



# Public Document Pack

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To: The Chair and Members of the Governance Committee

Our Ref      DemServs/  
Your Ref  
Contact:     Mr David Boville  
Direct line: 01642444617

2 March 2023

Dear Councillors,

**GOVERNANCE COMMITTEE: MONDAY, 13 MARCH 2023 – APPENDIX TO THE  
ACCEPTANCE OF THE AUDITED STATEMENT OF ACCOUNTS FOR 2021/22 AS AT  
31 MARCH 2022**

Please find attached appendix 2 for agenda item 7, Acceptance of the Audited Statement of Accounts for 2021/22 as at 31 March 2022.

7. Acceptance of the Statement of Accounts – Appendix 2 2 - 202

If you have any queries about this matter please contact me on the number listed above.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J Sampson'.

**MR J SAMPSON**  
**MANAGING DIRECTOR (HEAD OF PAID SERVICE)**

**CIRCULATION**

Councillors C Morgan (Chair), S Waterfield (Vice-Chair), B Ayre, B Clarke, C Gallacher, S Holyoake, G Jeffery, I Nightingale, L Quartermain, V Rider and V Smith

Ms Lavelle, Mr Monson, Parish Councillor Clayton and a representative from Loftus Town Council

Councillor G Nightingale (Cabinet Member - for information)

Managing Director (Head of Paid Service)

The Press [except for Confidential item(s)]



# Statement of Accounts 2021/22

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Agenda Item 7



Fishing Boats on  
Marske Beach

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# 1. Narrative Report



**Councillor Glyn Nightingale  
Cabinet Member for Corporate  
Resources**

As in previous years the 2021/22 Statement of Accounts for Redcar and Cleveland Borough Council gives a detailed and comprehensive outline of the Council's finances.

Like every single local authority in the country, Redcar and Cleveland Borough Council has dealt with the challenges faced by the COVID-19 pandemic, continuing financial challenges and is now seeking fully to focus on meeting our resident's and businesses' needs now and into the future.

The Council has continued to deliver its services effectively in line with our Corporate Plan's four key priorities;

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

The accounts should be considered in the context of a whole range of challenges the Council will face in the medium-term as the country experiences a cost-of-living crisis and the impact of significant inflationary challenges as they begin to take hold. The Council will seek to focus on maintaining financial resilience with the continued

aim of ensuring the Council's reserves position is maintained and where possible increased.

The Council has achieved a broadly breakeven position for 2021/22 and approved a balanced budget position in 2022/23.

The financial position shows the Council is well-managed and delivering on its promises. There are many financial challenges that lie ahead which the Council will need to work effectively to deal with and should not, in any way, be underestimated.



## Chief Finance Officer's Statement

### Rob Davisworth – Chief Accountant and Deputy Section 151 Officer

During the 2021/22 financial year, the Council continued to contend with the impact of the COVID-19 pandemic.

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

As we enter into 2022/23 the Council will face numerous financial challenges and opportunities which it will seek to embrace and address. These include:

- Delivering an ambitious and exciting capital programme which will improve the local economy and physical appearance of the Borough.
- Supporting economic development and regeneration in Teesworks as we support the creation of new businesses and economic activity – together with the jobs and skills this will create.
- Implementing new adult social care reforms expected in the next few years.
- Supporting the Borough as we experience a challenging cost-of-living crisis.
- Ensuring we maintain financial resilience and we set a sustainable and deliverable medium term financial plan which continues to ensure the Council provides a range of high-quality services.
- Ensuring we continue to put in measures which will support the Borough's determination to be carbon neutral and more environmentally sustainable.
- Looking at ways in which we can treat the region's domestic waste in a more sustainable and efficient way.

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

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



### Our Flourishing Future

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

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

2021/22 has been another year where the news has been dominated by the pandemic and the community's response. Frontline workers from social workers to shop staff to teachers to refuse collectors and many, many more have done their bit. During the year, the team of public health, community development officers, NHS staff and Covid ambassadors worked tirelessly to get as many people vaccinated as possible. Pop-up vaccine clinics were set up and at one session in Redcar before Christmas, more than 1,000 people turned up to be jabbed. Some 40 clinics took place with more than 11,000 people receiving vaccines from the team.

Other big stories this year have included the building of the Regent Cinema and an exciting development of the Redcar Town Plan, plans for a new swimming pool, in Eston and the huge ongoing developments on the Teesworks industrial site, including an internationally important net zero integrated gas-fired power and carbon capture project which will create jobs:

- **Tackling Climate Change and Enhancing the Natural Environment: Achieving a carbon neutral borough by 2030; supporting nature & biodiversity; and improving recycling rates.**
  - New waste, electronic and electrical equipment bins have been installed across the Borough.
  - A 12-month trial to distribute free recycling bins has been initiated with a total 400 free compost bins also being given away.
  - Newly installed LED streetlights have exceeded expectations with a 60% reduction in consumption – above the 50% target. This means 1,300 tons of carbon have been saved, more than the 1,200 tons expected.
  - Saltburn Beach won a prestigious Blue Flag award for high quality sea water for the third year in a row. Redcar was named as a UK Seaside Award Beach, meaning it has the highest environmental standards.

## Council Performance

- New hydrogen and electric vehicles have been trialled by the Council.
- The 'Moor to Restore' programme started January this year. It is a partnership between the North York Moors National Park Authority and Forestry England. We are intending to develop plans to join with this partnership to not only seek to restore peatlands but focus on sustainability for the natural environment in relation to increasing numbers of people understandably wanting to enjoy the landscape.
- **Meeting Residents' Needs: Improving people's long-term physical health and well-being and boosting exercise opportunities; Taking more preventative actions and support to keep people safe and to enable more children and older people to live safely at home; and strengthening partnerships with schools and colleges to ensure young people's aspirations are raised and they receive better secondary school experience.**
  - Young people seeking employment have been helped with the Kickstarter programme which offers six months' paid employment which gives vital work experience; the Youth Employment Initiative which offers specialist support to young people who have been unemployed for a long time and through offering more apprenticeships at the Council.
  - 204 people received support at the Meadowgate Centre, which helps people leaving hospital to prepare for home living again and a further 240 people received specialist support to remain at home after illness.
  - We registered 1,705 children and their families through our Family Hubs (a 34.5% increase from the prior year). A total of 967 individual children and young people registered with and accessed our youth club sessions across the Borough and there were 15,316 attendances at our youth club sessions.
- We recruited 34 foster carers in 2021, increasing our total number of placements for children to 178. We increased the number of children in our care who are placed in the Borough, meaning children are closer to their family, friends and communities.
- We opened our new No Wrong Door Hub to support children on the edge of care and in our care.
- We provided 69 Care Leavers with laptops via the Department for Education to assist with educational needs and reduce self-isolation.
- The Streetz detached youth work team engaged 5,067 times with young people out on the streets in hot spots of anti-social behaviour in 40 different locations across the Borough.
- Some 99.1% of all year 11s leaving Redcar and Cleveland schools had a suitable offer of education and 3,061 (96.5%) of all year 11s and year 12s had a suitable offer of education and training by the end of September. We engaged with 616 adult learners who achieved 1,532 qualifications.
- We continued the distribution of more than £50 million in grants to more than 3,000 businesses.
- In the current financial year, we have issued over £80,000 in grant funding to a range of community organisations to support recovery from the pandemic. The financial support provided has enabled community organisations to re-mobilise group sessions focussed on wellbeing, social inclusion and financial support and advice for residents. In addition, it has supported in the purchase of equipment for sports sessions, outdoor spaces, and a range of creative activities. This funding source has been invaluable to groups in supporting their re-mobilisation and in providing a revived community offer to our residents.



## Council Performance

- Our Community Development and Health Improvement Teams have continued to provide support in helping to sustain groups and enable them to build resilience as they recover and remobilise following the pandemic.
- Mental wellbeing was promoted across the Borough during the pandemic with special online 'Feelgood' Facebook pages, online activities for teenagers and children with the most vulnerable targeted and an effective 'mindfulness' campaign was promoted.
- The Walking4Health programme is currently undergoing a rebranding to become 'Wellbeing Walks'. There are currently 18 weekly group walks in operation, with 3 of these having been recently established. There has been a monthly increase in the number of residents attending walks over the last year. In January 2022, 594 residents attended Health Walks, compared to 406 residents in September 2021 – an increase of 46%.
- In March 2022, we adopted the Beat the Street programme, which to date has been a big success. As of 23 March, 15,465 people were partaking in the active travel game, with over 96,000 miles covered by walking, cycling, and running. To target children and young people, we promoted the programme through our schools and distributed game cards to encourage participation.



## Council Performance

- **Improving the Physical Appearance of the Borough and Enhancing Prosperity: Being more proactive in looking after the appearance of the Borough; delivering landmark projects to create jobs and improve quality of life; and creating an exciting and cultural visitor offer.**
  - Work has been completed on the new £9.680 million Regent development on Redcar seafront.
  - A hard-hitting campaign to reduce littering has been launched following a major survey with residents. There will be signage, education projects with schools and community groups, more enforcement and deep cleans of “hot spot” areas.
  - Work was completed on the transformation of Guisborough Town Hall with new businesses moving into the facility.
  - Plans to transform Loftus High Street are well underway following a successful £5.8 million bid for Government Funding.
  - The Grade II-listed Kirkleatham Walled Garden has opened and is attracting visitors from the wider region to our Borough. There were 11,000 visitors in the first six weeks.
  - A £25 million bid to transform Redcar Town Centre was granted to the Redcar Town Board by the Government. Exciting plans are progressing for a Coastal Activity Centre.
  - The Council is supporting the £1.3 million extension and refurbishment of Cleveland Ironstone Mining Museum.
  - Several funding bids for volunteer groups to improve our parks were successful and have helped create an outdoor picture gallery at Zetland Park, a sensory walk at Locke Park and improvements to a rose garden at Borough Park.



## Council Performance

- **Investing for the Long-term: Ensuring community needs are better met in local areas; Working to ensure the borough receives its fair share of resources; and minimising the financial impact of Covid on local people.**
  - Nearly 6,000 families with children on free school meals as well as young people leaving care received extra financial assistance in the summer holidays.
  - Some 134,197 vehicles have used the recycling and waste centre at Dunsdale.
  - A total of 2,489 adaptations were made to people's homes to support them retain their independence and some 640 unpaid carers received support.
  - A Mental Health Lead Network was set up so all schools have a Mental Health Lead Champion.
  - The Council has supported the Cleveland Ironstone Mining Museum in Skinningrove, which is being extended with a

walk round exhibition area, with a completely renovated experience tour, two classrooms and modern archive storage with a public viewing room.

- A new specialist school for children who need extra support – the Mo Mowlem Academy – was opened in the Borough.
- The transformation of Guisborough Town Hall was completed with new visitor accommodation, a gin distillery and a new heritage and information centre located in the heart of Guisborough and acting as a northern gateway to the North York Moors National Park.
- We published the Local Government Association's Corporate Peer Challenge Report for Redcar & Cleveland Council, together with our action plan to implement the findings.



## Council Performance

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

- Assets strategy – recognising the need to reduce our assets base to improve the offer to local people from multi-functional space, reduce our office space (on the back of successful agile working), reduce running costs, cut carbon emissions, and reduce on-going maintenance costs.
- Digital strategy – allowing more people to readily access more Council services online, 24/7, supporting staff and Members to work remotely and cut down on travel time spent and fuel from travelling between meetings, and supporting a healthier work-life balance. We have launched a new Council website that will make it easier for people to access services whenever convenient to them.
- Climate change strategy – to deliver our carbon neutral commitment by 2030.
- Medium-Term Financial Strategy - a balanced budget was set in February for 2022/23 and the Council are making plans for the next five-year period from 2023/24.



### Revenue Spending 2021/22

The Council's revenue budget for 2021/22 was £111.869 million which was resourced by the following funding sources:

<b>Council Budget Summary</b>	<b>2021/22 £m</b>
Revenue Support Grant	7.472
Council Tax Income	59.988
Adult Services Levy	7.150
Business Rates Income	37.259
<b>Sub Total</b>	<b>111.869</b>

The 2021/22 revenue budget was based upon the following key parameters:

- A Council Tax increase of 1.99%.
- An Adult Social Care Precept increase of 2.00%.
- Additional investment in our services of £7.887 million
- Driving Efficiencies Programme of £2.086 million.

During 2021/22, the Government provided the Council with a fifth tranche of general Covid grant funding of £4.215 million. The Council also received £0.240 million through the Government's Income Compensation Scheme, for the period up to (but not beyond) 30 June 2021.

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



## How the Council is Funded and How It Performed in 2021/22

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

Directorate	Revised Budget £m	Actual Outturn £m	Year-end Variance £m	Q3 Forecast Full Year Variance £m
COVID-19 Support after transfer to reserves	0.000	(4.455)	(4.455)	(4.455)
Adults, Communities and Environment	74.900	74.914	0.014	0.926
Children and Families	39.571	42.192	2.621	2.648
Resources and Growth	8.332	8.158	(0.174)	0.258
Corporate Allocations	(10.934)	(8.985)	1.949	0.574
<b>Total</b>	<b>111.869</b>	<b>111.824</b>	<b>(0.045)</b>	<b>(0.049)</b>



The revenue budget for the 2021/22 financial year has resulted in a broadly breakeven position. The reasons for the variances per Directorate are:

- **COVID-19 Support:** £4.455 million of COVID-19 funding support to offset the additional costs relating to the pandemic.
- **Adult, Communities and Environment:** –
  - Within Adult Social Care some of the financial challenges were funded by additional one-off Covid-19 funding grant streams, awarded by the Government to meet specific challenges faced by care providers in delivering services to vulnerable adults and the need to ensure effective measures were in place to free up hospital beds during peak periods of the pandemic, whilst ensuring suitable care packages were in place in residential care homes for people leaving hospital and requiring short-term care. The service and care sector faces significant recruitment challenges and inflationary cost pressures which will significantly drive up the cost of delivering services in future years, over and above the estimates currently factored into the Medium-Term Financial Strategy. The sector is also facing significant demand backlogs which will need additional resources to address. In addition, the Council is working closely with neighbouring local authorities to understand the financial impact of the Government's reforms to the adult social care sector. The Directorate has set aside a £1.000 million risk reserve to mitigate these challenges however funding may be required to manage these challenges in future financial years.
  - The Council has provided significant financial support to its leisure provider Sports Leisure Management (SLM) during 2021/22 of £0.740 million.
  - Waste management costs have increased due to increased tonnages of waste produced by households and increased recycling costs incurred due to a short-term recycling contract being in place. The Council have provided extended opening hours for waste facilities, and incurred additional staffing and vehicle hire to facilitate social distancing requirements during most of 2021/22. This has resulted in pressures of around £1.300 million.
  - The service has also seen income reductions as a direct result of the Pandemic, resulting in income pressures of around £0.350 million.
- **Children and Families:** -
  - The Directorate have experienced significant challenges recruiting experienced social care workers into staffing positions and there has been an increased use of agency social workers, resulting in an eventual overspend of £0.306 million. In the short-term the Council have appointed a project team to support workforce capacity so that social worker caseloads remain safe and manageable. In the longer term the Directorate are working towards the creation of a social work academy in 2022/23 to address these challenges by investing in the training of trainee social care workers.
  - The Directorate has experienced additional cost pressures against the budget for Children in our Care of around £0.600 million. These primarily relate to the costs of special guardianship allowances (£0.336 million) and other forms of care, including residential provision of around £0.200 million. The Directorate proactively seeks to ensure the most cost-effective placements are in place to minimise the impact of these demand pressures. In addition, the Council experienced an overspend on short-break packages of around £0.200 million.

## How the Council is Funded and How It Performed in 2021/22

- The Home-to-School transport service overspent by £0.985 million, due to the need for additional transport routes for the 2021/22 academic year to serve children in placements outside of mainstream schools. These additional pressures have been addressed as part of the wider budget setting process. The Council is closely monitoring the further impact of escalating fuel prices on these contracts for 2022/23.
- **Resources and Growth:** - The underspend in this Directorate primarily relates to salary savings within the Directorate due to recruitment challenge. Additional income was also received relating to planning income, an element of which will need to be set aside to reserves to fund one-off costs of meeting the statutory requirements of considering planning applications received. The Directorate is however facing increasing inflationary pressures relating to energy costs which will have an impact in 2022/23, due to ongoing demand and supply pressures for gas and electricity. As a result of this the Council has set aside an Energy Risk Reserve of £0.300 million.
- **Corporate Allocations:** - The Council has achieved in-year, one-off savings on capital financing budgets due primarily to some capital schemes being reprofiled as part of the updated Capital Programme. The Council is also using the cash balances it holds to reduce the requirement to borrow in this financial year, thereby saving on interest costs. The overspend against this budget is primarily linked to the contribution to the Strategic Change Reserve (£2.500 million) and the General Fund Reserve (£0.153 million). The contribution to the Strategic Change Reserve will increase resources available for funding any change initiatives aimed at improving financial sustainability in future years. The planned contribution to General Reserves ensures the balance is aligned to 5% of the net revenue budget of the Council in 2022/23, as per the Reserves' policy requirement set by the Council's Section 151 Officer.

 Thank you for staying at home 

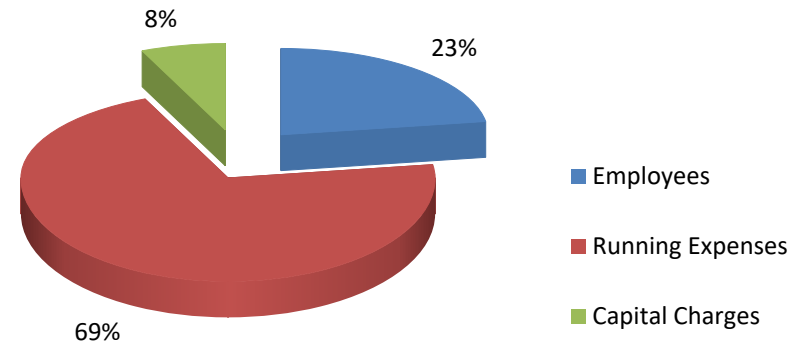
**You protected the NHS**

 **You saved lives** 



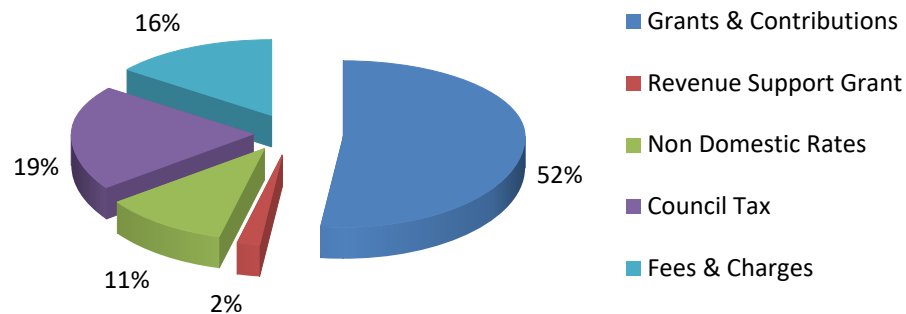
This chart shows that most expenditure incurred by the Council relates to running expenses (69%), this includes premises, transport and external supplies and services.

### % of Revenue Expenditure by Type



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### Where the Council's Money Comes From



Only 19% of the Council's funding comes from local council taxpayers and 11% from localised business rates. Much of the remainder of the Council's funding comes in the form of specific grants from Central Government and other public sector bodies of 52%.

### Medium Term Financial Strategy (MTFS)



In February 2022, the Council approved a five-year medium term financial plan between 2022/23 and 2026/27.

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

The 2022/23 budget was set based on the freezing of Council Tax for 2022/23 and an increase in the Adult Social Care precept of 2%. It was also based on the Government announcing a multi-year Comprehensive Spending Review, which covered a three-year period from 2022/23 to 2024/25. Within the Comprehensive Spending Review, additional grant funding was announced to cover the initial projected future costs of the Government's Adult Social Care reforms including improvements to the care supply provision and changes to the way individuals are expected to pay for their care. In December 2021, the Government announced a one-year local government finance settlement.

Additional budgetary allocations for budget pressures and service investment were made for £7.550 million in 2022/23. This included allocations for adult social care demographic pressures, children social care pressures, additional costs to provide home to school transport provision, an estimated 2% pay award, additional waste management price costs, a general inflation provision to fund the escalating costs of fuel & energy and an increase in national insurance contributions from 1 April 2022.

Driving change savings of £2.850 million were identified including the generation of savings from supporting vulnerable adults to live independently for longer, identifying improved outcomes for children in our care, the expected receipt of a dividend from the Council's newly acquired company Cygnet Family Law and the badging of certain existing revenue expenditure in adult social care against capital grants.

The Council's fees and charges for 2022-23 were approved by Cabinet in December 2021. The planned income increases from the fees and charges approved will help to support the 2022/23 budget. The assumption for future years of the MTFS is that general inflation on fees and charges will provide £0.300 million increase in income per year across the MTFS period.

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

## How the Council is Funded and How It Performed in 2021/22

The Council's MTFs is summarised below as reported in February 2022:

<b>Council Budget Summary</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Revenue Support Grant	7.472	7.704	7.820	7.976	8.136	8.298
Council Tax Income	59.988	61.523	62.904	65.481	67.439	69.529
Adult Services Levy	7.150	8.586	9.360	10.171	11.002	11.878
Business Rates Income	37.259	37.134	39.254	40.504	43.200	45.354
<b>Sub Total</b>	<b>111.869</b>	<b>114.947</b>	<b>119.338</b>	<b>124.132</b>	<b>129.777</b>	<b>135.059</b>
Education Funding	37.540	37.540	37.540	37.540	37.540	37.540
Housing Benefit Funding	41.350	38.400	37.000	35.500	34.000	32.500
Fees & Charges	17.916	14.988	15.288	15.588	15.888	16.188
Grants & Other Funding	58.434	75.026	75.153	74.408	74.408	74.408
<b>Sub Total</b>	<b>155.240</b>	<b>165.954</b>	<b>164.981</b>	<b>163.036</b>	<b>161.836</b>	<b>160.636</b>
<b>Total Council Funding</b>	<b>267.109</b>	<b>280.901</b>	<b>284.319</b>	<b>287.168</b>	<b>291.613</b>	<b>295.695</b>
Education Budget Allocation	37.540	37.540	37.541	37.541	37.541	37.541
Housing Benefit Payments	41.350	38.400	37.000	35.500	34.000	32.500
Base - Council Pay & Non-Pay Budget	182.418	200.260	205.260	210.078	214.427	220.373
Service Investments	7.887	7.551	4.818	4.509	5.945	5.581
Budget Reductions	(2.086)	(2.850)	(0.300)	(0.460)	(0.300)	(0.300)
<b>Total Council Expenditure</b>	<b>267.109</b>	<b>280.901</b>	<b>284.319</b>	<b>287.168</b>	<b>291.613</b>	<b>295.695</b>
Net Revenue Position	-	-	-	-	-	-

### Capital Spending 2021/22

Spending on capital projects enhances the Council's assets, enables improved service delivery, and secures essential infrastructure. Capital expenditure can vary considerably between years depending on the way the projects are planned to be delivered. The Programme is financed in such a way as to even out the cost to council taxpayers and spread it over the life of the asset being used. Capital expenditure during the year 2021/22 amounted to £31.459 million (2020/21 - £23.231 million) compared to a budget of £35.379 million.

