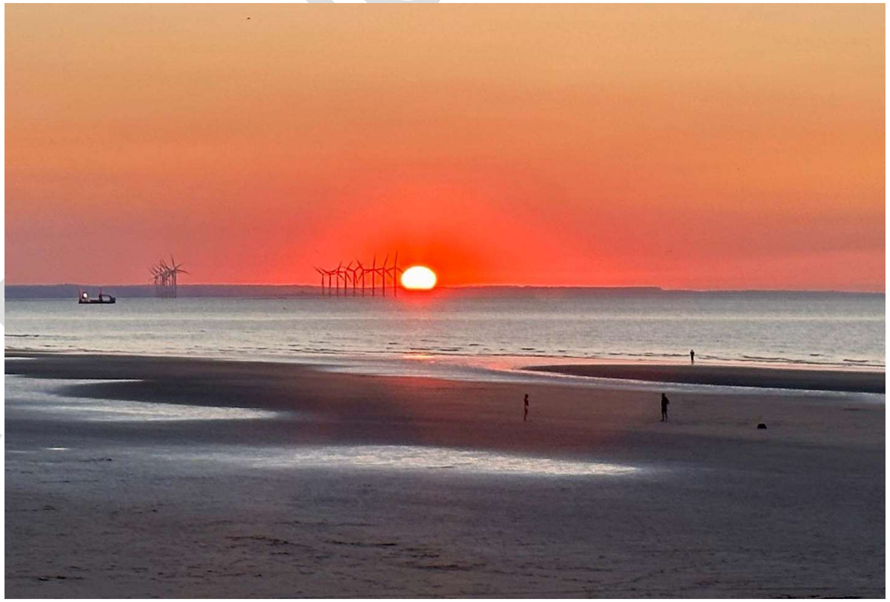
Childrens' Social Care Provision:

Provision is made for possible claims for financial payments for some children's social care suppliers.



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Note 31 Long Term Creditors

	Balance at 31 March 2022 £000	Income £000	Expenditure £000	Balance at 31 March 2023 £000
Section 38 / 278 Agreements	(267)	(225)	-	(492)
Section 106 Agreements	(4,045)	(115)	435	(3,725)
Commuted Sums	(70)	-	5	(65)
Trust Funds	(109)	-	-	(109)
Total	**(4,491)**	**(340)**	**440**	**(4,391)**

Section 38 / 278 agreements relate to agreements between a 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 16 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 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 14 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 5 agreements in place.

The Council is the custodian of three trust funds. The Council decides on how the funds are used whilst ensuring that the conditions in the trust deed is fulfilled.

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Note 32 Financial Instruments

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

Financial Liabilities

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

Financial Assets

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

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

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

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

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

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Financial Instruments: Balances

Financial Liabilities

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

Financial Liabilities	Long-term 31 March 2022 £000	Long-term 31 March 2023 £000	Current 31 March 2022 £000	Current 31 March 2023 £000
Loans at amortised cost:				
- Principal sum borrowed – PWLB	(55,257)	(95,962)	(2,700)	(12,966)
- Principal sum borrowed – LOBO	(25,000)	(25,000)	-	-
- Principal sum borrowed – Market	(48,750)	(48,750)	-	-
- Principal sum borrowed – Local Authority	(15,558)	(15,690)	(36,000)	(15,000)
- Principal sum borrowed – Other	(1,816)	(1,090)	(726)	(726)
Accrued interest	-	-	-	-
- Accrued interest – PWLB	-	-	(492)	(657)
- Accrued interest – LOBO	-	-	(445)	(448)
- Accrued interest – Market	-	-	(790)	(800)
- Accrued interest – Local Authority	-	-	(220)	(315)
EIR adjustments - PWLB	267	266	-	-
Total Borrowing	**(146,114)**	**(186,226)**	**(41,373)**	**(30,912)**
Loans at amortised cost:				
- Bank Overdraft	-	-	-	-
Total Cash Overdrawn	**-**	**-**	**-**	**-**
Liabilities at amortised cost:				
- PFI arrangements	(47,441)	(42,362)	-	-
Other Long Term Liabilities	**(47,441)**	**(42,362)**	**-**	**-**
Liabilities at amortised cost:				
- Trade payables	(4,491)	(4,391)	(21,121)	(21,797)
- PFI arrangements and leases	-	-	(3,018)	(2,524)
Included in Creditors *	**(4,491)**	**(4,391)**	**(24,139)**	**(24,321)**
Total Financial Liabilities	**(198,046)**	**(232,979)**	**(65,512)**	**(55,233)**

* The creditors lines on the Balance Sheet includes £13.412 million (2021/22 £10.912 million) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

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Financial Assets

	Long-term		Current	
Financial Assets	**31 March 2022 £000**	**31 March 2023 £000**	**31 March 2022 £000**	**31 March 2023 £000**
At amortised cost:				
- Principal	-	-	-	5,000
- Accrued interest	-	-	-	26
At fair value through other comprehensive income:				
- Equity investments elected FVOCI	2,055	1,742	-	-
At fair value through profit and loss				
- Fair value	10,431	8,712	-	-
Total Investments	**12,486**	**10,454**	**-**	**5,026**
At amortised cost:				
- Principal	-	-	3,664	8,530
- Accrued interest	-	-	1	30
At fair value through profit and loss				
- Fair value	-	-	11,652	2,515
Total Cash & Cash Equivalents	**-**	**-**	**15,317**	**11,075**
At amortised cost:				
- Short-term debtors	836	435	15,725	22,443
- Loans made for service purposes and employees	1,477	1,299	96	50
Included in Debtors *	**2,313**	**1,734**	**15,821**	**22,493**
Total Financial Assets	**14,799**	**12,188**	**31,138**	**38,594**

* The debtors lines on the Balance Sheet include £36.951 million (2021/22 £37.862 million) short term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions. The debtors line also includes a credit of £11.308 million for the bad debt provision.

<u>Equity Instruments Elected to Fair Value Through Other Comprehensive Income</u>

The Council has elected to account for the following equity instruments at fair value through other comprehensive income because they are long-term strategy holdings and changes in fair value are not considered to be part of the Council's annual financial performance.

	Fair Value		Dividend	
	31 March 2022 £000	**31 March 2023 £000**	**31 March 2022 £000**	**31 March 2023 £000**
Redcar and Cleveland Legal Services Ltd	1,722	1,722	-	700
Suez Recycling and Recovery Tees Valley Limited	313	-	-	-
Veritau Tees Valley Limited	20	20	-	-
	2,055	1,742	-	700

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Suez Recycling and Recovery Tees Valley Limited completed a voluntary dissolution in October 2022 which resulted in the receipt of £0.297 million. This represented a loss of £0.015 million which has been recognised in the Comprehensive Income and Expenditure account.

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:

	Financial Liabilities	Financial Assets			
2022/23	**Liabilities measured at amortised cost**	**Amortised Cost**	**Fair Value through Profit & Loss**	**2022/23 Total**	**2021/22 Total**
	£000	**£000**	**£000**	**£000**	**£000**
Interest expense	14,703	-	-	14,703	13,662
Losses from changes in fair value	-	-	1,744	1,744	-
Impairment losses	-	-	-	-	72
Fees paid	36	-	-	36	27
Interest payable and similar charges	**14,739**	**-**	**1,744**	**16,483**	**13,761**
Interest income *	-	(448)	(612)	(1,060)	(440)
Dividend income	-	-	(700)	(700)	
Gains from changes in fair value	-	-	-	-	(1,564)
Impairment loss reversals	-	(1)	-	(1)	-
Interest and investment income	**-**	**(449)**	**(1,312)**	**(1,761)**	**(2,004)**
Net impact on surplus/deficit on provision of services	**14,739**	**(449)**	**432**	**14,722**	**11,757**
Net (gain)/loss for the year				**14,722**	**11,757**

* The interest earned from treasury management activities was £0.934 million. The additional income over this amount is in respect of other activities which have earned interest.

