



Statement of Accounts 2020/21



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1. Narrative Report

Select & Collect





Councillor Glyn Nightingale Cabinet Member for Corporate Resources

As in previous years the 2020/21 Statement of Accounts for Redcar and Cleveland Borough Council gives a detailed outline of the Council's finances. I am sure the accounts will make interesting reading.

Like every single local authority in the country, Redcar and Cleveland has had to face the challenge of major disruption created by the COVID-19 pandemic. This was superimposed on the efforts of the Council to deal with a ransomware attack on our IT systems. Despite the most challenging of times, in the face of unprecedented constraints and uncertainty, the Council and its dedicated staff have successfully ensured the continuation of essential services. The undertaking of vital emergency efforts to help people in need and a whole series of COVID-19 testing arrangements were launched throughout the Borough. The Council was still able to continue to build for the future and go ahead with its new Corporate Plan's four key priorities;

- 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 accounts should be read in the context of the constraints and uncertainties the Council has faced over the past financial year. There was a considerable drop in revenue coming into the Council producing considerable uncertainty about future revenue streams. Fundamentally the Council is ending the financial year reporting a balanced budget position after the transfer of some funding to reserves, including COVID-19 support to help with future costs relating to the pandemic. Now, the reserves are moving in the right direction and the capital programme is on track.

Distribution of Government grants of around £37.300 million and support in kind to individuals and businesses required massive administration and deployment of council resources to ensure their fair allocation.

A simple, basic conclusion is that over the past twelve months without Redcar & Cleveland Council, local businesses would have gone without the money they needed to survive and local residents would have suffered even more hardship. Staff and volunteers must be praised and thanked for their work.



Chief Finance Officer's Statement



Phil Winstanley – Assistant Director for Resources and the Chief Finance Officer

Following on from the previous year, the two significant influences on the 2020/21 financial year have been the ransomware attack suffered by the Council and the COVID-19 pandemic.

Staff have worked extremely hard behind the scenes to restore our IT systems and deliver further improvements to our cyber resilience. Discussions with Government

regarding compensating support for the cyber-attack concluded in March with the Council receiving grant of £3.680 million. This was awarded towards eligible costs incurred in 2020/21 and has therefore been included as part of this year's final outturn position.

The COVID-19 pandemic has had a significant impact on our local economy, affecting many businesses and residents in the Borough. The Council's response has seen us deploy a considerable amount of resource in supporting our community, particularly the most vulnerable. This has also included the administration of tens of millions of pounds to businesses and residents to help mitigate the financial impact of the pandemic.

The demand and cost pressures on many of our services has increased due to COVID-19. We have carefully managed the additional funding provided by Government to mitigate these pressures and support the financial resilience of the Council into the future.

Aligned to a key focus of our medium-term financial strategy on improving financial resilience and sustainability, as part of the year-end position we have undertaken some replenishment of the Council's depleted reserves position. With an uncertain but potentially

challenging outlook regarding future funding levels from Government, and likely demand and price pressures on many of our services, it is important that we look to improve our financial resilience and mitigate these risks where possible.

Finally, I would like to take this opportunity to thank all our staff who have shown great commitment to meet the many challenges we have faced throughout the year whilst supporting the delivery of the Council's priorities and administering its finances to the usual high standard.



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

The COVID-19 pandemic has dominated the financial year 2020/21, which could not have been predicted but has impacted hugely on the Council and its staff and Members. The impact on our communities has also been, and will continue to be, significant. Lives have been lost, ways of life changed beyond recognition and people's economic futures put in doubt. In addition to this huge challenge, the Council also suffered a ransomware attack on its IT systems at the on-set of the pandemic, creating more challenges for the Council to continue to support our communities and citizens. Despite these significant challenges, our teams of staff, communities and partners have made progress on delivering significant improvements in Redcar & Cleveland over the course of the year.

The progress made in the wake of the pandemic and the ransomware attack on the Council is testament to the commitment and hard work of so many people including our staff, elected Members, volunteers, voluntary and community groups, residents, partner organisations and local businesses. Listed below is a summary of the key areas of progress in delivering the objectives of the Corporate Plan through 2020/21. It includes actions pertaining to the previous corporate plan as well as the new plan agreed by Borough Council in December 2020:

- **Tackling Climate Change and Enhancing the Natural Environment**
 - A climate change strategy and action plan was approved in March 2021 which will engage the entire community as we aim to become a carbon neutral Borough by 2030.
 - A major survey of residents was conducted to help us understand more about attitudes to recycling to help us towards our ambitious target to increase recycling from 38% to 50% by 2027. A new booking system at Dunsdale Recycling centre has proven very popular and an efficient method of managing peak demands.

Council Performance

- Nearly 15,500 new environmentally friendly streetlights have now been installed, greatly reducing our energy costs right across the Borough.
- The Council worked with partners in business and Government to progress plans for a multi-million pound wind turbine plant at Teesworks.
- New bus routes were established in Normanby and East Cleveland and an e-Scooters pilot was undertaken with e-scooters being made available for hire in Redcar and Marske.
- Saltburn beach won a prestigious Blue Flag award for high quality sea water and our premier countryside centres and walkways in Normanby and Guisborough earned Green Flag status.
- **Meeting Residents' Needs**
 - A winter support package of £0.522 million was established to help vulnerable residents, free school meal families, the poorest families, care leavers living independently and 16 to 18-year-olds in financial hardship.
 - A new school for children with special needs, the Mo Mowlam Academy in Redcar, opened on International Women's Day, 8th March 2021 and plans to expand another special school, Kirkleatham Hall, have been outlined.
 - The Borough has been chosen for a new school for children with emotional and mental health needs to serve the whole of the Tees Valley which will be built in Grangetown. The Council has also been chosen to take part in a ground-breaking project, No Wrong Door, which will offer intense support for our most vulnerable young people.
- In response to the developing COVID-19 crisis, the Council's COVID-19 Strategy was agreed, setting out the key stages to management of the pandemic locally. This was followed by a more detailed report on how each of the Council's services would develop their plans, in line with Council priorities, for recovering and resetting their services following the initial (and successive) lockdowns.
- A COVID-19 Community Support Hub was set up in the early days of the pandemic which dealt with nearly 4000 calls (from and to vulnerable residents) and supported community groups, hundreds of individuals and delivered 4000 food parcels to 1650 households.
- Mental wellbeing was promoted across the Borough during the pandemic with special online 'Feelgood' Facebook pages, online activities for teenagers and children with the most vulnerable targeted and an effective 'mindfulness' campaign was promoted.



Council Performance

- Care homes were supported to adapt to the COVID-19 crisis and the new Meadowgate Care Centre in Eston played a crucial role helping people discharged from hospital as they prepared to return home.
- Redcar's Locke Park became the Borough's first 'breastfeeding welcome' park with more following throughout the Borough.
- Work with the NHS and Government resulted in COVID-19 testing centres being established across the Borough to fight against coronavirus. There are sites for people who have symptoms and those that are asymptomatic but want to test themselves to protect the ones they love.
- Five homes are to be adapted to help rough sleepers and those at risk of becoming homeless as part of a £0.300 million programme.
- **Improving the Physical Appearance of the Borough and Enhancing Prosperity**
 - Work has started on the creation of a new £9.680 million Regent development on Redcar seafront.
 - Plans to transform Loftus High Street progressed with the Government agreeing in principle to £5.800 million for the scheme.
 - The Grade II-listed Kirkleatham Walled Garden is being prepared to be opened when safe to do so, creating 40 jobs and 160 catering and horticultural training places.
 - Work has started on the transformation of Guisborough Town Hall to provide a gateway for tourism in and around Guisborough with high quality, affordable accommodation.
 - Plans for a new hotel, adventure golf site and play area in Coatham were boosted when the Government agreed to



grant £0.750 million to the project. A £25.000 million proposal to transform the whole town centre has been submitted to Government and was successful.

- Flood prevention work was undertaken at Skelton Beck at Saltburn's Cat Nab car park.
- The Festival of Thrift at Kirkleatham went online along with lots of Kirkleatham Museum events - and even the Christmas Lights Switch on was a big success with hundreds of families joining in online.

• Investing for the Long-term

- A new Corporate Plan with clear priorities to lead the Borough through and beyond the pandemic was agreed by Members.
- The Council's IT systems have been enhanced to protect ourselves against further cyber-attacks, and numerous lower-level threats have been avoided because of our approach. This, above all, ensures critical services to some of the Borough's most vulnerable people, including children in our care or on the edge of care, can continue to be supported to live safely.
- Prices were reduced for bulky waste collection.
- COVID-19 Ambassadors were appointed to patrol the streets and help give advice on keeping everyone safe. The Council invested in technology to provide easier online access for residents for meetings and appointments, e.g., a 'click and collect' library service, and a new website is being developed as we transformed the way we operate and provide services.
- There has been record engagement in social media messaging which is increasing by around 30% year on year.
- The United Reformed Church in Loftus was brought into public ownership with plans to renovate it into a business and cultural centre unveiled.



Strategic Direction

In our COVID-19 Strategy (August 2020) we agreed some key principles that steer Directorates' plans for resetting services, notably:

- Focus on meeting outcomes for local people.
- Protect the most vulnerable in our communities, including those in our 'protected groups' as per our Equalities Policy.
- Operate within the existing budget.
- Minimise the financial impact on local people, especially those on low incomes.
- Ensure long-term resilience and sustainability.

To deliver the new Corporate Plan, we have agreed 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 2021/22 and the Council are making plans for the next five-year period from 2022/23.
- Finally, the context within which we will all be working in the coming months and years is one in which the Corporate Plan and the above strategies need to be delivered against a backdrop of the country beginning to deal with the financial consequences of the COVID-19 pandemic with potential for significant financial constraints on the public purse as Government seeks to reduce the national debt.

Financial Performance

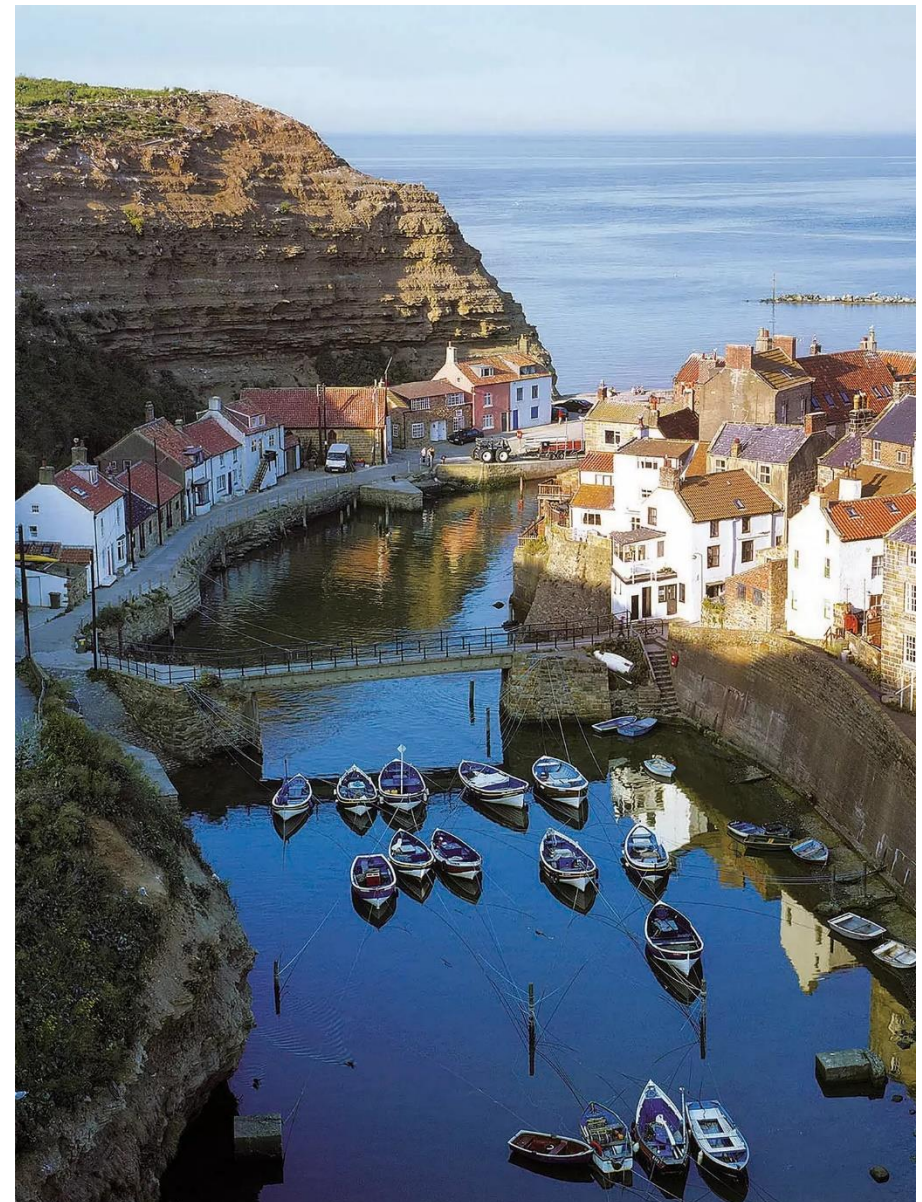
Redcar and Cleveland suffered a significant ransomware-attack in February 2020, which tested the resolve of Members, staff, volunteers, communities, and businesses in the Borough. The Council quickly directed resources to the relevant places to continue to provide much needed support for vulnerable citizens of Redcar and Cleveland and this had significant effects on the Council's financial performance. Whilst the Authority was still recovering from this fundamental issue, the COVID-19 pandemic hit, making 2020/21 a particularly unique year for the Council. The pandemic dominated 2020/21, affecting all aspects of life. The Council again responded to this additional issue in an extremely positive way and established ways to support vulnerable communities, distribute grants to businesses and provide support to residents through various initiatives to help those specifically affected by the pandemic.

The pandemic has affected the financial performance of all councils across the UK and Redcar and Cleveland has also been affected by the ransomware-attack, both of which have resulted in the following:

- The Council has incurred additional expenditure.
- The impact on the local economy and the Council's systems availability has led to significant falls in income from sales, fees and charges.
- Some savings proposals were delayed or no longer deliverable.

The Council has received financial support from Central Government, including the following:

- The general COVID-19 grant funding of £12.370 million
- Income compensation scheme grant of £1.863 million.
- Ransomware-attack funding of £3.680 million



How the Council is Funded and How It Performed in 2020/21

The receipt of most of these grants in 2020/21 has led to an improved outturn position which in turn has allowed some replenishment of the Council's depleted reserves. This has supported the Council's objective of increasing financial resilience over the medium term. The Council seeks to ensure it remains financially sustainable and will carry reserves into 2021/22 to tackle the financial pressures arising as the Borough emerges from the recovery phase of the pandemic and to support the uncertain medium term funding position faced by the Council from 2022/23 onwards.

These grants were administered by the Council in line with the guidance received from Central Government and the Council had to determine whether in administering the grants it was acting as an agent or principal. Where the Council was acting as agent, it was acting as an intermediary between the recipient and the Government Department. It did not have control of the grant and in these circumstances the income and expenditure must be excluded from the Comprehensive Income and Expenditure Statement (CIES) so as to not misstate the accounts. The CIES was amended for £35.129 million. The following table shows the breakdown.

Name of Grant	Amount £m
Emergency Business Grants	23.215
Local Restrictions Support Grants	11.801
Test and Trace Support Scheme	0.113
	35.129



Revenue Spending 2020/21

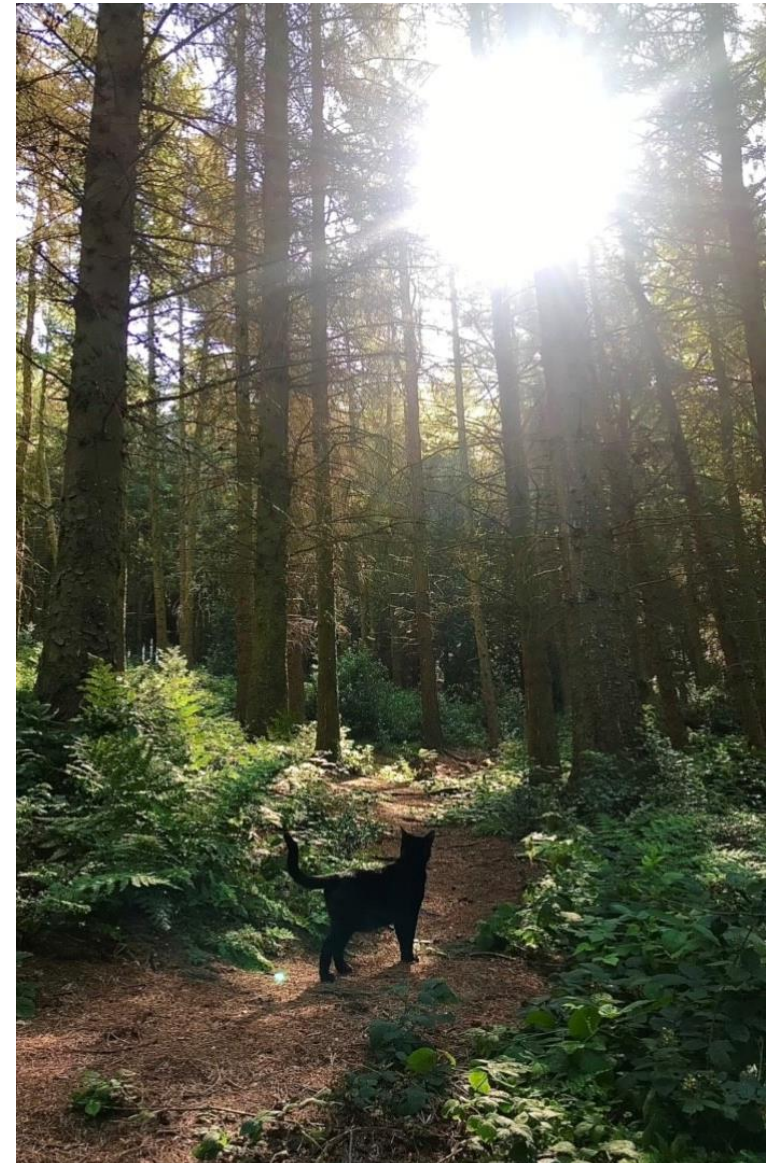
After the use of £11.713 million of COVID-19 funding support to off-set increased expenditure in Directorates as a result of the pandemic, the Council is pleased to report a breakeven position for 2020/21. This also includes some transfers to reserves to meet future years additional costs as part of the pandemic recovery plan and to cater for increased financial risks within the medium term financial plan.

The revenue budget for 2020/21 was built based upon the new ambitious priorities included in Our Flourishing Future Plan as outlined in the Priorities and Performance sections above. It was also developed considering the following key assumptions:

- A Revenue Support Grant of £7.431 million.
- A Council Tax increase of 1.99%.
- An Adult Social Care Precept increase of 2.00%.
- The setting of a General Reserve position of £5.203 million.
- Driving Efficiencies Programme of £3.165 million.

Officers worked with the Financial Services team to ensure a robust budget monitoring process existed throughout 2020/21. This is a vital collaboration to assist the financial control of the revenue budget. As in previous years, this has been supported by monthly monitoring to Directorate Management Teams and the Executive Management Team, and quarterly reporting of the financial position to Cabinet. The information available via the Agresso ledger system has further developed to encourage budget managers to use this management tool to manage their resources more effectively. Developments to further improve budget manager engagement are planned in the coming years to encourage more autonomy for budget managers and improve the quality of the information they have access to.

The table below details the Directorate year end positions against approved budget. Given the pressures facing the Council, it is critical that we continue to monitor our financial performance and maintain quality services for our residents and work within our budget allocations in the next financial year.



