AUDITED STATEMENT OF ACCOUNTS

2014/15

REDCAR AND CLEVELAND
BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

2014/15

CONTENTS

REDCAR AND CLEVELAND BOROUGH COUNCIL

EXPLANATORY FOREWORD

1. INTRODUCTION

This section provides an overview of the format of the Statement of Accounts. It also provides a summary of the key issues that were facing the Council during the 2014/15 financial year and includes the outturn position on both revenue and capital, identifying where this was spent and how it was funded. There is further commentary on the overall financial position and financial health of the Council explained through its financial statements. Finally it highlights some of the challenges facing the Council in the coming years, particularly in relation to the medium term financial plan and the austerity measures being implemented by central government.

The Statement of Accounts for the year ended 31st March 2015 is presented in the format laid down in the 'Code of Practice on Local Authority Accounting in the United Kingdom' – issued by the Accounting Standards Board as a best practice framework for the preparation and presentation of financial statements. The Code is based on International Financial Reporting Standards (IFRS) which required new accounting policies to be adopted by all local authorities from the 2010/11 financial year.

The technical, financial and accounting terms that have been used in the production of this Statement of Accounts are defined in the glossary which can be found from page 155 onwards.

The format of the Statement of Accounts is similar to previous years as there have been few changes in the Code of Practice for 2014/15. However the contents have been reviewed in response to the CIPFA consultations on 'simplifying local authority accounts' and 'cutting the clutter'.

The explanatory foreword is not covered by the Statement of Responsibilities for the Statement of Accounts as signed by the Chief Finance Officer, however it is provided for information purposes to help readers understand the accounts.

2. STRUCTURE OF THE STATEMENT OF ACCOUNTS

The Council's Statement of Accounts for the year 2014/15 is set out on pages 23 to 151. The information and financial statements included are as follows: -

Statement of Responsibilities for the Statement of Accounts
This explains both the Council's and the Chief Financial Officer's legal and professional responsibilities for the Statement of Accounts under Local Government legislation. It does not cover the Explanatory Foreword, the Annual Governance Statement or the Auditor's Report.

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.

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.

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 2015.

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.

Notes to the Core Financial Statements
These disclosure notes provide further information on the more significant items in the Financial Statements. Most notes are either directly linked to individual totals within the Statements or are of specific interest to stakeholders.

Statement of Accounting Policies
This explains the principles, bases, conventions and rules applied in preparing the figures in the accounts that are key to the understanding of the financial statements and disclosure notes. Any changes in accounting policies between financial years have been clearly highlighted. The Statement is a specific note to the accounts rather than being an individual section in its own right.

Collection Fund
This shows the income and expenditure in relation to Council Tax and Business Rates and illustrates the way in which these have been distributed to Precepting Authorities (Police, Fire and Central Government) and the Council's own General Fund.

Group Accounts
The Council has relationships with numerous external bodies in the form of companies, partnerships and other public sector organisations. These relationships can lead to an increase in the assets, liabilities and financial risks facing the Council. Group Accounts, where required, aim to measure the total financial exposure and show how these differ from its single entity position. The Council's financial relationships at present indicate that group accounts are not required for the 2014/15 financial year, but some commentary is given on the Council's relationships with group entities as part of this explanatory foreword.

Auditors Report
The Council's financial records are inspected by an external auditor, Mazars, who were appointed independently by the Audit Commission. The auditor's principal role is to provide a level of assurance that the information presented within the Statement of Accounts represents a true and fair view of the financial position of the Council, and that the systems and procedures are in place to record accurately the financial transactions of the Council and to protect its assets. This report is only included after the end of September each year once the final audit opinion has been issued and the auditors findings reported to those charged with governance ('the Governance Committee').

3. THE COUNCIL – BACKGROUND AND STRUCTURE

Redcar and Cleveland Borough Council is a unitary local authority serving a population of around 135,000 located on the Yorkshire Coast, South of Middlesbrough. The area covers the edge of the urban conurbation of Teesside, the coastal strip between Redcar and Saltburn, and a number of rural towns and villages within East Cleveland. It was created following the abolition of Cleveland County Council in 1996 alongside the three adjacent unitary authorities of Middlesbrough, Stockton on Tees and Hartlepool.

The Council acts as the area's community leader by working with local residents and businesses, public sector partners and the voluntary and community sector to improve local social, economic, and environmental well-being for all. It has an array of statutory responsibilities and powers and commissions or delivers a wide range of public services, funded by a combination of central and local taxation.

For the 2014/15 financial year the Council had a Leader and Cabinet style of local government with a labour majority administration. The Cabinet consisted of the Leader, Deputy Leader and 9 cabinet members, who each had responsibility for looking after a particular area of the Council's business. To support the work of the Cabinet, and also to hold it to account, there were three scrutiny and improvement committees (one for each directorate).

Towards the end of the financial year there was a change in political leadership to an independent-liberal democrat coalition which remained in power up to the local elections. This involved a full change in the membership of the Cabinet as well as all of the other Committees of the Council. This revised Cabinet membership recommended full Council to approve the proposed budget for 2015/16 and associated medium term financial strategy.

In 2013/14 the Council underwent a major internal reorganisation under the title of 'Shaping Our Future'. The aim of this project was to ensure the financial sustainability of the organisation in the short to medium term. The Council's day to day operations are now structured by Shaping our Future (SOF) themes for the 2014/15 financial year. There are three directorates as follows:

<u>People Services</u>

- Best Start in Life: Education Services, Surestart, Troubled Families, Substance Misuse, Respite care, School Crossing Patrol, Children's Social Work, Children in Care, Children's Access;
- Reablement & Independence: Access & Knowledge, Adult Provider Services, Integrated Mental Health, Social Work & Safeguarding, Stronger Communities, Transport;
- Healthy Lifestyles: Public Health & Tees Valley Shared Service, Sports Development, Healthy Schools, Environmental Health, Port Health, Food Safety.

<u>Regeneration Services:</u>

- Driving our Growth: Economic Growth, Regeneration Masterplan, Strategic Housing and Planning, Development Control, Trading Standards, Licensing, Parking, Building Control, Environmental Protection, Capital Projects, Land Charges, Highways & Engineering;
- Pathways to Work: Routes to Employment, Adult Learning, Apprenticeships, Connexions;
- Things to Enjoy: Museums Service, Countryside & Open Spaces, Arts, Tourism & Planning, Recreational Facilities, Volunteer Service.

<u>Corporate Resources:</u>

- Making our Money Go Further: Finance, Information Technology, Strategic Property, Facilities Management, Procurement & Commissioning, Revenues & Benefits, Internal Audit, Risk Management, Health & Safety, Welfare Rights, CCTV;
- Good Governance: Human Resources, Legal Services, Member Services, Policy, Performance & Partnerships, Communications & Web Team, Contact Centre, Registrars;
- Neighbourhoods & Customer Services: Neighbourhood Services, Libraries, Neighbourhood Action Partnerships.

'Our Plan' is the Council's key corporate planning and performance document describing the Council's contribution to Redcar & Cleveland Partnerships Sustainable Communities Strategy. It is a rolling plan which is refreshed each year and is important to the context in which the Statement of Accounts is produced.

It contains the Council's vision and describes key activities together with associated milestones and performance measures for all our priorities. It also highlights our achievements over the last year.

In the 2014 – 17 version of Our Plan (which covers the 2014/15 financial year), the Council is targeting its efforts and resources on a few, very important issues. These are to grow our economy and create more jobs, develop great places to live, and improve quality of life for all residents and visitors. A full copy of this document can be obtained with reference to the Council's website (www.redcar-cleveland.gov.uk).

The Statement of Accounts is the main means of external financial reporting for the Council. It is a complement to Our Plan in terms of the overview of the main activities undertaken and how resources are managed, and the financial health of the organisation.

4. REVENUE SPENDING IN 2014/15

Revenue expenditure is generally spent on items consumed within the year such as employee costs, and supplies & services, and is financed from a combination of Council Tax, Business Rates, Government Grants and other income.

The revenue budget for 2014/15 and the next two financial years (2015/16 and 2016/17) for the Council was built based upon the work undertaken through the Shaping Our Future project. This created nine strategic outcome-based reviews that have redesigned our service offers to help improve the Borough. These nine Shaping our Future reviews are:

- Best Start in Life;
- Reablement & Independence;
- Pathways to Work;
- Driving our Growth;
- Things to Enjoy;
- Healthy Lifestyles;
- Neighbourhoods & Customer Services;
- Making our Money go Further;
- Good Governance.

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

- 2014/15 - £10.480m
- 2015/16 - £5.830m
- 2016/17 - £3.430m

- **3 year total - £19.740m**

The Council's net revenue budget for 2014/15 was £121.476m with gross income and expenditure of around £360m

These initial targets are fundamental to the delivery of the revenue budget for the Council. They were formally reviewed part-way through the financial year to consider progress and to consider other financial pressures and savings as part of its overall budgetary plan.

Following this in-year review, savings targets were revised and these are supported by a flexible strategy around the use of earmarked reserves where there is any shortfall in savings within the three year period:

- 2014/15 - £11.075m
- 2015/16 - £3.355m
- 2016/17 - £4.830m

- **Revised 3 year savings total - £19.260m** (the savings targets for the Council were reduced by £0.480m due to council tax growth which increased the funding available)

In addition to the significant level of savings required in 2014/15, the Council introduced a new finance and HR system, Agresso, from 1 April 2014. All the financial transactions of the Council are now processed through this system. The revenue budget at service level has been loaded onto Agresso and budget managers have been using this new tool to monitor their resource allocations and savings requirements during the financial year.

A rigorous approach to the financial control of the revenue budget has been in place for 2014/15 given the internal reorganisation of the Council and the level of financial savings needed. This has been supported by monthly monitoring to Directorate Management Teams and also to the Executive Management Team and quarterly reporting of the financial position to Cabinet. In addition, budget management is now fully embedded within all senior managers' duties with the Council and this has been a very important focus given the changes this year. The changeover to Agresso has also encouraged managers to use this new tool to manage their resources more effectively.

A balanced position has been achieved on the Council's revenue account for 2014/15 following the closure of accounts at 31 March 2015. This is an excellent outcome given the financial environment at present, the restructuring within directorates on service delivery and the level of savings needed to be achieved within the financial year.

All Council Directorates have managed within their budget allocations through a combination of strict gate keeping arrangements and additional income generation or cost reduction solutions. Additionally, as part of the Shaping our Future savings targets there has been regular scrutiny and governance around individual savings as part of the monitoring process. This has been above and beyond what has usually been undertaken, and has been key to delivering the 2014/15 budget. Each directorate has in fact achieved an underspend position as set out in the summary table below and these balances have been carried forward corporately to assist the total reserves position for the future. Corporate Resources has achieved a £0.5m saving predominantly due to savings on Human Resources & Governance functions by implementing restructure proposals earlier than planned. People Services has achieved a £2.2m underspend due to efficient procurement and commissioning of services, and attracting additional funding in the form of health service contributions. Regeneration Services have a small surplus.

The Council also has a number of corporate budgets, which are those budgets outside of directorate management control. These cover capital financing costs for the capital programme, precepts and levies; prior years pension budgets, all corporate sources of finance and other corporate miscellaneous income and expenditure budgets. This area had a small overspend of £0.230m initially. The revised position is a circa £2.8m overspend after the directorate positions have been transferred to earmarked reserves.

The revised revenue budget envisaged a reduction in the general reserves balance of £0.362m, from £6.436m to £6.074m. The total net spending on the General Fund was £121.476m. This is in line with the budgeted position on reserves at the start of the financial year.

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

	Original Budget £m	Revised Budget £m	Actual Expenditure £m	Variance to Revised Budget £m
Corporate Resources	27.740	19.457	18.933	0.524 u/s
Regeneration Services	13.201	25.302	25.261	0.041 u/s
People Services	57.328	74.968	72.772	2.196 u/s
Corporate Allocations	23.207	1.749	4.510	2.761 o/s
Total	121.476	121.476	121.476	Balanced

More details on the managed budget position for each directorate and reasons for specific variances can be seen in the Council's financial outturn report 2014/15 presented to Cabinet on 7th July 2015. This is available on the Council's website. www.redcar-cleveland.gov.uk.

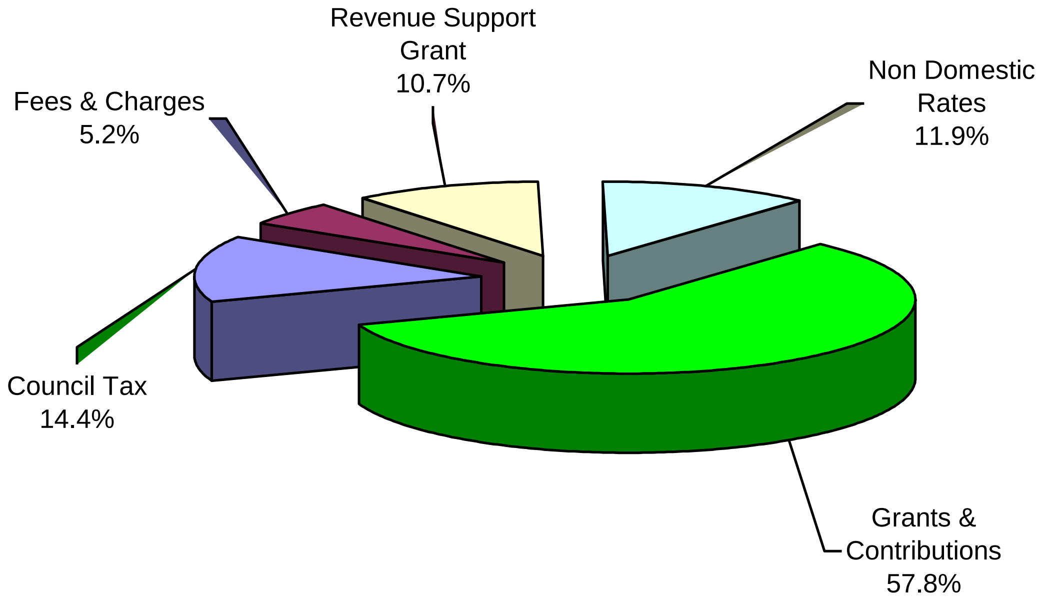
There are a number of variances from budget at individual directorate level. The Council produces its accounts in line with the IFRS Code of Practice on local authority accounting, which requires a range of technical accounting adjustments to be undertaken on capital charges to revenue, retirement benefits and transfers to and from reserves. These accounting arrangements are not consistent with the way funding is raised by the Council and as a result the variances caused by these adjustments are reversed to ensure no impact on the Council's general reserves.

The Comprehensive Income and Expenditure Statement (CIES) on page 26 shows the true cost of delivering services within the 2014/15 financial year. This includes unrealised gains and losses on non-current assets, financial instruments and pensions. The final surplus on the net cost of services position amounts to £1.503m.

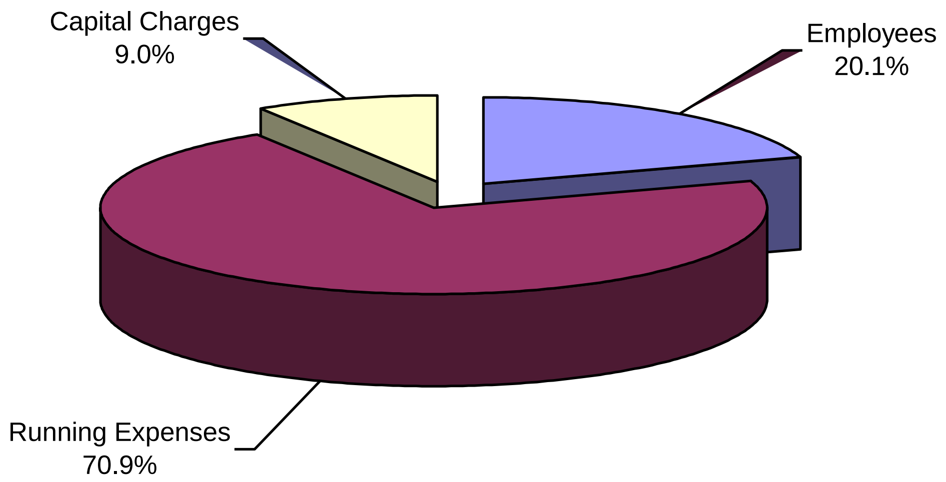
Additional information on how the Comprehensive Income and Expenditure Statement reconciles to the Council's budgetary position by Directorate can be seen in Note 6 to the Financial Statements.

The diagrams below show an analysis of the gross revenue spending of £358.925m as shown in the Comprehensive Income and Expenditure Statement. It is important to note that the contribution from the local community through Council Tax represents 14.4% of the Council's total income.

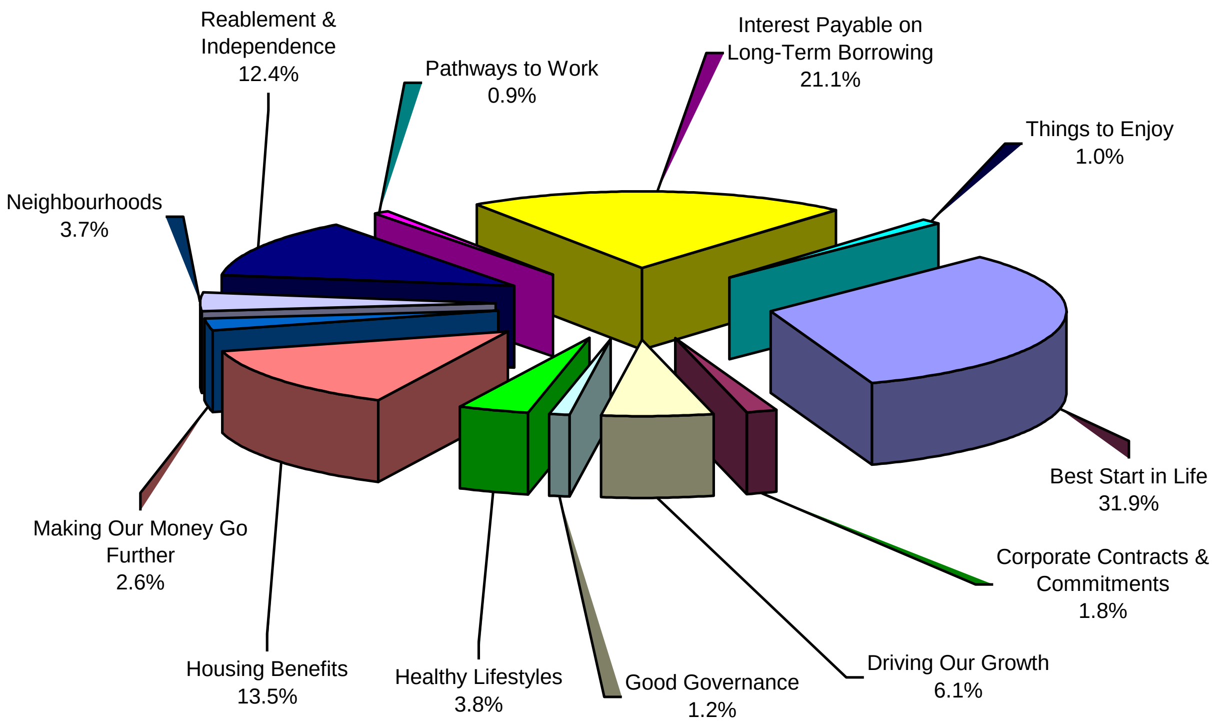
Where the money has come from



How we spent this



Where the money is spent by Shaping our Future Theme



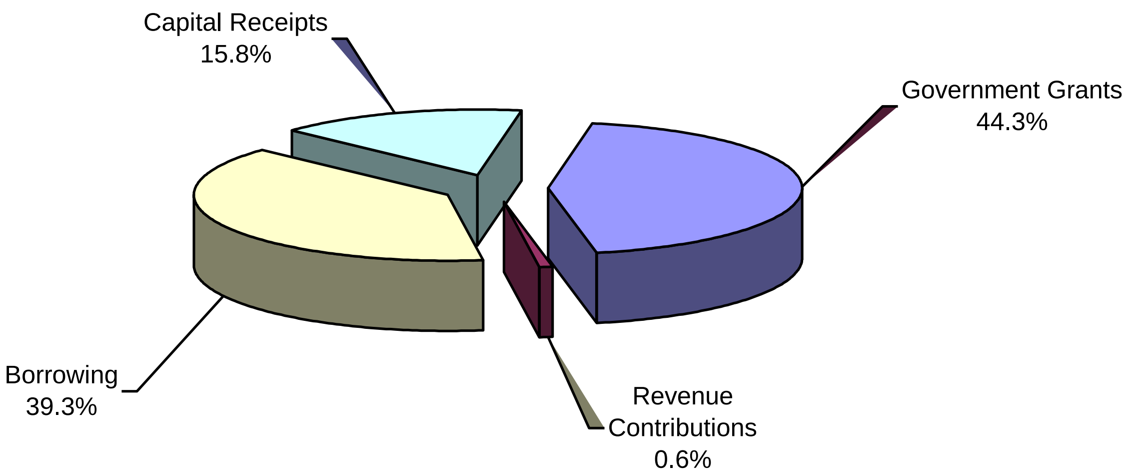
5. CAPITAL SPENDING IN 2014/15

The capital programme is run together with the revenue budget. Spending on capital projects enhances the Council's assets and enables improved service delivery and also secures essential infrastructure. Capital expenditure can vary considerably between years depending on the projects ongoing. The programme is, however, financed in such a way as to even out the cost to council taxpayers and spread it over the life of the asset being used. Capital expenditure during the year amounted to £15.484m (2013/14 - £34.972m). The main areas of capital expenditure were as follows:

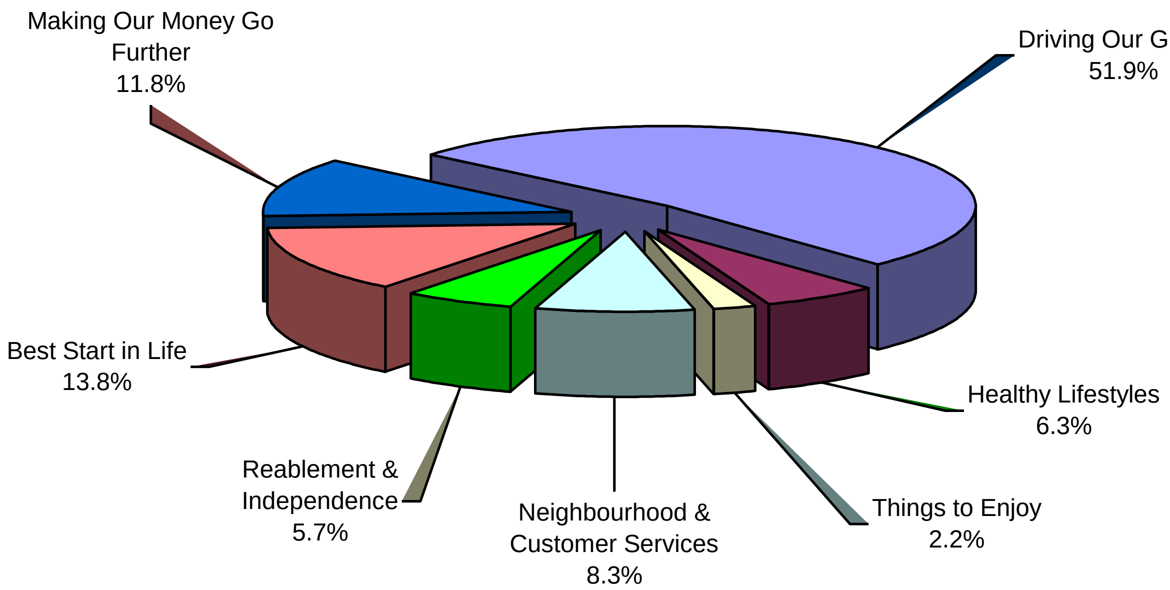
Scheme	2014/15 £000	Scheme	2014/15 £000
Driving Our Growth		**Reablement and Independence**	
Highways Improvements	400	Disabled Facilities Grant	853
Drainage Asset Capture and Flood Prevention	211	Other	32
Skinningrove Coastal Protection	189	**Total**	**885**
Structural Highways Maintenance	1,640		
Local Sustainable Transport Fund	132	**Best Start in Life**	
Bus Network Review	1,373	Eston Learning Campus	114
Redcar Leisure & Community Heart	2,605	Devolved Formula Capital at LEA level	428
Coastal Communities Fund	201	Early Years - 2 Year Old Offer	234
Public Realm	189	School Food Plan	155
Block Allocation - Local Transport Plan	988	Maintenance	657
Other	98	Other	544
Total	**8,026**	**Total**	**2,132**
Healthy Lifestyles		**Making Our Money Go Further**	
Haven Traveller Site	977	Carbon Management Programme	147
Total	**977**	Information Technology Improvement Projects	299
Things To Enjoy		Asset Management - Capitalised Repairs	502
Investment in Leisure Centres	174	Enterprise Resource Planning	809
Other	165	Other	77
Total	**339**	**Total**	**1,834**
Neighbourhood and Customer Services			
Warrenby Transfer Station	54		
Vehicle Purchases	1,237		
Total	**1,291**		
TOTAL CAPITAL SPEND 2014/15			**15,484**

The following diagrams show an analysis of the total capital expenditure of £15.484m:-

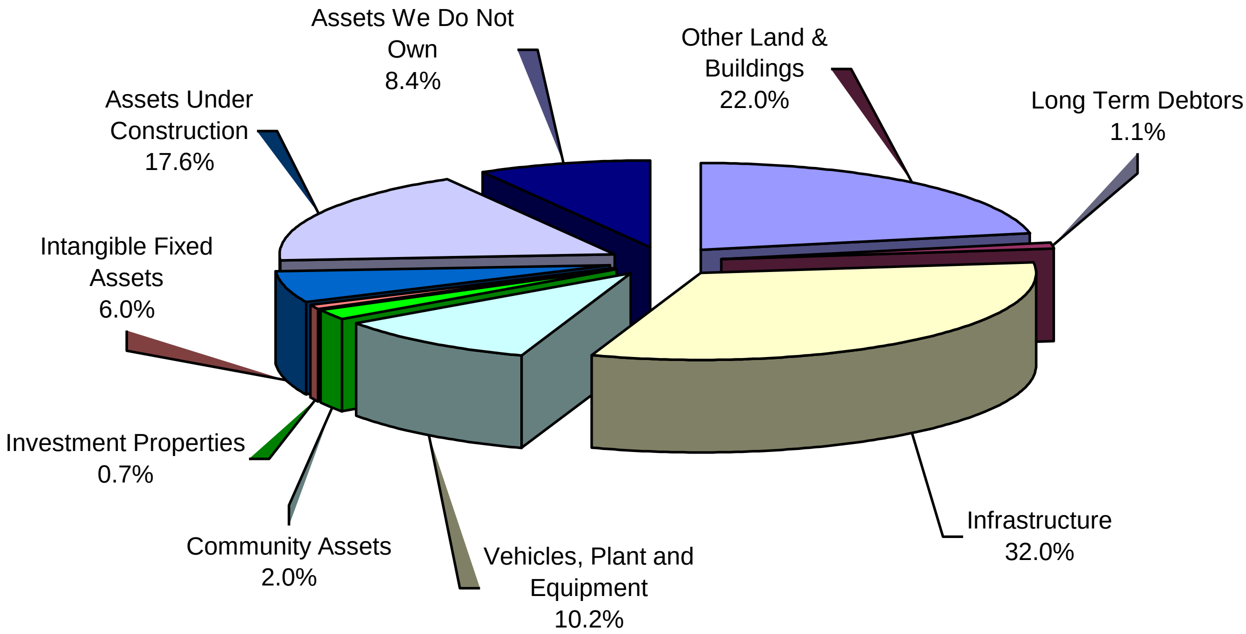
How we have funded capital expenditure



How we have spent our capital funds



What assets have we created



Further details relating to capital expenditure are shown in the notes to the Balance Sheet and within the Council's financial outturn report for 2014/15.