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Financial Instruments: Fair Value of Assets and Liabilities

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2023, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- Discount rates for "Lender Option Borrower Option" (LOBO) loans have reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.
- 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 31 March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA rated corporate bond yield.
- No early repayment or impairment is recognised. However, the Council has recognised an impairment relating to historic Icelandic bank investments. See detailed note on the impairment of financial assets.
- The fair value of short-term instruments, including trade payables and receivables is assumed to approximate to the carrying amount.

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

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

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31 March 2022			Fair Value Level	31 March 2023	
Balance Sheet £000	Fair Value £000			Balance Sheet £000	Fair Value £000
		Financial liabilities held at amortised cost:			
(58,182)	(60,135)	Loans from PWLB	2	(109,319)	(99,196)
(25,445)	(55,853)	LOBO loans	2	(25,448)	(38,164)
(103,860)	(160,353)	Other loans	2	(82,371)	(97,191)
(50,459)	(127,166)	Lease payables and PFI liabilities	3	(44,886)	(82,308)
(237,946)	**(403,507)**	**Total**		**(262,024)**	**(316,859)**
(25,612)		Liabilities for which fair value is not disclosed*		(26,189)	
(263,558)		**Total financial liabilities**		**(288,212)**	
		Recorded on Balance Sheet as:			
(24,139)		Short-term creditors		(24,321)	
(41,373)		Short-term borrowing		(30,912)	
(4,491)		Long-term creditors		(4,391)	
(146,114)		Long-term borrowing		(186,226)	
(47,441)		Other long- term liabilities		(42,362)	
(263,558)		**Total financial liabilities**		**(288,212)**	

* The fair value of short-term financial liabilities including short-term creditors 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. This shows a notional future loss (based on economic conditions at 31 March 2022) arising from the commitment to pay interest to lenders above current market rates.

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31 March 2022 Balance Sheet £000	31 March 2022 Fair Value £000		Fair Value Level	31 March 2023 Balance Sheet £000	31 March 2023 Fair Value £000
		Financial assets held at fair value:			
2,055	2,055	Shares in listed companies	1	1,742	1,742
10,431	10,431	Pooled Property Fund	1	8,712	8,712
11,652	11,652	Money Market Funds	1	2,515	2,515
		Financial assets held at amortised cost:			
-	-	Loans and receivables over 90 days	2	5,026	5,025
1,918	1,918	Loans and receivables under 90 days	2	7,835	7,827
26,056	**26,056**	**Total**		**25,830**	**25,821**
19,881		Assets for which fair value is not disclosed*		24,952	
45,937		**Total financial assets**		**50,782**	
		Recorded on balance sheet as:			
15,317		Cash and cash equivalents		11,075	
-		Short-term investments		5,026	
12,486		Long-term investments		10,454	
15,821		Short-term debtors		22,493	
2,313		Long-term debtors		1,734	
45,937		**Total financial assets**		**50,782**	

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

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Financial Instruments: Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

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

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

The main risks covered are:

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

(b) Liquidity and Refinancing risk - the possibility that the Council might not have the cash available to make contracted payments on time and that the Council may need to renew a financial instrument at disadvantageous rates or terms.

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

(a) Credit Risk - Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of a high credit quality, as set out in the annual Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK Government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice.

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

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

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

The full Investment Strategy for 2022/23 was approved by Full Council on 24 February 2022 and is available on the Council's website. The Investment Strategy for 2023/24 was approved by Full Council on 23 February 2023 and it became operational immediately. It is therefore the 2023/24 Strategy that governed the investment decisions on 31 March 2023.
The Council sets an investment limit for individual counterparties and a total limit per category of investment. The only exception to this is

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for money deposited with the UK government. No more than £25.000 million in total can be invested for periods longer than one year.

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

Deposits with banks and financial institutions (not including accrued interest)	Amount at 31 March 2022 £000	Amount at 31 March 2023 £000
AAA rated counterparties - The rated institution has an exceptional degree of creditworthiness	11,650	2,500
AA+ rated counterparties - Very low expectation of credit risk	-	-
AA rated counterparties - Very low expectation of credit risk	-	11,300
AA- rated counterparties - Very low expectation of credit risk	300	500
A+ rated counterparties – Low expectation of credit risk	-	-
A rated counterparties - Low expectation of credit risk	1,200	1,005
A- rated counterparties - Low expectation of credit risk	-	-
BBB rated counterparties – Adequate capacity to meet financial commitments	417	-
Credit Risk not applicable *	10,000	10,000
Total	**23,567**	**25,305**

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

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies and adjusted for current and economic conditions. A two year delay in cash flows is assumed to arise in the event of a default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retail an investment grade credit rating. They are determined to be credit impaired when awarded a "D" credit rating or equivalent. At the 31st March 2023 there was no loss adjustment related to treasury investments. This was due to the majority of the cash being held either in Money Market Funds or direct with the Government.

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Credit Risk - Receivables

The Council does not generally allow credit for customers, although £3.130 million of the £8.485 million debtors invoices balance is past its due date for payment. The overdue amount can be analysed by age as follows:

	31 March 2022 £000	31 March 2023 £000
Less than one month	809	5,355
One to three months	1,057	(621)
Three to six months	388	603
Six months to one year	733	983
More than one year	1,678	2,165
Total	**4,665**	**8,485**

As the Council maintains a bad debt provision for debts based on age of debt and nature of dispute, no further assessment of the fair value has needed to be made. The amounts are carried on the Balance Sheet at their amounts outstanding and no amounts have been included in the table above for the Council's exposure to default. The £8,485 million above relates to invoiced debt only and is an element of the Debtor total in Note 27.

Credit Risk – Loans

The Council has debtor loans outstanding as at 31 March 2023 of £1.378 million to support either the achievement of the Council's objectives or to its employees. The amounts recognised on the balance sheet, and the Council's total exposure to credit risk is as follows:

	31 March 2022 £000	31 March 2023 £000
Charity	238	40
Business	1,234	1,231
Employees	84	86
Other	23	21
Total	**1,579**	**1,378**

The Council manages the credit risk inherent in its loans for service purposes in line with its published Investment Strategy. A loss allowance has only been calculated on the loan outstanding with Redcar and Cleveland Legal Services Limited. The remainder are either immaterial or secured on assets that will revert to the Council on company failure.

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(b) Liquidity Risk

The Council has ready access to borrowings at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourable high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 50% of the Council's borrowing matures in any one financial year.

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

Period	**Approved Maximum Limits**	**Actual 31 March 2022 £000**	**%**	**Actual 31 March 2023 £000**	**%**
Less than 1 year	50%	(39,427)	21%	(28,692)	13%
Between 1 and 2 years	60%	(8,426)	5%	(8,086)	4%
Between 2 and 5 years	70%	(26,796)	14%	(39,443)	18%
Between 5 and 10 years	90%	(6,777)	4%	(29,568)	14%
More than 10 years	100%	(79,381)	43%	(84,394)	39%
Uncertain date *		(25,000)	13%	(25,000)	12%
Total		**(185,807)**	**100%**	**(215,183)**	**100%**

* The Council has £25.000 million of "Lender Option, Borrower's Option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. If the lender exercises its option, the Council will consider repaying these loans. However, the maturity date is therefore uncertain.

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

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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 charges to the Comprehensive Income and Expenditure Statement 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 to the Income and Expenditure Statement will rise; and
- Investments at fixed rates - the fair value of the assets will fall (no impact on revenue balances).