How the Council is Funded and How It Performed in 2020/21

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

Directorate	Revised Budget £m	Actual Outturn £m	Variance to Revised Budget £m
COVID-19 Support	-	(11.713)	(11.713)
Adults & Communities	46.100	45.821	(0.279)
Children & Families	34.653	35.943	1.290
Growth, Enterprise & Environment Resources	30.834	32.745	1.911
Corporate Allocations	4.345	4.678	0.333
	(5.974)	2.484	8.458
Total	109.958	109.958	-



The revenue budget for the 2020/21 financial year has resulted in a breakeven position. The reasons for the variances per Directorate are:

- **COVID-19 Support:** £11.713 million of COVID-19 funding support to offset the additional costs relating to the pandemic.
- **Adult and Communities:** – an overall underspend of £0.279 million. The Adult social care sector was significantly affected by the COVID-19 Pandemic and needed financial support to meet these challenges and to seek to maintain a more sustainable and active care market for the long-term. The Council provided a range of support to care providers including supplier relief payments, PPE supplies and fee uplifts of around £2.100 million. Specific COVID-19 grants have been used to fund some of these additional costs – totalling around £1.600 million. Because of a temporary fall in the number of people receiving care there has been an estimated reduction in client contributions of around £0.500 million, this has been offset by some temporary in-year savings in the costs of providing care to less clients and increased temporary contributions from the local Clinical Commissioning Group totalling £1.900 million. The budgeted savings target of £0.750 million was not delivered due to the cyber-attack and was funded by the cyber grant, along with other costs of rebuilding and recovering systems. Our leisure provision is managed by SLM, who were forced to close for long periods due to the lockdown restrictions and when permitted to re-open were heavily restricted, so the Council provided financial support totalling £1.060 million. We have been successful in a bid to the National Leisure Recovery Fund, securing £0.310 million. Of this, £0.100 million has been utilised in 2020/21, with the remainder carried forward into 2021/22 to finance the ongoing financial support that may be required as the Borough's leisure provision re-opens and customers gradually return.
- **Children & Families:** - the overspend of £1.290 million is a result of the Directorate dealing with the prolonged impact of COVID-19 on young people and their families in the Borough. This impact has been exacerbated due to restrictions on social workers due to the long periods of lockdown and two spells of prolonged school closures. These pressures coupled with the February 2020 ransomware attack have resulted in the Directorate being unable to achieve the £0.550 million savings targets to reduce children's social care placement costs and are forecasting additional care and legal costs totalling £1.950 million. Additional staffing costs were incurred to address the workarounds and backlogs of work created by the disruption from the cyber-attack totalling £1.075 million. Cyber grant funding of £2.100 million has been allocated to offset the relevant eligible cost pressures. Additional grant funding was secured from TVCA to offset additional home-to-school transport costs (£0.200 million).
- **Growth, Enterprise & Economy:** - the Directorate over-spend of £1.911 million is an improvement against previous forecasts through the utilisation of specific COVID-19 grant funding to offset additional pandemic-related costs such as increased social distancing measures at public facilities and to reduce the risk of infection amongst colleagues and residents. The pandemic restrictions have resulted in many fee generating services seeing a fall in income, whilst the costs this income helps to fund have still been incurred. This resulted in an income shortfall of £1.300 million including services linked to licensing, car-parking, transport, cliff tramway, trade waste and highways. Additional cost pressures and reduced income were experienced in Waste Services, which resulted in a budgetary outturn pressure of £1.200 million. These pressures related to increased collection and disposal costs due to increased household waste, extended opening hours of facilities, staffing and PPE costs and social distancing requirements. These overspend pressures were offset by the saving generated from the renegotiation of the Teesside Concessionary Bus Fares contract, which reduced the Council's share of these costs by £0.600 million.

How the Council is Funded and How It Performed in 2020/21

- **Resources:** - the overspend of £0.333 million is an improvement against previous forecasts through the utilisation of specific COVID-19 grant funding to offset pandemic-related costs such as community hub supplies, PPE purchases and additional staffing costs. Eligible IT recovery costs of £0.430 million arising from the ransomware attack have been funded from the cyber grant received. Residual pressures for the Directorate relate to lost rental income and other sales, fees & charges – together with residual operational property costs incurred.
- **Corporate Allocations:** - Pressures of £1.200 million relate to shortfalls in enforcement income, increased costs in the Coroners' service and an increased contribution to the Insurance Fund for forecast liabilities. The remainder of the Corporate Allocations position utilises the improvement in the overall outturn to undertake some replenishment of the Council's depleted reserves position, improving the Council's financial resilience and sustainability in line with the aims of the approved medium term financial strategy.

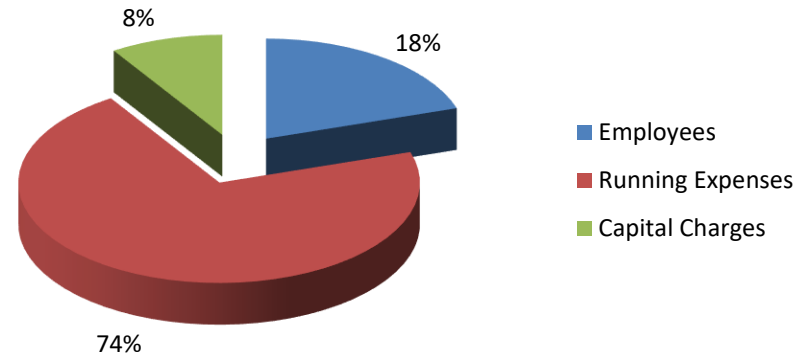
 Thank you for 
staying at home

You protected the NHS

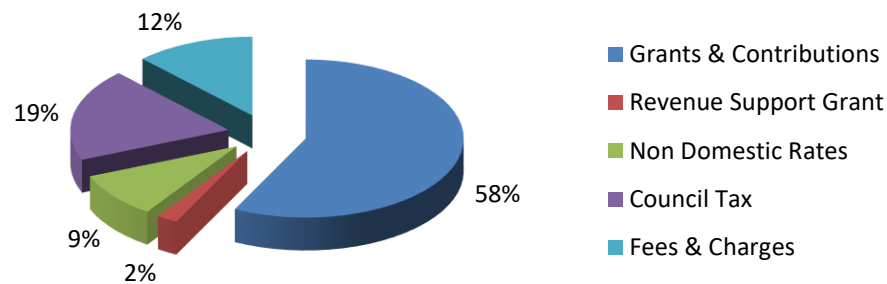
 You saved lives 

% of Revenue Expenditure by Type

This chart shows that most expenditure incurred by the Council relates to running expenses (74%), this includes premises, transport and external supplies and services.



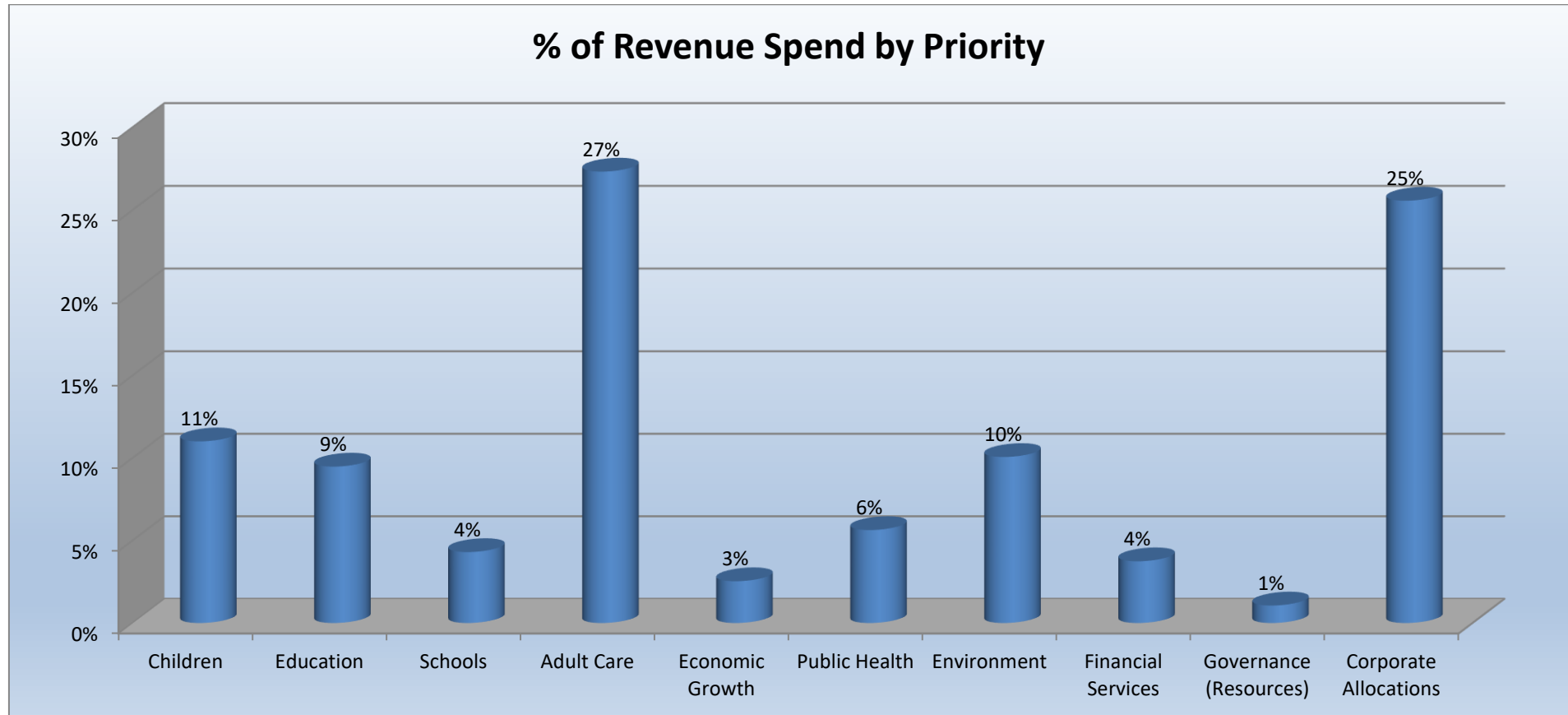
Where the Council's Money Comes From



Only 19% of the Council's funding comes from local council taxpayers and 9% from localised business rates. Much of the remainder of the Council's funding comes in the form of specific grants from Central Government and other public sector bodies of 58%.

How the Council is Funded and How It Performed in 2020/21

Some 24% of the Council's gross expenditure (£94 million) is utilised to give the children and young people of the Borough the best start in life, with 27% (£99 million) on services designed to give vulnerable adults the ability to live an independent and fulfilling life. The remaining expenditure on other themes is shown in the graph below:



Corporate Allocations consist of income and expenditure not attributable to Directorate services. They include items such as capital financing costs, levies, insurance, housing benefits, external audit fees and other historical items.

Medium Term Financial Strategy (MTFS)



Over the last ten years the Council has strived to maintain a focus on its priorities and key services despite reducing resources and increased demand for support. Whilst the 2021/22 finance settlement is reported to deliver a 4.6% increase in core spending power for local Government, analysis shows that 87% of this increase reflects the Government's financial planning assumption that all councils will increase Council Tax and the Adult Social Care precept to the maximum referendum levels they have set.

The Council has previously planned its finances over three-year cycles, aligned to the comprehensive spending reviews undertaken by Government which inform the level of funding available to local Government. However recently, due to Brexit last year and COVID-19 this year, the Government have foregone multi-year planning with one year only settlements being issued. The current Medium Term Financial Strategy (MTFS) was approved in February 2020 and covered the years 2020/21 to 2022/23. As Government are delaying their comprehensive spending review again until Summer 2021 and issuing a one-year only settlement for 2021/22, the 2021/22 budget remains within the current MTFS period, but the Council will seek to update assumptions for the latter two years of 2021/22 and 2022/23.

Over the last decade the Council has tried to maintain a focus on its priorities and continue to deliver good services. In the previous MTFS, part of the strategy for achieving this was the utilisation of reserves to fund expenditure requirements, recognising that this was a temporary measure and that subsequent permanent solutions would be needed. The current MTFS has addressed this, setting a balanced revenue position across the three years without reliance on reserves, and promoting a key focus on financial resilience and sustainability.

As part of their audit completion report for the 2019/20 financial year, the auditors have recognised the positive progress made in stabilising the Council's financial position and removing the reliance on reserves but left in place their 'except for' value for money opinion due to the low level of reserves held by the Council. Therefore, a key focus for the MTFS 2021/22 is to retain a strong emphasis on financial resilience and sustainability and to address this, the 2021/22 revenue budget is balanced across the term of the financial plan and seeks to ensure that permanent spend commitments are funded on a permanent and sustainable basis with no reliance on temporary solutions from reserves or one-off income; and that the Council's reserve levels are protected and replenished as far as possible.



The Council reserves position at the end of 2020/21 has improved significantly mainly due to the receipt of additional grants towards the end of the year, which will increase financial resilience. Financial sustainability over the next 5 years is a key financial priority and the carry forward of reserves will help tackle the financial pressures arising from the recovery phase of the pandemic and to support the uncertain medium term funding position faced by the Council from 2022/23 onwards.

How the Council is Funded and How It Performed in 2020/21

The Council's MTFs is summarised below as reported in February 2021:

Council Budget Summary	2020/21	2021/22	2022/23
	£m	£m	£m
Revenue Support Grant	7.431	7.472	0.000
Council Tax Income @ 2% Increase	59.835	59.988	62.484
Adult Services Levy @ 2% increase	5.816	7.150	7.221
Business Rates Income	36.876	37.259	59.054
Sub Total	109.958	111.869	128.759
Education Funding	36.185	37.540	37.540
Housing Benefit Funding	45.485	41.350	40.000
Fees & Charges	17.916	17.916	17.916
Grants & Other Funding	54.544	58.434	42.511
Sub Total	154.130	155.240	137.967
Total Council Funding	264.088	267.109	266.726
Education Budget Allocation	36.185	37.540	37.540
Housing Benefit Payments	45.485	41.350	40.000
Base - Council Pay & Non-Pay Budget	179.344	182.418	188.219
Budget Pressures	7.163	7.887	3.650
Budget Reductions	(4.089)	(2.086)	(2.683)
Total Council Expenditure	264.088	267.109	266.726
Net Revenue Position	0.000	0.000	0.000
Reserve Strategy	0.000	0.000	0.000

Capital Spending 2020/21

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 2020/21 amounted to £23.231 million (2019/18 - £30.820 million) compared to a budget of £27.237 million.

The underspend on capital of £4.006 million represents an achievement of 85.29% of our intended spending plan and this investment has been across a range of schemes and categories including:

- £5.846 million – Council Investments - these investments mainly relate to the capital cost of maintaining and replacing Council assets and investment in information technology improvements, including response to the ransomware attack.
- £6.427 million – Transport Infrastructure - these investments have been on the maintenance and replacement of highways assets including roads, bridges, drainage systems and the upgrading of the Council's street lighting system.
- £3.025 million - Education – capital costs associated with the construction of the Mo Mowlam Academy and investments into school estates.
- £3.999 million - Visitor Attractions & Amenities – these capital costs are mainly in relation to the investment into the Regent Cinema development.

In addition to the top four capital investment categories, we also invested in our town centre projects including improvements in Redcar, Loftus, Eston, Saltburn and Guisborough, recycling and waste initiatives and investment in our leisure centres.

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 Programme.



How the Council is Funded and How It Performed in 2020/21

The following table details the capital schemes for the financial year 2020/21:

Capital Spend by Cluster	2020/21 £'000	Capital Spend by Cluster	2020/21 £'000
Town Scape Investment			
Public Realm	196	Supported Housing	
Skelton Townscape Heritage Project	31	Housing Delivery Company	2
Redcar Central Station	94	CSDP Adaptations	74
East Cleveland Town Centre Revival	62	Disabled Facilities Grant	701
Saltburn Town Centre Revival	76	Community Capacity	48
A Thriving Eston Town Centre	31		825
Guisborough Town Centre Revival	83	Community Capacity	
Loftus Future High Street	620	Investment in Leisure Centres	334
Borough Wide High Street Support	487	Oxford House	29
Kemplah Play Equipment	9		363
	1,689	Recycling & Waste Initiatives	
Visitor Attractions & Amenities		Purchase of Refuse Bins	95
CCF Kirkleatham Academy and Walled Gardens - LGF	382	Procurement of Waste Facility	351
Welcome to Redcar & Cleveland Grants	172		446
Cleveland Ironstone Mining Museum	197	Education	
Regent Cinema Development	2,951	School Estate Investment	577
Guisborough Town Hall Gateway Project	294	Devolved Formula Capital at LEA Level	91
River Tees Rediscovered	3	Mo Mowlam Academy Redcar - New Build	1,987
	3,999	Archways - Teesville Refurbishment	33
Business Infrastructure		Kirkleatham School Expansion	24
Coatham Leisure - Phase 1	570	Churchview	295
Industrial Estates Programme	41	Hillsview Academy Extension	18
	611		3,025
Transport Infrastructure		Council Investments	
Improved Gateways & Routeways	41	Business Premises Improvements	25
Walking & Cycling Routes	20	Purchase of Vehicles (Fleet Replacement)	2,509
Street Lighting - Upgrade	1,190	Carbon Management Programme	42
Drainage Asset Capture and Flood Prevention	200	Information Technology Improvement Projects	1,723
Block Allocation - Local Transport Plan	561	Asset Management - Capitalised Repairs	1,547
Structural Highways Maintenance - Block Allocation	2,833		5,846
Highways Improvements	24		
Highways Innovation Fund	330		
Swans Corner & Flatts Lane Traffic Improvements	1,228		
	6,427		23,231

How the Council is Funded and How It Performed in 2020/21

Future Capital Programme

The Council has produced a Capital Programme to support our long-term needs and help achieve our objectives. The remainder of this capital investment plan covers 3 years and has been approved by the Council as part of the Medium-Term Financial Strategy.

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

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

Cluster	2021/22 £m	2022/23 £m	2023/24 £m
Townscape Investment	9.206	12.463	4.995
Visitor Attractions & Amenities	9.854	0.105	0.050
Business Infrastructure	4.264	2.871	0.000
Transport Infrastructure	6.139	3.770	3.500
Housing	0.150	0.000	0.000
Supported Housing	1.300	1.300	1.300
Community Capacity	0.250	0.215	0.000
Recycling & Waste Initiatives	0.550	0.100	0.100
Education	2.575	1.650	0.175
Council Investments	6.256	5.940	5.995
Total	40.544	28.414	16.115

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 35). 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 123).

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 decrease in the net worth of the Council of £29.429 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 £27.635 million on the CIES for the net cost of providing the Council's day to day revenue services. This includes various technical adjustments required by accounting standards such as capital accounting, pensions accounting and collection fund regulatory changes. Most of these technical adjustments are not chargeable against the funding from taxpayers and are excluded from the analysis of how the Council has performed against its revenue budget. When other losses relating to pension fund performance of £2.641 million and gains relating to capital assets of £0.847 million are added back in, the net decrease in the value of the Council balance sheet for the financial year is £29.429 million.



Balance Sheet

Balance Sheet Position

The Balance Sheet shows what the Council owns, what it is owed, and what it owes to others and how these amounts have been funded. A summary of the position at the end of the 2020/21 financial year (31 March 2021) is shown in the table below:

Balance Sheet	2019/20 £m	2020/21 £m	+/- £m
What the Council Owns	306.1	280.9	(25.2)
What the Council is Owed	37.8	54.8	17.0
Total Assets of the Council	343.9	335.7	(8.2)
What the Council Owes	(526.7)	(547.8)	(21.1)
Council Reserves	(182.8)	(212.1)	29.3

The Council has a negative equity balance sheet on 31 March 2021. This means that liabilities are more than assets by £212.1 million. This is mainly caused by the deficit on the Pension Fund Liability (see what the Council owes and Note 36 (page 132) in the Statement of Accounts disclosure notes for more details).

As the pension fund deficit reflects all the possible pension commitments payable to employees over many decades, the liabilities will not crystallise at any one point in time and can be managed as part of the pension fund investment strategy by the Council. 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 £45.9 million. The Movement in Reserves statement within the Core Financial Statements gives further details (see page 35).

The Value of What the Council Owns

Balance Sheet	2019/20 £m	2020/21 £m	+/- £m
Property, Plant & Equipment	265.3	250.0	(15.3)
Heritage Assets	0.6	0.6	-
Investment Properties	10.5	10.0	(0.5)
Assets Held for Sale	2.1	1.5	(0.6)
Cash & Cash Equivalents	17.0	7.6	(9.4)
Others	10.6	11.2	0.6
Total	306.1	280.9	(25.2)

Property, plant, and equipment has decreased in 2020/21. There have been some improvements and enhancements to existing Council property but the main reason for the decrease relates to the transfer of a school to academy status, revaluations and an impairment of Eston Swimming Pool.

Cash & cash equivalents has decreased in 2020/21 mainly due to the receipt of COVID-19 funding at the end of 2019/20.



Balance Sheet

What the Council is owed

Balance Sheet	2019/20 £m	2020/21 £m	+/- £m
Short Term Debtors	35.9	53.2	17.3
Long Term Debtors	1.9	1.6	(0.3)
Total	37.8	54.8	17.0

The level of debt owed to the Council has increased during 2020/21. Short term debtors have increased mainly in relation to the cyber grant of £3.680 million and various COVID-19 funding in addition to the Government's commitment to their share of the business rates deficit.



