Statement of Accounts 2015/16

REDCAR & CLEVELAND BOROUGH COUNCIL

Redcar Leisure & Community Heart

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Councillor's Preface

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

I am pleased to welcome you to Redcar and Cleveland Borough Council's Statement of Accounts for 2015/16. This document highlights the excellent management of the Council's resources in very difficult economic times.

Over the last five financial years Redcar and Cleveland has been forced to cut in excess of £53 million from our budgets, with a further £33 million of savings needed by the end of the decade. The Government's continuing austerity measures, typified by the stark reduction in the Revenue Support Grant received by Redcar and Cleveland, have led to our savings targets becoming ever more challenging. The revenue budget setting process for 2015/16 delivered a budget saving of £3.755 million. These pressures have been compounded by the closure of the SSI steelworks in October 2015 and the resulting 2,200 job losses and loss of substantial business rates to the Council.

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

Despite this backdrop the Council remains focussed upon delivering quality services to our residents, businesses and partners. Moreover, the financial standing of the Council, notwithstanding the challenges that we face, remains very secure and our finances are robustly managed. Through the Shaping our Future process and the implementation of Our Plan the Council seeks to target its resources where they are most needed.

Our corporate direction is centred around three priorities: to grow our economy and create more jobs, to develop great places to live, and to improve the quality of life for our residents. Redcar and Cleveland is a wonderful mix of breath-taking landscapes and leading industry: from the historic ironstone hills of Eston, through the industrial complex at Wilton, the market town of Guisborough, the seaside destinations of Redcar and Saltburn, and the wonderful scenery of East Cleveland, the borough is a great place to live, work, visit and invest. With this in mind support for the regeneration of the borough is a key Council priority with £18.76 million spent on capital projects in the 2015/16 financial year.

Over the last financial year, the Council received the Investors in People Gold Award for the second time, highlighting the organisation's commitment, in the face of severe pressures, towards our staff who do a fantastic job in very difficult times. I would like to take this opportunity to thank all of our staff who work throughout the year to enable the Council to balance its budget. Their careful management of our finances allows us to make fully informed decisions about the appropriate use of council resources in order to deliver the high quality of services our residents, visitors and businesses both expect and deserve.

Chief Finance Officer's Statement

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

Redcar and Cleveland Borough Council continues to deliver its strategic objectives, whilst ensuring it maintains a prudent approach to its current and future finances.

The 2015/16 financial year has been a difficult one for the Council and for the people of the Borough. First amongst these difficulties was the closure of the SSI Steelworks in Redcar in October 2015, with a direct consequence for over 2,000 employees and more within the supply chain of SSI. This closure was not a surprise, but nonetheless caused huge difficulties for those involved, and challenged national Government to define a credible rescue plan. Eventually, with leadership from local politicians and council officers and partners, we secured a support package of £80m to help those affected retrain, set up new businesses or find new work.

The Council suffered a loss of business rates of £10.4 million from SSI, and though the Government's business rates safety net will compensate us for some of this loss in 2016/17 but there has been an in-year cost of £2.4 million to us from the loss of business rates.

We have a successful track record of delivering savings each year, through our Shaping Our Future project, and we have ensured that we have consulted widely with the public and partners during 2015 and 2016 on the likely areas where we must save in future. Despite the size of these required savings, we remain committed to delivering services in a way that is open, fair and accountable; involves and listens to citizens; values our people; drives continuous improvement; and delivers social value.

In late 2015 we also began to see the creation of the Tees Valley Combined Authority. The Combined Authority is not a 'super-council' or another version of Cleveland County Council, and the five Tees Valley Councils will continue to exist in their own right delivering local services but unite as a formal Combined Authority to focus on economic development, transport, infrastructure and skills. Together, we will make decisions on strategic transport and infrastructure, employment and skills, economic development, business investment and low carbon at a Tees Valley level, with the local authorities and private sector being represented in the decision-making process. In October 2015, a devolution deal was signed with central government which is worth £450 million over 30 years, equivalent to an additional £15 million per year.

Our external auditors continue to comment positively on our delivery of a balanced budget, and the arrangements we have to deliver value for money. We have delivered a draft Statement of Accounts by 31st May 2016, which met the target we set ourselves, and is ahead of the statutory requirement for 2015/16.

Going forward, achieving the saving targets that face us and delivering our revenue and capital budgets whilst continuing to raise financial standards in all we do, will require the Council to continue to radically transform the way we do business. Our Shaping Our Future project is designed to do this.

I would like to take this opportunity to thank all of our staff who have worked throughout the year to enable the Council to balance our budget and also to close the accounts so quickly. This continued rigour in our financial management enables us to look forward with confidence and seek to deliver the quality of services that residents, visitors and businesses have every right to expect.

Council Performance

Our Priorities

As a Council, we have been very clear about the priorities we have for our Borough and for the Council itself:

- **Grow our economy and create more jobs**
- **Develop great places to live**
- **Improve quality of life**

We have aligned all our plans towards these aims and involved our partners so as to deliver on them. We have always known that we have to focus on economic regeneration because work and jobs are the key to the prosperity of our residents and our businesses. The loss of SSI, and the thousands of jobs that went with it, is the starkest possible reminder of the continuing importance of growth to a Borough like ours. That is why, in 2011, we developed the Redcar & Cleveland Economic Regeneration Masterplan which has four delivery targets:

- **14,000 new jobs**
- **800 businesses created and supported**
- **£1 billion direct private investment**
- **£265 million direct public investment**

The Economic Regeneration Masterplan embraces the whole economic life of the Borough, with the Council at its heart, working with business, partners and stakeholders to realise its objectives. We are continually updating this masterplan as our local economy changes. The Borough's economy broadly follows national trends, but it is building from a very different starting point to many other local economies. The Borough still needs to grow its service sector and achieve more jobs in professional and business services. Jobs in the professional and business support sectors make up only 14% of employment in the Borough, compared to 21% of employment in the Tees Valley and across the North East.

Council Performance

Shaping
Our
Future

Following the introduction of the public spending austerity measures in 2010, the Council launched its Shaping our Future project. Shaping our Future recognised that future local government funding arrangements directly linked the Council's own financial fortunes to that of its residents and businesses. Accordingly, it is essential to tackle the underlying issues that made for a prosperous Borough, develop great places to live and improve the quality of life of our residents, if the Council is to remain sustainable and be in a position to perform its central role to deliver the Economic Regeneration Masterplan. A balanced, sustainable and secured financial position is the key to being able to fulfil that role and to enable the Council to continue to provide services that our residents need.

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

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

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

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

- **Remaining focused on our priorities**
- **Protecting vulnerable people in our communities**
- **Concentrating on the delivery of front-line services**
- **Minimising the impact on job losses**

Council Performance

Our Performance

A summary of our performance during the 2015/16 financial year (by Shaping Our Future theme) is shown below. Details can be found in the quarterly performance reports that the Council publishes, and its Annual Review 2015/16 published in March 2016. In summary:

- **Best Start in Life - we are broadly on-track to deliver the outcome targets we set for 2015/16 and to give our young people the best opportunities possible.**
- **Reablement & Independence - we are mainly on course, though we know we have more to do to support people in their own homes, and avoid permanent admissions to residential and nursing homes.**
- **Healthy Lifestyles - we are doing well on housing targets and healthy heart checks, but have more to do around obesity, sexual health, teenage pregnancy, and breastfeeding support.**
- **Pathways to Work - we are meeting targets for helping apprentices and developing skills, but know we have more to do to reduce the level of young people not in education, employment or training.**
- **Driving our Growth – targets have been met for homes and people who are economically active, but we have more to do to grow new businesses, and reduce the number of people seeking out-of-work benefits.**
- **Things to Enjoy - we are generally meeting our targets in this area.**
- **Neighbourhoods & Customer Services – targets have been achieved in this area, with the exception of delivering a full clearance of all bins on a given day (full zonal clearance).**
- **Good Governance – objectives met on keeping legally safe.**
- **Making Our Money Go Further - meeting our goals, with the exception of generating capital receipts in the planned year, and getting a better take up of various discretionary housing grants.**

Council Performance

Customer Satisfaction

Overall satisfaction with the area as a place to live

The Council strives to support the population of the Borough and is keen to understand people's perceptions to allow us to improve our services and ensure the public have their say in how we deliver services.

Satisfaction with local area is a key indicator in measuring how people feel about the local area. This question has been asked at regular intervals since 2008. The results are not directly comparable as they are based on different methods of data collection and sample sizes. However, a comparison between the 2014 and 2015 Viewfinder results show that there has been a slight increase in satisfaction and a decrease in dissatisfaction.

The question about satisfaction with the local area was followed by an open comments box, which invited people to tell us why they felt satisfied or dissatisfied. The majority of comments show that generally people value what the local area has to offer, its green spaces, the closeness to the sea and the improvements made to the local area through regeneration initiatives.

	Sample Size	% Satisfied	% Dissatisfied
Place Survey 2008	2,332	72%	14%
Residents Survey 2013	2,104	73%	14%
Viewfinder 2014	603	75%	15%
Viewfinder 2015	574	78%	12%

Those who were dissatisfied attributed this to the decline of local economy (empty shops, closure of local businesses, the need to attract more regeneration across the borough) and dissatisfaction with the maintenance of the local area (e.g. dog fouling, litter). These are areas that we will improve through the Regeneration Masterplan and initiatives throughout the coming years including a 'Pick up the Poo' campaign, which sees tougher consequences for irresponsible dog owners.

Financial Performance

Revenue Spending 2015/16

The Council over the last five financial years (to March 2015) has made £53m in savings on its revenue budget in order to set and deliver a balanced financial position. The Government's austerity measures have resulted in the Council having to continue to make significant savings and we have achieved this through our Shaping Our Future initiative. It has been a difficult time for the Redcar & Cleveland Borough area and continues to be a testing time for us.

The revenue budget for 2015/16 and future financial years' budgets were built based upon the nine themed reviews undertaken through the Shaping Our Future project as outlined in the Priorities and Performance sections above. It was also developed taking into account the following key assumptions:

- The Revenue Support Grant being reduced by more than £11m to £27.651m.
- A reducing position on specific grants which also affects the overall spending capacity of the Council.
- A 1% reduction in the level of Council Tax within the Borough.
- A reducing Business Rates position well below the Government's assessed funding baseline.
- A proactive approach to the setting of fees & charges in order to generate more income for the Council.

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

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

A rigorous approach to assist the financial control of the revenue budget has been in place for 2015/16 given the internal reorganisations within the Council and the level of financial savings needed. This has been supported by monthly monitoring to

Directorate Management Teams and also to the Executive Management Team and quarterly reporting of the financial position to Cabinet. For this financial year there has also been a spending panel in place, chaired by the Director of Corporate Resources, which has challenged key decisions being made on recruitment, contracts and other spending matters. 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 the Agresso ledger system has also encouraged budget managers to use this management tool to manage their resources more effectively.

With forward planning and the continuous review of our Medium Term Financial Plan, together with robust financial monitoring, the Council has been able to achieve a balanced budget in 2015-16 in line with its key assumptions. As can be seen below the Council's directorates continue to deliver their services within their resource allocations without overspending. This is an excellent outcome given the financial environment at present, the ongoing restructuring within directorates, the need to continue to maintain quality services for our residents and the level of savings that are needed to be achieved within the next financial year (now increased to circa £6 million). The Council's financial strategy is to generate additional income through various projects including the review of fees and charges, securing external funding in addition to continually improving efficiency and effectiveness to produce savings and reduce costs.

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

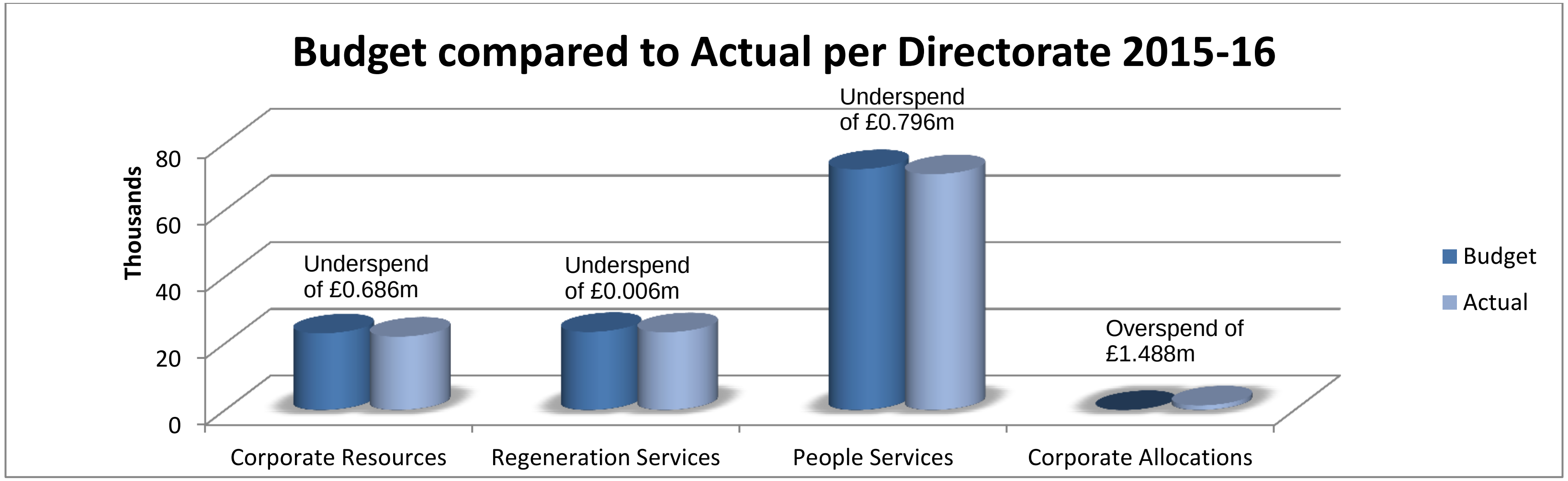
Directorate	Base Budget £000	Revised Budget £000	Actual Outturn £000	Variance to Revised Budget £000
Corporate Resources	28,673	23,003	22,317	-686
Regeneration Services	13,644	23,431	23,425	-6
People Services	57,894	72,454	71,658	-796
Corporate Allocations	17,319	-1,358	130	1,488
Total	**117,530**	**117,530**	**117,530**	**0**

Council Performance

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

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 2015/16 presented to Cabinet on 5th July 2016. This is available on the Council's website. www.redcar-cleveland.gov.uk.

The following graphically illustrates the underspending in 2015-16 for each Directorate:



In addition to any Directorate underspends being transferred to reserves, there are also three other significant corporate items affecting usable reserves that have meant an increase of almost £16m on last year. This means that the total usable reserves of the Council currently stand at a total of £46.740 million. These are:

- **£10.082 million replenishment of reserves after we had to use them in 2014/15 due to the closure of SSI.**
- **£3.026 million of Business Rates Safety Net Grant received in 2015/16.**
- **£2.619 million saving after an agreed change in Council policy for Minimum Revenue Provision (MRP)**

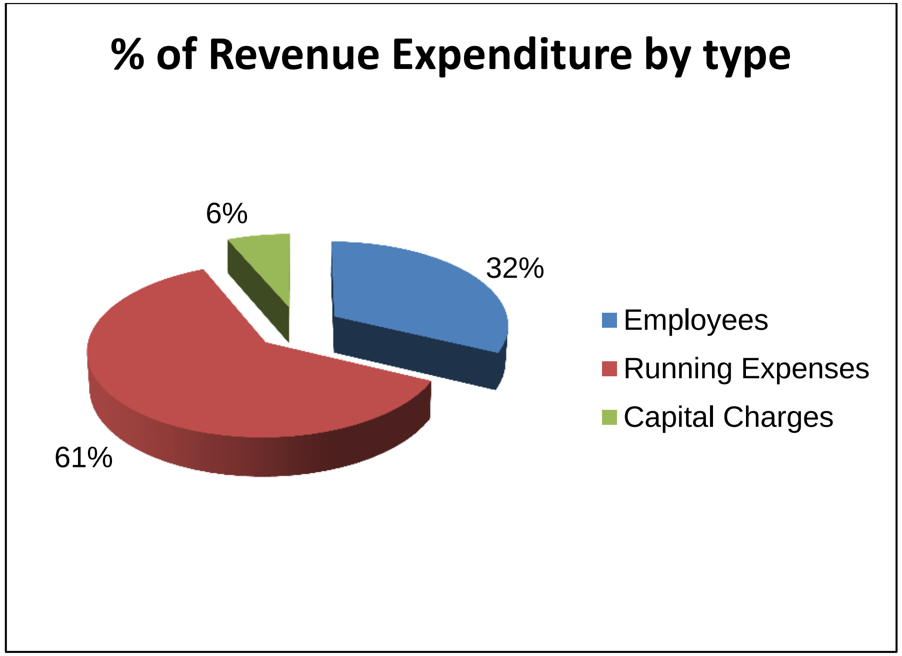
Council Performance

The Movement in Reserves statement shows the change in the different types of reserves held by the Council over the financial year (See page 31). These reserves can be analysed into usable reserves, those that can be applied to fund future expenditure or to reduce taxation, and other unusable reserves, held for accounting purposes (See Note 7, page 52). Of the total reserves, some £5.259m relate to School budgets and £2.732m relate to capital grants not yet utilised. £38.749m is available to help with delivering future revenue budgets and priorities.