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposure to fixed and variable interest rates. At 31 March 2023 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	(189)
Decrease in fair value of investments held at FVPL	(2)
Impact on Surplus or Deficit on the Provision of Services	**(191)**
Decrease in fair value of fixed rate investment held at FVOCI	-
Impact on Comprehensive Income and Expenditure	-
Decrease in fair value of fixed rate investment assets	(76)
Decrease in fair value of fixed rate borrowings	1,993
No Impact on Comprehensive Income and Expenditure Statement	**1,917**

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

The Council has £25.000 million of LOBO loans where the lender has the option to propose an increase in the rate payable. The Council will then have the option to accept the new rate or repay the loan without penalty. Due to interest rates being high, the likelihood of the lender increasing the rates is now a risk. There are no LOBO loans with a call period in 2023/24 so debt is currently classified as fixed rate borrowings for the above assessment.

(ii) Price Risk

The Council's £10.000 million investment in a pooled property fund is subject to the risk of falling commercial property prices. A 5% fall in commercial property prices as at 31 March 2023 would result in a £0.406 million charge to the surplus or deficit on the provision of

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services which is then reversed out of the account through the movement in reserves statement.

The Council does not generally invest in equity shares or marketable bonds but does have a shareholding in companies of £1.742 million. Whilst these holdings are generally illiquid, the Council is consequently exposed to losses arising from movements in the value of the asset.

(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.

Note 33 Grant Income, Contributions and Donations

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23 (these exclude grants already disclosed within Note 11).

2021/22 £000		2022/23 £000
	Credited to Services	
(2,218)	Department for Works & Pensions	(2,755)
(761)	Council Tax and Business Rates Administration	(740)
(37,153)	Housing Benefits Subsidy and Admin Grant	(34,914)
-	Ministry of Justice	(11)
(11,274)	Department for Levelling Up, Housing and Communities	(11,581)
(722)	Department of Health	(1,438)
(11,872)	Public Health Grant	(12,620)
(36,747)	Dedicated Schools Grant	(38,376)
(1,777)	Education and Skills Funding Agency/Department for Education	(2,980)
(1,809)	Pupil Premium Grant	(1,793)
(163)	Department for Environment, Food and Rural Affairs	(11)
(153)	Department for Transport	(133)
(1,669)	Home Office	(2,542)
(1,894)	Diocese Contributions	(1,912)

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(34,316)	Health Authorities	(33,341)
(79)	Police Authorities	(105)
(4,345)	Other Local Authorities	(3,042)
(2,602)	Other Grants and Contributions	(2,692)
(40)	Donations	(11)
-	Department for Business, Energy & Industrial Strategy	(100)
(1,749)	Contain Outbreak Management Fund	(300)
(2,842)	Infection Control Fund	-
(1,388)	Workforce Capacity Grant	-
(3,779)	Additional Restrictions Grant	-
(33)	COVID Winter Grant Scheme	(3)
(159,385)	**Total**	**(151,400)**

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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 revenue receipts in advance in the Council's balance sheet. The totals at the year-end are as follows:

31 March 2022 £000		31 March 2023 £000
	Revenue Receipts in Advance	
(282)	Department for Education	(346)
(17,287)	Department for Levelling Up, Housing and Communities	(3,334)
(377)	Department for Health	(36)
-	Health Authorities	(362)
(382)	Department for Works and Pensions	(444)
(1,954)	Education & Skills Funding Agency	(3,033)
(218)	Department for Environment, Food and Rural Affairs	(238)
(2,855)	Home Office	(2,097)
(26)	Department for Business, Energy & Industrial Strategy	(489)
(497)	Public Health England	(466)
(413)	Other Local Authorities	(284)
(34)	Other Contributions	(109)
(24,325)	**Total**	**(11,238)**

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31 March 2022 £000	Capital Receipts in Advance	31 March 2023 £000
(15)	Devolved Formula Capital Grant	(32)
-	Changing Places DLUHC	(155)
(58)	Skinningrove Coast Protection	(57)
(470)	Cleveland Ironstone Mining Museum	-
(568)	National Productivity Investment Fund (A174/A66)	-
-	Redcar Town Deal	(1,101)
(223)	Indigenous Growth Fund	(45)
(240)	Guisborough Town Hall Gateway Project	(188)
(4,362)	Redcar Train Station	(4,080)
(250)	Redcar & Cleveland College 4G Pitch	-
(172)	Loftus Future High Street Funds	(1,684)
(6,358)	**Total**	**(7,342)**

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Note 34 Unusable Reserves

31 March 2022 £000		31 March 2023 £000
(56,411)	Revaluation Reserve	(67,310)
(312)	Financial Instruments Revaluation Reserve	-
27,447	Capital Adjustment Account	36,659
17,260	Financial Instruments Adjustment Account	16,755
130,557	Pensions Reserve	(82,338)
7,558	Collection Fund Adjustment Account	4,120
857	Accumulating Compensated Absences Adjustment Account	788
(346)	Pooled Fund Adjustment Account	1,383
3,347	DSG Adjustment Account	4,970
129,957	**Total Unusable Reserves**	**(84,973)**

Subject to Audit

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).

2021/22 £000		Revaluation Reserve	2022/23 £000	
	(38,687)	**Balance at 1 April**		(56,411)
		Opening balance adjustment written off to CAA		
(19,602)		Upward revaluation of assets and impairment	(17,295)	
695		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,579	
	(18,907)	(Surplus)/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(15,717)
1,077		Difference between fair value depreciation and historic cost depreciation	1,640	
106		Accumulated gains on assets sold or scrapped	3,178	
-		Non-current assets transferred direct to Capital Adjustment Account	-	
	1,183	Amounts written off to the Capital Adjustment Account		4,818
	(56,411)	**Balance at 31 March**		**(67,310)**

Subject to Audit

Financial Instruments Revaluation Reserve

The reserve has been renamed from the Available for Sale Financial Instruments Reserve following the introduction of IFRS9. This reserve represents shares in Suez Recycling & Recovery (Tees Valley) Ltd. The reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

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

2021/22 £000	Financial Instruments Revaluation Reserve	2022/23 £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	15
-	Accumulated gains on assets sold and maturing assets written out of the Comprehensive Income and Expenditure Statement as part of Other Investment Income	297
(312)	**Balance at 31 March**	**-**

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.

Subject to Audit

2021/22 £000	Capital Adjustment Account	2022/23 £000
37,401	**Balance at 1 April**	**27,447**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES)	
11,867	Charges for depreciation and impairment of non-current assets	11,297
1,080	Revaluation (gains)/losses on Property, Plant and Equipment, Investment Properties and Assets Held for Sale	23,148
571	Amortisation of intangible assets	505
4,389	Revenue expenditure funded from capital under statute	8,007
900	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,759
18,807	**Net amount written out of the cost of non-current assets consumed in the year**	**44,716**
	Capital financing applied in the year	
(528)	Use of the Capital Receipts Reserve to finance new capital expenditure	(60)
(158)	Direct Revenue Financing	(102)
(153)	Write down long term debtor/capital receipt deferred	(199)
(22,113)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(29,265)
(5,809)	Statutory provision for the financing of capital investment charged against the General Fund in year (MRP)	(5,886)
-	Disposal expenses	8
(28,761)	**Total Capital Financing**	**(35,504)**
27,447	**Balance at 31 March**	**36,659**

Subject to Audit

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 Movement in Reserves Statement over the life of the replacement borrowing taken. This spreads the burden on council tax payers.

2021/22 £000	Financial Instruments Adjustment Account	2022/23 £000
17,768	**Debt - Balance as at 1 April**	**17,260**
-	Premium incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-
(508)	Proportion of premiums incurred in the previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	(505)
17,260	**Total Debt**	**16,755**

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.