6. TREASURY MANAGEMENT ACTIVITIES

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 2015, the Council's Capital Finance Requirement (or underlying need to borrow) was £266.651m and its external debt was £237.327m (this includes the outstanding PFI and finance lease liabilities).

The Council's policy on borrowing is set out in its Treasury Management and Investment Strategy approved by the Council each year in March. The strategy for this financial year has been to undertake any new borrowing at the most competitive rate possible in the medium term range between 10 and 20 years. However, as the Council's level of cash balances were healthy during 2014/15 no external borrowing was undertaken and any prudential borrowing need arising from the capital programme has been addressed via internal borrowing from day to day liquidity and from the minimum revenue provision.

Over the last five years, the Council has deferred some of its long term borrowing decisions on its capital programme. This has been a conscious strategic decision based on the fact that investment rates are much lower than borrowing rates, and to reduce credit risk if financial organisations fail in the future. In addition, delays in capital expenditure, and holding off on borrowing has allowed the Council to make savings against the revenue budget, assisting the overall financial position. In total the Council has under borrowed against what funds are needed for capital purposes by almost £30m.

The Council invests its surplus cash balances on the money market in order to match the timing of both revenue and capital receipts to expenditure. These investments generated £0.305m worth of income to the Council during 2014/15, which assisted the overall revenue budget position. From early March 2014 the Council changed its investment strategy, diversifying from instant access and fixed term deposits with banks to a combination of other higher rated investments (treasury bills, money market funds, investments with other local authorities and certificate of deposits). This is in direct response to changes in the way that the government supports failing banks in the future.

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.

During October 2008 and as a result of the global recession and problems within their national economy, several Icelandic banks went into administration. At the time the Council had investments with two financial institutions, Heritable PLC (£4m) and Kaupthing, Singer and Friedlander Ltd (£2m).

The ongoing recovery of these investments is being co-ordinated by the Local Government Association on behalf of the 127 affected local authorities'. At the 31 March 2015, the Council has recovered £5.453m. The administrators' report suggests that a further £0.047m is recoverable. Under regulation, the Council has accounted for the impairment in previous financial years.

7. PENSIONS

The Council participates in the Local Government Pension Scheme (Teesside Pension Fund), administered by Middlesbrough Council. This is reflected in the Balance Sheet, which includes a pension liability, as retirement benefits are recognised when they are earned rather than when they are paid out, and a pension reserve, of £170.466m as at 31 March 2015. Although these pension liabilities decrease the overall net worth of the Council's assets, they do not represent a reduction in the Council's usable reserves. This liability does impact on the Balance Sheet and is the main factor in reducing the net worth (total liabilities greater than total assets) to a negative position of £99.205m.

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 the stock market and expectations around the level of inflation. As these are currently very low, this is increasing the amount of the pensions forecast deficit as a result. The liabilities are also based on cash flows forecast over the medium term and will never crystallise at one point in time.

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

8. COLLECTION FUND

The Collection Fund is an account that the Council maintains, in its statutory role as the Billing Authority, to record the income from Council Tax and Business Rates income. It is a separate 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 bodies Balance Sheet.

The Council set a Band D Council Tax of £1,390.14 for 2014/15, an increase of 1.99% over the 2013/14 level. The addition of the Police Authority and Fire Authority spending requirements resulted in a total Band D Council Tax of £1,661.43 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 of £60.328m. Total income on Council Tax for 2014/15 was £62.861m. The percentage of Council Tax collected in 2014/15 was 95.4%, which remains constant in comparison to 2013/14.

The current surplus on the council tax element of the Collection Fund at the 31st March 2015 was £3.675m which is marginally above the £3.086m reported to Cabinet in December 2014. The accumulated surplus for 2014/15 relates to a change in the basis of income recognition which was made as part of preparing the 2013/14 financial statements. In effect this represents two years' worth of additional accrued income.

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. The scheme does also allow the Council to retain a proportion of the total business rates income received. Redcar & Cleveland's share is 49% with the remainder paid over to precepting bodies (Central Government 50% and Cleveland Fire Authority 1%).

Total business rates income for 2014/15 was £40.750m with a collection rate of 99.0% (98.8% in 2013/14). This was higher than the budgeted estimate of £36.520m due to a major business rates payer in default settling their arrears. This increased position was offset by a significant amount of refunds which reduced total income in year.

The year-end surplus of £29.199m represents the level of income actually collected and this is slightly higher than the surplus declared to Cabinet in January of £27.869m. This is also in part due to the provision for appeals on business rates remaining static whereas an increase had been forecast.

Given concerns on the default of a major business rates payer within the Borough for both 2013/14 and 2014/15, the original position declared to government on business rates was much lower than the funding position given to the Council in the local government finance settlement. It would not have been prudent for the Council to have declared the collection of this significant amount of income until the funds were received.

As a result there has been a temporary funding gap for the Council's revenue budget on business rates. This has been made good by a contribution of £10.082m from the Council's earmarked reserves for a deficit on the collection fund from 2013/14. As the business rates have now been received these funds can be now be replenished in 2015/16 in line with regulations.

In addition the Council received a safety net grant from central government for a business rates shortfall of £2.237m in 2014/15 due to the low level of expected income. As a result of the revised position being better than expected, increasing income above the £36.520m target, £1.190m can be returned to government.

9. BALANCE SHEET POSITION

The Balance Sheet shows what the Council owns, is owed, and owes to others and how these amounts have been funded. A summary of the position at the end of the 2014/15 financial year (31 March 2015) is shown in the table below:

Balance Sheet	**2013/14 £m**	**2014/15 £m**	**+/- £m**
What the Council Owns	334.7	332.3	(2.4)
What the Council is Owed	31.0	29.1	(1.9)
Total Assets of the Council	**365.7**	**361.5**	**(4.2)**
What the Council Owes	(420.3)	(460.7)	(40.4)
Council Reserves	**(54.6)**	**(99.2)**	**(44.6)**

The Council has a negative equity balance sheet at 31 March 2015. This means that its liabilities outweigh its assets by £99.2m. This is mainly driven by the deficit on the Pension Fund Liability (see what the Council owes and Note 39 in the Statement of Accounts disclosure notes for more details).

As the deficit is an accrued position over the next 20-40 years the liabilities will not crystallise at any one point in time and can be managed as part of the pension fund investment strategy by the Council. A better indicator of the financial health of the Council is the level of usable and earmarked reserves which remain appropriate at £31.012m. The Movement in Reserves statement within the Core Financial Statements gives further details.

<u>What the Council Owns</u>

Balance Sheet	**2013/14 £m**	**2014/15 £m**	**+/- £m**
Property, Plant & Equipment	296.1	268.0	(28.1)
Heritage Assets	0.6	0.6	0.0
Investment Properties	8.4	4.9	(3.5)
Assets Held for Sale	6.0	17.1	11.1
Cash & Cash Equivalents	20.1	38.1	18.0
Others	3.5	3.6	0.1
Total	**334.7**	**332.3**	**(2.4)**

Property Plant and Equipment are long term assets owned by the Council and used in direct service provision. The reduction in this asset value during 2014/15 relates to three main factors: revaluation losses on the Council's properties as a result of the annual valuation exercise, transfers of school properties to academy status creating a loss on disposal for these assets, and transfers from PPE to assets held for sale, as the Council continues to rationalise its property holdings and generate funds for capital investment.

Investment Properties are those held for income generation purposes or capital appreciation rather than direct service provision. Again this reduction in year above to £4.9m reflects a transfer of these investment assets to asset held for sale.

Cash and Cash equivalents are significantly higher in 2014/15 and almost double the level in the last financial year. This increase is a direct consequence of the reduced business rate position declared to central government (highlighted within the Collection Fund section above). As the funds have now been received the Council is in a cash rich position until the funds are paid over to government in 2015/16.

The increase in the positions on Assets Held for Sale and Cash & Cash Equivalents almost offsets the losses experienced on Property, Plant & Equipment.

What the Council is Owed

Balance Sheet	**2013/14 £m**	**2014/15 £m**	**+/- £m**
Short Term Debtors	19.2	19.5	0.3
Short Term Investments	10.1	8.1	(2.0)
Long Term Debtors	1.7	1.5	(0.2)
Total	**31.0**	**29.1**	**(1.9)**

The level of debt owed to the Council has increased during 2014/15 due to a large number of transactions (exceeding £3m) that were raised to the National Health Service during March 2015. These funds have been received by the Council during April and May 2015.

Short Term Investments (money invested for periods greater than three months) has decreased slightly during the financial year. This reflects the Council's diversification policy in respect of investments into shorter dated money market funds and treasury bills, and there being less financial institutions on the approved list.

The Long Term Debtors position relates to a loan to the current leisure service provider for capital investment in the various centres operated within the Borough. This loan is being repaid over a 10 year period.

What the Council Owes

Balance Sheet	**2013/14 £m**	**2014/15 £m**	**+/- £m**
Private Finance Schemes Debt	(65.8)	(64.0)	1.8
Pensions Liability	(134.4)	(170.5)	(36.1)
Short Term Creditors	(29.2)	(41.0)	(11.8)
Provisions	(6.5)	(6.2)	0.3
Short Term Borrowing	(7.4)	(6.4)	1.0
Long Term Borrowing	(171.2)	(167.1)	4.1
Other	(5.8)	(5.5)	0.3
Total	**(420.3)**	**(460.7)**	**(40.4)**

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

Note 39 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.

Short term creditors are mainly due to timing differences when the financial year closes at 31 March each year. The increase for 2014/15 relates to the amount of business rates income received by the Council and which is now owed to central government. This amount is in excess of £15m.

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

The Council's overall funding borrowed to finance the capital programme (short term and long term borrowing) has reduced by just over £5m due to debt maturing during the year which has not been replaced. This has been feasible due to the above average level of cash balances.

Council Reserves

Balance Sheet	**2013/14 £m**	**2014/15 £m**	**+/- £m**
Schools Balances	(5.8)	(5.5)	0.3
Usable Reserves	(29.6)	(25.5)	4.1
Unusable Reserves	90.0	130.2	40.2
Total	**54.6**	**99.2**	**44.6**

Schools Balances: these continue to reduce as schools convert to academies and the assets transfer out of the Council's accounts.

Usable Reserves: These have reduced during the financial year due to the business rates funding shortfall outlined in the Collection Fund section above. However, this reduction has been offset somewhat by grant funding paid over in advance of use and being carried forward by the Council to finance future expenditure.

Unusable Reserves collects all the technical accounting adjustments that have to be charged to comply with proper accounting practice but under regulation are not a charge to the Council's revenue budget. The main in-year movement relates to the increase in the Council's pension liability.

10. GROUP ACCOUNTS

The 2014 Code of Practice requires all local authorities to consider their relationships with associated companies, strategic partnerships, joint ventures, and any other service delivery vehicles and to produce Group Accounts where a significant exposure to economic benefits or financial risks can be established.

Work has been undertaken to document all the entities connected with the Borough Council and their financial relationship. Following the Chartered Institute of Public Finance and Accountancy guidance on Group Accounts, it has been established that the Council has a group relationship with one body, Achieving Real Change in Communities (ARCC).

ARCC is a joint board and Community Interest Company formed from a multidisciplinary partnership including local authorities, registered social landlords, and other interest parties, to run the local area probation contract. The ARCC came into existence in February 2015 and is only in its first year of operation. The local authorities involved in the project have given a financial guarantee to the Ministry of Justice to underwrite the financial losses of not being able to successfully deliver the probation service contract. The contract received government funding of over £10.6m per annum.

The Board comprises 10 members with local authorities having 3 representatives, one of which represents this Council. No individual Member has outright control of the operating company and voting rights on significant policy or financial matters are important. As a result the Council has concluded that the company is a joint operation within its group boundary.

Given the representation on the Board, the voting rights, the size of the annual contract, and the fact that the ARCC has not been in operation for one full financial year as yet, the size of any financial relationship is viewed as immaterial in the context of the Council's total assets and liabilities. As a result group financial statements have not been prepared for 2014/15 but the

Council will continue to monitor this and other potential group arrangements for which the Council has a financial relationship.

11. ACCOUNTING CONCEPTS AND POLICIES

International Financial Reporting Standards (IFRS) has been adopted since 2010/11 for local authorities across the UK. This is in accordance with central government regulations to apply these new standards originally applied within the private sector and now applied across all public sector bodies.

A summary of the main changes made to the accounting policies and structure of the financial statements, as a result of the changeover to IFRS, can be seen in the explanatory foreword in the Council's 2010/11 set of accounts (available on the Council's website).

The Council's Statement of Accounts has been prepared on the assumption that the organisation will continue in operational existence for the foreseeable future, and with reference to the following fundamental accounting concepts and qualitative characteristics:

- <u>Relevance</u>
  The accounts have been prepared with the objective of providing information about the Council's financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.

- <u>Materiality</u>
  Materiality is a feature of relevance and this concept has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not affect the interpretation of the accounts by an informed reader.

- <u>Faithful Representation</u>
  The financial statements fully represent relevant transactions and events of the Council. In order to ensure a perfectly faithful representation the financial information represents the substance of an economic transaction rather than merely its legal form and it is prepared with the objective of ensuring it is
  a) Complete – includes all necessary information, including descriptions and explanations to allow the user to fully understand the position being reported;
  b) Neutral – without bias; and
  c) Free From Error – no errors or omissions in the process used to produce the reported information

- <u>Verifiability</u>
  The financial information is prepared to allow different, knowledgeable and independent users to reach consensus, not necessarily complete agreement, that the financial statements are a true representation of the Council's financial activity.

- <u>Comparability</u>
  The Council's accounts comply with the Code and with the Service Reporting Code of Practice. This ensures consistency in our reporting across financial years and aids comparability with other local authorities.

- <u>Timeliness</u>
  The Council's accounts are prepared in a timely manner so that information is available and capable of influencing user's decisions.

- Understandability
  The accounts are based on accounting concepts, treatments and terminology which require reasonable knowledge of accounting and local government. However, every effort has been made to use understandable language and where technical terms are unavoidable they have been explained as they occur.

The main change on accounting policies for the preparation of the 2014/15 financial statements relates to group accounts and the introduction of new accounting standards that determine what entities fall within the Council's group boundary. Although these provisions are quite different to the previous rules around what might constitute control of an entity, the fact that the Council does not prepare group accounts and therefore does not have any formal policies in this regard, there is no impact on the overall financial statements.

The accounting policies set out the rules for how the Financial Statements have been prepared and what level of disclosure has been given. These policies are set out in full in Note 47 to the accounts and should be referred to prior to going through the Statement of Accounts.

12. STRATEGIC PARTNERSHIPS

The Council has the following Partnerships:

Liberata UK Limited – commenced on 8 May 2003 for the provision of an outsourced revenue and benefits service, with a duration of ten years. The contract has been renegotiated and extended in line with the current arrangements for a further five years to May 2018.

McAlpine PLC / Carillion FM – commenced originally on 1 April 2004 with duration of 3 years for the provision of Highway Services. This contract was extended in 2007/08 to provide coverage up to 31 March 2011. In March 2008 McAlpine PLC was subject to a take-over by Carillion FM Government Limited, to whom this contract has transferred. Following a competitive tender process during the 2010/11 financial year Carillion have been awarded the contract from 1 April 2011 for a further four years. The Council is currently preparing to re-tender this contract.

The Council has also entered a shared service arrangement with Middlesbrough Council for the provision of Internal Audit Services from the start of January 2011 with Redcar and Cleveland acting as the lead body.

The Council, from 1st April 2013, has entered into a new contract for the provision of leisure services with Sports and Leisure Management Ltd. The contract lasts for the next twenty years expiring on 31st March 2033.

The Council is also the lead body for the Tees Valley shared public health service.

The Better Care Fund (BCF) was announced in June 2013 to drive the transformation and integration of local health and social care services. Nationally the fund will consist of at least £3.8 billion. Redcar & Cleveland Borough Council is the defined host and lead authority from 1st April 2015 for local BCF pooled funds of £11.6m, working in partnership with South Tees Care Commissioning Group (CCG); and more widely with South Tees Acute NHS Foundation Trust, Middlesbrough Borough Council, and a variety of other organisations. Each BCF operates through a Section 75 Agreement which defines a set of agreed principles and governance processes, augmented by a series of scheme specifications which describe in more detail the schemes which will help achieve the BCF objectives. The BCF partnership will have implications for the 2015/16 set of accounts.

13. PRIVATE FINANCE INITIATIVE

The Council has three Private Finance Agreements at the operational stage for office accommodation, schools and street lighting and is currently making or committed to make contractual payments under the three agreements of £13.893m in 2014/15. This cost was offset in part by PFI grant of £7.123m. Where funding sources for the projects do not match the expenditure profile this is managed through the creation of a sinking fund, which is drawn on as and when required.

14. LOOKING AHEAD TO 2015/16 AND THE FUTURE

From April 2013, the Government changed the way in which local government is funded through the introduction of the business rates retention scheme. The local government sector now benefits directly from supporting local business growth as they will be able to keep 49% (above an assessed floor) of any increases in business rates revenue to invest in local services.

As a result of the Government's policies on austerity in response to the public sector deficit, the funding being distributed to local authorities is significantly reduced. This has been done in two ways: reducing specific grants for particular service-based initiatives, and a reduction in non-specific funding, such as revenue support grant. The net budget of the Council is expected to reduce from £121m in 2014/15 to just over £100m by the end of the decade.

The Council takes a logical approach to the building and management of its revenue budget and medium term financial strategy, ensuring that all funding options, service pressures and savings proposals are considered, detailed and managed.

The Council, in these challenging economic times, still strives to ensure that it operates in line with its four key principles. These are:

- Remaining focussed on our priorities
- Protecting the vulnerable in our community
- Concentrating on the delivery of front line services
- Minimising the impact on job losses

The 2015/16 and 2016/17 revenue budgets are challenging and are based on a range of savings measures that the Council will have to deliver to the tune of just over £8m. The risks associated with these savings plans have been addressed through detailed implementation plans and various scrutiny and governance processes, which are ongoing. Progress against these plans will be closely monitored through regular budget monitoring activity and reports to the directorate management teams and through to Executive Management Team and ultimately to Cabinet. The budgets are also set based on assumed council tax rises of 2%. Any change to this assumption will continue to increase the level of savings required.

The Medium Term Financial Plan for 2014–20 reflected an estimated reduction in government grant of approximately 34%. Some of this reduction has been offset by generating more council tax and business rates for example, or through increasing income generated through commercial activity, and fees and charges. Further savings targets for 2017-2020 total approximately £20.0m, with a further review of council services expected prior to this period.

The volatility of funding streams from both central government sources and Council Tax/Business Rates will continue to be a major risk factor to the financial health of the Council over the foreseeable future. However, by aligning resources to the Shaping our Future themes which link to Our Plan, the Council feels ready to deliver the savings needed on its revenue budget over the remainder of the decade.

15. OTHER SOURCES OF INFORMATION

This Statement of Accounts for 2014/15 forms only one element of the Council's external financial reporting to stakeholders. Further information can be found in the following publications which are produced each year and are available on the Council's website
www.redcar-cleveland.gov.uk

- Summary Statement of Accounts for 2014/15
- Revenue Budget for 2015/16
- Budget Book for 2015/16
- Our Money 2015/20 – our 20:20 vision.

16. INSPECTION AND AUDIT OF THE ACCOUNTS

Under the Audit Commission Act 1998, members of the public have the right to inspect the Council's accounts and supporting documents and to question the auditor about, or make objections to, the matters contained in them. The times at which the accounts are deposited for inspection are advertised each year in the Evening Gazette.

The Council's external auditors are: -

Mazars LLP
Durham Office
Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

17. FURTHER INFORMATION

Further information about the Statement of Accounts is available from the Director of Corporate Resources, Redcar and Cleveland House, Kirkleatham Street, Redcar, TS10 1RT.

The Code of Practice on Local Authority Accounting and the Service Reporting Code of Practice are available from the Chartered Institute of Public Finance and Accountancy website at www.cipfa.org.uk.

Regular updates on the Council's financial position during the financial year are reported to the Cabinet on a quarterly basis. These can be found in the appropriate Cabinet Business Papers on the Council's website under 'The Council/Decision Making/Cabinet'.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Council is required to:

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

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

- approve the Statement of Accounts.

Director of Corporate Resources' Responsibilities

The Director of Corporate Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Corporate Resources has:

- selected suitable accounting policies and then applied them consistently

- made judgements and estimates that were reasonable and prudent

- complied with the Code of Practice.

The Director of Corporate Resources has also:

- kept proper accounting records which were up to date

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I hereby state that the Statement of Accounts presents a true and fair view of the financial position of the Council as at 31 March 2015 and for its income and expenditure for the year ended 31 March 2015.

John Sampson, BA (Hons), PG Dip, PG D, Adv Dip, FCCA

Director of Corporate Resources

Date:

FINANCIAL STATEMENTS – 2014/15

MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Council Reserves £000**
Balance at 31 March 2014 brought forward (restated)	**6,436**	**26,787**	**-**	**2,199**	**35,422**	**(90,075)**	**(54,653)**
Movement in reserves during 2014/15							
Surplus/(Deficit) on the provision of services (CIES)	1,503	-	-	-	**1,503**	-	**1,503**
Other Comprehensive Income and Expenditure (CIES)	-	-	-	-	**-**	(46,055)	**(46,055)**
Total Comprehensive Income and Expenditure	**1,503**	**-**	**-**	**-**	**1,503**	**(46,055)**	**(44,552)**
Adjustments between accounting basis & funding basis under regulations (Note 5)	(6,722)	-	-	810	**(5,912)**	5,912	**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(5,219)**	**-**	**-**	**810**	**(4,409)**	**(40,143)**	**(44,552)**
Transfers to/(from) Earmarked Reserves (Note 7)	4,857	(4,857)	-	-	**-**	-	**-**
Increase/(Decrease) in Year	**(362)**	**(4,857)**	**-**	**810**	**(4,409)**	**(40,143)**	**(44,552)**
Balance at 31 March 2015 carried forward	**6,074**	**21,930**	**-**	**3,009**	**31,013**	**(130,218)**	**(99,205)**

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Council Reserves £000**
Balance at 31 March 2013	6,169	23,516	-	4,078	**33,763**	(115,489)	**(81,726)**
Movement in reserves during 2013/14							
Surplus/(Deficit) on the provision of services (CIES)	958	-	-	-	**958**	-	**958**
Other Comprehensive Income and Expenditure (CIES)	-	-	-	-	**-**	26,115	**26,115**
Total Comprehensive Income and Expenditure	**958**	**-**	**-**	**-**	**958**	**26,115**	**27,073**
Adjustments between accounting basis & funding basis under regulations (Note 5)	2,580	-	-	(1,879)	**701**	(701)	**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**3,538**	**-**	**-**	**(1,879)**	**1,659**	**25,414**	**27,073**
Transfers to/(from) Earmarked Reserves (Note 7)	(3,271)	3,271	-	-	**-**	-	**-**
Increase/(Decrease) in 2013/14	**267**	**3,271**	**-**	**(1,879)**	**1,659**	**25,414**	**27,073**
Balance at 31 March 2014 carried forward *	**6,436**	**26,787**	**-**	**2,199**	**35,422**	**(90,075)**	**(54,653)**

* The 2013/14 figures have been restated due to changes in accounting policy for Schools (see Note 45).

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2013/14*				2014/15		
Gross Expend-iture £000	Gross Income £000	Net Expend-iture £000		Gross Expend-iture £000	Gross Income £000	Net Expend-iture £000
1,988	(1,354)	634	Central services to the public	2,192	(816)	1,376
280	-	280	Court services	326	-	326
9,729	(1,180)	8,549	Cultural and related services	10,240	(1,025)	9,215
15,039	(2,683)	12,356	Environmental and regulatory services	15,452	(3,133)	12,319
9,124	(2,658)	6,466	Planning services	10,754	(3,378)	7,376
142,182	(114,077)	28,105	Education and children’s services	142,403	(108,546)	33,857
17,892	(2,424)	15,468	Highways and transport services	20,004	(2,846)	17,158
60,365	(59,736)	629	Other housing services	63,520	(60,986)	2,534
56,201	(12,418)	43,783	Adult social care	55,114	(15,557)	39,557
9,855	(11,848)	(1,993)	Public Health	10,369	(11,930)	(1,561)
4,596	(236)	4,360	Corporate and democratic core	4,963	(213)	4,750
2,193	(172)	2,021	Non-distributed costs	1,361	(1,488)	(127)
329,444	**(208,786)**	**120,658**	**Cost of Services**	**336,698**	**(209,918)**	**126,780**
		366	Other Operating Expenditure (Note 8)	11,752	-	11,752
		7,633	Transfer of School Assets**	11,093	-	11,093
		16,875	Financing and Investment Income and Expenditure (Note 9)	(871)	(305)	(1,176)
		(146,490)	Taxation and Non-Specific Grant Income (Note 10)	253	(150,205)	(149,952)
		(958)	**(Surplus)/Deficit on Provision of Services**	**358,925**	**(360,428)**	**(1,503)**
		(1,980)	(Surplus)/Deficit on revaluation of non-current assets (Note 37)			(7,115)
		54	(Surplus)/Deficit on revaluation of available for sale financial assets (Note 25)			40
		(24,189)	Actuarial (gains)/losses on pension assets/liabilities (Note 39)			53,130
		(26,115)	**Other Comprehensive Income and Expenditure**			**46,055**
		(27,073)	**Total Comprehensive Income and Expenditure**			**44,552**

* The 2013/14 figures have been restated due to a change in accounting policy for Schools (see Note 45) and to allow a better quality comparison between financial years. (see Note 46).

** Following the conversion of Bydales Secondary, Normanby Primary and Nunthorpe Primary Schools to Academy Status, the legal transfer of assets was actioned during 2014/15. This transfer resulted in the need to ‘write out’ the value of these assets from the Council’s accounts. This ‘write-out’ totals £11,093k for 2014/15 and is disclosed separately in the Comprehensive Income and Expenditure Statement owing to the exceptional nature of these transactions.

BALANCE SHEET

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services.

31 March 2014 * £000		Note No.	31 March 2015 £000
296,073	Property, Plant & Equipment	17	268,045
589	Heritage Assets	19	589
8,421	Investment Property	20	4,885
3,107	Intangible Assets	21	3,297
352	Long Term Investments	25	313
1,691	Long Term Debtors	26	1,511
310,233	**Long Term Assets**		**278,640**
10,121	Short Term Investments	34	8,083
5,979	Assets Held for Sale	27	17,078
77	Inventories	28	36
19,157	Short Term Debtors	29	19,551
20,158	Cash and Cash Equivalents	30	38,135
55,492	**Current Assets**		**82,883**
(7,385)	Short Term Borrowing	34	(6,374)
(29,268)	Short Term Creditors	31	(41,035)
(2,625)	Short Term Provisions	32	(547)
(3,306)	Revenue Grants Receipts in Advance	36	(3,467)
(42,584)	**Current Liabilities**		**(51,423)**
(1,025)	Long Term Creditors	33	(995)
(3,867)	Long Term Provisions	32	(5,683)
(171,170)	Long Term Borrowing	34	(167,143)
(200,245)	Other Long Term Liabilities	35	(234,477)
(1,487)	Capital Grants Receipts in Advance	36	(1,007)
(377,794)	**Long Term Liabilities**		**(409,305)**
(54,653)	**Net Assets**		**(99,205)**
35,422	Usable Reserves		31,013
(90,075)	Unusable Reserves	37	(130,218)
(54,653)	**Total Reserves**		**(99,205)**

* The 2013/14 figures have been restated due to changes in accounting policy for Schools (see Note 45) and to allow a better quality comparison between financial years (see Note 46).