The underspend on capital of £3.920 million represents an achievement of 88.92% of our intended spending plan and this investment has been across a range of schemes and categories including:

- £7.564 million – Council Investments - these investments relate to the acquisition of 100% of the shareholding of Cygnet Family Law by Redcar and Cleveland Legal Services Ltd which is a wholly owned subsidiary of the Council, the capital cost of maintaining and replacing Council assets and investment in information technology improvements.
- £4.817 million – Transport Infrastructure - these investments have been on the maintenance and replacement of highways assets including roads, bridges and drainage systems.
- £1.826 million - Education – capital costs associated with the construction of the extension of Kirkleatham Hall School and investments into school estates.
- £8.704 million - Visitor Attractions & Amenities – these capital costs are mainly in relation to the investment into the Regent Cinema development and Guisborough Town Hall developments.

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

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

## How the Council is Funded and How It Performed in 2021/22

The following table details the capital schemes for the financial year 2021/22:

Capital Spend by Cluster	2021/22 £'000	Capital Spend by Cluster	2021/22 £'000
<b>Town Scape Investment</b>			
Public Realm	189	<b>Supported Housing</b>	
Skelton Townscape Heritage Project	187	CSDP Adaptations	96
Redcar Central Station	60	Aids & Adaptations	500
East Cleveland Town Centre Revival	290	Disabled Facilities Grant	990
Saltburn Town Centre Revival	274	Community Capacity	17
Guisborough Town Centre Revival	227	Intermediate Care Centre	16
Loftus Future High Street	1,737		1,619
Redcar Town Deal	1,476	<b>Community Capacity</b>	
Borough Wide High Street Support	347	Investment in Leisure Centres	89
Kemplah Play Equipment	2		89
	4,789	<b>Recycling &amp; Waste Initiatives</b>	
<b>Visitor Attractions &amp; Amenities</b>		Purchase of Refuse Bins	293
CCF Kirkleatham Academy and Walled Gardens - LGF	4	Procurement of Waste Facility	207
Welcome to Redcar & Cleveland Grants	75		500
Cleveland Ironstone Mining Museum	685	<b>Education</b>	
Regent Cinema Development	6,025	School Estate Investment	610
Guisborough Town Hall Gateway Project	1,850	Devolved Formula Capital at LEA Level	106
Replacement of Eston Baths	65	Mo Mowlam Academy Redcar - New Build	159
	8,704	Kirkleatham School Expansion	745
<b>Business Infrastructure</b>		Churchview	88
Coatham Leisure - Phase 1	369	Moving on Accommodation	100
Industrial Estates Programme	219	Hillview Academy Extension	18
	588		1,826
<b>Transport Infrastructure</b>		<b>Council Investments</b>	
Drainage Asset Capture and Flood Prevention	125	Business Premises Improvements	691
Block Allocation - Local Transport Plan	1,234	Purchase of Vehicles (Fleet Replacement)	965
Structural Highways Maintenance - Block Allocation	2,936	Climate Strategy	504
Highways Improvements	350	Business Investments	3,022
Highways Innovation Fund	123	Redcar Leisure and Community Heart	33
Swans Corner & Flatts Lane Traffic Improvements	49	Information Technology Improvement Projects	1,158
	4,817	PFI Lifecycle Costs	421
<b>Housing</b>		Asset Management – Capitalised Repairs	770
Community Led Housing	110		7,564
Church Lane North Regeneration	688		
Green Homes	165		
	963	<b>Total Expenditure</b>	<b>31,459</b>

### Future Capital Programme

## How the Council is Funded and How It Performed in 2021/22

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

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

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

Cluster	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Townscape Investment	18,103	10,193	9,644	2,287	100
Visitor Attractions & Amenities	4,322	5,600	-	-	-
Business Infrastructure	6,387	747	-	-	-
Transport Infrastructure	6,009	6,100	5,400	5,500	3,400
Housing	190	-	-	-	-
Supported Housing	1,500	1,500	1,500	1,500	1,500
Community Capacity	120	-	-	-	-
Recycling & Waste Initiatives	737	100	100	100	100
Education	3,184	375	325	325	275
Council Investments	6,414	4,643	4,676	4,735	4,739
<b>Total</b>	<b>46,966</b>	<b>29,258</b>	<b>21,645</b>	<b>14,447</b>	<b>10,114</b>

## Statement of Financial Accounts

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

**Movement in Reserves Statement (MIRS):** This statement shows the change in the different types of reserves held by the Council over the financial year (see page 33). These reserves can be analysed into usable reserves, those that can be applied to fund future expenditure or to reduce taxation, and other unusable reserves, held for statutory accounting purposes (see Note 34, page 130).

**Comprehensive Income and Expenditure Statement (CIES):** This statement records all the gains and losses experienced by the Council during the financial year and highlights an annual total increase in the net worth of the Council of £105.166 million. The primary purpose of the statement is to record revenue income and expenditure, including operational running costs such as employee costs, and supplies & services, and is financed from a combination of council tax, business rates, Government grants and other income. The CIES provides a breakdown over the reporting segments that the Council operates and makes decisions on during the year.

There is a surplus of £0.416 million on the CIES for the net cost of providing the Council's day to day revenue services. This includes various technical adjustments required by accounting standards such as capital accounting, pensions accounting and collection fund regulatory changes. Most of these technical adjustments are not chargeable against the funding from taxpayers and are excluded from the analysis of how the Council has performed against its revenue budget. When gains relating to pension fund performance of £85.843 million and gains relating to capital assets of £18.907 million are added back in, the net increase in the value of the Council balance sheet for the financial year is £105.166 million.

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## Balance Sheet

### Balance Sheet Position

The Balance Sheet shows what the Council owns, what it is owed, and what it owes to others and how these amounts have been funded. A summary of the position at the end of the 2021/22 financial year (31 March 2022) is shown in the table below:

Balance Sheet	2020/21 £m	2021/22 £m	+/- £m
What the Council Owns	280.9	319.1	38.2
What the Council is Owed	54.8	46.2	(8.6)
<b>Total Assets of the Council</b>	<b>335.7</b>	<b>365.3</b>	<b>29.6</b>
What the Council Owes	(547.8)	(472.3)	75.5
<b>Council Reserves</b>	<b>(212.1)</b>	<b>(107.0)</b>	<b>105.1</b>

The Council has a negative equity balance sheet on 31 March 2022. This means that liabilities are more than assets by £106.984 million. This is mainly caused by the deficit on the Pension Fund Liability (see what the Council owes and Note 36 (page 139) in the Statement of Accounts disclosure notes for more details).

As the pension fund deficit reflects all the possible pension commitments payable to employees over many decades, the liabilities will not crystallise at any one point in time and can be managed as part of the pension fund investment strategy by the Council. The pension fund is underpinned by financial investment assets which fluctuate in financial value. A better indicator of the financial health of the Council is the level of usable and earmarked reserves which are at £52.943 million. The Movement in Reserves statement within the Core Financial Statements gives further details (see page 33).

### The Value of What the Council Owns

Balance Sheet	2020/21 £m	2021/22 £m	+/- £m
Property, Plant & Equipment	250.0	277.4	27.4
Heritage Assets	0.6	0.6	-
Investment Properties	10.0	11.3	1.3
Assets Held for Sale	1.5	0.1	(1.4)
Cash & Cash Equivalents	7.6	15.3	7.7
<b>Long-term Investments</b>	<b>9.2</b>	<b>12.5</b>	<b>3.3</b>
Others	2.0	1.9	-0.1
<b>Total</b>	<b>280.9</b>	<b>319.1</b>	<b>38.2</b>

Property, plant, and equipment has increased in 2021/22 which is mainly due to acquisitions and enhancements in year.

Cash & cash equivalents has increased in 2021/22. This is mainly due to the receipt of £9.118 million grant funding for Council Tax Energy Rebates received in advance.





## Balance Sheet

### What the Council is owed

Balance Sheet	2020/21 £m	2021/22 £m	+/- £m
Short Term Debtors	53.2	43.9	(9.3)
Long Term Debtors	1.6	2.3	0.7
<b>Total</b>	<b>54.8</b>	<b>46.2</b>	<b>(8.6)</b>

The level of debt owed to the Council has reduced during 2021/22 on short term debtors. This is due to the settlement of grants outstanding with the Government in respect of business rates and a smaller business rate deficit. There is also a reduction in NHS debtors due to the timing of the settlement of invoiced debt.



### What the Council Owes

Balance Sheet	2020/21 £m	2021/22 £m	+/- £m
PFI and Leases – Long Term	(50.3)	(47.4)	2.9
Pensions Liability	(224.1)	(160.5)	63.6
Short Term Creditors	(55.9)	(59.4)	(3.5)
Provisions	(5.0)	(6.7)	(1.7)
Short Term Borrowing	(63.6)	(41.4)	22.2
Long Term Borrowing	(134.7)	(146.1)	(11.4)
Other	(14.2)	(10.8)	3.4
<b>Total</b>	<b>(547.8)</b>	<b>(472.3)</b>	<b>75.5</b>

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

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

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

The Council has reduced its total borrowing by £10.833 million and also reduced the risk on short-term borrowing by locking in rates by taking out longer-term loans. This reduces the interest rate exposure which is essential given the interest rate rises that have occurred as well as further anticipated increases. Further details are provided in Note 34.

## Balance Sheet

### Council Reserves

Balance Sheet	2020/21 £m	2021/22 £m	+/- £m
Schools Balances	(3.0)	(2.4)	0.6
Business Rates Relief	(6.7)	(3.1)	3.6
Usable Reserves	(36.3)	(47.4)	(11.1)
Unusable Reserves	258.1	159.9	(98.2)
<b>Total</b>	<b>212.1</b>	<b>107.0</b>	<b>(105.1)</b>

The Council's usable reserves are made up of several earmarked reserves, which are planned to be used over the next few years for specific areas of required spend and general balances. The earmarked reserves held by the Council at the 31 March 2022 have increased from the 2020/21 balances. This is due to a budgeted increase in reserves to improve financial resilience, earmarked grant carried forward which will be used to fund expenditure in 2022/23 and an improved financial position.

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



## Areas with Significant Financial Implications

### Collection Fund (See Page 173)



The Collection Fund is an account that the Council maintains, in its statutory role as the Billing Authority, to record the income and expenditure from council tax and business rates. It is a separate legal fund from the Council's general fund and the transactions involved are defined by regulation. The Collection Fund is an income and expenditure statement only showing income receivable, precepts payable to relevant bodies, and any other associated costs involved in administering the Fund. All assets and liabilities are included within each precepting body's balance sheet. The Collection Fund shows a deficit of £14.427 million with £1.258 million deficit attributable to council tax and £13.169 million deficit in relation to business rates.

The deficit on council tax is mainly due to the increase in the bad debt provision required due to a reduction in the collection rate. For business rates the Government granted additional reliefs of £5.299 million which has been funded by a direct grant to local authorities. The remainder of the deficit is an increase to the appeals provision (£5.613 million) due to the risk of high settlements for

the appeals outstanding and a reduction in overall liability. Within both the deficits for council tax and business rates there is the balance brought forward from 2020/21 of £1.909 million which will be funded in 2022/23 and 2023/24. This is following the Government providing exceptional dispensation to local authorities to spread the impact of the 2020/21 deficit across a three-year period between 2021/22 to 2023/24.

The budget for 2021/22 was based on an increase in council tax with the Band D equivalent amount for 2021/22 being £1,705.86 per annum (including the social care levy). The addition of the Cleveland Police and Crime Commissioner and Cleveland Fire Authority spending requirements resulted in a total Band D Council Tax of £2,051.92 for residents of the Borough in non-parish areas. Residents of areas with parish council responsibilities paid marginally more than this depending on their own parish council tax amount. This resulted in a total precept income requirement of £82.670 million. Total income on council tax for 2021/22 was £83.756 million. For more details refer to page 173.

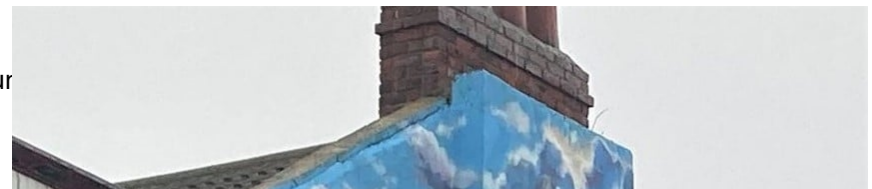
In 2013/14, the local Government finance regime was revised with the introduction of the business rate retention scheme. The main aim of the scheme is to give the Council a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk due to non-collection and the volatility of business rates income. The scheme allows the Council to retain a proportion of the total business rates income received. Redcar & Cleveland's share is 49% with the remainder paid over to precepting bodies (Central Government 50% and Cleveland Fire Authority 1%). The total income collectable from business rates payers was £31.503 million.



### Pensions (See Page 139)

Redcar & Cleveland Borough Council

Statement of Accour





The Council participates in the Local Government Pension Scheme (Teesside Pension Fund), administered by Middlesbrough Council. This is reflected in the Balance Sheet, which includes a pension liability, as retirement benefits are recognised when they are earned rather than when they are paid out, resulting in a negative pension reserve of

£160.527 million as at 31 March 2022. This liability does impact on the Balance Sheet and is a key factor creating a negative net worth (total liabilities greater than total assets) to a negative position of £126.439 million.

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

The Pension Scheme has an investment strategy in place to address this funding deficit over a 20-year period, based on an appropriate level of employer's contributions producing a positive cash flow into the fund. In addition, assumptions are made about increasing inflation levels and the bank rate returning to more natural levels as global economies continue to grow. On a three-yearly basis, the Teesside Pension Fund undertakes a Triennial Revaluation to review and determine the required level of employer pension fund contributions to be made by the Council on behalf of its employees.

### Treasury Management

## Areas with Significant Financial Implications

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 2022, the Council's Capital Finance Requirement (or underlying need to borrow) was £265.687 million and its external debt was £236.266 million (this includes the outstanding PFI and lease liabilities).

The Council's policy on borrowing is set out in its Treasury Management and Investment Strategy approved by the Council each year in February or March. Any prudential borrowing need arising from the Capital Programme has historically been addressed via internal borrowing, but due to the low level of liquidity the Council is currently maintaining, this is becoming harder to sustain.

The Council is currently under-borrowed by £29.421 million. This is 11% of our Capital Financing Requirement of £265.687 million or our underlying need to borrow for capital purposes.

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



## Our People



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

During 2021/22, the Redcar and Cleveland Management Team was made up of a Managing Director and two Corporate Directors, responsible for the leadership of three Directorates. These were Resources and Growth; Children and Families; and Adults, Communities and Environmental Services.

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

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

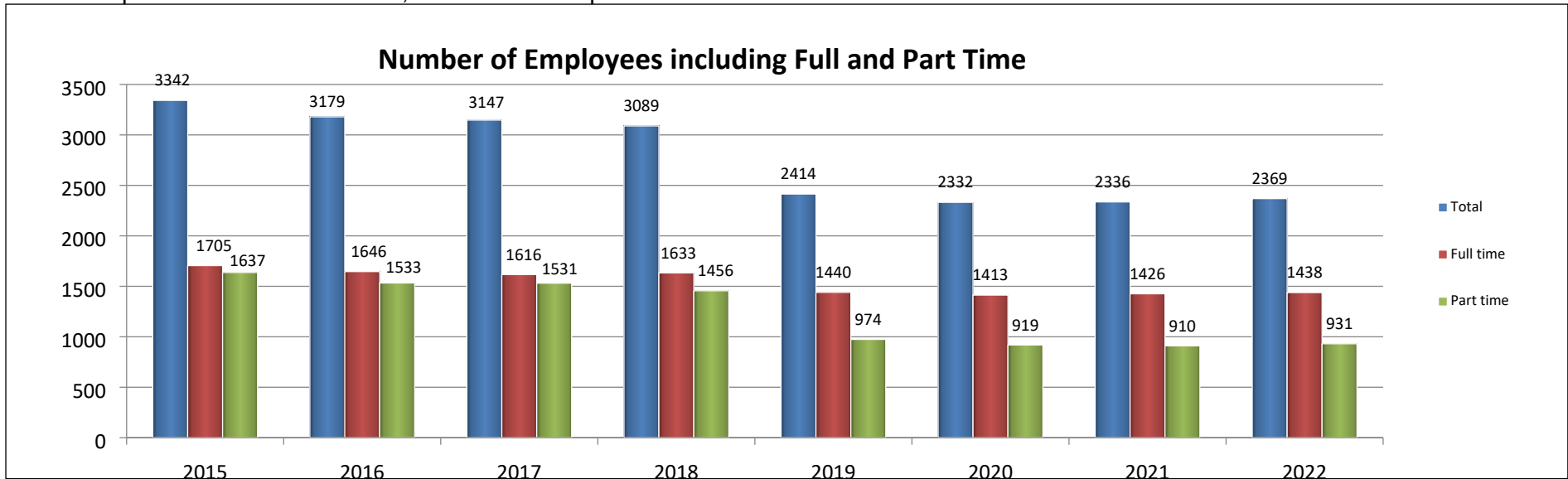


**INVESTORS  
IN PEOPLE**

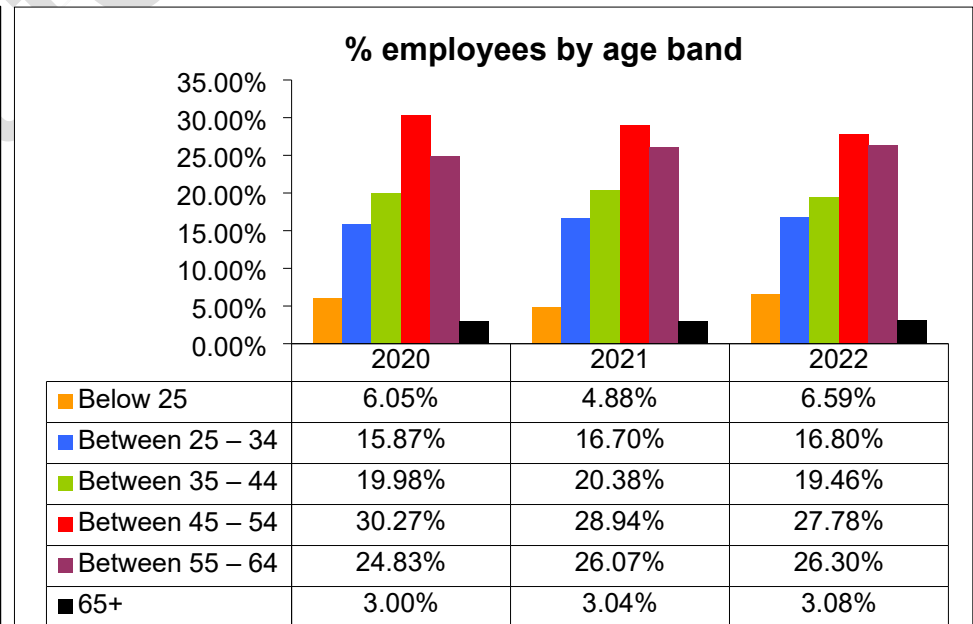
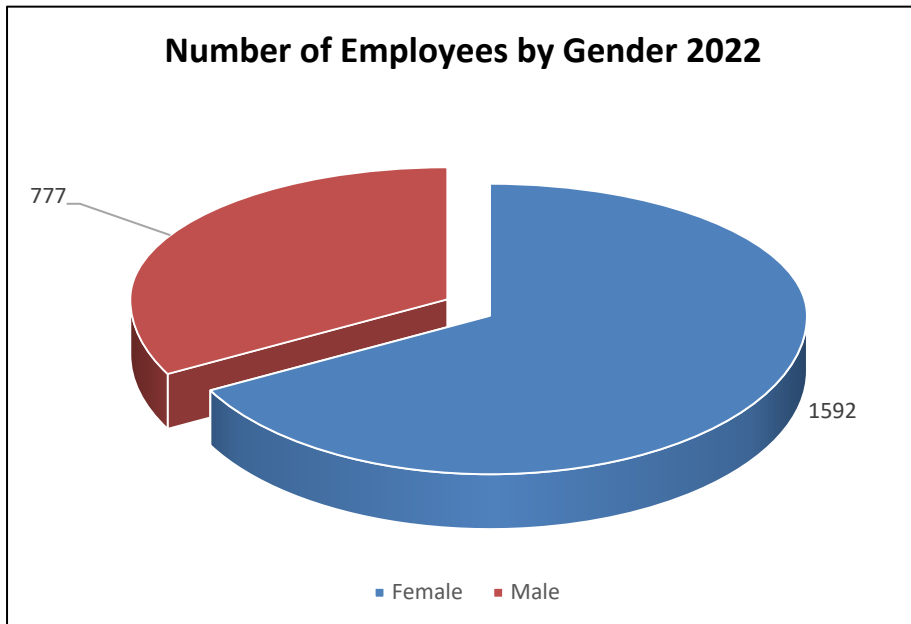
**Gold**

# Our People

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



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## Statement of Responsibilities for the Statement of Accounts

### The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Assistant Director Finance (Section 151 Officer).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### Assistant Director Finance (Section 151 Officer Responsibilities)

The Assistant Director Finance (Section 151 Officer) is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Assistant Director Finance (Section 151 Officer) has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code of Practice.

The Assistant Director Finance (Section 151 Officer) has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I hereby state that the Statement of Accounts presents a true and fair view of the financial position of the Council as at 31 March 2022 and for its income and expenditure for the year ended 31 March 2022.

**Rob Davisworth**  
**Chief Accountant – (Deputy Section 151 Officer)**

Signature: - 

Date: 14 July 2022

### Approval of the Statement of Accounts

I confirm that these accounts were approved by the Governance Committee at the meeting held on 13 March 2023.

**Councillor Carole Morgan**  
**Chair of the Governance Committee**

Signature: -

Date:



## 2. Core Financial Statements

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## 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.