What the Council Owes

Balance Sheet	2019/20 £m	2020/21 £m	+/- £m
PFI and Leases – Long Term	(53.0)	(50.3)	2.7
Pensions Liability	(206.7)	(224.1)	(17.4)
Short Term Creditors	(43.0)	(55.9)	(12.9)
Provisions	(3.3)	(5.0)	(1.7)
Short Term Borrowing	(70.3)	(63.6)	6.7
Long Term Borrowing	(144.4)	(134.7)	9.7
Other	(6.0)	(14.2)	(8.2)
Total	(526.7)	(547.8)	(21.1)

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

Note 36 gives further details in relation to the Council's pension fund, the financial liabilities involved, and the reason for the year-on-year movements. This position is reviewed each year by a pension fund actuary with a formal revaluation every three financial years. The last triannual valuation was completed on 31 March 2019.

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

Short Term Creditors have increased mainly due to Section 31 grant. The 'Other' category has increased due to residual COVID-19 grant funding for distribution to business at the end of March 2020/21.

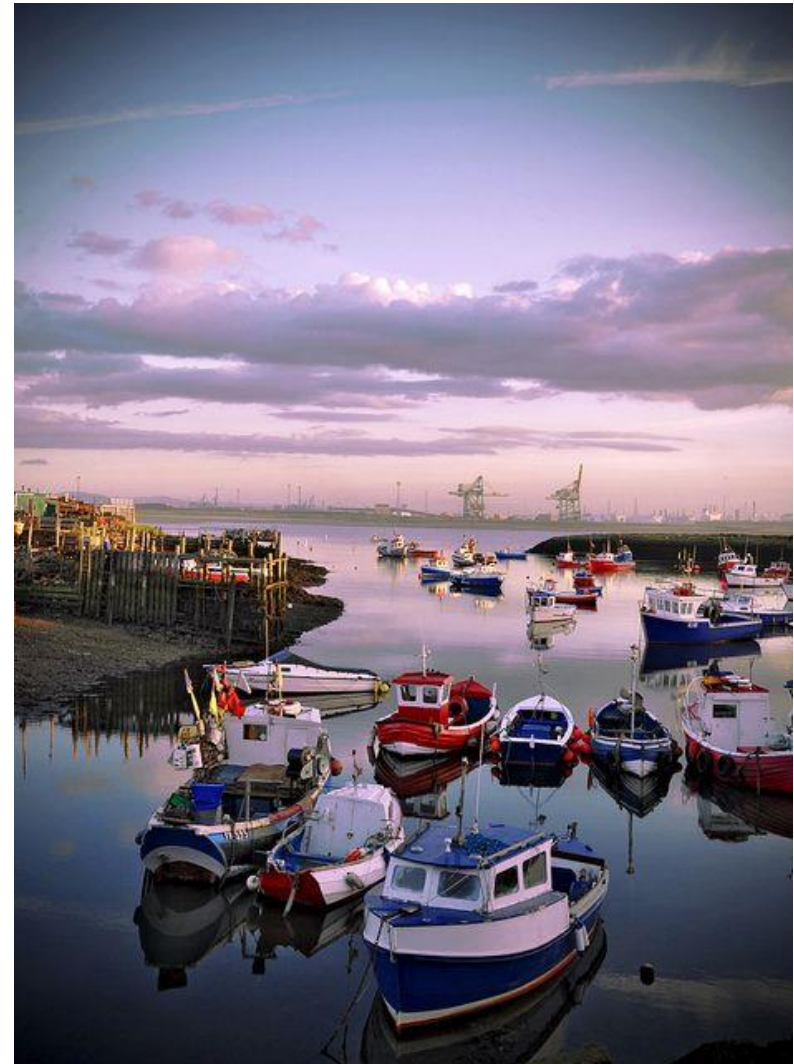
Balance Sheet

Council Reserves

Balance Sheet	2019/20	2020/21	+/-
	£m	£m	£m
Schools Balances	(2.3)	(3.0)	(0.7)
Dedicated Schools Grant	2.2	2.8	0.6
Business Rates Relief	-	(6.7)	(6.7)
Usable Reserves	(24.8)	(36.3)	(11.5)
Unusable Reserves	207.6	258.1	50.5
Total	182.7	21.9	32.2

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. These reserves have increased over the year following the receipt of and carry forward of COVID-19 funding to be used to mitigate the costs associated with the recovery costs of the pandemic.

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. The Dedicated Schools Grant (DSG) is shown separately in the table above for comparison purposes but in 2020/21 is included as part of the unusable reserves following a change in accounting policy within the CIPFA code of practice. The unusable reserves including the DSG, amounts to £258.100 million as detailed in the Balance Sheet.



Collection Fund (See Page 164)



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 £18.466 million with £2.652 million deficit attributable to council tax and £15.814 million deficit in relation to business rates.

The deficit on council tax is mainly due to the impact of COVID-19 and the increased bad debt provision required as a result. For business rates the Government granted additional reliefs for the retail, hospitality and leisure sectors of £12.688 million which has been funded by a direct grant to local authorities. The remainder of the deficit is an increase to the appeals and bad debt provision

which is partly funded through a Taxation Income Guarantee grant. The Government has provided exceptional dispensation to local authorities to spread the impact of part of this cumulative deficit across a three-year period between 2021/22 to 2023/24.

The budget for 2020/21 was based on an increase in council tax with the Band D equivalent amount for 2020/21 being £1,640.34 per annum (including the social care levy). The addition of the Cleveland Police and Crime Commissioner and Cleveland Fire Authority spending requirements resulted in a total Band D Council Tax of £1,979.71 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 £79.463 million. Total income on council tax for 2020/21 was £80.181 million. For more details refer to Page 161.

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 £26.120 million.



Pensions (See Page 132)



The Council participates in the Local Government Pension Scheme (Teesside Pension Fund), administered by Middlesbrough Council. This is reflected in the Balance Sheet, which includes a pension liability, as retirement benefits are recognised when they are earned rather than when they are paid out, resulting in a negative pension reserve of £224.135 million as at 31 March 2021. This liability does impact on the Balance Sheet and is the main factor creating a negative net worth (total liabilities greater than total assets) to a negative position of £212.150 million.

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

The Pension Scheme has an investment strategy in place to address this funding deficit over a 20-year period, based on an appropriate level of employer's contributions producing a positive cash flow into the fund. In addition, assumptions are made about increasing inflation levels and the bank rate returning to more natural levels as global economies continue to grow. The size of the current deficit for the Council proportionally is not dissimilar to that being experienced by other local authorities at present and in 2020/21, the fund liability increased by £17.414 million.



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 2021, the Council's Capital Finance Requirement (or underlying need to borrow) was £263.142 million and its external debt was £249.550 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 no longer possible.

The Council is currently under-borrowed by £13.592 million. This is 5% of our Capital Financing Requirement of £263.142 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 2020/21, the Redcar and Cleveland Management Team was made up of a Managing Director and 3 Corporate Directors, responsible for the leadership of the four main Directorates. These were Resources, Growth, Enterprise & Environment, Adult Services and Children and Families.

The Directors are joined by four other senior officers to form the Council's Executive Management Team (EMT), ensuring that the following corporate responsibilities are also represented; Marketing and Communications, Policy and Performance, Monitoring Officer and Section 151 Officer.

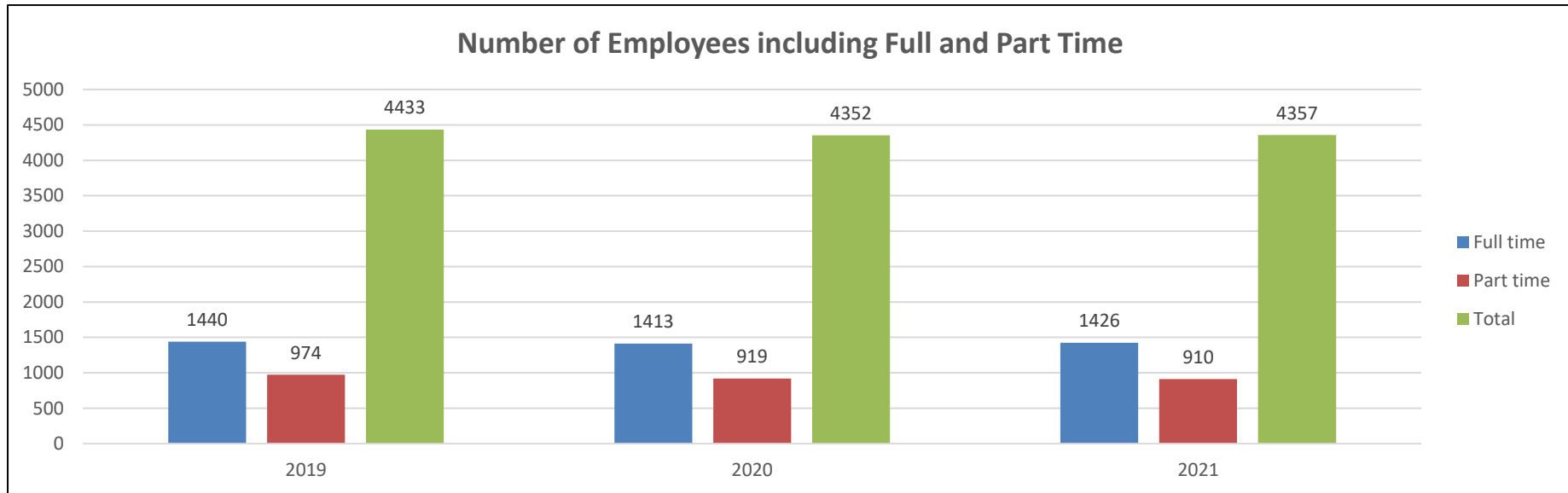
EMT are responsible for translating the Council's policies and plans (Our Flourishing Future) into action. They also lead and encourage staff to develop services and improve delivery for the people of Redcar & Cleveland. Meeting regularly, EMT develops new policy, reviews, and challenges performance, 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.



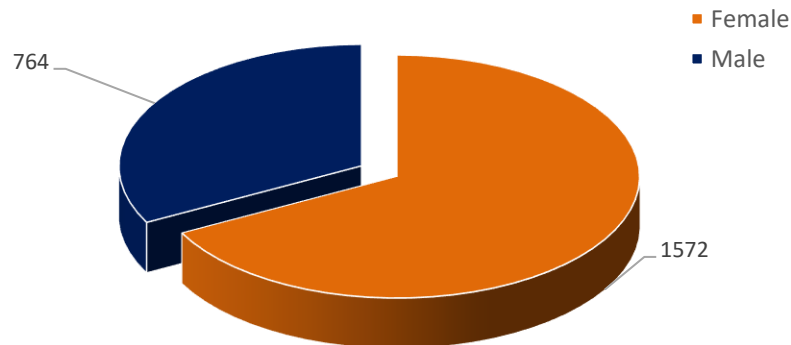
**INVESTORS
IN PEOPLE** | Gold

Our People

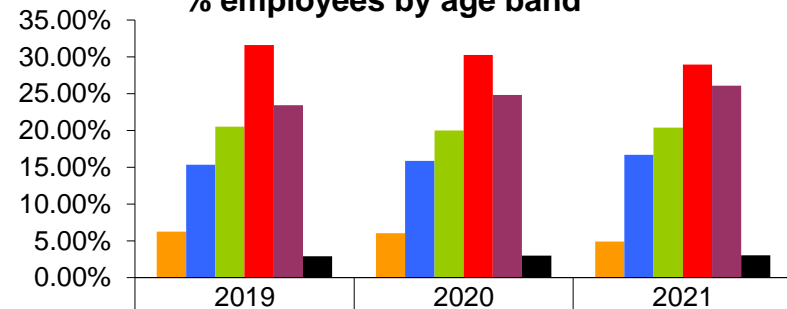
EMT is responsible for our workforce, who are made up as follows:



Number of Employees by Gender 2021



% employees by age band



Age Band	2019	2020	2021
Below 25	6.26%	6.05%	4.88%
Between 25 – 34	15.33%	15.87%	16.70%
Between 35 – 44	20.51%	19.98%	20.38%
Between 45 – 54	31.61%	30.27%	28.94%
Between 55 – 64	23.41%	24.83%	26.07%
65+	2.90%	3.00%	3.04%

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Assistant Director 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.

Assistant Director Finance (Section 151 Officer Responsibilities)

The Assistant Director 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 Assistant Director 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 Assistant Director 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 2021 and for its income and expenditure for the year ended 31 March 2021.

Phil Winstanley
Assistant Director Finance (Section 151 Officer)

Signature: - 

Date: 15/12/2021

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Governance Committee at the meeting held on 15 December 2021.

Councillor Carole Morgan
Chair of the Governance Committee

Signature: - 

Date: 15/12/2021

2. Core Financial Statements



Movement In Reserves Statement

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

2020/21	Revenue Reserves				Capital Reserves			Unusable Reserves £000	Total Council Reserves £000
	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		
Balance at 31 March 2020 brought forward	(5,100)	(12,781)	-	(141)	(2,569)	(4,348)	(24,939)	207,660	182,721
Reporting of Schools Budget Surplus to Earmarked Usable Reserve 1 April 2020	-	-	-	(2,188)	-	-	(2,188)	2,188	-
Restated Balance at 1 April 2020	(5,100)	(12,781)	-	(2,329)	(2,569)	(4,348)	(27,127)	209,848	182,721
<u>Movement in reserves during 2020/21</u>									
Total Comprehensive Income and Expenditure	27,635	-	-	-	-	-	27,635	1,794	29,429
Adjustments between accounting basis & funding basis under regulations (Note 6)	(48,824)	-	-	-	2,321	21	(46,482)	46,482	-
Net (Increase)/Decrease in 2020/21 before transfer into other reserves	(21,189)	-	-	-	2,321	21	(18,847)	48,276	29,429
Transfers to/(from) other reserves	21,086	(13,723)	(6,718)	(645)	-	-	-	-	-
Net (Increase)/Decrease in year	(103)	(13,723)	(6,718)	(645)	2,321	21	(18,847)	48,276	29,429
Balance at 31 March 2021 carried forward	(5,203)	(26,504)	(6,718)	(2,974)	(248)	(4,327)	(45,974)	258,124	212,150

Movement In Reserves Statement

2019/20	Revenue Reserves				Capital Reserves				Total Council Reserves £000
	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	
Balance at 31 March 2019 brought forward	(5,100)	(19,898)	-	(3,012)	(2,217)	(4,590)	(34,817)	144,719	109,902
<u>Movement in reserves during 2018/19</u>									
Total Comprehensive Income and Expenditure	41,073	-	-	-	-	-	41,073	31,746	72,819
Adjustments between accounting basis & funding basis under regulations (Note 6)	(31,085)	-	-	-	(352)	242	(31,195)	31,195	-
Net (Increase)/Decrease in 2018/19 before transfer into other reserves	9,988	-	-	-	(352)	242	9,878	62,941	72,819
Transfers to/(from) other reserves	(9,988)	7,117	-	2,871	-	-	-	-	-
Net (Increase)/Decrease in year	-	7,117	-	2,871	(352)	242	9,878	57,063	72,819
Balance at 31 March 2020 carried forward	(5,100)	(12,781)	-	(141)	(2,569)	(4,348)	(24,939)	207,660	182,721

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.

2019/20				2020/21		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
109,372	(61,266)	48,106	Adults and Communities	120,622	(75,834)	44,788
102,481	(59,290)	43,191	Children and Families	93,558	(55,196)	38,362
44,895	(11,076)	33,819	Growth, Enterprise & Environment	47,534	(13,869)	33,665
46,099	(46,048)	51	Housing Benefits	40,859	(40,959)	(100)
19,654	(10,288)	9,366	Resources	19,934	(13,698)	6,236
322,501	(187,968)	134,533	Net Cost of Services	322,507	(199,556)	122,951
748	(393)	355	Other Operating Expenditure (Note 9)	756	(502)	254
57,545	(15,220)	42,325	Financing and Investment Income and Expenditure (Note 10)	53,661	(12,942)	40,719
-	(136,140)	(136,140)	Taxation and Non-Specific Grant Income (Note 11)	456	(136,745)	(136,289)
380,794	(339,721)	41,073	(Surplus)/Deficit on Provision of Services	377,380	(349,745)	27,635
		(6,945)	(Surplus)/Deficit on revaluation of non-current assets (Note 34)			(847)
		38,691	Actuarial (gains)/losses on pension assets/liabilities (Note 36)			2,641
		31,746	Other Comprehensive Income and Expenditure			1,794
		72,819	Total Comprehensive Income and Expenditure			29,429

Balance Sheet

This is a statement of the financial position of the Council and shows the balances and reserves at its disposal, its long-term indebtedness, and the fixed and net current assets employed in its operations, as at 31 March 2021.

31 March 2020 £000		Note No.	31 March 2021 £000
265,293	Property, Plant & Equipment	19	249,979
589	Heritage Assets		589
10,512	Investment Property	21	9,978
1,174	Intangible Assets	22	1,928
9,270	Long Term Investments		9,206
1,908	Long Term Debtors	25	1,563
288,746	Long Term Assets		273,243
46	Short Term Investments	32	4
2,148	Assets Held for Sale	26	1,533
92	Inventories		79
35,863	Short Term Debtors	27	53,241
16,981	Cash and Cash Equivalents	28	7,554
55,130	Current Assets		62,411
(70,336)	Short Term Borrowing	32	(63,570)
(43,026)	Short Term Creditors	29	(55,881)
(611)	Short Term Provisions	30	(661)
(1,087)	Revenue Grants Receipts in Advance	33	(8,389)
(115,060)	Current Liabilities		(128,501)
(2,432)	Long Term Creditors	31	(3,044)
(2,733)	Long Term Provisions	30	(4,308)
(144,345)	Long Term Borrowing	32	(134,750)
(52,977)	Other Long Term Liabilities - Private Finance Initiatives and Finance Leases	23	(50,328)
(206,721)	Other Long Term Liabilities – Pension Fund	36	(224,135)
(2,328)	Capital Grants Receipts in Advance	33	(2,738)
(411,536)	Long Term Liabilities		(419,303)
(182,720)	Net Assets		(212,150)
(24,939)	Usable Reserves		(45,974)
207,659	Unusable Reserves	34	258,124
182,720	Total Reserves		212,150

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.

2019/20 £000		2020/21 £000
(41,073)	Net surplus/(deficit) to the provision of services (CIES)	(27,635)
57,695	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements (Note 37)	50,655
(17,040)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities (Note 37)	(14,401)
(418)	Net Cash Flows from Operating Activities (Note 37)	8,619
(8,465)	Net Cash Flows from Investing Activities (Note 38)	(3,935)
22,885	Net Cash Flows from Financing Activities (Note 39)	(14,111)
14,002	Net increase/(decrease) in cash and cash equivalents	(9,427)
2,979	Cash and cash equivalents at the beginning of the reporting period	16,981
16,981	Cash and cash equivalents at the end of the reporting period (Note 28)	7,554

3. Notes to the Accounts



Saltburn Cliff TRAMWAY
1884

Scale of CHARGES

DAY (EACH JOURNEY)

PASSENGERS (OVER 5 & 90)	50p
PERAMBULATORS	20p
DISABLED GARDEN HORRORS	50p
SENIOR CITIZENS	50p
--- (BROUGHCH RESIDENTS)	Free

WEEKLY

PASSENGERS (OVER 5 & 90)	£4.00
PERAMBULATORS	£1.00
SENIOR CITIZENS	£1.00

PLEASE PAY AT THE BOTTOM

Saltburn Cliff TRAMWAY
1884

Hours of OPENING

10:00AM - 7:00PM

Closed for Lunch

1:00 - 2:00pm

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	Note No.	Note Description	Page
1	Expenditure & Funding Analysis	42	21	Investment Properties	87
2	Accounting Standards That Have Been Issued But Have Not Yet Been Adopted	46	22	Intangible Assets	89
3	Critical Judgements in Applying Accounting Policies	47	23	Private Finance Initiatives and Similar Contracts	91
4	Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	50	24	Capital Expenditure and Capital Financing	95
5	Events after the Balance Sheet Date (31 March 2021)	52	25	Long Term Debtors	97
6	Adjustments between Accounting Basis and Funding Basis under Regulations	53	26	Assets Held for Sale	98
7	Expenditure and Income Analysed by Nature	57	27	Short Term Debtors	99
8	Transfers to/from Earmarked Reserves	59	28	Cash and Cash Equivalents	100
9	Other Operating Expenditure	62	29	Short Term Creditors	101
10	Financing and Investment Income and Expenditure	63	30	Provisions	102
11	Taxation and Non Specific Grant Income	64	31	Long Term Creditors	104
12	Dedicated Schools Grant	65	32	Financial Instruments	105
13	Members' Allowances	66	33	Grant Income, Contributions and Donations	119
14	Officers' Remuneration	67	34	Unusable Reserves	123
15	Termination Benefits	75	35	Pensions Schemes Accounted for as Defined Contribution Schemes	131
16	Trading Operations	76	36	Defined Benefit Pension Schemes	132
17	Pooled Budgets	78	37	Cash Flow Statement – Operating Activities	140
18	Fees Payable to Auditors	81	38	Cash Flow Statement – Investing Activities	141
19	Property, Plant and Equipment (PPE)	82	39	Cash Flow Statement – Financing Activities	141
20	Impairment Losses	87	40	Related Parties	142
			41	Contingent Assets and Liabilities	143
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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.