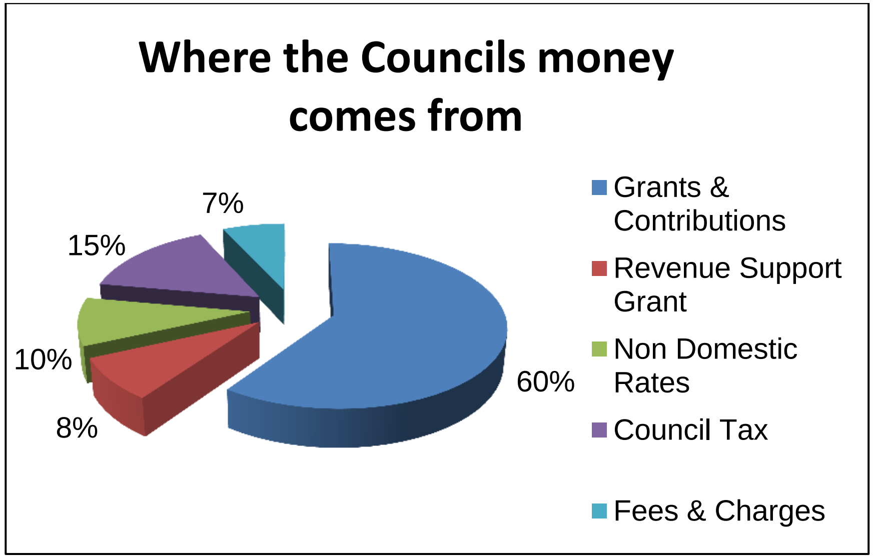
The Comprehensive Income and Expenditure Statement (CIES) records all of the gains and losses experienced by the Council during the financial year, and equates to a movement in the net worth on the balance sheet of £10.367m. Its primary purpose is to record revenue income and expenditure, which is generally spent on items consumed within the year such as employee costs, and supplies & services, and is financed from a combination of Council Tax, Business Rates, Government Grants and other income. The CIES provides a breakdown over the types of services the Council provides as defined within CIPFA's Service Reporting Code of Practice.

There is an initial deficit of £30.021m on the CIES for the net cost of providing the Council's day to day revenue services. This though includes various technical adjustments required by accounting standards such as capital accounting, pensions accounting and collection fund regulatory changes. Most of these costs are not funded by the taxpaying resources of central government, the local population or businesses and therefore can be removed from analysing how the Council has performed against its revenue resources. When other unrealised gains relating to actuarial performance of £30.272m and capital assets of £10.116m are added back in, the overall net worth for the financial year is £10.367m improving the Council's overall financial health at the end of the year (see further detail on page 19).

Additional information on how the Comprehensive Income and Expenditure Statement reconciles to the Council's budgetary position by Directorate can be seen in Note 5 (page 44) to the Financial Statements and the diagrams below show an analysis of the gross revenue spending of £357.320 million as shown in the Comprehensive Income and Expenditure Statement. It is important to note that the contribution from the local community through Council Tax represents 15% of the Council's total income.



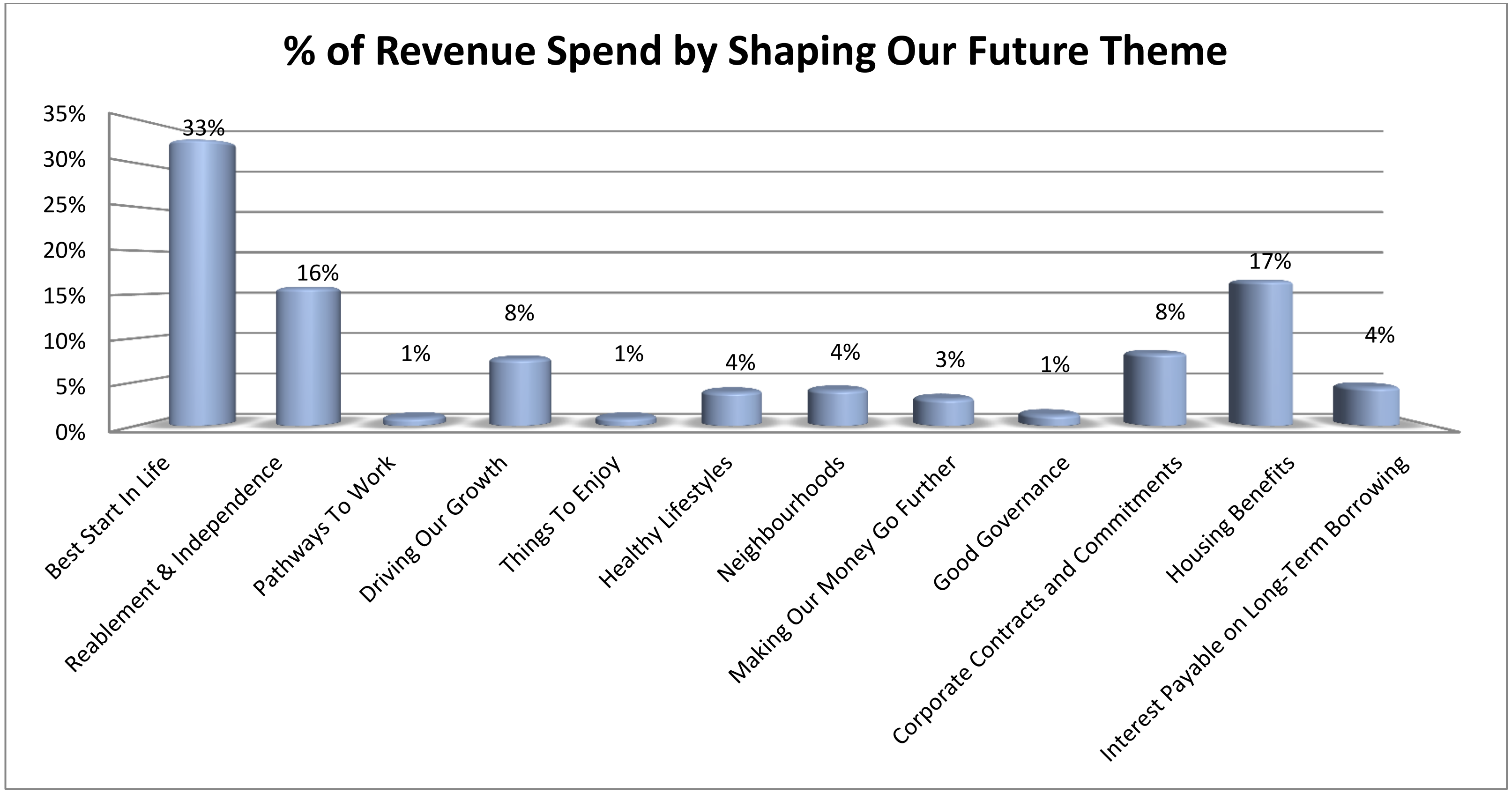
This chart shows that the majority of expenditure incurred by the Council relates to running expenses (61%), this includes premises, transport and external supplies and services.



Only 15% of the Council's funding comes from local Council Tax payers and 10% from localised Business Rates. The remainder of the Council's funding comes in the form of specific grants from Central Government and other public sector bodies (68%).

Council Performance

Some 33% of the Councils gross expenditure (£118m) is utilised to give the children and young people of the Borough the best start in life, with 17% (£61m) in relation to housing benefit claims, and 16% (£57m) on services designed to give vulnerable people the ability to live an independent and fulfilling life. The remaining expenditure on other themes is shown in the table below:

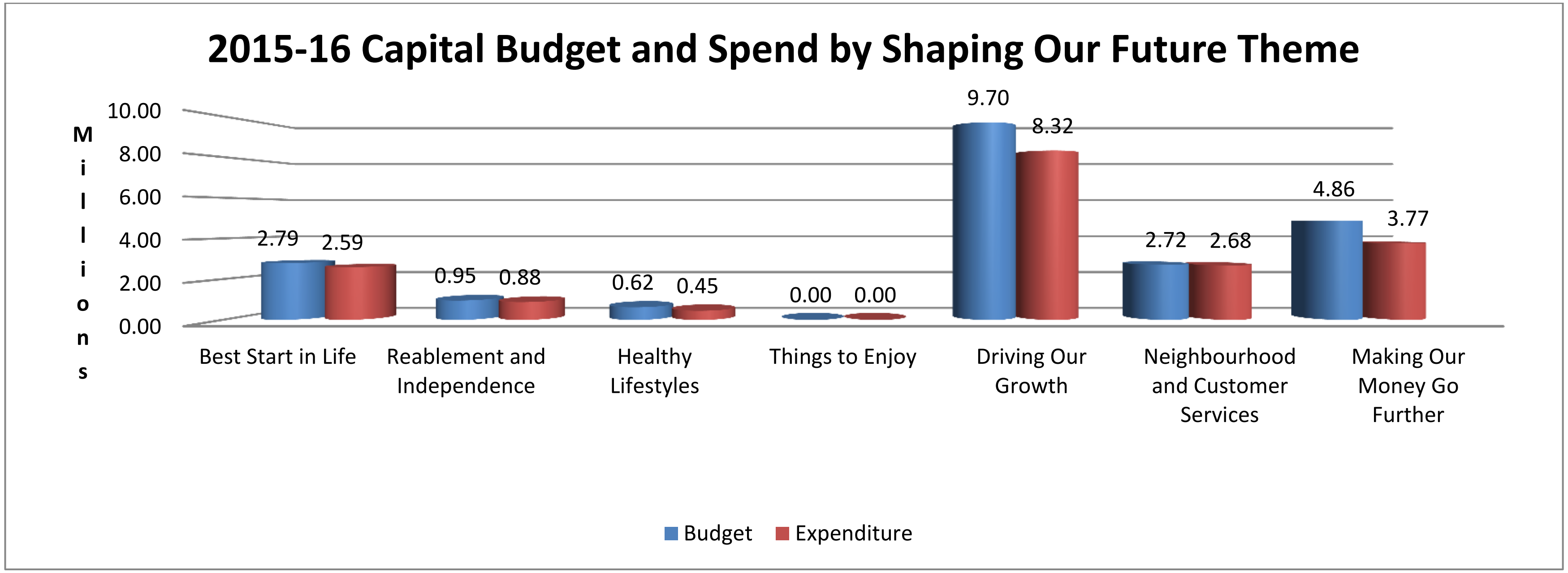


Capital Spending 2015-16

The capital programme is run alongside the revenue budget. Spending on capital projects enhances the Council's assets and enables improved service delivery and also secures essential infrastructure. Capital expenditure can vary considerably between years depending on the 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 £18.676 million (2014/15 - £15.484 million) compared to a budget of £21.644 million.

The underspend on capital of almost £3m was a measured decision during the year as the Council is committed to maintaining prudent controls on its capital financing in order to maximise funding but minimise the cost to the Council Tax Payer. We continue to tightly control our external borrowing and our strategy is to use capital receipts, grants and effective use of cashflow in order to minimise borrowing whilst enhancing our capital assets as planned.

The capital expenditure across Shaping Our Future Themes is as follows:



Council Performance

The following table details the capital schemes by Shaping Our Future theme for the financial year 2015/16:

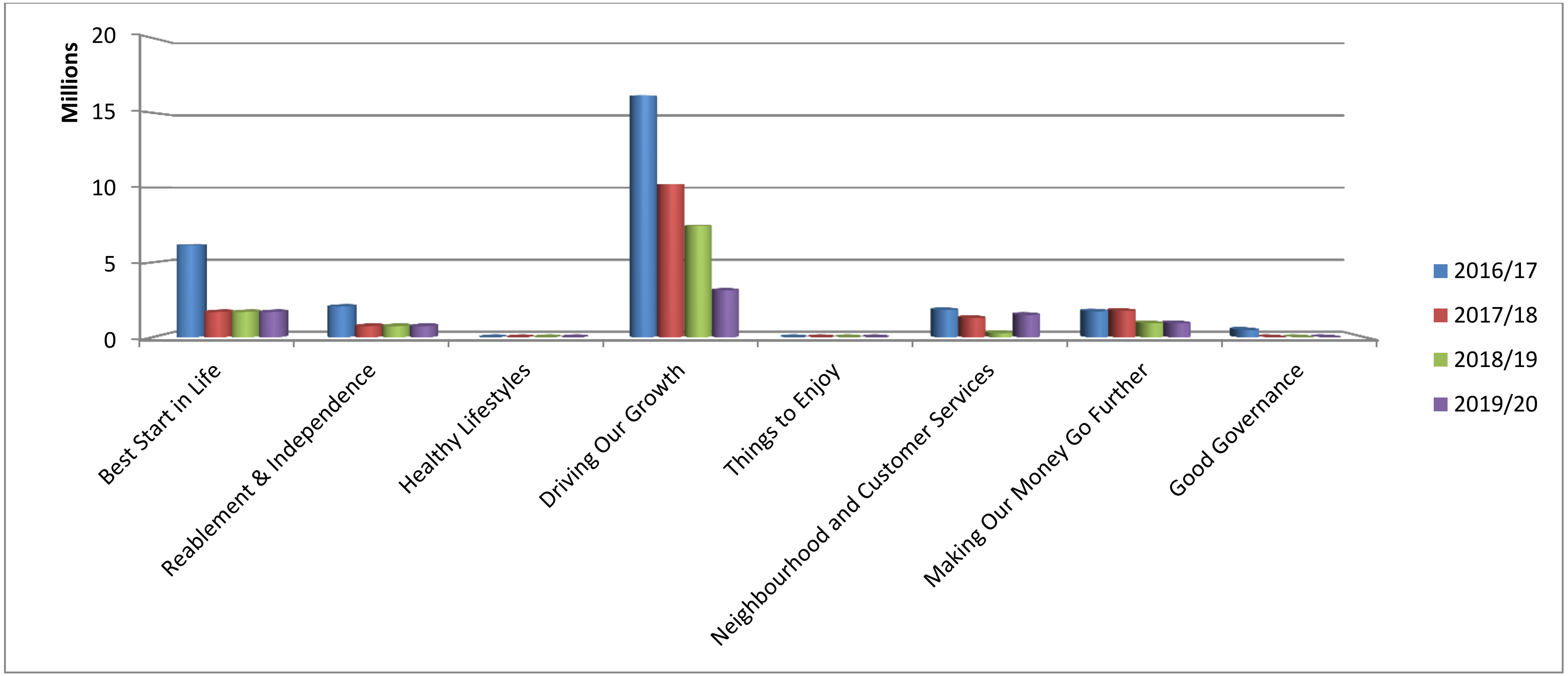
Shaping Our Future Theme	2015/16 £'000	Shaping Our Future Theme	2015/16 £'000
Driving Our Growth		**Reablement and Independence**	
Skinningrove Coastal Protection	3,355	Disabled Facilities Grant	605
Structural Highways Maintenance	2,032	Other	270
Block Allocation - Local Transport Plan	939		875
Bus Network Review	460		
Highways Improvements	400	**Best Start in Life**	
Public Realm	304	Maintenance	1,095
Greater Eston & East Cleveland Masterplan	200	Galley Hill Extension	392
Drainage Asset Capture and Flood Prevention	189	Devolved Formula Capital at LEA level	388
Coastal Communities Fund	123	Hillsview Academy	239
Redcar Leisure & Community Heart	19	Westgarth Urgent Conditioning Works	236
Other	295	School Food Plan	128
	8,316	Early Years - 2 Year Old Offer	29
		Other	80
Healthy Lifestyles			2,587
Middlesbrough Foundation Pitch Refurbishment	444		
Haven Traveller Site	4	**Making Our Money Go Further**	
	448	Redcar and Cleveland Investment Fund	2,153
		Information Technology improvement projects	548
Neighbourhood and Customer Services		Asset Management - Capitalised Repairs	509
Vehicle Purchases	2,546	Enterprise Resource Planning	474
Other	135	Carbon Management Programme	44
	2,681	Other	41
			3,769
		Total	**18,676**

Future Capital Programme

The Council has produced a capital programme to support our long term needs and help achieve our objectives. This capital investment plan covers the next 4 years. The 2016/17 budgets have been approved by the Council as part of the current phase of the Shaping Our Future initiative. Future years' budgets are shown for indicative purposes only at this stage and will be taken for approval in due course as part of the Council's budget setting process.

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

The table below shows the future capital programme and how it has been allocated to the Shaping Our Future themes:



Balance Sheet Position

The Balance Sheet shows what the Council owns, what it is owed, and what it owes to others and how these amounts have been funded. A summary of the position at the end of the 2015/16 financial year (31 March 2016) is shown in the table below:

Balance Sheet	2014/15 £m	2015/16 £m	+/- £m
What the Council Owns	332.3	320.1	-12.2
What the Council is Owed	29.1	29.9	0.8
Total Assets of the Council	**361.5**	**350.0**	**-11.5**
What the Council Owes	-460.7	-438.8	21.9
Council Reserves	**-99.2**	**-88.8**	**10.4**

The Council has a negative equity balance sheet at 31 March 2016. This means that its liabilities outweigh its assets by £88.8 million. This is mainly driven by the deficit on the Pension Fund Liability (see what the Council owes and Note 40 (page 126) in the Statement of Accounts disclosure notes for more details).

As the pension fund deficit reflects all the possible liabilities over the next 20-40 years, the liabilities will not crystallise at any one point in time and can be managed as part of the pension fund investment strategy by the Council. A better indicator of the financial health of the Council is the level of usable and earmarked reserves which remain appropriate at £46.740 million. The Movement in Reserves statement within the Core Financial Statements gives further details (see page 31).

What the Council Owns

Balance Sheet	2014/15 £m	2015/16 £m	+/- £m
Property, Plant & Equipment	268	281.0	13.0
Heritage Assets	0.6	0.6	0.0
Investment Properties	4.9	8.0	3.1
Assets Held for Sale	17.1	15.9	-1.2
Cash & Cash Equivalents	38.1	10.7	-27.4
Others	3.6	3.8	0.2
Total	**332.3**	**320.0**	**-12.3**

Property Plant and Equipment are long term assets owned by the Council and are used in direct service provision. The increase in this asset value during 2015/16 relates to the investment the Council has made through the Capital Programme.

Investment Properties are those held for income generation purposes or capital appreciation rather than direct service provision. The increase in year above to £8 million reflects the revaluation of Redcar Leisure and Civic Heart (Business/Retail Space) following the occupation of retail units (£1.205 million), and that Upsall Hall and the former Rosecroft Site were reclassified from Assets Held for Sale (£1.130 million).