2021/22 £000	Pensions Reserve	2022/23 £000
224,135	**Balance at 1 April**	**130,557**
(115,903)	Actuarial (gains)/losses on pensions assets and liabilities	(234,990)
29,169	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	29,691
(6,844)	Employer's pensions contributions and direct payments to pensioners	(7,596)
130,557	**Balance at 31 March**	**(82,338)**

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 credit balance on the Pensions Reserve therefore shows a substantial surplus in terms of the assets available when compared to the discounted liabilities of the future benefits earned by past and current employees. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Collection Fund Adjustment Account

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

2021/22 £000	Collection Fund Adjustment Account	2022/23 £000
12,966	**Balance at 1 April**	**7,558**
(5,408)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(3,438)
7,558	**Balance at 31 March**	**4,120**

Subject to Audit

Accumulating Compensating 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.

2021/22 £000	Accumulating Compensating Absences Adjustment Account	2022/23 £000
872	**Balance at 1 April**	**857**
(872)	Settlement or cancellation of accrual made at the end of the preceding year	(857)
857	Amounts accrued at the end of the current year	788
-	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	-
857	**Balance at 31 March**	**788**

Pooled Investment Fund Adjustment Account

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

2021/22 £000	Pooled Investment Fund Adjustment Account	2022/23 £000
1,218	**Balance at 1 April**	**(346)**
(1,564)	Upward revaluation of investments	-
-	Downward revaluation of investments	1,729
-	Change in impairment loss allowances	-
(346)	**Balance at 31 March**	**1,383**

Subject to audit

DSG Adjustment Account

The DSG Adjustment Account records any deficits held by the Authority which relate to the Dedicated Schools Grant.

A new statutory instrument was introduced into The Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations) and came into effect from 29 November 2020. The accounting practice has the effect of separating Early Years and High Needs deficits from the local authorities' general funds. Any deficit previously held as a usable reserve, had been transferred to the unusable reserve and any in year deficit added to it.

2021/22 £000	DSG Adjustment Account	2022/23 £000
2,763	**Balance at 1 April**	**3,347**
584	In year DSG deficit	1,623
3,347	**Balance at 31 March**	**4,970**

Subject to Audit

Note 35 Pensions Schemes Accounted for as Defined Contribution Schemes

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

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

The arrangements for these schemes mean that the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2022/23, the Council paid £1.447 million to Teachers' Pensions Agency in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2021/22 were £1.561 million and 23.65%. The difference between years relates to academisation of Handale Primary School in 2022/23.

The contributions the Council made to NHS Pensions was £0.197 million, representing 18.57% of pensionable pay. The figures for 2021/22 were £0.189 million and 15.36%.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' and NHS schemes. These costs are accounted for on a defined benefit basis and detailed in Note 36.

Subject to Audit

Note 36 Defined Benefit Pension Schemes

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

The Council participates in the following post-employment scheme:

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

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

The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2022 and the contributions to be paid until 31 March 2026 resulting from the valuation are set out in the Fund's Rates and Adjustment Certificate.

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against the revenue budget 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:

2021/22 £000		2022/23 £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
24,191	Current service cost	26,363
-	Past service costs (including curtailments)	5
-	Settlements	(440)
	Financing and Investment Income and Expenditure	
18,896	Interest cost on liabilities	22,788
(13,918)	Interest income on assets	(19,025)
29,169	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**29,691**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
(64,361)	Actual return on assets	8,682
(10,618)	Actuarial (gains)/losses on liabilities – financial assumptions	(285,115)
(17,578)	Actuarial (gains)/losses on liabilities – demographic assumptions	(5,614)
(23,346)	Actuarial (gains)/losses on liabilities - experience	47,057
(115,903)	**Total Actuarial (gains) and losses**	**(234,990)**
(86,734)	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(205,299)**
	Movement in Reserves Statement	
(29,169)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(29,691)
	Actual amount charged against General Fund Balance for pensions in the year	
6,844	Employers' contributions payable to scheme	7,596

Subject to Audit

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.

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.

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

Guaranteed Minimum Pension (GMP) Indexation and Equalisation

Following a high court ruling that confirmed pension fund trustees had a duty to equalise benefits for men and women, allowance has been made for full indexation on all GMPs for members who state pension age is on or after 6 April 2016. This represents a change to the approach taken previously, whereby public sector schemes had an alternative method to equalise GMPs.

Subject to Audit

Assets and Liabilities in Relation to Post-employment Benefits

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

31 March 2022 £000		31 March 2023 £000
(895,278)	**Opening balance at 1 April**	**(843,395)**
(24,191)	Current Service Cost	(26,363)
(18,896)	Interest Cost	(22,788)
(3,352)	Contributions by scheme participants	(3,773)
	Re-measurement Gain	
10,618	Actuarial gains/(losses) on liabilities – financial assumptions	285,115
17,578	Actuarial gains/(losses) on liabilities – demographic assumptions	5,614
43,970	Actuarial gains/(losses) on liabilities - experience	(47,057)
26,156	Benefits paid	25,250
-	Past Service Cost including Curtailments	(5)
-	Settlements	1,253
(843,395)	**Closing balance at 31 March**	**(626,149)**

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

31 March 2022 £000		31 March 2023 £000
671,143	**Opening balance at 1 April**	**712,838**
13,918	Interest Income on assets	19,025
64,361	Re-measurement gains/(losses) on assets	(8,682)
(20,624)	Actuarial gains/(losses) on assets – experience	-
-	Service cost – Effect of Settlements	(813)
6,844	Contributions by the Employer	7,596
3,352	Contributions by scheme participants	3,773
(26,156)	Net Benefits paid out	(25,250)
712,838	**Closing balance at 31 March**	**708,487**

Subject to Audit

Scheme History

	2022/2023 £000	2021/22 £000	2020/21 £000	2019/20 £000	2018/19 £000	2017/18 £000	2016/17 £000
Present Value of Funded Scheme Liabilities	(610,789)	(824,491)	(874,891)	(730,838)	(752,413)	(719,078)	(701,024)
Present Value of Unfunded Scheme Liabilities	(15,360)	(18,904)	(20,387)	(21,256)	(23,404)	(24,375)	(24,966)
Fair Value of Scheme Assets	708,487	712,838	671,143	545,373	619,754	580,131	573,550
Surplus/(Deficit) in the scheme	**82,338**	**(130,557)**	**(224,135)**	**(206,721)**	**(156,063)**	**(163,322)**	**(152,440)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total surplus of £82,338 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. There is a movement between years of £212.895 million due to changes in financial assumptions, mainly related to the discounting of pension fund liabilities.

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 2024 is £5.936 million.

Subject to Audit

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the roll forward approach, an estimate of the pension fund assets and liabilities by adjusting the results of the last full actuarial valuation exercise using financial, demographic and experience assumptions. The scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2022.