2019/20				2020/21		
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
42,874	5,232	48,106	Adults and Communities	42,068	2,720	44,788
36,044	7,147	43,191	Children and Families	31,931	6,432	38,362
23,696	10,123	33,819	Growth, Enterprise & Environment	22,461	11,203	33,665
51	-	51	Housing Benefits	(100)	-	(100)
1,336	8,030	9,366	Resources	2,168	4,068	6,236
104,001	30,532	134,533	Net Cost of Services	98,528	24,423	122,951
(94,122)	662	(93,460)	Other Income and Expenditure	(117,375)	22,059	(95,316)
(9,879)	31,194	41,073	(Surplus)/Deficit	(18,847)	46,482	27,635
(28,010)			Opening General Fund Balance	(18,022)		
-			Reporting of Schools Budget Surplus to Earmarked Usable Reserve 1 April 2020	(2,188)		
(28,010)			Restated Opening General Fund Balance	(20,210)		
9,988			Plus/Less (Surplus) or Deficit on General Fund Balance in Year	(21,189)		
(18,022)			Closing General Fund Balance at 31 March	(41,399)		
(6,917)			Capital Receipts and Grants Unapplied	(4,575)		
(24,939)			Closing Total Usable Reserves	(45,974)		

2020/21	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	(109)	2,829	-	2,720
Children and Families	3,088	3,344	-	6,432
Growth, Enterprise & Environment	8,937	2,266	-	11,203
Resources	2,399	1,669	-	4,068
Net Cost of Services	14,315	10,108	-	24,423
Other Income and Expenditure from the Expenditure and Funding Analysis	2,832	4,544	14,683	22,059
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	17,147	14,652	14,683	46,482

2019/20	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	3,119	2,112	-	5,231
Children and Families	4,283	2,864	-	7,147
Growth, Enterprise & Environment	8,253	1,870	-	10,123
Resources	6,629	1,401	-	8,030
Net Cost of Services	22,284	8,247	-	30,531
Other Income and Expenditure from the Expenditure and Funding Analysis	2,489	3,627	(5,454)	662
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	24,773	11,874	(5,454)	31,194

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

Income received by service is analysed below:

Income from Services 2019/20 £000	Services	Income from Services 2020/21 £000
(61,266)	Adults and Communities	(75,834)
(59,290)	Children and Families	(55,196)
(11,076)	Growth, Enterprise & Environment	(13,869)
(46,048)	Housing Benefits	(40,959)
(10,288)	Resources	(13,698)
(187,968)	Total Income Analysed by Service	(199,556)



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

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

Accounting changes that are introduced by the 2021/22 code are:

Definitions of a Business - Amendments to IFRS 3 Business Combinations updates an outdated reference in IFRS 3 without significantly changing its requirements.

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7 impact hedge accounting should interest rates change. The amendments will not have an impact on the Council, as the Council's debt is fixed rate and all of the Council's investments are in sterling and low risk.

Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relate to issues that arise if an existing interest rate is replaced by an alternative one. This is unlikely to have an impact as interest rate benchmark reform is rarely applied. In addition, financial instruments are valued in the accounts at amortised cost rather than fair value.



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 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.

PFI Schemes

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

Investment Properties

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

Pensions

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

Bad Debt Provision

The Council has determined its bad debt provision based on a range of factors including the age of the debt and the action being undertaken by the Council to liaise with the debtor to recover debt and the difficulties created in chasing this debt during the pandemic.

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 multiple funding streams from the Government to support the response to the COVID-19 Pandemic and, in some cases, provide additional financial support to both businesses and residents. An assessment is required to be made for each grant to assess whether the Council has adequately satisfied the conditions of specific individual grants received, before recognising this 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. An assessment also needs to be made as to whether the Council is acting as an agent or as a principal body in distributing grant funding onto residents and businesses in the Borough. In cases where the Council is merely passporting grant funding onto third parties based on criteria set by the national 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 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 Durham Tees Valley Airport continues to remain held at nil value, despite the recent purchase by Tees Valley Combined Authority of an 89% shareholding from the previous operating company of the airport.



Note 4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet as at 31 March 2021, 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 2021, the Council had land and buildings to the value of £136.589 million, and investment properties to the value of £9.978 million. A 1% change in the estimation of property values would lead to a £1.366m change in the value of the Council's land and buildings and £0.100m 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 £2.014 million for the settlement of insurance claims for Public Liability, Vehicles and Property. These are based on estimated outstanding 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 £0.201 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 £1.806 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 £0.181 million to the provision needed.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	<p>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.</p> <p>A firm of consulting actuaries is engaged to provide the Council with expert advice about the rates to be applied.</p>	<p>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 £16.623 million. Note 36 provides further detail within a sensitivity analysis for other key assumptions.</p>
Fair Value Measurements of CCLA Investment	<p>The Council has 3.070 million units with the CCLA Property Fund (purchase price of £10.000 million in 2018/19). The Council is using the Government's current statutory override to account for fair value movements in the fund by transferring the gain/loss to an unusable reserve. In the event that these units are sold or the statutory override expires the amount in the unusable reserve will become chargeable to the Council's Income and Expenditure account.</p>	<p>The current fair value adjustment on the Council's CCLA investment is £1.126 million. A 5% fall in property prices will reduce the value of the investment by an additional £0.433 million.</p>



Redcar Leisure Community Heart

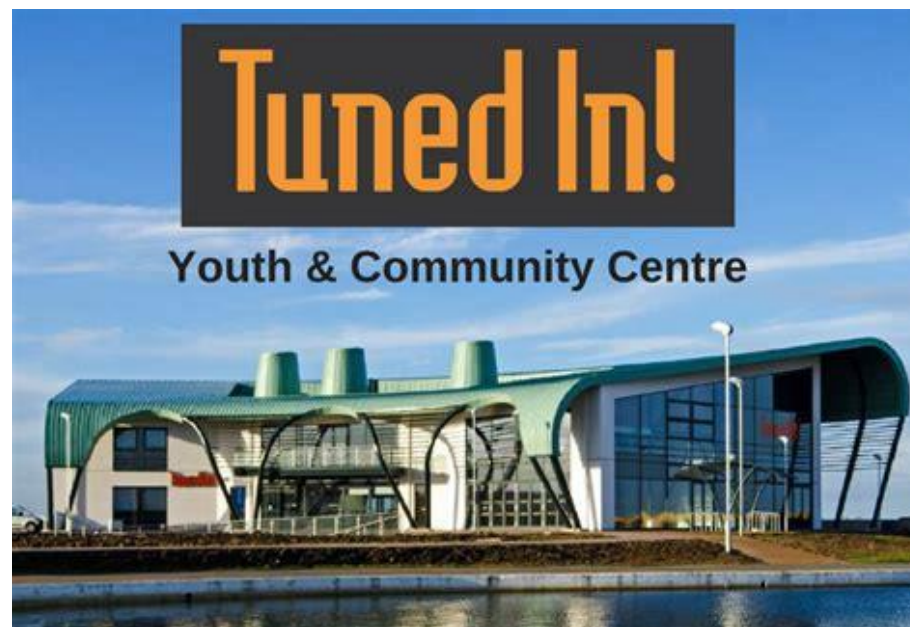
Note 5 Events after the Balance Sheet Date (31 March 2021)

Non-adjusting Post Balance Sheet Event: Cygnet Family Law

On 30 June 2021, the Council completed the acquisition of 100% of the shareholding of Cygnet Family Law Limited (Company Reference Number 07000449). This acquisition took place following the outcome of detailed due diligence investigations. As part of this acquisition the Council has set up a company called Redcar and Cleveland Legal Services Limited to hold 100% of the share capital held in Cygnet Family Law.

The Council has acquired Cygnet Family Law in order to secure and preserve the services it receives in relation to children's family law, reduce the procurement risk and avoid difficulties linked with directly recruiting staff to provide these services in-house. The procurement risk will be mitigated through the Council making use of a Teckal exemption which enables children's legal services work to be awarded directly to Cygnet Family Law without the need for a procurement exercise to take place.

In addition to children's service law advice, Cygnet Family Law also provides advice directly to the public in a number of areas including wills, probate, divorce, adult mental health and conveyancing. Although the Council only initially intended to acquire the elements of the business which undertook children's legal services work, the vendor chose not to split the business into its component functional parts as part of the sale.



Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations

(CIES = Comprehensive Income and Expenditure Statement)

2020/21	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
<u>Reversal of items debited or (credited) to the CIES</u>				
Charges for depreciation and impairment of non-current assets	(12,548)	-	-	12,548
Revaluation (gains)/losses on Property, Plant and Equipment, Investment Properties and Assets Held for Sale	(8,925)	-	-	8,925
Amortisation of Intangible Assets	(326)	-	-	326
Capital grants and Contributions Applied	13,289	-	-	(13,289)
Revenue Expenditure Funded from Capital Under Statute	(4,111)	-	-	4,111
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(12,365)	(1,132)	-	13,497
<u>Insertion of items not debited or (credited) to the CIES</u>				
Statutory provision for the financing of capital investment	5,519	-	-	(5,519)
Capital Expenditure charged against the General Fund	-	-	-	-
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	(21)	-	21	-

2020/21	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	3,744	-	(3,744)
Other Adjustments involving the Capital Receipts Reserve	-	(291)	-	291
Adjustments involving the Deferred Capital Receipts Reserve:				
	-	-	-	-
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in year in accordance with statutory requirements	517	-	-	(517)
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	(55)	-	-	55
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 36)	(21,404)	-	-	21,404
Employers Pension Contributions and direct payments to pensioners payable in the year	6,631	-	-	(6,631)
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	(14,569)	-	-	14,569
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	121	-	-	(121)
Adjustments involving the Delegated Schools Grant Adjustment Account				
Transfer of Dedicated Schools Grant (DSG) over/(underspend) to the DSG Adjustment Account	(577)	-	-	577
Total Adjustments	(48,824)	2,321	21	46,482

2019/20	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
<u>Reversal of items debited or (credited) to the CIES</u>				
Charges for depreciation and impairment of non-current assets	(12,665)	-	-	12,665
Revaluation (gains)/losses on Property, Plant and Equipment, Investment Properties and Assets Held for Sale	(3,698)	-	-	3,698
Amortisation of Intangible Assets	(1,741)	-	-	1,741
Capital grants and contributions Applied	16,229	-	-	(16,229)
Revenue Expenditure Funded from Capital Under Statute	(3,396)	-	-	3,396
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES – Assets	(24,681)	(1,052)	-	25,733
<u>Insertion of items not debited or (credited) to the CIES</u>				
Statutory provision for the financing of capital investment	5,198	-	-	(5,198)
Capital Expenditure charged against the General Fund	331	-	-	(331)
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	(242)	-	242	-
Adjustments involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	4,996	-	(4,996)
Other Adjustments involving the Capital Receipts Reserve	-	(389)	-	389

2019/20	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Deferred Capital Receipts Reserve:	-	(3,907)	-	3,907
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	528	-	-	(528)
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	(431)	-	-	431
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 36)	(21,958)	-	-	21,958
Employers Pension Contributions and direct payments to pensioners payable in the year	9,991	-	-	(9,991)
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	5,357	-	-	(5,357)
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	93	-	-	(93)
Total Adjustments	(31,085)	(352)	242	31,195

Note 7 Expenditure and Income Analysed by Nature

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

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

2020/21	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	73,565	-	-	-	73,565
Other service expenses	221,577	-	12,898	456	234,931
Support service recharges	16,783	-	-	-	16,783
Depreciation, amortisation and impairment	10,582	-	9,535	-	20,117
Interest payments	-	-	31,228	-	31,228
Precepts & Levies	-	756	-	-	756
Loss on Disposal of Fixed Assets	-	-	-	-	-
Total Expenditure	322,507	756	53,661	456	377,380
Income					
Fees, charges & other service income	(22,445)	-	-	-	(22,445)
Interest and investment income (including pensions)	-	-	(12,942)	-	(12,942)
Income from council tax and NDR	-	-	-	(97,235)	(97,235)
Government grants and contributions	(177,111)	-	-	(39,510)	(216,621)
Gain on Disposal of Fixed Assets	-	(502)	-	-	(502)
Total Income	(199,556)	(502)	(12,942)	(136,745)	(349,745)
(Surplus)/Deficit on the Provision of Services	122,951	254	40,719	(136,289)	27,635

2019/20	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	70,134	-	-	-	70,134
Other service expenses	219,168	-	25,091	-	244,259
Support service recharges	18,583	-	-	-	18,583
Depreciation, amortisation and impairment	14,616	-	(387)	-	14,229
Interest payments	-	-	32,841	-	32,841
Precepts & Levies	-	748	-	-	748
Loss on Disposal of Fixed Assets	-	-	-	-	-
Total Expenditure	322,501	748	57,545		380,794
Income					
Fees, charges & other service income	(22,761)	-	-	-	(22,761)
Interest and investment income (including pensions)	-	-	(15,220)	-	(15,220)
Income from council tax and NDR	-	-	-	(100,687)	(100,687)
Government grants and contributions	(165,207)	-	-	(35,453)	(200,660)
Gain on Disposal of Fixed Assets	-	(393)	-	-	(393)
Total Income	(187,968)	(393)	(15,220)	(136,140)	(339,721)
(Surplus)/Deficit on the Provision of Services	134,533	355	42,325	(136,140)	41,073

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 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31 March 2020 £000		Balance at 1 April 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000
(417)	-	-	(417)	Leisure Contract Risk Fund	(417)	-	-	(417)
(500)	-	-	(500)	MMI Reserve	(500)	-	-	(500)
(1,347)	-	(108)	(1,455)	Insurance Reserve	(1,455)	-	-	(1,455)
(1,388)	277	-	(1,111)	Private Finance Initiative – Schools	(1,111)	-	-	(1,111)
(939)	470	-	(469)	Private Finance Initiative – Street Lighting	(469)	-	-	(469)
(353)	-	-	(353)	Council Tax Reserve Reliefs	(353)	-	-	(353)
-	331	(331)	-	Direct Revenue Funding Reserve	-	-	-	-
(40)	1,696	(2,139)	(483)	MTFS Reserve	(483)	-	(7,322)	(7,805)
(8,927)	8,927	(68)	(68)	Budget Strategy Reserve	(68)	68	-	-
(105)	64	(210)	(251)	Brexit Funding	(251)	84	(7)	(174)
-	-	(4,732)	(4,732)	COVID-19 Funding	(4,732)	4,732	(2,445)	(2,445)
-	-	-	-	Business Rates Taxation Compensation Reserve	-	-	(876)	(876)
-	-	-	-	Business Rates Funding Reserve	-	-	(1,404)	(1,404)
-	-	-	-	Strategic Change and Resilience	-	-	(1,000)	(1,000)
(6,216)	4,114	(839)	(2,941)	Directorate Reserves (2020/21 Excludes DSG related reserves)	(2,941)	1,679	(7,232)	(8,494)
(20,232)	15,879	(8,427)	(12,780)	Total Excluding Schools and Business Rate Relief Accounting Reserve	(12,780)	6,563	(20,286)	(26,503)
-	-	-	-	Business Rate Relief Accounting Reserve	-	-	(6,718)	(6,718)
334	2,055	(201)	2,188	DSG related reserves	2,188	219	(2,407)	-
(3,012)	3,806	(3,124)	(2,330)	Balances held by schools under a scheme of delegation	(2,330)	2,520	(3,165)	(2,975)
(22,910)	21,740	(11,752)	(12,922)	Total Including Schools and Business Rate Relief Accounting Reserve	(12,922)	9,302	(32,576)	(36,196)

- 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 and Budget Strategy 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.
- COVID-19 Reserve – this is funding received from central Government to fund future implications due to COVID-19.
- 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 income to the Council for its share of business rate refunds for large Council sites and unanticipated one off business rates income, which will be used to support the funding of future years budgets.
- Strategic Change and Resilience - a new reserve created to build the financial resilience of the Council, which was approved for creation as part of the 2020/21 budget setting process.
- 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 S31 grant received from Central Government to cover the cost of the additional retail, hospitality and leisure reliefs on business rate accounts. This grant is considered to be a one-off reserve which, for technical accounting purposes, needs to be created to fund and offset the significant business rates deficit carried forward into 2021/22, which was caused by significant additional business rates reliefs being allocated to businesses in the Borough who are in retail, leisure & hospitality sectors. This reserve will therefore be drawn down in full in 2021/22 and cannot be used for any other operational or financial purpose.
- 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 31st March 2021 have increased from the 2019/20 balances. This is due to a budgeted increase in reserves to improve financial resilience, earmarked grant carried forward which will be used to fund expenditure in 2021/22 and an improved financial reserve position due to the receipt of funding to compensate the Council for the impact of the ransomware attack in February 2020.



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:

2019/20 £000		2020/21 £000
588	Town and Parish council precepts	591
160	Northumbria Flood Defence and N.E. Sea Fisheries Levies	165
(393)	(Gains)/Losses on the disposal of non-current assets	(502)
355	Total	254



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 the asset from the Balance Sheet. The net loss on the fair value of investment properties relates mainly to the leasing of Kirkleatham Walled Garden to the Council's delivery partner which will become a commercially operated cultural attraction, training and events facility, providing the Council with a modest rental. As investment properties are valued on their rental income, this results in a loss on the Comprehensive Income and Expenditure Statement.

2019/20 £000		2020/21 £000
14,523	Interest payable and similar charges	14,203
3,627	Net interest on the defined pension liability	4,544
(512)	Interest receivable and similar income	(431)
25,074	Loss on Disposal of Academies	12,868
-	Premium from settlement of LOBO loans	-
(784)	Net (gains)/losses on fair value of investment properties	9,494
397	Net (gains)/losses on fair value of financial instruments through profit & loss	41
42,325	Total	40,719

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 2020/21 are as follows:

2019/20 £000		2020/21 £000
	<u>Credited to Taxation and Non-Specific Grant Income</u>	
(62,781)	Council Tax Income	(64,258)
(37,907)	Distribution from Non-Domestic Rates	(32,523)
	<u>Non-Ring Fenced Government Grants:</u>	
(7,312)	Revenue Support Grant	(7,431)
(7,123)	PFI Grant	(7,123)
(1,806)	New Homes Bonus Scheme	(1,496)
(14,115)	Capital Grants and Contributions	(10,415)
(290)	Other Grants	(3,616)
(4,806)	COVID-19 Funding	(9,427)
(136,140)	Total	(136,289)

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.

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 [2020]. 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 2020/21 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2020/21 before academy recoupment			121,000
Amount recouped for 2020/21			(83,237)
Total DSG after academy recoupment for 2020/21	Not Applicable		37,763
Brought Forward from 2019/20			(2,188)
Carry forward to 2021/22 agreed in advance			-
Agreed initial budgeted distribution in 2020/21	12,255	23,320	35,575
In year adjustments:			
Early Years additional allocation re. 2019/20, recouped in 2020/21	-	94	94
Final budget distribution for 2020/21	12,255	23,414	35,669
Actual central expenditure	(14,745)	-	(14,745)
Actual ISB deployed to schools	-	(23,687)	(23,687)
Local authority contribution for 2020/21	-	-	-
Carry forward to 2021/22	(2,490)	(273)	(2,763)

Note 13 Members' Allowances

2019/20 £000		2020/21 £000
591	Basic Allowances	591
138	Special Responsibility Allowances	147
14	Expenses	1
743	Total	739

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 2020/21. This figure also includes employer's National Insurance contributions. The figures shown for 2019/20 are a direct comparison with 2020/21.