Cash and Cash equivalents are significantly lower in 2015/16. This decrease is as a direct consequence of the reduced business rate we received in 2014/15. Government supported us for this declared loss in 2014/15, but in reality SSI did pay us the owed business rates for 2014/15, meaning we owed the support back to Government. This support has been repaid in instalments during 2015/16 and when SSI closed, we lost Business rates income of £10.7 million, meaning the cash balance has not returned to 2013/14 levels.

What the Council is Owed

Balance Sheet	2014/15 £m	2015/16 £m	+/- £m
Short Term Debtors	19.5	22.2	2.7
Short Term Investments	8.1	6.5	-1.6
Long Term Debtors	1.5	1.2	-0.3
Total	**29.1**	**29.9**	**0.8**

The level of debt owed to the Council has slightly increased during 2015/16. Short Term Investments (money invested for periods greater than three months) has decreased slightly during the financial year. This reflects a conscious Council decision to investment our cash for shorter periods of time in 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	2014/15 £m	2015/16 £m	+/- £m
Private Finance Schemes Debt	-64	-62.0	2.0
Pensions Liability	-170.5	-172.5	-2.0
Short Term Creditors	-41	-21.1	19.9
Provisions	-6.2	-6.1	0.1
Short Term Borrowing	-6.4	-11.9	-5.5
Long Term Borrowing	-167.1	-157.6	9.5
Other	-5.5	-7.6	-2.1
Total	**-460.7**	**-438.8**	**21.9**

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

Note 40 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 decrease for 2015/16 relates to the Governments share of the Collection Fund surplus from 2014/15.

The Council has a number of provisions set aside to meet known liabilities that occurred prior to the financial year end but have yet to be settled. The main provisions for the

Council cover insurance claims and appeals on business rates valuations.

<u>Council Reserves</u>

Balance Sheet	2014/15 £m	2015/16 £m	+/- £m
Schools Balances	-5.5	-5.1	0.4
Usable Reserves	-25.5	-41.6	-16.1
Unusable Reserves	130.2	135.5	5.3
Total	**99.2**	**88.8**	**-10.4**

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

Usable Reserves have increased during the financial year due mainly to replenishment of reserves used in 2014-15, a change in Miniumum Revenue Provision methodology and receipt of business rates safety net grant.

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.

Areas with Significant Financial Implications

Collection Fund (See Page 158)

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 Collection fund shows a deficit of £7.887m, mainly due to the closure of SSI.

The Council set a Band D Council Tax of £1,376.19 for 2015/16, a decrease of 1.003% over the 2014/15 level. The addition of the Police Authority and Fire Authority spending requirements resulted in a total Band D Council Tax of £1,652.81 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 £62.285m. Total income on Council Tax for 2015/16 was £63.579m. The percentage of Council Tax collected in 2015/16 was 95.9%, which is marginally above that for 2014/15.

The surplus on the council tax element of the Collection Fund at the 31st March 2016 was £0.912m which is below the £1.725m reported to Cabinet in December 2015.

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%).

The total income collectable from business rates payers was £31m which was significantly lower than the budgeted position. This is due to a major manufacturer being unable to pay their business rates bill during 2015/16, and this has factored into the income calculation as a loss on collection. The year-end deficit of £8.799m represents the level of income actually collected and a provision for bad debts increase in relation to the closure of SSI.

Pensions (See Page 40)

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 £172.521m as at 31 March 2016. 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 £88.838m (see page 19).

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 natural levels as global economies continue to grow. All of these factors should return the pension fund's financial position to a more realistic and balanced basis. The size of the current deficit for the Council proportionally is not dissimilar to that being experienced by other local authorities at present.

There will be a full actuarial valuation completed at the end of financial year 2016-17 as planned.

Minimum Revenue Provision (MRP)

Each year, the Council is required to set aside some of its revenue resources to repay debt. This provision is in respect of the capital expenditure financed by borrowing or credit arrangements and should be based upon the current and past financing decisions on the capital programme. The policy should be set out in such a way that it determines the revenue resources (MRP) to repay these debt related decisions over the life of the capital assets, and is considered both prudent under statutory guidance and legally compliant.

Prior to 2008, capital expenditure for local authorities was mainly determined by central government and MRP was funded through the Revenue Support Grant. The MRP annual requirement was determined by the local authority capital finance and accounting regulations but generally equated to 4% of our debt or an average life of 25 years for these assets.

In 2008 local authorities were given more latitude to determine their own borrowing plans and the MRP requirement was changed from a formula driven calculation to the concept of a ‘prudent provision’. Government guidance was provided but this essentially allowed the MRP to be calculated in line with the life of the asset that the borrowing had funded.

During 2015-16 the Council reviewed its current MRP policies in the light of the options provided by Department of Communities and Local Government (DCLG) and the definition of a prudent provision. It agreed to change its policies on both pre and post 2008 debt with these changes resulting in savings in 2015/16 of £2.6m against the original base budget. More details can be seen in the budget setting report considered by full Council on 1 March 2016.

Treasury Management

The Council borrows money to fund its capital investment programme and operates within its own prudential limits set in accordance with the CIPFA Prudential Code for Capital Finance. This is seen as best practice in relation to local authorities and their treasury management activities. As at 31 March 2016, the Council's Capital Finance Requirement (or underlying need to borrow) was £266.252m and its external debt was £220.355m (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 2015/16 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 £35m.

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 £0.306m worth of income to the Council during 2015/16, 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.

Group Accounts

The 2015 Code of Practice requires all local authorities to consider their relationships with associated companies, strategic partnerships, joint ventures, and any other service delivery vehicles and to produce Group Accounts where a significant exposure to economic benefits or financial risks can be established. Work has been undertaken to document all the entities connected with the Borough Council and their financial relationship. Following the Chartered Institute of Public Finance and Accountancy guidance on Group Accounts, it has been established that the Council has a group relationship with one body, Achieving Real Change in Communities (ARCC).

ARCC is a joint board and Community Interest Company formed from a multidisciplinary partnership including local authorities, registered social landlords, and other interest parties, to run the local area probation contract. The local authorities involved in the project have given a financial guarantee to the Ministry of Justice to underwrite the financial losses of not being able to successfully deliver the probation service contract. The contract receives government funding of over £10.6m 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 and the size of the annual contract; the size of any financial relationship is viewed as immaterial in the context of the Council’s total assets and liabilities. As a result group financial statements have not been prepared.

Highways Network Asset

Within the 2015/16 accounts, infrastructure assets (highways, footways, bridges etc.) are included within Property, Plant and Equipment on the Balance Sheet. In 2016/17 these assets will be reclassified to a new asset category named the Highways Network Asset. This is as a result of changes to the 2016/17 Code of Practice which requires local authorities to disclose the assets as a separate line on the Council’s Balance Sheet and separately in the notes to the accounts.

These assets are currently valued at historic cost, which is compliant with the requirements of IFRS, but it is not, in CIPFA’s view, the most appropriate measurement base for the valuation of the highways network asset. CIPFA has long held the view that current (Depreciated Replacement Cost) value accounting is the more appropriate measurement base of local authority assets. This would have the impact of significantly increasing the value of non-current assets held on the Balance Sheet with an associated significant increase in value of depreciation charges on the Comprehensive Income and Expenditure Statement. Prospective application has now been confirmed from 1 April 2016, for the 2016/17 financial year.

Council Performance

Our People

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

Led by with the Chief Executive, Redcar & Cleveland Council is structured into three main directorates and each directorate is led by a Director.

- Chief Executive – Amanda Skelton
- People Services – Barbara Shaw
- Corporate Resources – John Sampson
- Regeneration Services – currently vacant

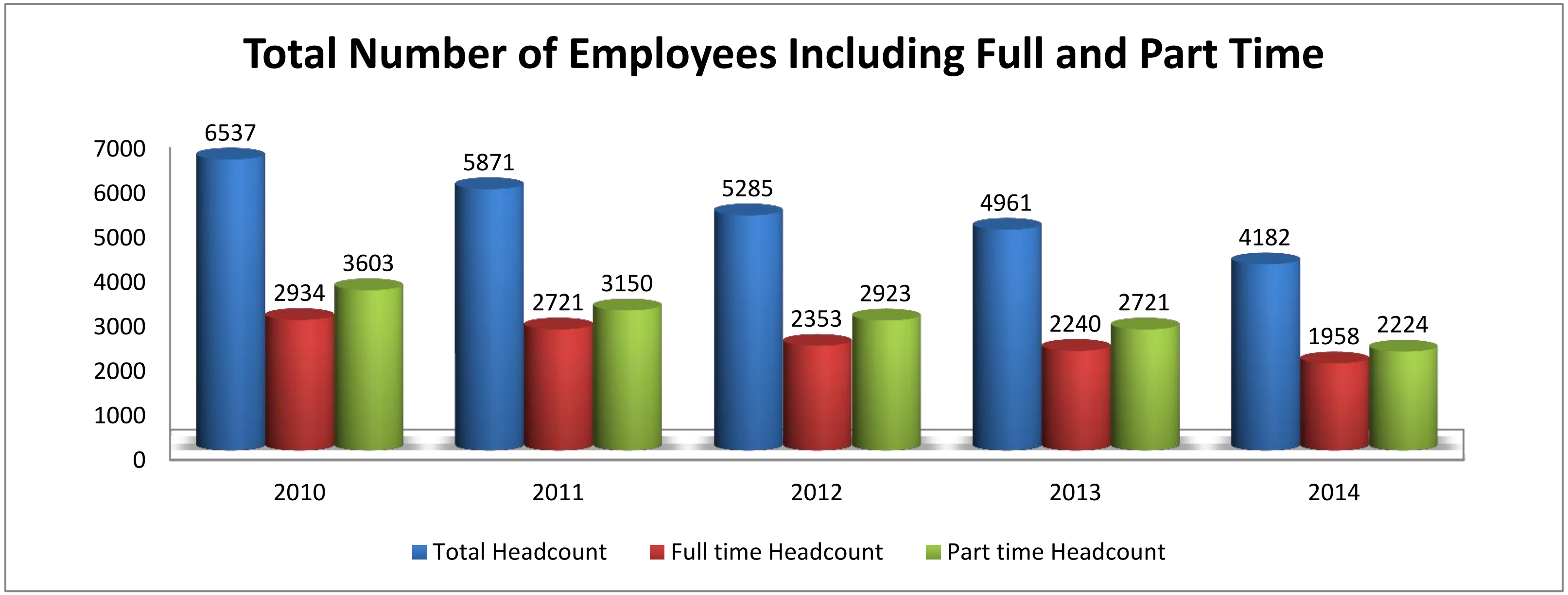
The Chief Executive and the Directors are joined by the Assistant Director - Governance and the Assistant Director for Organisational Change to form the Council's Executive Management Team (EMT). Together they are responsible for translating the Council's policies and plans (Our Plan) into action.

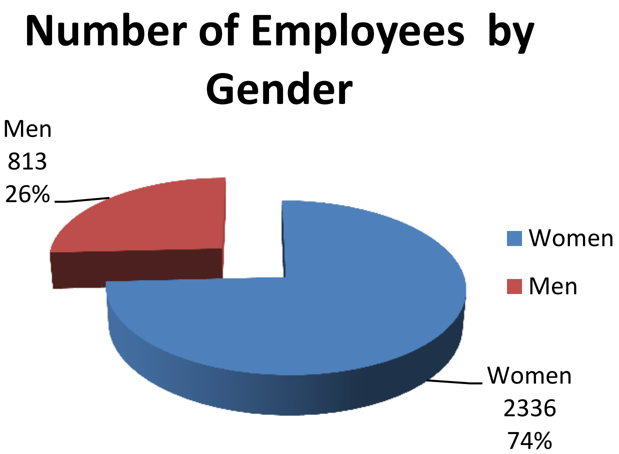
- Assistant Director Governance - Steve Newton
- Assistant Director Organisational Change - Pauline Kavanagh

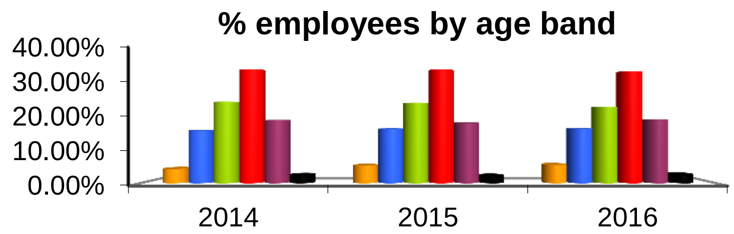
The Executive Management Team lead and encourage staff to develop services and improve delivery for the people of Redcar & Cleveland. Meeting regularly, EMT develops new policy, reviews and challenges performance, leads on service improvements and develops partnership opportunities to help the Council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

Council Performance

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







	2014	2015	2016
Below 25	4.28%	5.24%	5.50%
Between 25 – 34	15.78%	16.28%	16.33%
Between 35 – 44	24.44%	24.12%	22.84%
Between 45 – 54	34.15%	34.08%	33.56%
Between 55 – 64	18.94%	18.10%	19.19%
65+	2.42%	2.18%	2.58%

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 2016 and for its income and expenditure for the year ended 31 March 2016.

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

Date: 27/9/16

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Governance Committee at the meeting held on 27 September 2016.

Councillor Stuart Smith
Chair of the Governance Committee

Date: 27/9/16.

2. Core Financial Statements

Redcar Esplanade

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.

2015/16	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 2015 brought forward	**(6,074)**	**(21,930)**	**-**	**(3,009)**	**(31,013)**	**130,218**	**99,205**
Movement in reserves during 2015/16							
(Surplus)/Deficit on the provision of services (CIES)	30,021	-	-	-	**30,021**	-	**30,021**
Other Comprehensive Income and Expenditure (CIES)	-	-	-	-	**-**	(40,388)	**(40,388)**
Total Comprehensive Income and Expenditure	**30,021**	**-**	**-**	**-**	**30,021**	**(40,388)**	**(10,367)**
Adjustments between accounting basis & funding basis under regulations (Note 5)	(46,026)	-	-	277	**(45,749)**	45,749	**-**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(16,005)**	**-**	**-**	**277**	**(15,728)**	**5,361**	**(10,367)**
Transfers (to)/from Earmarked Reserves (Note 7)	16,154	(16,154)	-	-	**-**	-	**-**
(Increase)/Decrease in Year	**149**	**(16,154)**	**-**	**277**	**(15,728)**	**5,361**	**(10,367)**
Balance at 31 March 2016 carried forward	**(5,925)**	**(38,084)**	**-**	**(2,732)**	**(46,741)**	**135,579**	**88,838**

Movement In Reserves Statement

2014/15	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	**(6,436)**	**(26,787)**	**-**	**(2,199)**	**(35,422)**	**90,075**	**54,653**
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 2014/15	**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**

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.

2014/15				2015/16		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
2,192	(816)	1,376	Central services to the public	3,763	(1,702)	2,061
326	-	326	Court services	235	-	235
10,240	(1,025)	9,215	Cultural and related services	5,861	(1,326)	4,535
15,490	(3,158)	12,332	Environmental and regulatory services *	15,867	(3,450)	12,417
10,716	(3,353)	7,363	Planning services *	8,030	(1,864)	6,166
142,403	(108,546)	33,857	Education and children's services	124,591	(94,827)	29,764
20,004	(2,846)	17,158	Highways and transport services	17,056	(1,914)	15,142
63,520	(60,986)	2,534	Other housing services	62,836	(61,654)	1,182
55,114	(15,557)	39,557	Adult social care	58,844	(18,793)	40,051
10,369	(11,930)	(1,561)	Public Health	10,880	(12,355)	(1,475)
4,963	(213)	4,750	Corporate and democratic core	3,897	(21)	3,876
1,361	(1,488)	(127)	Non-distributed costs	429	(304)	125
336,698	**(209,918)**	**126,780**	**Net Cost of Services**	**312,289**	**(198,210)**	**114,079**

Comprehensive Income and Expenditure Statement

2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure £000		2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net Expenditure £000
			(Continued)			
11,752	-	11,752	Other Operating Expenditure (Note 8)	1,083	-	1,083
11,093	-	11,093	Transfer of School Assets	-	-	-
(871)	(305)	(1,176)	Financing and Investment Income and Expenditure (Note 9)	46,534	(306)	46,228
253	(150,205)	(149,952)	Taxation and Non-Specific Grant Income (Note 10)	-	(131,369)	(131,369)
358,925	**(360,428)**	**(1,503)**	**(Surplus)/Deficit on Provision of Services**	**359,906**	**(329,885)**	**30,021**
		(7,115)	(Surplus)/Deficit on revaluation of non-current assets (Note 38)			(10,116)
		40	(Surplus)/Deficit on revaluation of available for sale financial assets (Note 26)			-
		53,130	Actuarial (gains)/losses on pension assets/liabilities (Note 40)			(30,272)
		46,055	**Other Comprehensive Income and Expenditure**			**(40,388)**
		44,552	**Total Comprehensive Income and Expenditure**			**(10,367)**

* Due to a change in classification, the 2014/15 figures for gross expenditure, gross income and net expenditure have been re-stated in order to show a true comparison to the 2015/16 figures.

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 2016.