I confirm that these accounts were approved by the Governance Committee at the meeting held on 29 September 2015.

John Sampson
Director of Corporate Resources ______________________

Cllr. Ray Goddard
Chair of Governance Committee ______________________

Date: ______________________

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2013/14 * £000		2014/15 £000
958	Net surplus/(deficit) to the provision of services (CIES)	1,503
36,483	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements (Note 40)	22,242
(10,699)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities (Note 40)	(10,380)
26,742	Net Cash Flows from Operating Activities (Note 40)	13,365
(24,019)	Net Cash Flows from Investing Activities (Note 41)	(1,918)
11,438	Net Cash Flows from Financing Activities (Note 42)	6,531
14,161	**Net increase/(decrease) in cash and cash equivalents**	**17,978**
5,996	Cash and cash equivalents at the beginning of the reporting period	20,157
20,157	**Cash and cash equivalents at the end of the reporting period (Note 30)**	**38,135**

* The 2013/14 figures have been restated due to changes in accounting policy for Schools (see Note 45) and to allow a better quality comparison between financial years (Note 46).

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Financing activities represent 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.

NOTES TO THE ACCOUNTS – 2014/15

NOTE 1 – ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on local authority accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:

IFRS - 13 Fair Value Measurement. This standard provides a single definition of fair value, which is based mainly on market values. Currently the Council values land and buildings at their fair value for existing use of assets where there is an active market (e.g. offices) and Depreciated Replacement Cost (for assets where there is not an active market). Market prices for an asset and for property, plant and equipment (PPE) will require a valuation to be at its highest and best use.

The proposals for the approach to the adoption of IFRS 13 by local authorities will offer three routes for the measurement of local authority PPE:

- Route 1: where local authorities hold their assets in the same way as commercial entities, (e.g. office accommodation): the measurement of these assets would apply to the requirements of IFRS 13 – and these assets would be measured at their highest and best use, which might be different to the current measurement basis outlined above. For this route, some assets will need to be re-valued using a desk top exercise with the appropriate indices and relevant market information for a period of 3 years until local authorities can undertake a formal revaluation under the new requirements.

- Route 2: assets which have unique characteristics or where it is difficult to estimate the asset value at highest and best use. Assets that have unique characteristics such as a crematoria building would be measured by means of a theoretical estimation of fair value. In this case, the best measurement basis would continue to be Depreciated Replacement Cost (DRC).

- Route 3: There are circumstances where application of the principle of highest and best use does not fully capture the service and geographical constraints faced by the public sector. This would mean that local authorities cannot realistically access the economic benefits available to market participants under the Standard. Examples of this would be buildings which are used by the public sector which have to be provided in a specific location for a specific purpose. CIPFA consider that IFRS needs adapting to reflect local government circumstances and therefore the measurement methodology will not change.

The impact of the proposed changes on IFRS 13 will require consideration by the Council's valuers and is likely to result in some changes to valuations for non-school properties (although not expected to be significant) and consequential depreciation changes. It is difficult at this stage to quantify the financial impact of this change.

International Financial Reporting Issues Committee (IFRIC) 21 - Levies. This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obliging event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

Annual Improvements to IFRSs (2011 -2013 Cycle): These improvements are minor, principally providing clarification and will not have a major impact on the Statement of Accounts.

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

NOTE 2 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The following require significant management judgements in applying accounting policies within the Council and they have the most significant effect on the financial statements. Critical estimation uncertainties are described in Note 3.

Funding
In the current economic climate there is a degree of uncertainty about future levels of funding for local authorities and as a result the Council continues to review the services that it provides on an on-going basis. The Council has determined that there remains sufficient uncertainty over future events that would indicate that its assets may be materially impaired due to closing services or reduced funding.

Accounting for Schools – Balance Sheet Recognition of Schools
The Council recognises the schools land and buildings on its balance sheet where it directly owns the assets, the school or schools governing body own the assets or the rights to use the assets have been transferred from another entity.

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

There are currently 5 types of schools within the borough:

- Community schools,
- Voluntary controlled (VC) schools,
- Voluntary aided (VA) schools,
- Foundation Trust schools,
- Academies.

The Council has decided that non-current assets of schools that have either transferred to academy status or are voluntary aided/controlled in nature, are no longer included within the Council's Balance Sheet. The ability to control the service potential and/or flow of economic benefits associated with the assets does not rest with the Council.

Schools which are community controlled will always remain in the Council's accounts, as generally will foundation schools. However, a review has been undertaken by the Council's valuation team of each foundation school's specific circumstances to ensure clarity in relation to the control and risks and who manages these aspects.

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

Type of School	No of Primary Schools	No of Secondary Schools	No of Special Schools
Community	22	1	3
Foundation Trust	9	2	-
On Balance Sheet	**31**	**3**	**3**
Voluntary Controlled	2	-	-
Voluntary Aided	1	1	-
Academies	10	6	1
Off Balance Sheet	**13**	**7**	**1**
Total	**44**	**10**	**4**

Bad Debt Provision
To reflect the economic and financial climate, the Council has determined its bad debt provision based on a range of factors including the age profile, type of debt, debtor profile and position with the recovery process. The provision covers the Council's sundry debt and also Council Tax, Business Rates and Housing Benefits overpayments debt.

Pension Liability
The Council has made estimates of the net pay liability required to cover pensions which depend on a set of complex judgements and projections supported by the actuarial calculation, which include; the discount rate at which salaries are expected to increase, changes in retirement ages, mortality rates, and expected future returns.

Business Rates
The Council as the billing authority for the Collection Fund recognises income for Council Tax and Business Rates on a fully accrued basis based upon bills issued to tax payers.

Additionally on Business Rates the Council has had to make an estimate on the level of future appeals that the Valuation Office Agency (VOA) receives against current bills received by tax payers. The provision is calculated on the latest list of appeals published monthly by the VOA and previous experience of appeals being successfully upheld. This is adjusted in cases of any appeals where either a significant financial value is involved, or the likelihood of the appeal being successful.

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

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

NOTE 3 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or 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 at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on estimates about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.139m for every year that useful lives had to be reduced.
Provisions - MMI	The Council has made a total provision of £1.952m for the settlement of claims for industrial injuries through the Municipal Mutual Initiative (MMI) scheme. This is based on estimated amounts through claims. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.195m to the provision needed.
Provisions – Business Rate Appeals	The Council is liable for successful appeals under the Business Rates Retention Scheme. A provision has been recognised for £2.351m based on an estimate using the Valuation Office (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 £0.235m to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the rates to be applied.	The effects on the net pension liability of changes in individual assessments can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £11.2m.

NOTE 4 – EVENTS AFTER THE BALANCE SHEET DATE (31 MARCH 2015)

The Audited Statement of Accounts for 2014/15 was authorised for issue by the Director of Corporate Resources on 21 September 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of this information.

There are no events after the Balance Sheet date, to either adjust for in the Statement of Accounts, or to disclose, at the authorised for issue date.

NOTE 5 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

(CIES = Comprehensive Income and Expenditure Statement)

2014/15	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or (credited) to the CIES				
Charges for depreciation and impairment of non-current assets	12,642	-	-	(12,642)
Revaluation losses on Property, Plant and Equipment	9,301	-	-	(9,301)
Revaluation losses on Investment Properties	6,206	-	-	(6,206)
Revaluation losses on Assets Held for Sale	500	-	-	(500)
Amortisation of intangible assets	735	-	-	(735)
Capital grants and contributions	(6,852)	-	-	6,852
Revenue Expenditure Funded from Capital Under Statute	1,308	-	-	(1,308)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	9,601	2,445	-	(12,046)
Insertion of items not debited or (credited) to the CIES				
Statutory provision for the financing of capital investment	(8,668)	-	-	8,668
Capital Expenditure charged against the general fund	(95)	-	-	95
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	(810)	-	810	-
Adjustments involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(2,719)	-	2,719
Other Adjustments involving the Capital Receipts Reserve	-	275	-	(275)
Adjustments involving the Deferred Capital Receipts Reserve:	-	(1)	-	1

2014/15	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in year in accordance with statutory requirements	(250)	-	-	250
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 39)	(7,319)	-	-	7,319
Employers Pension Contributions and direct payments to pensioners payable in the year	(9,702)	-	-	9,702
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(12,693)	-	-	12,693
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	(626)	-	-	626
Total Adjustments	**(6,722)**	**-**	**810**	**5,912**

2013/14 *	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	12,478	-	-	(12,478)
Revaluation losses on Property, Plant and Equipment	(120)	-	-	120
Revaluation losses on Investment Properties	(125)	-	-	125
Revaluation losses on Assets Held for Sale	1,182	-	-	(1,182)
Amortisation of intangible assets	1,395	-	-	(1,395)
Capital grants and contributions	(10,615)	-	-	10,615
Revenue Expenditure Funded from Capital Under Statute	2,204	-	-	(2,204)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES - Assets	(435)	1,827	-	(1,392)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES - Academies	7,663	-	-	(7,663)

2013/14 *	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Insertion of items not debited or (credited) to the CIES				
Statutory provision for the financing of capital investment	(8,847)	-	-	8,847
Capital Expenditure charged against the general fund	(101)	-	-	101
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	1,879	-	(1,879)	-
Adjustments involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,964)	-	1,964
Other Adjustments involving the Capital Receipts Reserve	-	139	-	(139)
Adjustments involving the Deferred Capital Receipts Reserve:	-	(2)	-	2
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in year in accordance with statutory requirements	(250)	-	-	250
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 39)	13,745	-	-	(13,745)
Employers Pension Contributions and direct payments to pensioners payable in the year	(12,395)	-	-	12,395
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from Council tax income calculated for the year in accordance with statutory requirements	(4,452)	-	-	4,452
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	(626)	-	-	626
Total Adjustments	**2,580**	**-**	**(1,879)**	**(701)**

* The 2013/14 figures have been restated due to changes in accounting policy for Schools (see Note 45).

NOTE 6 – AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);

- the cost of retirement benefits is based on cash flows (payment of employers pensions contributions) rather than current service cost of benefits accrued in the year;

- expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Council’s principal Directorates recorded in the financial statements for the year is as follows:

2014/15	Corporate Resources £000	Peoples Services * £000	Regeneration £000	General Fund £000	Total £000
Fees, charges & other service income	(3,424)	(9,627)	(4,145)	(1,940)	**(19,136)**
Interest & Investment Income	-	-	13	(1)	**12**
Government grants	(7,923)	(119,759)	(4,494)	(58,618)	**(190,794)**
Total Income	(11,347)	(129,386)	(8,626)	(60,559)	**(209,918)**
Employee expenses	10,082	68,737	7,314	1,258	**87,391**
Other service expenses	13,316	115,694	12,713	59,119	**200,842**
Support service recharges	8,423	16,326	7,642	20	**32,411**
Depreciation, Amortisation and Impairment	1,288	7,862	6,904	-	**16,054**
Total Expenditure	33,109	208,619	34,573	60,397	**336,698**
Net Expenditure	**21,762**	**79,233**	**25,947**	**(162)**	**126,780**

2013/14 ***	Corporate Resources £000	Adults & Children's Services ** £000	Regeneration £000	General Fund £000	Total £000
Fees, charges & other service income	(599)	(12,700)	(7,518)	(840)	**(21,657)**
Interest & Investment Income	-	-	(10)	(4)	**(14)**
Government grants	(2,491)	(122,392)	(4,937)	(57,296)	**(187,116)**
Total Income	(3,090)	(135,092)	(12,465)	(58,140)	**(208,787)**
Employee expenses	3,069	78,558	20,056	1,202	**102,885**
Other service expenses	2,697	112,446	22,069	56,940	**194,152**
Support service recharges	2,069	9,917	8,119	-	**20,105**
Depreciation, Amortisation and Impairment	11	3,831	8,461	-	**12,303**
Total Expenditure	7,846	204,752	58,705	58,142	**329,445**
Net Expenditure	**4,756**	**69,660**	**46,240**	**2**	**120,658**

* Public Health forms part of People Services
** Adults & Children's Services has been renamed to People Services
*** The 2013/14 figures have been restated due to changes in accounting policy for Schools (see Note 45).

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

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

2013/14 £000		2014/15 £000
120,658	Net expenditure in the Directorate Analysis	126,780
366	Other Operating Expenditure (Note 8)	11,752
7,633	Transfer of School Assets	11,093
16,875	Financing and Investment Income and Expenditure (Note 9)	(1,176)
(146,490)	Taxation and Non-specific Grant income (Note 10)	(149,952)
(958)	**Cost of Services in Comprehensive Income and Expenditure Statement**	**(1,503)**

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

2014/15	Directorate Analysis £000	Other Operating Expenditure (Note 8) £000	Transfer of School Assets and Financing and Investment Income and Expenditure (Note 9) £000	Taxation and Non-specific Grant income (Note 10) £000	Surplus or Deficit on provision of Services £000
Fees, charges & other service income	(19,135)	-	-	(52,079)	(71,214)
Interest and investment income	12	-	(305)	-	(293)
Income from council tax	-	-	-	-	-
Government grants and contributions	(190,796)	-	-	(98,126)	(288,922)
Total Income	(209,920)	-	(305)	(150,205)	(360,429)
Employee expenses	87,391	-	(17,125)	-	70,266
Other service expenses	200,842	11,200	11,093	253	223,389
Support Service recharges	32,412	3	-	-	32,414
Depreciation, amortisation and impairment	16,054	-	16,254	-	32,308
Interest payments	-	-	-	-	-
Precepts & Levies	-	550	-	-	550
(Gain)/Loss on Disposal of Fixed Assets	-	-	-	-	-
Total Expenditure	336,698	11,752	10,222	253	358,927
(Surplus)/Deficit on the provision of services	126,779	11,752	9,918	(149,952)	(1,503)

2013/14 *	Directorate Analysis £000	Other Operating Expenditure (Note 8) £000	Transfer of School Assets and Financing and Financing and Investment Income and Expenditure (Note 9) £000	Taxation and Non-specific Grant income (Note 10) £000	Surplus or Deficit on provision of Services £000
Fees, charges & other service income	(21,657)	-	-	(50,371)	(72,028)
Interest and investment income	(14)	-	(228)	-	(242)
Income from council tax	-	-	-	-	-
Government grants and contributions	(187,115)	-	-	(96,119)	(283,234)
Total Income	(208,786)	-	(228)	(146,490)	(355,504)
Employee expenses	102,885	-	921	-	103,806
Other service expenses	194,152	7,451	1	-	201,604
Support Service recharges	20,104	-	-	-	20,104
Depreciation, amortisation and impairment	11,612	-	16,181	-	27,793
Interest payments	-	-	-	-	-
Precepts & Levies	-	548	-	-	548
(Gain)/Loss on Disposal of Fixed Assets	-	-	-	-	-
Total Expenditure	328,753	7,999	17,103	-	353,855
(Surplus)/Deficit on the Provision of Services	119,967	7,999	16,875	(146,490)	(1,649)

* The 2013/14 figures have been restated due to changes in accounting policy for Schools (see Note 45).

NOTE 7 – TRANSFERS TO/FROM EARMARKED RESERVES

Earmarked Reserves are 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 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 March 2014 £000		Balance at 1 April 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000
250	(83)	234	401	Risk Management Fund	401	(170)	19	250
-	-	-	-	Leisure Contract Risk Fund	-	-	386	386
250	-	-	250	MMI Reserve	250	(225)	-	25
375	-	-	375	Insurance Reserve	375	(349)	167	193
1,374	-	-	1,374	Private Finance Initiative – Schools	1,374	(1,396)	22	-
2,033	(54)	172	2,151	Private Finance Initiative – Street Lighting	2,151	(2,493)	342	-
-	-	-	-	New Homes Bonus - Corporate Allocations	-	-	174	174
-	-	-	-	Council Tax Reserve Reliefs	-	-	334	334
16	(102)	86	-	Direct Revenue Funding Reserve	-	(362)	369	7
790	(291)	4	504	Alternative Delivery Models Reserve	504	(500)	5	9
1,523	(1,243)	1,000	1,280	MTFP Reserve	1,280	(1,280)	1,659	1,659
2,251	(1,801)	1,958	2,408	Funding Strategy Reserve	2,408	(4,939)	2,531	-
1,384	(63)	1,099	2,420	Budget Strategy Reserve	2,420	(2,408)	2,532	2,544
40	-	-	40	River Tees Port Health Authority Reserve	40	-	-	40
136	(30)	1	107	Trust Funds (On Deposit with the Council)	107	-	1	108
156	(6)	19	169	Corporate Resources Directorate Reserves	169	(217)	422	374
-	-	479	479	Social Fund Grant Reserve	479	-	410	889
2,134	(2,223)	3,463	3,374	People Services Directorate Reserves	3,374	(2,534)	3,795	4,634
1,643	(1,643)	2,495	2,495	Public Health Income Reserve	2,495	(1,287)	1,546	2,753
5,114	(5,114)	5,838	5,838	Balances held by schools under a scheme of delegation	5,838	(967)	719	5,589
4,046	(1,599)	675	3,122	Regeneration Directorate Reserves	3,122	(5,968)	4,807	1,962
23,516	**(14,250)**	**17,523**	**26,787**	**Total**	**26,787**	**(25,095)**	**20,238**	**21,930**

- The Risk Management Fund was established to fund one-off goods or services that are required to cover loss control, whether this is by elimination or reduction of incidents, that otherwise may impose a cost to the Council. The Risk Management Fund in 2013/14 combined the Leisure Contract Risk Fund. This is now shown separately.

- 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.

- The Council operates a self-funding arrangement on its insurance liability policies. An Insurance Reserve has been established for potential future insurance claims not currently provided for within the insurance provision.

- The Council receives support from the Government in the form of PFI grant that is paid on an annuity basis. Where the funding available is in excess of the contract payments to be made in the year, the surplus is transferred to an earmarked PFI reserve. This reserve is called upon in future years when contract payments exceed funding available. PFI reserves are in operation for both Schools and Street Lighting. These reserves have temporarily been used to fund a shortfall in business rates in 2014/15 and will be replenished in 2015/16 from surpluses on the Collection Fund.

- New Homes Bonus - Corporate Allocations Reserve: This funding is as a result of lower spend by the Council on New Homes Bonus related initiatives in the first few years of the grant being awarded. This position will be reversed in later years as these initiatives come to fruition and additional income is needed to finance the relevant costs.

- 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 is earmarked to fund future years' capital expenditure.

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

- The Budget Strategy Reserve, MTFP Reserve and Funding Strategy Reserve will be used to manage the volatility of the assumptions around the Medium Term Financial Plan, particularly changes in funding for local government expected following the introduction of the new funding formula and changes to the welfare reform and business rate regimes. Some of these have been used in year to fund the shortfall on business rates funding and will be replenished in 2015/16.

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

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

- Some grant income received by the Council has restrictions on how the income is to be applied. Where there are no conditions, or the conditions have been met, the income has been recognised against the Net Cost of Services, even if the expenditure has not been incurred. An appropriation is therefore needed against General Reserves to carry forward the funding to meet the spend. This is carried forward as an earmarked reserve if it has not been applied in year. The Corporate Resources Directorate Reserve, Social Fund Grant Reserve, People Services Directorate Reserve, Public Health Income Reserve and Regeneration Directorate Reserve include funds that have been created in this way.

- Balances held by schools are the accumulated balances and the differences between the school budget and actual expenditure incurred for all of the Redcar and Cleveland Schools. In accordance with Government regulations and the Council's Scheme of Delegation for Schools, these funds are carried forward and specifically earmarked for use by schools in future years.

The level of earmarked reserves held by the Council has fallen during 2014/15. This is due to issues with a major business rates manufacturer creating a shortfall in the base budget for business rates income. As a result, £10.082m of corporate earmarked reserves have been used in 2014/15 to bridge this funding gap as follows:

Earmarked reserve	£000
Private Finance Initiative – Schools	1,300
Private Finance Initiative – Street Lighting	2,100
Funding Strategy	2,408
Budget Strategy	2,103
Medium Term Financial Plan	1,280
MMI	225
Insurance	349
Alternate Delivery Models	317
Total	**10,082**

NOTE 8 – 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:

2013/14 * £000		2014/15 £000
548	Parish council precepts	550
167	Levies	148
-	Business rates contribution and shortfall	12,490
(349)	(Gains)/Losses on the disposal of non-current assets	(1,436)
366	**Total**	**11,752**

* The 2013/14 figures have been restated due to changes in accounting policy for Schools (see Note 45).

The large increase on Business Rates in 2014/15 relates to the Council's share of an expected non-payment of Business Rates following the introduction of the retained business rate income scheme in 2013/14.

NOTE 9 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2013/14 £000		2014/15 £000
16,446	Interest payable and similar charges	16,254
921	Net interest on the defined pension liability (2)	(17,125)
(264)	Impairment of Financial Instruments (1)	-
(228)	Interest receivable and similar income	(305)
16,875	**Total**	**(1,176)**

(1) – Relates to Icelandic investments – See Impairment of Investments within Financial Instruments (Note 34).

(2) – See Note 39 for details relating to Defined Benefit Pension Schemes.

NOTE 10 – 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 2014/15 are as follows:

2013/14 £000		2014/15 £000
	Credited to Taxation and Non-Specific Grant Income	
(50,371)	Council Tax Income	(51,826)
(31,683)	Distribution from Non-Domestic Rates	(42,850)
	Non-Ring Fenced Government Grants:	
(47,595)	Revenue Support Grant	(38,635)
(2,202)	Central Education Services Grant (LACSEG)	(1,973)
(7,123)	PFI Grant	(7,123)
(293)	New Homes Bonus Scheme	(1,103)
(76)	Local Services Support Grant	(7)
(7,147)	Capital Grants and Contributions	(6,435)
(146,490)	**Total**	**(149,952)**

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

The large year on year change for non-domestic rates income relates to substantial deficit on the Collection fund for 2013/14 of £9.1m. The Council chose to fund this shortfall in 2014/15 from earmarked reserves.

The reduction in Revenue Support Grant relates to ongoing austerity measures in terms of local authority funding by central government.

The change on New Homes Bonus relates to whether the grant has been used for directorate or corporate purposes for the appropriate financial year.

NOTE 11 – DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. 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 2014/15 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2014/15 before academy recoupment	10,424	97,535	107,959
Academy figure recouped for 2014/15	-	(32,334)	(32,334)
Total DSG after academy recoupment for 2014/15	10,424	65,201	75,625
Brought Forward from 2013/14	1,614	-	1,614
Carry forward to 2015/16 agreed in advance	-	-	-
Agreed initial budgeted distribution in 2014/15	**12,038**	**65,201**	**77,239**
In Year Adjustments:			
Early Years additional allocation re. 2013/14	-	162	162
Approval to disapply finance regulations and capitalise Two Year Old Offer funding	-	(50)	(50)
Early Years additional allocation re. 2014/15 to be received in 2015/16	-	(140)	(140)
Final budget distribution for 2014/15	**12,038**	**65,173**	**77,211**
Actual central expenditure	(10,027)	-	(10,027)
Actual ISB deployed to schools	-	(65,173)	(65,173)
Local authority contribution for 2014/15	-	-	-
Carry forward to 2015/16	**2,011**	**-**	**2,011**

NOTE 12 – MEMBERS' ALLOWANCES

2013/14 £000		2014/15 £000
622	Salaries	617
180	Allowances	175
17	Expenses	17
819	**Total**	**809**

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 2014/15. This figure also includes employers Superannuation and National Insurance contributions. The figures shown for 2013/14 are a direct comparison with 2014/15.

NOTE 13 – OFFICERS' REMUNERATION

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

2013/14			Remuneration Band (£)	2014/15		
School Employees	Non-School Employees	Total Employees		School Employees	Non-School Employees	Total Employees
25	21	46	50,000 to 54,999	16	18	34
18	4	22	55,000 to 59,999	17	-	17
16	1	17	60,000 to 64,999	10	-	10
6	7	13	65,000 to 69,999	6	4	10
3	-	3	70,000 to 74,999	2	-	2
4	6	10	75,000 to 79,999	1	3	4
2	1	3	80,000 to 84,999	2	3	5
1	1	2	85,000 to 89,999	1	-	1
-	1	1	90,000 to 94,999	2	-	2
1	-	1	95,000 to 99,999	1	-	1
-	1	1	100,000 to 104,999	-	1	1
-	1	1	105,000 to 109,999	-	-	-
-	1	1	110,000 to 114,999	-	-	-
-	2	2	115,000 to 119,999	-	2	2
-	-	-	120,000 to 124,999	-	-	-
-	-	-	125,000 to 129,999	-	-	-
-	1	1	130,000 to 134,999	-	1	1
-	1	1	135,000 to 139,999	-	-	-
-	-	-	140,000 to 144,999	-	-	-
-	1	1	145,000 to 149,999	-	1	1
-	-	-	150,000 to 154,999	-	-	-
-	-	-	155,000 to 159,999	-	-	-
-	-	-	160,000 to 164,999	-	-	-
-	-	-	165,000 to 169,999	-	-	-
-	-	-	170,000 to 174,999	-	-	-
-	-	-	Over £180,000	-	1	1
76	**50**	**126**	**Total**	**58**	**34**	**92**

Payments in respect of early retirement and voluntary redundancy as part of an organisational change process have been included where appropriate.

In terms of statutory requirements any senior member of staff with a salary in excess of £150,000 needs to be named. No officer of the Council met this requirement in 2014/15.

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

2014/15	Salary (including Fees & Allowances) £	Recurring Payment £	One Off Payment £	Benefits in Kind £	Redundancy £	Gross Remuneration Excl Pension Contributions 2014/15 £	Pension Contributions 2014/15 £	Total Remuneration Including Pension Contributions 2014/15 £
Chief Executive	145,239	-	-	-	-	145,239	21,798	167,037
Director of Corporate Resources	116,729	-	-	-	83,949	200,678	17,519	218,197
Director of Regeneration Services	116,729	-	-	-	-	116,729	17,519	134,248
Director of People Services	116,729	-	-	-	-	116,729	17,519	134,248
Assistant Director - Financial Services	100,144	-	-	-	-	100,144	15,030	115,174
Head of Human Resources (0.92 FTE)	76,037	-	-	-	-	76,037	11,412	87,450
Total	**671,607**	**-**	**-**	**-**	**83,949**	**755,556**	**100,797**	**856,353**

2013/14	Salary (including Fees & Allowances) £	Recurring Payment £	One Off Payment £	Benefits in Kind £	Redundancy £	Gross Remuneration Excl Pension Contributions 2013/14 £	Pension Contributions 2013/14 £	Total Remuneration Including Pension Contributions 2013/14 £
Chief Executive	145,239	-	-	-	-	145,239	21,931	167,170
Director of Corporate Resources	116,879	-	-	-	-	116,879	17,626	134,505
Director of Area Management	63,806	-	-	-	75,159	138,965	8,519	147,484
Director of Public Health	75,659	-	-	-	-	75,659	11,424	87,083
Director of Regeneration Services	107,650	-	-	-	-	107,650	16,255	123,905
Director of People Services	116,729	-	-	-	-	116,729	17,626	134,355
Assistant Director - Financial Services	100,144	-	-	-	-	100,144	15,122	115,266
Head of Human Resources (0.5 FTE)	92,124	-	-	-	-	92,124	13,896	106,020
Total	**818,230**	**-**	**-**	**-**	**75,159**	**893,389**	**122,399**	**1,015,788**

An additional requirement for local authorities is to disclose an appropriate level of detail on local government pay and officer’s salaries. The transparency agenda requires disclosure of salaries over £58,200.