2021/22	Revenue Reserves				Capital Reserves				Total Council Reserves £000
	General Fund Balance £000	Other Earmarked Reserves £000	Earmarked Reserves – Collection Fund Timing Difference £000	School Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	
<b>Balance at 31 March 2021</b>	<b>(5,203)</b>	<b>(26,504)</b>	<b>(6,718)</b>	<b>(2,974)</b>	<b>(248)</b>	<b>(4,327)</b>	<b>(45,974)</b>	<b>258,124</b>	<b>212,150</b>
<u>Movement in reserves during 2021/22</u>									
Total Comprehensive Income and Expenditure	(415)	-	-	-	-	-	(415)	(104,750)	<b>(105,165)</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	(6,394)	1	-	-	248	(408)	(6,553)	6,553	-
<b>Net (Increase)/Decrease in 2021/22 before transfer into other reserves</b>	<b>(6,809)</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>248</b>	<b>(408)</b>	<b>(6,968)</b>	<b>(98,197)</b>	<b>(105,165)</b>
Transfers to/(from) other reserves	6,265	(10,468)	3,633	570	-	-	-	-	-
<b>Net (Increase)/Decrease in year</b>	<b>(544)</b>	<b>(10,467)</b>	<b>3,633</b>	<b>570</b>	<b>248</b>	<b>(408)</b>	<b>(6,968)</b>	<b>(98,197)</b>	<b>(105,165)</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>(5,747)</b>	<b>(36,971)</b>	<b>(3,085)</b>	<b>(2,404)</b>	<b>-</b>	<b>(4,735)</b>	<b>(52,942)</b>	<b>159,927</b>	<b>106,985</b>

## Movement In Reserves Statement

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

## 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.

2020/21*				2021/22		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
157,260	(81,798)	75,462	Adults, Communities and Environment	160,316	(84,638)	75,678
95,252	(55,238)	40,014	Children and Families	97,777	(49,867)	47,910
40,859	(40,959)	(100)	Housing Benefits	37,243	(37,145)	98
29,136	(21,561)	7,575	Resources and Growth	33,599	(24,784)	8,815
<b>322,507</b>	<b>(199,556)</b>	<b>122,951</b>	<b>Net Cost of Services</b>	<b>328,935</b>	<b>(196,434)</b>	<b>132,501</b>
756	(502)	254	Other Operating Expenditure (Note 9)	828	-	828
53,661	(12,942)	40,719	Financing and Investment Income and Expenditure (Note 10)	33,446	(15,931)	17,515
456	(136,745)	(136,289)	Taxation and Non-Specific Grant Income (Note 11)	-	(151,260)	(151,260)
<b>377,380</b>	<b>(349,745)</b>	<b>27,635</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>363,209</b>	<b>(363,625)</b>	<b>(416)</b>
		(847)	(Surplus)/Deficit on revaluation of non-current assets (Note 34)			(18,907)
		2,641	Actuarial (gains)/losses on pension assets/liabilities (Note 36)			(85,843)
		<b>1,794</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(104,750)</b>
		<b>29,429</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(105,166)</b>

\* As a result of a restructure of directorates during 2021/22, the 2020/21 directorate analysis figures (above Net Cost of Services) have been restated in order to ensure that they are comparable to the 2021/22 figures. The changes relate to the transfer of the Growth, Enterprise and Environment Directorate to the Adults, Communities and Environment, Children and Families and Resources and Growth directorates.

## 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 operation, as at 31 March 2022.

31 March 2021 £000		Note No.	31 March 2022 £000
249,979	Property, Plant & Equipment	19	277,380
589	Heritage Assets		589
9,978	Investment Property	21	11,312
1,928	Intangible Assets	22	1,901
9,206	Long Term Investments		12,485
1,563	Long Term Debtors	25	2,313
<b>273,243</b>	<b>Long Term Assets</b>		<b>305,980</b>
4	Short Term Investments	32	-
1,533	Assets Held for Sale	26	90
79	Inventories		54
53,241	Short Term Debtors	27	43,926
7,554	Cash and Cash Equivalents	28	15,317
<b>62,411</b>	<b>Current Assets</b>		<b>59,387</b>
(63,570)	Short Term Borrowing	32	(41,373)
(55,881)	Short Term Creditors	29	(35,051)
(661)	Short Term Provisions	30	(3,292)
(8,389)	Revenue Grants Receipts in Advance	33	(24,325)
<b>(128,501)</b>	<b>Current Liabilities</b>		<b>(104,041)</b>
(3,044)	Long Term Creditors	31	(4,491)
(4,308)	Long Term Provisions	30	(3,380)
(134,750)	Long Term Borrowing	32	(146,114)
(50,328)	Other Long Term Liabilities - Private Finance Initiatives & Leasing	23	(47,441)
(224,135)	Other Long Term Liabilities – Pension Fund	36	(160,527)
(2,738)	Capital Grants Receipts in Advance	33	(6,358)
<b>(419,303)</b>	<b>Long Term Liabilities</b>		<b>(368,311)</b>
<b>(212,150)</b>	<b>Net Assets</b>		<b>(106,985)</b>
(45,974)	Usable Reserves		(52,942)
258,124	Unusable Reserves	34	159,927
<b>212,150</b>	<b>Total Reserves</b>		<b>106,985</b>

## 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.

2020/21 £000		2021/22 £000
(27,635)	Net surplus/(deficit) to the provision of services (CIES)	415
50,655	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements (Note 37)	53,969
(14,401)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities (Note 37)	(22,954)
<b>8,619</b>	<b>Net Cash Flows from Operating Activities (Note 37)</b>	<b>31,430</b>
(3,935)	Net Cash Flows from Investing Activities (Note 38)	(159)
(14,111)	Net Cash Flows from Financing Activities (Note 39)	(23,508)
<b>(9,427)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>7,763</b>
16,981	Cash and cash equivalents at the beginning of the reporting period	7,554
<b>7,554</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 28)</b>	<b>15,317</b>

# 3. Notes to the Accounts



**Saltburn Cliff  
TRAMWAY**  
1884

**Scale of  
CHARGES**

DALE (CASH JOSEPH)  
PASSENGERS (OVER 5, 10)  
PERMANENT  
FAMILY CARD HOLDERS  
SPECIAL CHARGES  
--- (REMARKS REQUIRED) ---

WEEKLY  
PASSENGERS (OVER 5, 10)  
PERMANENT  
SPECIAL CHARGES

PLEASE PAY  
AT THE BOTTOM

10p  
20p  
50p  
1.00  
1.50

**Saltburn Cliff  
TRAMWAY**  
1884

**Hours  
of  
OPENING**

10:00AM - 7:00PM

**Closed  
for Lunch**

1:00 - 2:00pm

## Notes to the Accounts

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

<b>Note No.</b>	<b>Note Description</b>	<b>Page</b>	<b>Note No.</b>	<b>Note Description</b>	<b>Page</b>
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## Note 1 Expenditure & Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (Government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practice. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under generally accepted accounting practice is presented more fully in the Comprehensive Income and Expenditure Statement.

2020/21*				2021/22		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
63,192	12,270	75,462	Adults, Communities and Environment	56,245	19,433	75,678
33,417	6,597	40,014	Children and Families	39,528	8,382	47,910
(100)	-	(100)	Housing Benefits	98	-	98
2,019	5,556	7,575	Resources and Growth	678	8,137	8,815
<b>98,528</b>	<b>24,423</b>	<b>122,951</b>	<b>Net Cost of Services</b>	<b>96,549</b>	<b>35,952</b>	<b>132,501</b>
(117,375)	22,059	(95,316)	Other Income and Expenditure	(103,520)	(29,397)	(132,917)
<b>(18,847)</b>	<b>46,482</b>	<b>27,635</b>	<b>(Surplus)/Deficit</b>	<b>(6,971)</b>	<b>6,555</b>	<b>(416)</b>
<b>(18,022)</b>			<b>Opening General Fund Balance</b>	<b>(41,399)</b>		
(2,188)			Reporting of Schools Budget Surplus to Earmarked Usable Reserve 1 April 2020	-		
<b>(20,210)</b>			<b>Restated Opening General Fund Balance</b>	<b>(41,399)</b>		
(21,189)			<b>Plus/Less (Surplus) or Deficit on General Fund Balance in Year</b>	(6,808)		
<b>(41,399)</b>			<b>Closing General Fund Balance at 31 March</b>	<b>(48,207)</b>		
(4,575)			<b>Capital Receipts and Grants Unapplied</b>	(4,735)		
<b>(45,974)</b>			<b>Closing Total Usable Reserves</b>	<b>(52,942)</b>		

2021/22	Adjustments for Capital Purposes (1) £000	Net Change for Employee Benefits (2) £000	Other Differences (3) £000	Total Adjustments £000
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:</b>				
Adults, Communities and Environment	11,801	7,631	-	19,432
Children and Families	2,510	5,872	-	8,382
Resources and Growth	4,307	3,830	-	8,137
<b>Net Cost of Services</b>	<b>18,618</b>	<b>17,333</b>	<b>-</b>	<b>35,951</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(27,389)</b>	<b>4,888</b>	<b>(6,897)</b>	<b>(29,398)</b>
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(8,771)</b>	<b>22,221</b>	<b>(6,897)</b>	<b>6,553</b>
<hr/>				
2020/21*	Adjustments for Capital Purposes (1) £000	Net Change for Employee Benefits (2) £000	Other Differences (3) £000	Total Adjustments £000
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:</b>				
Adults, Communities and Environment	7,891	4,379	-	12,270
Children and Families	3,088	3,510	-	6,598
Resources and Growth	3,336	2,219	-	5,555
<b>Net Cost of Services</b>	<b>14,315</b>	<b>10,108</b>	<b>-</b>	<b>24,423</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>2,832</b>	<b>4,544</b>	<b>14,683</b>	<b>22,059</b>
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>17,147</b>	<b>14,652</b>	<b>14,683</b>	<b>46,482</b>

\*As a result of a restructure of directorates during 2021/22, the 2020/21 directorate analysis figures (above Net Cost of Services) have been restated in order to ensure that they are comparable to the 2021/22 figures. The changes relate to the transfer of the Growth, Enterprise and Environment Directorate to the Adults, Communities and Environment, Children and Families and Resources and Growth directorates.

## Adjustments for Capital Purposes

- 1) Adjustments for Capital Purposes - this column adds in depreciation and impairment and revaluation gains and losses for non-current assets attributable to service lines, and for:
  - Other operating expenditure – adjustments for capital disposals with a transfer of income on disposal of assets and the amounts written off for the assets
  - Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
  - Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## Net Change for the Pension Adjustments and other employee benefits

- 2) Net change for the removal of pension contributions and the addition of International Accounting Standard (IAS) 19 'Employee Benefits' pension related expenditure and income:
  - For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs. (See note 36)
  - For Financing and investment income and expenditure the net interest on the defined benefit liability is charged to the CIES.

## Other Differences

- 3) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
  - For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts and changes to the fair value of investments.
  - The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.
  - Other differences also includes adjustments for the transfer of DSG over/underspends to the DSG Adjustment Account. DSG is a ring-fenced specific grant separate from the general funding of local authorities. Any deficit an authority may have on it's DSG account is expected to be carried forward to the next year's schools budget and is not required to be covered by the authority's general reserves.

Income received by service is analysed below:

Income from Services 2020/21 £000	Services	Income from Services 2021/22 £000
(81,798)	Adults, Communities and Environment	(84,638)
(55,238)	Children and Families	(49,867)
(40,959)	Housing Benefits	(37,145)
(21,561)	Resources and Growth	(24,784)
<b>(199,556)</b>	<b>Total income Analysed by Service</b>	<b>(196,434)</b>

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2021/22 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would, therefore result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2022/23 Code are:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year – the Council will opt to adopt these standards from 2023/24 as per CIPFA's discretion to local authorities).
- Annual Improvements to IFRS Standards 2018–2020:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS. This is not expected to impact on the Council.
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

These changes are not expected to have a material impact on the Council's single entity statements or group statements.



## Note 3 Critical Judgements in Applying Accounting Policies

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

### Funding

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

### Accounting for Schools – Consolidation

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

### Accounting for Schools - Balance Sheet Recognition

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

assets, or the rights to use the assets have been transferred from another entity.

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

There are currently 4 types of schools within the Borough:

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

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

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

### **PFI Schemes**

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

### **Investment Properties**

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

### **Pensions**

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

### **Bad Debt Provision**

The Council has determined its bad debt provision based on a range of factors including the age of the debt and the action been undertaken by the Council to liaise with the debtor to recover debt. This success of securing the income has been impacted due to Covid 19 and the cost of living crisis.

### **Grant Income**

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

The Council has received multiple funding streams from the Government to support the response to the Covid-19 Pandemic and, in some cases, provide additional financial support to both businesses and residents. An assessment is required to be made for each grant to assess whether the Council has adequately satisfied the conditions of specific individual grants received, before recognising this income in the Comprehensive Income and Expenditure Statement. Where the grant conditions require associated expenditure to be incurred, the grant monies will not be recognised as income in the financial year, until this expenditure is incurred. Similarly, where conditions of the grant are in place which mean that a grant or contribution must be re-paid in the event of non-expenditure, the income is not recognised until the conditions of the grant are met. An assessment also needs to be made as to whether the Council is acting as an agent or as a principal body in distributing grant funding onto residents and businesses in the Borough. In cases where the Council is merely passporting grant funding onto third parties based on criteria set by the Government, the Council has determined it is acting as an agent and is not recognising the income and associated expenditure in the Comprehensive Income and Expenditure Statement.

## IFRS 9 - Financial Assets

The Council has undertaken a detailed exercise to determine the basis of the categorisation and valuation of a range of financial assets held by the Council. For certain classes of company shareholding and pooled (property) funds, the Council has had to undertake a detailed assessment of the contractual nature of the assets and the purpose & objectives of holding the asset - including whether the intention is to hold the financial asset for a tradable purpose. This has resulted in a decision as to categorise its shareholdings in companies through Fair Value Other Comprehensive Income (FVOCI), and to value its Pooled Property Fund through Fair Value through Profit & Loss (FVPL). Furthermore, in the case of the valuation of company shares, the Council have concluded that its shareholding in Durham Tees Valley Airport continues to remain held at nil value, despite the recent purchase by Tees Valley Combined Authority of an 89% shareholding from the previous operating company of the airport.

## Group Accounts

The Council has financial relationships with other related companies, joint ventures and joint arrangements. Details of these can be found under the related party section of these accounts. By applying certain criteria, the Council must determine whether its interests in such bodies are significant enough to be included in the Council's consolidated accounts. After consideration of these criteria, the Council has determined that the consolidation of related companies would have no material impact on the Council's financial position and therefore it is not necessary to produce group accounts for 2021/22.





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

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

The items in the Council's Balance Sheet as at 31 March 2022, for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Land and Buildings and Investment Properties	Valuations are carried out on a 5-year rolling programme meaning that there is a possibility of material changes in value between valuations. In addition, each asset has been reviewed to confirm that it sits within the correct categorisation and there have been no material effects (market or physical impairments/additions) that would affect its value.	At 31 March 2022, the Council had land and buildings to the value of £164.112 million, and investment properties to the value of £11.312 million. A 1% change in the estimation of property values would lead to a £1.641 million change in the value of the Council's land and buildings and £0.113 million change in the value of the Council's investment properties. These changes to valuations would not have a direct impact on the Council's general fund, since any effect charged to the CIES would be reversed to the Council's unusable reserves.
Provisions - Insurance Claims	The Council has made a total provision of £2.300 million for the settlement of insurance claims for Public Liability, Vehicles and Property. These are based on estimated outstanding claims. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.230 million to the provision needed and would impact on the Council's usable reserves and revenue account.
Provisions – Business Rate Appeals	The Council is liable for successful appeals under the Business Rates Retention Scheme. A provision has been recognised for £3.425 million based on an estimate using the Valuations Office Agency (VOA) ratings list of appeals and an analysis of successful appeals to date.	An increase over the forthcoming year of 10% in value of successful appeals would have the effect of adding £0.343 million to the provision needed.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
------	---------------	--

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.

A firm of consulting actuaries is engaged to provide the Council with expert advice about the rates to be applied.

The effects on the net pension liability of changes in individual assessments can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £15.105 million. Note 36 provides further detail within a sensitivity analysis for other key assumptions. These changes to the pension liability would not have a direct impact on the Council's general fund, since any effect charged to the CIES would be reversed to the Council's unusable reserves.

Fair Value Measurements of CCLA Investment

The Council has 3.070 million units with the CCLA Property Fund (purchase price of £10.000 million). The Council is currently using the Governments statutory override to account for fair value movements in the fund by transferring the gain/loss to an unusable reserve. In the event that these units are sold or the statutory override expires the amount in the unusable reserve will become chargeable to the Council's Income and Expenditure account.

The current fair value adjustment on the Council's CCLA investment is a gain of £0.431 million. A 5% fall in property prices will reduce the value of the investment by an additional £0.494 million.

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

### Notice of termination of Private Finance Initiative (PFI) – Office Accommodation Contract:

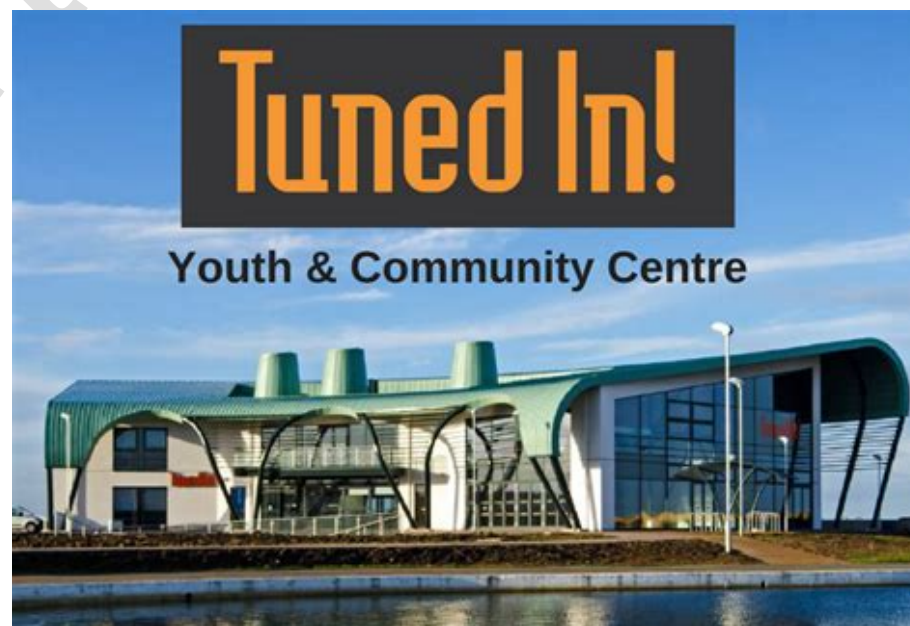
On 11 August 2022, following approval by the Council's Cabinet on 2 August 2022, the Council served a six-month notice period to voluntarily terminate the PFI Contract held with NU Offices for Redcar Ltd for the provision of office accommodation at Seafield House (Redcar), Belmont House (Guisborough) and South Tees Business Centre (South Bank) on 11 February 2023.

The notice of voluntary termination was issued following the submission of a Business Case to DLUHC by the Council which demonstrated value for money could be achieved by voluntarily terminating the PFI contract in 2022/23, and in advance of the notional end of term of the PFI Contract (May 2027) and by seeking to rationalise the office accommodation of the Council.

The Council has received financial support from DLUHC to part-fund the costs of termination. During 2022/23, the Council has undertaken negotiations with NU Offices for Redcar Ltd to seek to agree a termination payment.

The impact of this post balance sheet event has been considered to be a non-adjusting event for the financial position of the Council as at 31 March 2022.

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## Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations

(CIES = Comprehensive Income and Expenditure Statement)

2021/22	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments involving the Capital Adjustment Account:</b>				
<u>Reversal of items debited or (credited) to the CIES</u>				
Charges for depreciation and impairment of non-current assets	(12,944)	-	-	12,944
Revaluation (gains)/losses on Property, Plant and Equipment, Investment Properties and Assets Held for Sale	(1,080)	-	-	1,080
Amortisation of Intangible Assets	(570)	-	-	570
Capital grants and Contributions Applied	22,113	-	-	(22,113)
Revenue Expenditure Funded from Capital Under Statute	(4,389)	-	-	4,389
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(573)	(433)	-	1,006
<u>Insertion of items not debited or (credited) to the CIES</u>				
Statutory provision for the financing of capital investment	5,809	-	-	(5,809)
Capital Expenditure charged against the General Fund	157	-	-	(157)
<b>Adjustments involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the CIES	408	-	(408)	-

2021/22	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	834	-	(834)
Other Adjustments involving the Capital Receipts Reserve	-	(153)	-	153
<b>Adjustments involving the Deferred Capital Receipts Reserve:</b>				
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in year in accordance with statutory requirements	508	-	-	(508)
<b>Adjustments against the Pooled Investment Fund Adjustment Account</b>				
Amount by which the movement in fair value of pooled funds charged to the CIES are different from the amount chargeable in year in accordance with statutory requirements	1,564	-	-	(1,564)
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 36)	(29,079)	-	-	29,079
Employers Pension Contributions and direct payments to pensioners payable in the year	6,844	-	-	(6,844)
<b>Adjustments involving the Collection Fund Adjustment Account (NDR and Council Tax):</b>				
Amount by which the collection fund income credited to the CIES is different from the collection fund income calculated for the year in accordance with statutory requirements	5,409	-	-	(5,409)
<b>Adjustments involving the Accumulating Compensated Absences Adjustment Account:</b>				
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in year in accordance with statutory requirements	14	-	-	(14)
<b>Adjustments involving the Delegated Schools Grant Adjustment Account</b>				
Transfer of Dedicated Schools Grant (DSG) over/(underspend) to the DSG Adjustment Account	(584)	-	-	584
<b>Total Adjustments</b>	<b>(6,393)</b>	<b>248</b>	<b>(408)</b>	<b>6,553</b>

2020/21	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments involving the Capital Adjustment Account:</b>				
<u>Reversal of items debited or (credited) to the CIES</u>				
Charges for depreciation and impairment of non-current assets	(12,548)	-	-	12,548
Revaluation (gains)/losses on Property, Plant and Equipment, Investment Properties and Assets Held for Sale	(8,925)	-	-	8,925
Amortisation of Intangible Assets	(326)	-	-	326
Capital grants and contributions Applied	13,289	-	-	(13,289)
Revenue Expenditure Funded from Capital Under Statute	(4,111)	-	-	4,111
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES – Assets	(12,365)	(1,132)	-	13,497
<u>Insertion of items not debited or (credited) to the CIES</u>				
Statutory provision for the financing of capital investment	5,519	-	-	(5,519)
Capital Expenditure charged against the General Fund	-	-	-	-
<b>Adjustments involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the CIES	(21)	-	21	-
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(291)	-	291
Other Adjustments involving the Capital Receipts Reserve	-	-	-	-

2020/21	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments involving the Deferred Capital Receipts Reserve:</b>				
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in year in accordance with statutory requirements	517	-	-	(517)
<b>Adjustments against the Pooled Investment Fund Adjustment Account</b>				
Amount by which the movement in fair value of pooled funds charged to the CIES are different from the amount chargeable in year in accordance with statutory requirements	(55)	-	-	55
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 36)	(21,404)	-	-	21,404
Employers Pension Contributions and direct payments to pensioners payable in the year	6,631	-	-	(6,631)
<b>Adjustments involving the Collection Fund Adjustment Account (NDR and Council Tax):</b>				
Amount by which the collection fund income credited to the CIES is different from the collection fund income calculated for the year in accordance with statutory requirements	(14,569)	-	-	14,569
<b>Adjustments involving the Accumulating Compensated Absences Adjustment Account:</b>				
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in year in accordance with statutory requirements	121	-	-	(121)
<b>Transfer of Dedicate Schools Grant (DSG) over/(underspend) to the DSG Adjustment Account</b>	(577)	-	-	577
<b>Total Adjustments</b>	<b>(48,824)</b>	<b>2,321</b>	<b>21</b>	<b>46,482</b>