Note 14 Officers' Remuneration

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

School Employees	2019/20		Remuneration Band (£)	2020/21		
	Non-School Employees	Total Employees		School Employees	Non-School Employees	Total Employees
16	40	56	50,000 to 54,999	13	52	65
8	22	30	55,000 to 59,999	20	15	35
2	6	8	60,000 to 64,999	7	13	20
6	20	26	65,000 to 69,999	3	22	25
3	7	10	70,000 to 74,999	3	-	3
5	-	5	75,000 to 79,999	4	3	7
3	2	5	80,000 to 84,999	4	4	8
2	4	6	85,000 to 89,999	1	-	1
3	1	4	90,000 to 94,999	1	5	6
1	3	4	95,000 to 99,999	-	-	-
-	-	-	100,000 to 104,999	1	1	2
1	1	2	105,000 to 109,999	-	-	-
-	-	-	110,000 to 114,999	-	-	-
1	-	1	115,000 to 119,999	-	-	-
-	-	-	120,000 to 124,999	-	1	1
-	-	-	125,000 to 129,999	-	-	-
-	-	-	130,000 to 134,999	-	-	-
-	1	1	135,000 to 139,999	-	1	1
-	2	2	140,000 to 144,999	-	1	1
-	1	1	145,000 to 149,999	-	-	-
-	-	-	150,000 to 154,999	-	1	1
-	-	-	155,000 to 159,999	-	-	-
-	-	-	160,000 to 164,999	-	-	-
-	-	-	165,000 to 169,999	-	-	-
-	-	-	170,000 to 174,999	-	-	-
-	-	-	175,000 to 179,999	-	-	-
-	1	1	Over £180,000	-	-	-
51	111	162	Total	57	119	176

In terms of statutory requirements any senior member of staff with a gross salary (not remuneration) in excess of £150,000 needs to be named. No officer of the Council met this requirement in 2020/21.

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:

2020/21	Salary (including Fees & Allowances) £	Recurring Payment £	One Off Payment £	Benefits in Kind £	Redundancy and other severance payments £	Gross Remuneration Excl. Pension Contributions 2020/21 £	Pension Contributions 2020/21 £	Total Remuneration Including Pension Contributions 2020/21 £
Managing Director (Head of Paid Services)	138,712	-	-	-	-	138,712	14,149	152,861
Corporate Director for Children and Families	127,293	-	-	-	-	127,293	12,984	140,277
Corporate Director for Growth, Enterprise & Environment	50,470	-	-	-	51,800	102,270	1,533	103,803
Corporate Director for Adults and Communities	127,293	-	-	-	-	127,293	12,514	139,807
Director of Public Health (1)	-	-	-	-	-	-	-	-
Assistant Director – Governance and Monitoring Officer	109,087	-	-	-	-	109,087	11,139	120,226
Head of Policy & Performance	60,632	-	-	-	-	60,632	6,185	66,817
Assistant Director – Finance (Section 151 Officer)	84,156	-	-	-	-	84,156	8,584	92,740
Head of Marketing and Communications	61,857	-	-	-	-	61,857	6,330	68,187
	759,500	-	-	-	51,800	811,300	73,418	884,718

Items to note:

1. Employed by Middlesbrough Council

2019/20	Salary (including Fees & Allowances) £	Recurring Payment £	One Off Payment £	Benefits in Kind £	Redundancy and other severance payments £	Gross Remuneration Excl. Pension Contributions 2019/20 £	Pension Contributions 2019/20 £	Total Remuneration Including Pension Contributions 2019/20 £
Chief Executive (1)	89,877				334,182	424,059	14,387	438,446
Corporate Director for Resources (2)	72,267					72,267	11,563	83,830
Managing Director (Head of Paid Services) (2)	56,250					56,250	9,000	65,250
Corporate Director for Children's Services (3)	124,574		40,630			165,204	19,932	185,136
Service Director of Corporate Director for Growth, Enterprise and Environment	123,886					123,886	19,822	143,708
Corporate Director for Adult and Communities	123,886					123,886	19,822	143,708
Director of Public Health (4)	-					-	-	-
Assistant Director Organisational Change (part time hours)	69,619				55,505	125,124	11,104	136,228
Assistant Director – Governance and Monitoring Officer	90,813					90,813	14,549	105,362
Head of Policy & Performance	73,713					73,713	11,794	85,507
Assistant Director – Finance (Section 151 Officer) (5)	34,127					34,127	5,460	39,587
Head of Marketing and Communications	48,443					48,443	7,643	56,086
Total	907,455	-	40,630	-	389,687	1,337,772	145,076	1,482,848

As part of the Senior Management Review:

1. Post Chief Executive removed
2. Corporate Director for Resources re-designated as Managing Director (Head of Paid Services) as of 1 November
5. Post of Financial Services Manager re-designated as Assistant Director – Finance (Section 151 Officer) as of 1 November

Other items of note:

3. Corporate Director for Children's Services. Original post holder retired September 2019 and replaced during the year.
4. Employed by Middlesbrough Council

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

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

2020/21	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy and other severance payments	Gross Remuneration Excl. Pension Contributions 2020/21	Pension Contributions 2020/21	Total Remuneration Including Pension Contributions 2020/21
	£	£	£	£	£	£	£	£
<u>Non-schools:</u>								
Assistant Director - Adult Care	84,156				-	84,156	8,584	92,740
Assistant Director - Performance Quality and Partnerships	84,156				-	84,156	8,584	92,740
Assistant Director for Health and Communities	82,217				-	82,217	8,371	90,589
Commercial & Legal Manager	77,095				-	77,095	7,864	84,959
Assistant Director - Growth & Enterprise	76,464				-	76,464	7,799	84,264
Assistant Director - Education and Skills	73,297				-	73,297	7,476	80,774
Assistant Director - Environment	68,494				-	68,494	6,986	75,480
Service Lead – Business Development & Improvement	68,129				-	68,129	6,949	75,079
Principal Social Worker	63,420				-	63,420	6,469	69,889
Service Lead – Engineering, Highways and Commercialisation	63,352				25,697	89,049	4,823	93,871
Service Manager - Social Work & Safeguarding	63,260				-	63,260	6,452	69,712
Project Director - Integrated Community Services	62,736				-	62,736	6,416	69,152
Strategic IT Manager	62,618				-	62,618	6,387	69,004

2020/21	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy and other severance payments	Gross Remuneration Excl. Pension Contributions 2020/21	Pension Contributions 2020/21	Total Remuneration Including Pension Contributions 2020/21
	£	£	£	£	£	£	£	£
Service Manager - CIOC & Resources	62,022				-	62,022	6,350	68,372
Service Lead - Streetscene	61,589				-	61,589	6,286	67,875
Service Manager - South Tees Multi-Agency Children's Hub	61,545				-	61,545	6,243	67,789
Head of Place Development & Investment	61,337				-	61,337	6,148	67,485
Service Manager	60,753				-	60,753	6,209	66,962
Senior Psychologist Manager	60,301				-	60,301	6,141	66,442
Strategic Partnership & Performance Manager	59,551				-	59,551	6,074	65,625
Education Capital Projects & Place Planning Lead	59,551				-	59,551	6,074	65,625
Service Manager	59,551				-	59,551	6,074	65,625
Service Manager - Early Help and Prevention	59,551				-	59,551	6,074	65,625
Chief Accountant	59,551				-	59,551	6,074	65,625
Transport Strategy Manager	59,551				-	59,551	6,074	65,625
Strategic Contracts Manager	59,551				-	59,551	6,074	65,625
Principal Social Worker	59,551				-	59,551	6,074	65,625
Virtual School Head	59,551				-	59,551	6,074	65,625
Senior Educational Psychologist	59,081				-	59,081	6,016	65,097
Head of Planning & Development	58,820				-	58,820	6,121	64,941

2020/21	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy and other severance payments	Gross Remuneration Excl. Pension Contributions 2020/21	Pension Contributions 2020/21	Total Remuneration Including Pension Contributions 2020/21
	£	£	£	£	£	£	£	£
Head of Quality and Professional Standards	58,471				-	58,471	5,964	64,435
Service Manager	58,380				-	58,380	5,955	64,335
Head of Culture & Tourism	58,211				-	58,211	5,914	64,125
Lead for SEN	58,057				-	58,057	5,878	63,935
Team Manager - Practice & Performance	57,495				-	57,495	5,882	63,378
Highways, Engineering & Construction Manager	57,442				-	57,442	5,859	63,301
School Business Manager	56,116				-	56,116	5,724	61,840
Head of Employability	56,116				-	56,116	5,724	61,840
Team Manager - Practice & Performance	54,849				-	54,849	5,443	60,292
Team Manager - Practice & Performance	54,814				-	54,814	5,591	60,405
Empowering Communities Service Manager	54,736				-	54,736	5,571	60,307
Team Manager - Practice & Performance	54,644				-	54,644	5,479	60,123
Social Worker	54,430				-	54,430	5,494	59,924
Strategic Service Lead – Local Taxation & Support	53,929				-	53,929	5,501	59,430
Property Manager	53,612				-	53,612	5,468	59,080
Assistant Director - Social Care and Early Help	53,376				-	53,376	5,444	58,820
Principal Legal Officer	52,874				-	52,874	5,393	58,267

2020/21	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy and other severance payments	Gross Remuneration Excl. Pension Contributions 2020/21	Pension Contributions 2020/21	Total Remuneration Including Pension Contributions 2020/21
	£	£	£	£	£	£	£	£
Deputy Safeguarding Manager	52,809				-	52,809	5,360	58,169
Teacher Training Programme Manager	52,792				-	52,792	5,385	58,176
Senior HR Advisor	52,638				-	52,638	5,369	58,007
Learning & Skills Manager	50,827				-	50,827	5,184	56,011
Place Development & Investment Project Lead	50,827				-	50,827	5,184	56,011
Clinical Lead	50,599				-	50,599	6,279	56,879
Service Manager	50,213				-	50,213	5,061	55,274
Business Manager - Corporate Resources	50,122				-	50,122	5,112	55,234
Deputy Team Manager	50,073				-	50,073	5,032	55,105
<u>Schools:</u>								
Head Teacher	83,252					83,252	19,714	102,965
Head Teacher	75,292					75,292	17,829	93,121
Head of Alternative Education	72,737					72,737	17,224	89,961
Head Teacher	67,585					67,585	16,004	83,589
Head Teacher	67,186					67,186	15,910	83,096
Head Teacher	65,242					65,242	15,449	80,691
Deputy Head Teacher	65,242					65,242	15,449	80,691

2020/21	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy and other severance payments	Gross Remuneration Excl. Pension Contributions 2020/21	Pension Contributions 2020/21	Total Remuneration Including Pension Contributions 2020/21
	£	£	£	£	£	£	£	£
Head Teacher	62,570					62,570	14,517	77,087
Deputy Head Teacher	61,873					61,873	14,651	76,524
Deputy Head Teacher	61,872					61,872	14,651	76,523
Deputy Head Teacher	61,303					61,303	14,516	75,819
Head Teacher	60,483					60,483	14,323	74,806
Deputy Head Teacher	59,841					59,841	14,171	74,012
Deputy Head Teacher	58,330					58,330	13,813	72,143
Deputy Head Teacher	56,113					56,113	5,724	61,837
Deputy Head Teacher	55,527					55,527	13,149	68,676
Deputy Head Teacher	53,491					53,491	12,664	66,155
Head Teacher	51,599					51,599	8,475	60,074
Head Teacher	51,575					51,575	12,214	63,789
Teacher	50,300					50,300	11,911	62,211
Teacher	50,300					50,300	11,911	62,211

Note 15 Termination Benefits

The Council terminated the contracts of 22 employees in the 2020/21 financial year, incurring liabilities of £0.290m (£0.730m for 2019/20). Of this total £0.235m was payable to 20 officers in respect of various voluntary arrangements agreed and £0.055m was paid to 2 officers who received compulsory redundancy.

The table below shows an analysis of the total cost incurred by Directorate during 2020/21.

Directorate	£000	Number of Employees
Resources	27	4
Adults and Communities	66	6
Children and Families (Schools)	34	1
Children and Families (Non Schools)	15	3
Growth, Enterprise & Environment	148	8
Total	290	22

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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20 £000	2020/21 £000
0 to 20,000	-	1	14	16	14	17	73	68
20,001 to 40,000	1	-	9	2	10	2	267	59
40,001 to 60,000	-	1	1	2	1	3	56	163
60,001 to 80,000	-	-	-	-	-	-	-	-
80,001 to 100,000	-	-	-	-	-	-	-	-
100,001 to 150,000	-	-	-	-	-	-	-	-
Over 150,001	-	-	1	-	1	-	334	-
Total	1	2	25	20	26	22	730	290

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.

2019/20					2020/21					
Income £000	Expend- iture £000	(Surplus)/ Deficit £000	Technical Adjust- ments £000	Net (Surplus)/ Deficit £000	<u>Trading Operation</u>	Income £000	Expend- iture £000	(Surplus)/ Deficit £000	Technical Adjust- ments £000	Net (Surplus)/ Deficit £000
(679)	635	(44)	(12)	(56)	Trade Refuse Collection	(562)	625	63	15	78
(65)	71	6	272	278	Industrial Estates	(52)	96	44	15	59
(5)	18	13	-	13	Markets	(2)	6	4	-	4
(150)	359	209	(180)	29	Business Centres	(167)	356	189	(56)	133
(963)	999	36	(33)	3	Car Parking	(613)	1,009	396	313	709
(177)	222	45	(12)	33	Taxi Licensing	(162)	197	35	16	51
(163)	156	(7)	(10)	(17)	General Licensing	(151)	182	31	77	108
(2,202)	2,460	258	25	283	Total	(1,709)	2,471	762	380	1,142

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

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

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

- Trade Refuse Collection – contracted collection of waste from commercial properties, schools and other premises within the Borough.
- Industrial Estates – as part of the Council's priority theme to provide business space to attract and sustain businesses, the Council provides units in a range of sizes throughout the Borough.
- Markets – provision of a site for the operation of markets within the Borough, to boost retail and tourism for the local area.
- Business Centres – provision of workshop and office accommodation in a range of sizes at South Tees Business Centres, as part of the priority theme to provide business space to attract and sustain businesses for the local economy.
- Car Parking – provision of both on-street and off-street parking throughout the Borough. Any surpluses in the parking account are applied for the purposes of enforcement and the provision of highway or road improvement project in the local authority's area (Section 55 of the Road Traffic Regulation Act 1984).
- Taxi Licensing – local authority costs and income recovered in relation to 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 Clinical Commissioning Groups (CCGs) to establish and maintain pooled funds to support the outcomes of the BCF. The Council has entered into a pooled budget arrangement with NHS South Tees Clinical Commissioning Group (STCCG) for the provision of health and social care services to meet the needs of the population of the borough of Redcar & Cleveland. The services being commissioned or provided by the Authority or the STCCG depend upon the needs of the service recipient. The Council and the STCCG have an ongoing Section 75 agreement in place for funding these services and this is reviewed annually. The Council is the host for this pooled budget and each partner's contribution is set out in the Better Care Fund Section 75 Agreement.

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

- a) Improve the quality and efficiency of 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.



2019/20 £000	Pooled Budgets	2020/21 £000
-	Balance brought forward - Revenue	(66)
(1,932)	Balance brought forward - Capital	(817)
(1,932)		(883)
<u>Funding Provided to the Pooled Budget</u>		
(1,578)	The Authority	(1,790)
(11,103)	South Tees CCG	(12,348)
(12,681)		(14,138)
<u>Expenditure Met from Pooled Budget</u>		
10,844	The Authority	9,615
2,886	South Tees CCG	2,502
13,730		12,117
(883)	Total surplus	(2,904)
817	Capital amounts slipped to Future Years	1,784
66	Net revenue surplus arising on the Better Care Fund pooled budget to be carried forward	1,120

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.

2019/20 £000	Improved Better Care Fund	2020/21 £000
(1,835)	Balance brought forward	-
	<u>Funding Provided to the Pooled Budget</u>	
(6,724)	The Authority	(6,724)
	<u>Expenditure Met from Pooled Budget</u>	
8,559	The Authority	6,724
-	Net Balance Carried Forward	-



Note 18 Fees Payable to Auditors

For 2020/21 the following fees relating to external audit and inspection were payable by the Council:

2019/20 £000		2020/21 £000
96	Fees payable for services provided by the External Auditors	96
14	Fees payable for the certification of grant claims	20
-	Fees payable for services relating to ransomware attack	19
(12)	Refund received from the Public Sector Audit Appointments organisation	-
98	Total	135



Note 19 Property, Plant and Equipment (PPE)

(SDPS = Surplus/Deficit on Provision of Services)

(RR = Revaluation Reserve)

Movements in tangible non-current assets for the year 2020/21:

2020/21	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total PPE	Included in Total PPE - Owned	Included in Total PPE - Finance Leased	Included in Total PPE - PFI Assets
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation</u>									
At 1 April 2020	144,566	26,038	205,995	5,673	9,010	391,282	360,170	135	30,977
Additions	1,883	3,382	6,535	57	4,936	16,793	15,494	-	1,299
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) to Revaluation Reserve	(451)	-	-	-	-	(451)	(451)	-	-
Revaluation increases/(decreases) to Surplus or Deficit on Provision of Service	(4,205)	-	(48)	(25)	-	(4,278)	(4,278)	-	-
De-recognition - Disposals	(13,311)	(958)	(26)	-	(579)	(14,874)	(14,874)	-	-
De-recognition - Other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	1,962	-	-	-	-	1,962	1,962	-	-
Assets reclassified (to)/from Investment Properties	(600)	-	-	-	(7,566)	(8,166)	(8,166)	-	-
Other movements	(101)	-	-	(32)	133	-	-	-	-
At 31 March 2021	129,743	28,462	212,456	5,673	5,934	382,268	349,857	135	32,276

2020/21	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total PPE	Included in Total PPE - Owned	Included in Total PPE - Finance Leased	Included in Total PPE – PFI Assets
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment									
At 1 April 2020	(7,352)	(16,314)	(102,322)	-	-	(125,988)	(117,137)	(135)	(8,717)
Depreciation charge for the year	(4,246)	(2,030)	(6,267)	-	(2)	(12,545)	(11,655)	-	(890)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus or Deficit on Provision of Service	2,746	-	-	-	-	2,746	2,746	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	2,101	-	-	-	-	2,101	2,101	-	-
Impairment losses/(reversals) recognised in the Surplus or Deficit on Provision of Service	-	-	-	-	-	-	-	-	-
De-recognition - Disposals	460	912	25	-	-	1,397	1,397	-	-
De-recognition - Other	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-
At 31 March 2021	(6,291)	(17,432)	(108,564)	-	(2)	(132,289)	(122,548)	(135)	(9,606)
Net Book Value									
At 31 March 2021	123,452	11,030	103,892	5,673	5,932	249,979	227,309	-	22,670
At 31 March 2020	137,214	9,724	103,672	5,673	9,010	265,294	243,033	-	22,261

Depreciation

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

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

Movements in tangible non-current assets for the year 2019/20:

2019/20	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total PPE	Included in Total PPE - Owned	Included in Total PPE - Finance Leased	Included in Total PPE – PFI Assets
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation</u>									
At 1 April 2019	163,505	21,799	198,335	5,593	5,901	395,133	366,227	135	28,771
Additions	5,488	4,736	7,660	88	8,592	26,564	23,831	-	2,733
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) to Revaluation Reserve	6,895	-	-	-	-	6,895	6,902	-	(7)
Revaluation increases/(decreases) to Surplus or Deficit on Provision of Service	(10,170)	-	-	(8)	(14)	(10,192)	(9,672)	-	(520)
De-recognition - Disposals	(25,970)	(497)	-	-	(96)	(26,563)	(26,563)	-	-
De-recognition - Other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Investment Properties	(555)	-	-	-	-	(555)	(555)	-	-
Other movements	5,373	-	-	-	(5,373)	-	-	-	-
At 31 March 2020	144,566	26,038	205,995	5,673	9,010	391,282	360,170	135	30,977

2019/20	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total PPE	Included in Total PPE - Owned	Included in Total PPE - Finance Leased	Included in Total PPE – PFI Assets
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment									
At 1 April 2019	(10,054)	(14,105)	(96,271)	-	(30)	(120,460)	(111,967)	(135)	(8,358)
Depreciation charge for the year	(4,680)	(1,933)	(6,051)	-	(1)	(12,665)	(11,882)	-	(783)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus or Deficit on Provision of Service	6,495	-	-	-	-	6,495	6,070	-	425
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus or Deficit on Provision of Service	-	(736)	-	-	-	(736)	(736)	-	-
De-recognition - Disposals	912	460	-	-	-	1,372	1,372	-	-
De-recognition - Other	-	-	-	-	-	-	-	-	-
Asset Reclassification	(26)	-	-	-	31	5	5	-	-
At 31 March 2020	(7,353)	(16,314)	(102,322)	-	-	(125,989)	(117,138)	(135)	(8,717)
Net Book Value									
At 31 March 2020	137,213	9,724	103,673	5,673	9,010	265,293	243,032	-	22,261
At 31 March 2019	153,451	7,694	102,064	5,593	5,871	274,673	254,260	-	20,413

Revaluations

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

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

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

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

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

	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total PPE
	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost at 31 March 2021	89,005	11,038	103,501	4,283	5,932	-	213,760
Valued at current value as at:							
31 March 2021	31,581	-	-	1,720	-	-	33,300
31 March 2020	43,665	-	-	286	-	-	43,951
31 March 2019	70,659	-	-	831	-	-	71,490
31 March 2018	20,358	-	-	466	-	-	20,824
31 March 2017	36,758	-	-	308	-	-	37,066

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 impairment of assets in 2020/21 for £2.100m for Eston Leisure Centre. This has been disclosed within Note 19.