31 March 2015 £000		Note No.	31 March 2016 £000
268,045	Property, Plant & Equipment	18	281,038
589	Heritage Assets	20	589
4,885	Investment Property	21	8,010
3,297	Intangible Assets	22	3,447
313	Long Term Investments	26	313
1,511	Long Term Debtors	27	1,208
278,640	**Long Term Assets**		**294,605**
8,083	Short Term Investments	35	6,532
17,078	Assets Held for Sale	28	15,940
36	Inventories	29	38
19,551	Short Term Debtors	30	22,151
38,135	Cash and Cash Equivalents	31	10,679
82,883	**Current Assets**		**55,340**
(6,374)	Short Term Borrowing	35	(11,871)
(41,035)	Short Term Creditors	32	(21,060)
(547)	Short Term Provisions	33	(575)
(3,467)	Revenue Grants Receipts in Advance	37	(6,029)
(51,423)	**Current Liabilities**		**(39,535)**
(995)	Long Term Creditors	34	(711)
(5,683)	Long Term Provisions	33	(5,486)
(167,143)	Long Term Borrowing	35	(157,617)
(234,477)	Other Long Term Liabilities	36	(234,548)
(1,007)	Capital Grants Receipts in Advance	37	(886)
(409,305)	**Long Term Liabilities**		**(399,248)**
(99,205)	**Net Assets**		**(88,838)**
(31,013)	Usable Reserves		(46,740)
130,218	Unusable Reserves	38	135,578
99,205	**Total Reserves**		**88,838**

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.

2014/15 £000		2015/16 £000
1,503	Net surplus/(deficit) to the provision of services (CIES)	(30,021)
22,242	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements (Note 41)	44,574
(10,380)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities (Note 41)	(11,906)
13,365	Net Cash Flows from Operating Activities (Note 41)	2,647
(1,918)	Net Cash Flows from Investing Activities (Note 42)	(3,669)
6,531	Net Cash Flows from Financing Activities (Note 43)	(26,434)
17,978	**Net increase/(decrease) in cash and cash equivalents**	**(27,456)**
20,157	Cash and cash equivalents at the beginning of the reporting period	38,135
38,135	**Cash and cash equivalents at the end of the reporting period (Note 31)**	**10,679**

3. Notes to the Accounts

Skelton Beck

Notes to the Accounts

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 2016/17 Code.

IAS 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements and will result in changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and will introduce a new Expenditure and Funding analysis. These changes are as a result of the "Telling the Story" review of the presentation of the local authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative.

Other changes due to Annual Improvement to IFRSs (2012-2014 cycle) are minor, principally providing clarification, and are not expected to have a material effect on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

Note 2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events. In the accounts these are as follows:

Funding

The Council anticipates that the pressures on public expenditure will continue to be severe. These pressures will be mitigated by further service and corporate savings identified through the Shaping Our Future programme and a limited use of reserves. An assessment of the ongoing pressures and means of mitigation has been made by way of the Council's Medium Term Financial Plan (the MTFP) which has been assessed up until 31 March 2020. As a consequence, the Council is of the view that the level of uncertainty is not significant enough in terms of its anticipated impact to warrant an impairment of assets due to a reduced level of service provision, or a need to close facilities.

Accounting for Schools – Consolidation

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

Accounting for Schools - Balance Sheet Recognition

The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice on Local Authority Accounting. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangement that prevail for the property.

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

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

There are currently 4 types of schools within the borough:

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

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

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

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

Type of School	No. of Primary Schools	No. of Secondary Schools	No. of Special Schools
Community	22	1	3
Foundation Trust	9	2	-
On Balance Sheet	**31**	**3**	**3**
Voluntary Controlled	2	-	-
Academies	11	7	1
Total	**44**	**10**	**4**

PFI Schemes

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

Investment Properties

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

Note 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 as at 31 March 2016 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 £0.176m for every year that useful lives had to be reduced.
Provisions - MMI	The Council has made a total provision of £1.916m for the settlement of claims for industrial injuries through the Municipal Mutual Initiative (MMI) scheme. These are based on estimated amounts through claims. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.192m 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 £2.315m based on an estimate using the Valuation Office (VAO) 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 £0.232m to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the rates to be applied.	The effects on the net pension liability of changes in individual assessments can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £0.36m.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value Measurements	When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 Inputs) their fair value is measured using valuation techniques (e.g. quoted prices for similar assets and liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where level 1 inputs are not available, the Council uses Arlingclose to determine fair value for financial instruments and their Valuation team for investment properties. Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities are disclosed in notes 21 and 35.	The Council uses the discounted cash flow (DCF model) to measure the fair value of some of its investment properties and financial instruments. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors. Significant changes in any of the unobservable inputs would result in a significant lower or higher fair value measurement for both investment properties and financial instruments.

Note 4 Events after the Balance Sheet Date (31 March 2016)

The Council received notification from Barclays Bank on the 23 June 2016 of their decision to convert Lender Option Borrower Option (LOBO) loans into fixed rate instruments. This decision does not amend the figures reported in the balance sheet but has a significant impact on their fair value (Note 35). The fair value of these loans when categorised as LOBO's was £109.839m. If the loans were fixed rate loans the fair value would reduce to £81.853m a difference of £27.986m.

There are no other events at the authorised for issue date that effect any of the values in either the Financial Statements for 2015/16 or in the Notes to the Accounts.

Note 5 Adjustments between Accounting Basis and Funding Basis under Regulations

(CIES = Comprehensive Income and Expenditure Statement)

2015/16	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or (credited) to the CIES				
Charges for depreciation and impairment of non-current assets	(12,799)	-	-	12,799
Revaluation losses on Property, Plant and Equipment	3,182	-	-	(3,182)
Revaluation losses on Investment Properties	1,698	-	-	(1,698)
Revaluation losses on Assets Held for Sale	44	-	-	(44)
Amortisation of intangible assets	(896)	-	-	896
Capital grants and contributions	11,018	-	-	(11,018)
Revenue Expenditure Funded from Capital Under Statute	(1,692)	-	-	1,692
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(318)	(880)	-	1,198
Insertion of items not debited or (credited) to the CIES				
Statutory provision for the financing of capital investment	6,565	-	-	(6,565)
Capital Expenditure charged against the general fund	52	-	-	(52)
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	(277)	-	277	-

2015/16	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	-	1,164	-	(1,164)
Other Adjustments involving the Capital Receipts Reserve	-	(285)	-	285
Adjustments involving the Deferred Capital Receipts Reserve:	-	1	-	(1)
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in year in accordance with statutory requirements	250	-	-	(250)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 40)	(42,285)	-	-	42,285
Employers Pension Contributions and direct payments to pensioners payable in the year	9,958	-	-	(9,958)
Adjustments involving the Collection Fund Adjustment Account (NDR and Council Tax):				
Amount by which the collection fund income credited to the CIES is different from the collection fund income calculated for the year in accordance with statutory requirements	(20,938)	-	-	20,938
Adjustments involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in year in accordance with statutory requirements	412	-	-	(412)
Total Adjustments	**(46,026)**	**-**	**277**	**45,749**

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 - Assets	(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

2014/15	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Deferred Capital Receipts Reserve:	-	1	-	(1)
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in year in accordance with statutory requirements	250	-	-	(250)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 40)	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 (NDR and Council Tax):				
Amount by which the collection fund income credited to the CIES is different from the collection fund income calculated for the year in accordance with statutory requirements	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)**

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:

2015/16	Corporate Resources £000	Peoples Services £000	Regeneration £000	General Fund £000	Total £000
Fees, charges & other service income	(3,225)	(11,023)	(7,222)	(1,649)	**(23,119)**
Interest & Investment Income	-	-	-	-	**-**
Government grants	(7,456)	(104,616)	(3,727)	(59,292)	**(175,091)**
Total Income	(10,681)	(115,639)	(10,949)	(60,941)	**(198,210)**
Employee expenses	12,507	61,769	8,004	318	**82,598**
Other service expenses	14,858	114,333	15,088	59,710	**203,989**
Support service recharges	2,779	10,577	5,135	51	**18,542**
Depreciation, Amortisation and Impairment	445	824	5,891	-	**7,160**
Total Expenditure	30,589	187,503	34,118	60,079	**312,289**
Net Expenditure	**19,908**	**71,684**	**23,169**	**(882)**	**114,079**

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**

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.

2014/15 £000		2015/16 £000
126,780	Net expenditure in the Directorate Analysis	114,079
11,752	Other Operating Expenditure (Note 8)	1,083
11,093	Transfer of School Assets	-
(1,176)	Financing and Investment Income and Expenditure (Note 9)	46,228
(149,952)	Taxation and Non-specific Grant income (Note 10)	(131,369)
(1,503)	**Cost of Services in Comprehensive Income and Expenditure Statement**	**30,021**

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.

2015/16	Directorate Analysis £000	Other Operating Expenditure (Note 8) £000	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	(23,119)	-	-	-	(23,119)
Interest and investment income	-	-	(306)	-	(306)
Income from council tax and NDR	-	-	-	(83,985)	(83,985)
Government grants and contributions	(175,091)	-	-	(47,384)	(222,475)
Total Income	(198,210)	-	(306)	(131,369)	(329,885)
Employee expenses	82,598	-	30,540	-	113,138
Other service expenses	203,989	374	-	-	204,363
Support Service recharges	18,542	-	-	-	18,542
Depreciation, amortisation and impairment	7,160	-	-	-	7,160
Interest payments	-	-	15,994	-	15,994
Precepts & Levies	-	709	-	-	709
(Gain)/Loss on Disposal of Fixed Assets	-	-	-	-	-
Total Expenditure	312,289	1,083	46,534	-	359,906
(Surplus)/Deficit on the provision of services	114,079	1,083	46,228	(131,369)	30,021

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)	-	-	-	(19,135)
Interest and investment income	12	-	(305)	(94,676)	(94,969)
Income from council tax and NDR	-	-	-	-	-
Government grants and contributions	(190,796)	-	-	(55,276)	(246,072)
Total Income	(209,920)	-	(305)	(149,952)	(360,176)
Employee expenses	87,391	-	(17,125)	-	70,266
Other service expenses	200,842	11,051	11,093	-	222,986
Support Service recharges	32,412	3	-	-	32,414
Depreciation, amortisation and impairment	16,054	-	-	-	16,054
Interest payments	-	-	16,254	-	16,254
Precepts & Levies	-	698	-	-	698
(Gain)/Loss on Disposal of Fixed Assets	-	-	-	-	-
Total Expenditure	336,698	11,752	10,222	-	358,672
(Surplus)/Deficit on the Provision of Services	126,779	11,752	9,918	(149,952)	(1,503)

Note 7 Transfers to/from Earmarked Reserves

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

Balance at 1 April 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000		Balance at 1 April 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000
(401)	170	(19)	(250)	Risk Management Fund	(250)	142	(142)	(250)
-	-	(386)	(386)	Leisure Contract Risk Fund	(386)	-	(235)	(621)
(250)	225	-	(25)	MMI Reserve	(25)	-	(225)	(250)
(375)	349	(167)	(193)	Insurance Reserve	(193)	-	(807)	(1,000)
(1,374)	1,396	(22)	-	Private Finance Initiative – Schools	-	-	(1,527)	(1,527)
(2,151)	2,494	(342)	-	Private Finance Initiative – Street Lighting	-	-	(2,132)	(2,132)
-	-	(174)	(174)	New Homes Bonus - Corporate Allocations	(174)	-	(255)	(429)
-	-	(334)	(334)	Council Tax Reserve Reliefs	(334)	95	(190)	(429)
-	362	(369)	(7)	Direct Revenue Funding Reserve	(7)	107	(100)	-
(504)	500	(5)	(9)	Alternative Delivery Models Reserve	(9)	159	(358)	(208)
(1,280)	1,280	(1,659)	(1,659)	MTFP Reserve	(1,659)	3,331	(10,747)	(9,075)
(2,408)	4,939	(2,531)	-	Funding Strategy Reserve	-	-	(2,500)	(2,500)
(2,420)	2,408	(2,532)	(2,544)	Budget Strategy Reserve	(2,544)	619	(4,419)	(6,344)
(40)	-	-	(40)	River Tees Port Health Authority Reserve	(40)	20	-	(20)
(107)	-	(1)	(108)	Trust Funds (On Deposit with the Council)	(108)	-	-	(108)
(169)	217	(422)	(374)	Corporate Resources Directorate Reserves	(374)	490	(400)	(284)
(479)	-	(410)	(889)	Social Fund Grant Reserve	(889)	279	-	(610)
(3,374)	2,534	(3,795)	(4,634)	People Services Directorate Reserves	(4,634)	3,145	(2,435)	(3,924)
(2,495)	1,287	(1,546)	(2,753)	Public Health Income Reserve	(2,753)	2,138	(1,403)	(2,018)
(5,838)	967	(719)	(5,589)	Balances held by schools under a scheme of delegation	(5,589)	5,787	(5,457)	(5,259)
(3,122)	5,968	(4,807)	(1,962)	Regeneration Directorate Reserves	(1,962)	1,642	(776)	(1,096)
(26,787)	**25,295**	**(20,438)**	**(21,930)**	**Total**	**(21,930)**	**17,953**	**(34,107)**	**(38,084)**

- The Risk Management Fund was established to pay for 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.

- 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 current excess on this fund is £5m.

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

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

- 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 increased during 2015/16 by just under £16.2m. As described in the narrative report, the three principal reasons for this are: refund from the Collection Fund for a business rates shortfall in 2014/15 - £10.2m, a saving on MRP due to the Council agreeing to change policies on providing for debt repayment - £2.6m and a safety net grant from Government for business rates of £3.0m due to a major manufacturer closing. These additions have been provided for in the Council’s strategic corporate reserves to assist with future budget reductions (principally the budget strategy reserve and the medium term financial strategy reserve).

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:

2014/15 £000		2015/16 £000
550	Parish council precepts	559
148	Levies	150
12,490	Business rates contribution and shortfall	-
(1,436)	(Gains)/Losses on the disposal of non-current assets	374
11,752	**Total**	**1,083**

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:

2014/15 £000		2015/16 £000
16,254	Interest payable and similar charges	15,995
(17,125)	Net interest on the defined pension liability	30,539
(305)	Interest receivable and similar income	(306)
(1,176)	**Total**	**46,228**

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 2015/16 are as follows:

2014/15 £000		2015/16 £000
	Credited to Taxation and Non-Specific Grant Income	
(51,826)	Council Tax Income	(52,851)
(42,850)	Distribution from Non-Domestic Rates	(31,134)
	Non-Ring Fenced Government Grants:	
(38,635)	Revenue Support Grant	(27,651)
(1,973)	Central Education Services Grant (LACSEG)	(1,417)
(7,123)	PFI Grant	(7,123)
(1,103)	New Homes Bonus Scheme	(1,658)
(7)	Local Services Support Grant	(145)
(6,435)	Capital Grants and Contributions	(9,390)
(149,952)	**Total**	**(131,369)**

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 loss of income (£10.7M) due to the Closure of SSI, a major steel manufacturer.

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

Note 11 Dedicated Schools Grant

The Council's expenditure on schools is funded through the Dedicated Schools Grant (DSG) allocated by the Department for Education. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2014. 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 2015/16 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2015/16 before academy recoupment	(9,256)	(98,701)	(107,957)
Academy figure recouped for 2015/16	-	40,211	40,211
Total DSG after academy recoupment for 2015/16	(9,256)	(58,490)	(67,746)
Brought Forward from 2014/15	(2,011)	-	(2,011)
Carry forward to 2016/17 agreed in advance	-	-	-
Agreed initial budgeted distribution in 2015/16	**(11,267)**	**(58,490)**	**(69,757)**
In Year Adjustments:			
Early Years additional allocation re. 2014/15, received in 2015/16	-	(140)	(140)
Approval to capitalise Two Year Old Offer funding	-	29	29
Final budget distribution for 2015/16	**(11,267)**	**(58,601)**	**(69,868)**
Actual central expenditure	9,522	-	9,522
Actual ISB deployed to schools	-	58,601	58,601
Local authority contribution for 2015/16	-	-	-
Carry forward to 2016/17	**(1,745)**	**-**	**(1,745)**

Note 12 Members' Allowances

2014/15 £000		2015/16 £000
617	Salaries	596
175	Allowances	160
17	Expenses	14
809	**Total**	**770**

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 2015/16. This figure also includes employers Superannuation and National Insurance contributions. The figures shown for 2014/15 are a direct comparison with 2015/16.

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.

2014/15				2015/16		
School Employees	Non-School Employees	Total Employees	Remuneration Band (£)	School Employees	Non-School Employees	Total Employees
16	18	34	50,000 to 54,999	12	20	33
17	-	17	55,000 to 59,999	14	5	18
10	-	10	60,000 to 64,999	14	4	18
6	4	10	65,000 to 69,999	5	3	8
2	-	2	70,000 to 74,999	1	1	2
1	3	4	75,000 to 79,999	1	4	5
2	3	5	80,000 to 84,999	1	-	1
1	-	1	85,000 to 89,999	1	4	5
2	-	2	90,000 to 94,999	-	-	-
1	-	1	95,000 to 99,999	1	-	1
-	1	1	100,000 to 104,999	-	-	-
-	-	-	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
-	-	-	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	-	-	-

2014/15 School Employees	Non-School Employees	Total Employees	Remuneration Band (£)	2015/16 School Employees	Non-School Employees	Total Employees
-	-	-	165,000 to 169,999	-	-	-
-	-	-	170,000 to 174,999	-	-	-
-	1	1	Over £180,000	-	-	-
58	**34**	**92**	**Total**	**51**	**45**	**96**

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 2015/16.