## Note 7 Expenditure and Income Analysed by Nature

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

2021/22	Cost of Services £000	Other Operating Expenditure (Note 9) £000	Financing and Investment Income and Expenditure (Note 10) £000	Taxation and Non- specific Grant income (Note 11) £000	Surplus or Deficit on provision of Services £000
<b>Expenditure/Income</b>					
<b>Expenditure</b>					
Employee expenses	81,613	-	-	-	81,613
Other service expenses	216,885	-	532	-	217,417
Support service recharges	17,024	-	-	-	17,024
Depreciation, amortisation and impairment	13,413	-	437	-	13,850
Interest payments	-	-	32,477	-	32,477
Precepts & Levies	-	760	-	-	760
Loss on Disposal of Fixed Assets	-	68	-	-	68
<b>Total Expenditure</b>	<b>328,935</b>	<b>828</b>	<b>33,446</b>	<b>-</b>	<b>363,209</b>
<b>Income</b>					
Fees, charges & other service income	(26,923)	-	-	-	(26,923)
Interest and investment income (including pensions)	-	-	(14,367)	-	(14,367)
Income from council tax and NDR	-	-	-	(107,570)	(107,570)
Government grants and contributions	(169,511)	-	-	(43,690)	(213,201)
Gain on Disposal of Fixed Assets	-	-	-	-	-
Gain on Revaluation of Financial Instruments	-	-	(1,564)	-	(1,564)
<b>Total Income</b>	<b>(196,434)</b>	<b>-</b>	<b>(15,931)</b>	<b>(151,260)</b>	<b>(363,625)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>132,501</b>	<b>828</b>	<b>17,515</b>	<b>(151,260)</b>	<b>(416)</b>



2020/21	Cost of Services £000	Other Operating Expenditure (Note 9) £000	Financing and Investment Income and Expenditure (Note 10) £000	Taxation and Non- specific Grant income (Note 11) £000	Surplus or Deficit on provision of Services £000
<b>Expenditure/Income</b>					
<b>Expenditure</b>					
Employee expenses	73,565	-	-	-	73,565
Other service expenses	221,577	-	12,898	456	234,931
Support service recharges	16,783	-	-	-	16,783
Depreciation, amortisation and impairment	10,582	-	9,535	-	20,117
Interest payments	-	-	31,228	-	31,228
Precepts & Levies	-	756	-	-	756
Loss on Disposal of Fixed Assets	-	-	-	-	-
<b>Total Expenditure</b>	<b>322,507</b>	<b>756</b>	<b>53,661</b>	<b>456</b>	<b>377,380</b>
<b>Income</b>					
Fees, charges & other service income	(22,445)	-	-	-	(22,445)
Interest and investment income (including pensions)	-	-	(12,942)	-	(12,942)
Income from council tax and NDR	-	-	-	(97,235)	(97,235)
Government grants and contributions	(177,111)	-	-	(39,510)	(216,621)
Gain on Disposal of Fixed Assets	-	(502)	-	-	(502)
<b>Total Income</b>	<b>(199,556)</b>	<b>(502)</b>	<b>(12,942)</b>	<b>(136,745)</b>	<b>(349,745)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>122,951</b>	<b>254</b>	<b>40,719</b>	<b>(136,289)</b>	<b>27,635</b>

## Note 8 Transfers to/from Earmarked Reserves

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

Balance at 1 April 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000		Balance at 1 April 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000
(417)	-	-	(417)	Leisure Contract Risk Fund	(417)	-	-	(417)
(500)	-	-	(500)	MMI Reserve	(500)	-	-	(500)
(1,455)	-	-	(1,455)	Insurance Reserve	(1,455)	-	(45)	(1,500)
(1,111)	-	-	(1,111)	Private Finance Initiative – Schools	(1,111)	36	-	(1,075)
(469)	-	-	(469)	Private Finance Initiative – Street Lighting	(469)	-	(142)	(611)
(353)	-	-	(353)	Council Tax Reserve Reliefs	(353)	-	(169)	(522)
-	-	-	-	Direct Revenue Funding Reserve	-	157	(207)	(50)
(483)	-	(7,322)	(7,805)	MTFS Reserve	(7,805)	-	(545)	(8,350)
(68)	68	-	-	Budget Strategy Reserve	-	-	-	-
(251)	84	(7)	(174)	Brexit Funding	(174)	42	-	(132)
(4,732)	4,732	(2,445)	(2,445)	COVID-19 Funding	(2,445)	2,445	-	-
-	-	(876)	(876)	Business Rates Taxation Compensation Reserve	(876)	332	-	(544)
-	-	(1,404)	(1,404)	Business Rates Funding Reserve	(1,404)	1,404	(1,867)	(1,867)
-	-	(1,000)	(1,000)	Strategic Change and Resilience	(1,000)	-	(3,500)	(4,500)
-	-	-	-	Climate Change Initiatives	-	-	(320)	(320)
-	-	-	-	Collection Fund Risk Reserve	-	-	(1,301)	(1,301)
-	-	-	-	Utilities Risk Reserve	-	-	(300)	(300)
(2,941)	1,679	(7,232)	(8,494)	Directorate Reserves (2020/21 Excludes DSG related reserves)	(8,494)	1,925	(8,413)	(14,982)
<b>(12,780)</b>	<b>6,563</b>	<b>(20,286)</b>	<b>(26,503)</b>	<b>Total Excluding Schools and Business Rate Relief Accounting Reserve</b>	<b>(26,503)</b>	<b>6,341</b>	<b>(16,809)</b>	<b>(36,971)</b>
-	-	(6,718)	(6,718)	Business Rate Relief Accounting Reserve	(6,718)	6,295	(2,662)	(3,085)
2,188	219	(2,407)	-	DSG related reserves	-	-	-	-
(2,330)	2,520	(3,165)	(2,975)	Balances held by schools under a scheme of delegation	(2,975)	2,975	(2,404)	(2,404)
<b>(12,922)</b>	<b>9,302</b>	<b>(32,576)</b>	<b>(36,196)</b>	<b>Total Including Schools and Business Rate Relief Accounting Reserve</b>	<b>(36,196)</b>	<b>15,611</b>	<b>(21,875)</b>	<b>(42,460)</b>

- Leisure Contract Risk Fund – The fund is used to manage property costs which are over and above those included within the leisure contract which may result in the provider claiming for loss of income during periods of property upgrade.
- MMI Reserve - In March 2012 the Supreme Court on the Employers' Liability Policy Trigger Litigation relating to Mesothelioma Claims ruled that the insurer, Municipal Mutual Insurance (MMI) who was at risk at the time of the employee's exposure to asbestos was liable to pay compensation for the employee's Mesothelioma. The Council received information relating to possible MMI claims and a provision was created for these. In addition, a reserve was established to provide for potential future claims not currently included within the provision created.
- Insurance Reserve - The Council operates a self-funding arrangement on its insurance liability policies. An Insurance Reserve has been established for potential future insurance claims not currently provided for within the insurance provision.
- Private Finance Initiative - The Council receives support from the Government in the form of PFI grant that is paid on an annuity basis. In previous years, where the funding available is in excess of the contract payments to be made in the year, the surplus is transferred to an earmarked PFI reserve. This reserve is called upon in future years when contract payments exceed funding available.
- Council Tax Reserve Reliefs Reserve - This funding relates to the timing of income being received in relation to court costs on council tax. As the number of court cases varies from year to year this income is being set aside to ensure that a fixed revenue budget can be financed over the medium term.

- The Direct Revenue Funding Reserve relates to revenue resources which are earmarked to fund capital expenditure.
- The MTFRS Reserve will be used to manage the volatility of the assumptions around the Medium Term Financial Strategy.
- Brexit Reserve – this is funding received from central Government to fund the legal and operational impact of Brexit.
- Business Rates Taxation Compensation Reserve - this reserve has been created through the receipt of grant funding, received from Central Government, to compensate the Council for Business Rates tax losses due to the impact of COVID-19 in 2020/21. The grant is to compensate local authorities for 75% of the loss in income on business rates which was anticipated at budget set, and will be used to part-fund the three-year spreading of the 2020/21 Business Rates Collection Fund deficit (as permitted by Central Government for one-year only).
- Business Rates Funding Reserve – this is a reserve created from income from refunds and grants which will be used to offset deficits to be funded by the Council.
- Strategic Change and Resilience – a reserve created to build the financial resilience of the Council.
- Climate Change Initiatives – to provide additional capacity to the climate change service to support initiatives to help address the Council's priority on climate change.
- Collection Fund Risk Reserve – the reserve is created from funding provided by Government to fund the additional cost of providing council tax support due to pressures on households as a result of Covid-19.

- Utilities Risk Reserve – a reserve set aside to mitigate the current risk of excessive inflationary pressures on our utility budgets.
- Directorate Reserves – these have been created from grant income where there are no conditions attached to the funding, by income generated through trading operations or created by directorates to fund future year spending commitments.
- Business Rate Relief Accounting Reserve - this is S31 grant received from Central Government to cover the cost of the additional reliefs awarded for business rates. This grant is held for technical accounting purposes and will fund a significant element of the business rates deficit in future years.
- Balances held by schools represent the accumulated cash balances of schools within the Borough's control. In accordance with Government regulations and the Council's Scheme of Delegation for Schools, these funds are carried forward and specifically earmarked for use by schools in future years. This fund does not include cash balances held by schools which are under Multi-academy Trust control.

The earmarked reserves held by the Council at the 31 March 2022 have increased from the 2020/21 balances. This is due to a budgeted increase in reserves to improve financial resilience, earmarked grant carried forward which will be used to fund expenditure in 2022/23 and an improved financial position.



## Note 9 Other Operating Expenditure

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

2020/21 £000		2021/22 £000
591	Town and Parish council precepts	592
165	Northumbria Flood Defence and N.E. Sea Fisheries Levies	168
(502)	(Gains)/Losses on the disposal of non-current assets	68
<b>254</b>	<b>Total</b>	<b>828</b>



## Note 10 Financing and Investment Income and Expenditure

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

2020/21 £000		2021/22 £000
14,203	Interest payable and similar charges	13,689
4,544	Net interest on the defined pension liability	4,888
(431)	Interest receivable and similar income	(440)
12,868	Loss on Disposal of Academies	505
9,494	Net (gains)/losses on fair value of investment properties	365
41	Net (gains)/losses on fair value of financial instruments through profit & loss	(1,492)
<b>40,719</b>	<b>Total</b>	<b>17,515</b>

## Note 11 Taxation and Non Specific Grant Income

The line, Taxation and Non-Specific Grant Income, below the Net Cost of Services in the Comprehensive Income and Expenditure Statement holds a number of grants and contributions that are used on a corporate basis. The grants and contributions for 2021/22 are as follows:

2020/21 £000		2021/22 £000
	<u>Credited to Taxation and Non-Specific Grant Income</u>	
(64,258)	Council Tax Income	(68,884)
(32,523)	Distribution from Non-Domestic Rates	(38,686)
	<u>Non-Ring Fenced Government Grants:</u>	
(7,431)	Revenue Support Grant	(7,472)
(7,123)	PFI Grant	(7,123)
(1,496)	New Homes Bonus Scheme	(882)
(10,415)	Capital Grants and Contributions	(18,965)
(3,616)	Other Grants	(4,792)
(9,427)	COVID-19 Funding	(4,456)
<b>(136,289)</b>	<b>Total</b>	<b>(151,260)</b>

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

## Note 12 Dedicated Schools Grant

The Council's expenditure on schools is funded through the Dedicated Schools Grant (DSG) allocated by the Department for Education. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations [2021]. 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 2021/22 are as follows:





	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2021/22 before academy and high needs recoupment			129,991
Academy and high needs figure recouped for 2021/22			93,201
<b>Total DSG after academy and high needs recoupment for 2021/22</b>			<b>36,790</b>
Plus: Brought forward from 2020/21			-
Less: Carry-forward to 2022/23 agreed in advance			-
<b>Agreed initial budgeted distribution in 2021/22</b>	<b>15,809</b>	<b>20,981</b>	<b>36,790</b>
In year adjustments	-	(43)	(43)
<b>Final budget distribution for 2021/22</b>	<b>15,809</b>	<b>20,938</b>	<b>36,747</b>
Less: Actual central expenditure	16,593	-	16,593
Less: Actual ISB deployed to schools	-	20,738	20,738
Plus: Local authority contribution for 2021/22	-	-	-
<b>In Year Carry-forward to 2022/23</b>	<b>(784)</b>	<b>200</b>	<b>(584)</b>
Plus/Minus: Carry-forward to 2022/23 agreed in advance			-
Carry-forward to 2022/23			-
DSG unusable reserve at the end of 2021/22			(2,763)
Addition to DSG unusable reserve at the end of 2021/22			(584)
Total of DSG unusable reserve at the end of 2021/22			(3,347)
<b>Net DSG position at the end of 2021/22</b>			<b>(3,347)</b>

## Note 13 Members' Allowances

2020/21 £000		2021/22 £000
591	Basic Allowances	617
147	Special Responsibility Allowances	162
1	Expenses	5
<b>739</b>	<b>Total</b>	<b>784</b>

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 2021/22. This figure also includes employers National Insurance contributions. The figures shown for 2020/21 are a direct comparison with 2021/22.



## Note 14 Officers' Remuneration

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

2020/21			Remuneration Band (£)	2021/22		
School Employees	Non-School Employees	Total Employees		School Employees	Non-School Employees	Total Employees
13	52	65	50,000 to 54,999	7	61	68
20	15	35	55,000 to 59,999	11	10	21
7	13	20	60,000 to 64,999	7	12	19
3	22	25	65,000 to 69,999	3	24	27
3	-	3	70,000 to 74,999	4	-	4
4	3	7	75,000 to 79,999	4	-	4
4	4	8	80,000 to 84,999	1	4	5
1	-	1	85,000 to 89,999	2	1	3
1	5	6	90,000 to 94,999	-	7	7
-	-	-	95,000 to 99,999	-	-	-
1	1	2	100,000 to 104,999	1	1	2
-	-	-	105,000 to 109,999	-	-	-
-	-	-	110,000 to 114,999	-	-	-
-	-	-	115,000 to 119,999	-	-	-
-	1	1	120,000 to 124,999	-	1	1
-	-	-	125,000 to 129,999	-	-	-
-	-	-	130,000 to 134,999	-	-	-
-	1	1	135,000 to 139,999	-	-	-
-	1	1	140,000 to 144,999	-	2	2
-	-	-	145,000 to 149,999	-	-	-
-	1	1	150,000 to 154,999	-	1	1
-	-	-	155,000 to 159,999	-	-	-
-	-	-	160,000 to 164,999	-	-	-
-	-	-	165,000 to 169,999	-	-	-
-	-	-	170,000 to 174,999	-	-	-
-	-	-	175,000 to 179,999	-	-	-
-	-	-	Over £180,000	-	-	-
<b>57</b>	<b>119</b>	<b>176</b>	<b>Total</b>	<b>40</b>	<b>124</b>	<b>164</b>

In terms of statutory requirements any senior member of staff with a gross salary (not remuneration) in excess of £150,000 needs to be named. No officer of the Council met this requirement in 2021/22.

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

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

Items to note:

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

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

Items to note:

1. Employed by Middlesbrough Council

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

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

2021/22	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy and other severance payments	Gross Remuneration Excl. Pension Contributions 2021/22	Pension Contributions 2021/22	Total Remuneration Including Pension Contributions 2021/22
	£	£	£	£	£	£	£	£
<b>Non-schools:</b>								
Senior Highways & Transport Policy Officer	41,591	-	-	-	55,755	97,346	4,242	101,588
Assistant Director - Adult Care	85,519	-	-	-	-	85,519	8,713	94,232
Assistant Director - Performance Quality and Partnerships	85,419	-	-	-	-	85,419	8,713	94,132
Assistant Director for Health and Communities	85,419	-	-	-	-	85,419	8,713	94,132
Assistant Director - Environment	85,419	-	-	-	-	85,419	8,713	94,132
Assistant Director - Education and Skills	85,419	-	-	-	-	85,419	8,713	94,132
Service Manager - South Tees Multi-Agency Children's Hub	62,852	-	-	-	-	62,852	6,373	69,225
Commercial & Legal Manager	78,394	-	-	-	-	78,394	7,996	86,390
Assistant Director - Climate Change	77,247	-	-	-	-	77,247	7,374	84,621
Chief Accountant	76,079	-	-	-	-	76,079	7,760	83,839
Assistant Director - Strategic IT	75,520	-	-	-	-	75,520	7,703	83,223
Assistant Director - Social Care and Early Help	74,627	-	-	-	-	74,627	7,612	82,239
Head of Planning & Development	60,706	-	-	-	-	60,706	6,279	66,985

2021/22	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy and other severance payments	Gross Remuneration Excl. Pension Contributions 2021/22	Pension Contributions 2021/22	Total Remuneration Including Pension Contributions 2021/22
	£	£	£	£	£	£	£	£
Service Manager - CIOC & Resources	63,102	-	-	-	-	63,102	6,436	69,539
Service Manager - Social Work & Safeguarding	62,893	-	-	-	-	62,893	6,415	69,308
Service Manager HV/SN	59,305	-	-	-	-	59,305	9,577	68,882
Service Manager - Vulnerable Adolescents and Independent Review	61,758	-	-	-	-	61,758	6,278	68,036
Service Manager	61,599	-	-	-	-	61,599	6,283	67,882
Contract Manager - Local Authority Special Purpose Vehicle	61,632	-	-	-	-	61,632	6,286	67,918
Senior Psychologist Manager	61,501	-	-	-	-	61,501	6,273	67,774
Transport Strategy Manager	61,064	-	-	-	-	61,064	6,229	67,293
Service Manager - Early Help and Prevention	60,593	-	-	-	-	60,593	6,180	66,774
Strategic Contracts Manager	60,593	-	-	-	-	60,593	6,180	66,774
Head of Culture & Tourism	60,593	-	-	-	-	60,593	6,180	66,774
Service Manager - Adults Commissioning & Support Services	60,593	-	-	-	-	60,593	6,180	66,773
Head of Marketing and Communications	60,593	-	-	-	-	60,593	6,180	66,774
Strategic Partnership & Performance Manager	60,593	-	-	-	-	60,593	6,180	66,774
Education Capital Projects & Place Planning Lead	60,593	-	-	-	-	60,593	6,180	66,774
Lead for SEN	60,593	-	-	-	-	60,593	6,180	66,774
Service Manager	60,593	-	-	-	-	60,593	6,180	66,774

2021/22	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy and other severance payments	Gross Remuneration Excl. Pension Contributions 2021/22	Pension Contributions 2021/22	Total Remuneration Including Pension Contributions 2021/22
	£	£	£	£	£	£	£	£
Empowering Communities Service Manager	60,470	-	-	-	-	60,470	6,168	66,638
Virtual School Head	60,282	-	-	-	-	60,282	6,180	66,462
Senior Educational Psychologist	60,255	-	-	-	-	60,255	6,146	66,401
Strategic Human Resources Manager	59,344	-	-	-	-	59,344	6,053	65,397
Service Manager	59,236	-	-	-	-	59,236	6,042	65,278
Highways & Construction Officer	34,223	-	-	-	17,570	51,793	2,157	53,950
Team Manager - Practice & Performance	58,756	-	-	-	-	58,756	5,993	64,749
Service Lead - Engineering & Highways	58,166	-	-	-	-	58,166	5,933	64,099
Principal Social Worker	57,639	-	-	-	-	57,639	5,879	63,518
School Business Manager	57,098	-	-	-	-	57,098	5,824	62,922
Head of Employability	57,098	-	-	-	-	57,098	5,824	62,922
Service Lead - Safer Communities & Streetscene	56,868	-	-	-	-	56,868	5,800	62,668
Team Manager - Practice & Performance	56,821	-	-	-	-	56,821	5,641	62,462
Team Manager - Practice & Performance	56,260	-	-	-	-	56,260	5,739	61,999
Property Manager	54,873	-	-	-	-	54,873	5,597	60,470
Strategic Service Lead – Local Taxation & Support	54,873	-	-	-	-	54,873	5,597	60,470
Principal Legal Officer	54,873	-	-	-	-	54,873	5,597	60,470



2021/22	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy and other severance payments	Gross Remuneration Excl. Pension Contributions 2021/22	Pension Contributions 2021/22	Total Remuneration Including Pension Contributions 2021/22
	£	£	£	£	£	£	£	£
Business Manager - Corporate Resources	54,673	-	-	-	-	54,673	5,575	60,248
Learning, Skills and Employment Manager	53,347	-	-	-	-	53,347	5,441	58,788
Team Manager - Practice & Performance	53,220	-	-	-	-	53,220	5,428	58,649
PDI Project Lead (West)	53,061	-	-	-	-	53,061	5,412	58,473
PDI Project Lead (East)	53,032	-	-	-	-	53,032	5,409	58,441
Head of Place Development & Investment	53,015	-	-	-	-	53,015	5,408	58,422
Team Manager - Practice & Performance	52,746	-	-	-	-	52,746	5,380	58,127
Deputy Virtual Head	51,717	-	-	-	-	51,717	5,275	56,992
Senior Legal Officer - Adult Services - Conduct and Complaints	51,717	-	-	-	-	51,717	5,275	56,992
Deputy Team Manager	50,598	-	-	-	-	50,598	5,144	55,742
Business Engagement Manager	50,325	-	-	-	-	50,325	4,843	55,168
Casual Civil Registration Officer	49,801	-	-	-	-	49,801	5,070	54,872
School Capital Senior Officer	49,707	-	-	-	-	49,707	5,070	54,777
Education Advisor Inclusion	49,707	-	-	-	-	49,707	5,070	54,777
Regional Enforcement Manager	49,707	-	-	-	-	49,707	5,070	54,777
Education Advisor - Secondary	49,707	-	-	-	-	49,707	5,070	54,777
Safeguarding Lead Nurse	49,707	-	-	-	-	49,707	5,070	54,777

2021/22	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy and other severance payments	Gross Remuneration Excl. Pension Contributions 2021/22	Pension Contributions 2021/22	Total Remuneration Including Pension Contributions 2021/22
	£	£	£	£	£	£	£	£
Children in our Care Team Manager	49,707	-	-	-	-	49,707	5,070	54,777
Education Advisor - SEN	49,707	-	-	-	-	49,707	5,070	54,777
Intermediate Care Centre Manager	49,466	-	-	-	-	49,466	5,028	54,494
Professional AMPH & Liberty Protection Lead	48,929	-	-	-	-	48,929	4,965	53,894
Resource Manager	48,875	-	-	-	-	48,875	4,985	53,860
Corporate Strategy and Performance Manager	48,540	-	-	-	-	48,540	5,261	53,801
PDI Senior Projects Officer (East)	48,680	-	-	-	-	48,680	4,965	53,645
Team Manager	48,684	-	-	-	-	48,684	4,966	53,650
Children in our Care Team Manager	48,680	-	-	-	-	48,680	4,965	53,645
South Tees Multi-Agency Children's Hub Team Manager	48,680	-	-	-	-	48,680	4,965	53,645
Independent Reviewing Officer	48,592	-	-	-	-	48,592	4,956	53,548
Clinical Lead	46,662	-	-	-	-	46,662	6,710	53,372
Senior HR Advisor	48,361	-	-	-	-	48,361	4,933	53,294
Principal Social Worker	48,106	-	-	-	-	48,106	4,907	53,013
Deputy Team Manager	48,190	-	-	-	-	48,190	4,795	52,985
Streetscene Operations Manager	47,800	-	-	-	-	47,800	4,876	52,676
Streetscene Operations Manager	47,350	-	-	-	-	47,350	4,830	52,179