The principal assumptions used by the actuary have been:

2021/22		2022/23
	Mortality assumptions (years)	
	Member aged 65 at accounting date:	
20.9	Men	20.6
23.9	Women	23.7
	Member aged 45 at accounting date:	
21.9	Men	21.5
25.5	Women	25.2
3.20%	Rate of Inflation (Consumer Price Index)	3.00%
4.20%	Rate of increase in salaries	4.00%
3.20%	Rate of increase in pensions	3.00%
2.70%	Rate for discounting scheme liabilities	4.75%

Subject to Audit

The assets allocated to the Council 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 2022		**Year to 31 March 2023**
%	**Assets**	**%**
68.0	Equities	71.0
8.0	Property	9.0
16.0	Cash	7.0
8.0	Other*	13.0
100	**TOTAL**	**100**

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

Estimated Pension Expense in Future Periods

Analysis of Amount Charged to Profit and Loss	**Year to 31 March 2023 £000**
Current Service Cost	11,943
Interest on Net Defined Benefit Liability	(3,812)
Total Estimated Pension Expense	**8,131**

Subject to Audit

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 2023 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)	600,896	610,789	620,682
% change in present value of total obligation	-1.6%		1.6%
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)	611,753	610,789	609,825
% change in present value of total obligation	0.2%		-0.2%
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)	619,858	610,789	601,720
% change in present value of total obligation	1.5%		-1.5%
Post retirement mortality assumption			
Adjustment to mortality age rating assumption *	**-1 year**	**Base Figure**	**+1 year**
Present Value of total obligation (£M's)	635,835	610,789	585,743
% change in present value of total obligation	4.1%		-4.1%

*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.

Subject to Audit

Note 37 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.

2021/22 £000		2022/23 £000
325	**Surplus/(Deficit) on Provision of Services**	(45,971)
	Adjust net surplus/(deficit) on the provision of services for non-cash movements	
13,514	Depreciation/Amortisation	13,442
1,081	Revaluation losses on Property, Plant & Equipment, Investment Property and Assets Held for Sale	23,148
138	Other non-cash items charged to the net surplus/(deficit) on the provision of services in year	(685)
12,599	Increase/(Decrease) in Creditors	(9,881)
3,372	(Increase)/Decrease in Debtors	(7,748)
24	(Increase)/Decrease in Inventories	(5)
22,325	Pension Liability	22,095
1,006	Carrying amount of non-current assets sold	4,944
54,059	Total	45,310
	Adjust for items included in the net surplus/deficit on the provision of services that are investing or financing activities	
(22,522)	Capital Grants Credited	(28,554)
-	Payment of premium on LOBO Loans	-
(432)	Proceeds from Sale of Assets	(259)
(22,954)	Total	(28,813)
31,430	**Net Cash flow from Operating Activities**	**(29,474)**

Memo Item – Operating Activities – Interest

Operating activities within the Cash Flow Statement include the following cash flows relating to interest:

2021/22 £000		2022/23 £000
450	Interest Received	1,681
(13,756)	Interest Paid	(14,466)
(13,306)	**Total**	**(12,785)**

Subject to Audit

Note 38 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.

2021/22 £000		2022/23 £000
(23,909)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(28,282)
(1,722)	(Purchase)/Disposal of short- and long-term investments	(4,702)
(1,384)	Other Payments for Investing Activities	(32)
549	Capital Receipts	376
26,307	Other receipts for investing activities	29,750
(159)	**Net cash flows from investing activities**	**(2,890)**

Note 39 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.

2021/22 £000		2022/23 £000
-	Cash receipts of short- and long-term borrowing	-
(2,613)	Other payments for financing activities	(5,573)
(10,766)	(Repayment)/New short term/long term borrowing	29,376
(10,129)	Financing activities	4,319
(23,508)	**Net cash flows from financing activities**	**28,122**

Subject to Audit

Note 40 Related Party Transactions and Group Arrangements

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 2023 are also set out in Note 33.

Of the 58 Elected Members and 70 Chief and senior officers' posts, 54 Members and 46 Officers have provided details of any 'related party transactions', as required by the latest Code of Practice. 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. During 2022/23, the Council's now former Leader of the Council – Mary Lanigan – acted as a Director of the South Tees Site Company Limited. 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 2022/23 financial year is shown in Note 13.

The Council's Chief Accountant, the Commercial and Legal Manager, and the Director of Adults and Community Services 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 2022/23 was £0.064 million.

The Council's Commercial and Legal Manager and Governance Director (Monitoring Officer) are the Directors of Redcar and Cleveland Legal Services Company which holds 100% shareholding in Cygnet Family Law. These two officers are also Directors of Cygnet Family Law.

The Council's Section 151 Officer is a Director of Veritau – Tees Valley Ltd.

Grants from Central Government and other bodies are included in the column headed "Gross Income" shown in the Comprehensive Income and Expenditure Account. A more detailed analysis of these grants is given in Note 33 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.

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Entities Controlled or Significantly Influenced by the Council

The Code of Practice requires local authorities to produce Group Accounts to reflect significant activities provided to council taxpayers by other organisations in which the Council has an interest. The Council has considered its interests in its subsidiaries, associates, joint ventures and other bodies, and has concluded all entities are not considered to be material and therefore have not been consolidated into the Group Financial Statements.

In determining the Group Boundary, the Council has gone through a process to identify the following potential relationships with other individual entities, through the following assessment:

- Is the organisation a separate legal entity for accounting purposes?
- Does Redcar and Cleveland Borough Council have an interest in the organisation?
- Does Redcar and Cleveland Borough Council control the entity – and therefore does it have the power to govern its financial and operating policies to benefit from its activities?
- Does Redcar and Cleveland Borough Council have significant influence over the organisation, and therefore does it have the power to participate in its financial and operating policies?
- Is Redcar and Cleveland Borough Council party to the contractually and binding agreement sharing control over the organisation, so strategic financial and operating decisions require the unanimous consent of the parties sharing control.

The Council has financial relationships with a number of related companies. Those which are considered significant, for example due to the level of investment or level of governance and oversight, are detailed as follows:

Redcar and Cleveland Legal Services Limited and Cygnet Family Law:

In July 2021, the Council completed the acquisition of 100% of the shareholding of Cygnet Family Law (company reference number 07000449). As part of this acquisition, the Council has set up a company called Redcar and Cleveland Legal Services Limited (company reference number 13165156) to hold 100% of the share capital held in Cygnet Family Law. The Council therefore owns 100% of Redcar and Cleveland Legal Services.

The Council has acquired Cygnet Family Law, to preserve the provision of children's family law, reduce procurement risk for these services and avoid the challenges of bringing this service in-house. Cygnet Family Law also provides a range of services to other customers in areas including wills, probate, divorce, adult mental health and conveyancing.

Redcar and Cleveland Legal Services Limited have prepared draft accounts to 31 March 2023 which await auditing. The company paid initial consideration of £3.000 million to acquire Cygnet Family Law in July 2021. During 2022/23 the company paid a further £1.219 million in additional consideration under the terms of the purchase agreement. This was funded via a dividend from Cygnet Family Law payable direct to the company. A further remaining liability of £0.7 million exists, which will be payable after 30 June 2023 to finalise the acquisition of Cygnet Family Law (which is again to be funded by a dividend payable by Cygnet Family Law based on their anticipated profit levels at 30 June 2023). Therefore, the total investment in Cygnet Family Law now stands at £4.919 million.

Redcar and Cleveland Legal Services continue to hold a loan with the Council for principal of £1.300 million which has accrued interest increasing the value of this loan at 31 March 2023 to £1.476 million. Interest accrued on the loan in 2022/23 was £0.103 million. During 2022/23 Redcar and Cleveland Legal Services made an unaudited pre-tax profit of £1.815 million. The company also paid a dividend to the

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Council of £0.700 million, to create a profit of £1.115 million during 2022/23, which was comprised of accrued interest payable on the loan from the Council (£0.103 million and investment income (dividends received) from Cygnet Family Law's Long-Term Investment of £4.918 million. Redcar and Cleveland Legal Services Limited have net assets of £2.743 million, underpinned by equity of £1.700 million and a cumulative profit account of £1.043 million.