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

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

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**

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

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

2015/16	Salary (including Fees & Allowances) £	Recurring Payment £	One Off Payment £	Benefits in Kind £	Redundancy £	Gross Remuneration Excl Pension Contributions 2015/16 £	Pension Contributions 2015/16 £	Total Remuneration Including Pension Contributions 2015/16 £
Non-schools:								
Clinical Director	132,694	-	-	-	-	132,694	10,777	143,471
Assistant Director Commissioning & Adults	85,680	-	-	-	-	85,680	12,938	98,618
Assistant Director Children & Families	85,680	-	-	-	-	85,680	-	85,680
Assistant Director Regeneration	85,680	-	-	-	-	85,680	12,938	98,618
Assistant Director of Public Health	77,172	-	-	-	-	77,172	11,653	88,825

2015/16	Salary (including Fees & Allowances) £	Recurring Payment £	One Off Payment £	Benefits in Kind £	Redundancy £	Gross Remuneration Excl Pension Contributions 2015/16 £	Pension Contributions 2015/16 £	Total Remuneration Including Pension Contributions 2015/16 £
Assistant Director Neighbourhoods and Customer Services	77,172	-	-	-	-	77,172	11,653	88,825
Assistant Director Regeneration	77,172	-	-	-	-	77,172	11,653	88,825
Legal and Governance Manager	58,214	-	-	-	16,010	74,224	8,562	82,786
Head of Public Health Intelligence	67,805	-	-	-	-	67,805	6,464	74,269
Communications and Media Manager	65,137	-	-	-	-	65,137	9,219	74,357
Assistant Director Learning and Achievement	64,260	-	-	-	-	64,260	8,237	72,497
Directorate Accountant	42,053	-	-	-	21,679	63,732	6,350	70,082
Transactions Manager	38,075	-	-	-	25,558	63,633	5,749	69,382
Senior School Improvement Advisor	60,633	-	-	-	-	60,633	9,156	69,789
Performance and Risk Officer	36,186	-	-	-	19,663	55,849	5,015	60,864
Senior Psychologist Manager	55,828	-	-	-	-	55,828	8,430	64,258
Senior Psychologist Manager	55,828	-	-	-	-	55,828	8,430	64,258
Service Manager	54,608	-	-	-	-	54,608	8,246	62,854
Service Manager	54,608	-	-	-	-	54,608	7,484	62,092
Partnership Lead	54,608	-	-	-	-	54,608	8,246	62,854
Technical Programme Manager	54,608	-	-	-	-	54,608	8,246	62,854
Audit and Assurance Manager	54,608	-	-	-	-	54,608	8,246	62,854
Service Manager	54,608	-	-	-	-	54,608	8,246	62,854
Service Manager	54,608	-	-	-	-	54,608	8,246	62,854
Regulatory Services Manager	54,608	-	-	-	-	54,608	8,246	62,854
Service Improvement and Commissioning Manager	54,608	-	-	-	-	54,608	8,246	62,854
Service Manager	54,608	-	-	-	-	54,608	8,246	62,854
Service Manager	54,608	-	-	-	-	54,608	8,246	62,854

2015/16	Salary (including Fees & Allowances) £	Recurring Payment £	One Off Payment £	Benefits in Kind £	Redundancy £	Gross Remuneration Excl Pension Contributions 2015/16 £	Pension Contributions 2015/16 £	Total Remuneration Including Pension Contributions 2015/16 £
Service Manager	54,608	-	-	-	-	54,608	8,246	62,854
Consultant in Public Health Medicine	53,882	-	-	-	-	53,882	8,136	62,018
Asset Manager	53,537	-	-	-	-	53,537	8,084	61,621
Commercial and Legal Manager	53,537	-	-	-	-	53,537	8,084	61,621
Strategic Growth Manager	53,537	-	-	-	-	53,537	8,084	61,621
Principal Manager – Services to Schools	53,404	-	-	-	-	53,404	8,064	61,468
Principal Legal Officer	34,097	-	-	-	18,395	52,492	5,149	57,641
Public Health Specialist	52,465	-	-	-	-	52,465	5,013	57,478
Chief Accountant	50,283	-	-	-	-	50,283	7,593	57,876
Total Non-Schools	**2,225,308**	**-**	**-**		**101,305**	**2,326,613**	**303,618**	**2,630,230**
Schools:								
Executive Head Teacher	109,221	-	-	-	-	109,221	10,744	119,965
Head Teacher	81,531	-	-	-	-	81,531	7,707	89,238
Head Teacher	70,370	-	-	-	-	70,370	6,862	77,231
Head Teacher	69,673	-	-	-	-	69,673	6,862	76,534
Head Teacher	68,161	-	-	-	-	68,161	7,043	75,204
Head Teacher	67,290	-	-	-	-	67,290	6,469	73,759
Head Teacher	65,377	-	-	-	-	65,377	6,375	71,753
Head Teacher	64,074	-	-	-	-	64,074	6,266	70,340
Head Teacher	63,401	-	-	-	-	63,401	6,010	69,412
Head Teacher	63,121	-	-	-	-	63,121	6,010	69,131
Head Teacher	62,521	-	-	-	-	62,521	6,010	68,531
Head Teacher	62,521	-	-	-	-	62,521	6,010	68,531
Deputy Head Teacher	61,892	-	-	-	-	61,892	6,010	67,903
Head Teacher	61,847	-	-	-	-	61,847	6,009	67,856

2015/16	Salary (including Fees & Allowances) £	Recurring Payment £	One Off Payment £	Benefits in Kind £	Redundancy £	Gross Remuneration Excl Pension Contributions 2015/16 £	Pension Contributions 2015/16 £	Total Remuneration Including Pension Contributions 2015/16 £
Head Teacher	61,368	-	-	-	-	61,368	5,924	67,292
Head Teacher	61,368	-	-	-	-	61,368	5,924	67,292
Head Teacher	60,753	-	-	-	-	60,753	5,924	66,677
Head Teacher	60,752	-	-	-	-	60,752	5,924	66,676
Head Teacher	60,722	-	-	-	-	60,722	5,781	66,502
Head Teacher	59,282	-	-	-	-	59,282	5,780	65,063
Head Teacher	58,096	-	-	-	-	58,096	5,585	63,681
Head Teacher	57,966	-	-	-	-	57,966	5,661	63,627
School Improvement Advisor	57,551	-	-	-	-	57,551	8,690	66,241
Deputy Head Teacher	57,087	-	-	-	-	57,087	5,604	62,691
Head Teacher	56,140	-	-	-	-	56,140	5,448	61,588
Deputy Head Teacher	55,873	-	-	-	-	55,873	5,502	61,375
Head Teacher	55,123	-	-	-	-	55,123	5,379	60,501
Head Teacher	55,123	-	-	-	-	55,123	5,379	60,501
Head Teacher	54,800	-	-	-	-	54,800	5,325	60,125
Deputy Head Teacher	53,732	-	-	-	-	53,732	5,240	58,972
Deputy Head Teacher	53,399	-	-	-	-	53,399	4,988	58,387
Deputy Head Teacher	52,731	-	-	-	-	52,731	5,067	57,798
Deputy Head Teacher	51,299	-	-	-	-	51,299	5,013	56,312
Deputy Head Teacher	50,698	-	-	-	-	50,698	4,757	55,455
Deputy Head Teacher	50,514	-	-	-	-	50,514	4,883	55,397
Head Teacher	50,118	-	-	-	-	50,118	4,818	54,936
Total Schools	**2,205,492**	**-**	**-**	**-**	**-**	**2,205,492**	**216,986**	**2,422,477**

Note 14 Termination Benefits

The Council terminated the contracts of 42 employees in the 2015/16 financial year, incurring liabilities of £0.807m (£0.493m for 2014/15). Of this total £0.751m was payable to 34 officers in respect of various voluntary arrangements agreed and £0.056m was paid to 8 officers who received compulsory redundancy. These figures are higher than the previous financial year due to further restructuring of the Council services.

The table below shows an analysis of the total cost incurred by directorate during 2015/16.

Directorate	£000	Number of employees
Corporate Resources	536	21
People Services	106	11
Regeneration Services	165	10
Total	**807**	**42**

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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
							£000	£000
0 to 20,000	1	7	29	22	30	29	217	**249**
20,001 to 40,000	-	1	4	6	4	7	128	**189**
40,001 to 60,000	-	-	-	3	-	3	-	**148**
60,001 to 80,000	-	-	1	2	1	2	64	**140**
80,001 to 100,000	-	-	1	1	1	1	84	**81**
100,001 to 150,000	-	-	-	-	-	-	-	**-**
Provision	-	-	-	-	-	-	-	**-**
Total	**1**	**8**	**35**	**34**	**36**	**42**	**493**	**807**

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.

2014/15 Income £000	2014/15 Expenditure £000	2014/15 (Surplus)/ Deficit £000	Trading Operation	2015/16 Income £000	2015/16 Expenditure £000	2015/16 (Surplus)/ Deficit £000
(67)	25	(41)	**Catering** Provision of meals in schools throughout the borough.	0	6	6
(622)	258	(364)	**Trade Refuse Collection** Undertakes the collection of commercial waste from properties within the borough.	(642)	263	(379)
(13)	167	154	**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.	(24)	123	99
(7)	4	(4)	**Markets** Provision of a site for the operation of a market based in Redcar, to boost retail and tourism for the borough.	(9)	4	(5)
(273)	1,083	810	**Business Centres** Provision of workshop and office accommodation in a range of sizes at The Beacon, The Hub, Redcar Leisure & Civic Heart & 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.	(353)	453	100
(973)	500	(473)	**Car Parking** Provision of both on street and off street parking throughout the borough.	(1,069)	545	(524)
(1,956)	**2,038**	**82**	**Total**	**(2,097)**	**1,394**	**(703)**

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 revaluation of assets, 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 upward revaluations is shown in the table below.

2014/15			Trading Operation	2015/16		
Income £000	Expenditure £000	(Surplus)/ Deficit £000		Income £000	Expenditure £000	(Surplus)/ Deficit £000
(67)	25	(41)	**Catering**	-	6	6
(622)	258	(364)	**Trade Refuse Collection**	(642)	263	(379)
(13)	143	130	**Industrial Estates**	(24)	123	99
(7)	4	(4)	**Markets**	(9)	4	(5)
(273)	490	217	**Business Centres**	(304)	453	149
(973)	500	(473)	**Car Parking**	(856)	545	(311)
(1,956)	**1,421**	**(535)**	**Total**	**(1,835)**	**1,394**	**(441)**

Note 16 Pooled Budgets

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

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

a) Improve the quality and efficiency of the Services and in particular reduce the number of the non-elective admissions to Acute Hospitals;

b) Meet the National Conditions and Local Objectives of the Government's Better Care Fund;

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

	2015/16 £000
Balance brought forward	-
Funding Provided to the Pooled Budget	
The Authority	(1,187)
South Tees CCG	(10,416)
	(11,603)
Expenditure Met from Pooled Budget	
The Authority	7,438
South Tees CCG	3,509
	10,947
Capital amounts slipped to 2016/17	**381**
Net surplus arising on the pooled budget to be carried forward	**(275)**

No comparator for 2014/15 due to first year of the Better Care Fund (BCF).

Note 17 Fees Payable to Auditors

For 2015/16 the following fees relating to external audit and inspection were payable by the Council:

2014/15 £		2015/16 £
168,350	Fees payable for services provided by the External Auditors	124,328
18,685	Fees payable for the certification of grant claims.	19,040
187,035	**Total**	**143,368**
(16,927)	Audit Commission Rebate	-
170,108	**Total**	**143,368**

Further fees may be expected for 2015/16 financial year work, although these have yet to be quantified.

Note 18 Property, Plant and Equipment (PPE)

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

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

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

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

Depreciation

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

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

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

	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PPE £000	Included in Total PPE - Owned £000	Included in Total PPE - Finance Leased £000	Included in Total PPE – PFI Assets £000
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

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total PPE	Included in Total PPE - Owned	Included in Total PPE - Finance Leased	Included in Total PPE – PFI Assets
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment										
At 1 April 2014	7,355	17,396	73,089	(1)	-	-	97,839	92,017	108	5,714
Depreciation charge for the year (Restated)	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 (Restated)	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	146,730	6,862	105,575	6,567	30,340	-	296,074	269,495	93	26,486

Revaluations

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

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

The Council carries out a rolling revaluation programme that ensures that all items 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 2016	132,425	7,755	106,036	5,157	317	-	251,690
Valued at fair value as at:							
31 March 2016	57,330	-	-	286	-	-	57,616
31 March 2015	70,446	-	-	1,971	-	-	72,417
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
Total Cost or Valuation	239,257	14	-	4,333	-	344	243,948

Note 19 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. Although there has been no impairment of assets in 2015/16 the 2014/15 impairment is disclosed in Note 18. This reconciles the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

Note 20 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 2014	169	132	25	263	**589**
Additions	-	-	-	-	**-**
Disposals	-	-	-	-	**-**
Revaluations	-	-	-	-	**-**
Impairment Losses	-	-	-	-	**-**
31 March 2015	169	132	25	263	**589**
Cost or Valuation					
1 April 2015	169	132	25	263	**589**
Additions	-	-	-	-	**-**
Disposals	-	-	-	-	**-**
Revaluations	-	-	-	-	**-**
Impairment Losses	-	-	-	-	**-**
31 March 2016	**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 2015/16 no Heritage Assets were purchased.

Disposal of Heritage Assets

During 2015/16 no Heritage Assets were disposed of.

Heritage Assets: Five Year Summary

	2015/16 £000	2014/15 £000	2013/14 £000	2012/13 £000	2011/12 £000
Cost	-	-	62	20	**124**
Donation	-	-	-	-	**-**
Disposal	-	-	-	-	**-**
Revaluation	-	-	-	-	**228**
Impairment	-	-	-	-	**-**
	-	-	62	20	**352**
Acquisitions					
Art Collection	-	-	62	20	**-**
Artefacts and Fossils	-	-	-	-	**124**
Military Equipment	-	-	-	-	**-**
Civic Regalia	-	-	-	-	**-**
	-	-	62	20	**124**
Revaluation					
Art Collection	-	-	-	-	**87**
Artefacts and Fossils	-	-	-	-	**-**
Military Equipment	-	-	-	-	**9**
Civic Regalia	-	-	-	-	**132**
	-	**-**	**-**	**-**	**228**

Note 21 Investment Properties

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

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

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

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

The fair value of the Council's investment properties are measured annually at each reporting date. All of this year’s valuations have been carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Highest and Best Use of Investment Properties

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

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

2014/15 £000		2015/16 £000
8,421	Balance at start of the year	4,885
	Additions:	
102	Purchases	92
-	Construction	-
-	Subsequent expenditure	-
(130)	Disposals	-
(6,206)	Net gains/(losses) from fair value adjustments	1,698
	Transfers:	
-	(To)/From Inventories	-
2,698	(To)/From Property, Plant and Equipment and Assets Held for Sale	1,335
-	Other Changes	-
4,885	**Balance at end of the year**	**8,010**

There is a significant increase in the net book value of investment properties held at the end of this financial year (£3.125m, 64%). The material gains in year are due to:

Asset	£000	Explanation
Redcar Leisure and Civic Heart (Business/Retail Space)	1,205	Revalued following occupation of retail units.
Upsall Hall	725	Reclassified from Assets Held For Sale (AHFS)
Former Rosecroft Site	405	Reclassified from Assets Held For Sale (AHFS)
Total	**2,335**	

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 22 Intangible Assets

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

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 2015 £000	Expenditure 2015/16 £000	Amortisation 2015/16 £000	31 March 2016 £000
Internally Generated						
Adult Services System	10 Years	10 Years	632	-	93	539
ERP Systems	10 Years	10 Years	1,502	474	232	1,744
Hosted System for Libraries	3 Years	2 Years	-	41	14	27
Self Assessment Web Based Site	5 Years	4 Years	-	103	21	82
Other						
Other IT Software	Various	Various	1,163	428	536	1,055
			3,297	1,046	896	3,447

Amortisation of £0.896m has been charged to the Comprehensive Income and Expenditure Statement in 2015/16. An element of this has been allocated within the Cost of Services as follows:

Service Area	2015/16 £000
Planning Services	19
Library Services	14
Education and Children's Services	45
Highways and Transport Services	2
Adult Social Care	114
Total	**194**

The residual amount of £0.702m is charged against the IT service which is a central support service. This is reallocated against services within the Comprehensive Income and Expenditure Statement as part of the central support reallocation.

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

2014/15 £000		2015/16 £000
8,784	Gross carrying amounts	9,709
(5,677)	Accumulated amortisation	(6,412)
3,107	Net carrying amount at start of year	3,297
-	Additions – internal development	-
925	Additions - purchases	1,046
-	Additions – through business combinations	-
-	Disposals	-
-	Impairment losses recognised or reversed directly in the Revaluation Reserve	-
(735)	Amortisation for the period	(896)
-	Other changes	-
3,297	**Net carrying amount at end of year**	**3,447**
	Comprising:	
9,709	Gross carrying amounts	10,755
(6,412)	Accumulated amortisation	(7,308)

Note 23 Private Finance Initiatives and Similar Contracts

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

Office Accommodation and Business Centre

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

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

Seafield House and Belmont House are operational buildings accommodating Council employees. The South Tees Business Centre 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.

Classification of Schools

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

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

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

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 18 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 2016 (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 2016

	Repayment of leasing liability	Payment of interest	Provision of services	Total
	31 March 2016 £000	31 March 2016 £000	31 March 2016 £000	31 March 2016 £000
Within 1 year	1,956	5,950	3,935	11,841
Within 2 - 5 years	9,071	21,908	16,382	47,361
Within 6 – 10 years	14,975	22,338	21,890	59,203
Within 11 -15 years	18,757	14,817	19,742	53,316
Within 16 - 20 years	19,210	5,302	13,489	38,001
Within 20 -22 years	-	-	-	-
Total Future Payments	**63,969**	**70,315**	**75,438**	**209,722**

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 2016

	Repayment of leasing liability	Payment of interest	Provision of services	Total
	31 March 2016 £000	31 March 2016 £000	31 March 2016 £000	31 March 2016 £000
Within 1 year	1,956	7,488	4,839	14,282
Within 2 - 5 years	9,071	30,308	21,408	60,787
Within 6 – 10 years	14,975	38,081	31,877	84,933
Within 11 -15 years	18,757	34,706	31,955	85,418
Within 16 - 20 years	19,210	24,040	23,714	66,964
Within 20 -22 years	-	-	-	-
Total Future Payments	**63,969**	**134,623**	**113,793**	**312,384**

The figures below represent the amount of debt outstanding with the PFI contractor for the assets held under contract as at 31 March 2016. This is repayable over the remaining term of the contract.