2021/22	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy and other severance payments	Gross Remuneration Excl. Pension Contributions 2021/22	Pension Contributions 2021/22	Total Remuneration Including Pension Contributions 2021/22
	£	£	£	£	£	£	£	£
Team Manager	47,186	-	-	-	-	47,186	4,813	51,999
Operations Manager - Waste & Recycling	47,126	-	-	-	-	47,126	4,807	51,932
Senior Human Resources Adviser – Transactional and Advisory Services	47,020	-	-	-	-	47,020	4,796	51,816
Team Manager	46,937	-	-	-	-	46,937	4,788	51,725
Team Manager (Fostering)	46,716	-	-	-	-	46,716	4,747	51,463
IT Security Manager	46,662	-	-	-	-	46,662	4,760	51,422
Finance Manager - Accountancy	46,662	-	-	-	-	46,662	4,760	51,422
ERP System Development Manager	46,662	-	-	-	-	46,662	4,760	51,422
Integration & Transformation Lead	46,662	-	-	-	-	46,662	4,760	51,422
Team Manager (Leaving Care)	46,662	-	-	-	-	46,662	4,760	51,422
Finance Manager - Accountancy	46,662	-	-	-	-	46,662	4,760	51,422
Hardware & Networks Manager	46,662	-	-	-	-	46,662	4,760	51,422
Finance Manager - Accountancy	46,662	-	-	-	-	46,662	4,760	51,422
Planning Strategy Manager	46,662	-	-	-	-	46,662	4,760	51,422
Strategic Change Manager	46,662	-	-	-	-	46,662	4,760	51,422
Intelligence Lead	46,662	-	-	-	-	46,662	4,760	51,422
Libraries & Customer Services Manager	46,662	-	-	-	-	46,662	4,760	51,422

2021/22	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy and other severance payments	Gross Remuneration Excl. Pension Contributions 2021/22	Pension Contributions 2021/22	Total Remuneration Including Pension Contributions 2021/22
	£	£	£	£	£	£	£	£
Digital Services Development Manager	46,662	-	-	-	-	46,662	4,760	51,422
Finance Manager - Accountancy	46,662	-	-	-	-	46,662	4,760	51,422
Team Manager	46,662	-	-	-	-	46,662	4,760	51,422
Quality Assurance Lead	46,595	-	-	-	-	46,595	4,752	51,347
PDI Senior Projects Officer (West)	46,490	-	-	-	-	46,490	4,729	51,219
Practice Lead Health Visiting School Nursing	44,624	-	-	-	-	44,624	6,417	51,041
Infant Feeding Lead – Health Visiting and Children Centres	44,624	-	-	-	-	44,624	6,417	51,041
Early Help Assessment and Intervention Team Manager	46,662	-	-	-	-	46,662	4,291	50,953
Team Manager - Practice & Performance	46,178	-	-	-	-	46,178	4,710	50,888
Deputy Team Manager	46,170	-	-	-	-	46,170	4,628	50,798
Deputy Team Manager	46,171	-	-	-	-	46,171	4,586	50,757
Approved Mental Health Professional	45,976	-	-	-	-	45,976	4,679	50,655
Family Hub & Partnership Manager	45,787	-	-	-	-	45,787	4,760	50,547
Approved Mental Health Professional	45,870	-	-	-	-	45,870	4,679	50,548
Natural Heritage Manager	45,697	-	-	-	-	45,697	4,663	50,359
Team Manager	45,648	-	-	-	-	45,648	4,656	50,304
PDI Senior Projects Officer (East)	45,554	-	-	-	-	45,554	4,647	50,201

2021/22	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy and other severance payments	Gross Remuneration Excl. Pension Contributions 2021/22	Pension Contributions 2021/22	Total Remuneration Including Pension Contributions 2021/22
	£	£	£	£	£	£	£	£
Deputy Team Manager	45,528	-	-	-	-	45,528	4,620	50,147
Team Manager - Adults Mental Health Team	46,062	-	-	-	-	46,062	4,044	50,106
Development Services Manager	46,491	-	-	-	-	46,491	4,845	51,336
<b>Schools:</b>								
Head Teacher	83,126	-	-	-	-	83,126	19,684	102,810
Head Teacher	69,746	-	-	-	-	69,746	16,516	86,262
Head Teacher	69,047	-	-	-	-	69,047	16,350	85,397
Deputy Head Teacher	63,488	-	-	-	-	63,488	15,034	78,522
Deputy Head Teacher	60,866	-	-	-	-	60,866	14,413	75,279
Assistant Head Teacher	50,881	-	-	-	-	50,881	12,049	62,929
Deputy Head Teacher	57,421	-	-	-	-	57,421	13,597	71,018
Assistant Head Teacher	50,881	-	-	-	-	50,881	12,049	62,929
Assistant Head Teacher	50,881	-	-	-	-	50,881	12,049	62,929
Teacher	50,867	-	-	-	-	50,867	12,045	62,912
Teacher	50,867	-	-	-	-	50,867	12,045	62,912
Teacher	49,363	-	-	-	-	49,363	11,689	61,052

2021/22	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy and other severance payments	Gross Remuneration Excl. Pension Contributions 2021/22	Pension Contributions 2021/22	Total Remuneration Including Pension Contributions 2021/22
	£	£	£	£	£	£	£	£
Teacher	48,064	-	-	-	-	48,064	11,382	59,445
Assistant Head Teacher	47,948	-	-	-	-	47,948	11,354	59,302
Teacher	46,276	-	-	-	-	46,276	10,958	57,234
Teacher	46,183	-	-	-	-	46,183	10,912	57,095
Teacher	46,183	-	-	-	-	46,183	10,912	57,095
Specialist Teacher	46,083	-	-	-	-	46,083	10,912	56,995
Teacher	46,083	-	-	-	-	46,083	10,912	56,995
Teacher	46,083	-	-	-	-	46,083	10,912	56,995
Teacher	45,166	-	-	-	-	45,166	10,695	55,861
Teacher	43,860	-	-	-	-	43,860	10,386	54,247
Teacher	42,640	-	-	-	-	42,640	10,097	52,737
Teacher	42,324	-	-	-	-	42,324	10,022	52,346
Teacher	41,654	-	-	-	-	41,654	9,864	51,518
Teacher	41,654	-	-	-	-	41,654	9,864	51,518
Teacher	41,604	-	-	-	-	41,604	9,852	51,456
Teacher	41,604	-	-	-	-	41,604	9,852	51,456
Head Teacher	72,495	-	-	-	-	72,495	9,032	81,527

2021/22	Salary (including Fees & Allowances)	Recurring Payment	One Off Payment	Benefits in Kind	Redundancy and other severance payments	Gross Remuneration Excl. Pension Contributions 2021/22	Pension Contributions 2021/22	Total Remuneration Including Pension Contributions 2021/22
	£	£	£	£	£	£	£	£
Deputy Head Teacher	61,166	-	-	-	-	61,166	7,220	68,386
Head Teacher	69,036	-	-	-	-	69,036	8,304	77,340
Head Teacher	61,032	-	-	-	-	61,032	7,199	68,231
Head Teacher	64,304	-	-	-	-	64,304	7,657	71,961
Deputy Head Teacher	56,676	-	-	-	-	56,676	6,600	63,276
Deputy Head Teacher	64,140	-	-	-	-	64,140	7,632	71,772
Head Teacher	70,030	-	-	-	-	70,030	8,444	78,474
Head Teacher	53,522	-	-	-	-	53,522	6,167	59,689
Head Teacher	60,505	-	-	-	-	60,505	7,124	67,629
Head teacher	63,490	-	-	-	-	63,490	7,541	71,031
SENDCo	50,869	-	-	-	-	50,869	5,800	56,669

## Note 15 Termination Benefits

The Council terminated the contracts of 23 employees in the 2021/22 financial year, incurring liabilities of £0.148m (£0.290m for 2020/21). Of this total £0.091m was payable to 18 officers in respect of various voluntary arrangements agreed and £0.057m was paid to 5 officers who received compulsory redundancy.

The table below shows an analysis of the total cost incurred by Directorate during 2021/22.

Directorate	£000	Number of Employees
Resources and Growth	19	4
Adults, Communities and Environment	120	14
Children and Families (Schools)	4	3
Children and Families (Non Schools)	5	2
<b>Total</b>	<b>148</b>	<b>23</b>

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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21 £000	2021/22 £000
0 to 20,000	1	4	16	18	17	22	68	92
20,001 to 40,000	-	-	2	-	2	-	59	-
40,001 to 60,000	1	1	2	-	3	1	163	56
60,001 to 80,000	-	-	-	-	-	-	-	-
80,001 to 100,000	-	-	-	-	-	-	-	-
100,001 to 150,000	-	-	-	-	-	-	-	-
Over 150,001	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2</b>	<b>5</b>	<b>20</b>	<b>18</b>	<b>22</b>	<b>23</b>	<b>290</b>	<b>148</b>



## Note 16 Trading Operations

Trading accounts are maintained where services are provided on a basis other than a straightforward recharge of costs. The following trading accounts are operated by the Council.

2020/21					2021/22					
Income £000	Expend- iture £000	(Surplus)/ Deficit £000	Technical Adjust- ments £000	Net (Surplus)/ Deficit £000	Trading Operation	Income £000	Expend- iture £000	(Surplus)/ Deficit £000	Technical Adjust- ments £000	Net (Surplus)/ Deficit £000
(562)	625	63	15	78	Trade Refuse Collection	(725)	599	(126)	29	(97)
(52)	96	44	15	59	Industrial Estates	(82)	63	(19)	17	(2)
(2)	6	4	-	4	Markets	(3)	8	5	-	5
(167)	356	189	(56)	133	Business Centres	(117)	326	209	34	243
(613)	1,009	396	313	709	Car Parking	(1,111)	1,287	176	150	326
(162)	197	35	16	51	Taxi Licensing	(152)	209	57	30	87
(151)	182	31	77	108	General Licensing	(185)	177	(8)	16	8
<b>(1,709)</b>	<b>2,471</b>	<b>762</b>	<b>380</b>	<b>1,142</b>	<b>Total</b>	<b>(2,375)</b>	<b>2,669</b>	<b>294</b>	<b>276</b>	<b>570</b>

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

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

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

- Trade Refuse Collection – contracted collection of waste from commercial properties, schools and other premises within the Borough.
- Industrial Estates – as part of the Council's priority theme to provide business space to attract and sustain businesses, the Council provides units in a range of sizes throughout the Borough.
- Markets – provision of a site for the operation of markets within the Borough, to boost retail and tourism for the local area.
- Business Centres – provision of workshop and office accommodation in a range of sizes at South Tees Business Centres, as part of the priority theme to provide business space to attract and sustain businesses for the local economy.
- Car Parking – provision of both on-street and off-street parking throughout the Borough. Any surpluses in the parking account are applied for the purposes of enforcement and the provision of highway or road improvement project in the local authority's area (Section 55 of the Road Traffic Regulation Act 1984).
- Taxi Licensing – local authority costs and income recovered in relation to the administration and issuing of hackney carriage and private taxi services within the Borough. Case law has established that any surplus or deficit in licensing accounts is carried forward from year to year and taken into account when setting future fees.
- General Licensing – local authority costs and income recovered in relation to licences, permits and other authorisations within the Borough. Case law has established that any surplus or deficit in licensing accounts is carried forward from year to year and taken into account when setting future fees.



## Note 17 Pooled Budgets

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

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

- a) Improve the quality and efficiency of health and social care services, in particular to reduce the number of the non-elective admissions to Acute Hospitals;
- b) Meet the national conditions and local objectives of the Government's Better Care Fund;
- c) Make more effective use of available resources through the establishment and maintenance of a pooled fund for revenue and capital expenditure on health and social care services.



2020/21 £000	Pooled Budgets	2021/22 £000
(66)	Balance brought forward - Revenue	(1,120)
(817)	Balance brought forward - Capital	(1,784)
<b>(883)</b>		<b>(2,904)</b>
<u>Funding Provided to the Pooled Budget</u>		
(1,790)	The Authority	(1,790)
(12,348)	South Tees CCG	(12,927)
<b>(14,138)</b>		<b>(14,717)</b>
<u>Expenditure Met from Pooled Budget</u>		
9,615	The Authority	11,075
2,502	South Tees CCG	2,693
<b>12,117</b>		<b>13,768</b>
<b>(2,904)</b>	<b>Total surplus</b>	<b>(3,853)</b>
<b>(1,784)</b>	Capital amounts slipped to Future Years	<b>(1,955)</b>
<b>(1,120)</b>	<b>Net revenue surplus arising on the Better Care Fund pooled budget to be carried forward</b>	<b>(1,898)</b>

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

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

2020/21 £000	Improved Better Care Fund	2021/22 £000
-	Balance brought forward	-
	<u>Funding Provided to the Pooled Budget</u>	
(6,724)	The Authority	(6,724)
	<u>Expenditure Met from Pooled Budget</u>	
6,724	The Authority	6,724
-	<b>Net Balance Carried Forward</b>	-



## Note 18 Fees Payable to Auditors

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

2020/21 £000		2021/22 £000
96	Fees payable for services provided by the External Auditors	145
20	Fees payable for the certification of grant claims	22
19	Fees payable for services relating to ransomware attack	-
-	Refund received from the Public Sector Audit Appointments organisation	(19)
<b>135</b>	<b>Total</b>	<b>148</b>



## Note 19 Property, Plant and Equipment (PPE)

(SDPS = Surplus/Deficit on Provision of Services)

(RR = Revaluation Reserve)

Movements in tangible non-current assets (excluding Infrastructure Assets) for the year 2021/22:

2021/22	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Assets Under Construction	Total PPE (excluding Infrastructure)	Included in Total PPE – Owned (excluding Infrastructure)	Included in Total PPE - Finance Leased	Included in Total PPE – PFI Assets
	£000	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation</u>								
At 1 April 2021	129,743	28,462	5,673	5,934	169,812	137,401	135	32,276
Additions	3,986	2,006	154	11,864	18,010	17,998	-	12
Revaluation increases/(decreases) to Revaluation Reserve	18,894	-	12	-	18,906	16,797	-	2,109
Revaluation increases/(decreases) to Surplus or Deficit on Provision of Service	(7,775)	-	(111)	-	(7,886)	(9,500)	-	1,614
De-recognition - Disposals	(743)	(3,790)	-	-	(4,533)	(4,533)	-	-
Assets reclassified (to)/from Investment Properties	(301)	-	-	-	(301)	(301)	-	-
Other movements	10,166	-	(317)	(10,166)	(317)	(317)	-	-
<b>At 31 March 2022</b>	<b>153,970</b>	<b>26,678</b>	<b>5,411</b>	<b>7,632</b>	<b>193,691</b>	<b>157,545</b>	<b>135</b>	<b>36,011</b>

<b>2021/22</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture and Equipment</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Total PPE (excluding Infrastructure)</b>	<b>Included in Total PPE – Owned (excluding Infrastructure)</b>	<b>Included in Total PPE - Finance Leased</b>	<b>Included in Total PPE – PFI Assets</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2021	(6,291)	(17,432)	-	(2)	(23,725)	(13,983)	(135)	(9,607)
Depreciation charge for the year	(4,108)	(2,436)	-	-	(6,544)	(5,632)	-	(912)
Depreciation written out to the Surplus or Deficit on Provision of Service	7,249	-	-	-	7,249	6,852	-	396
De-recognition - Disposals	124	3,701	-	-	3,825	3,825	-	-
Other movements	37	-	-	-	37	37	-	-
<b>At 31 March 2022</b>	<b>(2,989)</b>	<b>(16,167)</b>	<b>-</b>	<b>(2)</b>	<b>(19,158)</b>	<b>(8,901)</b>	<b>(135)</b>	<b>(10,123)</b>
<b>Net Book Value</b>								
At 31 March 2022	150,981	10,511	5,411	7,630	174,533	148,644	-	25,888
At 31 March 2021	123,452	11,030	5,673	5,932	146,087	123,418	-	22,669

### Depreciation

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

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



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

<b>2020/21</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture and Equipment</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Total PPE (excluding infrastructure)</b>	<b>Included in Total PPE – Owned (excluding infrastructure)</b>	<b>Included in Total PPE - Finance Leased</b>	<b>Included in Total PPE – PFI Assets</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<u>Cost or Valuation</u>								
At 1 April 2020	144,566	26,038	5,673	9,010	185,287	154,175	135	30,977
Additions	1,883	3,382	57	4,936	10,258	8,959	-	1,299
Donations	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) to Revaluation Reserve	(451)	-	-	-	(451)	(451)	-	-
Revaluation increases/(decreases) to Surplus or Deficit on Provision of Service	(4,205)	-	(25)	-	(4,230)	(4,230)	-	-
De-recognition – Disposals	(13,311)	(958)	-	(579)	(14,848)	(14,848)	-	-
De-recognition – Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	1,962	-	-	-	1,962	1,962	-	-
Assets reclassified (to)/from Investment Properties	(600)	-	-	(7,566)	(8,166)	(8,166)	-	-
Other movements	(101)	-	(32)	133	-	-	-	-
<b>At 31 March 2021</b>	<b>129,743</b>	<b>28,462</b>	<b>5,673</b>	<b>5,934</b>	<b>169,812</b>	<b>137,401</b>	<b>135</b>	<b>32,276</b>

<b>2020/21</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture and Equipment</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Total PPE (excluding infrastructure)</b>	<b>Included in Total PPE – Owned (excluding infrastructure)</b>	<b>Included in Total PPE - Finance Leased</b>	<b>Included in Total PPE – PFI Assets</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2020	(7,352)	(16,314)	-	-	(23,666)	(14,814)	(135)	(8,717)
Depreciation charge for the year	(4,246)	(2,030)	-	(2)	(6,278)	(5,388)	-	(890)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus or Deficit on Provision of Service	2,746	-	-	-	2,746	2,746	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	2,101	-	-	-	2,101	2,101	-	-
Impairment losses/(reversals) recognised in the Surplus or Deficit on Provision of Service	-	-	-	-	-	-	-	-
De-recognition - Disposals	460	912	-	-	1,372	1,372	-	-
De-recognition - Other	-	-	-	-	-	-	-	-
Asset Reclassification	-	-	-	-	-	-	-	-
<b>At 31 March 2021</b>	<b>(6,291)</b>	<b>(17,432)</b>	<b>-</b>	<b>(2)</b>	<b>(23,725)</b>	<b>(13,983)</b>	<b>(135)</b>	<b>(9,607)</b>
<b>Net Book Value</b>								
<b>At 31 March 2021</b>	<b>123,452</b>	<b>11,030</b>	<b>5,673</b>	<b>5,932</b>	<b>146,087</b>	<b>123,418</b>	<b>-</b>	<b>22,669</b>
<b>At 31 March 2020</b>	<b>137,214</b>	<b>9,724</b>	<b>5,673</b>	<b>9,010</b>	<b>161,621</b>	<b>139,360</b>	<b>-</b>	<b>22,261</b>

## Highways Infrastructure Assets

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

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

	31 Mar 2021	31 Mar 2022
	£000	£000
<b>Net Book Value at 1 April</b>	<b>103,672</b>	<b>103,892</b>
Additions	6,535	5,335
Derecognition	(29)	(319)
Depreciation	(6,238)	(6,378)
Other Movements in Cost	(48)	317
<b>Net Book Value at 31 March</b>	<b>103,892</b>	<b>102,847</b>

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

	31 Mar 2021	31 Mar 2022
	£000	£000
Other PPE Assets	146,087	174,533
Infrastructure Assets	103,892	102,847
<b>Net Book Value 31 March</b>	<b>249,979</b>	<b>277,380</b>

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



## Revaluations

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

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

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

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

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

	Other Land and Buildings	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total PPE
	£000	£000	£000	£000	£000	£000
<b>Carried at historical cost at 31 March 2022</b>	<b>98,811</b>	<b>10,522</b>	<b>4,010</b>	<b>7,630</b>	<b>-</b>	<b>120,974</b>
Valued at current value as at:						
31 March 2022	127,909	-	3,307	-	-	131,216
31 March 2021	31,581	-	1,720	-	-	33,301
31 March 2020	43,665	-	286	-	-	43,951
31 March 2019	70,659	-	831	-	-	71,490
31 March 2018	20,358	-	466	-	-	20,824

## Note 20 Impairment Losses

Paragraph 4.7.4.2(1) of the Code of Practice requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. There has been no impairment of assets in 2021/22.

## Note 21 Investment Properties

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

2020/21 £000		2021/22 £000
10,512	Balance at start of the year	9,978
	<u>Additions:</u>	
127	Purchases	-
787	Subsequent expenditure	69
	<u>Disposals:</u>	
(9,544)	Net gains/(losses) from fair value adjustments	(365)
(70)	Other Disposals	-
	<u>Transfers:</u>	
8,166	(To)/From Property, Plant and Equipment and Assets Held for Sale	1,630
<b>9,978</b>	<b>Balance at end of the year</b>	<b>11,312</b>

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

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

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

2020/21 £000		2021/22 £000
7,860	Properties for rental income purposes	8,599
394	Properties held for an undetermined future use	289
194	Properties currently vacant held to be leased out	134
1,005	Properties held for capital appreciation purposes	2,165
525	Properties which are being constructed/developed for future investment use	125
<b>9,978</b>		<b>11,312</b>



## Note 22 Intangible Assets

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

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

Assets	Useful Life	Useful Life Remaining	31 March 2021 £000	Expenditure 2021/22 £000	Amortisation 2021/22 £000	31 March 2022 £000
Adult Services System	10 Years	4 Years	81	71	(86)	66
Agresso	10 Years	5 Years	496	102	(54)	544
Customer Relationship Management System	5 Years	4 Years	84	-	(19)	65
Unified Communications System	5 Years	2 Years	27	-	(27)	-
Corporate Web	5 Years	4 Years	25	24	(6)	43
Cyber IT Recovery Costs	5 Years	4 Years	653	-	(131)	522
Technology Forge	10 Years	10 Years	83	49	(17)	115
Other IT Software	Various	Various	479	298	(231)	546
			<b>1,928</b>	<b>544</b>	<b>(571)</b>	<b>1,901</b>



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

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
5,503	Gross carrying amounts	6,583
(4,329)	Accumulated amortisation	(4,655)
1,174	Net carrying amount at start of year	1,928
	Additions – internal development	
1,080	Additions - purchases	544
(326)	Amortisation for the period	(571)
	Other changes	
1,928	<b>Net carrying amount at end of year</b>	<b>1,901</b>
	Comprising:	
6,583	Gross carrying amounts	7,127
(4,655)	Accumulated amortisation	(5,226)

## Note 23 Private Finance Initiatives and Similar Contracts

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

### Office Accommodation and Business Centre

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

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

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

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

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

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

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

### Schools

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

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

### Classification of Schools

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

Where the school becomes an academy, the building is de-recognised on the Council's Balance Sheet as the economic benefits and service potential for the building rest with the governing body. However, as the PFI contract is an agreement between the Council and the contractor, the corresponding liability remains with the Council for the remaining period of the contract.