The table below gives salary and remuneration details for all staff above the £58,200 threshold (excluding the senior officer details given above).

2014/15	Salary (including Fees & Allowances) £	Recurring Payment £	One Off Payment £	Benefits in Kind £	Redundancy £	Gross Remuneration Excl Pension Contributions 2014/15 £	Pension Contributions 2014/15 £	Total Remuneration Including Pension Contributions 2014/15 £
Non-schools:								
Clinical Director	133,454	-	-	-	-	133,454	17,660	151,115
Assistant Director Commissioning & Adults	84,420	-	-	-	-	84,420	12,670	97,090
Assistant Director Children & Families	84,097	-	-	-	-	84,097	9,387	93,484
Assistant Director Organisational Change	81,536	-	-	-	-	81,536	12,228	93,764
Assistant Director Regeneration	76,037	-	-	-	-	76,037	11,412	87,450
Assistant Director of Public Health	75,747	-	-	-	-	75,747	11,368	87,116
Head of Public Health Intelligence	68,565	-	-	-	-	68,565	9,493	78,058
Head of Policy & Performance	68,434	-	-	-	-	68,434	10,271	78,705
Head of Neighbourhoods	68,434	-	-	-	-	68,434	10,271	78,705
Financial Services Manager	65,490	-	-	-	-	65,490	9,829	75,320
	806,214	-	-	-	-	806,214	114,589	920,807
Schools:								
Executive Head Teacher	95,485	-	-	-	-	95,485	14,543	110,028
Head Teacher	91,221	-	-	-	-	91,221	12,862	104,083
Head Teacher	86,859	-	-	-	-	86,859	12,160	99,019
Executive Head Teacher	81,221	-	-	-	-	81,221	11,394	92,615
Head Teacher	81,019	-	-	-	-	81,019	11,343	92,362
Head Teacher	76,593	-	-	-	-	76,593	11,103	87,696
Deputy Head Teacher	73,167	-	-	-	-	73,167	10,317	83,484
Deputy Head Teacher	71,381	-	-	-	-	71,381	9,050	80,431
Head Teacher	69,512	-	-	-	-	69,512	9,801	79,313
Deputy Head Teacher	67,987	-	-	-	-	67,987	9,586	77,574
Head Teacher	67,316	-	-	-	-	67,316	9,492	76,807
Head Teacher	67,012	-	-	-	-	67,012	9,449	76,461
Head Teacher	65,686	-	-	-	-	65,686	9,262	74,948
Head Teacher	65,686	-	-	-	-	65,686	9,262	74,948
Head Teacher	64,267	-	-	-	-	64,267	9,354	73,621
Head Teacher	63,943	-	-	-	-	63,943	9,016	72,959
Head Teacher	63,816	-	-	-	-	63,816	8,998	72,814
Head Teacher	63,160	-	-	-	-	63,160	8,996	72,156
Head Teacher	62,683	-	-	-	-	62,683	8,838	71,521
Head Teacher	62,445	-	-	-	-	62,445	8,805	71,250
Head Teacher	62,263	-	-	-	-	62,263	8,779	71,042
Head Teacher	61,641	-	-	-	-	61,641	8,691	70,332

2014/15	Salary (including Fees & Allowances) £	Recurring Payment £	One Off Payment £	Benefits in Kind £	Redundancy £	Gross Remuneration Excl Pension Contributions 2014/15 £	Pension Contributions 2014/15 £	Total Remuneration Including Pension Contributions 2014/15 £
Head Teacher	60,760	-	-	-	-	60,760	8,567	69,327
Head Teacher	60,151	-	-	-	-	60,151	8,481	68,633
Head Teacher	59,920	-	-	-	-	59,920	8,449	68,369
Head Teacher	59,695	-	-	-	-	59,695	8,417	68,112
Deputy Head Teacher	59,553	-	-	-	-	59,553	8,337	67,890
Senior School Improvement Advisor	59,437	-	-	-	-	59,437	8,921	68,357
Deputy Head Teacher	59,237	-	-	-	-	59,237	8,293	67,530
Deputy Head Teacher	58,871	-	-	-	-	58,871	8,301	67,172
Deputy Head Teacher	58,833	-	-	-	-	58,833	8,276	67,109
Deputy Head Teacher	58,496	-	-	-	-	58,496	8,481	66,978
Head Teacher	58,449	-	-	-	-	58,449	8,241	66,691
Senior Assistant Head Teacher	56,742	-	-	-	-	56,742	7,944	64,686
Deputy Head Teacher	55,320	-	-	-	38,000	93,320	7,800	101,120
	2,329,827	-	-	-	38,000	2,367,827	329,609	2,697,438

NOTE 14 – TERMINATION BENEFITS

The Council terminated the contracts of 36 employees in the 2014/15 financial year, incurring liabilities of £0.493m (£2.920m for 2013/14). Of this total £0.486m was payable to 35 officers in respect of various voluntary arrangements agreed and £0.007m was paid to 1 officer who received compulsory redundancy. These figures are significantly lower than the previous financial year, where the Shaping Our Future programme resulted in a major internal restructuring of the Council.

The table below shows an analysis of the total cost incurred by directorate during 2014/15.

Directorate	£000	Number of employees
Corporate Resources	254	9
People Services	192	24
Regeneration Services	47	3
Total	**493**	**36**

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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
							£000	£000
0 to 20,000	4	1	109	29	113	30	949	217
20,001 to 40,000	-	-	42	4	42	4	1,148	128
40,001 to 60,000	-	-	4	0	4	-	173	-
60,001 to 80,000	-	-	8	1	8	1	556	64
80,001 to 100,000	-	-	1	1	1	1	94	84
100,001 to 150,000	-	-	-	-	-	-	-	-
Provision	-	-	-	-	-	-	-	-
Total	**4**	**1**	**164**	**35**	**168**	**36**	**2,920**	**493**

NOTE 15 – 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.

2013/14 *			Trading Operation	2014/15		
Income £000	Expenditure £000	(Surplus)/ Deficit £000		Income £000	Expenditure £000	(Surplus)/ Deficit £000
(2,861)	3,028	167	**Catering** Provision of meals in schools throughout the borough.	(67)	25	(41)
(619)	231	(388)	**Trade Refuse Collection** Undertakes the collection of commercial waste from properties within the borough.	(622)	258	(364)
(19)	261	242	**Industrial Estates** As part of the Council's priority theme to provide business space to attract and sustain business in the local economy, the Council provides units in a range of sizes throughout the borough.	(13)	167	154
(4)	4	-	**Markets** Provision of a site for the operation of a market based in Redcar, to boost retail and tourism for the borough.	(7)	4	(4)
(315)	577	262	**Business Centres** Provision of workshop and office accommodation in a range of sizes at The Beacon, Redcar Station & South Tees Business Centres, as part of the Council's priority theme to provide business space to attract and sustain business in the local economy.	(273)	1,083	810
(1,120)	377	(743)	**Car Parking** Provision of both on street and off street parking throughout the borough.	(973)	500	(473)
(4,938)	**4,478**	**(460)**	**Total**	**(1,956)**	**2,038**	**82**

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.

Income recovery for trading accounts does not take account of impairment charges, as these are calculated at the end of each financial year. These are one off costs based on unanticipated events and as such the true trading position needs to be considered with these excluded. The effect on the individual trading accounts of excluding impairment charges is shown in the table below.

2013/14 *				2014/15		
Income £000	Expenditure £000	(Surplus)/ Deficit £000	**Trading Operation**	Income £000	Expenditure £000	(Surplus)/ Deficit £000
(2,861)	3,028	167	**Catering**	(67)	25	(41)
(619)	231	(388)	**Trade Refuse Collection**	(622)	258	(364)
(19)	127	108	**Industrial Estates**	(13)	143	130
(4)	4	-	**Markets**	(7)	4	(4)
(315)	577	262	**Business Centres**	(273)	490	217
(1,120)	377	(743)	**Car Parking**	(973)	500	(473)
(4,938)	**4,344**	**(594)**	**Total**	**(1,956)**	**1,421**	**(535)**

* The 2013/14 figures have been restated for the following reasons (see Note 46):

- During the 2014/15 review of trading operations, one of the Business Centres (The Hub) was found to have been classified as a trading operation in error in 2013/14. This has now been excluded from the trading account.
- The 2013/14 year-end IFRS adjustments were not reflected in the 2013/14 figures for Catering.

NOTE 16 – FEES PAYABLE TO AUDITORS

For 2014/15 the following fees relating to external audit and inspection were payable by the Council:

2013/14 £		2014/15 £
166,525	Fees payable for services provided by the External Auditors	168,350
19,673	Fees payable for the certification of grant claims.	18,685
186,198	**Total**	**187,035**
(22,539)	Audit Commission Rebate	(16,927)
163,659	**Total**	**170,108**

Further fees may be expected for 2014/15 financial year work, although these have yet to be quantified.

NOTE 17 – PROPERTY, PLANT AND EQUIPMENT (PPE)

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

Movements in tangible non-current assets for the year 2014/15:

The opening balance for tangible non-current assets has been restated due to a change in accounting policy for the treatment of schools. A more detailed explanation is given in Note **45**).

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total PPE	Included in Total PPE - Owned	Included in Total PPE - Finance Leased	Included in Total PPE – PFI Assets
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation										
At 1 April 2014 (Restated)	154,085	24,258	178,664	6,566	30,340	-	393,913	361,512	201	32,200
Additions	3,414	1,584	4,951	305	2,719	-	12,973	12,956	-	17
Donations	-	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) to RR	1,367	-	-	495	-	-	1,862	4,995	-	(3,133)
Revaluation increases/(decreases) to SDPS	(6,923)	-	-	(183)	-	-	(7,106)	(1,892)	-	(5,214)
Derecognition - Disposals	(11,508)	(269)	-	-	-	-	(11,777)	(11,777)	-	-
Derecognition - Other	-	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(12,182)	-	-	-	-	-	(12,182)	(12,182)	-	-
Assets reclassified (to)/from Investment Properties	(2,698)	-	-	-	-	-	(2,698)	(2,698)	-	-
Other movements	32,942	-	-	-	(32,942)	-	-	-	-	-
At 31 March 2015	158,497	25,573	183,615	7,183	117	-	374,985	350,914	201	23,870
Accumulated Depreciation and Impairment										
At 1 April 2014 (Restated)	7,355	17,396	73,089	(1)	-	-	97,839	92,017	108	5,714
Depreciation charge for the year	4,902	1,711	6,029	-	-	-	12,642	11,618	27	997
Depreciation written out to the RR	-	-	-	-	-	-	-	-	-	-
Depreciation written out to the SDPS	(5,253)	-	-	-	-	-	(5,253)	(3,791)	-	(1,462)
Impairment losses/(reversals) recognised in the RR	-	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the SDPS	2,194	-	-	-	-	-	2,194	2,194	-	-
Derecognition - Disposals	(232)	(240)	-	-	-	-	(472)	(472)	-	-
Derecognition - Other	-	-	-	-	-	-	-	-	-	-
Other movements	(10)	-	-	-	-	-	(10)	(10)	-	-
At 31 March 2015	8,956	18,867	79,118	(1)	-	-	106,940	101,556	135	5,249
Net Book Value										
At 31 March 2015	149,541	6,706	104,497	7,184	117	-	268,045	249,358	66	18,621
At 31 March 2014 (Restated) *	146,730	6,862	105,575	6,567	30,340	-	296,074	269,495	93	26,486

There is a significant movement in the Net Book Value of property, plant and equipment at the end of the financial year (£28.029m or 9.5%). This is mainly due to additions in year less the loss on disposals and revaluations.

The material losses/(gains) in year are as follows:

Asset	£000	Explanation
Redcar Leisure and Civic Heart	6,143	The asset has been re-categorised from assets under construction to land and buildings and investment properties. The asset has also been revalued and depreciated in line with the accounting policies.
Bydales (Outwood Academy)	8,577	Transfer of school to Academy status
Normanby Primary School	1,308	Transfer of school to Academy status
Nunthorpe Primary School	1,234	Transfer of school to Academy status
Street Lighting PFI	770	In year depreciation
South Bank Primary (PFI)	2,250	Impairment charge due to structural issues within the building. The asset is currently unavailable for use.
The Haven Travellers Site	(1,428)	Major scheme within year
Seafield House (PFI)	1,603	Revaluation loss due to a change in revaluation method. A more appropriate method is Depreciated Replacement cost and not fair value which was used previously.
Belmont House (PFI)	1,616	
South Tees Business Centre (PFI)	1,639	
Total	**23,712**	

<u>Depreciation</u>

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

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

Comparative movements in tangible non-current assets for the year 2013/14*:

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total PPE	Included in Total PPE - Owned	Included in Total PPE - Finance Leased	Included in Total PPE – PFI Assets
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation</u>										
At 1 April 2013 (Restated)	157,427	21,986	168,683	6,542	19,874	28	374,540	340,147	2,257	32,136
Additions	6,608	2,811	4,091	24	16,418	-	29,952	29,888	-	64
Donations	-	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) to RR	(1,732)	-	-	-	-	-	(1,732)	(1,732)	-	-
Revaluation increases/(decreases) to SDPS	120	-	-	-	-	-	120	120	-	-
Derecognition - Disposals	(8,722)	(539)	-	-	-	-	(9,261)	(7,205)	(2,056)	-
Derecognition - Other	-	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(3,388)	-	-	-	-	-	(3,388)	(3,388)	-	-
Assets reclassified (to)/from Investment Properties	3,744	-	-	-	-	-	3,744	3,744	-	-
Other movements	28	-	5,890	-	(5,952)	(28)	(62)	(62)	-	-
At 31 March 2014	154,085	24,258	178,664	6,566	30,340	-	393,913	361,512	201	32,200
<u>Accumulated Depreciation and Impairment</u>										
At 1 April 2013	6,976	16,178	67,004	(1)	-	-	90,157	83,505	2,131	4,521
Depreciation charge for the year (Restated)	4,644	1,749	6,085	-	-	-	12,478	11,252	33	1,193
Depreciation written out to the RR	-	-	-	-	-	-	-	-	-	-
Depreciation written out to the SDPS	(3,714)	-	-	-	-	-	(3,714)	(3,714)	-	-
Impairment losses/(reversals) recognised in the RR	-	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the SDPS	-	-	-	-	-	-	-	-	-	-
Derecognition - Disposals	(551)	(531)	-	-	-	-	(1,082)	974	(2,056)	
Derecognition - Other	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-
At 31 March 2014 (Restated)	7,355	17,396	73,089	(1)	-	-	97,839	92,017	108	5,714
Net Book Value										
At 31 March 2014 (Restated)	146,730	6,862	105,575	6,567	30,340	-	296,074	269,495	93	26,486
At 31 March 2013 (Restated)	150,451	5,808	101,679	6,543	19,874	28	284,383	256,642	126	27,615

* The 2013/14 figures have been restated due to changes in accounting policy for Schools (see Note 45).

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) and a sample by external valuers.

The Council carries out a rolling revaluation programme that ensures that all items 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 2015	131,524	6,706	104,497	5,011	117	-	247,855
Valued at fair value as at:							
31 March 2015	70,446	-	-	1,971	-	-	72,418
31 March 2014	53,852	-	-	-	-	-	53,852
31 March 2013	33,541	-	-	2,076	-	-	35,617
31 March 2012	24,088	14	-	-	-	344	24,446
31 March 2011	63,089	-	-	-	-	-	63,089
Total Cost or Valuation	245,016	14	-	4,047	-	344	249,422

NOTE 18 – IMPAIRMENT LOSSES

Paragraph 4.7.4.2(1) of the Code 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. These disclosures are consolidated in Note 17 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

NOTE 19 – HERITAGE ASSETS

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

	Art Collection £000	Civic Regalia £000	Military Equipment £000	Artefacts £000	Total Assets £000
Cost or Valuation					
1 April 2013	107	132	25	263	527
Additions	62	-	-	-	62
Disposals	-	-	-	-	-
Revaluations	-	-	-	-	-
Impairment Losses	-	-	-	-	-
31 March 2014	169	132	25	263	589
Cost or Valuation					
1 April 2014	169	132	25	263	589
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Revaluations	-	-	-	-	-
Impairment Losses	-	-	-	-	-
31 March 2015	169	132	25	263	589

Art Collection

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

Civic Regalia

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

Military Equipment

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

Artefacts

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

Additions to Heritage Assets

During 2014/15 no Heritage Assets were purchased.

Disposal of Heritage Assets

During 2014/15 no Heritage Assets were disposed of.

Heritage Assets: Five Year Summary

	2014/15 £000	2013/14 £000	2012/13 £000	2011/12 £000	2010/11 £000
Cost	-	62	20	124	83
Donation	-	-	-	-	-
Disposal	-	-	-	-	-
Revaluation	-	-	-	228	-
Impairment	-	-	-	-	-
	-	62	20	352	83
<u>Acquisitions</u>					
Art Collection	-	62	20	-	-
Artefacts and Fossils	-	-	-	124	83
Military Equipment	-	-	-	-	-
Civic Regalia	-	-	-	-	-
	-	62	20	124	83
<u>Revaluation</u>					
Art Collection	-	-	-	87	-
Artefacts and Fossils	-	-	-	-	-
Military Equipment	-	-	-	9	-
Civic Regalia	-	-	-	132	-
	-	-	-	228	-

NOTE 20 – INVESTMENT PROPERTIES

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The assets are measured initially at cost and then subsequently at fair value, based on the amount at which the asset can be exchanged between knowledgeable parties at arm's length. The assets are not depreciated and an annual revaluation ensures that they are held at market value on the balance sheet date.

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

2013/14 £000		2014/15 £000
3,475	Properties for rental income purposes	4,207
4,946	Properties held for capital appreciation purposes	678
8,421		4,885

2013/14 £000		2014/15 £000
12,216	Balance at start of the year	8,421
	Additions:	
-	Purchases	102
-	Construction	-
-	Subsequent expenditure	-
(464)	Disposals	(130)
125	Net gains/(losses) from fair value adjustments	(6,206)
	Transfers:	
-	(To)/From Inventories	-
(3,456)	(To)/From Property, Plant and Equipment	2,698
-	Other Changes	-
8,421	Balance at end of the year	4,885

There is a significant decrease in the net book value of investment properties held at the end of this financial year (£3.536m, 42%). The material losses/(gains) in year is due to:

Asset	£000	Explanation
Swans Corner	4,400	Land transferred to Assets held for sale
Redcar Leisure and Civic Heart (Business/Retail Space)	(1,310)	Asset transferred from Asset Under Construction following the completion of the build
Total	3,090	

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.

NOTE 21 – INTANGIBLE ASSETS

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

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

Assets	Useful Life	Useful Life Remaining	31 March 2014 £000	Expenditure 2014/15 £000	Amortisation 2014/15 £000	31 March 2015 £000
Internally Generated						
Adult Services System	10 Years	10 Years	707	18	(93)	632
ERP Systems	10 Years	10 Years	878	809	(185)	1,502
Other						
Other IT Software	Various	Various	1,522	98	(457)	1,163
			3,107	925	(735)	3,297

The amortisation of £0.735m has been charged to the Comprehensive Income and Expenditure Statement in 2014/15. This has been allocated within the Cost of Services as follows:

Service Area	2014/15 £000
Planning Services	18
Education and Children's Services	51
Highways and Transport Services	7
Adult Social Care	93
Total	170

The residual amount of £0.565m is charged against the IT service. This is a central support service and is reallocated against all lines within the Comprehensive Income and Expenditure Statement.

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

2013/14 £000		2014/15 £000
7,523	Gross carrying amounts	8,784
(4,282)	Accumulated amortisation	(5,677)
3,241	Net carrying amount at start of year	3,107
-	Additions – internal development	-
1,261	Additions - purchases	925
-	Additions – through business combinations	-
-	Disposals	-
-	Impairment losses recognised or reversed directly in the Revaluation Reserve	-
(1,395)	Amortisation for the period	(735)
-	Other changes	-
3,107	**Net carrying amount at end of year**	**3,297**
	Comprising:	
8,784	Gross carrying amounts	9,709
(5,677)	Accumulated amortisation	(6,412)

NOTE 22 – PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

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

Office Accommodation and Business Centre

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

- Office Accommodation in Redcar
- Office Accommodation in Guisborough
- A Business Centre in South Bank

Seafield House in Redcar accommodates employees in People Services. Belmont House in Guisborough accommodates employees in Regeneration and Corporate Resources. The South Tees Business Centre has a strong technology focus and offers 16 workshops and 39 offices along with in-house business advice and support.

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 £39m, excluding estimates of inflation. The original building value was £9.13m.

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

Schools

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

The contract entered into is for a period of 30 years and has two elements, as detailed above. The schools were completed and became operational in September 2006. The value of the contract over the 30 years is £214m, excluding estimates of inflation. The original building value for the five schools was £48.05m.

<u>Classification of Schools</u>

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

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

South Bank Primary School building is included in property, plant and equipment on the Council's Balance Sheet and is depreciated and revalued in line with Council policy on non-current assets. The corresponding liability is reflected in the Council's Balance Sheet.

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 £72m, excluding estimates for inflation. The value of the street lighting infrastructure is £19.82m.

Street lighting is recognised in the Council's Balance Sheet as an infrastructure asset and is depreciated and revalued 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 17 on property, plant & equipment.

Payments

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

Other reasons why costs might vary in future years are:

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

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

The 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 2015 (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 2015

	Repayment of leasing liability	Payment of interest	Provision of services	Total
	31 March 2015 £000	31 March 2015 £000	31 March 2015 £000	31 March 2015 £000
Within 1 year	1,851	6,114	3,876	11,841
Within 2 - 5 years	8,620	22,673	16,070	47,363
Within 6 – 10 years	14,099	23,587	21,516	59,202
Within 11 -15 years	18,109	16,485	20,257	54,851
Within 16 - 20 years	20,094	7,440	16,460	43,994
Within 20 -22 years	3,047	129	1,135	4,311
Total Future Payments	65,820	76,428	79,314	221,562

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

Payments due to be made under PFI Contracts (including inflation) - Outstanding as at 31 March 2015

	Repayment of leasing liability	Payment of interest	Provision of services	Total
	31 March 2015 £000	31 March 2015 £000	31 March 2015 £000	31 March 2015 £000
Within 1 year	1,851	7,613	4,738	14,202
Within 2 - 5 years	8,620	30,941	20,887	60,448
Within 6 – 10 years	14,099	39,204	31,155	84,458
Within 11 -15 years	18,109	36,998	32,856	87,963
Within 16 - 20 years	20,094	28,528	29,030	77,652
Within 20 -22 years	3,047	2,878	2,118	8,043
Total Future Payments	65,820	146,162	120,784	332,766

The figures below represent the amount of debt outstanding with the PFI contractor for the assets held under contract as at 31 March 2015. This is repayable over the remaining term of the contract.

Value of liabilities held under PFI schemes

2013/14 £000	Outstanding PFI Liability	2014/15 £000
(69,176)	Opening Balance	(67,490)
1,686	Repayments	1,670
-	Adjustment	-
-	Additions	-
(67,490)	Closing Balance	(65,820)

NOTE 23 – LEASES

Council as Lessee – Finance Leases

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

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

31 March 2014 £000	Property, Plant and Equipment	31 March 2015 £000
94	Vehicles, Plant, Furniture and Equipment	67

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

31 March 2014 £000		31 March 2015 £000
23	Current - Repayment of leasing liability within 1 year	26
68	Non-Current - Repayment of leasing liability Later than 1 year	42
27	Finance Costs Payable in Future Years (Interest)	13
118	Future minimum lease payments	81

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

Minimum Lease Payments 31 March 2014 £000	Finance Lease Liabilities 31 March 2014 £000		Minimum Lease Payments 31 March 2015 £000	Finance Lease Liabilities 31 March 2015 £000
37	23	Not later than one year	33	26
81	68	Later than one year and not later than five years	48	42
-	-	Later than five years	-	-
118	91	Future minimum lease payments	81	68

Council as Lessee – Operating Leases

The Council has one lease remaining relating to vehicles that are classified as operating leases under IFRS. This expires in March 2016. The lease is classified as an operating lease as the risks and rewards incidental to ownership have not transferred to the Council. These assets will have some residual life remaining after the lease has ended. At the end of the lease the Council will decide whether to return the vehicles to the lessor, purchase the vehicles or extend the lease.

The future minimum lease payments under non-cancellable leases in future years are:

31 March 2014 £000		31 March 2015 £000
214	Not later than one year	57
57	Later than one year and not later than five years	-
-	Later than five years	-
271	Future minimum lease payments	57

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

2013/14 £000		2014/15 £000
214	Minimum lease payments	214
19	Contingent rents	-
233	Total	214

Contingent rents refer to one-off payments relating to the return of leased items. These may include excess wear and tear on the vehicles, purchase of low value equipment and the cost of return to the lessor.

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

NOTE 24 – CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

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

The Capital Financing Requirement is analysed in the following table:

2013/14			2014/15	
£000	£000		£000	£000
	255,782	**Opening Capital Financing Requirement**		**269,227**
		Capital Investment		
29,952		Property, Plant and Equipment	12,975	
1,261		Intangible Assets	925	
1,555		Loans & Advances Treated as Capital Expenditure	174	
-		Investment Properties	102	
2,204		Revenue Expenditure Funded from Capital under Statute	1,308	
	34,972	Total Capital Investment		15,484
		Sources of Finance		
(1,964)		Capital Receipts	(2,445)	
(10,615)		Government grants and other contributions	(6,852)	
-		Sums set aside from revenue:	-	
(101)		Direct revenue contributions	(95)	
-		Minimum Revenue Provision - Previous years adjustment	-	
(8,847)		MRP/Loans Fund Principal	(8,668)	
	(21,527)	Total Sources of Finance		(18,060)
	269,227	**Closing Capital Financing Requirement**		**266,651**
	13,445	Movement in Year		(2,576)
		Explanation of movement in year		
-		Increase in underlying need to borrow (supported by government assistance)	-	
22,292		Increase in underlying need to borrow (unsupported by government assistance)	6,092	
-		Assets acquired under finance leases	-	
-		Assets acquired under PFI/PPP contracts	-	
	22,292	**Increase/(Decrease) in Capital Financing Requirement**		6,092
	(8,847)	Reduced by Minimum Revenue Provision		(8,668)
	13,445			(2,576)

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

2013/14 £000	Analysis of Revenue Expenditure Funded as Capital Under Statute	2014/15 £000
1,236	Grants to individuals and organisations	909
38	Expenditure on Housing	(78)
930	Expenditure on assets not belonging to the Council	477
-	Expenditure on Pensions and Redundancy costs	-
2,204	Total	1,308

Contractual Commitments

As at 31 March 2015, the Council has entered into a contract for the construction of Skinningrove coastal works. The commitment is for £3.429m. Similar commitments at 31 March 2014 were £3.3m.

Commitments have only been disclosed if the scheme total is greater than £0.5m.

NOTE 25 – LONG TERM INVESTMENTS

Investment	Type of Investment	Value at 31 March 2014 £000	Gain/(Loss) on Revaluation £000	Value at 31 March 2015 £000
Durham Tees Valley Airport Ltd	Ordinary Shares	40	(40)	-
SITA Tees Valley Limited	Loan Shares	312	-	312
Total		**352**	**(40)**	**312**

The long term investment in Durham Tees Valley Airport Ltd has been revalued to zero as a result of an operating loss incurred during recent financial years, which has resulted in negative shareholders' funds.