Value of liabilities held under PFI schemes

2014/15 £000	Outstanding PFI Liability	2015/16 £000
(67,490)	Opening Balance	(65,820)
1,670	Repayments	1,851
-	Adjustment	-
-	Additions	-
(65,820)	**Closing Balance**	**(63,969)**

Note 24 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 2015 £000	Property, Plant and Equipment	31 March 2016 £000
67	Vehicles, Plant, Furniture and Equipment	40

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 2015 £000		31 March 2016 £000
26	Current - Repayment of leasing liability within 1 year	28
42	Non-Current - Repayment of leasing liability Later than 1 year	14
13	Finance Costs Payable in Future Years (Interest)	6
81	**Future minimum lease payments**	**48**

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

Minimum Lease Payments 31 March 2015 £000	Finance Lease Liabilities 31 March 2015 £000		Minimum Lease Payments 31 March 2016 £000	Finance Lease Liabilities 31 March 2016 £000
33	26	Not later than one year	33	28
48	42	Later than one year and not later than five years	15	14
-	-	Later than five years	-	-
81	**68**	**Future minimum lease payments**	**48**	**42**

Council as Lessee – Operating Leases

The Council had one lease remaining relating to vehicles that is classified as an operating lease under IFRS. This expired in March 2016. The Council purchased these vehicles rather than extending the lease as this represented value for money.

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

31 March 2015 £000		31 March 2016 £000
57	Not later than one year	-
-	Later than one year and not later than five years	-
-	Later than five years	-
57	**Future minimum lease payments**	**-**

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

2014/15 £000		2015/16 £000
214	Minimum lease payments	57
-	Contingent rents	-
214	**Total**	**57**

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 25 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:

2014/15			2015/16	
£000	£000		£000	£000
	269,227	**Opening Capital Financing Requirement**		**266,651**
		Capital Investment		
12,975		Property, Plant and Equipment	13,846	
925		Intangible Assets	1,046	
174		Loans & Advances Treated as Capital Expenditure	2,000	
102		Investment Properties	92	
1,308		Revenue Expenditure Funded from Capital under Statute	1,692	
	15,484	Total Capital Investment		18,676
		Sources of Finance		
(2,445)		Capital Receipts	(1,440)	
(6,852)		Government grants and other contributions	(11,018)	
-		Sums set aside from revenue:	-	
(95)		Direct revenue contributions	(52)	
-		Minimum Revenue Provision - Previous years adjustment	-	
(8,668)		MRP/Loans Fund Principal	(6,565)	
	(18,060)	Total Sources of Finance		(19,075)
	266,651	**Closing Capital Financing Requirement**		**266,252**
	(2,576)	Movement in Year		(399)
		Explanation of movement in year		
-		Increase in underlying need to borrow (supported by government assistance)		
6,092		Increase in underlying need to borrow (unsupported by government assistance)	6,726	
-		Assets acquired under finance leases		
		Write down of long term debtor	(560)	
-		Assets acquired under PFI/PPP contracts		
	6,092	**Increase/(Decrease) in Capital Financing Requirement**		6,166
	(8,668)	Reduced by Minimum Revenue Provision		(6,565)
	(2,576)			(399)

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

2014/15 £000	Analysis of Revenue Expenditure Funded as Capital Under Statute	2015/16 £000
909	Grants to individuals and organisations	713
(78)	Expenditure on Housing	13
477	Expenditure on assets not belonging to the Council	966
-	Expenditure on Pensions and Redundancy costs	-
1,308	**Total**	**1,692**

Contractual Commitments

As at 31 March 2016, the Council has one contract in progress for Galley Hill school extension works. The contract is for £1.6m with the value of work completed as at 31 March 2016 of £0.311m. Similar commitments at 31 March 2015 were £3.4m.

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

Note 26 Long term investments

Investment	Type of Investment	Value at 31 March 2015 £000	Gain/(Loss) on Revaluation £000	Value at 31 March 2016 £000
Durham Tees Valley Airport Ltd	Ordinary Shares	-	-	-
SITA Tees Valley Limited	Loan Shares	312	-	312
Total		**312**	**-**	**312**

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

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

Note 27 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 Redcar & Cleveland Investment Fund (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 RCIF loan.

	Balance 31 March 2015 £000	Total Spend £000	Disposals/ Transfers £000	Amounts Written Off/ Repaid £000	Balance 31 March 2016 £000
Car Loans	6	-	-	(3)	3
Private Mortgages	3	-	-	(1)	2
Loan to Leisure Service Provider - SLM	1,463	-	-	(275)	1,188
Economic Development Loans	15	-	(14)	-	1
RCIF – Loan Repayment	24	-	-	(10)	14
Total	**1,511**	**-**	**(14)**	**(289)**	**1,208**

Note 28 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.

2014/15 £000		2015/16 £000
5,979	**Balance outstanding at start of year**	**17,078**
	Assets newly classified as held for sale	
12,172	- Property, Plant and Equipment	388
-	- Intangible Assets	-
-	- Other assets/liabilities in disposal groups	-
(500)	Revaluation losses	(27)
-	Revaluation gains	71
-	Impairment losses	-
	Assets declassified as held for sale:	
-	- Property, Plant and Equipment	-
-	- Investment Properties	(1,123)
-	- Other assets/liabilities in disposal groups	-
(573)	Assets sold	(447)
-	Transfers from non-current to current	-
-	Other movements	-
17,078	**Balance outstanding at year end**	**15,940**

There is a decrease in the net book value of assets held for sale at the end of this financial year of £1.14m. The material decrease in year is due to assets declassified as assets held for sale as they no longer meet the appropriate criteria.

Note 29 Inventories

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

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

Stocks held relate to vehicle and museum activities. Management of the fleet stores stock was outsourced to a third party during 2015/16. Improvements in the vehicle fuel processes have ensured that all purchases have been recorded through the vehicle fuel stock account in 2015/16.

Note 30 Debtors

31 March 2015 £000		31 March 2016 £000
3,271	Central government bodies	6,236
3,871	Other local authorities	1,103
4,408	NHS Bodies	1,221
-	Public corporation and trading funds	1
7,472	Council Tax payers	9,099
884	Business Rates	6,075
3,032	Housing Benefits Overpayments	3,485
3,065	Other entities and individuals	7,502
26,003	**Total**	**34,722**
	Provisions for Doubtful Debts	
-	Directorate Contribution to Bad Debt Provision	(78)
-	Other entities and individuals	(227)
(33)	General	-
(4,990)	Council Tax payers	(5,430)
(725)	Business Rates	(5,897)
(704)	Housing Benefits Overpayments	(940)
19,551	**Total debtors including provision for doubtful debt**	**22,151**

Note 31 Cash and Cash Equivalents

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

31 March 2015 £000		31 March 2016 £000
44	Cash held by the Council	44
2,864	Bank current accounts – school accounts	2,168
(4,858)	Bank current accounts – main council	(4,100)
40,085	Short term deposits with Financial Institutions	12,567
38,135	**Total Cash and Cash Equivalents**	**10,679**

The negative balance against the Council’s current account relates to payments (both electronic transfers and cheques) which are awaiting payment but have yet to be paid out in cash.

Cash and Cash Equivalents were significantly higher in 2014/15. The increase was as a direct consequence of the reduced business rate position declared to central government due to issues with a major manufacturer. This has unwound during 2015/16.

Note 32 Creditors

31 March 2015 £000		31 March 2016 £000
(21,980)	Central government bodies	(4,352)
(3,416)	Other local authorities	(2,156)
(759)	NHS Bodies	(505)
(2,260)	Short Term Accumulating Compensated Absences	(1,848)
(10,713)	Other entities and individuals	(11,632)
(1,907)	Local Taxation	(567)
(41,035)	**Total**	**(21,060)**

Note 33 Provisions

	Balance at 1 April 2015	Provisions made in 2015/16	Provisions utilised in 2015/16	Other Transfers in 2015/16	Balance at 31 March 2016	Short Term Provisions	Long Term Provisions
	£000	£000	£000	£000	£000	£000	£000
MMI Claims	(1,952)	-	36	-	(1,916)	(112)	(1,804)
Insurance Provision	(1,902)	(501)	573	-	(1,830)	-	(1,830)
Business Rates Appeals	(2,351)	(677)	713	-	(2,315)	(463)	(1,852)
Refuse Service – Untaken Holidays	(25)	-	25	-	-	-	-
Total Provisions	**(6,230)**	**(1,178)**	**1,347**	**-**	**(6,061)**	**(575)**	**(5,486)**

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

MMI Claims: On the 28th March 2012 the Supreme Court on the Employers' Liability Policy Trigger Litigation relating to Mesothelioma Claims ruled that the insurer who was at risk at the time of the employee's exposure to asbestos was liable to pay compensation for the employee's Mesothelioma. In 2014 the Council received a statement detailing potential claims and a claims provision was created based upon this information. This relates to activities under the Municipal Mutual Insurance (MMI) scheme of which the Council was a member. MMI is currently in administration. The administrators triggered the scheme of arrangement in February 2014 and issued initial levies to local authorities. As such the events in 2015/16 have not changed the Council's position in relation to its initial assessment of the provision and this has remained unchanged at 31st March 2016. This will be reassessed by the Council's insurance actuary during 2016/17.

Insurance Provision: The Council operates a self-funding arrangement for liability, motor and property and the Insurance Fund was established in 1996 to provide for all payments that fall within the policy excess on claims. The excess on liability (public liability and employers liability) is £5m for each and every claim. The property excess of £5m covers claims relating to Council property but this no longer includes schools as they have now purchased insurance in their own name. The motor excess of £5m relates to own damage and third party damage. The excess of each claim is funded by the Council with additional amounts claimed covered by its insurance policies. The value of the provision relates to an estimate of the financial total of all existing claims outstanding at 31st March 2016.

Business Rates Appeals: From 1st April 2013, the Business Rates Retention Scheme came into effect which allowed local authorities to retain a proportion of the 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 £4.725m with the 49% share in the Council's own accounts being £2.315m.

<u>Refuse Service – Untaken Holidays:</u> 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 demands on the service it was not feasible for the employees to roll forward this leave into 2015/16. As a result the advice from human resources was to pay the employees for the value of the untaken leave. This provision was fully utilised during 2015/16.

Note 34 Long Term Creditors

	Balance at 31 March 2015 £000	Income £000	Expenditure £000	Balance at 31 March 2016 £000
Section 38 / 278 Agreements	(321)	(9)	209	(121)
Section 106 Agreements	(615)	(364)	436	(543)
Commuted Sums	(59)	-	12	(47)
Total	**(995)**	**(373)**	**657**	**(711)**

Section 38 / 278 agreements relate to the creation of new highways upon land in the ownership of anyone other than the highway authority. It is an agreement between the land owner and the Council for the construction of new highways and the ultimate adoption by the Council as a public highway. The agreement secures a bond for the cost of the works, to enable completion of the works by the Council upon default by the developer. There are currently 6 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 35 Financial Instruments

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

Financial Instruments: Balances

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

	Long-term		Current	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	£000	£000	£000	£000
Financial Liabilities (Principal Amounts)				
Loans with PWLB	(37,267)	(46,793)	(9,527)	(4,025)
Market Loans	(105,350)	(105,350)	-	-
Local Authority Loans	(15,000)	(15,000)	-	-
Accrued Interest				
Loans with PWLB	-	-	(511)	(532)
Market Loans	-	-	(1,630)	(1,614)
Local Authority Loans	-	-	(203)	(203)
	(157,617)	(167,143)	(11,871)	(6,374)
Current Financial Liability (Overdraft)	-	-	(4,100)	(6,989)
Financial Liabilities at Amortised Cost	**(157,617)**	**(167,143)**	**(15,971)**	**(13,363)**
PFI and Finance Lease Liabilities				
PFI				
Schools	(39,850)	(40,853)	(1,003)	(965)
Offices	(5,180)	(5,535)	(354)	(333)
Street Lighting	(16,983)	(17,581)	(599)	(553)
	(62,013)	(63,969)	(1,956)	(1,851)
Finance leases	(14)	(42)	(28)	(26)
Creditors	(711)	(995)	(11,872)	(39,158)
Other Liabilities	**(62,738)**	**(65,006)**	**(13,856)**	**(41,035)**
Total Financial Liabilities	**(220,355)**	**(232,149)**	**(29,827)**	**(54,398)**

	Long-term		Current	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	£000	£000	£000	£000
Loans and Receivables (Principal Amounts)				
Principal at Amortised (Over 90 Days)	-	-	2,500	-
Accrued interest	-	-	13	-
Impaired investments	-	-	21	47
Available-For-Sale Investments				
Principal at Amortised (Over 90 Days)	312	312	3,996	8,000
Accrued interest	-	-	2	36
Total investments	**312**	**312**	**6,532**	**8,083**
Loans and Receivables (Principal Amounts)				
Investments (90 Days and under)	-	-	12,553	27,574
Accrued interest	-	-	14	13
Available-For-Sale Investments				
Principal at Amortised (Under 90 Days)	-	-	-	12,497
Accrued interest	-	-	-	1
Current Financial Assets	-	-	2,212	2,908
Total Cash & Cash Equivalents		**-**	**14,779**	**42,993**
Debtors	1,208	1,511	9,223	16,713
Total Financial Assets	**1,520**	**1,823**	**30,534**	**67,789**

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:

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

* The interest earned from Treasury Management Activities was £259,152

2014/15	Financial Liabilities Liabilities measured at amortised cost £000	Financial Assets Loans and receivables £000	 Available-for-sale Assets £000	Total £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	-	-	-	-

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 2016.

Arlingclose were appointed as the Council's treasury advisor in September 2013. The fair value calculations for both the 31st March 2015 and the 31st March 2016 have been calculated using their recommended models, which are based on the methods described below:

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

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

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

31 March 2015 Balance Sheet £000	Fair Value £000		Fair Value Level	31 March 2016 Balance Sheet £000	Fair Value £000
		Financial liabilities held at amortised cost:			
(51,350)	(57,373)	Long-term loans from PWLB	2	(47,305)	(57,910)
(106,964)	(219,270)	Long-term LOBO	2	(106,980)	(219,692)
(15,203)	(18,119)	Other Long Term loans	2	(15,203)	(17,855)
(65,888)	(112,199)	Lease payables and PFI liabilities	3	(64,011)	(149,485)
(239,405)	**(406,961)**	**Total**		**(233,499)**	**(444,941)**
(49,018)		Liabilities for which fair value is not disclosed*		(16,684)	
(288,423)		**Total financial liabilities**		**(250,183)**	
(41,034)		Short-term creditors		(11,872)	
(6,374)		Short-term borrowing		(11,871)	
(6,989)		Cash and cash equivalents		(4,101)	
(995)		Long-term creditors		(711)	
(167,143)		Long-term borrowing		(157,617)	
(41,034)		Short-term creditors		(11,872)	
(65,888)		Other long- term liabilities		(64,011)	
(288,423)		**Total financial liabilities**		**(250,183)**	

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

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

31 March 2015 Balance Sheet £000	31 March 2015 Fair Value £000		Fair Value Level	31 March 2016 Balance Sheet £000	31 March 2016 Fair Value £000
		Financial assets held at fair value:			
312	312	Shares in listed companies	1	312	312
11,506	11,506	Money Market Funds	1	7,218	7,218
		Financial assets held at amortised cost:			
8,083	8,130	Loans and receivables over 90 days	2	2,535	2,535
16,081	16,083	Loans and receivables under 90 days	2	5,349	5,353
12,498	12,498	Treasury Bills	2	3,997	3,997
48,480	**48,259**	**Total**		**19,411**	**19,415**
19,621		Assets for which fair value is not disclosed*		12,643	
68,101		**Total financial assets**		**32,054**	
		Recorded on balance sheet as:			
41,440		Cash and cash equivalents		14,779	
8,083		Short-term investments		6,532	
312		Long-term investments		312	
16,755		Short-term debtors		9,223	
1,511		Long-term debtors		1,208	
68,101		**Total financial assets**		**32,054**	

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

Financial Instruments: Risks

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

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

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Department for Communities and Local Government's (DCLG) Guidance on Local Government Investments. This guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management and its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

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

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

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

(a) Credit Risk - Investments

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

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

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

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

The full Investment Strategy for 2015/16 was approved by Full Council on 3 March 2015 and is available on the Council's website. The Investment Strategy for 2016/17 was approved by Full Council on 1 March 2016 and it became operational immediately. It is therefore the 2016/17 strategy that drives the investment decisions on 31st March 2016.

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 £19.049m 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 2016 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 2015 £000**	**Amount at 31 March 2016 £000**
AAA rated counterparties	11,500	7,215
AA+ rated counterparties	17,497	3,996
AA rated counterparties	-	-
AA- rated counterparties	5,000	2,400
A+ rated counterparties	3,000	-
A rated counterparties	8,500	5,000
A- rated counterparties	1,500	-
BBB rated counterparties	1,074	438
Other Counterparties	-	-
Total	**48,071**	**19,049**

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

(a) Credit Risk - Receivables

The Council does not generally allow credit for customers, although £3.681m of the £4.046m 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	365
One to three months	569
Three to six months	1,031
Six months to one year	583
More than one year	1,498
Total	**4,046**

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 £4.046m above relates to invoiced debt only and is an element of the debtor total in Note 30.

(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 2016 £000**	**%**	**Actual 31 March 2015 £000**	**%**
Less than 1 year	10%	9,526	7%	4,025	3%
Between 1 and 2 years	20%	3,021	2%	9,500	6%
Between 2 and 5 years	80%	2,000	1%	5,048	3%
Between 5 and 10 years	90%	13,582	7%	13,582	7%
More than 10 years	100%	33,935	20%	33,935	20%
Uncertain date *		105,350	63%	105,350	61%
Total		**167,414**	**100%**	**171,439**	**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 32.