Note 21 Investment Properties

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

2019/20 £000		2020/21 £000
8,897	Balance at start of the year	10,512
	<u>Additions:</u>	
150	Purchases	127
-	Construction	-
131	Subsequent expenditure	787
	<u>Disposals:</u>	
784	Net gains/(losses) from fair value adjustments	(9,544)
-	Other Disposals	(70)
	<u>Transfers:</u>	
-	(To)/From Inventories	-
550	(To)/From Property, Plant and Equipment and Assets Held for Sale	8,166
-	Other Changes	
10,512	Balance at end of the year	9,978

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

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

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

2019/20		2020/21
£000		£000
8,704	Properties for rental income purposes	7,860
1,558	Properties held for an undetermined future use	394
-	Properties currently vacant held to be leased out	194
250	Properties held for capital appreciation purposes	1,005
-	Properties which are being constructed/developed for future investment use	525
10,512		9,978



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 2020 £000	Expenditure 2020/21 £000	Amortisation 2020/21 £000	31 March 2021 £000
<u>Internally Generated</u>						
Adult Services System	10 Years	4 Years	167	-	(86)	81
Agresso	10 Years	5 Years	469	74	(47)	496
Self-Assessment Web Based Site	5 Years	0 Years	-	-	-	-
Customer Relationship Management System	5 Years	4 Years	70	28	(14)	84
Unified Communications System	5 Years	2 Years	83	-	(56)	27
Corporate Web	5 Years	4 Years	29	2	(6)	25
Technology Forge	10 Years	10 Years	-	83	-	83
<u>Other</u>						
Other IT Software	Various	Various	356	893	(117)	1,132
			1,174	1,080	(326)	1,928

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

2019/20 £000		2020/21 £000
7,755	Gross carrying amounts	5,503
(5,495)	Accumulated amortisation	(4,329)
2,260	Net carrying amount at start of year	1,174
	Additions – internal development	
655	Additions - purchases	1,080
	Additions – through business combinations	
(2,907)	Disposals – gross carrying amount	-
2,907	Disposals – accumulated depreciation	-
	Impairment losses recognised or reversed directly in the Revaluation Reserve	
(1,741)	Amortisation for the period	(326)
	Other changes	
1,174	Net carrying amount at end of year	1,928
	Comprising:	
5,503	Gross carrying amounts	6,583
(4,329)	Accumulated amortisation	(4,655)

Note 23 Private Finance Initiatives and Similar Contracts

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

Office Accommodation and Business Centre

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

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

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

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

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

The offices used in this contract are recognised on the Council's Balance Sheet under Property, Plant and Equipment and are

depreciated and revalued in line with Council policy on non-current assets.

Schools

The contract for the provision of schools relates to two primary schools (St Benedict's and South Bank) and three secondary schools (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 the contractor may be adjusted to reflect the outcome of these exercises and could reduce or increase costs.
- Once PFI contracts are operational it is sometimes possible to re-finance the contract which reduces the cost of borrowing incurred by the contractor.
- The Council can vary the contract regarding services provided which may impact on the unitary charge.

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

Payments remaining to be made over the life of the three PFI contracts at 31 March 2021 (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 2021

	Repayment of leasing liability	Payment of interest	Provision of services	Total
	31 March 2021 £000	31 March 2021 £000	31 March 2021 £000	31 March 2021 £000
Within 1 year	2,613	4,972	4,255	11,840
Within 2 - 5 years	12,362	17,366	17,635	47,363
Within 6 – 10 years	18,757	14,817	19,742	53,316
Within 11 -15 years	19,210	5,302	13,489	38,001
Within 16 - 20 years	-	-	-	-
Total Future Payments	52,942	42,457	55,121	150,520

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 2021

	Repayment of leasing liability	Payment of interest	Provision of services	Total
	31 March 2021	31 March 2021	31 March 2021	31 March 2021
	£000	£000	£000	£000
Within 1 year	2,613	7,088	5,609	15,310
Within 2 - 5 years	12,362	27,776	24,555	64,693
Within 6 – 10 years	18,757	30,379	29,391	78,527
Within 11 -15 years	19,210	19,921	21,286	60,417
Within 16 - 20 years	-	-	-	-
Total Future Payments	52,942	85,164	80,841	218,947

The figures below represent the amount of debt outstanding with the PFI contractor for the assets held under contract as at 31 March 2021. This is repayable over the remaining term of the contracts.

Value of liabilities held under PFI schemes

2019/20	Outstanding PFI Liability	2020/21
£000		£000
(57,520)	Opening Balance	(55,350)
2,170	Repayments	2,408
-	Adjustment	-
-	Additions	-
(55,350)	Closing Balance	(52,942)

Note 24 Capital Expenditure and Capital Financing

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

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

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



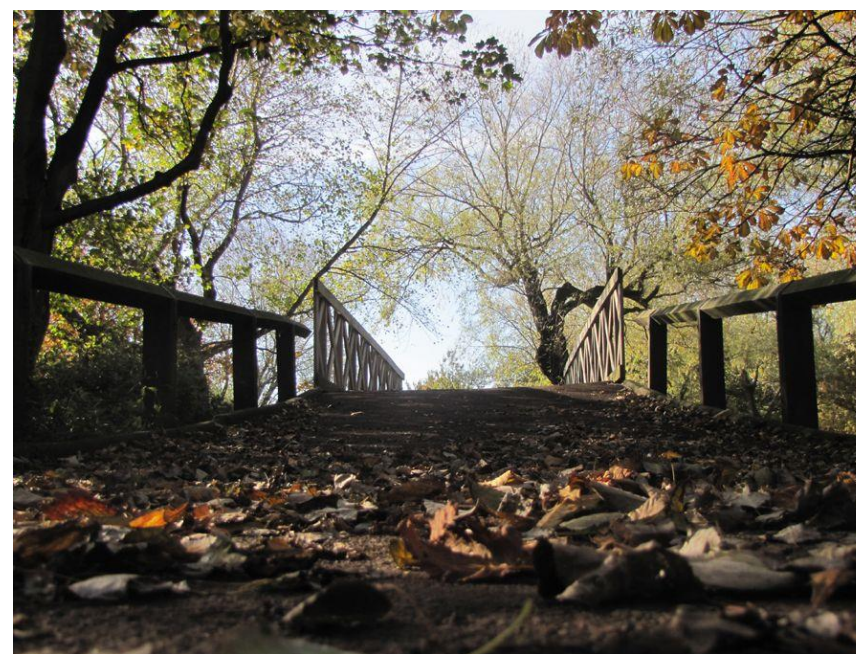
2019/20		2020/21	
£000	£000	£000	£000
	258,399	Opening Capital Financing Requirement	262,463
<u>Capital Investment</u>			
26,468		Property, Plant and Equipment	16,792
655		Intangible Assets	1,079
-		Loans & Advances Treated as Capital Expenditure	334
281		Investment Properties	915
20		Long Term Investment	-
3,396		Revenue Expenditure Funded from Capital under Statute	4,111
	30,820	Total Capital Investment	23,231
<u>Sources of Finance</u>			
(4,996)		Capital Receipts	(3,744)
(16,231)		Government grants and other contributions	(13,289)
<u>Sums set aside from revenue:</u>			
(331)		Direct revenue contributions	-
(5,198)		MRP/Loans Fund Principal	(5,519)
	(26,756)	Total Sources of Finance	(22,552)
	262,463	Closing Capital Financing Requirement	263,142
	4,064	Movement in Year	679
<u>Explanation of movement in year</u>			
-		Increase in underlying need to borrow (supported by Government assistance)	-
9,651		Increase in underlying need to borrow (unsupported by Government assistance)	6,490
		Assets acquired under finance leases	
(389)		Write down of long term debtor	(292)
		Additional use of capital receipts	-
	9,262	Increase/(Decrease) in Capital Financing Requirement	6,198
	(5,198)	Reduced by Minimum Revenue Provision	(5,519)
	4,064	Total Movement in Year	679

Capital Commitments

As at 31 March 2021, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in future years in excess of £1.000 million. The major commitments are as follows:

Scheme	Contract £000	Payments £000	Remaining £000
Redcar Regent Cinema	8,501	(2,619)	5,882
Guisborough Town Hall	1,430	(197)	1,233
Cleveland Ironstone Mining Museum	1,316	-	1,316
	11,247	(2,815)	8,432

The Council had one scheme with contractual commitments exceeding £1.000 million in 2019/20. The value outstanding on these contract was £1.952 million.



Note 25 Long Term Debtors

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

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

Children & Families Social Care Loans – a loan to assist foster carers with essential adaptations to their homes which will be repaid over 7 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.

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

Car Loans to Employees – The advance of new loans has been discontinued.

	Balance 31 March 2020 £000	Total Spend £000	Disposals/ Transfers £000	Amounts Written Off/ Repaid £000	Balance 31 March 2021 £000
Car Loans	1	-	-	-	1
Loan to Leisure Service Provider - SLM	242	334	-	(292)	284
FROG Loan	17	-	-	-	17
Payment in Advance - Middlesbrough Council	1,638	-	-	(401)	1,237
Children & Families Social Care Loans	10	14	-	-	24
Total	1,908	348	-	(693)	1,563

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.

2019/20 £000		2020/21 £000
2,834	Balance outstanding at start of year	2,148
-	Assets newly classified as held for sale - PPE	18
-	Revaluation losses	-
-	Revaluation gains	1,347
-	Assets declassified as held for sale: Investment properties	(1,980)
(686)	Assets sold	-
2,148	Balance outstanding at year end	1,533

There is a decrease in the net book value of assets held for sale at the end of this financial year of £0.615 million due to one newly classified and revalued asset for sale and one declassified asset held for sale.

Note 27 Short Term Debtors

31 March 2020 £000		31 March 2021 £000
3,197	Central Government Bodies	17,649
6,915	Other Local Authorities	9,416
3,434	NHS Bodies	3,278
12	Public Corporation and Trading Funds	266
18,398	Council Taxpayers	21,405
7,030	Business Rates	7,602
3,467	Housing Benefits Overpayments	3,229
5,463	Other Entities and Individuals	4,946
47,916	Total	67,791
	<u>Provisions for Doubtful Debts</u>	
(855)	Directorate Contribution to Bad Debt Provision	(1,295)
-	Other Entities and Individuals	-
(4,487)	Council Taxpayers	(6,455)
(5,559)	Business Rates	(5,823)
(1,152)	Housing Benefits Overpayments	(977)
35,863	Total debtors including provision for doubtful debt	53,241

Note 28 Cash and Cash Equivalents

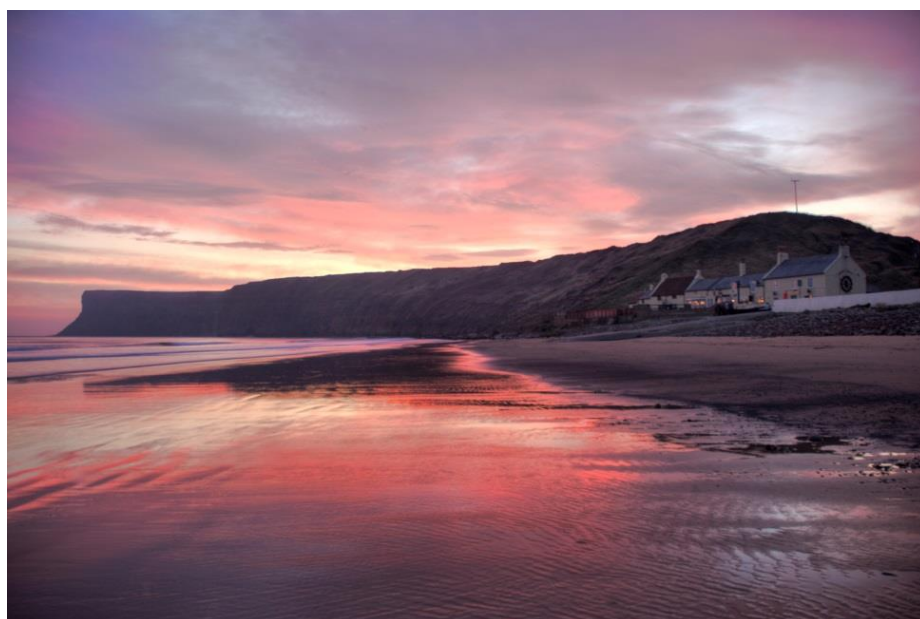
The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2020 £000		31 March 2021 £000
36	Cash held by the Council	35
2,117	Bank current accounts – school accounts	2,286
(634)	Bank current accounts – main Council	(283)
15,462	Short term deposits with Financial Institutions	5,516
16,981	Total Cash and Cash Equivalents	7,554



Note 29 Short Term Creditors

31 March 2020 £000		31 March 2021 £000
(8,888)	Central Government Bodies	(21,538)
(11,402)	Other Local Authorities	(13,184)
(876)	NHS Bodies	(1,282)
(577)	Public Corporation and Trading Funds	(438)
(992)	Short Term Accumulating Compensated Absences	(872)
(18,116)	Other Entities and Individuals	(15,914)
(2,175)	Local Taxation	(2,653)
(43,026)	Total	(55,881)



Note 30 Provisions

	Balance at 1 April 2020	Provisions made in 2020/21	Provisions utilised in 2020/21	Other Transfers in 2020/21	Balance at 31 March 2021	Short Term Provisions	Long Term Provisions
	£000	£000	£000	£000	£000	£000	£000
MMI Claims	(640)	239	1	-	(400)	(300)	(100)
Insurance Provision	(744)	(1,204)	334	-	(1,614)	-	(1,614)
Business Rates Appeals	(1,962)	(530)	686	-	(1,806)	(361)	(1,445)
Childrens' Social Care Provision	-	(1,148)	-	-	(1,148)	-	(1,148)
Total Provisions	(3,346)	(2,643)	1,021	-	(4,968)	(661)	(4,307)

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

MMI Claims:

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

Insurance Provision:

The insurance 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 31st March 2021.

Business Rates Appeals:

The level and value of appeals within particular localities is maintained by the Valuations Office Agency (VOA) and are significant in both value and volume. As there is a degree of uncertainty regarding whether appeals will be successful and the timing of any refunds to business rate payers, and the appeals relate to bills already issued, a provision has been established within the Collection Fund for the 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 £3.689 million with the 49% share in the Council's own accounts being £1.808 million.

Childrens' Social Care Provision:

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



Note 31 Long Term Creditors

	Balance at 31 March 2020 £000	Income £000	Expenditure £000	Balance at 31 March 2021 £000
Section 38 / 278 Agreements	(256)	(71)	114	(213)
Section 106 Agreements	(1,980)	(1,036)	364	(2,652)
Commutated Sums	(54)	(16)	-	(70)
Trust Funds	(109)	-	-	(109)
IBM Loan	(33)	-	33	-
Total	(2,432)	(1,123)	511	(3,044)

Section 38 / 278 agreements relate to the creation of new highways upon land in the ownership of anyone other than the Highway Authority. It is an agreement between the land-owner and the Council for the construction of new highways and the ultimate adoption by the Council as a public highway. The agreement secures a bond for the cost of the works, to enable completion of the works by the Council upon default by the developer. There are currently 13 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 12 agreements in place.

Commutated 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 3 agreements in place.

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

IBM Loan – Two loan agreements in relation to the purchase of computer storage and equipment to be repaid over 5 years.

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 Durham Tees Valley Airport Ltd, Suez Recycling & Recovery (Tees Valley) 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 is pooled investments which can be accounted for by using a temporary statutory override issued by the Ministry for Housing, Communities and Local Government (MHCLG). This is for a period of five years commencing on the 1st April 2018. The Council has opted to use this override to account for any changes in the fair value on its pooled funds in a usable 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.

Financial Instruments: Balances

Financial Liabilities

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

Financial Liabilities	Long-term		Current	
	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000
Loans at amortised cost:				
- Principal sum borrowed – PWLB	(53,202)	(43,374)	(1,870)	(9,829)
- Principal sum borrowed – LOBO	(25,000)	(25,000)	-	-
- Principal sum borrowed – Market	(48,750)	(48,750)	-	-
- Principal sum borrowed – Local Authority	(15,000)	(15,351)	(66,000)	(51,000)
- Principal sum borrowed – Other	(2,661)	(2,543)	(363)	(726)
Accrued interest				
- Accrued interest – PWLB	-	-	(497)	(484)
- Accrued interest – LOBO	-	-	(445)	(444)
- Accrued interest – Market	-	-	(793)	(791)
- Accrued interest – Local Authority	-	-	(368)	(296)
EIR adjustments - PWLB	268	268	-	-
Total Borrowing	(144,345)	(134,750)	(70,336)	(63,570)
Loans at amortised cost:				
- Bank Overdraft	-	-	-	-
Total Cash Overdrawn	-	-	-	-
Liabilities at amortised cost:				
- PFI arrangements	(52,977)	(50,329)	-	-
Other Long Term Liabilities	(52,977)	(50,329)	-	-
Liabilities at amortised cost:				
- Trade payables	(2,432)	(3,044)	(27,921)	(32,053)
- PFI arrangements and leases	-	-	(2,478)	(2,648)
Included in Creditors *	(2,432)	(3,044)	(30,399)	(34,701)
Total Financial Liabilities	(199,754)	(188,122)	(100,735)	(98,271)

* The creditors lines on the Balance Sheet includes £28.380 million (2019/20 £12.627 million) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions (e.g. Collection Fund).

Financial Assets

Financial Assets	Long-term		Current	
	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000
At amortised cost:				
- Principal	-	-	46	4
- Accrued interest	-	-	-	-
At fair value through other comprehensive income:				
- Equity investments elected FVOCI	333	332	-	-
At fair value through profit and loss				
- Fair value	8,937	8,874	-	-
Total Investments	9,270	9,206	46	4
At amortised cost:				
- Principal	-	-	3,424	5,382
- Accrued interest	-	-	1	1
- Impairment allowance	-	-	(3)	(1)
At fair value through profit and loss				
- Fair value	-	-	13,559	2,170
Total Cash & Cash Equivalents	-	-	16,981	7,552
At amortised cost:				
- Trade receivables	1,908	1,563	14,008	19,411
- Loans made for service purposes and employees	-	-	-	-
- Accrued interest	-	-	-	-
Included in Debtors *	1,908	1,563	14,008	19,411
Total Financial Assets	11,178	10,769	31,035	26,967

* The debtors lines on the Balance Sheet include £33.830 million (2019/20 £21.854 million) short term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions (e.g. Housing benefit overpayments)

Equity Instruments Elected to Fair Value Through Other Comprehensive Income

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

	Fair Value	
	31 March 2020 £000	31 March 2021 £000
Durham Tees Valley Airport Ltd	-	-
Suez Recycling & Recovery (Tees Valley) Ltd	312	312
Veritau (Tees Valley) Ltd	20	20
	332	332

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		2020/21 Total £000	2019/20 Total £000
	2020/21	Liabilities measured at amortised cost	Amortised Cost	Fair Value through Profit & Loss		
		£000	£000	£000		
Interest expense		14,173	-	-	14,173	14,506
Losses from changes in fair value		-	-	55	55	431
Impairment losses		-	(1)	-	(1)	1
Fees paid		30	-	-	30	17
Interest payable and similar charges		14,203	(1)	55	14,257	14,955
Interest income *		-	(27)	(404)	(431)	(512)
Impairment loss reversals		-	(13)	-	(13)	(36)
Interest and investment income		-	(40)	(404)	(444)	(548)
Net impact on surplus/deficit on provision of services		14,203	(41)	(349)	13,813	14,407
Losses on revaluation		-	-	-	-	-
Impact on other comprehensive income					-	-
Net (gain)/loss for the year					13,813	14,407

* The interest earned from treasury management activities was £0.408 million. Any additional income over and above this amount is in respect of other activities which have earned interest.