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

NOTE 26 – LONG TERM DEBTORS

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

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

Loan to Leisure Service Provider - As part of the current leisure contract with Sports and Leisure Management Ltd (SLM) the Council agreed to use its prudential borrowing powers to finance the capital investment programme put forward by SLM as part of its successful bid. The rationale being that the Council could access cheaper long term external finance than SLM could obtain from the banking sector. This would result in savings to the Council as these capital borrowing costs are recharged back to the Council through the regular billing process. As the assets involved, principally Leisure Centres, are owned by the Council in a freehold capacity, this process is similar to the Council investing in its own buildings portfolio. A loan of £1.555m was made in 2013/14 with a further loan of £0.174m in 2014/15. An overall ceiling of around £3.1m is in place over the 20-year contract period. The loan is repayable over the life of the assets involved which is between 3 and 7 years.

Economic Development Loans and RCIF - Cabinet on 1 March 2011 approved the allocation of funding to help assist the unemployed into employment and the provision of support for attracting new businesses. This funding includes the provision of loans to allow low income entrepreneurs to start or expand a small business and for businesses interested in establishing in the Borough. The first loans were made in 2011/12, with repayment periods of between 1 and 5 years. This covers both the Economic Development loans and the Redcar and Cleveland Investment Fund (RCIF) loan.

	Balance 31 March 2014 £000	Total Spend £000	Disposals/ Transfers £000	Amounts Written Off/ Repaid £000	Balance 31 March 2015 £000
Car Loans	22	-	-	(16)	6
Private Mortgages	4	-	-	(1)	3
Loan to Leisure Service Provider - SLM	1,555	174	-	(266)	1,463
Economic Development Loans	77	-	-	(62)	15
RCIF – Loan Repayment	33	-	-	(9)	24
Total	1,691	174	-	(354)	1,511

NOTE 27 – 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.

2013/14 £000		2014/15 £000
4,464	**Balance outstanding at start of year**	**5,979**
	Assets newly classified as held for sale	
3,537	- Property, Plant and Equipment	12,172
-	- Intangible Assets	-
-	- Other assets/liabilities in disposal groups	-
(1,212)	Revaluation losses	(500)
-	Revaluation gains	-
-	Impairment losses	-
-	Assets declassified as held for sale:	
(150)	- Property, Plant and Equipment	-
-	- Intangible Assets	-
-	- Other assets/liabilities in disposal groups	-
(690)	Assets sold	(573)
-	Transfers from non-current to current	-
30	Other movements	-
5,979	**Balance outstanding at year end**	**17,078**

There is a significant increase in the net book value of assets held for sale at the end of this financial year of £11.09m. The material gains in year are due to assets newly classified as assets held for sale, the majority due to land at Swan's Corner and Upsall Hall Rural Centre.

NOTE 28 – INVENTORIES

2014/15 Financial Year	Balance at 1 April 2014	Purchases	Recognised as an expense in the year	Written off balances	Balance at 31 March 2015
	£000	£000	£000	£000	£000
Stocks	77	811	(845)	(7)	36

2013/14 Financial Year	Balance at 1 April 2013	Purchases	Recognised as an expense in the year	Written off balances	Balance at 31 March 2014
	£000	£000	£000	£000	£000
Stocks	117	329	(339)	(30)	77

Stocks held relate to Vehicle and Museum activities. Management of the Fleet Stores Stock was outsourced to a third party during 2014/15. Improvements in the Vehicle Fuel processes have ensured that all purchases have been recorded through the Vehicle Fuel Stock Account in 2014/15.

NOTE 29 – DEBTORS

31 March 2014 * £000		31 March 2015 £000
4,077	Central government bodies	3,271
3,155	Other local authorities	3,871
1,054	NHS Bodies	4,408
22	Public corporation and trading funds	-
7,551	Council Tax payers	7,472
3,959	Business Rates	884
3,114	Housing Benefits Overpayments	3,032
3,197	Other entities and individuals	3,065
26,129	**Total**	**26,003**
	Provisions for Doubtful Debts	
(124)	General	(33)
(5,228)	Council Tax payers	(4,990)
(600)	Business Rates	(725)
(1,020)	Housing Benefits Overpayments	(704)
19,157	**Total debtors including provision for doubtful debt**	**19,551**

* The 2013/14 figures have been restated as some customers were previously misclassified under the various headings, but after clarification they have now been reclassified as appropriate (see Note 46).

The increase in NHS debtors is due to a large number of transactions (exceeding £3m) that were raised against the National Health Service during March 2015. The decrease in business rates is due to a large amount which was outstanding as at 31 March 2014 but which has been cleared during 2014/15.

NOTE 30 – CASH AND CASH EQUIVALENTS

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

31 March 2014 £000		31 March 2015 £000
47	Cash held by the Council	44
3,979	Bank current accounts – school accounts	2,864
(224)	Bank current accounts – main council	(4,858)
16,355	Short term deposits with Financial Institutions	40,085
20,157	**Total Cash and Cash Equivalents**	**38,135**

The negative balance against the Council's current account relates to payments (both electronic transfers and cheques) which have been processed against the Council's accounts but which have yet to clear.

Cash and Cash Equivalents are significantly higher in 2014/15 and almost double the level in the last financial year. This increase is a direct consequence of the reduced business rate position declared to central government. This will be repaid in instalments during 2015/16 which will reduce cash to a more natural position.

NOTE 31 – CREDITORS

31 March 2014 * £000		31 March 2015 £000
(5,661)	Central government bodies	(21,980)
(1,555)	Other local authorities	(3,416)
(1,203)	NHS Bodies	(759)
(2,886)	Short Term Accumulating Compensated Absences	(2,260)
(16,961)	Other entities and individuals	(10,713)
(1,001)	Local Taxation	(1,907)
(29,267)	**Total**	**(41,035)**

* The 2013/14 figures have been restated as some suppliers were previously misclassified under the various headings, but after clarification they have now been reclassified as appropriate (see Note 46).

The main increase in creditors relates to central government bodies and in particular is a direct result of the new arrangements on the business rates retention scheme, where the Council owes around £16m due to surpluses on the Collection Fund and amounts owed in respect of safety net grant.

NOTE 32 – PROVISIONS

	Balance at 1 April 2014 £000	Provisions made in 2014/15 £000	Provisions utilised in 2014/15 £000	Other Transfers in 2014/15 £000	Balance at 31 March 2015 £000	Short Term Provisions £000	Long Term Provisions £000
ER/VR Restructure Costs	(58)	-	58	-	-	-	-
MMI Claims	(2,069)	-	117	-	(1,952)	(52)	(1,900)
CCTV Pay Provision	(35)	-	35	-	-	-	-
Insurance Provision	(2,014)	(655)	600	167	(1,902)	-	(1,902)
Business Rates Appeals	(2,316)	(932)	897	-	(2,351)	(470)	(1,881)
Refuse Service – Untaken Holidays	-	(25)	-	-	(25)	(25)	-
Total Provisions	**(6,492)**	**(1,612)**	**1,707**	**167**	**(6,230)**	**(547)**	**(5,683)**

As defined by IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) a provision is a monetary sum set aside in respect of a known event which may occur, and for which the timing is uncertain but the actual financial liability is known with some degree of confidence.

ER/VR Restructure Costs: Business improvement is an ongoing activity across the Council and during the previous four financial years, there has been an element of staff restructuring within these proposals. In 2013/14 there was a major transformation of the Council under the Shaping our Future Programme. Although most of the retirements and redundancies were completed within the financial year, inevitably some of these departures will not happen until the new financial year. A provision had been established which was utilised in 2014/15. No further provision was required in 2014/15 but it may be required again in future years.

MMI Claims: On the 28th March 2012 the Supreme Court on the Employers' Liability Policy Trigger Litigation relating to Mesothelioma Claims ruled that the insurer who was at risk at the time of the employee’s exposure to asbestos was liable to pay compensation for the employee's Mesothelioma. In 2014 the Council received a statement detailing potential claims and a claims provision was created based upon this information. This relates to activities under the Municipal Mutual Insurance (MMI) scheme of which the Council was a member. MMI is currently in administration. The administrators triggered the scheme of arrangement in February 2014 and issued initial levies to local authorities. As such the events in 2014/15 have not changed the Council’s position in relation to its initial assessment of the provision and this has remained unchanged at 31st March 2015. This will be reassessed by the Council’s insurance actuary during 2015/16.

CCTV Pay Provision: The Council has been trying for a number of years to bring about changes to the CCTV service and in 2014/15 successfully implemented a new shift working pattern. Part of the provision has been used to fund the cost associated with the new CCTV working arrangements and the remainder has been returned to general reserves.

Insurance Provision: The Council operates a self-funding arrangement, on its liability policies and the Insurance Fund was established in 1996 to provide for all payments that fall within the policy excess on claims. The excess on liability of £0.100m covers any public, employers, officials and professional indemnity and libel and slander liability claims. The property excess of £0.050m covers claims relating to schools, the motor excess of £0.020m relates to own damage only. The excess of each claim is funded by the Council with additional amounts claimed covered by its insurance policies. The value of the provision relates to an estimate of the financial total of all existing claims outstanding at 31st March 2015.

The Council has made significant changes to its insurance arrangements from 1st April 2014 with a greater degree of self-insurance in place than was the case for the 2013/14 financial year. In essence the Council is now only externally insured on a catastrophe type basis and this will impact on the level of the provision held over time as claims under the insurance policy reduce.

Business Rates Appeals: From 1st April 2013, the Business Rates Retention Scheme came into effect which allowed local authorities to retain a proportion of business rates income (including growth) that was generated locally. Under this new scheme the cost of funding business rate appeals also now falls into the Collection Fund activities of local authorities and the proportionate shares incurred by Councils, Central Government and Fire authorities.

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

The value of the provision has been established based on discussions with the Council's own staff, the outsourced provider, Liberata, and the VOA. This is based on the value of appeals outstanding, past experience of appeals being successful, and adjusted for any significant appeals that are in progress. The total value of the provision is £4.498m with the 49% share in the Council's own accounts being £2.351m.

Refuse Service – Untaken Holidays: As part of a review of the operations within the refuse service it has come to light that a number of employees have underclaimed on their annual leave entitlement. Due to the current demands on the service it is not feasible for the employees to roll forward this leave into 2015/16. As a result the advice from human resources is to pay the employees for the value of the untaken leave. The current estimate of the total cost of these payments to staff is around £25,000. Due to the need to evaluate this position for all staff within the refuse service, the exercise will not be completed and payments made until mid 2015/16.

NOTE 33 – LONG TERM CREDITORS

The Council's Long Term Creditors include Section 38 agreements, Section 106 agreements and commuted sums as the individual agreements cover a period of greater than a year.

Details are given below:

	Balance at 31 March 2014 £000	Income £000	Expenditure £000	Balance at 31 March 2015 £000
Section 38 / 278 Agreements	(34)	(287)	-	(321)
Section 106 Agreements	(850)	(66)	301	(615)
Commuted Sums	(142)	-	83	(59)
Total	**(1,026)**	**(353)**	**384**	**(995)**

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 5 such agreements in place.

Section 106 Agreements provide Councils with the power to enter into a legally binding agreement with a person with an interest in land. The agreement may restrict development or use of the land, require operations or activities to be carried out on the land or require land to be used in a particular way. There are currently 7 such agreements in place.

Commuted sums are a payment made by a developer to the Council which will cover the future maintenance of an asset which will be adopted by the Council. There are currently 4 such sums held by the Council and they cover tree works, safety maintenance and playgrounds.

NOTE 34 – FINANCIAL INSTRUMENTS

Financial instruments are defined as transactions that lead to the recognition of a financial asset or financial liability.

For the Council, these transactions generally fall under Treasury Management Activities.

Treasury Management is defined by CIPFA as "the management of the Council's cash flows, its banking, money market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks".

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

The notes below provide details of the Council's Treasury Management activities, and show how the Council manages the risks associated with these activities.

Further details can be found in the Treasury Management Outturn Report for 2014/15 and the Treasury Management Strategy Statement which was approved by Cabinet and full Council on 3 March 2015.

Financial Instruments: Balances

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

	Long-term		Current	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Financial Liabilities (Principal Amounts)				
Loans with PWLB	(46,793)	(50,819)	(4,025)	(5,021)
Market Loans	(105,350)	(105,350)	-	-
Local Authority Loans	(15,000)	(15,000)	-	-
Accrued Interest				
Loans with PWLB	-	-	(532)	(560)
Market Loans	-	-	(1,614)	(1,601)
Local Authority Loans	-	-	(203)	(203)
	(167,143)	(171,169)	(6,374)	(7,385)
Current Financial Liability (Overdraft)	-	-	(6,989)	(224)
Financial Liabilities at Amortised Cost	**(167,143)**	**(171,169)**	**(13,363)**	**(7,609)**
PFI and Finance Lease Liabilities				
PFI				
Schools	(40,853)	(41,818)	(965)	(847)
Offices	(5,535)	(5,868)	(333)	(313)
Street Lighting	(17,581)	(18,134)	(553)	(511)
	(63,969)	(65,820)	(1,851)	(1,671)
Finance leases	(42)	(68)	(26)	(23)
Creditors	(995)	(1,026)	(39,158)	(27,573)
Other Liabilities	**(65,006)**	**(66,914)**	**(41,035)**	**(29,267)**
Total Financial Liabilities	**(232,149)**	**(238,083)**	**(54,398)**	**(36,876)**

	Long-term		Current	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	£000	£000	£000	£000
Loans and Receivables (Principal Amounts)				
Principal at Amortised (Over 90 Days)	-	-	-	6,000
Accrued interest	-	-	-	54
Impaired investments	-	-	47	67
Available-For-Sale Investments				
Principal at Amortised (Over 90 Days)	312	353	8,000	4,000
Accrued interest	-	-	36	-
Total investments	**312**	**353**	**8,083**	**10,121**
Loans and Receivables (Principal Amounts)				
Investments (90 Days and under)	-	-	27,574	12,350
Accrued interest	-	-	13	5
Available-For-Sale Investments				
Principal at Amortised (Under 90 Days)	-	-	12,497	3,999
Accrued interest	-	-	1	1
Current Financial Assets	-	-	2,908	4,027
Total Cash & Cash Equivalents	**-**	**-**	**42,993**	**20,382**
Debtors *	1,511	1,691	16,713	13,502
Total Financial Assets	**1,823**	**2,044**	**67,789**	**44,005**

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:

2014/15	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale Assets	Total
	£000	£000	£000	£000
Interest expense	(16,254)	-	-	(16,254)
Impairment (losses)/gains	-	-	-	-
Total Expense in Surplus/Deficit on the provision of services	**(16,254)**	**-**	**-**	**(16,254)**
Interest income	-	305	-	305
Gains on derecognition	-	-	-	-
Total Income in Surplus/Deficit on the provision of services	**-**	**305**	**-**	**305**
Gains on revaluation	-	-	-	-
Losses on revaluation	-	-	(40)	(40)
Amounts recycled to the I&E Account after impairment	-	-	-	-
Surplus/(Deficit) Arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**(40)**	**(40)**
Net gain/(loss) for the year	**(16,254)**	**305**	**(40)**	**(15,989)**
Memo item:				
Losses on derecognition of Impaired Financial Asset	-	-	-	-
Total Amount written off through Movement in Reserves Statement	-	-	-	-

2013/14	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale Assets	Total
	£000	£000	£000	£000
Interest expense	(16,446)	-	-	(16,446)
Impairment (losses)/gains (1)	-	264	-	264
Total Expense in Surplus/Deficit on the provision of services	**(16,446)**	**264**	**-**	**(16,182)**
Interest income	-	227	1	228
Gains on derecognition	-	-	-	-
Total Income in Surplus/Deficit on the provision of services	**-**	**227**	**1**	**228**
Gains on revaluation	-	-	-	-
Losses on revaluation	-	-	(54)	(54)
Amounts recycled to the I&E Account after impairment	-	-	-	-
Surplus/(Deficit) Arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**(54)**	**(54)**
Net gain/(loss) for the year	**(16,446)**	**491**	**(53)**	**(16,008)**
Memo item:				
Losses on derecognition of Impaired Financial Asset	-	-	-	-
Total Amount written off through Movement in Reserves Statement	-	-	-	-

(1) The positive figure for impairment losses in 2013/14 relates to the Council's Icelandic investments. The adjustment takes into account the improved recoverable amount from these investments, and adjusts the amount previously written off in the income and expenditure statement.

For additional detail please see the note on the Impairment of Investments.

Financial Instruments: Fair Value of Assets and Liabilities

Financial liabilities and financial assets, represented by loans and receivables, are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2015.

Arlingclose were appointed as the Council’s treasury advisor in September 2013. The fair value calculations for both the 31st March 2014 and the 31st March 2015 have been calculated using their recommended models, which are based on the methods described below:

- The fair value of loans from the PWLB have been discounted at the published interest rates for new PWLB certainty rate loans with an identical remaining term to maturity arranged on 31st March.
- The fair value of long-term “Lender Option Borrower Option” (LOBO) loans have been calculated by discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate swap rate on the 31st March plus a margin for local authority credit risk and adding the value of the embedded options. Lenders’ options to propose an increase in interest rate on the loan have been valued according to Bloomberg’s proprietary model for Bermudan cancellable swaps. Borrowers’ contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA corporate bond yield.
- No early repayment or impairment is recognised. However the Council has recognised an impairment relating to the Icelandic bank investments. See detailed note on the Impairment of Financial Assets.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

The fair values calculated are as follows:

31 March 2014 *			31 March 2015	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
56,401	57,540	PWLB debt	51,350	57,373
106,951	170,889	LOBO debt	106,964	219,270
15,203	15,673	Other Local Authority debt	15,203	18,119
91	113	Finance Lease Payables	68	79
67,491	105,403	PFI Scheme Liabilities	65,820	112,120
224	224	Current financial liability (overdraft)	6,989	6,989
246,361	349,842	Total debt	246,394	413,950
28,599	28,599	Creditors	42,029	42,029
274,960	378,441	Total financial liabilities	288,423	455,979
26,477	26,528	Long and short term investments	48,168	48,217
4,027	4,027	Current financial assets	2,908	2,908
13,502	13,502	Debtors	16,713	16,713
44,006	44,057	Total loans and receivables	67,789	67,838

* The 2013/14 figures has been restated as other schools were previously identified as Other Entities and Individuals but after clarification they have now been identified as Other Local Authorities (see Note 46).

The table above shows that the Council's fair value for financial liabilities is significantly greater than the carrying amount. This is due to the rates being paid for LOBO debt being higher than the current rate available for similar borrowing as at 31 March. This means that in order to repay that debt early, the Council would incur costs higher than the carrying value of the loan. This leaves the Council with little scope for restructuring this long term debt in order to achieve interest rate savings. As the gap between the carrying amount and the fair value decreases this may offer opportunities to restructure debt in the future.

The fair value for investments is marginally higher than the carrying amount because the interest rates on similar investments is now lower than that obtained when the investment was originally made.

The Council had no long term investments for treasury management purposes as at 31 March 2015.

Financial Instruments: Risks

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

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

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the CLG's 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 and its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

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

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

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

(a) Credit Risk - Investments

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

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

However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:
- credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries.

The Annual Investment Strategy for 2014/15 was approved by Borough Council on 6 March 2014 and is available on the Council's website. The Annual Investment Strategy for 2015/16 was approved by Borough Council on 3 March 2015 and it became operational immediately. This therefore means that the 15/16 strategy, and the changes made to that strategy, drive the investment decisions and Balance Sheet amounts shown on 31st March 2015.

In 2008/09, the Council suffered from a default on £6m of investments with Icelandic banks based in the UK. Full details of the impairment of these investments, including the expected recoverable amount, impact on the authority and accounting treatment are included in the notes on Financial Instruments – Impairment of Investments.

The Council sets an investment limit for individual counterparties and a total limit per category of investment. The only exception to this is for money deposited with the UK Government. No more than £5m in total can be invested for periods longer than one year due to the uncertainty within the UK economy at present.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £48.071m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31st March that this was likely to crystallise.

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

Deposits with banks and financial institutions (not including accrued interest)	Amount at 31 March 2014	Amount at 31 March 2015
	£000	£000
AAA rated counterparties	0	11,500
AA+ rated counterparties	9,999	17,497
AA rated counterparties	0	0
AA- rated counterparties	2,000	5,000
A+ rated counterparties	0	3,000
A rated counterparties	14,000	8,500
A- rated counterparties	350	1,500
BBB rated counterparties	0	1,074
Other Counterparties	0	0
Total	**26,349**	**48,071**

Icelandic Bank investments of £6m have been excluded from the above table as default on payment has already occurred.

Credit Risk - Receivables

The Council does not generally allow credit for customers, such that £2.607m of the £7.623m debtors invoices balance is past its due date for payment. The overdue amount can be analysed by age as follows:

	£000
Less than one month	5,016
One to three months	244
Three to six months	852
Six months to one year	641
More than one year	870
Total	**7,623**

As the Council maintains a bad debt provision for debts based on dispute code, no further assessment of the fair value has therefore been made. The amounts are carried on the Balance Sheet at their amounts outstanding and no amounts have been included in the table above for the Council's exposure to default. The £7.623m above relates to invoiced debt only and is an element of the debtor total in Note 29.

(b) Liquidity Risk

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

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

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

Period	Approved Maximum Limits	Actual 31 March 2015 £000	%	Actual 31 March 2014 £000	%
Less than 1 year	10%	4,025	3%	5,021	4%
Between 1 and 2 years	20%	9,500	6%	4,022	2%
Between 2 and 5 years	80%	5,048	3%	14,548	8%
Between 5 and 10 years	90%	13,582	7%	13,587	7%
More than 10 years	100%	33,935	20%	33,935	19%
Uncertain date *		105,350	61%	105,350	60%
Total		171,439	100%	176,463	100%

* The Council has £105m of “Lender option, borrower 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 the current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

Creditors are paid in accordance with supplier terms which, for liquidity risk purposes to the Council, are less than one year and are not shown in the table above. The Council utilises “call accounts” that provide sufficient liquidity to meet its short term creditor and cash payment commitments. Further analysis of creditors can be found in Note 31.

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

c) Market Risk

(i) Interest Rate Risk

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

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

Investments classed as “loans and receivable” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as “available for sale” will be reflected in Other Comprehensive Income and Expenditure.

The Annual Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposure to fixed and variable interest rates. At 31 March 2015, 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	0
Increase in interest receivable on variable rate investments	166
Impact on Surplus or Deficit on the Provision of Services	**166**
Decrease in fair value of available for sale financial assets	0
Impact on Comprehensive Income and Expenditure Statement	**0**
Decrease in fair value of fixed rate investment assets	333
Decrease in fair value of fixed rate borrowings *	(1,734)
No impact on Comprehensive Income and Expenditure Statement	**(1,401)**

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

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

* The Council has £105m of “Lender option, borrower option” (LOBO) loans where the lender has the option to propose an increase in the rate payable. These have currently been included within fixed rate borrowing as per the Code of Practice. They will need to be reassessed if and when the rate actually changes. In the event this happens, it is probable that these would be replaced with shorter term loans through the PWLB or other local authorities.

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

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

FINANCIAL INSTRUMENTS: IMPAIRMENT OF INVESTMENTS

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £6m 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.

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

The amount reclaimed covers principal and interest accrued up to 7 October 2008.

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

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

Kaupthing Singer and Friedlander Ltd

Kaupthing Singer and Friedlander Ltd is a UK registered bank under English law. The company was placed in administration on 8 October 2008, and original estimates suggested that 50% recovery would be made. To date, the Council has received £1.688m, representing 82.5% of the amount claimed. According to the latest administrator’s reports, the Council expects to recover between 85% - 86.5% of the claim. Future dividends will be paid subject to consultation with the creditors committee, and when the level of distributable funds make it cost effective to do so.

Heritable Bank

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

To date, the Council has recovered £3.765m, 94% of the amount claimed. The latest report states that the administrators do not intend to make any further distributions to unsecured creditors until the conclusion of the Landsbanki claim is known.

Accounting for Icelandic Investments – 2014/15

	Total Value of Investment	Carrying Amount	Received to date	Interest	Impairment
Bank	£000	£000	£000	£000	£000
Kaupthing Singer and Friedlander	2,106	47	1,688	0	(371)
Heritable	4,126	0	3,765	0	(361)
Total	**6,232**	**47**	**5,453**	**0**	**(732)**
		(a)	(b)		
Predicted total recoverable		(a) + (b)	5,500		

Due to the amounts received to date (£5.453m) and revised assumptions on the discounted future cashflows relating to these investments (the carrying amount), the Council anticipates recovering £5.500m 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)
2014/15	-
Total	732

NOTE 35 – OTHER LONG TERM LIABILITIES

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

31 March 2014 £000		31 March 2015 £000
134,357	Pension Scheme (Note 39)	170,466
65,820	PFI (Note 22)	63,969
68	Leasing (Note 23)	42
200,245	**Total**	**234,477**

NOTE 36 – GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

2013/14 £000		2014/15 £000
	Credited to Services	
767	Department for Works & Pensions	713
1,568	Council Tax and Business Rates Administration	1,555
57,296	Housing Benefits Subsidy and Admin Grant	59,033
18	Ministry of Defence	-
1,743	Department for Communities & Local Government	1,970
770	New Homes Bonus	400
264	Department of Health	218
10,620	Public Health Grant	10,838
82,705	Dedicated Schools Grant	75,199
1,137	Department for Education	1,840
3,925	Pupil Premium Grant	5,534
2,657	Skills Funding Agency	2,019
10	Department for Environment, Food and Rural Affairs	127
304	Department for Transport	681
2,007	Diocese Contributions	1,860
5,604	Health Authorities	8,553
17	Police Authorities	16
1,689	Other Local Authorities	1,760
1,684	Other Grants and Contributions	1,333
207	Donations	218
174,992	**Total**	**173,867**

146,490	**Credited to Taxation and Non-Specific Grant Income (See Note 10)**	**149,952**

The Council has a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. These are treated as deferred receipts in the Council's balance sheet. The totals at the year end are as follows:

31 March 2014 £000		31 March 2015 £000
	Revenue Receipts in Advance	
1,823	Department for Education	2,058
258	Department for Business, Innovation & Skills	-
236	Department for Communities & Local Government	28
8	Department for Environment, Food & Rural Affairs	-
252	Department of Health	-
-	Department for Works & Pensions	235
17	Department for Transport	-
447	Education Funding Agency	239
-	Police Authority	5
-	Public Health	200
-	Skills Funding Agency	246
16	Other Local Authorities	33
249	Other Contributions	421
3,306	**Total**	**3,465**

31 March 2014 £000		31 March 2015 £000
	Capital Receipts in Advance	
462	Devolved Formula Capital Grant	369
-	Town Centre Improvement	26
521	Bus Network Review (MBC)	526
288	Coastal Communities (Big Lottery Fund)	87
216	Other Grants and Contributions	-
1,487	**Total**	**1,008**

326,276	**Total Grants, Contributions and Donations Credited to the Comprehensive Income and Expenditure Statement**	**328,292**

NOTE 37 – UNUSABLE RESERVES

31 March 2014 * £000		31 March 2015 £000
	CAPITAL RESERVES	
26,173	Revaluation Reserve	32,168
352	Available for Sale Financial Instruments Reserve	312
20,408	Capital Adjustment Account	(3,150)
(4,462)	Financial Instruments Adjustment Account	(4,212)
4	Deferred Capital Receipts	3
	REVENUE RESERVES	
(134,357)	Pensions Reserve	(170,466)
4,693	Collection Fund Adjustment Account	17,387
(2,886)	Accumulating Compensated Absences Adjustment Account	(2,260)
(90,075)	**Total Unusable Reserves**	**(130,218)**

* The 2013/14 figures have been restated due to changes in accounting policy for Schools (see Note 45).

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.