Cygnet Family Law prepare their financial accounts to 30 June 2023 and are not yet available for inclusion within the draft statement of financial accounts for the Council. Cygnet have prepared draft financial accounts to 30 June 2022 which show turnover of £3.970 million and made a profit before taxation of £1.343 million; and profit after tax of £1.096 million. Cygnet Family Law had net assets on 30 June 2022 of £2.801 million (£2.404 million as at 30 June 2021). Cygnet Family Law's external auditors are Clive Owen LLP. Cygnet Family Law Limited was acquired by Redcar & Cleveland Legal Services, which itself is owned by Redcar & Cleveland Borough Council. As a result, Cygnet Family Law Limited became part of a large group and is therefore, for the first time, is required to have a Companies Act external audit. Included within the balance sheet of Cygnet Family Law Limited at 30 June 2022 is an estimate of accrued income - £1.616 million. Whilst undertaking the audit of accrued income it has become apparent that the legal aid cases which are included within this number have been valued at historic rates rather than the current agreed rates for the specific part of each legal case assignment. This, coupled with a significant delay in invoicing the legal aid work, due to the workload for the costing clerk, has resulted in a number of cases which were complete at 30 June 2022 not yet been costed. In addition, there are a number of ongoing legal aid cases which overlap the year end which it has not been possible to value. It is therefore estimated that accrued income is underestimated at 30 June 2022 by at least £0.300 million.

During 2022/23, the Council made payments to Cygnet Family Law of £2.009 million, with a closing creditor balance held of £0.090 million owed to Cygnet Family Law.

Veritau – Tees Valley Limited

The Council owns a 25% shareholding in Veritau – Tees Valley Limited (company reference number 12363643). Veritau – Tees Valley is jointly owned by Middlesbrough Council (25%) and Veritau Limited (50%) (Company Reference Number 06794890). Veritau – Tees Valley provide internal audit and information governance services to the Council. During 2022/23, the Council paid £0.209 million to Veritau – Tees Valley for provision of these internal audit and information governance services. Veritau – Tees Valley was established in 2020.

Veritau – Tees Valley Limited's draft accounts to 31 March 2023 are yet to be prepared. The draft management accounts show the company has turnover of £0.430 million and operating profit of £0.003 million. The company has net negative assets of £0.188 million.

Other Group Interests

As part of the assessment of the group boundary, the Council has identified other group interests which it classifies as simple investments due to the fact it has only a small shareholding or provides representation on the Board but is unable to influence financial and operational decisions. These include:

- Northeast Procurement Organisation (NEPO) – a jointly owned company set up by the twelve north east local authorities to deliver value for money in local authority procurements.
- Teesside International Airport – The Council has a small shareholding and board representation in the organisation.

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Note 41 Contingent Assets and Liabilities

CONTINGENT LIABILITY

A contingent liability is where there is a possible obligation to transfer economic benefit resulting from a past event, but the possible obligation will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the Council.

Office Accommodation Private Finance Initiative
The process for winding up the special purpose vehicle associated with the Office Accommodation Private Finance Initiative had not been concluded at 31 March 2023. All known and expected financial liabilities have been included in the draft financial accounts.

Insurance Claims
There is the potential that unforeseen future lodged insurance claims relating to past employer and public liability incidents could give rise to a possible future financial obligation for the Council. Furthermore, the Council remains jointly liable, with other Teesside Unitary Authorities to fund insurance claim liabilities relating to the Cleveland County Council and Langbaurgh District Council between 1 April 1974 and 31 March 1996. The Council has set aside insurance provisions and reserves for this risk, but some potential future claims carry an unquantifiable risk.

CONTINGENT ASSET

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.

There are no contingent assets pertaining to the Council's activities at 31 March 2023.

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Note 42 Statement of Accounting Policies

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GENERAL

The Statement of Accounts summarises the Council's financial transactions for the 2022/23 financial year and its financial position at the year ended 31 March 2023, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2022/23, 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.

ROUNDINGS

It is not the Council's policy to adjust for immaterial cross-casting differences between the main statements and disclosure notes.

Values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match the core statements or other tables due to rounding differences.

ESTIMATION TECHNIQUES

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

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

- Methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a non-current asset consumed in a period.

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

ACCRUALS OF INCOME & EXPENDITURE (DEBTORS & CREDITORS)

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

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

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

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

- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debt will be settled, the balance of debtors is written down and a charge is made to revenue for the income that might not be collected.

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

PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

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

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

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

REVENUE

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

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

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

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

Non-Domestic Rates (NDR)

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

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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 permitted.

Unusable reserves are non-distributable reserves and are disclosed in Note 34 to the Statement of Accounts. These represent 'technical non-cash' reserves which are statutorily held to manage the accounting processes and other statutory accounting adjustments. These reserves do not represent usable cash resources available to the Council, they do not impact upon the level of local taxation required and are not able to be utilised in support of service delivery.

A new statutory instrument was introduced into The Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations) and came into effect from 29 November 2020. The new accounting practice has the effect of separating Early Years and High Needs deficits from the local authorities' general funds for a period of three financial years.

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 as:

Adjusting Events

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

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Non-Adjusting Events

Those events that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and either their estimated financial effect or a statement that such an estimate cannot be made reliably.

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

ACQUIRED OPERATIONS

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

TRUST FUNDS

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

GRANTS AND CONTRIBUTIONS

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve.

EMPLOYEE BENEFITS

Benefits payable during employment

Benefits payable during employment cover two classes:

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

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

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

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

Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. Annual leave, flexi-time, and time in lieu are usually accumulating. Accumulating absences may be either vesting or non-

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vesting. Where vesting, employees who leave are entitled to a cash payment in respect of any unused entitlement. Where non-vesting, benefits lapse if an employee leaves before the vesting date.

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

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

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

Termination benefits

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

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

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

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

a) Enhancement of retirement benefits, and

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

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

Post-employment benefits

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

- The Teachers' Pension Scheme administered by Teachers' Pensions on behalf of the Department for Education (DfE).

- The NHS Pension Scheme administered by NHS Pensions.

- The Local Government Pension Scheme administered locally by the Teesside Pension Fund.

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

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

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

Local Government Pension Scheme

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

Estimating the benefit that employees have earned

Actuarial techniques are used to:

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

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

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

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

The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on actuarial assumptions about mortality rates, employee turnover rates, etc., and projections of future earnings for current employees. This method views each period of service as giving rise to an additional unit of benefit entitlement, with each unit being measured separately to build up the obligation.

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

Determining the fair value of any pension fund assets

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

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Determining the re-measurement of actuarial gains and losses

Re-measurement of actuarial gains and losses comprise of:

- The return on plan assets – recognised in the pensions reserve.

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

Past Service cost:

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

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

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

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

A curtailment occurs when the Council either:

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

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

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

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

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

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

a) Any resulting change in the present value of the defined benefit obligation;
b) Any resulting change in the fair value of the plan assets;
c) Any unamortised related past service costs.

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

Balance Sheet recognition

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

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

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

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

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

Surplus or deficit on the provision of services

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

a) Current service cost.

b) Interest cost.

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

d) Past service cost.

e) The effect of any curtailments or settlements.

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

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

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

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

- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to cover these charges and they are subsequently reversed out in the Movement in Reserves Statement, by way of an adjusting transaction with the

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Capital Adjustment Account. However, they are replaced with an annual charge to the General Fund, which is known as the Minimum Revenue Provision (MRP), and this contributes towards the reduction in the Council's overall borrowing requirement.

VAT

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

PROPERTY PLANT AND EQUIPMENT

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

Recognition

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

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

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

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

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

Measurement

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

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

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

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- 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).

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

- Infrastructure assets: Generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

- 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 the cost of services on the same asset or reversing a previous revaluation decrease charged to the cost of services on the same asset.

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

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

Impairment

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

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

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

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excess of the impairment loss reversed above this carrying amount is charged to the Revaluation Reserve.

Depreciation

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

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

- Land: No depreciation.