Financial Instruments: Fair Value of Assets and Liabilities

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021, 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 31st March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA rated corporate bond yield.

- No early repayment or impairment is recognised. However, the Council has recognised an impairment relating to historic Icelandic bank investments. See detailed note on the impairment of financial assets.
- The fair value of short-term instruments, including trade payables and receivables is assumed to approximate to the carrying amount.

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

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



31 March 2020			Fair Value Level	31 March 2021	
Balance Sheet £000	Fair Value £000			Balance Sheet £000	Fair Value £000
<u>Financial liabilities held at amortised cost:</u>					
(55,301)	(62,024)	Loans from PWLB	2	(53,419)	(60,957)
(25,445)	(69,806)	LOBO loans	2	(25,444)	(65,921)
(133,934)	(204,961)	Other loans	2	(119,456)	(191,421)
(55,455)	(120,632)	Lease payables and PFI liabilities	3	(52,977)	(124,502)
(270,135)	(457,423)	Total		(251,296)	(442,801)
(30,354)		Liabilities for which fair value is not disclosed*		(35,098)	
(300,489)		Total financial liabilities		(286,394)	
Recorded on Balance Sheet as:					
(30,399)		Short-term creditors		(34,701)	
(70,336)		Short-term borrowing		(63,570)	
-		Cash and cash equivalents		-	
(2,432)		Long-term creditors		(3,044)	
(144,345)		Long-term borrowing		(134,750)	
(52,977)		Other long- term liabilities		(50,329)	
(300,489)		Total financial liabilities		(286,394)	

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

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

31 March 2020			Fair Value Level	31 March 2021	
Balance Sheet £000	Fair Value £000			Balance Sheet £000	Fair Value £000
<u>Financial assets held at fair value:</u>					
332	332	Shares in listed companies	1	332	332
8,937	8,937	Pooled Property Fund	1	8,874	8,874
13,559	13,559	Money Market Funds	1	2,170	2,170
<u>Financial assets held at amortised cost:</u>					
46	46	Loans and receivables over 90 days	2	4	4
1,903	1,903	Loans and receivables under 90 days	2	3,345	3,345
24,777	24,777	Total		14,725	14,725
17,436		Assets for which fair value is not disclosed*		23,013	
42,213		Total financial assets		37,738	
<u>Recorded on balance sheet as:</u>					
16,891		Cash and cash equivalents		7,554	
46		Short-term investments		4	
9,269		Long-term investments		9,206	
14,009		Short-term debtors		19,411	
1,908		Long-term debtors		1,563	
42,213		Total financial assets		37,738	

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

Financial Instruments: Risks

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

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

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

The main risks covered are:

- (a) Credit risk - the possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a monetary loss to the Council.
- (b) Liquidity risk - the possibility that the Council might not have the cash available to make contracted payments on time.
- (c) Market risk - the possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates on equity prices.

(a) Credit Risk - Investments

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

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

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 2020/21 was approved by Full Council on 28 February 2020 and is available on the Council's website. The Investment Strategy for 2021/22 was approved by Full Council on 25 February 2021 and it became operational immediately. It is therefore the 2021/22 strategy that drove the investment decisions on 31 March 2021.

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

The Council sets an investment limit for individual counterparties and a total limit per category of investment. The only exception to this is for money deposited with the UK Government. No more 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.

<u>Deposits with banks and financial institutions (not including accrued interest)</u>	Amount at 31 March 2020 £000	Amount at 31 March 2021 £000
AAA rated counterparties - The rated institution has an exceptional degree of creditworthiness	13,555	2,170
AA+ rated counterparties - Very low expectation of credit risk	-	-
AA rated counterparties - Very low expectation of credit risk	-	-
AA- rated counterparties - Very low expectation of credit risk	1,237	100
A+ rated counterparties – Low expectation of credit risk	-	2,500
A rated counterparties - Low expectation of credit risk	-	-
A- rated counterparties - Low expectation of credit risk	-	-
BBB rated counterparties – Adequate capacity to meet financial commitments	668	746
Credit Risk not applicable *	10,000	10,000
Total	25,460	15,516

* 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.

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

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies and adjusted for current and economic conditions. A two-year delay in cash flows is assumed to arise in the event of a default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retail an investment grade credit rating. They are determined to be credit impaired when awarded a "D" credit rating or equivalent. At 31 March 2021 £0.001 million of loss allowance related to treasury investments.

Credit Risk - Receivables

The Council does not generally allow credit for customers, although £3.724 million of the £8.109 million debtors invoices balance is past its due date for payment. The overdue amount can be analysed by age as follows:

	31 March 2020	31 March 2021
	£000	£000
Less than one month	3,634	4,384
One to three months	492	849
Three to six months	605	469
Six months to one year	594	879
More than one year	1,330	1,527
Total	6,655	8,108

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 £8.108 million debt at 31 March 2021 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 2021 of £0.378 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 2020	31 March 2021
	£000	£000
Charity	279	322
Business	9	8
Employees	(32)	17
Other	72	32
Total	328	379

The Council manages the credit risk inherent in its loans for service purposes in line with its published Investment Strategy. No loss allowance has been calculated on the above loans as the majority (£0.284 million) is secured on assets that will revert to the Council in the event of a loan default.

(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 2020 £000	%	Actual 31 March 2021 £000	%
Less than 1 year	50%	(68,233)	32%	(61,555)	31%
Between 1 and 2 years	60%	(10,555)	5%	(2,593)	1%
Between 2 and 5 years	70%	(12,938)	6%	(13,023)	7%
Between 5 and 10 years	90%	(23,435)	11%	(21,436)	11%
More than 10 years	100%	(72,685)	34%	(72,966)	37%
Uncertain date *		(25,000)	12%	(25,000)	13%
Total		(212,846)	100%	(196,573)	100%

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

Creditors are paid in accordance with 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.

c) Market Risk

(i) Interest Rate Risk

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

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

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposure to fixed and variable interest rates. At 31 March 2021 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	(235)
Decrease in fair value of investments held at FVPL	(3)
Impact on Surplus or Deficit on the Provision of Services	(238)
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	(43)
Decrease in fair value of fixed rate borrowings	1,963
No Impact on Comprehensive Income and Expenditure Statement	1,920

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

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

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

(ii) Price Risk

The Council's £10.000 million investment in a pooled property fund is subject to the risk of falling commercial property prices. A 5% fall in commercial property prices as at 31 March 2021 would result in a £0.433 million charge to surplus or deficit on the provision of services which is then reversed out of the account through the movement in reserves statement.

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



Financial Instruments: Impairment of Investments

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

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

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

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

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

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

Kaupthing Singer and Friedlander Ltd

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

To date, the Council has recovered £1.777 million representing 86.80% of the amount claimed. According to the latest administrator's reports, the Council expects to recover approximately 87.00% of the claim. Future dividends will be paid subject to

consultation with the creditors committee, and when the level of distributable funds makes it cost effective to do so.

Heritable Bank

Heritable Bank is a UK registered bank under Scottish law. The company was placed in administration on 7 October 2008. At this

time, the total amount to be received was estimated by the administrators, Ernst and Young, to be between 70-80%.

To date, the Council has recovered £3.973 million, 99.22% of the amount claimed. According to the latest administrators reports, the Council has received the final payment and the administration of the Company is ready to be concluded.

Accounting for Icelandic Investments – 2020/21

<u>Bank</u>	Total Value of Investment £000	Carrying Amount £000	Received to date £000	Interest £000	Impairment £000
Kaupthing Singer and Friedlander	2,106	4	1,777	-	(325)
Heritable	4,126	0	3,973	-	(153)
Total	6,232	4	5,750	-	(478)
		(a)	(b)		
Predicted total recoverable		(a) + (b)	5,754		

Due to the amounts received to date (£5.750 million) and revised assumptions on the discounted future cash flows relating to these investments (the carrying amount); the Council anticipates recovering £5.754 million from these investments. The impairments charged to the Income and Expenditure Account in previous years are as follows.

Financial Year	£000
2008/09	1,232
2010/11	22
2011/12	(205)
2012/13	(53)
2013/14	(264)
2015/16	(160)
2016/17	(35)
2018/19	(5)
2019/20	(41)
2020/21	(13)
Total	478

Note 33 Grant Income, Contributions and Donations

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21:

2019/20 £000		2020/21 £000
Credited to Services		
(37)	Department for Works & Pensions	(3)
(780)	Council Tax and Business Rates Administration	(774)
(46,068)	Housing Benefits Subsidy and Admin Grant	(41,289)
(9,961)	Department for Communities & Local Government	(10,181)
(179)	Department of Health	(322)
(11,219)	Public Health Grant	(11,771)
(43,723)	Dedicated Schools Grant	(37,857)
(1,954)	Department for Education	(2,087)
(2,786)	Pupil Premium Grant	(2,083)
(596)	Skills Funding Agency	(71)
(115)	Department for Environment, Food and Rural Affairs	(402)
(138)	Department for Transport	(132)
(1,222)	Home Office	(1,480)
(1,884)	Diocese Contributions	(1,890)
(31,271)	Health Authorities	(35,283)

(37)	Police Authorities	(35)
(3,102)	Other Local Authorities	(3,149)
(2,303)	Other Grants and Contributions	(2,551)
(28)	Donations	(28)
-	Test and Trace Grant	(1,076)
-	Contain Outbreak Management Fund	(3,975)
-	Local Authority COVID-19 Compliance and Enforcement Activity Grant	(84)
-	Infection Control Fund	(3,386)
-	Rapid Testing Fund	(448)
-	Workforce Capacity Grant	(360)
-	Additional Restrictions Grant	(961)
-	Local Authority Discretionary Emergency Grant Fund	(1,350)
-	Hardship Fund	(1,848)
-	COVID-19 Winter Grant Scheme	(671)
-	Test and Trace Support Discretionary Scheme (DCLG)	(216)
-	Clinically Extremely Vulnerable Grant	(477)
(157,403)	Total	(166,240)
(136,140)	Credited to Taxation and Non-Specific Grant Income (See Note 11)	(136,289)

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

31 March 2020		31 March 2021
£000		£000
Revenue Receipts in Advance		
-	Department for Education	(474)
-	Ministry of Housing, Communities & Local Government	(249)
-	Department for Health	(961)
-	Department for Works and Pensions	(19)
(993)	Education & Skills Funding Agency	(1,056)
-	Department for Environment, Food and Rural Affairs	(311)
-	Home Office	(1,892)
-	Department for Business, Energy & Industrial Strategy	(3,001)
-	Other Local Authorities	(426)
(94)	Other Contributions	-
(1,087)	Total	(8,389)

31 March 2020	Capital Receipts in Advance	31 March 2021
£000		£000
(28)	Devolved Formula Capital Grant	(38)
(35)	Kirkleatham Academy & Walled Garden	-
(58)	Skinningrove Coast Protection	(58)
(753)	Cleveland Ironstone Mining Museum	(659)
(1,454)	National Productivity Investment Fund (A174/A66)	(617)
-	Pothole Grant	(559)
-	SALIX Public Sector Decarbonisation	(426)
-	Indigenous Growth Fund	(250)
-	Guisborough Town Hall Gateway Project	(131)
(2,328)	Total	(2,738)
(296,958)	Total Grants, Contributions and Donations Credited to the Comprehensive Income and Expenditure Statement	(313,656)

Note 34 Unusable Reserves

31 March 2020 £000		31 March 2021 £000
CAPITAL RESERVES		
(39,965)	Revaluation Reserve	(38,687)
(312)	Financial Instruments Revaluation Reserve	(312)
22,379	Capital Adjustment Account	37,401
REVENUE RESERVES		
206,721	Pensions Reserve	224,135
(1,603)	Collection Fund Adjustment Account	12,966
18,285	Financial Instruments Adjustment Account	17,768
992	Accumulating Compensated Absences Adjustment Account	872
1,162	Pooled Fund Adjustment Account	1,218
-	DSG Adjustment Account	2,763
207,659	Total Unusable Reserves	258,124

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).

2019/20 £000	Revaluation Reserve	2020/21 £000
(34,992)	Balance at 1 April	(39,965)
	Opening balance adjustment written off to CAA	
(7,860)	Upward revaluation of assets and impairment	(4,717)
915	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,870
(6,945)	(Surplus)/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(847)
886	Difference between fair value depreciation and historic cost depreciation	1,091
1,086	Accumulated gains on assets sold or scrapped	1,034
-	Non-current assets transferred to direct to Capital Adjustment Account	-
1,972	Amounts written off to the Capital Adjustment Account	2,125
(39,965)	Balance at 31 March	(38,687)

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.

2019/20 £000	Financial Instruments Revaluation Reserve	2020/21 £000
(312)	Balance at 1 April	(312)
-	Upward revaluation of investments	-
-	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-
-	Accumulated gains on assets sold and maturing assets written out of the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
(312)	Balance at 31 March	(312)

Capital Adjustment Account

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

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

2019/20 £000	Capital Adjustment Account	2020/21 £000
3,484	Balance at 1 April	22,379
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</u>	
11,780	Charges for depreciation and impairment of non-current assets	11,457
3,698	Revaluation gains/(losses) on Property, Plant and Equipment, Investment Properties and Assets Held for Sale	8,925
1,741	Amortisation of intangible assets	326
3,396	Revenue expenditure funded from capital under statute	4,111
24,694	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	12,510
45,309	Net amount written out of the cost of non-current assets consumed in the year	37,329
	<u>Capital financing applied in the year</u>	
(4,997)	Use of the Capital Receipts Reserve to finance new capital expenditure	(3,745)
(331)	Direct Revenue Financing	-
389	Write down long term debtor/capital receipt deferred	292
(16,231)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(13,289)
-	Donated Assets	
(5,198)	Statutory provision for the financing of capital investment charged against the General Fund in year (MRP)	(5,519)
(46)	Disposal expenses	(46)
(26,414)	Total Capital Financing	(22,307)
22,379	Balance at 31 March	37,401

Financial Instruments Adjustment Account

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

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

2019/20 £000	Financial Instruments Adjustment Account	2020/21 £000
18,813	Debt - Balance as at 1 April	18,285
-	Premium incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-
(528)	Proportion of premiums incurred in the previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	(517)
18,285	Total Debt	17,768



Deferred Capital Receipts Reserve

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

2019/20 £000	Deferred Capital Receipts Reserve	2020/21 £000
(3,907)	Balance at 1 April	-
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	-
(3,907)	Transfer to the Capital Receipts Reserve upon receipt of cash	-
-	Balance at 31 March	-

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.

2019/20 £000	Pensions Reserve	2020/21 £000
156,063	Balance at 1 April	206,721
38,691	Actuarial gains/(losses) on pensions assets and liabilities	2,641
21,958	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	21,404
(9,991)	Employer's pensions contributions and direct payments to pensioners	(6,631)
206,721	Balance at 31 March	224,135

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the future benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Collection Fund Adjustment Account

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

2019/20 £000	Collection Fund Adjustment Account	2020/21 £000
3,754	Balance at 1 April	(1,603)
(5,357)	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	14,569
(1,603)	Balance at 31 March	12,966

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.

2019/20 £000	Accumulating Compensating Absences Adjustment Account	2020/21 £000
1,085	Balance at 1 April	992
(1,085)	Settlement or cancellation of accrual made at the end of the preceding year	(992)
992	Amounts accrued at the end of the current year	872
-	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	-
992	Balance at 31 March	872

Pooled Investment Fund Adjustment Account

The Ministry of Housing, Communities and Local Government (MHCLG) has granted a statutory override for fair value movements in pooled property investment funds for a period of at least five years. The reserve contains the gains and losses from movements in fair value through the Comprehensive Income and Expenditure Statement. The balance is reduced 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 (which is expected to occur on 31 March 2023).

2019/20 £000	Pooled Investment Fund Adjustment Account	2020/21 £000
731	Balance at 1 April	1,162
-	Upward revaluation of investments	-
431	Downward revaluation of investments	56
-	Change in impairment loss allowances	-
1,162	Balance at 31 March	1,218

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 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. Any deficit previously held as a usable reserve, has been transferred to the unusable reserve and any in year deficit added to it.

2019/20 £000	DSG Adjustment Account	2020/21 £000
-	Balance at 1 April	-
-	19/20 Deficit transferred from usable to unusable reserves	2,191
-	20/21 DSG deficit	572
-	Balance at 31 March	2,763

Note 35 Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers

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

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

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

In 2020/21, the Council paid £1.959 million to Teachers' Pensions Agency in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2019/20 were £0.657 million and 20.63%. The difference between years relates to the transfer of two schools to academies during 2020/21 and an increase in employers' pension contributions. In addition, the 2019/20 figure excluded, in error, payments for schools that run their own bank accounts.

The contributions the Council made to NHS Pensions was £0.224 million, representing 17.09% of pensionable pay. The figures for 2019/20 were £0.236 million and 16.94%.

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.



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 2019 and the contributions to be paid until 31 March 2021 resulting from the valuation are set out in the Fund's Rates and Adjustment Certificate.

Transactions Relating to Post-Employment Benefits

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



2019/20 £000		2020/21 £000
Comprehensive Income and Expenditure Statement		
<u>Cost of Services</u>		
17,656	Current service cost	16,789
675	Past service costs (including curtailments)	71
-	Settlements	-
<u>Financing and Investment Income and Expenditure</u>		
18,335	Interest cost on liabilities	17,055
(14,708)	Interest income on assets	(12,511)
21,958	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	21,404
<u>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</u>		
74,927	Actual return on assets	(128,159)
(13,708)	Actuarial (gains)/losses on liabilities – financial assumptions	140,757
(22,130)	Actuarial (gains)/losses on liabilities – demographic assumptions	-
(398)	Actuarial (gains)/losses on liabilities - experience	(9,957)
38,691	Total Actuarial (gains) and losses	2,641
60,649	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	24,045
<u>Movement in Reserves Statement</u>		
(21,958)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(21,404)
<u>Actual amount charged against General Fund Balance for pensions in the year</u>		
9,991	Employers' contributions payable to scheme	6,631

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.



Assets and Liabilities in Relation to Post-employment Benefits

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

Year to 31 March 2020 £000		Year to 31 March 2021 £000
(775,817)	Opening balance at 1 April	(752,094)
(17,656)	Current Service Cost	(16,789)
(18,335)	Interest Cost	(17,055)
(3,112)	Contributions by scheme participants	(3,177)
	Re-measurement Gain	
13,708	Actuarial gains/(losses) on liabilities – financial assumptions	(140,757)
22,130	Actuarial gains/(losses) on liabilities – demographic assumptions	-
398	Actuarial gains/(losses) on liabilities - experience	9,957
27,265	Benefits paid	24,708
(675)	Past Service Cost including Curtailments	(71)
	Settlements	-
(752,094)	Closing balance at 31 March	(895,278)

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

Year to 31 March 2020 £000		Year to 31 March 2021 £000
619,754	Opening balance at 1 April	545,373
14,708	Interest Income on assets	12,511
(74,927)	Re-measurement gains/(losses) on assets	128,159
9,991	Contributions by the Employer	6,631
3,112	Contributions by scheme participants	3,177
(27,265)	Net Benefits paid out	(24,708)
545,373	Closing balance at 31 March	671,143

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

The actual gain on scheme assets in the year was £140,670million (2019/20 £60.219 million loss) due to changes in financial assumptions and returns being higher than expected.

Scheme History

	2020/21 £000	2019/20 £000	2018/19 £000	2017/18 £000	2016/17 £000	2015/16 £000	2014/15 £000
Present Value of Funded Scheme Liabilities	(874,891)	(730,838)	(752,413)	(719,078)	(701,024)	(618,782)	(635,304)
Present Value of Unfunded Scheme Liabilities	(20,387)	(21,256)	(23,404)	(24,375)	(24,966)	(24,473)	(26,275)
Fair Value of Scheme Assets	671,143	545,373	619,754	580,131	573,550	470,734	491,113
Surplus/(Deficit) in the scheme	(224,135)	(206,721)	(156,063)	(163,322)	(152,440)	(172,521)	(170,466)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £224.135 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. This has increased in 2020/21 by £17.414 million due to changes in financial assumptions, mainly related to higher returns on scheme assets and fluctuations in interest rates.

The unfunded pension arrangements relate to termination benefits made on a discretionary basis upon early retirement in respect of members of the Local Government Pension Scheme under Local

Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations.

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2021 is £5.194 million and the duration of liabilities is 19.0 years.