2013/14 £000			2014/15 £000	
	25,956	**Balance at 1 April**		26,173
		Opening balance adjustment written off to CAA		
4,009		Upward revaluation of assets and impairment	10,271	
(2,029)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,156)	
	1,980	Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		7,115
(532)		Difference between fair value depreciation and historic cost depreciation	(400)	
(1,187)		Accumulated gains on assets sold or scrapped	(720)	
(44)		Non-current assets direct to Capital Adjustment Account	-	
	(1,763)	Amounts written off to the Capital Adjustment Account		(1,120)
	26,173	**Balance at 31 March**		**32,168**

Available for Sale Financial Instruments Reserve

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

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

2013/14 £000		2014/15 £000
406	**Balance at 1 April**	**352**
-	Upward revaluation of investments	-
(54)	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(40)
-	Accumulated gains on assets sold and maturing assets written out of the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
352	**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 5 provides details of the source of transactions posted to the account, apart from those involving the Revaluation Reserve.

2013/14 * £000		2014/15 £000
23,324	**Balance at 1 April**	**20,408**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES)	
(11,946)	Charges for depreciation and impairment of non-current assets	(12,243)
(894)	Revaluation losses on Property, Plant and Equipment, Investment Properties and Assets Held For Sale	(16,007)
(1,395)	Amortisation of intangible assets	(735)
(2,204)	Revenue expenditure funded from capital under statute	(1,308)
(7,858)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(11,288)
(24,297)	**Net amount written out of the cost of non-current assets consumed in the year**	**(41,581)**
	Capital financing applied in the year	
1,964	Use of the Capital Receipts Reserve to finance new capital expenditure	2,721
-	Capital Financing Reserve	-
102	Direct Revenue Financing	95
(137)	Write down long term debtor/capital receipt deferred	(276)
10,615	Capital grants and contributions credited to the CIES that have been applied to capital financing	6,852
-	Application of grants to capital financing from the Capital Grants Unapplied Account	-
8,847	Statutory provision for the financing of capital investment charged against the General Fund in year (MRP)	8,668
-	Amendment to accounting estimates and reduction of MRP	-
(10)	Disposal expenses	(37)
21,381	**Total Capital Financing**	**18,023**
-	Movements in the market value of Investment Properties debited or credited to the CIES	-
-	Movement in the Donated Assets Account credited to the CIES	-
20,408	**Balance at 31 March**	**(3,150)**

* The 2013/14 figures have been restated due to changes in accounting policy for Schools (see Note 45).

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.

2013/14 £000		2014/15 £000
(4,712)	**Debt - Balance as at 1 April**	**(4,462)**
-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-
-	Transfer of overhanging premiums – now repaid	-
250	Proportion of premiums incurred in the previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	(250)
(4,462)	**Total Debt**	**(4,212)**
-	**Investments - Balance as at 1 April**	**-**
-	Recognition of Impaired Investments	-
-	Deferral of Impairment through use of General Fund balances	-
-	Adjustments to Impairments	-
-	Writing out of impairment balance to General Fund Balance	-
-	**Total Investments**	**-**
(4,462)	**Balance on FIAA**	**(4,212)**

Deferred Capital Receipts

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

2013/14 £000		2014/15 £000
6	**Balance at 1 April**	**4**
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	-
(2)	Transfer to the Capital Receipts Reserve upon receipt of cash	(1)
4	**Balance at 31 March**	**3**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

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

2013/14 £000		2014/15 £000
(157,197)	**Balance at 1 April**	**(134,357)**
24,190	Actuarial gains/(losses) on pensions assets and liabilities	(53,130)
(13,745)	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	7,319
12,395	Employer's pensions contributions and direct payments to pensioners	9,702
(134,357)	**Balance at 31 March**	**(170,466)**

Collection Fund Adjustment Account

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

2013/14 £000		2014/15 £000
241	**Balance at 1 April**	**4,693**
4,452	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	12,694
4,693	**Balance at 31 March**	**17,387**

Accumulating Compensated Absences Adjustment Account

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

2013/14 £000		2014/15 £000
(3,512)	**Balance at 1 April**	**(2,886)**
3,512	Settlement or cancellation of accrual made at the end of the preceding year	2,886
(2,886)	Amounts accrued at the end of the current year	(2,260)
-	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-
(2,886)	**Balance at 31 March**	**(2,260)**

NOTE 38 – PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2014/15, the Council paid £4.198m to Teachers' Pensions Agency in respect of teachers' retirement benefits, representing 14.10% of pensionable pay. The figures for 2013/14 were £4.868m and 14.10%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 39.

Former NHS Staff

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

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

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

In 2014/15, the Council paid £0.086m to NHS Pensions in respect of retirement benefits, representing 14.00% of pensionable pay. The figures for 2013/14 were £0.126m and 14.00%. There were no contributions remaining payable at the year-end.
The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the NHS scheme. These costs are accounted for on a defined benefit basis and detailed in Note 39.

NOTE 39 – DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Council participates in the following post-employment scheme:

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

The 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 Funds Funding Strategy Statement.

The last actuarial valuation was at 31 March 2013 and the contributions to be paid until 31 March 2017 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate. An actuarial valuation of the Fund will be carried out as at 31 March 2016 and as part of that valuation a new Rates and Adjustment Certificate will be produced for the three year period from 1 April 2017.

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:

2013/14 £000		2014/15 £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
11,036	Current service cost	9,608
1,788	Past service costs (including curtailments)	198
-	Settlements	-
	Financing and Investment Income and Expenditure	
25,891	Interest cost	25,099
(24,970)	Actual return on assets	(42,224)
13,745	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**(7,319)**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
(10,316)	Actuarial (gains)/losses on liabilities – financial assumptions	57,269
27,738	Actuarial (gains)/losses on liabilities – demographic assumptions	-
(41,612)	Actuarial (gains)/losses on liabilities - experience	(4,139)
(24,190)	Total Actuarial gains and losses	53,130
(10,445)	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**45,811**
	Movement in Reserves Statement	
(13,745)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	7,319
	Actual amount charged against General Fund Balance for pensions in the year	
12,395	Employers' contributions payable to scheme	9,702

The cumulative amount of actuarial loss recognised in the Comprehensive Income and Expenditure Statement from 1 April 2014 to the 31 March 2015 is a loss of £45.120m (2013/14 gain of £8.010m less current year actuarial loss of £53.130m). This has resulted mainly from changes in the financial assumptions underpinning the actuarial model and in particular the discount rate used to calculate the level of the projected obligation.

The discount rate is derived from a number of factors including the Bank of England's Market Implied RPI inflation curve. An inflation risk premium of 0.3% per annum is added as market expectations of RPI inflation may be less than the Bank of England inflation curve, primarily due to investors demand for a higher expected return from fixed interest deposits compared with the index-linked bonds. The market implied CPI inflation is on average 1.1% lower than RPI over the long term. Prevailing interest rates have fallen significantly and subsequently this affects the discount rate used in these projections, which increases the defined benefit obligation or pensions deficit.

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

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

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

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

Assets and Liabilities in Relation to Post-employment Benefits

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

Year to 31 March 2014 £000		Year to 31 March 2015 £000
597,539	**Opening balance at 1 April**	**593,483**
11,036	Current Service Cost	9,608
25,891	Interest Cost	25,099
3,214	Contributions by scheme participants	3,044
	Remeasurement Gain	
(10,316)	Actuarial (gains)/losses on liabilities – financial assumptions	57,269
27,738	Actuarial (gains)/losses on liabilities – demographic assumptions	-
(41,612)	Actuarial (gains)/losses on liabilities - experience	(4,139)
(21,795)	Benefits paid	(22,983)
1,788	Past Service Cost including Curtailments	198
-	Settlements	-
593,483	**Closing balance at 31 March**	**661,579**

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

Year to 31 March 2014 £000		Year to 31 March 2015 £000
440,342	**Opening balance at 1 April**	**459,126**
19,245	Interest Income on assets	19,529
5,725	Re-measurement gains/(losses) on assets	22,695
12,395	Contributions by the Employer	9,702
3,214	Contributions by scheme participants	3,044
(21,795)	Net Benefits paid out	(22,983)
459,126	**Closing balance at 31 March**	**491,113**

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.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £42.224m (2013/14 £24.970m) as longer term expectations on interest rates continue to increase.

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

Scheme History

	2014/15 **£000**	2013/14 **£000**	2012/13 **£000**	2011/112 £000	2010/11 £000
Present Value of Funded Scheme Liabilities	(635,304)	(567,417)	(576,073)	(538,744)	(447,728)
Present Value of Unfunded Scheme Liabilities	(26,275)	(26,066)	(21,466)	(21,808)	(20,966)
Fair Value of Scheme Assets	491,113	459,126	440,342	386,133	393,619
Surplus/(Deficit) in the scheme	**(170,466)**	**(134,357)**	**(157,197)**	**(174,419)**	**(75,075)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £170.466m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. This has increased in 2014/15 by £36.559m due to changes in financial assumptions, mainly related to fluctuations in interest rates. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The effect of this is a negative overall balance of £99m.

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 2016 is £8.017m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

2013/14		2014/15
	Mortality assumptions (years)	
	Member aged 65 at accounting date:	
22.9	Men	23.0
25.4	Women	25.5
	Member aged 45 at accounting date:	
25.1	Men	25.2
27.7	Women	27.8
2.4%	Rate of Inflation *	1.8%
3.9%	Rate of increase in salaries	3.3%
2.4%	Rate of increase in pensions	1.8%
4.3%	Rate for discounting scheme liabilities	3.2%
80.0%**	Take-up of option to convert annual pension into retirement lump sum	80.0%**

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

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

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

Year to 31 March 2014		Year to 31 March 2015		
%	**Assets**	% Quoted	% Unquoted	% Total
81	Equities	82.4	1.6	84.0
1.9	Government Bonds	1.7	0.0	1.7
4.6	Corporate Bonds	3.4	0.0	3.4
5.2	Property	0.8	5.6	6.4
5.2	Cash	2.5	0.0	2.5
2.1	Other*	1.5	0.5	2.0
100	**TOTAL**			**100**

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

Sensitivity Analysis

The results shown in this report are sensitive to the assumptions used. The approximate impact of changing the key assumptions on the present value of the funded benefit obligation as at 31 March 2015 and the projected service cost for the year ending 31 March 2015 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)	624.125	635.304	646.683
% change in present value of total obligation	-1.8%		1.8%
Projected service cost (£M's)	11.105	11.476	11.857
Approximate % change in projected service cost	-3.2%		3.3%
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)	637.890	635.304	632.747
% change in present value of total obligation	0.4%		-0.4%
Projected service cost (£M's)	11.476	11.476	11.476
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)	644.516	635.304	626.236
% change in present value of total obligation	1.4%		-1.4%
Projected service cost (£M's)	11.857	11.476	11.105
Approximate % change in projected service cost	3.3 %		-3.2%
Post retirement mortality assumption			
Adjustment to mortality age rating assumption *	**-1 year**	**Base Figure**	**+1 year**
Present Value of total obligation (£M's)	652.092	635.304	618.516
% change in present value of total obligation	2.6%		-2.6%
Projected service cost (£M's)	11.865	11.476	11.087
Approximate % change in projected service cost	3.4%		-3.4%

*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 40 – 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.

2013/14 £000		2014/15 £000
958	**Surplus/(Deficit) on Provision of Services**	1,503
	Adjust net surplus/(deficit) on the provision of services for non-cash movements	
13,874	Depreciation/Amortisation	13,377
938	Impairment	9,801
(264)	Material impairment losses on Investments debited to surplus/(deficit) on the provision of services in year	6,206
(468)	Increase/(Decrease) in Creditors	(2,170)
9,640	(Increase)/Decrease in Debtors	262
40	(Increase)/Decrease in Inventories	41
1,350	Pension Liability	(17,021)
2,327	Contribution to/(from) provisions	(262)
9,046	Carrying amount of non-current assets sold	12,008
36,483	Total	22,242
	Adjust for items included in the net surplus/deficit on the provision of services that are investing or financing activities	
(8,736)	Capital Grants Credited	(7,662)
(1,963)	Proceeds from Sale of Assets	(2,718)
(10,699)	Total	(10,380)
26,742	**Net Cash flow from Operating Activities**	**13,365**

Memo Item – Operating Activities – Interest

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

2013/14 £000		2014/15 £000
436	Interest Received	323
(16,550)	Interest Paid	(16,269)
(16,114)	**Total**	**(15,946)**

NOTE 41 – 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.

2013/14 £000		2014/15 £000
(34,972)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(14,002)
783	Purchase/(Disposal) of short and long term investments	2,020
(1,555)	Long term loans granted	(174)
2,109	Capital Receipts	2,719
9,616	Capital Grants and other receipts	7,519
(24,019)	**Net cash flows from investing activities**	**(1,918)**

NOTE 42 – 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.

2013/14 £000		2014/15 £000
15,000	Cash receipts of short- and long-term borrowing	-
9,180	Other payments for financing activities	13,247
(11,022)	Repayment of short term/long term borrowing	(5,022)
(1,720)	Other payments relating to PFI and Finance Lease debt	(1,694)
11,438	**Net cash flows from financing activities**	**6,531**

NOTE 43 – 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 transactions 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 6 on reporting for resource allocation decisions. Grant receipts outstanding at 31 March 2015 are also set out in Note 36.

Of the 59 Elected Members and 54 Chief-Third-tier officer's posts, 57 Members and 50 Officers have provided details of any 'related party transactions', as required by the latest Code of Practice. There were 2 Members who failed to return declarations and 4 Officers posts are vacant. 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 2014/2015 financial year is shown in Note 12.

The Council's Assistant Director – Financial Services/Section 151 Officer, the Director of Corporate Resources/Monitoring Officer and the Director of Regeneration Services are the Treasurer, the Chief Legal Officer and the Head of Paid Service respectively, for River Tees Port Health Authority. The Council's financial contribution to River Tees Port Health Authority for 2014/2015 was £0.046m.

Two Members and the Director of Corporate Resources hold positions on the board of Coast & Country Housing. The financial transactions between Coast & Country Housing and RCBC were a net payment of £0.772m covering various grants from the Council and call out charges for Council properties.

The Head of Learning & Achievement is not employed by the Council but is seconded from the Academies Enterprise Trust.

There were no significant transactions with related companies.

Grants from Central Government, the European Community and other bodies are included in the column headed "Gross Income" shown in the Comprehensive Income and Expenditure Account on Page 26. A more detailed analysis of these grants is given in Note 36 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 44 – CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets pertaining to the Council's activities at 31 March 2015.

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

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

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

A number of local authorities are currently involved in ongoing claims brought by numerous search providers in relation to a refund for personal search fees paid to local authorities land charges departments. The current claims are being managed by the Local Government Association (LGA) on behalf of the local authorities to settle the litigation collectively. The value of the settlement for each individual authority is currently being finalised. At present a standstill agreement remains in place in relation to the claim, while the LGA's solicitors finalise negotiations with the claimants. The Government has agreed to provide an interim new burdens payment regarding some of these claims and a further payment will be made later in 2015/16, contingent on the claims being settled by June 2015. The latest estimate of the cost to the Council is around £150,000.

The Council has settled and/or concluded the vast majority of a very significant number of equal pay claims that were lodged some years ago. However, the Employment Tribunal, in conducting an administrative exercise, has unearthed a number of claims that technically remain outstanding. From the information held about these claims, there does not appear to be any claims that would attract significant amounts of compensation and, in general terms, those that remain outstanding appear to lack any merit. It is though possible that further claims may come to light as the Tribunal continues to reconcile its records. The financial impact of this is extremely uncertain.

The Council is one of the partners in a consortium that provides financial and operational backing to the ARCC (Achieving Real Change in Communities). This is a community interest company backed by a number of public sector organisations to run the local area probation contracts for the Ministry of Justice (MoJ). One of the requirements is for every bidding organisation to provide a Deed of Guarantee to reimburse the MoJ for significant failures in performance up to and including catastrophic failure requiring a re-commissioning process. A value of Guarantee has been set for each regional area and for Durham Tees Valley it is circa. £13.8m. Stockton Borough Council is the main guarantor for the contract with this Council providing a secondary guarantee in case of contract failure. Given the various partners involved, the maximum exposure for the Council is £2.4m. Following discussion with the other local authorities involved, the conclusion is that the chance of the contract being terminated is extremely remote and therefore the total financial liability is difficult to value but minimal in size.

There has recently been some high profile national litigation about entitlement to holiday pay and the means by which this is calculated. The issues within the litigation largely relate to staff that work irregular hours and/or regularly work additional hours. As staff generally within the authority are not affected by such matters this is not thought to be a major concern at present, however, it is possible that some claims may come forward in due course. Measures are being considered to address concerns going forward. The potential cost to the Council is expected to be in the region of £100,000.

The Council has been involved in litigation to obtain possession of Westfield Farm, Dormanstown, from the previous occupant whose significant collections of equipment and belongings remain on site. Pursuant to a formal notice, the Council has now sold these possessions as they have not been collected. The occupant believes them to be worth £250k+ and it is possible that the sale may result in a claim. Similarly, there are other issues related to the occupation of the site which may also result in litigation given the previous occupant's propensity for lodging court proceedings.

NOTE 45 – PRIOR YEAR ADJUSTMENTS

Following the introduction of new accounting standards on group accounts and consolidation, the Code of Practice requirements in relation to accounting for schools has changed. All maintained schools are now considered to be entities controlled by the Council and as a result all income, expenditure, assets and liabilities relating to each school is consolidated into the Council's accounts.

The Council has completed an assessment to identify what arrangements in respect of ownership are in place and thus the required accounting treatment.

Following this assessment, three foundation schools have been brought back on the Balance Sheet as at 1 April 2014 as the governing body for each school own the asset. One of these schools has now been transferred to an Academy during this financial year and has been disposed of in accordance with the proper practice.

The new accounting standards on group accounts and consolidation now classify the majority of schools under the Council's control as an entity of the Council. When a school transfers to academy status this control is transferred to a third party. As a result the entity needs to be derecognised in the Council's accounts by writing off the net assets of the school to the Comprehensive Income and Expenditure Statement (CIES). LAAP Bulletin 103 issued by CIPFA is unclear whether the resulting gain or loss on transfer is recognised within the Financing and Investment line on the CIES or on the Other Operating Expenditure line on the CIES. Due to the material value involved the amount has been disclosed separately on the CIES.

The Council's core statements and relevant notes have been restated to reflect these changes.

Adjustment to 2013/14 Movement in Reserves Statement (MIRS)

Original 2013/14 Movement in Reserves Statement	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Council Reserves £000**
Balance at 31 March 2013 brought forward	**6,169**	**23,516**	**-**	**4,078**	**33,763**	**(137,362)**	**(103,599)**
Movement in reserves during 2013/14							
Surplus/(Deficit) on the provision of services (CIES)	1,649	-	-	-	**1,649**	-	**1,649**
Other Comprehensive Income and Expenditure (CIES)	-	-	-	-	**-**	26,115	**26,115**
Total Comprehensive Income and Expenditure	**1,649**	**-**	**-**	**-**	**1,649**	**26,115**	**27,764**
Adjustments between accounting basis & funding basis under regulations (Note 5)	1,889	-	-	(1,879)	**10**	(10)	**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**3,538**	**-**	**-**	**(1,879)**	**1,659**	**26,105**	**27,764**
Transfers to/(from) Earmarked Reserves (Note 7)	(3,271)	3,271	-	-	**-**	-	**-**
Increase/(Decrease) in Year	**267**	**3,271**	**-**	**(1,879)**	**1,659**	**26,105**	**27,764**
Balance at 31 March 2014 carried forward	**6,436**	**26,787**	**-**	**2,199**	**35,422**	**(111,257)**	**(75,835)**

Accounting for Schools Restatement	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Council Reserves £000**
Balance at 31 March 2013 brought forward	**-**	**-**	**-**	**-**	**-**	**21,873**	**21,873**
Movement in reserves during 2013/2014							
Surplus/(Deficit) on the provision of services	(691)	-	-	-	**(691)**	-	**691**
Other Comprehensive Income and Expenditure	-	**-**	**-**	**-**	**-**	**-**	**-**
Total Comprehensive Income and Expenditure	**(691)**	**-**	**-**	**-**	**(691)**	**-**	**(691)**
Adjustments between accounting basis & funding basis under regulations (Note 5)	691	-	-	-	**691**	(691)	**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**-**	**-**	**-**	**-**	**-**	**(691)**	**(691)**
Transfers to/(from) Earmarked Reserves (Note 7)	-	-	-	-	**-**	-	**-**
Increase/(Decrease) in Year	**-**	**-**	**-**	**-**	**-**	**(691)**	**(691)**
Balance at 31 March 2014 carried forward	**-**	**-**	**-**	**-**	**-**	**21,182**	**21,182**

Restated 2013/14 Movement in Reserves Statement	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Council Reserves £000**
Balance at 31 March 2013 brought forward	**6,169**	**23,516**	**-**	**4,078**	**33,763**	**(115,489)**	**(81,726)**
Movement in reserves during 2013/2014							
Surplus/(Deficit) on the provision of services	958	-	-	-	**958**	-	**958**
Other Comprehensive Income and Expenditure	-	-	-	-	**-**	26,115	**26,115**
Total Comprehensive Income and Expenditure	**958**	**-**	**-**	**-**	**958**	**26,115**	**27,073**
Adjustments between accounting basis & funding basis under regulations (Note 5)	2,580	-	-	(1879)	**701**	(701)	**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**3,538**	**-**	**-**	**(1,879)**	**1,659**	**25,414**	**27,073**
Transfers to/(from) Earmarked Reserves (Note 7)	(3,271)	3,271	-	-	**-**	-	**-**
Increase/(Decrease) in Year	**267**	**3,271**	**-**	**(1,879)**	**1,659**	**25,414**	**27,073**
Balance at 31 March 2014 carried forward	**6,436**	**26,787**	**-**	**2,199**	**35,422**	**(90,075)**	**(54,653)**

Adjustment to 2013/14 Comprehensive Income and Expenditure Statement (CIES)

	Original 2013/14 Net Expenditure £000	Schools Accounting Restatement £000	Restated 2013/14 Net Expenditure £000
Central services to the public	634	-	634
Court services	280	-	280
Cultural and related services	8,549	-	8,549
Environmental and regulatory services	12,356	-	12,356
Planning services	6,466	-	6,466
Education and children's services	27,414	691	28,105
Highways and transport services	15,468	-	15,468
Other housing services	629	-	629
Adult social care	43,783	-	43,783
Public Health	(1,993)	-	(1,993)
Corporate and democratic core	4,360	-	4,360
Non-distributed costs	2,021	-	2,021
Past service gain – pensions (Note 39)	-	-	-
Cost of Services	**119,967**	**691**	**120,658**
Other Operating Expenditure (Note 8)	7,999	(7,633)	366
Transfer of School Assets	-	7,633	7,633
Financing and Investment Income and Expenditure (Note 9)	16,875	-	16,875
Taxation and Non-Specific Grant Income (Note 10)	(146,490)	-	(146,490)
(Surplus)/Deficit on Provision of Services	**(1,649)**	**691**	**(958)**
(Surplus)/Deficit on revaluation of non-current assets (Note 37)	(1,980)	-	(1,980)
(Surplus)/Deficit on revaluation of available for sale financial assets (Note 25)	54	-	54
Actuarial (gains)/losses on pension assets/liabilities (Note 39)	(24,189)	-	(24,189)
Other Comprehensive Income and Expenditure	**(26,115)**	**-**	**(26,115)**
Total Comprehensive Income and Expenditure	**(27,764)**	**691**	**(27,073)**

Adjustment to 2013/14 Balance Sheet

	Note No.	Original 31 March 2014 £000	Schools Accounting Restatement £000	Restated 31 March 2014 £000
Property, Plant & Equipment	17	274,891	21,182	296,073
Heritage Assets	19	589	-	589
Investment Property	20	8,421	-	8,421
Intangible Assets	21	3,107	-	3,107
Long Term Investments	25	352	-	352
Long Term Debtors	26	1,691	-	1,691
Long Term Assets		289,051	21,182	310,233
Short Term Investments	34	10,121	-	10,121
Assets Held for Sale	27	5,979	-	5,979
Inventories	28	77	-	77
Short Term Debtors	29	19,157	-	19,157
Cash and Cash Equivalents	30	20,158	-	20,158
Current Assets		55,492	-	55,492
Short Term Borrowing	34	(7,385)	-	(7,385)
Short Term Creditors	31	(29,268)	-	(29,268)
Short Term Provisions	32	(2,625)	-	(2,625)
Revenue Grants Receipts in Advance	36	(3,306)	-	(3,306)
Current Liabilities		(42,584)	-	(42,584)
Long Term Creditors	33	(1,025)	-	(1,025)
Long Term Provisions	32	(3,867)	-	(3,867)
Long Term Borrowing	34	(171,170)	-	(171,170)
Other Long Term Liabilities	35	(200,245)	-	(200,245)
Capital Grants Receipts in Advance	36	(1,487)	-	(1,487)
Long Term Liabilities		(377,794)	-	(377,794)
Net Assets		(75,835)	21,182	(54,653)
Usable Reserves		35,422	-	35,422
Unusable Reserves	37	(111,257)	21,182	(90,075)
Total Reserves		(75,835)	21,182	(54,653)

Adjustment to 2013/14 Cash Flow Statement

	Original 31 March 2014 £000	Schools Accounting Restatement £000	Restated 31 March 2014 £000
Surplus/ (Deficit) on Provision of Services (CIES)	1,649	(691)	958
Adjustments to net surplus/ (deficit) on the provision of services for non-cash movements (Note 40)			
Depreciation / Amortisation	13,183	691	13,874
Impairment	938	-	938
Material impairment losses on Investments debited to surplus/ (deficit) on the provision of services in year	(264)	-	(264)
Increase/(Decrease) in Creditors	(468)	-	(468)
(Increase)/Decrease in Debtors	9,640	-	9,640
(Increase)/Decrease in Inventories	40	-	40
Pension Liability	1,350	-	1,350
Contribution to /(from) provisions	2,327	-	2,327
Carrying Amount of non-current assets sold	9,046	-	9,046
Total	35,792	691	36,483
Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities (Note 40)			
Capital Grants Credited	(8,736)	-	(8,736)
Proceeds from the Sale of Assets	(1,963)	-	(1,963)
Total	(10,699)	-	(10,699)
Net Cash Flows from Operating Activities (Note 40)	26,742	-	26,742
Net Cash Flows from Investing Activities (Note 41)	(24,019)	-	(24,019)
Net Cash Flows from Financing Activities (Note 42)	11,438	-	11,438
Net increase/(decrease) in cash and cash equivalents	14,161	-	14,161
Cash and cash equivalents at the beginning of the reporting period	5,996	-	5,996
Cash and cash equivalents at the end of the reporting period (Note 30)	**20,157**	**-**	**20,157**

Adjustment to 2013/14 Note 5 – Adjustments between Accounting Basis and Funding Basis under Regulations

Original 2013/14 Adjustments between Accounting Basis and Funding Basis under Regulations	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or (credited) to the CIES				
Charges for depreciation and impairment of non-current assets	11,787	-	-	(11,787)
Revaluation losses on Property, Plant and Equipment	(120)	-	-	120
Revaluation losses on Investment Properties	(125)	-	-	125
Revaluation losses on Assets Held for Sale	1,182	-	-	(1,182)
Amortisation of intangible assets	1,395	-	-	(1,395)
Capital grants and contributions	(10,615)	-	-	10,615
Revenue Expenditure Funded from Capital Under Statute	2,204	-	-	(2,204)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	7,228	1,827	-	(9,055)
Insertion of items not debited or (credited) to the CIES				
Statutory provision for the financing of capital investment	(8,847)	-	-	8,847
Capital Expenditure charged against the general fund	(101)	-	-	101
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	1,879	-	(1,879)	-
Adjustments involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,964)	-	1,964
Other Adjustments involving the Capital Receipts Reserve	-	139	-	(139)
Adjustments involving the Deferred Capital Receipts Reserve:	-	(2)	-	2
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in year in accordance with statutory requirements	(250)	-	-	250
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 39)	13,745	-	-	(13,745)
Employers Pension Contributions and direct payments to pensioners payable in the year	(12,395)	-	-	12,395