- Buildings: Straight-line allocation over the life of the property as estimated by the valuer. The lifespan of property ranges from between 1 - 60 years.

- Vehicles, plant and equipment: Straight line allocation generally between 5 and 10 years.

- Infrastructure: Straight-line allocation between 5 – 100 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 the year after spend has occurred unless it relates to an Asset Under Construction when depreciation commences the year after completion (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

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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 carrying amount of the asset in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of the disposal).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

HERITAGE ASSETS

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

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

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

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

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

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

INVESTMENT PROPERTY

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

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investment property and is accounted for as property, plant and equipment.

An investment property is measured initially at cost. After initial recognition, investment property is measured at fair value, based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

INTANGIBLE ASSETS

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

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

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

PRIVATE FINANCE INITIATIVE

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

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

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

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

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

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

LEASES

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

The Council as lessee

Finance leases

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

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

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

Operating leases

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

The Council as lessor

Operating leases

The Council accounts for these leases as operating leases. These assets are held on the Council's Balance Sheet according to the nature of the asset and rental income is recognised, in the surplus or

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deficit on the cost of services, on a straight-line basis over the lease term.

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

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

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

NON-CURRENT ASSETS HELD FOR SALE

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

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

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

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

CAPITAL RECEIPTS

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

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INVENTORIES

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

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

CASH AND CASH EQUIVALENTS

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

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

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

PROVISIONS

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

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

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

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

FINANCIAL INSTRUMENTS

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

Financial Assets

Typical financial assets include a variety of instruments, including:

- Cash
- Money Market Funds
- Property Funds
- Shares in other organisations
- Loans to third party organisations
- Finance leases where the Council is lessor

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- Financial guarantees and commitments to lend below market rate
- Trade Receivables

Financial Liabilities

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

Recognition

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

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

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

Classification & Measurement

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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credited to the CIES is the amount receivable for the year in the loan agreement.

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

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

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

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

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

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

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

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

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

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

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

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

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

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

Expected Credit Loss Model:

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

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

Financial Liabilities:

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

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

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

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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.

Interests in companies and other entities

The Code requires local authorities to produce group accounts to reflect significant activities provide to council tax payers by other organisations in which an authority has an interest. The Council has reviewed its interests in companies and other entities that have the nature of subsidiaries, associates and joint arrangements against this criteria, as set out in the Code, and has concluded that there are no such material interests that require the preparation of group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

Subject to

4. Collection Fund Accounts and Explanatory Notes

Redcar Beach

Collection Fund Income and Expenditure Account

2021/22				2022/23		
Council Tax £000	Non-Domestic Rates £000	Total £000		Council Tax £000	Non-Domestic Rates £000	Total £000
			INCOME			
(83,028)	-	(83,028)	Council Tax Receivable	(86,660)	-	(86,660)
(728)	-	(728)	Hardship Funding	1	-	1
-	(31,503)	(31,503)	Business Rates Receivable	-	(32,134)	(32,134)
(83,756)	**(31,503)**	**(115,259)**		**(86,659)**	**(32,134)**	**(118,793)**
			Apportionment of previous year’s surplus/(deficit)			
-	(7,180)	(7,180)	Central Government	-	(4,829)	(4,829)
(1,099)	(7,036)	(8,135)	Billing Authority	(75)	(4,732)	(4,807)
(52)	(144)	(196)	Cleveland Fire Authority	(3)	(97)	(100)
(173)	-	(173)	Cleveland Police & Crime Commissioner	(10)	-	(10)
(1,324)	**(14,360)**	**(15,684)**		**(88)**	**(9,658)**	**(9,746)**
			Precepts, Demands and Shares			
-	18,852	18,852	Central Government	-	17,450	17,450
68,828	18,474	87,302	Billing Authority (RCBC)	70,777	17,101	87,878
3,212	377	3,589	Cleveland Fire Authority	3,301	349	3,650
10,630	-	10,630	Cleveland Police & Crime Commissioner	11,122	-	11,122
82,670	**37,703**	**120,373**		**85,200**	**34,900**	**120,100**
			Charges to the Collection Fund			
-	(2,312)	(2,312)	Less: refunds written off against the appeals provision	-	(3,054)	(3,054)
1,017	(33)	984	Less: (Decrease)/Increase in Bad Debt Provision	2,317	39	2,356
-	5,613	5,613	Less: (Decrease)/Increase in Provision for Appeals	-	(1,073)	(1,073)
-	159	159	Less: Cost of Collection	-	160	160
-	(21)	(21)	Less : Transitional Protection Payment	-	241	241
-	2,109	2,109	Less: Disregarded amounts	-	2,012	2,012
1,017	**5,515**	**6,532**		**2,317**	**(1,675)**	**642**
(1,393)	(2,645)	(4,038)	(Surplus)/Deficit arising during the year	770	(8,567)	(7,797)
2,651	15,814	18,465	(Surplus)/Deficit brought forward 1 April	1,258	13,169	14,427
-	-	-	Adjustment to previous years surplus	-	-	-
1,258	**13,169**	**14,427**	**(Surplus)/Deficit carried forward 31 March**	**2,028**	**4,602**	**6,630**

Subject to Audit

GENERAL INFORMATION

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

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

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

For 2022/23, the proportions are as follows:

	Council Tax	Business Rates
Redcar and Cleveland Borough Council (General Fund)	83.07%	49.00%
Cleveland Police and Crime Commissioner	13.05%	-
Cleveland Fire Authority	3.88%	1.00%
Central Government	-	50.00%
Total	**100.00%**	**100.00%**

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NOTE 1 – COUNCIL TAX LEVELS AND TAX BASE

Council tax income comes from a charge made on residential properties. The income is used to support the Council's General Fund revenue expenditure, as detailed in the Comprehensive Income and Expenditure Statement. It is also used to finance the Police and Fire Authorities expenditure, through precepts made on the Council's Collection Fund.

The level of council tax in any year is determined by estimating the income required by the Council and the Police and Fire Authorities and dividing this by the council tax base, which comprises residential properties banded by value and charged accordingly.

To allow for comparison between financial years and local authorities, the tax base is expressed as the number of Band D equivalent properties in the Borough, which is calculated by multiplying the number of properties in a band by an appropriate weighting, ranging from 5/9 to 18/9 (A to H). Within the table the band D equivalent is adjusted for the local council tax support scheme.

Set out in the table are the Band D weightings, property numbers and income from each band level, as per the council tax base, which was set by the Council in February 2022. The council tax base for 2022/23 was 40,336.31 (40,001.30 in 2021/22). The increase is mainly due to property growth in the area and a reduction in council tax support costs.

Band	Property Value	Weighting to Band D	Number of Chargeable Dwellings No.	Band D Equivalent Incl. Council Tax Support No.	Redcar & Cleveland Demand Excluding Parishes £	Police Authority Demand Per Property £	Fire Authority Demand Per Property £	Total Demand Per Property £
A	Entitled to disabled relief	5/9	119	36.80	966.65	153.18	45.48	1,165.31
A	Up to £40,000	6/9	26,035	10,608.20	1,159.98	183.82	54.57	1,398.37
B	£40,001 - £52,000	7/9	13,321	8,126.10	1,353.31	214.46	63.67	1,631.44
C	£52,001 - £68,000	8/9	14,111	10,884.10	1,546.64	245.09	72.76	1,864.49
D	£68,001 - £88,000	9/9	5,713	5,207.00	1,739.97	275.73	81.86	2,097.56
E	£88,001 - £120,000	11/9	3,437	3,938.80	2,126.63	337.00	100.05	2,563.68
F	£120,001 - £160,000	13/9	964	1,297.10	2,513.29	398.28	118.24	3,029.81
G	£160,001 - £320,000	15/9	395	621.20	2,899.95	459.55	136.43	3,495.93
H	Over £320,000	18/9	15	24.50	3,479.94	551.46	163.72	4,195.12
			64,110	**40,743.80**				
Less non collection 0.5%				(407.49)				
Council Tax Base				**40,336.31**				

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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 taxpayers.