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

### Street Lighting

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

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

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

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

### Payments

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

Other reasons why costs might vary in future years are:

- The provision of facilities management services may be subject to benchmarking and/or market testing. Payments to the contractor may be adjusted to reflect the outcome of these exercises and could reduce or increase costs.
- Once PFI contracts are operational it is sometimes possible to re-finance the contract which reduces the cost of borrowing incurred by the contractor.
- The Council can vary the contract regarding services provided which may impact on the unitary charge.

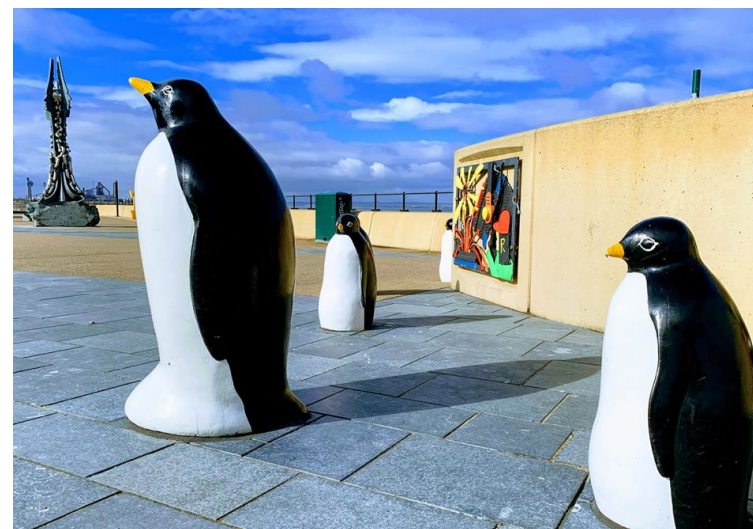
The contractor provides for the Council to receive some of the savings arising from re-financing. Re-financing is only possible if market conditions allow.

Payments remaining to be made over the life of the three PFI contracts at 31 March 2022 (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 2022

	Repayment of leasing liability	Payment of interest	Provision of services	Total
	31 March 2022 £000	31 March 2022 £000	31 March 2022 £000	31 March 2022 £000
Within 1 year	2,932	4,742	4,167	11,841
Within 2 - 5 years	12,998	16,268	18,096	47,362
Within 6 – 10 years	19,496	13,072	19,211	51,779
Within 11 -15 years	14,903	3,402	9,391	27,696
<b>Total Future Payments</b>	<b>50,329</b>	<b>37,484</b>	<b>50,865</b>	<b>138,678</b>

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



**Payments due to be made under PFI Contracts (including inflation) - Outstanding as at 31 March 2022**

	<b>Repayment of leasing liability</b>	<b>Payment of interest</b>	<b>Provision of services</b>	<b>Total</b>
	<b>31 March 2022</b>	<b>31 March 2022</b>	<b>31 March 2022</b>	<b>31 March 2022</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	2,932	7,050	5,626	15,608
Within 2 - 5 years	12,998	27,274	25,663	65,935
Within 6 – 10 years	19,496	27,821	27,953	75,270
Within 11 -15 years	14,903	14,597	15,004	44,504
<b>Total Future Payments</b>	<b>50,329</b>	<b>76,742</b>	<b>74,246</b>	<b>201,317</b>

The figures below represent the amount of debt outstanding with the PFI contractor for the assets held under contract as at 31 March 2022. This is repayable over the remaining term of the contracts.

**Value of liabilities held under PFI schemes**

<b>2020/21</b>	<b>Outstanding PFI Liability</b>	<b>2021/22</b>
<b>£000</b>		<b>£000</b>
(55,350)	Opening Balance	(52,942)
2,408	Repayments	2,613
<b>(52,942)</b>	<b>Closing Balance</b>	<b>(50,329)</b>

## Note 24 Capital Expenditure and Capital Financing

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

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

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



2020/21		2021/22	
£000	£000	£000	£000
<b>262,463</b>		<b>Opening Capital Financing Requirement</b>	<b>263,142</b>
<u>Capital Investment</u>			
16,792		Property, Plant and Equipment	23,346
1,079		Intangible Assets	544
334		Loans & Advances Treated as Capital Expenditure	1,389
915		Investment Properties	69
-		Long Term Investment	1,722
4,111		Revenue Expenditure Funded from Capital under Statute	4,389
<b>23,231</b>		<b>Total Capital Investment</b>	<b>31,459</b>
<u>Sources of Finance</u>			
(3,744)		Capital Receipts	(834)
(13,289)		Government grants and other contributions	(22,113)
<u>Sums set aside from revenue:</u>			
-		Direct revenue contributions	(158)
(5,519)		MRP/Loans Fund Principal	(5,809)
<b>(22,552)</b>		<b>Total Sources of Finance</b>	<b>(28,914)</b>
<b>263,142</b>		<b>Closing Capital Financing Requirement</b>	<b>265,687</b>
679		Movement in Year	2,545
<u>Explanation of movement in year</u>			
-		Increase in underlying need to borrow (supported by Government assistance)	-
6,490		Increase in underlying need to borrow (unsupported by Government assistance)	8,507
<u>Assets acquired under finance leases</u>			
(292)		Write down of long term debtor	(153)
-		Additional use of capital receipts	-
6,198		<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>8,354</b>
(5,519)		Reduced by Minimum Revenue Provision	(5,809)
<b>679</b>		<b>Total Movement in Year</b>	<b>2,545</b>

### Capital Commitments

As at 31 March 2022, the Council has entered into one contract for the construction or enhancement of Property, Plant and Equipment in future years in excess of £1.000 million. The major commitment is as follows:

<b>Scheme</b>	<b>Contract £000</b>	<b>Payments £000</b>	<b>Remaining £000</b>
Kirkleatham Hall School Extension	2,164	482	1,682

The Council had three schemes with contractual commitments exceeding £1.000 million in 2020/21. The value outstanding on these contracts was £8.432 million.



## Note 25 Long Term Debtors

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

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

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

FROG (Future Regeneration of Grangetown) Loan – a cash flow loan £0.017 million to FROG as part of their role in the Youth Employment Initiative contract, the loan will be for a period of 2 years.

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

Car Loans to Employees – These have now been discontinued which accounts for the reducing balance.

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

	Balance 31 March 2021 £000	Total Spend £000	Disposals/ Transfers £000	Amounts Written Off/ Repaid £000	Balance 31 March 2022 £000
Car Loans	1	-	-	-	1
Loan to Leisure Service Provider - SLM	284	89	-	(152)	221
FROG Loan	17	-	-	-	17
Payment in Advance - Middlesbrough Council	1,237	-	-	(401)	836
Redcar and Cleveland Legal Services Ltd Loan	-	1,300	-	(73)	1,227
Children and Families Social Care Loans	24	-	-	(13)	11
<b>Total</b>	<b>1,563</b>	<b>1,389</b>	<b>-</b>	<b>(639)</b>	<b>2,313</b>



## Note 26 Assets Held for Sale

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

2020/21 £000		2021/22 £000
2,148	<b>Balance outstanding at start of year</b>	1,533
18	Assets newly classified as held for sale - PPE	-
-	Revaluation losses	(78)
1,347	Revaluation gains	-
(1,980)	Assets declassified as held for sale: Investment properties	(1,365)
-	Assets sold	-
<b>1,533</b>	<b>Balance outstanding at year end</b>	<b>90</b>

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

## Note 27 Short Term Debtors

31 March 2021 £000		31 March 2022 £000
17,649	Central Government Bodies	8,330
9,416	Other Local Authorities	10,008
3,278	NHS Bodies	729
266	Public Corporation and Trading Funds	174
21,405	Council Taxpayers	24,226
7,602	Business Rates	1,817
3,229	Housing Benefits Overpayments	2,976
4,946	Other Entities and Individuals	5,423
<b>67,791</b>	<b>Total</b>	<b>53,683</b>
	<u>Provisions for Doubtful Debts</u>	
(1,295)	Directorate Contribution to Bad Debt Provision	(1,296)
-	Other Entities and Individuals	-
(6,455)	Council Taxpayers	(6,785)
(5,823)	Business Rates	(724)
(977)	Housing Benefits Overpayments	(952)
<b>53,241</b>	<b>Total debtors including provision for doubtful debt</b>	<b>43,926</b>

## Note 28 Cash and Cash Equivalents

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

31 March 2021 £000		31 March 2022 £000
35	Cash held by the Council	44
2,286	Bank current accounts – school accounts	2,032
(283)	Bank current accounts – main Council	(329)
5,516	Short term deposits with Financial Institutions	13,570
<b>7,554</b>	<b>Total Cash and Cash Equivalents</b>	<b>15,317</b>



## Note 29 Short Term Creditors

31 March 2021 £000		31 March 2022 £000
(21,538)	Central Government Bodies	(1,731)
(13,184)	Other Local Authorities	(8,643)
(1,282)	NHS Bodies	(1,111)
(438)	Public Corporation and Trading Funds	(1,424)
(872)	Short Term Accumulating Compensated Absences	(857)
(15,914)	Other Entities and Individuals	(17,285)
(2,653)	Local Taxation	(4,000)
<b>(55,881)</b>	<b>Total</b>	<b>(35,051)</b>



## Note 30 Provisions

	Balance at 1 April 2021	Provisions made in 2021/22	Provisions utilised in 2021/22	Other Transfers in 2021/22	Balance at 31 March 2022	Short Term Provisions	Long Term Provisions
	£000	£000	£000	£000	£000	£000	£000
MMI Claims	(400)	-	5	395	-	-	-
Insurance Provision	(1,614)	(566)	274	(394)	(2,300)	(1,100)	(1,200)
Business Rates Appeals	(1,806)	(2,750)	1,131	-	(3,425)	(2,192)	(1,233)
Childrens' Social Care Provision	(1,148)	-	201	-	(947)	-	(947)
<b>Total Provisions</b>	<b>(4,968)</b>	<b>(3,316)</b>	<b>1,611</b>	<b>1</b>	<b>(6,672)</b>	<b>(3,292)</b>	<b>(3,380)</b>

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:

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

### Insurance Provision:

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

The value of the provision is underpinned by the latest actuary report and the best estimate of the financial liability of existing claims outstanding at 31 March 2022.

Business Rates Appeals:

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

The value of the provision has been established based on discussions with the Council's own staff, the outsourced provider, Liberata, and the VOA. This is based on the value of appeals outstanding, past experience of appeals being successful, and adjusted for any significant appeals that are in progress. The total value of the provision is £6.990 million with the 49% share in the Council's own accounts being £3.425 million.

Childrens' Social Care Provision:

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



## Note 31 Long Term Creditors

	Balance at 31 March 2021 £000	Income £000	Expenditure £000	Balance at 31 March 2022 £000
Section 38 / 278 Agreements	(213)	(76)	22	(267)
Section 106 Agreements	(2,652)	(2,132)	739	(4,045)
Commutated Sums	(70)	-	-	(70)
Trust Funds	(109)	-	-	(109)
<b>Total</b>	<b>(3,044)</b>	<b>(2,208)</b>	<b>761</b>	<b>(4,491)</b>

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

Section 106 Agreements provide Councils with the power to enter into a legally binding agreement with a person with an interest in land. The agreement may restrict development of the land, require operations or activities to be carried out on the land or require land to be used in a particular way. There are currently 14 agreements in place.

Commutated sums are a payment made by a developer to the Council which will cover the future maintenance of an asset which will be adopted by the Council. There are currently 5 agreements in place.

The Council is the custodian of three trust funds.

## Note 32 Financial Instruments

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

### **Financial Liabilities**

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

### **Financial Assets**

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

- Financial assets measured at amortised cost. These represent loans and loan-type agreements where repayments of interest and principal take place on set dates and at specified amounts. The amounts presented in the Balance Sheet represent the outstanding principal received plus accrued interest. Interest credited to the Income and Expenditure account relates to the amount receivable as per the loan agreement.
- Fair Value through Other Comprehensive Income (FVOCI). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through an unusable reserve, with the balance debited or credited to the CIES when the asset is disposed of. The Council has elected to designate the shareholding in Durham Tees Valley Airport Ltd, Suez Recycling & Recovery (Tees Valley) LTD and Veritau (Tees Valley) Ltd and Redcar and Cleveland Legal Services Ltd to FVOCI. Both equity holdings are strategic investments and are not held for trading.
- Fair Value through Profit and Loss. These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are generally recognised in the CIES. The exception to this is pooled investments which can be accounted for by using a temporary statutory override issued by the Department for Levelling Up, Housing and Communities (DLUHC). This is for a period of five years commencing on the 1st April 2018. The Council has opted to use this override to account for any changes in the fair value on its pooled funds in a unusable reserve.

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

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



## Financial Instruments: Balances

### Financial Liabilities

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

Financial Liabilities	Long-term		Current	
	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000
<b>Loans at amortised cost:</b>				
- Principal sum borrowed – PWLB	(43,374)	(55,257)	(9,829)	(2,700)
- Principal sum borrowed – LOBO	(25,000)	(25,000)	-	-
- Principal sum borrowed – Market	(48,750)	(48,750)	-	-
- Principal sum borrowed – Local Authority	(15,351)	(15,558)	(51,000)	(36,000)
- Principal sum borrowed – Other	(2,543)	(1,816)	(726)	(726)
<b>Accrued interest</b>				
- Accrued interest – PWLB	-	-	(484)	(492)
- Accrued interest – LOBO	-	-	(444)	(445)
- Accrued interest – Market	-	-	(791)	(790)
- Accrued interest – Local Authority	-	-	(296)	(220)
EIR adjustments - PWLB	268	267	-	-
<b>Total Borrowing</b>	<b>(134,750)</b>	<b>(146,114)</b>	<b>(63,570)</b>	<b>(41,373)</b>
<b>Loans at amortised cost:</b>				
- Bank Overdraft	-	-	-	-
<b>Total Cash Overdrawn</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities at amortised cost:</b>				
- PFI arrangements	(50,329)	(47,441)	-	-
<b>Other Long Term Liabilities</b>	<b>(50,329)</b>	<b>(47,441)</b>	<b>-</b>	<b>-</b>
<b>Liabilities at amortised cost:</b>				
- Trade payables	(3,044)	(4,491)	(32,053)	(21,121)
- PFI arrangements and leases	-	-	(2,648)	(3,018)
<b>Included in Creditors *</b>	<b>(3,044)</b>	<b>(4,491)</b>	<b>(34,701)</b>	<b>(24,139)</b>
<b>Total Financial Liabilities</b>	<b>(188,122)</b>	<b>(198,046)</b>	<b>(98,271)</b>	<b>(65,512)</b>

\* The creditors lines on the Balance Sheet includes £10.912 million (2020/21 £28.380 million) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

## Financial Assets

Financial Assets	Long-term		Current	
	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000
At amortised cost:				
- Principal	-	-	4	-
- Accrued interest	-	-	-	-
At fair value through other comprehensive income:				
- Equity investments elected FVOCI	332	2,055	-	-
At fair value through profit and loss				
- Fair value	8,874	10,431	-	-
<b>Total Investments</b>	<b>9,206</b>	<b>12,486</b>	<b>4</b>	<b>-</b>
At amortised cost:				
- Principal	-	-	5,382	3,664
- Accrued interest	-	-	1	1
- Impairment allowance	-	-	(1)	-
At fair value through profit and loss				
- Fair value	-	-	2,170	11,652
<b>Total Cash &amp; Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>7,552</b>	<b>15,317</b>
At amortised cost:				
- Trade receivables	1,563	836	19,411	15,725
- Loans made for service purposes and employees	-	1,477	-	96
- Accrued interest	-	-	-	-
<b>Included in Debtors *</b>	<b>1,563</b>	<b>2,313</b>	<b>19,411</b>	<b>15,821</b>
<b>Total Financial Assets</b>	<b>10,769</b>	<b>14,799</b>	<b>26,967</b>	<b>31,138</b>

\* The debtors lines on the Balance Sheet include £37.862 million (2020/21 £33.830 million) short term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions. The debtors line also includes a credit of £9.757 million for the bad debt provision.

## Equity Instruments Elected to Fair Value Through Other Comprehensive Income

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

	Fair Value	
	31 March 2021 £000	31 March 2022 £000
Redcar and Cleveland Legal Services Ltd	-	1,722
Suez Recycling & Recovery (Tees Valley) Ltd	312	313
Veritau (Tees Valley) Ltd	20	20
	<b>332</b>	<b>2,055</b>

## Financial Instruments: Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to Financial Instruments are made up as follows:

	Financial Liabilities		Financial Assets		2021/22 Total £000	2020/21 Total £000
	2021/22	Liabilities measured at amortised cost £000	Amortised Cost £000	Fair Value through Profit & Loss £000		
Interest expense		13,662	-	-	13,662	14,173
Losses from changes in fair value		-	-	-	-	55
Impairment losses		-	72	-	72	(1)
Fees paid		27	-	-	27	30
<b>Interest payable and similar charges</b>		<b>13,689</b>	<b>72</b>	<b>-</b>	<b>13,761</b>	<b>14,257</b>
Interest income *		-	(89)	(351)	(440)	(431)
Gains from changes in fair value		-	-	(1,564)	(1,564)	-
Impairment loss reversals		-	-	-	-	(13)
<b>Interest and investment income</b>		<b>-</b>	<b>(89)</b>	<b>(1,915)</b>	<b>(2,004)</b>	<b>(444)</b>
<b>Net impact on surplus/deficit on provision of services</b>		<b>13,689</b>	<b>(17)</b>	<b>(1,915)</b>	<b>11,757</b>	<b>13,813</b>
<b>Net (gain)/loss for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>11,757</b>	<b>13,813</b>

\* The interest earned from treasury management activities was £0.356 million. The additional income over this amount is in respect of other activities which have earned interest.

### **Financial Instruments: Fair Value of Assets and Liabilities**

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- Discount rates for "Lender Option Borrower Option" (LOBO) loans have reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting

the contractual cash flows (excluding service charge elements) at the appropriate AA rated corporate bond yield.

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

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

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



31 March 2021			Fair Value Level	31 March 2022	
Balance Sheet £000	Fair Value £000			Balance Sheet £000	Fair Value £000
<u>Financial liabilities held at amortised cost:</u>					
(53,419)	(60,957)	Loans from PWLB	2	(58,182)	(60,135)
(25,444)	(65,921)	LOBO loans	2	(25,445)	(55,853)
(119,456)	(191,421)	Other loans	2	(103,860)	(160,353)
(52,977)	(124,502)	Lease payables and PFI liabilities	3	(50,459)	(127,166)
<b>(251,296)</b>	<b>(442,801)</b>	<b>Total</b>		<b>(237,946)</b>	<b>(403,507)</b>
(35,098)		Liabilities for which fair value is not disclosed*		(25,612)	
<b>(286,394)</b>		<b>Total financial liabilities</b>		<b>(263,558)</b>	
Recorded on Balance Sheet as:					
(34,701)		Short-term creditors		(24,139)	
(63,570)		Short-term borrowing		(41,373)	
(3,044)		Long-term creditors		(4,491)	
(134,750)		Long-term borrowing		(146,114)	
(50,329)		Other long- term liabilities		(47,441)	
<b>(286,394)</b>		<b>Total financial liabilities</b>		<b>(263,558)</b>	

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

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2022) arising from the commitment to pay interest to lenders above current market rates.

31 March 2021			Fair Value Level	31 March 2022	
Balance Sheet £000	Fair Value £000			Balance Sheet £000	Fair Value £000
<u>Financial assets held at fair value:</u>					
332	332	Shares in listed companies	1	2,055	2,055
8,874	8,874	Pooled Property Fund	1	10,431	10,431
2,170	2,170	Money Market Funds	1	11,652	11,652
<u>Financial assets held at amortised cost:</u>					
4	4	Loans and receivables over 90 days	2	-	-
3,345	3,345	Loans and receivables under 90 days	2	1,918	1,918
<b>14,725</b>	<b>14,725</b>	<b>Total</b>		<b>26,056</b>	<b>26,056</b>
23,013		Assets for which fair value is not disclosed*		19,881	
<b>37,738</b>		<b>Total financial assets</b>		<b>45,937</b>	
<u>Recorded on balance sheet as:</u>					
7,554		Cash and cash equivalents		15,317	
4		Short-term investments		-	
9,206		Long-term investments		12,486	
19,411		Short-term debtors		15,821	
1,563		Long-term debtors		2,313	
<b>37,738</b>		<b>Total financial assets</b>		<b>45,937</b>	

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

## **Financial Instruments: Risks**

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

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

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

The main risks covered are:

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

### (a) Credit Risk - Investments

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

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

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

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

The full Investment Strategy for 2021/22 was approved by Full Council on 25 February 2021 and is available on the Council's website. The Investment Strategy for 2022/23 was approved by Full Council on 24 February 2022 and it became operational immediately. It is therefore the 2022/23 strategy that governed the investment decisions on 31 March 2022.

The Council sets an investment limit for individual counterparties and a total limit per category of investment. The only exception to this is for money deposited with the UK government. No more than £25.000 million in total can be invested for periods longer than one year.

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

<b><u>Deposits with banks and financial institutions (not including accrued interest)</u></b>	<b>Amount at 31 March 2021 £000</b>	<b>Amount at 31 March 2022 £000</b>
AAA rated counterparties - The rated institution has an exceptional degree of creditworthiness	2,170	11,650
AA+ rated counterparties - Very low expectation of credit risk	-	-
AA rated counterparties - Very low expectation of credit risk	-	-
AA- rated counterparties - Very low expectation of credit risk	100	300
A+ rated counterparties – Low expectation of credit risk	-	-
A rated counterparties - Low expectation of credit risk	2,500	1,200
A- rated counterparties - Low expectation of credit risk	-	-
BBB rated counterparties – Adequate capacity to meet financial commitments	746	417
Credit Risk not applicable *	10,000	10,000
<b>Total</b>	<b>15,516</b>	<b>23,567</b>

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

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies and adjusted for current and economic conditions. A two year delay in cash flows is assumed to arise in the event of a default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless

they retail an investment grade credit rating. They are determined to be credit impaired when awarded a "D" credit rating or equivalent. At



the 31 March 2022 £0.001m of loss allowance related to treasury investment.

#### Credit Risk - Receivables

The Council does not generally allow credit for customers, although £3.856 million of the £4.665 million debtors invoices balance is past its due date for payment. The overdue amount can be analysed by age as follows:

	31 March 2021 £000	31 March 2022 £000
Less than one month	4,384	809
One to three months	849	1,057
Three to six months	469	388
Six months to one year	879	733
More than one year	1,527	1,678
<b>Total</b>	<b>8,108</b>	<b>4,665</b>

As the Council maintains a bad debt provision for debts based on age of debt and nature of dispute, no further assessment of the fair value has needed to be made. The amounts are carried on the Balance Sheet at their amounts outstanding and no amounts have been included in the table above for the Council's exposure to default. The £4.665 million above relates to invoiced debt only and is an element of the Debtor total in Note 27.

#### Credit Risk – Loans

The Council has debtor loans outstanding as at 31 March 2022 of £1.579 million to support either the achievement of the Council's objectives or to its employees. The amounts recognised on the balance sheet, and the Council's total exposure to credit risk is as follows:

	31 March 2021 £000	31 March 2022 £000
Charity	322	238
Business	8	1,234
Employees	17	84
Other	32	23
<b>Total</b>	<b>379</b>	<b>1,579</b>

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

(b) Liquidity Risk

The Council has ready access to borrowings at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of

unfavourable high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 50% of the Council's borrowing matures in any one financial year.