Original 2013/14 Adjustments between Accounting Basis and Funding Basis under Regulations	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from Council tax income calculated for the year in accordance with statutory requirements	(4,452)	-	-	4,452
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	(626)	-	-	626
Total Adjustments	**1,889**	**-**	**(1,879)**	**(10)**

Accounting for Schools Restatement	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or (credited) to the CIES				
Charges for depreciation and impairment of non-current assets	691	-	-	(691)
Revaluation losses on Property, Plant and Equipment	-	-	-	-
Revaluation losses on Investment Properties	-	-	-	-
Revaluation losses on Assets Held for Sale	-	-	-	-
Amortisation of intangible assets	-	-	-	-
Capital grants and contributions	-	-	-	-
Revenue Expenditure Funded from Capital Under Statute	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES – Assets	(7,663)	-	-	7,663
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES – Academies	7,663	-	-	(7,663)
Insertion of items not debited or (credited) to the CIES				
Statutory provision for the financing of capital investment	-	-	-	-
Capital Expenditure charged against the general fund	-	-	-	-
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	-	-	-	-

Accounting for Schools Restatement	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	-	-	-	-
Other Adjustments involving the Capital Receipts Reserve	-	-	-	-
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	-	-	-	-
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 39)	-	-	-	-
Employers Pension Contributions and direct payments to pensioners payable in the year	-	-	-	-
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from Council tax income calculated for the year in accordance with statutory requirements	-	-	-	-
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	-	-	-	-
Total Adjustments	**691**	**-**	**-**	**(691)**

Restated 2013/14 Adjustments between Accounting Basis and Funding Basis under Regulations	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or (credited) to the CIES				
Charges for depreciation and impairment of non-current assets	12,478	-	-	(12,478)
Revaluation losses on Property, Plant and Equipment	(120)	-	-	120
Revaluation losses on Investment Properties	(125)	-	-	125
Revaluation losses on Assets Held for Sale	1,182	-	-	(1,182)
Amortisation of intangible assets	1,395	-	-	(1,395)

Restated 2013/14 Adjustments between Accounting Basis and Funding Basis under Regulations	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Capital grants and contributions	(10,615)	-	-	10,615
Revenue Expenditure Funded from Capital Under Statute	2,204	-	-	(2,204)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES - Assets	(435)	1,827	-	(1,392)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES - Academies	7,663	-	-	(7,663)
Insertion of items not debited or (credited) to the CIES				
Statutory provision for the financing of capital investment	(8,847)	-	-	8,847
Capital Expenditure charged against the general fund	(101)	-	-	101
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	1,879	-	(1,879)	-
Adjustments involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,964)	-	1,964
Other Adjustments involving the Capital Receipts Reserve	-	139	-	(139)
Adjustments involving the Deferred Capital Receipts Reserve:	-	(2)	-	2
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in year in accordance with statutory requirements	(250)	-	-	250
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 39)	13,745	-	-	(13,745)
Employers Pension Contributions and direct payments to pensioners payable in the year	(12,395)	-	-	12,395
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from Council tax income calculated for the year in accordance with statutory requirements	(4,452)	-	-	4,452
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	(626)	-	-	626
Total Adjustments	**2,580**	**-**	**(1,879)**	**(701)**

Adjustment to 2013/14 Note 6 – Amounts Reported for Resource Allocation Decisions

Original 2013/14 Amounts Reported for Resource Allocation Decisions	Corporate Resources £000	Adults & Children's Services £000	Regeneration £000	General Fund £000	Total £000
Fees, charges & other service income	(599)	(12,700)	(7,518)	(840)	**(21,657)**
Interest & Investment Income	-	-	(10)	(4)	**(14)**
Government grants	(2,491)	(122,392)	(4,937)	(57,296)	**(187,116)**
Total Income	(3,090)	(135,092)	(12,465)	(58,140)	**(208,787)**
Employee expenses	3,069	78,558	20,056	1,202	**102,885**
Other service expenses	2,697	112,446	22,069	56,940	**194,152**
Support service recharges	2,069	9,917	8,119	-	**20,105**
Depreciation, Amortisation and Impairment	11	3,140	8,461	-	**11,612**
Total Expenditure	7,846	204,061	58,705	58,142	**328,754**
Net Expenditure	**4,756**	**68,969**	**46,240**	**2**	**119,967**

Accounting for Schools Restatement	Corporate Resources £000	Adults & Children's Services £000	Regeneration £000	General Fund £000	Total £000
Fees, charges & other service income	-	-	-	-	**-**
Interest & Investment Income	-	-	-	-	**-**
Government grants	-	-	-	-	**-**
Total Income	-	-	-	-	**-**
Employee expenses	-	-	-	-	**-**
Other service expenses	-	-	-	-	**-**
Support service recharges	-	-	-	-	**-**
Depreciation, Amortisation and Impairment	-	691	-	-	**691**
Total Expenditure	-	691	-	-	**691**
Net Expenditure	**-**	**691**	**-**	**-**	**691**

Restated 2013/14 Amounts Reported for Resource Allocation Decisions	Corporate Resources £000	Adults & Children's Services £000	Regeneration £000	General Fund £000	Total £000
Fees, charges & other service income	(599)	(12,700)	(7,518)	(840)	**(21,657)**
Interest & Investment Income	-	-	(10)	(4)	**(14)**
Government grants	(2,491)	(122,392)	(4,937)	(57,296)	**(187,116)**
Total Income	(3,090)	(135,092)	(12,465)	(58,140)	**(208,787)**
Employee expenses	3,069	78,558	20,056	1,202	**102,885**
Other service expenses	2,697	112,446	22,069	56,940	**194,152**
Support service recharges	2,069	9,917	8,119	-	**20,105**
Depreciation, Amortisation and Impairment	11	3,831	8,461	-	**12,303**
Total Expenditure	7,846	204,752	58,705	58,142	**329,445**
Net Expenditure	**4,756**	**69,660**	**46,240**	**2**	**120,658**

Reconciliation to subjective analysis

Original 2013/14 Amounts Reported for Resource Allocation Decisions: Reconciliation to Subjective Analysis	Directorate Analysis £000	Other Operating Expenditure (Note 8) £000	Transfer of School Assets and Financing and Investment Income and Expenditure (Note 9) £000	Taxation and Non-specific Grant income (Note 10) £000	Surplus or Deficit on provision of Services £000
Fees, charges & other service income	(21,657)	-	-	(50,371)	(72,028)
Interest and investment income	(14)	-	(228)	-	(242)
Income from council tax	-	-	-	-	-
Government grants and contributions	(187,115)	-	-	(96,119)	(283,234)
Total Income	(208,786)	-	(228)	(146,490)	(355,504)
Employee expenses	102,885	-	921	-	103,806
Other service expenses	194,152	7,451	1	-	201,604
Support Service recharges	20,104	-	-	-	20,104
Depreciation, amortisation and impairment	11,612	-	16,181	-	27,793
Interest payments	-	-	-	-	-
Precepts & Levies	-	548	-	-	548
(Gain)/Loss on Disposal of Fixed Assets	-	-	-	-	-
Total Expenditure	328,753	7,999	17,103	-	353,855
(Surplus)/Deficit on the Provision of Services	119,967	7,999	16,875	(146,490)	(1,649)

Accounting for Schools Restatement	Directorate Analysis £000	Other Operating Expenditure (Note 8) £000	Transfer of School Assets and Financing and Investment Income and Expenditure (Note 9) £000	Taxation and Non-specific Grant income (Note 10) £000	Surplus or Deficit on provision of Services £000
Fees, charges & other service income	-	-	-	-	-
Interest and investment income	-	-	-	-	-
Income from council tax	-	-	-	-	-
Government grants and contributions	-	-	-	-	-
Total Income	-	-	-	-	-
Employee expenses	-	-	-	-	-
Other service expenses	-	-	-	-	-
Support Service recharges	-	-	-	-	-
Depreciation, amortisation and impairment	691	-	-	-	691
Interest payments	-	-	-	-	-
Precepts & Levies	-	-	-	-	-
(Gain)/Loss on Disposal of Fixed Assets	-	(7,633)	7,633	-	-
Total Expenditure	691	(7,633)	7,633	-	691
(Surplus)/Deficit on the Provision of Services	691	(7,633)	7,633	-	691

Restated 2013/14 Amounts Reported for Resource Allocation Decisions: Reconciliation to Subjective Analysis	Directorate Analysis £000	Other Operating Expenditure (Note 8) £000	Transfer of School Assets and Financing and Investment Income and Expenditure (Note 9) £000	Taxation and Non-specific Grant income (Note 10) £000	Surplus or Deficit on provision of Services £000
Fees, charges & other service income	(21,657)	-	-	(50,371)	(72,028)
Interest and investment income	(14)	-	(228)	-	(242)
Income from council tax	-	-	-	-	-
Government grants and contributions	(187,115)	-	-	(96,119)	(283,234)
Total Income	(208,786)	-	(228)	(146,490)	(355,504)
Employee expenses	102,885	-	921	-	103,806
Other service expenses	194,152	7,451	1	-	201,604
Support Service recharges	20,104	-	-	-	20,104
Depreciation, amortisation and impairment	12,302	-	16,181	-	28,483
Interest payments	-	-	-	-	-
Precepts & Levies	-	548	-	-	548
(Gain)/Loss on Disposal of Fixed Assets	-	(7,633)	7,633	-	-
Total Expenditure	329,443	367	24,736	-	354,546
(Surplus)/Deficit on the Provision of Services	120,657	367	24,508	(146,490)	(958)

Adjustment to 2013/14 Note 8 – Other Operating Expenditure

	Original 2013/14 £000	Schools Accounting Restatement £000	Restated 2013/14 £000
Parish council precepts	548	-	548
Levies	167	-	167
(Gains)/Losses on the disposal of non-current assets	7,284	(7,633)	(349)
Total	**7,999**	**(7,633)**	**366**

Adjustment to 2013/14 Note 17 – Property, Plant and Equipment (PPE)

Original 2013/14 Property, Plant and Equipment (PPE)	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total PPE	Included in Total PPE - Owned	Included in Total PPE - Finance Leased	Included in Total PPE – PFI Assets
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation										
At 1 April 2013	135,554	21,986	168,683	6,542	19,874	28	352,667	318,274	2,257	32,136
Additions	6,608	2,811	4,091	24	16,418	-	29,952	29,888	-	64
Donations	-	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) to RR	(1,732)	-	-	-	-	-	(1,732)	(1,732)	-	-
Revaluation increases/(decreases) to SDPS	120	-	-	-	-	-	120	120	-	-
Derecognition - Disposals	(8,722)	(539)	-	-	-	-	(9,261)	(7,205)	(2,056)	-
Derecognition - Other	-	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(3,388)	-	-	-	-	-	(3,388)	(3,388)	-	-
Assets reclassified (to)/from Investment Properties	3,744	-	-	-	-	-	3,744	3,744	-	-
Other movements	28	-	5,890	-	(5,952)	(28)	(62)	(62)	-	-
At 31 March 2014	132,212	24,258	178,664	6,566	30,340	-	372,040	339,639	201	32,200
Accumulated Depreciation and Impairment										
At 1 April 2013	6,976	16,178	67,004	(1)	-	-	90,157	83,505	2,131	4,521
Depreciation charge for the year	3,953	1,749	6,085	-	-	-	11,787	10,561	33	1,193
Depreciation written out to the RR	-	-	-	-	-	-	-	-	-	-
Depreciation written out to the SDPS	(3,714)	-	-	-	-	-	(3,714)	(3,714)	-	-
Impairment losses/(reversals) recognised in the RR	-	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the SDPS	-	-	-	-	-	-	-	-	-	-
Derecognition - Disposals	(551)	(531)	-	-	-	-	(1,082)	974	(2,056)	
Derecognition - Other	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-
At 31 March 2014	6,664	17,396	73,089	(1)	-	-	97,148	91,326	108	5,714
Net Book Value										
At 31 March 2014	125,548	6,862	105,575	6,567	30,340	-	274,892	248,313	93	26,486
At 31 March 2013	128,578	5,808	101,679	6,543	19,874	28	262,510	234,769	126	27,615

Accounting for Schools Restatement	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total PPE	Included in Total PPE - Owned	Included in Total PPE - Finance Leased	Included in Total PPE – PFI Assets
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation										
At 1 April 2013	21,873	-	-	-	-	-	21,873	21,873	-	-
Additions	-	-	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) to RR	-	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) to SDPS	-	-	-	-	-	-	-	-	-	-
Derecognition - Disposals	-	-	-	-	-	-	-	-	-	-
Derecognition - Other	-	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Investment Properties	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-
At 31 March 2014	21,873	-	-	-	-	-	21,873	21,873	-	-
Accumulated Depreciation and Impairment										
At 1 April 2013	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	691	-	-	-	-	-	691	691	-	-
Depreciation written out to the RR	-	-	-	-	-	-	-	-	-	-
Depreciation written out to the SDPS	-	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the RR	-	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the SDPS	-	-	-	-	-	-	-	-	-	-
Derecognition - Disposals	-	-	-	-	-	-	-	-	-	-
Derecognition - Other	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-
At 31 March 2014	691	-	-	-	-	-	691	691	-	-
Net Book Value										
At 31 March 2014	21,182	-	-	-	-	-	21,182	21,182	-	-
At 31 March 2013	21,182	-	-	-	-	-	21,182	21,182	-	-

Restated 2013/14 Property, Plant and Equipment (PPE)	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total PPE	Included in Total PPE - Owned	Included in Total PPE - Finance Leased	Included in Total PPE – PFI Assets
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation										
At 1 April 2013	157,427	21,986	168,683	6,542	19,874	28	374,540	340,147	2,257	32,136
Additions	6,608	2,811	4,091	24	16,418	-	29,952	29,888	-	64
Donations	-	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) to RR	(1,732)	-	-	-	-	-	(1,732)	(1,732)	-	-
Revaluation increases/(decreases) to SDPS	120	-	-	-	-	-	120	120	-	-
Derecognition - Disposals	(8,722)	(539)	-	-	-	-	(9,261)	(7,205)	(2,056)	-
Derecognition - Other	-	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(3,388)	-	-	-	-	-	(3,388)	(3,388)	-	-
Assets reclassified (to)/from Investment Properties	3,744	-	-	-	-	-	3,744	3,744	-	-
Other movements	28	-	5,890	-	(5,952)	(28)	(62)	(62)	-	-
At 31 March 2014	154,085	24,258	178,664	6,566	30,340	-	393,913	361,512	201	32,200
Accumulated Depreciation and Impairment										
At 1 April 2013	6,976	16,178	67,004	(1)	-	-	90,157	83,505	2,131	4,521
Depreciation charge for the year	4,644	1,749	6,085	-	-	-	12,478	11,252	33	1,193
Depreciation written out to the RR	-	-	-	-	-	-	-	-	-	-
Depreciation written out to the SDPS	(3,714)	-	-	-	-	-	(3,714)	(3,714)	-	-
Impairment losses/(reversals) recognised in the RR	-	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the SDPS	-	-	-	-	-	-	-	-	-	-
Derecognition - Disposals	(551)	(531)	-	-	-	-	(1,082)	974	(2,056)	
Derecognition - Other	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-
At 31 March 2014	7,355	17,396	73,089	(1)	-	-	97,839	92,017	108	5,714
Net Book Value										
At 31 March 2014	146,730	6,862	105,575	6,567	30,340	-	296,074	269,495	93	26,486
At 31 March 2013	150,451	5,808	101,679	6,543	19,874	28	284,383	256,642	126	27,615

Adjustment to 2013/14 Note 37 – Unusable Reserves

	Original 2013/14 £000	Schools Accounting Restatement £000	Restated 2013/14 £000
CAPITAL RESERVES			
Revaluation Reserve	26,173	-	26,173
Available for Sale Financial Instruments Reserve	352	-	352
Capital Adjustment Account	(774)	21,182	20,408
Financial Instruments Adjustment Account	(4,462)	-	(4,462)
Deferred Capital Receipts	4	-	4
REVENUE RESERVES			
Pensions Reserve	(134,357)	-	(134,357)
Collection Fund Adjustment Account	4,693	-	4,693
Accumulating Compensated Absences Adjustment Account	(2,886)	-	(2,886)
Total Unusable Reserves	**(111,257)**	**21,182**	**(90,075)**

Adjustment to 2013/14 Capital Adjustment Account

	Original 2013/14 £000	Schools Accounting Restatement £000	Restated 2013/14 £000
Balance at 1 April	**1,451**	**21,873**	**23,324**
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</u>			
Charges for depreciation and impairment of non-current assets	(11,255)	(691)	(11,946)
Revaluation losses on Property, Plant and Equipment, Investment Properties and Assets Held For Sale	(894)	-	(894)
Amortisation of intangible assets	(1,395)	-	(1,395)
Revenue expenditure funded from capital under statute	(2,204)	-	(2,204)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(7,858)	-	(7,858)
Net amount written out of the cost of non-current assets consumed in the year	**(23,606)**	**(691)**	**(24,297)**
<u>Capital financing applied in the year</u>			
Use of the Capital Receipts Reserve to finance new capital expenditure	1,964	-	1,964
Capital Financing Reserve	-	-	-
Direct Revenue Financing	102	-	102
Write down long term debtor/capital receipt deferred	(137)	-	(137)
Capital grants and contributions credited to the CIES that have been applied to capital financing	10,615	-	10,615
Application of grants to capital financing from the Capital Grants Unapplied Account	-	-	-
Statutory provision for the financing of capital investment charged against the General Fund in year (MRP)	8,847	-	8,847
Amendment to accounting estimates and reduction of MRP	-	-	-
Disposal expenses	(10)	-	(10)
Total Capital Financing	**21,381**	**-**	**21,381**
Movements in the market value of Investment Properties debited or credited to the CIES	-	-	-
Movement in the Donated Assets Account credited to the CIES	-	-	-
Balance at 31 March	**(774)**	**21,182**	**20,408**

NOTE 46 – OTHER ADJUSTMENTS TO 2013/14 COMPARATORS

The following adjustments have been made as a result of issues other than changes in accounting standards. The reasons for the adjustments are stated in the relevant note but are in general to allow a better quality comparison with the 2014/15 information disclosed.

Adjustment to 2013/14 Note 15 – Trading Operations

Original 2013/14 Trading Operations	Income £000	Expenditure £000	(Surplus)/ Deficit £000
Catering Provision of meals in schools throughout the borough.	(2,861)	3,062	201
Trade Refuse Collection Undertakes the collection of commercial waste from properties within the borough.	(619)	231	(388)
Industrial Estates As part of the Council's priority theme to provide business space to attract and sustain business in the local economy, the Council provides units in a range of sizes throughout the borough.	(19)	261	242
Markets Provision of a site for the operation of a market based in Redcar, to boost retail and tourism for the borough.	(4)	4	-
Business Centres Provision of workshop and office accommodation in a range of sizes at The Beacon, Redcar Station & South Tees Business Centres, as part of the Council's priority theme to provide business space to attract and sustain business in the local economy.	(392)	907	515
Car Parking Provision of both on street and off street parking throughout the borough.	(1,120)	377	(743)
Total	**(5,015)**	**4,842**	**(173)**

Adjustment	Income £000	Expenditure £000	(Surplus)/ Deficit £000
Catering Provision of meals in schools throughout the borough.	-	(34)	(34)
Trade Refuse Collection Undertakes the collection of commercial waste from properties within the borough.	-	-	-
Industrial Estates As part of the Council's priority theme to provide business space to attract and sustain business in the local economy, the Council provides units in a range of sizes throughout the borough.	-	-	-
Markets Provision of a site for the operation of a market based in Redcar, to boost retail and tourism for the borough.	-	-	-
Business Centres Provision of workshop and office accommodation in a range of sizes at The Beacon, Redcar Station & South Tees Business Centres, as part of the Council's priority theme to provide business space to attract and sustain business in the local economy.	77	(330)	(253)
Car Parking Provision of both on street and off street parking throughout the borough.	-	-	-
Total	**77**	**(364)**	**(287)**

Restated 2013/14 Trading Operations	Income £000	Expenditure £000	(Surplus)/ Deficit £000
Catering Provision of meals in schools throughout the borough.	(2,861)	3,028	167
Trade Refuse Collection Undertakes the collection of commercial waste from properties within the borough.	619	231	(388)
Industrial Estates As part of the Council's priority theme to provide business space to attract and sustain business in the local economy, the Council provides units in a range of sizes throughout the borough.	(19)	261	242
Markets Provision of a site for the operation of a market based in Redcar, to boost retail and tourism for the borough.	(4)	4	-
Business Centres Provision of workshop and office accommodation in a range of sizes at The Beacon, Redcar Station & South Tees Business Centres, as part of the Council's priority theme to provide business space to attract and sustain business in the local economy.	(315)	577	262
Car Parking Provision of both on street and off street parking throughout the borough.	(1,120)	377	(743)
Total	**(4,938)**	**4,478**	**(460)**

Original 2013/14 Trading Operations excluding Impairment Charges	Income £000	Expenditure £000	(Surplus)/ Deficit £000
Catering	(2,861)	3,062	201
Trade Refuse Collection	(619)	231	(388)
Industrial Estates	(19)	261	242
Markets	(4)	4	-
Business Centres	(392)	907	515
Car Parking	(1,120)	377	(743)
Total	**(5,015)**	**4,842**	**(173)**

Adjustment	Income £000	Expenditure £000	(Surplus)/ Deficit £000
Catering	-	(34)	(34)
Trade Refuse Collection	-	-	-
Industrial Estates	-	(134)	(134)
Markets	-	-	-
Business Centres	77	(330)	(253)
Car Parking	-	-	-
Total	**77**	**(498)**	**(421)**

Restated 2013/14 Trading Operations excluding Impairment Charges	Income £000	Expenditure £000	(Surplus)/ Deficit £000
Catering	(2,861)	3,028	167
Trade Refuse Collection	(619)	231	(388)
Industrial Estates	(19)	127	108
Markets	(4)	4	-
Business Centres	(315)	577	262
Car Parking	(1,120)	377	(743)
Total	**(4,938)**	**4,344**	**(594)**

Adjustment to 2013/14 Note 29 – Debtors

	Original 31 March 2014 £000	Adjustment £000	Restated 31 March 2014 £000
Central government bodies	4,077	-	4,077
Other local authorities	605	2,550	3,155
NHS Bodies	1,014	40	1,054
Public corporation and trading funds	22	-	22
Council Tax payers	7,551	-	7,551
Business Rates	3,959	-	3,959
Housing Benefits Overpayments	3,114	-	3,114
Other entities and individuals	5,787	(2,590)	3,197
Total	**26,129**	**-**	**26,129**
Provisions for Doubtful Debts			
General	(124)	-	(124)
Council Tax payers	(5,228)	-	(5,228)
Business Rates	(600)	-	(600)
Housing Benefits Overpayments	(1,020)	-	(1,020)
Total debtors including provision for doubtful debt	**19,157**	**-**	**(19,157)**

Adjustment to 2013/14 Note 31 – Creditors

	Original 31 March 2014 £000	Adjustment £000	Restated 31 March 2014 £000
Central government bodies	(6,094)	433	(5,661)
Other local authorities	(1,600)	45	(1,555)
NHS Bodies	(1,162)	(41)	(1,203)
Public corporation and trading funds	-	-	-
Short Term Accumulating Compensated Absences	(2,886)	-	(2,886)
Other entities and individuals	(17,525)	564	(16,961)
Local Taxation	-	(1,001)	(1,001)
Total	**(29,267)**	**-**	**(29,267)**

Adjustment to 2013/14 Note 34 – Financial Instruments

Financial Instruments: Balances

Extract from 'Investments and borrowing disclosed in the Balance Sheet'	Current		
	Original 31 March 2014 £000	Adjustment £000	Restated 31 March 2014 £000
Total Cash & Cash Equivalents	**20,382**	**-**	**20,382**
Debtors	11,381	2,121	13,502
Total Financial Assets	**41,884**	**2,121**	**44,005**

Financial Instruments: Fair Value of Assets and Liabilities

	Carrying Amount			Fair Value		
	Original 31 March 2014 £000	Adjustment £000	Restated 31 March 2014 £000	Original 31 March 2014 £000	Adjustment £000	Restated 31 March 2014 £000
PWLB debt	56,401	-	56,401	57,540	-	57,540
LOBO debt	106,951	-	106,951	170,889	-	170,889
Other Local Authority debt	15,203	-	15,203	15,673	-	15,673
Finance Lease Payables	91	-	91	113	-	113
PFI Scheme Liabilities	67,491	-	67,491	105,403	-	105,403
Current financial liability (overdraft)	224	-	224	224	-	224
Total debt	246,361	-	246,361	349,842	-	349,842
Creditors	27,573	1,026	28,599	27,573	1,026	28,599
Total financial liabilities	273,934	1,026	274,960	377,415	1,026	378,441
Long and short term investments	26,477	-	26,477	26,528	-	26,528
Current financial assets	4,027	-	4,027	4,027	-	4,027
Debtors	11,381	2,121	13,502	11,381	2,121	13,502
Total loans and receivables	41,885	2,121	44,006	41,936	2,121	44,057

NOTE 47 – STATEMENT OF ACCOUNTING POLICIES

1. GENERAL

The Statement of Accounts summarises the Council's financial transactions for the 2014/15 financial year and its financial position at the year ended 31 March 2015, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2014/15, 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.

2. ESTIMATION TECHNIQUES

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

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

- methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period;

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

3. 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 subject to a de minimis level of £1,000.
- Interest payable on borrowing and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debt will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

A couple of 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.

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

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

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

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

5. 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.

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

Non-Domestic Rates (NDR)

Retained business rates and top up 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 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.

7. RESERVES

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

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

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

Unusable reserves are non-distributable reserves and are disclosed in Note 37 to the Statement of Accounts. These represent ‘technical non-cash’ reserves which are maintained to manage the accounting processes and other statutory accounting adjustments under regulations. These reserves do not represent usable resources available to the Council, they do not impact upon the level of local taxation required and are not able to be utilised in support of service delivery.

8. EVENTS AFTER THE BALANCE SHEET DATE

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

Adjusting Events
Those events that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

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

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

9. ACQUIRED OPERATIONS

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

10. TRUST FUNDS

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

11. GRANTS AND CONTRIBUTIONS

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

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

12. 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 by Teesside Pension Fund.

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

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

The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pension Scheme in the year. The Public Health Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

Local Government Pension Scheme
The Teesside Pension Fund, administered locally by Middlesbrough Borough Council is a funded defined benefit plan with benefits earned up to 31 March 2015 being linked to final salary. Benefits earned after 31 March 2015 are based on a Career Average Revalued Earnings Scheme. The Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Estimating the benefit that employees have earned:

Actuarial techniques are used to:

a) Estimate the variables that will determine the ultimate cost of providing post-employment benefits. The main actuarial assumptions for pension benefits include financial and demographic. Demographic assumptions include mortality, employee turnover and expected early retirement and financial assumptions include the discount rate and salary and benefit levels.

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

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

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

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

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

Determining the fair value of any plan assets

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

Determining the Re-measurement of actuarial gains and losses

Re-measurement of actuarial gains and losses comprise of:

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

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

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

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

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

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

A curtailment occurs when the Council either:

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

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

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

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

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

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

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

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

c) any unamortised related past service costs.

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

Balance Sheet recognition

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

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

b) minus any past service cost not yet recognised (ie past service costs that have not vested at the Balance Sheet date);

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

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

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

Acceptable approximations include adjusting full valuation results using the latest available membership data.