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 2016, 100% of the net principal borrowed was exposed to fixed rates.

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

	£000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	173
Impact on Surplus or Deficit on the Provision of Services	**173**
Decrease in fair value of available for sale financial assets	230
Impact on Comprehensive Income and Expenditure Statement	**230**
Decrease in fair value of fixed rate investment assets	82
Decrease in fair value of fixed rate borrowings *	(1,695)
No impact on Comprehensive Income and Expenditure Statement	**(1,613)**

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

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

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

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

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

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

Kaupthing Singer and Friedlander Ltd

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

To date, the Council has recovered £1.714m, representing 84% 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 £3.924m, 98% of the amount claimed. The latest report states that the administrators do not intend to make any further distributions to unsecured creditors until the conclusion of the Landsbanki claim is known.

Accounting for Icelandic Investments – 2015/16

Bank	Total Value of Investment £000	Carrying Amount £000	Received to date £000	Interest £000	Impairment £000
Kaupthing Singer and Friedlander	2,106	22	1,714	-	**(370)**
Heritable	4,126	-	3,924	-	**(202)**
Total	**6,232**	**22**	**5,638**	**-**	(572)
		(a)	(b)		
Predicted total recoverable		**(a) + (b)**	**5,660**		

Due to the amounts received to date (£5.638m) and revised assumptions on the discounted future cashflows relating to these investments (the carrying amount), the Council anticipates recovering £5.660m 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	(160)
Total	**572**

Note 36 Other Long Term Liabilities

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

31 March 2015 £000		31 March 2016 £000
(170,466)	Pension Scheme (Note 40)	(172,521)
(63,969)	PFI (Note 23)	(62,013)
(42)	Leasing (Note 24)	(14)
(234,477)	**Total**	**(234,548)**

Note 37 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

2014/15 £000		2015/16 £000
	Credited to Services	
(713)	Department for Works & Pensions	(539)
(1,555)	Council Tax and Business Rates Administration	(1,578)
(59,033)	Housing Benefits Subsidy and Admin Grant	(59,829)
-	Ministry of Defence	(10)
(1,970)	Department for Communities & Local Government	(2,519)
(400)	New Homes Bonus	-
(218)	Department of Health	(171)
(10,838)	Public Health Grant	(11,289)
(75,199)	Dedicated Schools Grant	(67,935)
(1,840)	Department for Education	(2,028)
(5,534)	Pupil Premium Grant	(5,169)
(2,019)	Skills Funding Agency	(1,966)
(127)	Department for Environment, Food and Rural Affairs	(563)
(681)	Department for Transport	(130)
(1,860)	Diocese Contributions	(1,867)
(8,553)	Health Authorities	(9,937)
(16)	Police Authorities	(67)
(1,760)	Other Local Authorities	(1,727)
(1,333)	Other Grants and Contributions	(1,103)
(218)	Donations	(181)
(173,867)	**Total**	**(168,608)**
(149,952)	**Credited to Taxation and Non-Specific Grant Income (See Note 10)**	**(131,369)**

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 2015 £000		31 March 2016 £000
	Revenue Receipts in Advance	
(2,058)	Department for Education	(1,932)
-	Department for Business, Innovation & Skills	-
(28)	Department for Communities & Local Government	(1,441)
-	Department for Environment, Food & Rural Affairs	-
-	Department of Health	(42)
(235)	Department for Works & Pensions	(41)
-	Department for Transport	-
(239)	Education Funding Agency	(188)
(5)	Police Authority	(17)
(200)	Public Health	-
(246)	Skills Funding Agency	(214)
(33)	Other Local Authorities	(870)
(421)	Other Contributions	(1,284)
(3,465)	**Total**	**(6,029)**

31 March 2015 £000		31 March 2016 £000
	Capital Receipts in Advance	
(369)	Devolved Formula Capital Grant	(283)
(26)	Town Centre Improvement	(21)
(526)	Bus Network Review (MBC)	-
(87)	Coastal Communities (Big Lottery Fund)	-
-	Kirkleatham Academy & Walled Garden	(214)
-	River Tees Rediscovered	(57)
-	Skinningrove Coast Protection	(111)
-	Living Sober	(200)
-	Other Grants and Contributions	-
(1,008)	**Total**	**(886)**
(328,292)	**Total Grants, Contributions and Donations Credited to the Comprehensive Income and Expenditure Statement**	**(306,892)**

Note 38 Unusable Reserves

31 March 2015 £000		31 March 2016 £000
	CAPITAL RESERVES	
(32,168)	Revaluation Reserve	(41,368)
(312)	Available for Sale Financial Instruments Reserve	(312)
3,150	Capital Adjustment Account	(4,620)
4,212	Financial Instruments Adjustment Account	3,961
(3)	Deferred Capital Receipts	(2)
	REVENUE RESERVES	
170,466	Pensions Reserve	172,521
(17,387)	Collection Fund Adjustment Account	3,550
2,260	Accumulating Compensated Absences Adjustment Account	1,848
130,218	**Total Unusable Reserves**	**135,578**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised,

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created, accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account (CAA).

2014/15 £000			**2015/16 £000**	
	(26,173)	**Balance at 1 April**		(32,168)
		Opening balance adjustment written off to CAA		
(10,271)		Upward revaluation of assets and impairment	(10,907)	
3,156		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	791	
	(7,115)	(Surplus)/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(10,116)
400		Difference between fair value depreciation and historic cost depreciation	452	
720		Accumulated gains on assets sold or scrapped	464	
-		Non-current assets direct to Capital Adjustment Account	-	
	1,120	Amounts written off to the Capital Adjustment Account		916
	(32,168)	**Balance at 31 March**		**(41,368)**

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.

2014/15 £000		2015/16 £000
(352)	**Balance at 1 April**	**(312)**
-	Upward revaluation of investments	-
40	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-
-	Accumulated gains on assets sold and maturing assets written out of the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
(312)	**Balance at 31 March**	**(312)**

Capital Adjustment Account

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

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

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

Note 5 provides details of the source of transactions posted to the account, apart from those involving the Revaluation Reserve.

2014/15 £000		2015/16 £000
(20,408)	**Balance at 1 April**	**3,150**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES)	
12,243	Charges for depreciation and impairment of non-current assets	12,345
16,007	Revaluation losses on Property, Plant and Equipment, Investment Properties and Assets Held For Sale	(4,924)
735	Amortisation of intangible assets	896
1,308	Revenue expenditure funded from capital under statute	1,692
11,288	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	735
41,581	**Net amount written out of the cost of non-current assets consumed in the year**	**10,744**
	Capital financing applied in the year	
(2,721)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,165)
-	Capital Financing Reserve	-
(95)	Direct Revenue Financing	(52)
276	Write down long term debtor/capital receipt deferred	285
(6,852)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(11,018)
-	Application of grants to capital financing from the Capital Grants Unapplied Account	-
(8,668)	Statutory provision for the financing of capital investment charged against the General Fund in year (MRP)	(6,565)
-	Amendment to accounting estimates and reduction of MRP	-
37	Disposal expenses	1
(18,023)	**Total Capital Financing**	**(18,514)**
-	Movements in the market value of Investment Properties debited or credited to the CIES	-
-	Movement in the Donated Assets Account credited to the CIES	-
3,150	**Balance at 31 March**	**(4,620)**

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.

2014/15 £000		2015/16 £000
4,462	**Debt - Balance as at 1 April**	**4,212**
-	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	(251)
4,212	**Total Debt**	**3,961**
-	**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**	**-**
4,212	**Balance at 31 March**	**3,961**

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.

2014/15 £000		2015/16 £000
(4)	**Balance at 1 April**	**(3)**
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	-
1	Transfer to the Capital Receipts Reserve upon receipt of cash	1
(3)	**Balance at 31 March**	**(2)**

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.

2014/15 £000		2015/16 £000
134,357	**Balance at 1 April**	**170,466**
53,130	Actuarial (gains)/losses on pensions assets and liabilities	(30,272)
(7,319)	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	42,285
(9,702)	Employer's pensions contributions and direct payments to pensioners	(9,958)
170,466	**Balance at 31 March**	**172,521**

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

Collection Fund Adjustment Account

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

2014/15 £000		2015/16 £000
(4,693)	**Balance at 1 April**	**(17,387)**
(12,694)	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	20,937
(17,387)	**Balance at 31 March**	**3,550**

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.

2014/15 £000		2015/16 £000
(2,886)	**Balance at 1 April**	**(2,260)**
2,886	Settlement or cancellation of accrual made at the end of the preceding year	2,260
(2,260)	Amounts accrued at the end of the current year	(1,848)
-	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	-
(2,260)	**Balance at 31 March**	**(1,848)**

Note 39 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 2015/16, the Council paid £4.055m to Teachers' Pensions Agency in respect of teachers' retirement benefits, representing 15.50% of pensionable pay. The figures for 2014/15 were £4.198m 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 40.

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 2015/16, the Council paid £0.108m to NHS Pensions in respect of retirement benefits, representing 10.20% of pensionable pay. The figures for 2014/15 were £0.86m 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 40.

Note 40 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:

2014/15 £000		2015/16 £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
9,608	Current service cost	11,485
198	Past service costs (including curtailments)	260
-	Settlements	-
	Financing and Investment Income and Expenditure	
25,099	Interest cost	20,846
(42,224)	Actual return on assets	9,694
(7,319)	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**42,285**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
57,269	Actuarial (gains)/losses on liabilities – financial assumptions	(23,481)
-	Actuarial (gains)/losses on liabilities – demographic assumptions	-
(4,139)	Actuarial (gains)/losses on liabilities - experience	(6,791)
53,130	Total Actuarial gains and losses	(30,272)
45,811	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**12,013**
	Movement in Reserves Statement	
7,319	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(42,285)
	Actual amount charged against General Fund Balance for pensions in the year	
9,702	Employers' contributions payable to scheme	9,958

The cumulative amount of actuarial loss recognised in the Comprehensive Income and Expenditure Statement from 1 April 2015 to the 31 March 2016 is a loss of £14.848m. (2014/15 loss of £45.120m plus current year actuarial gain of £30.272m). 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 2015 £000		Year to 31 March 2016 £000
593,483	**Opening balance at 1 April**	**661,579**
9,608	Current Service Cost	11,485
25,099	Interest Cost	20,846
3,044	Contributions by scheme participants	3,075
	Remeasurement Gain	
57,269	Actuarial (gains)/losses on liabilities – financial assumptions	(23,481)
-	Actuarial (gains)/losses on liabilities – demographic assumptions	-
(4,139)	Actuarial (gains)/losses on liabilities - experience	(6,791)
(22,983)	Benefits paid	(23,718)
198	Past Service Cost including Curtailments	260
-	Settlements	-
661,579	**Closing balance at 31 March**	**643,255**

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

Year to 31 March 2015 £000		Year to 31 March 2016 £000
459,126	**Opening balance at 1 April**	**491,113**
19,529	Interest Income on assets	15,549
22,695	Re-measurement gains/(losses) on assets	(25,243)
9,702	Contributions by the Employer	9,958
3,044	Contributions by scheme participants	3,075
(22,983)	Net Benefits paid out	(23,718)
491,113	**Closing balance at 31 March**	**470,734**

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 loss on scheme assets in the year was £9.694m (2014/15 £42.224m) due to changes in financial assumptions.

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

Scheme History

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

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £172.521m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. This has increased in 2015/16 by £2.055m 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 £88.838m.

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 2017 is £8.234m.

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:

2014/15		2015/16
	Mortality assumptions (years)	
	Member aged 65 at accounting date:	
23.0	Men	23.1
25.5	Women	25.6
	Member aged 45 at accounting date:	
25.2	Men	25.3
27.8	Women	28.0
1.8%	Rate of Inflation *	1.8%
3.3%	Rate of increase in salaries	3.3%
1.8%	Rate of increase in pensions	1.8%
3.2%	Rate for discounting scheme liabilities	3.4%
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 2015		**Year to 31 March 2016**		
%	**Assets**	**% Quoted**	**% Unquoted**	**% Total**
84.0	Equities	84.4	0.5	84.9
1.7	Government Bonds	1.4	0.0	1.4
3.4	Corporate Bonds	1.6	0.0	1.6
6.4	Property	0.9	6.1	7.0
2.5	Cash	5.1	0.0	5.1
2.0	Other*	0.0	0.0	0.0
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 2016 and the projected service cost for the year ending 31 March 2016 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)	607,871	618,782	629,889
% change in present value of total obligation	-1.8%		1.8%
Projected service cost (£M's)	10,817	11,175	11,542
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)	620,992	618,782	616,594
% change in present value of total obligation	0.4%		-0.4%
Projected service cost (£M's)	11,175	11,175	11,175
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)	627,661	618,782	610,041
% change in present value of total obligation	1.4%		-1.4%
Projected service cost (£M's)	11,542	11,175	10,817
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)	634,632	618,782	602,903
% change in present value of total obligation	2.6%		-2.6%
Projected service cost (£M's)	11,545	11,175	10,804
Approximate % change in projected service cost	3.3%		-3.3%

*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 41 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.

2014/15 £000		2015/16 £000
1,503	**Surplus/(Deficit) on Provision of Services**	(30,021)
	Adjust net surplus/(deficit) on the provision of services for non-cash movements	
13,377	Depreciation/Amortisation	13,695
9,801	Impairment	(3,226)
5,944	Other non-cash items charged to the net surplus/(deficit) on the provision of services in year	(1,617)
(2,170)	Increase/(Decrease) in Creditors	(1,333)
262	(Increase)/Decrease in Debtors	3,531
41	(Increase)/Decrease in Inventories	(2)
(17,021)	Pension Liability	32,327
12,008	Carrying amount of non-current assets sold	1,199
22,242	Total	44,574
	Adjust for items included in the net surplus/deficit on the provision of services that are investing or financing activities	
(7,662)	Capital Grants Credited	(10,741)
(2,718)	Proceeds from Sale of Assets	(1,165)
(10,380)	Total	(11,906)
13,365	**Net Cash flow from Operating Activities**	**2,647**

Memo Item – Operating Activities – Interest

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

2014/15 £000		2015/16 £000
323	Interest Received	327
(16,269)	Interest Paid	(15,991)
(15,946)	**Total**	**(15,663)**

Note 42 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.

2014/15 £000		2015/16 £000
(14,002)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(14,985)
2,020	Purchase/(Disposal) of short and long term investments	1,530
(174)	Long term loans granted	(2,354)
2,719	Capital Receipts	881
7,519	Other Payments for Investing Activities	11,259
(1,918)	**Net cash flows from investing activities**	**(3,669)**

Note 43 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.

2014/15 £000		2015/16 £000
-	Cash receipts of short- and long-term borrowing	-
13,247	Other payments for financing activities	(20,525)
(5,022)	Repayment of short term/long term borrowing	(4,033)
(1,694)	Other payments relating to PFI and Finance Lease debt	(1,877)
6,531	**Net cash flows from financing activities**	**(26,434)**

Note 44 Related Parties

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

Central government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes many of the transactions that the Council has with other parties. Grants received from government departments are set out in the subjective analysis in Note 6 on reporting for resource allocation decisions. Grant receipts outstanding at 31 March 2016 are also set out in Note 37.

Of the 59 Elected Members and 54 Chief and senior officers' posts, 57 Members and 48 Officers have provided details of any 'related party transactions', as required by the latest Code of Practice. One Council ward is vacant (as of 31st March 2016), 1 Member failed to return a declaration and 6 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 2015/2016 financial year is shown in Note 12.

The Council's Director of Corporate Resources/Section 151 Officer, the Assistant Director - Governance/Monitoring Officer and the Director of People Services are the Treasurer, the Chief Legal Officer and the Head of Paid Service respectively, for River Tees Port Health Authority. Five Members also hold positions on the Board of River Tees Port Health Authority. The Council's financial contribution to River Tees Port Health Authority for 2015/2016 was £0.052M.

Two Members hold positions on the board of Coast & Country Housing. The financial transactions between Coast & Country Housing and the Council were a net payment of £0.707M covering various grants from the Council and call out charges for Council properties.

One Member held a position on the board of Thirteen Group. The financial transactions between Thirteen Group and the Council were a net payment of £0.443M covering various grants from the Council and service charges for Council properties.

The Chief Education Officer was not employed by the Council but was seconded from the Academies Enterprise Trust during 2015/16.

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 33. A more detailed analysis of these grants is given in Note 37 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 45 Contingent Assets and Liabilities

There are no contingent assets pertaining to the Council's activities at 31 March 2016.

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

Liberata continue to have admitted body status to the Teesside Local Government Pension Scheme and have a £0.100m 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 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.

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.

Note 46 Statement of Accounting Policies

GENERAL

The Statement of Accounts summarises the Council's financial transactions for the 2015/16 financial year and its financial position at the year ended 31 March 2016, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2015/16, produced under International Financial Reporting Standards. It also complies with the Service Code of Accounting Practice which constitutes proper practice under Part IV of the Local Government and Housing Act 1989.

ESTIMATION TECHNIQUES

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

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

- methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period;
- different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider the debts as a whole rather than individual balances.

ACCRUALS OF INCOME & EXPENDITURE (DEBTORS & CREDITORS)

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods and services.
- Supplies and Services are recorded as expenditure when they are received. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet 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.

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

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

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

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

REVENUE

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

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

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

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

Non-Domestic Rates (NDR)

Retained business rates 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.

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

EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

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

ACQUIRED OPERATIONS

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

TRUST FUNDS

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

GRANTS AND CONTRIBUTIONS

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

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

EMPLOYEE BENEFITS

Benefits payable during employment

Benefits payable during employment cover two classes:

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

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

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

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

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

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

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

Termination benefits

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

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

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

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

a) enhancement of retirement benefits, and

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

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

Post-employment benefits

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

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

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

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

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.