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

Period	Approved Maximum Limits	Actual 31 March 2021 £000	%	Actual 31 March 2022 £000	%
Less than 1 year	50%	(61,555)	31%	(39,427)	21%
Between 1 and 2 years	60%	(2,593)	1%	(8,426)	5%
Between 2 and 5 years	70%	(13,023)	7%	(26,796)	14%
Between 5 and 10 years	90%	(21,436)	11%	(6,777)	4%
More than 10 years	100%	(72,966)	37%	(79,381)	43%
Uncertain date *		(25,000)	13%	(25,000)	13%
<b>Total</b>		<b>(196,573)</b>	<b>100%</b>	<b>(185,807)</b>	<b>100%</b>

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

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

c) Market Risk

(i) Interest Rate Risk

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

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

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposure to fixed and variable interest rates. At 31 March 2022 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	(131)
Decrease in fair value of investments held at FVPL	(10)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(141)</b>
Decrease in fair value of fixed rate investment held at FVOCI	-
<b>Impact on Comprehensive Income and Expenditure</b>	<b>-</b>
Decrease in fair value of fixed rate investment assets	(4)
Decrease in fair value of fixed rate borrowings	1,841
<b>No Impact on Comprehensive Income and Expenditure Statement</b>	<b>1,837</b>

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

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

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

(ii) Price Risk

The Council's £10.000 million investment in a pooled property fund is subject to the risk of falling commercial property prices. A 5% fall in commercial property prices as at 31 March 2022 would result in a £0.494 million charge to the surplus or deficit on the provision of

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

The Council does not generally invest in equity shares or marketable bonds but does have a shareholding in companies of £2.055 million. Whilst these holdings are generally illiquid, the Council is consequently exposed to losses arising from movements in the value of the asset.

(iii) Foreign Currency Risk

The Council has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.



**Financial Instruments: Impairment of Investments**

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

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

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

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

All monies within these institutions have been subject to the respective administration and receivership processes. The final amounts have now been received.

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 was 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.

The Council has recovered £1.781 million representing 87.01% of the amount claimed. According to the latest administrators reports, the Council has received the final payment and the administration of the Company is concluded.

### **Heritable Bank**

Heritable Bank was 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%.

The Council has recovered £3.973 million, 99.23% of the amount claimed. According to the latest administrators reports, the Council has received the final payment and the administration of the Company is concluded.

### **Accounting for Icelandic Investments – 2021/22**

<b><u>Bank</u></b>	<b>Total Value of Investment £000</b>	<b>Carrying Amount £000</b>	<b>Received to date £000</b>	<b>Interest £000</b>	<b>Impairment £000</b>
<b>Kaupthing Singer and Friedlander</b>	2,106	0	1,781	-	<b>325</b>
<b>Heritable</b>	4,126	0	3,973	-	<b>153</b>
<b>Total</b>	<b>6,232</b>	<b>0</b>	<b>5,754</b>	-	<b>478</b>

The administration of the loans is now complete and the recovered amount is £5.754m from these investments. The impairment charged to the Income and Expenditure in total over financial years is as follows:

<b>Financial Year</b>	<b>£000</b>
2008/09	1,232
2010/11	22
2011/12	(205)
2012/13	(53)
2013/14	(264)
2015/16	(160)
2016/17	(35)
2018/19	(5)
2019/20	(41)
2020/21	(13)
2021/22	-
<b>Total</b>	<b>478</b>

## Note 33 Grant Income, Contributions and Donations

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22 (these exclude grants already disclosed within Note 11).

2020/21 £000		2021/22 £000
	<b>Credited to Services</b>	
(3)	Department for Works & Pensions	(2,218)
(774)	Council Tax and Business Rates Administration	(761)
(41,289)	Housing Benefits Subsidy and Admin Grant	(37,153)
(10,181)	Department for Levelling Up, Housing and Communities	(11,274)
(322)	Department of Health	(722)
(11,771)	Public Health Grant	(11,872)
(37,857)	Dedicated Schools Grant	(36,747)
(71)	Education and Skills Funding Agency	-
(2,087)	Department of Education	-
-	Education and Skills Funding Agency/Department for Education	(1,777)
(2,083)	Pupil Premium Grant	(1,809)
(402)	Department for Environment, Food and Rural Affairs	(163)
(132)	Department for Transport	(153)
(1,480)	Home Office	(1,669)

(1,890)	Diocese Contributions	(1,894)
(35,283)	Health Authorities	(34,316)
(35)	Police Authorities	(79)
(3,149)	Other Local Authorities	(4,345)
(2,551)	Other Grants and Contributions	(2,602)
(28)	Donations	(40)
(1,076)	Test and Trace Grant	-
(3,975)	Contain Outbreak Management Fund	(1,749)
(84)	Local Authority COVID Compliance and Enforcement Activity Grant	-
(3,386)	Infection Control Fund	(2,842)
(448)	Rapid Testing Fund	-
(360)	Workforce Capacity Grant	(1,388)
(961)	Additional Restrictions Grant	(3,779)
(1,350)	Local Authority Discretionary Emergency Grant Fund	-
(1,848)	Hardship Fund	-
(671)	COVID Winter Grant Scheme	(33)
(216)	Test and Trace Support Discretionary Scheme (DLUHC)	-
(477)	Clinically Extremely Vulnerable Grant	-
<b>(166,240)</b>	<b>Total</b>	<b>(159,385)</b>



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

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
<b>Revenue Receipts in Advance</b>		
(474)	Department for Education	(282)
(249)	Department for Levelling Up, Housing and Communities	(17,287)
(961)	Department for Health	(377)
(19)	Department for Works and Pensions	(382)
(1,056)	Education & Skills Funding Agency	(1,954)
(311)	Department for Environment, Food and Rural Affairs	(218)
(1,892)	Home Office	(2,855)
(3,001)	Department for Business, Energy & Industrial Strategy	(26)
-	Public Health England	(497)
(426)	Other Local Authorities	(413)
-	Other Contributions	(34)
<b>(8,389)</b>	<b>Total</b>	<b>(24,325)</b>

31 March 2021 £000	Capital Receipts in Advance	31 March 2022 £000
(38)	Devolved Formula Capital Grant	(15)
(58)	Skinningrove Coast Protection	(58)
(659)	Cleveland Ironstone Mining Museum	(470)
(617)	National Productivity Investment Fund (A174/A66)	(568)
(559)	Pothole Grant	-
(426)	SALIX Public Sector Decarbonisation	-
(250)	Indigenous Growth Fund	(223)
(131)	Guisborough Town Hall Gateway Project	(240)
-	Redcar Train Station	(4,362)
-	Redcar & Cleveland College 4G Pitch	(250)
-	Loftus Future High Street Funds	(172)
<b>(2,738)</b>	<b>Total</b>	<b>(6,358)</b>

## Note 34 Unusable Reserves

31 March 2021 £000		31 March 2022 £000
(38,687)	Revaluation Reserve	(56,411)
(312)	Financial Instruments Revaluation Reserve	(312)
37,401	Capital Adjustment Account	27,447
17,768	Financial Instruments Adjustment Account	17,260
224,135	Pensions Reserve	160,527
12,966	Collection Fund Adjustment Account	7,558
872	Accumulating Compensated Absences Adjustment Account	857
1,218	Pooled Fund Adjustment Account	(346)
2,763	DSG Adjustment Account	3,347
<b>258,124</b>	<b>Total Unusable Reserves</b>	<b>159,927</b>

## 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).

2020/21 £000	Revaluation Reserve	2021/22 £000
(39,965)	<b>Balance at 1 April</b>	(38,687)
	Opening balance adjustment written off to CAA	
(4,717)	Upward revaluation of assets and impairment	(19,602)
3,870	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	695
(847)	(Surplus)/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(18,907)
1,091	Difference between fair value depreciation and historic cost depreciation	1,077
1,034	Accumulated gains on assets sold or scrapped	106
-	Non-current assets transferred direct to Capital Adjustment Account	-
2,125	Amounts written off to the Capital Adjustment Account	1,183
<b>(38,687)</b>	<b>Balance at 31 March</b>	<b>(56,411)</b>

### Financial Instruments Revaluation Reserve

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

payments. The balance is reduced when investments with accumulated gains are:

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

2020/21 £000	Financial Instruments Revaluation Reserve	2021/22 £000
(312)	Balance at 1 April	(312)
-	Upward revaluation of investments	-
-	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-
-	Accumulated gains on assets sold and maturing assets written out of the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
(312)	Balance at 31 March	(312)

### Capital Adjustment Account

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

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

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

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

2020/21 £000	<b>Capital Adjustment Account</b>	2021/22 £000
<b>22,379</b>	<b>Balance at 1 April</b>	<b>37,401</b>
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</u>	
11,457	Charges for depreciation and impairment of non-current assets	11,867
8,925	Revaluation (gains)/losses on Property, Plant and Equipment, Investment Properties and Assets Held for Sale	1,080
326	Amortisation of intangible assets	571
4,111	Revenue expenditure funded from capital under statute	4,389
12,510	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	900
<b>37,329</b>	<b>Net amount written out of the cost of non-current assets consumed in the year</b>	<b>18,807</b>
	<u>Capital financing applied in the year</u>	
(3,161)	Use of the Capital Receipts Reserve to finance new capital expenditure	(528)
-	Direct Revenue Financing	(158)
(292)	Write down long term debtor/capital receipt deferred	(153)
(13,289)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(22,113)
(5,519)	Statutory provision for the financing of capital investment charged against the General Fund in year (MRP)	(5,809)
(46)	Disposal expenses	-
<b>(22,307)</b>	<b>Total Capital Financing</b>	<b>(28,761)</b>
<b>37,401</b>	<b>Balance at 31 March</b>	<b>27,447</b>

### Financial Instruments Adjustment Account

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

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

2020/21 £000	Financial Instruments Adjustment Account	2021/22 £000
18,285	Debt - Balance as at 1 April	17,768
-	Premium incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-
(517)	Proportion of premiums incurred in the previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	(508)
<b>17,768</b>	<b>Total Debt</b>	<b>17,260</b>



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.

2020/21 £000	Pensions Reserve	2021/22 £000
<b>206,721</b>	<b>Balance at 1 April</b>	<b>224,135</b>
2,641	Actuarial (gains)/losses on pensions assets and liabilities	(85,843)
21,404	Reversal of items relating to retirement benefits debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	29,079
(6,631)	Employer's pensions contributions and direct payments to pensioners	(6,844)
<b>224,135</b>	<b>Balance at 31 March</b>	<b>160,527</b>

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

Collection Fund Adjustment Account

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

2020/21 £000	Collection Fund Adjustment Account	2021/22 £000
<b>1,603</b>	<b>Balance at 1 April</b>	<b>12,966</b>
14,569	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	(5,408)
<b>12,966</b>	<b>Balance at 31 March</b>	<b>7,558</b>



Accumulating Compensating Absences Adjustment Account

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

2020/21 £000	Accumulating Compensating Absences Adjustment Account	2021/22 £000
<b>992</b>	<b>Balance at 1 April</b>	<b>872</b>
(992)	Settlement or cancellation of accrual made at the end of the preceding year	(872)
872	Amounts accrued at the end of the current year	857
-	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	-
<b>872</b>	<b>Balance at 31 March</b>	<b>857</b>

Pooled Investment Fund Adjustment Account

The Department for Levelling Up, Housing and Communities (DLUHC) has granted a statutory override for fair value movements in pooled property investment funds for a period of at least five years. The reserve contains the gains and losses from movements in fair value through the Comprehensive Income and Expenditure Statement. The balance is reduced and the general fund is charged when either, a gain in fair value is realised, the investment is sold or the statutory override is discontinued (which is expected to occur on 31 March 2023).

2020/21 £000	Pooled Investment Fund Adjustment Account	2021/22 £000
<b>1,162</b>	<b>Balance at 1 April</b>	<b>1,218</b>
-	Upward revaluation of investments	(1,564)
56	Downward revaluation of investments	-
-	Change in impairment loss allowances	-
<b>1,218</b>	<b>Balance at 31 March</b>	<b>(346)</b>

### DSG Adjustment Account

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

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

<b>2020/21 £000</b>	<b>DSG Adjustment Account</b>	<b>2021/22 £000</b>
-	<b>Balance at 1 April</b>	<b>2,763</b>
2,191	19/20 Deficit transferred from usable to unusable reserves	-
572	In year DSG deficit	584
<b>2,763</b>	<b>Balance at 31 March</b>	<b>3,347</b>

## Note 35 Pensions Schemes Accounted for as Defined Contribution Schemes

### Teachers

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

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

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

In 2021/22, the Council paid £1.561 million to Teachers' Pensions Agency in respect of teachers' retirement benefits, representing 23.65% of pensionable pay. The figures for 2020/21 were £1.959 million and 23.68%. The difference between years relates to the transfer of two schools to academies during 2020/21.

The contributions the Council made to NHS Pensions was £0.189 million, representing 15.36% of pensionable pay. The figures for 2020/21 were £0.224 million and 17.09%.

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



## Note 36 Defined Benefit Pension Schemes

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

### **The Council participates in the following post-employment scheme:**

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

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

The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2019 and the contributions to be paid until 31 March 2021 resulting from the valuation are set out in the Fund's Rates and Adjustment Certificate.

### **Transactions Relating to Post-Employment Benefits**

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



2020/21 £000		2021/22 £000
Comprehensive Income and Expenditure Statement		
<u>Cost of Services</u>		
16,789	Current service cost	24,191
71	Past service costs (including curtailments)	-
-	Settlements	-
<u>Financing and Investment Income and Expenditure</u>		
17,055	Interest cost on liabilities	18,815
(12,511)	Interest income on assets	(13,927)
<b>21,404</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>29,079</b>
<u>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</u>		
(128,159)	Actual return on assets	(68,775)
140,757	Actuarial (gains)/losses on liabilities – financial assumptions	(15,897)
-	Actuarial (gains)/losses on liabilities – demographic assumptions	(4,904)
(9,957)	Actuarial (gains)/losses on liabilities - experience	3,733
<b>2,641</b>	<b>Total Actuarial (gains) and losses</b>	<b>(85,843)</b>
<b>24,045</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(56,764)</b>
<u>Movement in Reserves Statement</u>		
(21,404)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(29,079)
<u>Actual amount charged against General Fund Balance for pensions in the year</u>		
6,631	Employers' contributions payable to scheme	6,844

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

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

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

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

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

### **Guaranteed Minimum Pension (GMP) Indexation and Equalisation**

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



## Assets and Liabilities in Relation to Post-employment Benefits

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

Year to 31 March 2021 £000		Year to 31 March 2022 £000
(752,094)	<b>Opening balance at 1 April</b>	(895,278)
(16,789)	Current Service Cost	(24,191)
(17,055)	Interest Cost	(18,815)
(3,177)	Contributions by scheme participants	(3,352)
	<b>Re-measurement Gain</b>	
(140,757)	Actuarial gains/(losses) on liabilities – financial assumptions	15,897
-	Actuarial gains/(losses) on liabilities – demographic assumptions	4,904
9,957	Actuarial gains/(losses) on liabilities - experience	(3,733)
24,708	Benefits paid	26,156
(71)	Past Service Cost including Curtailments	-
-	Settlements	-
(895,278)	<b>Closing balance at 31 March</b>	(898,412)

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

Year to 31 March 2021 £000		Year to 31 March 2022 £000
545,373	<b>Opening balance at 1 April</b>	671,143
12,511	Interest Income on assets	13,927
128,159	Re-measurement gains/(losses) on assets	68,775
6,631	Contributions by the Employer	6,844
3,177	Contributions by scheme participants	3,352
(24,708)	Net Benefits paid out	(24,596)
671,143	<b>Closing balance at 31 March</b>	739,445

## Scheme History

	2021/22 £000	2020/21 £000	2019/20 £000	2018/19 £000	2017/18 £000	2016/17 £000	2015/16 £000
Present Value of Funded Scheme Liabilities	(879,357)	(874,891)	(730,838)	(752,413)	(719,078)	(701,024)	(618,782)
Present Value of Unfunded Scheme Liabilities	(19,055)	(20,387)	(21,256)	(23,404)	(24,375)	(24,966)	(24,473)
Fair Value of Scheme Assets	737,885	671,143	545,373	619,754	580,131	573,550	470,734
<b>Surplus/(Deficit) in the scheme</b>	<b>(160,527)</b>	<b>(224,135)</b>	<b>(206,721)</b>	<b>(156,063)</b>	<b>(163,322)</b>	<b>(152,440)</b>	<b>(172,521)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £160.527 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. This has decreased in 2021/22 by £63.608 million due to changes in financial assumptions, mainly related to higher returns on scheme assets and fluctuations in interest rates.

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

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

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2023 is £5.279 million.



## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the roll forward approach, an estimate of the pension fund assets and liabilities by adjusting the results of the last full actuarial valuation exercise using financial, demographic and experience assumptions. The scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

2020/21		2021/22
<u>Mortality assumptions (years)</u>		
Member aged 65 at accounting date:		
21.9	Men	21.7
23.6	Women	23.5
Member aged 45 at accounting date:		
23.3	Men	22.9
25.4	Women	25.3
2.70%	Rate of Inflation (Consumer Price Index)	3.20%
3.70%	Rate of increase in salaries	4.20%
2.70%	Rate of increase in pensions	3.20%
2.10%	Rate for discounting scheme liabilities	2.70%

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

Year to 31 March 2021		Year to 31 March 2022
%	Assets	%
79.8	Equities	67.5
7.5	Property	7.9
7.5	Cash	16.1
5.2	Other*	8.5
<b>100</b>	<b>TOTAL</b>	<b>100</b>

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

#### Estimated Pension Expense in Future Periods

Analysis of Amount Charged to Profit and Loss	Year to 31 March 2023 £000
Current Service Cost	23,414
Interest on Net Defined Benefit Liability	4,556
<b>Total Estimated Pension Expense</b>	<b>27,970</b>

## 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 2022 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.

<b>Funded LGPS Benefits</b>			
<b>Discount rate assumptions</b>			
Adjustments to discount rate	<b>+0.1% p.a.</b>	<b>Base Figure</b>	<b>-0.1% p.a.</b>
Present Value of total obligation (£M's)	864,252	879,357	894,462
% change in present value of total obligation	-1.7%		1.7%
<b>Rate of general increase in salaries</b>			
Adjustment to salary increase rate	<b>+0.1% p.a.</b>	<b>Base Figure</b>	<b>-0.1% p.a.</b>
Present Value of total obligation (£M's)	880,967	879,357	877,747
% change in present value of total obligation	0.2%		-0.2%
<b>Rate of increase to pensions in payment and deferred pensions assumptions, and rate of revaluation of pension accounts assumption</b>			
Adjustment to pension increase rate	<b>+0.1% p.a.</b>	<b>Base Figure</b>	<b>-0.1% p.a.</b>
Present Value of total obligation (£M's)	892,727	879,357	865,987
% change in present value of total obligation	1.5%		-1.5%
<b>Post retirement mortality assumption</b>			
Adjustment to mortality age rating assumption *	<b>-1 year</b>	<b>Base Figure</b>	<b>+1 year</b>
Present Value of total obligation (£M's)	915,293	879,357	843,421
% change in present value of total obligation	4.1%		-4.1%

\*a rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

## Note 37 Cash Flow Statement – Operating Activities

This note shows the cash inflow from operating activities. This adjusts the surplus/deficit on provision of services for non-cash items, and removes other items relating to financing or investing activities. This leaves the cash movement arising from taxation, grant income and payments from service users.

2020/21 £000		2021/22 £000
(27,635)	<b>Surplus/(Deficit) on Provision of Services</b>	415
	<u>Adjust net surplus/(deficit) on the provision of services for non-cash movements</u>	
12,874	Depreciation/Amortisation	13,514
8,925	Revaluation losses on Property, Plant & Equipment, Investment Property and Assets Held for Sale	1,081
1,665	Other non-cash items charged to the net surplus/(deficit) on the provision of services in year	138
5,300	Increase/(Decrease) in Creditors	12,599
(6,393)	(Increase)/Decrease in Debtors	3,372
13	(Increase)/Decrease in Inventories	24
14,773	Pension Liability	22,235
13,498	Carrying amount of non-current assets sold	1,006
50,655	Total	53,969
	<u>Adjust for items included in the net surplus/deficit on the provision of services that are investing or financing activities</u>	
(13,268)	Capital Grants Credited	(22,522)
-	Payment of premium on LOBO Loans	-
(1,133)	Proceeds from Sale of Assets	(432)
(14,401)	Total	(22,954)
<b>(8,619)</b>	<b>Net Cash flow from Operating Activities</b>	<b>31,430</b>

### Memo Item – Operating Activities – Interest

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

2020/21 £000		2021/22 £000
443	Interest Received	450
(14,292)	Interest Paid	(13,756)
<b>(13,849)</b>	<b>Total</b>	<b>(13,306)</b>

## Note 38 Cash Flow Statement – Investing Activities

The note below details cash flows arising from investing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

2020/21 £000		2021/22 £000
(18,859)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(23,909)
-	(Purchase)/Disposal of short- and long-term investments	(1,722)
(295)	Other Payments for Investing Activities	(1,384)
1,250	Capital Receipts	549
13,969	Other receipts for investing activities	26,307
<b>(3,935)</b>	<b>Net cash flows from investing activities</b>	<b>(159)</b>

## Note 39 Cash Flow Statement – Financing Activities

The note below details cash flows arising from financing activities. This shows the movement in cash flows that arise from the council's borrowing and other debt activities. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2020/21 £000		2021/22 £000
-	Cash receipts of short- and long-term borrowing	-
(2,478)	Other payments for financing activities	(2,613)
(16,272)	Repayment of short term/long term borrowing	(10,766)
4,639	Other payments for financing activities	(10,129)
<b>(14,111)</b>	<b>Net cash flows from financing activities</b>	<b>(23,508)</b>

## Note 40 Related Parties

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

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes many of the transactions that the Council has with other parties. Grants received from Government departments are set out in the subjective analysis in Note 7 on expenditure and income analysed by nature. Grant receipts outstanding at 31 March 2022 are also set out in Note 33.

Of the 59 Elected Members and 56 Chief and senior officers' posts, 51 Members and 56 Officers have provided details of any 'related party transactions', as required by the latest Code of Practice. There are no items declared that are material to the activities of the Council and its related parties apart from those details separately disclosed below. A number of Elected Members serve on community groups and associations who receive grants from the Council. All interests are declared in the Register of Members Interests. The Members have direct control over the financial and operating policies of the Council. The total of Members allowances for the 2021/22 financial year is shown in Note 13.

The Council's Chief Accountant, the Commercial and Legal Manager, and the Director of Adults, Communities and Environment 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 2021/22 was £0.061 million.

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

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

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

Some services are provided to bodies which seek to advance aims which the Council would support such as community development, economic regeneration and charitable purposes. Some of these services, such as payroll preparation and professional advice and support are provided without charge – but the total cost is not significant.