Surplus or deficit on the provision of services

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

a) current service cost;

b) interest cost;

c) the expected return on any plan assets and on any reimbursement rights;

d) past service cost;

e) the effect of any curtailments or settlements.

13. COST OF SUPPORT SERVICES

All budgeted costs of support services have been fully allocated to directorates. A comparison of actual costs and budgeted costs was undertaken and the variance identified has been allocated back to directorates.
There are several bases of allocation used for the main cost of support services, which include; number of transactions, officer time, floor area and employee numbers. The basis is dependent on the nature of the service involved.

14. CHARGES TO REVENUE FOR THE USE OF TANGIBLE OR INTANGIBLE ASSETS

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

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

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

15. VAT

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

16. PROPERTY PLANT AND EQUIPMENT

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

Recognition

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

Subsequent costs arising from day-to-day servicing of an asset (i.e. labour costs and consumables), commonly referred to as ‘repairs and maintenance’, are not recognised as property, plant and equipment because the expenditure does not add to the future economic benefits or service potential of the asset. Rather the expenditure maintains the asset’s potential to deliver future economic benefits or service potential that it was expected to provide when originally acquired. This type of expenditure is charged to the relevant service revenue account when it is incurred.

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

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

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

Measurement

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

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

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

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

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

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

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

Revaluation

Assets that are held in the Balance Sheet at fair value are revalued by professionally qualified valuers, both internal to the Council (Asset Management) and external (Storeys SSP and Sanderson Weatherall), on a rolling basis at intervals of no more than five years.

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

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

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

Impairment

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

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

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

Depreciation

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

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

- Land: No depreciation;

- Buildings: Straight-line allocation over the life of the property as estimated by the valuer. The lifespan of property ranges from between 1-99 years with the majority having a lifespan of between 30-70 years.

- Vehicles, plant and equipment: Straight line allocation generally between 3 and 6 years;

- Infrastructure: Straight-line allocation between 10 – 40 years;

- Community assets: No depreciation as generally in the form of land. The valuer assesses the useful life of any building included in this category.

- Items of property, plant and equipment are not depreciated until they become available for use (i.e. when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management). Depreciation ceases at the earlier of the date that items of property, plant and equipment are classified as held for sale and the date they are derecognised.

- The residual value of an item of property, plant and equipment, their useful life and depreciation methods are to be reviewed at least at each financial year-end. If expectations differ from previous reviews or there has been a significant change in the pattern of consumption of the future economic benefits or service potential, the change is accounted for as a change in accounting estimate.

Componentisation

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

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

- The asset must have a value in excess of £500,000; and

- The component should have a cost of at least 20% of the cost of the overall asset and

- have a materially different useful life (at least 20% different) and/or

- have a different depreciation method that materially affects the amount charged.

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

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

Derecognition

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

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

17. HERITAGE ASSETS

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

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

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

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

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

The Museum follows a code of practice in collecting and managing its collection. Kirkleatham Museum has a number of collection policies which deals with all areas of conservation, storage, and recording. These policies were updated during 2013/14 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 museums modes system.

18. 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. A gain or loss arising from a change in the fair value of investment property is recognised in the surplus or deficit on the cost of services for the period in which it arises. The fair value of investment property reflects market conditions at the Balance Sheet date. This means that a periodic revaluation approach may only be used where the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date. An investment property held at fair value is not depreciated.

19. INTANGIBLE ASSETS

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

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

The depreciable amount of an intangible asset with a finite useful life is amortised on a systematic basis over its useful life, beginning when the intangible asset is available for use. The amortisation method used reflects the expected pattern of use of the economic benefits. If the pattern cannot be determined reliably, the straight-line method is used. Any Directorate that has the use of intangible assets in the provision of their services is charged with an annual amount for amortisation within their service revenue account. The amortisation period and method is reviewed at least at the end of each reporting period.

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

20. PRIVATE FINANCE INITIATIVE

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

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

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

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

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

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

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

21. LEASES

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

The Council as lessee

Finance leases

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

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

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

Operating leases

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

The Council as lessor

Finance leases

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

Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Assets subject to operating leases are held on the Council's Balance Sheet according to the nature of the asset and rental income is recognised, in the surplus or deficit on the cost of services, on a straight-line basis over the lease term.

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

Arrangements containing a lease

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

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

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

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

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

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

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

23. 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.

24. CAPITAL RECEIPTS

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

25. INVENTORIES

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

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

26. 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.

27. 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.

28. FINANCIAL INSTRUMENTS

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

Typical financial assets include bank deposits, trade receivables, loans receivables, other receivable and advances, and investments. Typical financial liabilities include trade payables and other payables, borrowings and financial guarantees.

Recognition

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

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

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

Measurement

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

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

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price. In most cases, this amount will be the transaction price. If the transaction is not based on market terms, a valuation technique is used.

Classification

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

Financial assets are classified into one of the following categories:

- Fair value through profit or loss. This designation is used for assets that are held for trading, such as external investment funds. The distinctive treatment of such assets would be that all gains and losses are posted to the Surplus or Deficit on the Provision of services when they arise.

- Loans and receivable that have fixed or determinate payments and that are not quoted in an active market , other than those that the Council intends to sell immediately or those for which the Council may not recover substantially all of its initial investment. These will be classified as available for sale. These are carried at amortised cost. The Surplus or Deficit on the Provision of services in the Comprehensive Income and Expenditure Statement is chargeable with interest receivable, impairment losses and any gain or loss on derecognition (ie disposal or maturity). Movements in fair value during the life of the asset are not recognised.

- Available for sale are defined as those financial assets that are not classified as loans and receivables or fair value through profit or loss. The assets are carried at their fair value and any movement is posted to a revaluation reserve and the Comprehensive Income and Expenditure Statement.

Financial liabilities are classified into one of two categories:

- Fair value through profit and loss. This classification is used for liabilities held for trading. It is unlikely that the Council will hold any of this classification. The distinctive treatment of such assets would be that all gains and losses are posted to the Surplus or deficit on the Provision of services when they arise.

- Amortised cost which contain all of the Council's financial liabilities. Examples include operational creditors and borrowing. The Comprehensive Income and Expenditure statement is charged with interest payable.

Amortised cost using the effective interest rate method

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

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

Impairment

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

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

De-recognition

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

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

29. 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.

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT – 2014/15

2013-14				2014/15		
£000	£000	£000		£000	£000	£000
CTAX	NDR	TOTAL		CTAX	NDR	TOTAL
			INCOME			
(60,896)	-	(60,896)	Council Tax Receivable	(62,861)	-	(62,861)
-	(51,477)	(51,477)	Business Rates Receivable	-	(40,750)	(40,750)
(60,896)	**(51,477)**	**(112,373)**		**(62,861)**	**(40,750)**	**(103,611)**
			Contribution from preceptors for previous year's deficit			
-	-	-	Central Government	-	(9,302)	(9,302)
16	-	16	Billing Authority	(253)	(9,116)	(9,369)
1	-	1	Fire Authority	(13)	(186)	(199)
3	-	3	Police Authority	(37)	-	(37)
20	**-**	**20**		**(303)**	**(18,604)**	**(18,907)**
			Precepts, Demands and Shares			
-	20,243	20,243	Central Government	-	18,260	18,260
49,028	19,838	68,866	Billing Authority (RCBC)	50,567	17,895	68,462
2,410	405	2,815	Fire Authority	2,484	365	2,849
7,053	-	7,053	Police Authority	7,277	-	7,277
58,491	**40,486**	**98,977**		**60,328**	**36,520**	**96,848**
			Charges to the Collection Fund			
(78)	113	35	Less: Write offs of uncollectable amounts	-	-	-
881	135	1,016	Less: Increase in Bad Debt Provision	1,031	683	1,714
-	4,727	4,727	Less: Increase in Provision for Appeals	-	71	71
-	172	172	Less: Cost of Collection	-	174	174
-	(528)	(528)	Less: Disregarded amounts	-	(921)	(921)
803	**4,619**	**5,422**		**1,031**	**7**	**1,038**
(1,582)	(6,372)	(7.954)	(Surplus)/Deficit arising during the year	(1,805)	(22,827)	(24,632)
(288)	-	(288)	(Surplus)/Deficit brought forward 1st April	(1,870)	(6,372)	(8,242)
(1,870)	**(6,372)**	**(8,242)**	**(Surplus)/Deficit carried forward 31st March**	**(3,675)**	**(29,199)**	**(32,874)**

NOTES TO THE COLLECTION FUND – 2014/15

GENERAL INFORMATION

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to local government bodies and central government.

The Council, as the billing authority for the Redcar & Cleveland area, has a statutory requirement to operate a Collection Fund as a separate account to its General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year and need to be made good. For Redcar and Cleveland, the Council Tax precepting bodies are the Police and Crime Commissioner for Cleveland and the Cleveland Fire and Rescue Authority, as well as the Council.

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates income scheme. The main aim of the scheme is to give Councils a greater incentive to grow business in the Borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NDR tax base.

The scheme allows the Council to retain a proportion of the business rates money received. The Council's share is 49% with the remainder paid to precepting bodies. For Redcar and Cleveland, the NDR precepting bodies are Central Government (50% share) and the Cleveland Fire and Rescue Authority (1% share). Police authorities are not part of the business rates retention scheme.

Business rates surpluses or deficits declared by the billing authority in relation to the Collection Fund, are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions.

The Code of Practice followed by Local Authorities in England stipulates that a Collection Fund income and expenditure account is included in the Council's accounts. The Collection Fund Balance Sheet meanwhile is incorporated into the Council's consolidated Balance Sheet and the other preceptors based on their proportionate share.

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 Account. It is also used to finance the Council's share of the Police and Fire Authorities expenditure, through precepts made on the Council's Collection Fund.

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

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

Set out in the table are the Band D weightings, property numbers and income from each band level, as per the Council Tax Base, which was set by the Council in March 2014. The Council tax base for 2014/15 was 35,980 (35,570 in 2013/14).

Band	Property Value	Weighting to Band D	Number of chargeable dwellings	Band D Equivalent	Redcar & Cleveland Demand Excluding Parishes	Police Authority Demand Per Property	Fire Authority Demand Per Property	Total Demand Per Property	Total Income Per Band
			No.	No.	£	£	£	£	£000
A		5/9	83	46	772.24	112.36	38.36	922.96	77
A	Up to £40,000	6/9	22,848	15,232	926.69	134.83	46.03	1,107.55	25,305
B	£40,001 - £52,000	7/9	11,459	8,913	1,081.14	157.30	53.71	1,292.15	14,807
C	£52,001 - £68,000	8/9	12,554	11,159	1,235.59	179.77	61.38	1,476.74	18,539
D	£68,001 - £88,000	9/9	4,815	4,815	1,390.14	202.24	69.05	1,661.43	8,000
E	£88,001 - £120,000	11/9	2,826	3,454	1,698.94	247.18	84.39	2,030.51	5,738
F	£120,001 - £160,000	13/9	807	1,165	2,007.84	292.12	99.74	2,399.70	1,937
G	£160,001 - £320,000	15/9	356	593	2,316.73	337.07	115.08	2,768.88	986
H	Over £320,000	18/9	11	23	2,780.08	404.48	138.10	3,322.66	37
			55,759	45,400					74,426
Council Tax Support				8,307					
Less non collection 1.5%				1,113					
Council Tax Base				35,980					

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 shown in the table below does not take account of these assumptions. All exemptions, disabled reductions and discounts during the year are shown within the table to show the actual income collectable from council tax payers.

The income is determined from the following sources:

2013/14 £000		2014/15 £000
82,989	Opening Liability	85,109
(135)	Disabled Reduction	(129)
(20,606)	Discount	(20,796)
(1,352)	Exemptions	(1,323)
60,896	**Income collectable from Council Tax Payers**	**62,861**

NOTE 3 – INCOME FROM NON-DOMESTIC RATES

The Council collects Non Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rates multiplier set nationally by central government. In previous financial years the total amount due less certain allowances was paid to a central pool, which in turn, paid to local authorities their share of the pool based on a standard amount per head of the local adult population.

In 2013/14 the administration of NDR changed following the introduction of a business rates retention scheme which aims to give councils a greater incentive to grow businesses but also increases the financial risk due to the volatility and non-collection of rates. Instead of paying NDR to the central pool, local authorities retain a proportion of the total collectible rates due. In the case of Redcar & Cleveland Borough Council, the local share is 49%. The remainder is distributed to other preceptors, 50% to central government and 1% to the Cleveland Fire Authority.

The business rate share payable for the 2014/15 financial year was estimated before the start of the year as £18.260m to government, £0.365m to the Fire Authority and £17.895m to the Council. These proportionate shares have been paid in 2014/15 and charged to the collection fund in year.

When the scheme was introduced central government set a baseline level for each local authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities received their baseline amount of funding. Tariffs due from authorities payable to central government are used to finance the top up payments to those councils who do not receive their baseline funding position via the local collection of business rates. In this respect Redcar and Cleveland Borough Council is a top up authority as its collection baseline position of £23.800m is lower than its funding baseline position under the local government finance settlement of £32.111m. As a result the Council received a top-up grant of £8.311m in 2014/15 as a general fund grant to compensate for the difference between the two figures.

In addition to the top up grant, a ‘safety net’ grant is payable to local authorities by central government where the budgeted share of business rates collectable for the Council plus the top up grant is below 92.5% of the baseline funding position. For Redcar & Cleveland, the safety net applies at levels below £29.703m. The retained income budgeted position plus the top up grant totals, plus adjustments for small business rate reliefs is £27.466m. Therefore the Council received £2.237m as safety net grant during 2014/15.

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

2013/14 Pence		2014/15 Pence
46.2	NDR multiplier	47.1

NOTE 4 – NON DOMESTIC RATEABLE VALUE

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

2013/14 £000		2014/15 £000
129,101	Total NDR rateable value	130,957

NOTE 5 – INCOME FROM NON DOMESTIC RATES

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

2013/14			2014/15	
£000	£000		£000	£000
		Estimated Income		
129,101		Gross Rateable Value	130,957	
46.2p		Multiplier (pence in the £)	47.1p	
	59,645	**Estimated Opening Debit**		61,681
		Actual Income		
58,157		Actual Opening charges payable	47,912	
	58,157			47,912
(3,309)		Reduced Assessments	(3,887)	
(528)		Transitional Protection	(1,008)	
(2,137)		Mandatory Relief	(2,310)	
(711)		Discretionary Relief	(316)	
-		Section 44A	359	
-		Interest Due	-	
5		Enterprise Zone	-	
	(6,680)			(7,162)
	51,477	**Actual Income Collectable**		40,750

The total income collectable from business rates payers was £40.750m which was significantly higher than the budgeted position of £36.520m. This was due to concerns at the budget stage regarding the ability of a major manufacturer being unable to pay their business rates bill during 2014/15 and this was factored into the income calculation as a loss on collection. This has been offset to an extent by a large value of refunds in 2014/15 which has reduced in-year income.

In addition to the local management of business rates, Councils are expected to finance appeals made in respect of rateable values as defined by the VOA and hence business rates outstanding as at 31st March 2015. As such authorities are required to make a financial provision for this amount as the qualifying obligation i.e. the appeal being made is in the past. Appeals are charged and provided for in proportion to the precepting shares. The total value of the provision at the end of 2014/15 was for £4.798m with the Council's share in its Balance Sheet being

£2.351m. This is slightly higher than the provision value in the 2013/14 accounts but is a broadly neutral cost to the Collection Fund year on year.

NOTE 6 – MAJOR PRECEPTS AND COLLECTION FUND SURPLUS/DEFICIT

Details of the major precepts on the Collection Fund are shown in the following table for both Council Tax and Business Rates:

2013/14				2014/15		
£000	£000	£000		£000	£000	£000
CTAX	NDR	TOTAL		CTAX	NDR	TOTAL
7,053	-	7,053	Cleveland Police Authority	7,277	-	7,277
2,410	405	2,815	Cleveland Fire & Rescue Authority	2,484	365	2,849
-	20,243	20,243	Central Government	-	18,260	18,260
49,028	19,838	68,866	Redcar & Cleveland Borough Council	50,567	17,895	68,462
58,491	**40,486**	**98,977**		**60,328**	**36,520**	**96,848**

Contribution from preceptors for previous year's deficit

The Council has a statutory requirement to prepare an estimate each January of the surplus or deficit expected to arise at the end of the financial year. In January 2014 it was estimated that the Collection Fund would have a Council Tax deficit of £0.303m and a Business Rates deficit of £18.604m, a combined Collection Fund deficit of £18.907m (£0.20m surplus in January 2013) and so the following amounts were due to the preceptors in 2014/15. The Business Rates deficit mainly refers to a major business that was late in paying.

2013/14				2014/15		
£000	£000	£000		£000	£000	£000
CTAX	NDR	TOTAL		CTAX	NDR	TOTAL
(3)	-	(3)	Cleveland Police Authority	37	-	37
(1)	-	(1)	Cleveland Fire & Rescue Authority	13	186	199
-	-	-	Central Government	-	9,302	9,302
(16)	-	(16)	Redcar & Cleveland Borough Council	253	9,116	9,369
(20)	**-**	**(20)**		**303**	**18,604**	**18,907**

After precepts, the only other adjusting amount within the Collection Fund is for the value of the bad debt provision. This is influenced by the aged debt profile for both council tax and business rates debt, and the level of debt write offs in year.

The total value of the bad debt provision for the Collection Fund is £7.433m (£5.954m for council tax and £1.479m for business rates) and has reduced from £7.462m in 2013/14.

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

2013/14				2014/15		
£000	£000	£000		£000	£000	£000
CTAX	NDR	TOTAL		CTAX	NDR	TOTAL
(226)	-	(226)	Cleveland Police Authority	(444)	-	(444)
(76)	(64)	(140)	Cleveland Fire & Rescue Authority	(151)	(293)	(444)
-	(3,183)	(3,183)	Central Government	-	(14,599)	(14,599)
(1,568)	(3,125)	(4,693)	Redcar & Cleveland Borough Council	(3,080)	(14,307)	(17,387)
(1,870)	**(6,372)**	**(8,242)**		**(3,675)**	**(29,199)**	**(32,874)**

These amounts are not held within the Council's revenue balances but the individual authority shares are now part of the Collection Fund Adjustment Account. The amounts will be distributed back to precepting bodies as part of the setting of their 2016/17 revenue budgets. As the surpluses are significantly above the demands on the Collection Fund, these will assist the Council in setting the budget in 2016/17.

As the surplus in relation to business rates was higher than expected, part of the safety net grant given by central government will need to be repaid.

NOTE 7 – COLLECTION FUND GLOSSARY OF TERMS

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

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

Discount – 10% locally prescribed reduction in charge for property empty more than six months. 25% reduction for single person occupancy as prescribed by the Local Government Finance Act 1992. Certain classes of person e.g. armed forces are not counted as prescribed by the Local Government Finance Act 1992 - 50% reduction in these cases.

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 where 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 49 – Hardship relief. Relief granted to businesses on the grounds of financial circumstances. Discretionary power of the Council with 25% costs.

Interest Due – Interest payable on overpayments due to reduced assessments. Interest rate notified to the Council annually (1% below bank rate in September the previous year). Due to the interest rate falling to 0.5% the Council has been notified that the interest rate for 2014/15 will be 0%.

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

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

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

Opinion on the Council financial statements

We have audited the financial statements of Redcar and Cleveland Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Redcar and Cleveland Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Redcar and Cleveland Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Opinion on other matters

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

Matters on which we report by exception
We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;

- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;

- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or

- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission, as to whether the Council has proper arrangements for:

- securing financial resilience; and

- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion
On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that, in all significant respects, Redcar and Cleveland Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate
We certify that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mark Kirkham

For and on behalf of Mazars LLP

The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

GLOSSARY OF TERMS

ACCOUNTING PERIOD

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

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through

(i) recognising
(ii) selecting measurement bases for, and
(iii) presenting

assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the income and expenditure account or Balance Sheet it is to be presented.

ACCRUAL

A sum included in the final accounts attributable to that accounting period but for which payment has yet to be made or income received. Accruals are made for revenue and capital expenditure and income.

ACTUARIAL GAINS & LOSSES

For a defined benefit pension scheme the changes in actuarial deficits or surpluses that arise because:

(a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or

(b) the actuarial assumptions have changed.

AMORTISED COST

A measure of the real cost that the Council bears by entering into a financial liability. This is not necessarily based on the contractual term but on the effective rate of interest within the contract.

AGENCY

The provision of services by one body (the Agent) on behalf of, and generally reimbursed by, the responsible body.

ASSET

An item having value in monetary terms. Assets are defined as current or non-current.

- a current asset will be consumed or cease to have value within the next financial year e.g. stock and debtors.
- a non-current asset provides benefits to the Council and to the services it provides for a period of more than one year.
- an asset held for sale is an asset that is currently in the process of being sold. They must be actively marketed, with the sale expected within 12 months.

AUDIT

An independent examination of the Council's activities, either by Internal Audit or the Council's External Auditor, Mazars.

BALANCE SHEET

A Statement of the recorded assets, liabilities and other balances at a specified date usually at the end of an accounting period.

BALANCES

The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the general fund or any other fund.

BERMUDAN CANCELLABLE SWAP

A financial instrument entered into by a Lender Option Borrower Option issuer to reduce the impact of interest rate exposure if the borrower opts to redeem the loan.

BLOOMBERG

A privately held financial software, data and media company. The company provides analytical and equity trading platform financial software tools, data services and news to financial companies and organisations worldwide.

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

The proceeds from the disposal of land or other assets, part of which must be set aside to repay debt. Capital receipts can be used to finance new capital expenditure, within rules set down by the Government, but they cannot be used for revenue purposes.

CASH AND CASH EQUIVALENTS

Cash held by the Council, along with short term investments held for periods of less then 90 days.

CASH FLOW STATEMENT

A statement summarising the inflows and outflows of cash, arising from transactions between the Council and third parties, for revenue and capital purposes.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code sets out the accounting concepts and accounting principles, which underpin the statement of accounts.

COLLECTION FUND

A fund administered by the Council, which records all the income received in relation to local taxation and non-domestic rates. It also shows how the income has been distributed to the preceptors and the general fund.

COMMUNITY ASSETS

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples are parks and historic buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement brings together the income and expenditure relating to all of the Council's functions and also identifies how this is financed from local taxation and government grants.

CONSISTENCY

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

CONTINGENCY

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

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

CONTINGENT LIABILITY

A contingent liability is either:

(a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or

(b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

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

COST OF CARRY

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

COUNCIL TAX

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

CREDITORS

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

CURRENT ASSETS

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

CURRENT LIABILITIES

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

CURRENT SERVICE COST (PENSIONS)

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

CURTAILMENT

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

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

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

DEBT OUTSTANDING

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

DEBTORS

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

DEFERRED CAPITAL RECEIPTS

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

DEFERRED LIABILITIES

Liabilities which, by arrangement, are payable beyond the next year, at some point in the future or paid off by an annual sum over a period of time.

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEDICATED SCHOOLS GRANT (DSG)

A ring fenced central government grant paid direct to the education service as fundamental support for its revenue expenditure.

DE MINIMIS

A de minimis level is adopted to only reflect material transactions in the capital accounts. The Council's policy on de minimis levels are outlined in the statement of accounting policies.

DEPRECIATION

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passing of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

DERECOGNISED

The process of removing a financial asset or financial liability from the Balance Sheet once performance under the contract is complete or the contract is terminated.

DIRECT REVENUE FINANCING

Resources provided from the Council's revenue budget to finance the cost of capital projects.

DISCRETIONARY BENEFITS

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

EARMARKED RESERVES

These reserves represent monies set aside that can only be used for a specific purpose.

EFFECTIVE RATE OF INTEREST

The rate of interest that will discount all the cash flows that take place throughout the expected life of a financial instrument down to the fair value of the asset calculated at initial measurement.

ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM

An ERP system consists of integrated software allowing the Council to record, report and process transactions to facilitate the management and planning of important parts of the organisation including human and financial resources. The Council's current ERP system is Agresso Business World.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

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

EXPECTED RATE OF RETURN ON PENSION ASSETS

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

EXTRAORDINARY ITEMS

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

FAIR VALUE

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

FINANCIAL INSTRUMENT

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

FINANCE LEASE

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

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

GENERAL FUND

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

GOVERNMENT GRANTS

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

HERITAGE ASSET

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. Heritage assets include civic regalia, museum and gallery collections and works of art.

IMPAIRMENT

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

INCOME

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

INTANGIBLE ASSETS

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

INFRASTRUCTURE ASSETS

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

INTERNATIONAL ACCOUNTING STANDARDS (IAS)

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

INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS)

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

INVENTORIES

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

(a) goods or other assets purchased for resale;

(b) consumable stores;

(c) raw materials and components purchased for incorporation into products for sale;

(d) products and services in intermediate stages of completion;

(e) long-term contract balances, and

(f) finished goods.

INVESTMENT PROPERTIES

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

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

INVESTMENTS

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

INVESTMENTS (PENSION FUND)

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

LEASING

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

LIABILITY

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

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

LENDER OPTION BORROWER OPTION (LOBO)

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

LOANS OUTSTANDING

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

LONG TERM CONTRACTS

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

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements.

MEDIUM TERM FINANCIAL PLAN (MTFP)

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

MINIMUM REVENUE PROVISION (MRP)

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

MOVEMENT IN RESERVES STATEMENT

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

NON-DOMESTIC RATES (NDR)

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

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST

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

NET DEBT

The Council's borrowings less cash and cash equivalents. Where cash and cash equivalents exceed borrowings, reference should be made to net funds rather than net debt.

NET REALISABLE VALUE

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

NON–CURRENT ASSET

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

NON-DISTRIBUTED COSTS

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

OPERATING LEASE

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Authority.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

PAST SERVICE COST

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PENSIONS INTEREST COST

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

PRECEPT

The amount levied by various Authorities that is collected by the Council on their behalf, e.g. Central Government, Parish Councils, Police and Fire Authorities.

PREMIUMS

These are discounts that have arisen following the early redemption of long term debt, which are written down over the lifetime of replacement loans where applicable.

PRIOR PERIOD ADJUSTMENTS

Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PRIVATE FINANCE INITIATIVE

A partnership arrangement whereby a private sector provider provides purpose built buildings/equipment etc. for long term rental by public sector users.

PROJECTED UNIT METHOD

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

(a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and

(b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

PROVISION

Funds set aside to cover potential liabilities or losses which are likely or certain to be incurred at a future date but where the exact amount and timing of the liability or loss is currently not known.

PRUDENCE

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

PUBLIC WORKS LOAN BOARD (PWLB)

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

RATEABLE VALUE

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

RELATED PARTIES

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

(i) 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
(ii) associates
(iii) joint ventures in which the authority is a venturer
(iv) an entity that has an interest in the authority that gives it significant influence over the authority
(v) key management personnel, and close members of the family of key management personnel
(vi) 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
(vii) 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:

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

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

RESERVES

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

RESIDUAL VALUE

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

RETIREMENT BENEFITS

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

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

(b) an employee’s decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVALUATION RESERVE

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

REVENUE EXPENDITURE

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

REVENUE SUPPORT GRANT (RSG)

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

SAFETY NET

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

SCHEME LIABILITIES

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

SERVICE REPORTING CODE OF PRACTICE

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

SETTLEMENT

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

(a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;

(b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits and

(c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

SHAPING OUR FUTURE

This is the Councils change framework enabling the transformation of the Council into a new service delivery model.

SPECIFIC GRANTS

Government grants given to local authorities and earmarked for specific services, e.g. Standards Fund Grant paid to Education Services.

SUPPORT SERVICES

The costs of directorates which provide professional and administrative assistance to services.

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.

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.