COST OF SUPPORT SERVICES

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

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

CHARGES TO REVENUE FOR THE USE OF TANGIBLE OR INTANGIBLE ASSETS

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

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

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

VAT

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

PROPERTY PLANT AND EQUIPMENT

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

Recognition

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

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

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

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

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

Measurement

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

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

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

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

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

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

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

Revaluation

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

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

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

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

Impairment

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

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

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

Depreciation

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

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

- Land: No depreciation;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

HERITAGE ASSETS

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

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

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

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

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

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

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

INVESTMENT PROPERTY

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

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

The Council uses valuation techniques that are appropriate in the circumstances and for where sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Properties are required to be classified within the fair value hierarchy which are Level 1, 2, and 3.
All of the Council's investment properties are Level 3 with the valuation based on a number of unobservable inputs which are property specific.

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

INTANGIBLE ASSETS

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

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

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

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

PRIVATE FINANCE INITIATIVE

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

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

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

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

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

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

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

LEASES

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

The Council as lessee

Finance leases

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

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

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

Operating leases

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

The Council as lessor

Finance leases

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

Operating leases

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

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

Arrangements containing a lease

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

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

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

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

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

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

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

NON-CURRENT ASSETS HELD FOR SALE

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

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

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

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

CAPITAL RECEIPTS

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

INVENTORIES

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

CASH AND CASH EQUIVALENTS

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

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

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

PROVISIONS

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

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

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

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

FINANCIAL INSTRUMENTS

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

Typical financial assets include bank deposits, trade receivables, loans receivables, other 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 the price that would be received to sell an asset or paid to transfer a liability between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

Classification

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

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

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

Amortised cost using the effective interest rate method

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

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

Impairment

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

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

De-recognition

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

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

CONTINGENT ASSETS & LIABILITIES

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

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

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

4. Collection Fund Accounts and Explanatory Notes

Saltburn Tramway

Collection Fund Income and Expenditure Account

2014-15 Council Tax £000	2014-15 Non-Domestic Rates £000	2014-15 Total £000		2015/16 Council Tax £000	2015/16 Non-Domestic Rates £000	2015/16 Total £000
			INCOME			
(62,861)	-	(62,861)	Council Tax Receivable	(63,579)	-	(63,579)
-	(40,750)	(40,750)	Business Rates Receivable	-	(48,184)	(48,184)
(62,861)	**(40,750)**	**(103,611)**		**(63,579)**	**(48,184)**	**(111,763)**
			Contribution from preceptors for previous year's surplus/(deficit)			
-	(9,302)	(9,302)	Central Government	-	13,934	13,934
(253)	(9,116)	(9,369)	Billing Authority	2,586	13,656	16,242
(13)	(186)	(199)	Fire Authority	130	279	409
(37)	-	(37)	Police Authority	370	-	370
(303)	**(18,604)**	**(18,907)**		**3,086**	**27,869**	**30,955**
			Precepts, Demands and Shares			
-	18,260	18,260	Central Government	-	23,697	23,697
50,567	17,895	68,462	Billing Authority (RCBC)	51,954	23,223	75,177
2,484	365	2,849	Fire Authority	2,628	476	3,104
7,277	-	7,277	Police Authority	7,703	-	7,703
60,328	**36,520**	**96,848**		**62,285**	**47,396**	**109,681**
			Charges to the Collection Fund			
-	-	-	Less: Write offs of uncollectable amounts	-	-	-
1,031	683	1,714	Less: Increase in Bad Debt Provision	971	10,841	11,812
-	71	71	Less: Increase/(decrease) in Provision for Appeals	-	(73)	(73)
-	174	174	Less: Cost of Collection	-	169	169
-	(921)	(921)	Less: Disregarded amounts	-	(20)	(20)
1,031	**7**	**1,038**		**971**	**10,917**	**11,888**
(1,805)	(22,827)	(24,632)	(Surplus)/Deficit arising during the year	2,763	37,998	40,761
(1,870)	(6,372)	(8,242)	(Surplus)/Deficit brought forward 1st April	(3,675)	(29,199)	(32,874)
(3,675)	**(29,199)**	**(32,874)**	**(Surplus)/Deficit carried forward 31st March**	**(912)**	**8,799**	**7,887**

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 are also 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 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 (Band A to Band 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 2015. The council tax base for 2015/16 was 37,346 (35,980 in 2014/15). The increase is due to a number of factors: a small amount of property growth, a change in the non-collection assumption from 97% to 99%, and an overestimation of the impact of the council tax support scheme on the tax base.

Band	Property Value	Weighting to Band D	Number of chargeable dwellings No.	Band D Equivalent No.	Redcar & Cleveland Demand Excluding Parishes £	Police Authority Demand Per Property £	Fire Authority Demand Per Property £	Total Demand Per Property £	Total Income Per Band £000
A		5/9	98.8	54.9	764.55	114.59	39.09	918.23	91
A	Up to £40,000	6/9	22,880.4	15,253.6	917.46	137.51	46.91	1,101.88	25,211
B	£40,001 - £52,000	7/9	11,593.8	9,017.4	1,070.37	160.42	54.72	1,285.51	14,904
C	£52,001 - £68,000	8/9	12,563.8	11,167.8	1,223.28	183.34	62.54	1,469.16	18,458
D	£68,001 - £88,000	9/9	4,928.8	4,928.8	1,376.19	206.26	70.36	1,652.81	8,146
E	£88,001 - £120,000	11/9	2,874.3	3,513.0	1,682.01	252.10	86.00	2,020.11	5,806
F	£120,001 - £160,000	13/9	826.8	1,194.2	1,987.83	297.93	101.63	2,387.39	1,974
G	£160,001 - £320,000	15/9	360.8	601.3	2,293.65	343.77	117.27	2,754.69	994
H	Over £320,000	18/9	10.8	21.5	2,752.38	412.52	140.72	3,305.62	36
			56,138.3	45,752.5					75,620
Council Tax Support				8,029.3					
Less non collection 1%				377.2					
Council Tax Base				37,346.0					

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. These are deducted from the opening liability in order to determine the income collectable from council tax payers. The details for in respect of 2014/15 and 2015/16 are shown in the table to the right.

2014/15 £000		2015/16 £000
(85,109)	Opening Liability	(85,367)
129	Disabled Reduction	126
20,796	Discount	20,302
1,323	Exemptions	1,360
(62,861)	**Income collectable from Council Tax Payers**	**(63,579)**

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 2015/16 financial year was estimated before the start of the year as £23.696m to Government, £0.476m to the Fire Authority and £23.223m to the Council. These sums have been paid in 2015/16 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 £23.346m is lower than its funding baseline position under the local government finance settlement of £31.497m. This is the 2013/14 baseline which is then uplifted by the small rates multiplier of 0.4%. As a result the Council received a top-up grant of £8.469m in 2015/16, 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 the Council, the safety net applies at levels below £30.271m. The retained income budgeted position plus the top up grant totals, plus adjustments for small business rate reliefs is £27.245m. Therefore the Council will receive £3.026m of the safety net grant in respect of 2015/16.

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.

2014/15 Pence		2015/16 Pence
47.1	NDR multiplier	48.0

NOTE 4 – NON-DOMESTIC RATEABLE VALUE

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

2014/15 £000		2015/16 £000
130,957	Total NDR rateable value	116,955

NOTE 5 – INCOME FROM NON-DOMESTIC RATES

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

2014/15			2015/16	
£000	£000		£000	£000
		Estimated Income		
(130,957)		Gross Rateable Value	(116,955)	
47.1p		Multiplier (pence in the £)	48.0p	
	(61,681)	**Estimated Opening Debit**		**(56,138)**
		Actual Income		
(47,912)		Actual Opening charges payable	(55,123)	
	(47,912)			**(55,123)**
3,887		Reduced Assessments	3,783	
1,008		Transitional Protection	37	
2,310		Mandatory Relief	2,714	
316		Discretionary Relief	379	
(359)		Section 44A	26	
-		Interest Due	-	
-		Enterprise Zone	-	
	7,162			**6,939**
	(40,750)	**Actual Income Collectable**		**(48,184)**

The total income collectable from business rates payers was £48.184m, which was significantly lower than the budgeted position. This is due to a major manufacturer being unable to pay their business rates bill during 2015/16, and this has factored into the income calculation as a loss on collection.

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 Valuation Office Agency (VOA), hence business rates outstanding as at 31st March 2016. As such authorities are required to make a financial provision for this amount as the qualifying obligation i.e. the appeal being made is in the past. Appeals are charged and provided for in proportion to the precepting shares. The total provision charged to the Collection Fund in 2015/16 was for £4.725m, with the Council's share in its Balance Sheet being £2.315m.

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:

2014/15 Total £000		2015/16 Council Tax £000	Non-Domestic Rates £000	Total £000
7,277	Cleveland Police Authority	7,703	-	7, 703
2,849	Cleveland Fire & Rescue Authority	2,628	476	3,104
18,260	Central Government	-	23,697	23,697
68,462	Redcar & Cleveland Borough Council	51,954	23,223	75,177
96,848		**62,285**	**47,396**	**109,681**

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 £18,544m (£6.509m for council tax and £12,035m for business rates) and has increased from £7.433m in 2014/15.This is due to impact of the closure of SSI.

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

2014/15 Total £000		2015/16 Council Tax £000	Non-Domestic Rates £000	Total £000
(444)	Cleveland Police Authority	(113)	-	(113)
(444)	Cleveland Fire & Rescue Authority	(38)	88	50
(14,599)	Central Government	-	4,400	4,400
(17,387)	Redcar & Cleveland Borough Council	(761)	4,311	3,550
(32,874)		**(912)**	**8,799**	**7,887**

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 forecast surplus/deficit for 2015/16 reported as part of the budget setting report will form part of the preceptor payment for 2016/17, with the residual amount impacting on 2017/18.

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 2015/16 will be 0%.

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

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

5. Auditor's Report

Skinningrove

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 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Statement 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 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in the narrative statement 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 24, schedule 7 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24, schedule 7 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Auditor's Report

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

Respective responsibilities of the Council and the auditor

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

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office, requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the National Audit Office.

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office, 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 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or a material impact on the value for money conclusion.

Mark Kirkham
For and on behalf of Mazars LLP
The Rivergreen Centre
Aykley Heads
D28 urham
DH1 5TS
29 September 2016

Addendum:

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

Certificate on the 2015/16 audit

In our report dated 29 September 2016 on the 2015/16 statement of accounts, we explained that the audit could not be formally concluded until we had completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. This work has now been completed. No matters have come to our attention since 30 September 2016 that would have a material impact on the financial statements on which we gave an unqualified opinion or on our value for money conclusion.

We certify that we have completed the audit of the accounts of Redcar and Cleveland Borough Council for 2015/16 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

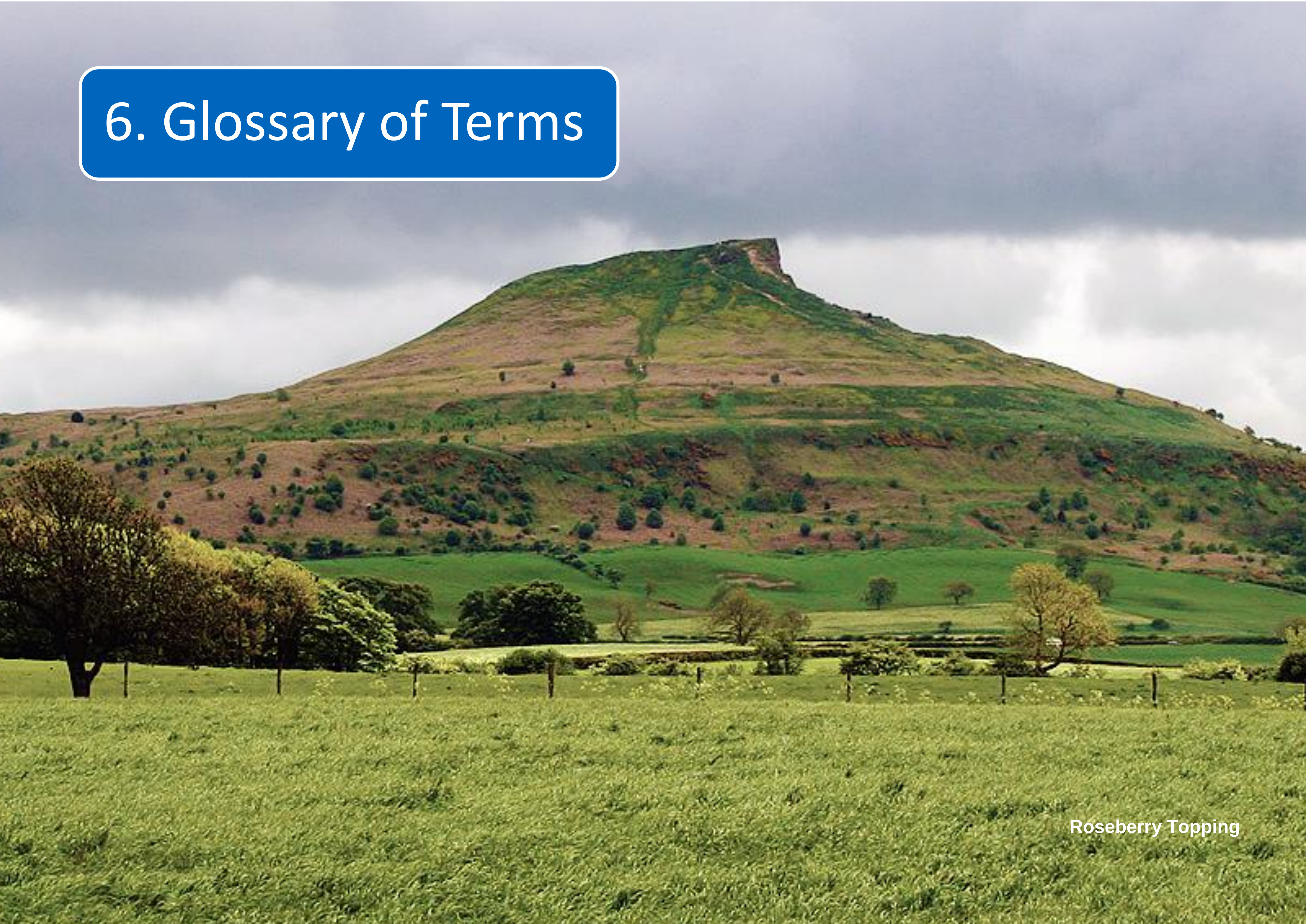
Mark Kirkham

For and on behalf of Mazars LLP

The Rivergreen Centre
Aykley Heads
Durham, DH1 5TS

12 October 2016

6. Glossary of Terms



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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.

Glossary of Terms

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.

CARRYING AMOUNT

The Balance Sheet value recorded of either an asset or a liability.

CASH AND CASH EQUIVALENTS

Cash held by the Council, along with short term investments held for periods of less 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.

HIGHWAYS NETWORK ASSET

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

HERITAGE ASSET

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. Heritage assets include civic regalia, museum and gallery collections and works of art.

IMPAIRMENT

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

INCOME

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

INTANGIBLE ASSETS

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

INFRASTRUCTURE ASSETS

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

INTERNATIONAL ACCOUNTING STANDARDS (IAS)

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

INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS)

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

INVENTORIES

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

(a) goods or other assets purchased for resale;

(b) consumable stores;

(c) raw materials and components purchased for incorporation into products for sale;

(d) products and services in intermediate stages of completion;

(e) long-term contract balances, and

(f) finished goods.

INVESTMENT PROPERTIES

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

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

INVESTMENTS

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

INVESTMENTS (PENSION FUND)

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

LEASING

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

LIABILITY

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

- A **contingent liability** is a potential liability at the Balance Sheet date which arises as the result of a condition which exists where the outcome will be confirmed only on the occurrence or non-occurrence of one or more future events. The financial liability is included in the Balance Sheet where it can be reasonably estimated. Where the contingency is material but a financial estimate cannot be made, the existence of the liability is disclosed as a note to the accounts.

- A **current liability** is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn.

LENDER OPTION BORROWER OPTION (LOBO)

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

LOANS OUTSTANDING

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

LONG TERM CONTRACTS

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

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements.

MEDIUM TERM FINANCIAL PLAN (MTFP)

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

MINIMUM REVENUE PROVISION (MRP)

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

MOVEMENT IN RESERVES STATEMENT

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

NON-DOMESTIC RATES (NDR)

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

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST

The cost of replacing, or recreating, the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET DEBT

The Council's borrowings less cash and cash equivalents. Where cash and cash equivalents exceed borrowings, reference should be made to net funds rather than net debt.

NET REALISABLE VALUE

The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NON–CURRENT ASSET

Assets that yield benefits to the Council, and the services it provides, for a period of more than one year.

NON-DISTRIBUTED COSTS

These are overheads for which no user of the Council benefits and should not be apportioned to services.

OPERATING LEASE

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Authority.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

PAST SERVICE COST

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PENSIONS INTEREST COST

For a defined benefit scheme the expected increase during the period in the present value of the scheme liabilities because the benefits are one year closer to settlement.

PRECEPT

The amount levied by various Authorities that is collected by the Council on their behalf, e.g. Central Government, Parish Councils, Police and Fire Authorities.

PREMIUMS

These are discounts that have arisen following the early redemption of long term debt, which are written down over the lifetime of replacement loans where applicable.

PRIOR PERIOD ADJUSTMENTS

Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PRIVATE FINANCE INITIATIVE

A partnership arrangement whereby a private sector provider provides purpose built buildings/equipment etc. for long term rental by public sector users.

PROJECTED UNIT METHOD

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

(a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and

(b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

PROVISION

Funds set aside to cover potential liabilities or losses which are likely or certain to be incurred at a future date but where the exact amount and timing of the liability or loss is currently not known.

PRUDENCE

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

PUBLIC WORKS LOAN BOARD (PWLB)

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

RATEABLE VALUE

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

RELATED PARTIES

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

(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.