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 Aon Hewitt Limited, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

2019/20		2020/21
<u>Mortality assumptions (years)</u>		
Member aged 65 at accounting date:		
21.8	Men	21.9
23.5	Women	23.6
Member aged 45 at accounting date:		
23.2	Men	23.3
25.3	Women	25.4
2.00%	Rate of Inflation (Consumer Price Index)	2.70%
3.00%	Rate of increase in salaries	3.70%
2.00%	Rate of increase in pensions	2.70%
2.30%	Rate for discounting scheme liabilities	2.10%

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

Year to 31 March 2020		Year to 31 March 2021		
%	Assets	% Quoted	% Unquoted	% Total
72.7	Equities	79.4	0.4	79.8
8.9	Property	1.4	6.1	7.5
13.4	Cash	7.5	0.0	7.5
5.0	Other*	5.2	0.0	5.2
100	TOTAL	93.5	6.5	100.0

* 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 2022 £000
Current Service Cost	23,799
Interest on Net Defined Benefit Liability	4,636
Total Estimated Pension Expense	28,435

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 2021 and the projected service cost for the year ending 31 March 2021 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)	858,268	874,891	891,514
% change in present value of total obligation	-1.9%		1.9%
Projected service cost (£M's)	22,990	23,799	24,632
Approximate % change in projected service cost	-3.4%		3.5%
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)	876,641	874,891	873,141
% change in present value of total obligation	0.2%		-0.2%
Projected service cost (£M's)	23,799	23,799	23,799
Approximate % change in projected service cost	0.0%		0.0%
Rate of increase to pensions in payment and deferred pensions assumptions, and rate of revaluation of pension accounts assumption			
Adjustment to pension increase rate	+0.1% p.a.	Base Figure	-0.1% p.a.
Present Value of total obligation (£M's)	889,764	874,891	860,018
% change in present value of total obligation	1.7%		-1.7%
Projected service cost (£M's)	24,632	23,799	22,990
Approximate % change in projected service cost	3.50%		-3.4%
Post retirement mortality assumption			
Adjustment to mortality age rating assumption *	-1 year	Base Figure	+1 year
Present Value of total obligation (£M's)	907,262	874,891	843,395
% change in present value of total obligation	3.7%		-3.6%
Projected service cost (£M's)	24,799	23,799	22,823
Approximate % change in projected service cost	4.2%		-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.

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.

2019/20 £000		2020/21 £000
(41,073)	Surplus/(Deficit) on Provision of Services	(27,635)
	<u>Adjust net surplus/(deficit) on the provision of services for non-cash movements</u>	
14,406	Depreciation/Amortisation	12,874
3,698	Revaluation losses on Property, Plant & Equipment, Investment Property and Assets Held for Sale	8,925
(120)	Other non-cash items charged to the net surplus/(deficit) on the provision of services in year	1,665
10,788	Increase/(Decrease) in Creditors	5,300
(8,793)	(Increase)/Decrease in Debtors	(6,393)
13	(Increase)/Decrease in Inventories	13
11,969	Pension Liability	14,773
25,734	Carrying amount of non-current assets sold	13,498
57,695	Total	50,655
	<u>Adjust for items included in the net surplus/deficit on the provision of services that are investing or financing activities</u>	
(15,988)	Capital Grants Credited	(13,268)
-	Payment of premium on LOBO Loans	-
(1,052)	Proceeds from Sale of Assets	(1,133)
(17,040)	Total	(14,401)
(418)	Net Cash flow from Operating Activities	8,619

Memo Item – Operating Activities – Interest

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

2019/20 £000		2020/21 £000
602	Interest Received	443
(14,641)	Interest Paid	(14,292)
(14,039)	Total	(13,849)

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.

2019/20 £000		2020/21 £000
(27,376)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(18,859)
-	Purchase/(Disposal) of short- and long-term investments	-
(10)	Other Payments for Investing Activities	(295)
5,076	Capital Receipts	1,250
13,845	Other receipts for investing activities	13,969
(8,465)	Net cash flows from investing activities	(3,935)

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.

2019/20 £000		2020/21 £000
23,189	Cash receipts of short- and long-term borrowing	-
(2,170)	Other payments for financing activities	(2,478)
(936)	Repayment of short term/long term borrowing	(16,272)
2,802	Other payments for financing activities	4,639
22,885	Net cash flows from financing activities	(14,111)

Note 40 Related Parties

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

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes many of the transactions that the Council has with other parties. Grants received from Government departments are set out in the subjective analysis in Note 7 on expenditure and income analysed by nature. Grant receipts outstanding at 31 March 2021 are also set out in Note 33.

Of the 59 Elected Members (three of which were vacant at the time) and 56 Chief and senior officers' posts, 51 Members and all 56 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. 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 2020/21 financial year is shown in Note 13.

The Council's Chief Accountant, the Commercial and Legal Manager, and the Director of Adults & Communities are the Treasurer, the Chief Legal Officer and the Head of Paid Service respectively, for River Tees Port Health Authority. Five Members also hold positions on the Board

of River Tees Port Health Authority. The Council's financial contribution to River Tees Port Health Authority for 2020/21 was £0.065 million.

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.



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.

There are no contingent liabilities pertaining to the Council's activities at 31 March 2021.

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 2021.

Note 42 Statement of Accounting Policies

GENERAL

The Statement of Accounts summarises the Council's financial transactions for the 2020/21 financial year and its financial position at the year ended 31 March 2021, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2020/21, 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.

The Accounts have been prepared using the going concern concept, on the assumption that the Council will continue operations for the foreseeable future.

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.

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.

Non-Adjusting Events

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

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

ACQUIRED OPERATIONS

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

TRUST FUNDS

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

GRANTS AND CONTRIBUTIONS

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

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

EMPLOYEE BENEFITS

Benefits payable during employment

Benefits payable during employment cover two classes:

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

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

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

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

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

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

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

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

Termination benefits

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

- a) An employer's decision to terminate an employee's employment before the normal retirement date, or
- b) An employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

Post-employment benefits

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

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

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

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

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

Local Government Pension Scheme

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

Estimating the benefit that employees have earned

Actuarial techniques are used to:

- a) Estimate the variables that will determine the ultimate cost of providing post-employment benefits. The main actuarial assumptions for pension benefits include financial and demographic. Demographic assumptions include mortality, employee turnover and expected early retirement. In addition, financial assumptions are made including applying a suitable discount rate and estimations of future salary levels.
- b) Determine how much benefit is attributable to the current and prior periods. Benefits are attributed to periods of service in accordance with the plan's benefit formula.

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

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

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

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

Determining the fair value of any pension fund assets

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

Determining the re-measurement of actuarial gains and losses

Re-measurement of actuarial gains and losses comprise of:

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

Past Service cost:

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

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

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

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

A curtailment occurs when the Council either:

- a) Is demonstrably committed to making a significant reduction in the number of employees covered by a plan; or
- b) Amends the terms of a defined benefit plan so that a significant element of future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

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

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

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

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

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

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

Balance Sheet recognition

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

- a) the present value of the defined benefit obligation at the Balance Sheet date;
- b) minus any past service cost not yet recognised (i.e. past service costs that have not become due at the Balance Sheet date);
- c) minus the fair value at the Balance Sheet date of plan assets out of which the obligations are to be settled directly.

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

Surplus or deficit on the provision of services

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

- a) Current service cost.
- b) Interest cost.
- c) The expected return on any plan assets and on any reimbursement rights.
- d) Past service cost.
- e) The effect of any curtailments or settlements.

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

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

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

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

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

VAT

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

PROPERTY PLANT AND EQUIPMENT

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

Recognition

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

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

expenditure is charged to the relevant service revenue account when it is incurred.

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

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

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

Measurement

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

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

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

- Items of a specialised nature, where no market-based evidence is available: Depreciated replacement cost (current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation).
- Infrastructure assets and community assets: Depreciated historical cost (cost of acquisition adjusted for subsequent depreciation or impairment).
- Non-property assets with short useful lives and/or low values: Depreciated historical cost (cost of acquisition adjusted for subsequent depreciation or impairment).
- All other classes of property, plant and equipment: Fair value (the amount for which an asset could be exchanged in an arms-length transaction).

Revaluation

Assets that are held in the Balance Sheet at fair value are revalued by professionally qualified 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 excess of the impairment loss reversed above this carrying amount is charged to the Revaluation Reserve.

Depreciation

All Directorates that use tangible assets in the provision of their services are charged with an annual provision for depreciation.

Depreciation applies to all items of property, plant and equipment whether held at historical cost or re-valued amount.

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

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

previous reviews or there has been a significant change in the pattern of consumption of the future economic benefits or service potential, the change is accounted for as a change in accounting estimate.

Componentisation

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

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

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

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

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

Derecognition

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

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

HERITAGE ASSETS

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

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

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

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

The Museum follows a code of practice in collecting and managing its collection. Kirkleatham Museum has a number of collection policies which deals with all areas of conservation, storage, and

recording. These policies were updated during 2014/15 as part of the process of achieving accreditation status. These deal with all areas of conservation, storage and recording.

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

INVESTMENT PROPERTY

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

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

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

INTANGIBLE ASSETS

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

from the intangible asset to the Council. The most common class of intangible asset are computer software.

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

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

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

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

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

The expenditure is initially charged to the revenue cost of services within the Comprehensive Income and Expenditure Statement and is subsequently funded from capital resources via the Movement in Reserves Statement, by way of an adjusting transaction with the

Capital Adjustment Account, therefore having a neutral impact on the amount required through local taxation.

NON-CURRENT ASSETS HELD FOR SALE

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

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

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

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

CAPITAL RECEIPTS

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

INVENTORIES

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

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

CASH AND CASH EQUIVALENTS

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

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

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

PROVISIONS

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

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

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

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

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of

another entity. The term 'financial instrument' covers both financial assets and financial liabilities.

Financial Assets

Typical financial assets include a variety of instruments, including:

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

Financial Liabilities

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

Recognition

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

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

when the Council becomes committed to supply the goods or services but when the ordered goods or services have been delivered or rendered.

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

Classification & Measurement

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Expected Credit Loss Model:

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

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

Financial Liabilities:

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

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

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

CONTINGENT ASSETS & LIABILITIES

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

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

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



4. Collection Fund Accounts and Explanatory Notes



Redcar Beach

Collection Fund Income and Expenditure Account

2019/20			2020/21			
Council Tax £000	Non-Domestic Rates £000	Total £000		Council Tax £000	Non-Domestic Rates £000	Total £000
INCOME						
(76,408)	-	(76,408)	Council Tax Receivable	(78,602)	-	(78,602)
-	-	-	Hardship Funding	(1,579)	-	(1,579)
-	(40,385)	(40,385)	Business Rates Receivable	-	(26,120)	(26,120)
(76,408)	(40,385)	(116,793)		(80,181)	(26,120)	(106,301)
Apportionment of previous year's surplus/(deficit)						
-	(4,515)	(4,515)	Central Government	-	69	69
1,734	(4,424)	(2,690)	Billing Authority	299	68	367
85	(90)	(5)	Cleveland Fire Authority	15	1	16
256	-	256	Cleveland Police & Crime Commissioner	47	-	47
2,075	(9,029)	(6,954)		361	138	499
Precepts, Demands and Shares						
-	18,300	18,300	Central Government	-	18,552	18,552
62,543	17,935	80,478	Billing Authority (RCBC)	65,943	18,814	84,757
3,039	366	3,405	Cleveland Fire Authority	3,140	377	3,517
9,841	-	9,841	Cleveland Police & Crime Commissioner	10,380	-	10,380
75,423	36,601	112,024		79,463	37,743	117,206
Charges to the Collection Fund						
-	(525)	(525)	Less: refunds written off against the appeals provision	-	(1,397)	(1,397)
700	365	1,065	Less: (Decrease)/Increase in Bad Debt Provision	2,750	545	3,295
-	537	537	Less: (Decrease)/Increase in Provision for Appeals	-	1,082	1,082
-	158	158	Less: Cost of Collection	-	159	159
-	717	717	Transitional Protection Payment	-	931	931
-	2,644	2,644	Less: Disregarded amounts	-	2,112	2,112
700	3,896	4,596		2,750	3,432	6,182
1,790	(8,917)	(7,127)	(Surplus)/Deficit arising during the year	2,393	15,193	17,586
(1,531)	9,623	8,092	(Surplus)/Deficit brought forward 1 April	258	621	879
-	(85)	(85)	Adjustment to previous years surplus	-	-	-
259	621	880	(Surplus)/Deficit carried forward 31 March	2,652	15,814	18,466

Notes to the Collection Fund

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 2020/21, the proportions are as follows:

	Council Tax	Business Rates
Redcar and Cleveland Borough Council (General Fund)	82.99%	49.00%
Cleveland Police and Crime Commissioner	13.06%	0.00%
Cleveland Fire Authority	3.95%	1.00%
Central Government	0.00%	50.00%
Total	100.0%	100.00%

Notes to the Collection Fund

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 2020. The council tax base for 2020/21 was 39,840.00 (39,277.00 in 2019/20). The increase is mainly due to property growth in the area.

Band	Property Value	Weighting to Band D	Number of Chargeable Dwellings	Band D Equivalent Incl. Council Tax Support	Redcar & Cleveland Demand Excluding Parishes	Police Authority Demand Per Property	Fire Authority Demand Per Property	Total Demand Per Property
			No.	No.	£	£	£	£
A	Entitled to disabled relief	5/9	65.70	42.20	911.30	144.74	43.79	1,099.83
A	Up to £40,000	6/9	15,238.20	10,386.30	1,093.56	173.69	52.55	1,319.80
B	£40,001 - £52,000	7/9	9,304.90	8,061.90	1,275.82	202.64	61.31	1,539.77
C	£52,001 - £68,000	8/9	11,463.80	10,745.70	1,458.08	231.59	70.07	1,759.74
D	£68,001 - £88,000	9/9	5,291.80	5,135.60	1,640.34	260.54	78.83	1,979.71
E	£88,001 - £120,000	11/9	3,858.30	3,800.80	2,004.86	318.44	96.35	2,419.65
F	£120,001 - £160,000	13/9	1,252.30	1,231.70	2,369.38	376.34	113.87	2,859.59
G	£160,001 - £320,000	15/9	614.60	612.80	2,733.90	434.23	131.38	3,299.51
H	Over £320,000	18/9	23.50	23.50	3,280.68	521.08	157.66	3,959.42
			47,113.10	40,040.50				
	Less non collection 0.5%			197.40				
	Council Tax Base			39,843.10				

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:

2019/20 £000		2020/21 £000
(101,191)	Opening Liability	(105,704)
147	Disabled Band Reduction	148
22,617	Discount	24,801
2,019	Exemptions	2,153
(76,408)	Income collectable from Council Taxpayers	(78,602)



Notes to the Collection Fund

NOTE 3 – INCOME FROM NON-DOMESTIC RATES

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

2019/20			2020/21	
£000	£000		£000	£000
Estimated Income				
(95,771)		Gross Rateable Value	(98,004)	
49.1p		Multiplier (pence in the £)	49.9p	
	(47,024)	Estimated Opening Debit		(48,904)
Actual Income				
(49,369)		Actual Opening charges payable	(47,447)	
	(49,369)			(47,447)
5,143		Reduced Assessments	5,310	
(717)		Transitional Protection	(931)	
4,185		Mandatory Relief	16,792	
191		Discretionary Relief	158	
5		Enterprise Zone	-	
141		Part Occupied Charge S44a	(1)	
36		Revaluation Support	-	
	8,984			21,327
	(40,385)	Actual Income Collectable		(26,120)

Notes to the Collection Fund

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:

2019/20		2020/21		
Total £000		Council Tax £000	Non-Domestic Rates £000	Total £000
34	Cleveland Police & Crime Commissioner	347	-	347
16	Cleveland Fire Authority	105	158	263
310	Central Government	-	7,907	7,907
520	Redcar & Cleveland Borough Council	2,200	7,749	9,949
880		2,652	15,814	18,466



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.

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

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

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

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

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

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

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

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

5. Auditor's Report



Margrove Ponds

Independent auditor's report to Redcar and Cleveland Borough Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Redcar and Cleveland Borough Council (Council) for the year ended 31 March 2021, which comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2021 and of the Council's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's

Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Assistant Director Finance (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Assistant Director Finance (Section 151 Officer) with respect to going concern are described in the relevant sections of this report.

Other information

The Assistant Director Finance (Section 151 Officer) is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so,

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

We have nothing to report in this regard.

Responsibilities of the Assistant Director Finance (Section 151 Officer) for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Assistant Director Finance (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Assistant Director Finance (Section 151 Officer) is also responsible for such internal control as the Assistant Director Finance (Section 151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Assistant Director Finance (Section 151 Officer) is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Assistant Director Finance (Section 151 Officer) is responsible for assessing each year whether or not it is

appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Assistant Director Finance (Section 151 Officer)'s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management

Auditor's Report

bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Governance Committee, the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Governance Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Governance Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Assistant Director Finance (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

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

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

Matter on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2021.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not

reported any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Council

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

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

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

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

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

We have nothing to report in these respects.

Use of the audit report

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

Auditor's Report

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.



Gavin Barker
Director
For and on behalf of Mazars LLP

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

15 December 2021

6. Glossary of Terms



Spitfire flyover on Armed Forces Day

Glossary of Terms

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.

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.

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.

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

Glossary of Terms

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.

Glossary of Terms

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.

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

Glossary of Terms

its contribution to knowledge and culture. Heritage assets include civic regalia, museum and gallery collections and works of art.

IMPAIRMENT

A reduction in the value of an asset below its carrying amount on the statement caused by a specific event or reason.

INCOME

Amounts which the Council receives or expects to receive from any source, including fees, charges, sales and grants.

INTANGIBLE ASSETS

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

INFRASTRUCTURE ASSETS

Non-current assets that are non-transferable, expenditure on which is only recoverable by continued use of the asset created. Examples are highways and footpaths.

INTERNATIONAL ACCOUNTING STANDARDS (IAS)

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

INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS)

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

INVENTORIES

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

- (a) Goods or other assets purchased for resale;
- (b) Consumable stores;
- (c) Raw materials and components purchased for incorporation into products for sale;
- (d) Products and services in intermediate stages of completion;
- (e) Long-term contract balances, and
- (f) Finished goods.

INVESTMENT PROPERTIES

Properties that are held by the Council for the purpose of generating income, whether through:

- Rental income
- Capital appreciation, or where an asset is declared surplus but is not yet marketed for sale.

INVESTMENTS

A long-term investment is one that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the Investment. Investments which do not meet the above criteria should be classified as current assets.

INVESTMENTS (PENSION FUND)

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

LEASING

A method of financing capital expenditure where a rental charge is paid for the asset over a specified period of time.

LIABILITY

A liability is where the Council owes payment to an individual or another organisation. Liabilities are usually classed as contingent or current.

- A **contingent liability** is a potential liability at the Balance Sheet date which arises as the result of a condition which exists where the outcome will be confirmed only on the occurrence or non-occurrence of one or more future events. The financial liability is included in the Balance Sheet where it can be reasonably estimated. Where the contingency is material but a financial estimate cannot be made, the existence of the liability is disclosed as a note to the accounts.
- A **current liability** is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn.

LENDER OPTION BORROWER OPTION (LOBO)

A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every 5 years), the lender has the ability to alter the interest rate. Should the lender make this offer, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum with no other penalty.

LOANS OUTSTANDING

The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the Balance Sheet date.

LONG TERM CONTRACTS

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

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 STRATEGY (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.

Glossary of Terms

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.

Glossary of Terms

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.

Glossary of Terms

PUBLIC WORKS LOAN BOARD (PWLB)

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

RATEABLE VALUE

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

RELATED PARTIES

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

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

- (g) post-employment benefit plan (pension fund) for the benefit of employees of the authority, or of any entity that is a related party of the authority

RELATED PARTY TRANSACTIONS

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

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

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

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- (a) an employer's decision to terminate an employee's employment before the normal retirement date, or
- (b) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVALUATION RESERVE

The revaluation reserve was introduced as part of the changes included within the 2006 SORP. The purpose of the reserve is to record the gains on revaluation of fixed assets that have not been realised through the disposal of the asset. The balance on the reserve represents the revaluation gains accumulated since 1 April 2007.

REVENUE EXPENDITURE

The day-to-day expenses of providing services. This comprises staff costs, other operating costs and capital charges.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Revenue expenditure funded by capital under statute. This is expenditure that can be properly capitalised, but which does not result in an asset for the Council. Expenditure is therefore charged to the CIES.

REVENUE SUPPORT GRANT (RSG)

A general Central Government grant paid to the Income and Expenditure Account in support of the Council's revenue expenditure.

Glossary of Terms

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.

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.