The income is determined from the following sources:

2021/22 £000		2022/23 £000
(110,266)	Opening Liability	(113,527)
159	Disabled Band Reduction	180
24,838	Discount	24,468
2,241	Exemptions	2,219
(83,028)	**Income collectable from Council Taxpayers**	**(86,660)**

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NOTE 3 – INCOME FROM NON-DOMESTIC RATES

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

2021/22			2022/23	
£000	**£000**		**£000**	**£000**
		Estimated Income		
(97,612)		Gross Rateable Value	**(97,384)**	
49.9p		Multiplier (pence in the £)	**49.9**	
	(48,708)	**Estimated Opening Debit**		**(48,595)**
		Actual Income		
	(47,149)	Actual Opening charges payable		**(44,455)**
	6,218	Reduced Assessments		5,975
	21	Transitional Protection		(198)
	9,144	Mandatory Relief		6,227
	263	Discretionary Relief		319
	-	Revaluation Support		(2)
	15,646			**12,321**
	(31,503)	**Actual Income Collectable**		**(32,134)**

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

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

2021/22 Total £000		2023/23 Council Tax £000	Non-Domestic Rates £000	Total £000
162	Cleveland Police & Crime Commissioner	266	-	266
181	Cleveland Fire Authority	79	46	125
6,584	Central Government	-	2,301	2,301
7,500	Redcar & Cleveland Borough Council	1,683	2,255	3,938
14,427		**2,028**	**4,602**	**6,630**

NOTE 5 – COLLECTION FUND GLOSSARY OF TERMS

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

Council Tax Support Scheme - Council Tax Support (CTS) is a reduction to a council tax bill and can be awarded to people on low incomes.

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.

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%.

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.

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.

Hardship Funding – Grant from Central Government in response to COVID-19. This is primarily to reduce the council tax liability of individuals in receipt of Council Tax Support

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.

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

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.

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.

Subject to Audit

5. Auditor's Report

Margrove Ponds

Auditor's Report

TO BE ADDED ON COMPLETION OF THE AUDIT

Subject to Audit

6. Glossary of Terms

Spitfire flyover on Armed Forces Day

ACCOUNTING PERIOD

The period 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.

Subject to Audit

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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.

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.

Glossary of Terms

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 the Council's functions and identifies how this is financed from local taxation and Government grants.

CONSISTENCY

The principle that the accounting treatment of like items within an accounting period, and from one period to another, is the same.

CONTINGENCY

The sum of money set aside to meet unforeseen expenditure or liability.

Subject to Audit

Subject to Audit

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 is thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

COST OF CARRY

This is the difference between the interest received from investments against the interest paid for borrowing.

COUNCIL TAX

The form of local taxation in use since April 1993, based on property values.

CREDITORS

Amounts owed by the Council for work done, goods received or services rendered within the accounting period but for which payment was not made at the Balance Sheet date.

CURRENT ASSETS

Assets which can be expected to be consumed, or realised, during the next accounting period, e.g. debtors and stocks.

CURRENT LIABILITIES

Amounts which will become payable or could be called in within the next accounting period e.g. creditors, cash overdrawn.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

CURTAILMENT

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

(a) termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and

(b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEBT OUTSTANDING

Amounts borrowed to finance capital expenditure which is still to be repaid.

DEBTORS

Amounts due to the Council for works done, goods received or services rendered before the end of the accounting period, but for which payments have not been received by the end of that accounting period.

DEFERRED CAPITAL RECEIPTS

Amounts due to the Council from the sale of fixed assets which are not receivable immediately on sale. The amounts will usually be received in instalments over an agreed period.

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.

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.

Subject to Audit

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 change 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.

Subject to Audit

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Council but which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RATE OF RETURN ON PENSION ASSETS

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FINANCIAL INSTRUMENT

Any contract that gives rise to a financial asset of one entity and a financial liability of another.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee. Such a transfer of risks and reward may be presumed to occur if:

- at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.
- The Council will hold the asset for substantially all of its useful life
- There will be little residual value in the asset at the end of the lease term.

GENERAL FUND

The main revenue account of the Council, which summarises the cost of all services provided by the Council which are paid for from Government grants, non-domestic (business) rates contributions, council tax and other income.

GOVERNMENT GRANTS

Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to the Council in return for past or future compliance with certain conditions relating to the activities of the Council.

HERITAGE ASSET

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for

Subject to Audit

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.

Subject to Audit

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.

Subject to Audit

LONG TERM CONTRACTS

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

MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE II (MIFID II)

Introduced in January 2018, to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection. Under the Directive the Council has chosen to opt up to professional status to enable access to certain financial instruments and improved yields. To meet this status the Council needs to meet both qualitative and quantitative criteria which include maintaining an investment balance of £10.000 million.

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 STATEGY (MTFS)

A five-year forward assessment of the Council's expenditure strategy for both revenue and capital expenditure. This is produced as part of the Council's annual budget process.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

MOVEMENT IN RESERVES STATEMENT

This statement shows movement in the year on the different reserves held by the Council analysed into 'usable reserves' and 'unusable reserves'.

NON-DOMESTIC RATES (NDR)

NDR is the levy on a business property, based on a national rate in the pound applied to the rateable value of the property. The Government determines national rate poundage each year which is applicable to all local authorities. NDR income is collected by the billing authority and then distributed to central Government and other pre-empting bodies.

Subject to Audit

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.

Subject to Audit

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.

Subject to Audit

PUBLIC WORKS LOAN BOARD (PWLB)

A Government agency which lends money to public bodies for capital purposes.

RATEABLE VALUE

The annual assumed rental of a hereditament (property) which is used for NDR purposes.

RELATED PARTIES

Two or more parties are related parties when one party has the ability to control the other party or exercise significant influence in making financial and operating decisions, or if the related party entity and another entity are subject to common control. Related parties include:

(a) entities that the authority directly, or indirectly through one or more intermediaries, controls, has an interest in, that gives it significant influence over the entity or has joint control over
(b) associates
(c) joint ventures in which the authority is a venture
(d) an entity that has an interest in the authority that gives it significant influence over the authority
(e) key management personnel, and close members of the family of key management personnel
(f) entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, key management personnel, and close members of the family of key management personnel
(g) post-employment benefit plan (pension fund) for the benefit of employees of the authority, or of any entity that is a related party of the authority

RELATED PARTY TRANSACTIONS

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

(a) the purchase, sale, lease, rental or hire of assets between related parties;
(b) the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the Pension Fund;
(c) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
(d) the provision of services to a related party, including the provision of Pension Fund administration services;
(e) transactions with individuals who are related parties of a Council or a Pension Fund, except those applicable to other members of the community or the Pension Fund, such as council tax, rents and payments of benefits.

The above examples are not intended to be comprehensive. The materiality of related party transactions should be judged not only in terms of their significance to the Council, but also in relation to its related party.

Subject to Audit

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.

Subject to Audit

SAFETY NET

A mechanism that protects local authorities on NDR income by paying additional Government grant when actual income is less than 92.5% of the funding baseline position.

SCHEME LIABILITIES

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit methods reflect the benefits that the employer is committed to provide for service up to the valuation date.

SERVICE REPORTING CODE OF PRACTICE

A Chartered Institute of Public Finance and Accountancy (CIPFA) guide to accounting for local Government services which provides a consistent and comparable calculation of the total costs of services.

SETTLEMENT

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to affect 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.

Subject to Audit

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.

Subject t