## Entities Controlled or Significantly Influenced by the Council

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

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

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

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

## Redcar and Cleveland Legal Services Limited and Cygnet Family Law:

During 2021/22, the Council completed the acquisition of 100% of the shareholding of Cygnet Family Law (company reference number 07000449). As part of this acquisition, the Council has set up a company called Redcar and Cleveland Legal Services Limited (company reference number 13165156) to hold 100% of the share capital held in Cygnet Family Law. The Council therefore owns 100% of Redcar and Cleveland Legal Services.

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

Redcar and Cleveland Legal Services Limited have prepared draft accounts to 31 March 2022 which await auditing. The company paid consideration of £3.000 million to acquire Cygnet Family Law. In order to fund the acquisition of Cygnet Family Law, Redcar and Cleveland Legal Services took out a loan of £1.300 million from the Council during 2021/22. Interest accrued on the loan, which increased the year-end value of this loan to £1.373 million as of 31 March 2022. Redcar and Cleveland Legal Services made a loss of £0.073 million during 2021/22, which was solely comprised of accrued interest payable on the loan from the Council. Redcar and Cleveland Legal Services Limited therefore have net assets of £1.627 million, underpinned by equity of £1.700 million and a cumulative loss account of £0.073 million.

Cygnet Family Law prepare their financial accounts to 30 June 2022 and are not yet available for inclusion within the draft statement of financial accounts for the Council. Cygnet have recently published audited accounts for a ten-month period to 30 June 2021. Prior to

that, their financial accounts were prepared to 31 August 2020. The draft financial accounts for Cygnet Family Law to 30 June 2022 will therefore be included in the final published audited accounts of the Council for 2021/22. For the year to 30 June 2021 (prior to being in the ownership of Redcar and Cleveland Legal Services Limited), Cygnet Family Law had turnover of £3.647 million (£3.695 million in the 12 months to 31 August 2020); made a profit before taxation of £1.701 million (£1.772 million in the 12 months to 31 August 2020); and profit after tax of £1.372 million (£1.435 million in the 12 months to 31 August 2020). Cygnet Family Law had net assets on 30 June 2021 of £2.405 million (£1.034 million as at 31 August 2020).

During 2021/22, the Council made payments to Cygnet Family Law of £1.677 million. Income of £0.006 million was received by the Council from Cygnet Family Law.

### **Veritau – Tees Valley Limited**

The Council owns a 25% shareholding in Veritau – Tees Valley Limited (company reference number 12363643). Veritau – Tees Valley is jointly owned by Middlesbrough Council (25%) and Veritau Limited (50%) (Company Reference Number 06794890). Veritau – Tees Valley provide internal audit and information governance services to the Council. During 2021/22, the Council paid £0.209 million to Veritau – Tees Valley for provision of these internal audit and information governance services. Veritau – Tees Valley was established in 2020.

Veritau – Tees Valley Limited's draft accounts to 31 March 2022 show the company has turnover of £0.418 million and operating loss of £0.011 million. After taking into consideration other items in the company's profit and loss account, including an actuarial gain on the company's pension fund liabilities, Veritau – Tees Valley Ltd made a surplus in total comprehensive income of £0.038 million. The company has net negative assets of £0.190 million.

### **Other Group Interests**

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

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



## Note 41 Contingent Assets and Liabilities

### CONTINGENT LIABILITY

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

There are no contingent liabilities pertaining to the Council's activities at 31 March 2022.

### CONTINGENT ASSET

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

There are no contingent assets pertaining to the Council's activities at 31 March 2022.

## Note 42 Statement of Accounting Policies

### GENERAL

The Statement of Accounts summarises the Council's financial transactions for the 2021/22 financial year and its financial position at the year ended 31 March 2022, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2021/22, produced under International Financial Reporting Standards. It also complies with the Service Code of Accounting Practice which constitutes proper practice under Part IV of the Local Government and Housing Act 1989.

### ROUNDINGS

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

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

## **ESTIMATION TECHNIQUES**

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

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

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

## **ACCRUALS OF INCOME & EXPENDITURE (DEBTORS & CREDITORS)**

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

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

are received and their consumption they are carried as inventories on the Balance Sheet where appropriate.

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

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. A change is only made when material and it is applied retrospectively (unless stated otherwise) by adjusting opening

balances and comparative amounts for the prior period as if the new policy had always been applied.

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

## **REVENUE**

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

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

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

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

### **Non-Domestic Rates (NDR)**

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

## **Council Tax**

Council tax income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

Both NDR, top up and safety net grant income and council tax will be recognised in the Comprehensive Income & Expenditure Statement in the line Taxation & Non-Specific Grant Income. Due to the Council having billing authority status, the difference between the NDR and council tax included in the Comprehensive Income & Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement. Each major preceptor's share of the accrued NDR and council tax Income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

The income for council tax and NDR is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority and the amount of the revenue can be measured reliably.

## **RESERVES**

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

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

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

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

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

### **EVENTS AFTER THE BALANCE SHEET DATE**

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

#### **Adjusting Events**

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

### **Non-Adjusting Events**

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

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

### **ACQUIRED OPERATIONS**

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

### **TRUST FUNDS**

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

### **GRANTS AND CONTRIBUTIONS**

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

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

## **EMPLOYEE BENEFITS**

### **Benefits payable during employment**

Benefits payable during employment cover two classes:

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

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

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

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

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

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

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

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

### **Termination benefits**

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

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

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

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

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

### **Post-employment benefits**

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

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

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

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

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

### **Local Government Pension Scheme**

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

### **Estimating the benefit that employees have earned**

Actuarial techniques are used to:

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

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

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

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

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

### **Determining the fair value of any pension fund assets**

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

### **Determining the re-measurement of actuarial gains and losses**

Re-measurement of actuarial gains and losses comprise of:

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

### **Past Service cost:**

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

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

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

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

A curtailment occurs when the Council either:

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

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

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

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

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

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

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

**Balance Sheet recognition**

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

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

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



### **Surplus or deficit on the provision of services**

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

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

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

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

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

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

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

### **VAT**

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

### **PROPERTY PLANT AND EQUIPMENT**

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

### **Recognition**

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

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

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

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

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

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

### **Measurement**

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

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

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

- Items of a specialised nature, where no market-based evidence is available: Depreciated replacement cost (current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation).
- Community assets: Depreciated historical cost (cost of acquisition adjusted for subsequent depreciation or impairment).
- Infrastructure assets: Generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.
- Non-property assets with short useful lives and/or low values: Depreciated historical cost (cost of acquisition adjusted for subsequent depreciation or impairment).
- All other classes of property, plant and equipment: Fair value (the amount for which an asset could be exchanged in an arms-length transaction).

### **Revaluation**

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

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

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

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

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

### **Impairment**

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

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

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

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

### **Depreciation**

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

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

- Land: No depreciation.
- Buildings: Straight-line allocation over the life of the property as estimated by the valuer. The lifespan of property ranges from between 1 - 60 years.
- Vehicles, plant and equipment: Straight line allocation generally between 5 and 10 years.
- Infrastructure: Straight-line allocation between 5 – 100 years.
- Community assets: No depreciation as generally in the form of land. The valuer assesses the useful life of any building included in this category.

Items of property, plant and equipment are not depreciated until the year after spend has occurred unless it relates to an Asset Under Construction when depreciation commences the year after completion (i.e. when the asset is in the location and condition

necessary for it to be capable of operating in the manner intended by management). Depreciation ceases at the earlier of the date that items of property, plant and equipment are classified as held for sale and the date they are derecognised.

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

### **Componentisation**

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

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

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

Where individual assets are beneath the de minimis threshold but collectively are above, they should be considered for

componentisation where they are generally treated together elsewhere.

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

### **Derecognition**

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

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

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

### **HERITAGE ASSETS**

Heritage assets are those assets that are intended to be preserved in trust for future generations, because of their cultural, environmental or historic significance. Heritage assets can include

historic buildings, archaeological sites, civic regalia, museums, gallery collections and works of art.

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

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

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

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

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

### **INVESTMENT PROPERTY**

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

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

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

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

### **INTANGIBLE ASSETS**

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

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

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

within their service revenue account. The amortisation period and method are reviewed at least at the end of each reporting period.

### **PRIVATE FINANCE INITIATIVE**

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

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

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

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

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

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



### **LEASES**

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

#### **The Council as lessee**

##### **Finance leases**

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

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

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

### **Operating leases**

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

### **The Council as lessor**

#### **Operating leases**

The Council accounts for these leases as operating leases. These assets are held on the Council's Balance Sheet according to the nature of the asset and rental income is recognised, in the surplus or deficit on the cost of services, on a straight-line basis over the lease term.

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

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

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

### **NON-CURRENT ASSETS HELD FOR SALE**

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

- the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- the sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;

- the asset must be actively marketed for a sale at a price that is reasonable in relation to its current fair value;
- the sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

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

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

### **CAPITAL RECEIPTS**

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

### **INVENTORIES**

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

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

### **CASH AND CASH EQUIVALENTS**

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

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

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

### **PROVISIONS**

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

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



- a reliable estimate can be made of the amount of the obligation.

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

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

## **FINANCIAL INSTRUMENTS**

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

### **Financial Assets**

Typical financial assets include a variety of instruments, including:

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

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

### **Financial Liabilities**

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

### **Recognition**

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

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

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

## **Classification & Measurement**

### **Financial Assets**

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

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

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

### **Financial Assets Measured at Amortised Cost**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Expected Credit Loss Model:**

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

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

### **Financial Liabilities:**

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

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

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

### **CONTINGENT ASSETS & LIABILITIES**

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

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

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

### **Interests in companies and other entities**

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



## 4. Collection Fund Accounts and Explanatory Notes



## Collection Fund Income and Expenditure Account

Council Tax £000	2020/21			2021/22		Total £000
	Council Tax £000	Non-Domestic Rates £000		Council Tax £000	Non-Domestic Rates £000	
<b>INCOME</b>						
(78,602)	-	(78,602)	Council Tax Receivable	(83,028)	-	(83,028)
(1,579)	-	(1,579)	Hardship Funding	(728)	-	(728)
-	(26,120)	(26,120)	Business Rates Receivable	0	(31,503)	(31,503)
<b>(80,181)</b>	<b>(26,120)</b>	<b>(106,301)</b>		<b>(83,756)</b>	<b>(31,503)</b>	<b>(115,259)</b>
<b>Apportionment of previous year's surplus/(deficit)</b>						
-	69	69	Central Government	-	(7,180)	(7,180)
299	68	367	Billing Authority	(1,099)	(7,036)	(8,135)
15	1	16	Cleveland Fire Authority	(52)	(144)	(196)
47	-	47	Cleveland Police & Crime Commissioner	(173)	-	(173)
<b>361</b>	<b>138</b>	<b>499</b>		<b>(1,324)</b>	<b>(14,360)</b>	<b>(15,684)</b>
<b>Precepts, Demands and Shares</b>						
-	18,552	18,552	Central Government	-	18,852	18,852
65,943	18,814	84,757	Billing Authority (RCBC)	68,828	18,474	87,302
3,140	377	3,517	Cleveland Fire Authority	3,212	377	3,589
10,380	-	10,380	Cleveland Police & Crime Commissioner	10,630	-	10,630
<b>79,463</b>	<b>37,743</b>	<b>117,206</b>		<b>82,670</b>	<b>37,703</b>	<b>120,373</b>
<b>Charges to the Collection Fund</b>						
-	(1,397)	(1,397)	Less: refunds written off against the appeals provision	-	(2,312)	(2,312)
2,750	545	3,295	Less: (Decrease)/Increase in Bad Debt Provision	1,017	(33)	984
-	1,082	1,082	Less: (Decrease)/Increase in Provision for Appeals	-	5,613	5,613
-	159	159	Less: Cost of Collection	-	159	159
-	931	931	Less : Transitional Protection Payment	-	(21)	(21)
-	2,112	2,112	Less: Disregarded amounts	-	2,109	2,109
<b>2,750</b>	<b>3,432</b>	<b>6,182</b>		<b>1,017</b>	<b>5,515</b>	<b>6,532</b>
2,393	15,193	17,586	(Surplus)/Deficit arising during the year	(1,393)	(2,645)	(4,038)
258	621	879	(Surplus)/Deficit brought forward 1 April	2,651	15,814	18,465
-	-	-	Adjustment to previous years surplus	-	-	-
<b>2,652</b>	<b>15,814</b>	<b>18,466</b>	<b>(Surplus)/Deficit carried forward 31 March</b>	<b>1,258</b>	<b>13,169</b>	<b>14,427</b>

## Notes to the Collection Fund

### GENERAL INFORMATION

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

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

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

For 2021/22, the proportions are as follows:

	Council Tax	Business Rates
Redcar and Cleveland Borough Council (General Fund)	83.25%	49.00%
Cleveland Police and Crime Commissioner	12.86%	0.00%
Cleveland Fire Authority	3.89%	1.00%
Central Government	0.00%	50.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

### NOTE 1 – COUNCIL TAX LEVELS AND TAX BASE

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

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

To allow for comparison between financial years and local authorities, the tax base is expressed as the number of Band D

equivalent properties in the Borough, which is calculated by multiplying the number of properties in a band by an appropriate weighting, ranging from 5/9 to 18/9 (A to H). Within the table the band D equivalent is adjusted for the local council tax support scheme.

Set out in the table are the Band D weightings, property numbers and income from each band level, as per the council tax base, which was set by the Council in February 2021. The council tax base for 2021/22 was 40,001.30 (39,840.00 in 2020/21). The increase is mainly due to property growth in the area and a reduction in council tax support costs.

Band	Property Value	Weighting to Band D	Number of Chargeable Dwellings No.	Band D Equivalent Incl. Council Tax Support No.	Redcar & Cleveland Demand Excluding Parishes £	Police Authority Demand Per Property £	Fire Authority Demand Per Property £	Total Demand Per Property £
A	Entitled to disabled relief	5/9	128.00	41.80	947.70	147.63	44.63	1,139.96
A	Up to £40,000	6/9	26,068.00	10,569.60	1,137.24	177.15	53.55	1,367.94
B	£40,001 - £52,000	7/9	13,260.00	8,081.80	1,326.78	206.68	62.48	1,595.94
C	£52,001 - £68,000	8/9	14,019.00	10,784.10	1,516.32	236.2	71.40	1,823.92
D	£68,001 - £88,000	9/9	5,664.00	5,160.70	1,705.86	265.73	80.33	2,051.92
E	£88,001 - £120,000	11/9	3,370.00	3,858.40	2,084.94	324.78	98.18	2,507.90
F	£120,001 - £160,000	13/9	946.00	1,272.80	2,464.02	383.83	116.03	2,963.88
G	£160,001 - £320,000	15/9	391.00	613.70	2,843.10	442.88	133.88	3,419.86
H	Over £320,000	18/9	14.00	22.50	3,411.72	531.46	160.66	4,103.84
			<b>63,860.00</b>	<b>40,405.40</b>				
Less non collection 0.5%				404.10				
Council Tax Base				<b>40,001.30</b>				



### NOTE 2 – COUNCIL TAX INCOME

The calculation of the council tax base takes into account an assumed number of exempt dwellings, disabled reductions and discounts. However, the opening liability does not take these assumptions into account. All exemptions, disabled reductions and discounts during the year are shown within the table to show the actual income collectable from council taxpayers.

The income is determined from the following sources:

2020/21 £000		2021/22 £000
(105,704)	Opening Liability	(110,266)
148	Disabled Band Reduction	159
24,801	Discount	24,838
2,153	Exemptions	2,241
<b>(78,602)</b>	<b>Income collectable from Council Taxpayers</b>	<b>(83,028)</b>



## Notes to the Collection Fund

### NOTE 3 – INCOME FROM NON-DOMESTIC RATES

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

2020/21			2021/22	
£000	£000		£000	£000
<b>Estimated Income</b>				
(98,004)		Gross Rateable Value	(97,612)	
49.9p		Multiplier (pence in the £)	49.9p	
	(48,904)	<b>Estimated Opening Debit</b>		(48,708)
<b>Actual Income</b>				
(47,447)		Actual Opening charges payable		(47,149)
	(47,447)			
5,310		Reduced Assessments		6,218
(931)		Transitional Protection		21
16,792		Mandatory Relief		9,144
158		Discretionary Relief		263
(1)		Part Occupied Charge S44a		-
	21,327			15,646
	(26,120)	<b>Actual Income Collectable</b>		(31,503)

## Notes to the Collection Fund

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

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

2020/21		2021/22		
Total £000		Council Tax £000	Non-Domestic Rates £000	Total £000
347	Cleveland Police & Crime Commissioner	162	-	162
263	Cleveland Fire Authority	49	132	181
7,907	Central Government	-	6,584	6,584
9,949	Redcar & Cleveland Borough Council	1,047	6,453	7,500
<b>18,466</b>		<b>1,258</b>	<b>13,169</b>	<b>14,427</b>



### NOTE 5 – COLLECTION FUND GLOSSARY OF TERMS

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

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

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

**Discount** – The Local Government Finance Act 2012 provides local authorities with the power to allow discounts on their council tax liability.

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

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

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

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

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

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

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

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

# 5. Auditor's Report



### Independent auditor's report to Redcar and Cleveland Borough Council

#### Report on the audit of the financial statements

#### Opinion on the financial statements

We have audited the financial statements of Redcar and Cleveland Borough Council (Council) for the year ended 31 March 2022, which comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31<sup>st</sup> March 2022 and of the Council's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom 2021/22.

#### Basis for opinion

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

requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

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

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

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

#### Other information

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

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

that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view. The Director of Finance (Section 151 Officer) is also responsible for such internal control as the Director of Finance (Section 151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance (Section 151 Officer) is required to comply with the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom 2021/22 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Finance (Section 151 Officer) is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can

arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We evaluated the Director of Finance (Section 151 Officer)'s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

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

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

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

## Auditor's Report

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

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

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

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

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

#### **Matter on which we are required to report by exception**

We are required to report to you if, in our view we are not satisfied that the Council has made proper arrangements for securing economy, efficiency

and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in this respect.

#### **Responsibilities of the Council**

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

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

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

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

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

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or



## Auditor's Report

- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### Use of the audit report

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

Gavin Barker  
Director  
For and on behalf of Mazars LLP

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

Date: [to be confirmed]

### 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 conclude the audit and issue the certificate for the year ended 31 March 2021; and
- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack for the year ended 31 March 2022.

## 6. Glossary of Terms

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Spitfire flyover on Armed Forces Day

### ACCOUNTING PERIOD

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

### ACCOUNTING POLICIES

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

- (a) Recognising
- (b) Selecting measurement bases for, and
- (c) Presenting

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

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the income and expenditure account or Balance Sheet it is to be presented.

### ACCRUAL

A sum included in the final accounts attributable to that accounting period but for which payment has yet to be made or income received. Accruals are made for revenue and capital expenditure and income.

### ACTUARIAL GAINS & LOSSES

For a defined benefit pension scheme the changes in actuarial deficits or surpluses that arise because:

- (a) Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- (b) The actuarial assumptions have changed.

### AMORTISED COST

A measure of the real cost that the Council bears by entering into a financial liability. This is not necessarily based on the contractual term but on the effective rate of interest within the contract.

### AGENCY

The provision of services by one body (the Agent) on behalf of, and generally reimbursed by, the responsible body.

### ASSET

An item having value in monetary terms. Assets are defined as current or non-current.

- a current asset will be consumed or cease to have value within the next financial year e.g. stock and debtors.
- a non-current asset provides benefits to the Council and to the services it provides for a period of more than one year.
- an asset held for sale is an asset that is currently in the process of being sold. They must be actively marketed, with the sale expected within 12 months.

### **AUDIT**

An independent examination of the Council's activities, either by Internal Audit or the Council's External Auditor, Mazars.

### **BALANCE SHEET**

A Statement of the recorded assets, liabilities and other balances at a specified date usually at the end of an accounting period.

### **BALANCES**

The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the general fund or any other fund.

### **BUDGET**

The forecast of revenue and capital expenditure over the accounting period.

### **CAPITAL CHARGES**

A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services.

### **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a non-current asset or expenditure which increases the benefit in service to the Council and not merely maintains the non-current asset.

### **CAPITAL FINANCING**

The raising of money to pay for capital expenditure. This includes borrowing, leasing, direct revenue financing (DRF), usable capital receipts, capital grants, capital contributions and revenue reserves.

### **CAPITAL FINANCING REQUIREMENT (CFR)**

A calculation to show the Council's underlying need to borrow to fund capital resources.

### **CAPITAL GRANT**

Grant used to finance specific schemes in the capital programme. Where capital grants are receivable, and all conditions are met and expenditure incurred, they are released to the Comprehensive Income & Expenditure Statement. Where conditions to the funder exist, or the Council may be required to repay the grant, it is held as a creditor. Where there are no conditions but the funding is not spent, it is carried forward as a usable reserve.

### **CAPITAL PROGRAMME**

The capital schemes the Council intends to carry out over a specific time period.

### **CAPITAL RECEIPT**

Income received from the disposal of land or other capital assets. Capital receipts can be utilised to finance new capital expenditure or on qualifying revenue spend that is forecast to generate ongoing savings to the Council. Any use of receipts on revenue spend must be approved by Council within the budget setting report.

### **CARRYING AMOUNT**

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

### **CASH AND CASH EQUIVALENTS**

Cash held by the Council, along with short term investments held for periods of less than 90 days.

### **CASH FLOW STATEMENT**

A statement summarising the inflows and outflows of cash, arising from transactions between the Council and third parties, for revenue and capital purposes.

### **CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING**

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code sets out the accounting concepts and accounting principles, which underpin the statement of accounts.

### **COLLECTION FUND**

A fund administered by the Council, which records all the income received in relation to local taxation and non-domestic rates. It also shows how the income has been distributed to the preceptors and the general fund.

### **COMMUNITY ASSETS**

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples are parks and historic buildings.

### **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

This statement brings together the income and expenditure relating to all the Council's functions and identifies how this is financed from local taxation and Government grants.

### **CONSISTENCY**

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

### **CONTINGENCY**

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

### **CONTINGENT ASSET**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

### **CONTINGENT LIABILITY**

A contingent liability is either:

- (a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or
- (b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

### **CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities is thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

### **COST OF CARRY**

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

### **COUNCIL TAX**

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

### **CREDITORS**

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

### **CURRENT ASSETS**

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

### **CURRENT LIABILITIES**

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

### **CURRENT SERVICE COST (PENSIONS)**

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

### **CURTAILMENT**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number

## Glossary of Terms

of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- (a) termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- (b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

### **DEBT OUTSTANDING**

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

### **DEBTORS**

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

### **DEFERRED CAPITAL RECEIPTS**

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

### **DEFERRED LIABILITIES**

Liabilities which, by arrangement, are payable beyond the next year, at some point in the future or paid off by an annual sum over a period.

### **DEFINED BENEFIT SCHEME**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

### **DEFINED CONTRIBUTION SCHEME**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

### **DEDICATED SCHOOLS GRANT (DSG)**

A ring-fenced central Government grant paid direct to the education service as fundamental support for its revenue expenditure.

## Glossary of Terms

### **DE MINIMIS**

A de minimis level is adopted to only reflect material transactions in the capital accounts. The Council's policy on de Minimis levels are outlined in the statement of accounting policies.

### **DEPRECIATION**

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passing of time or obsolescence through either change in technology or demand for the goods and services produced by the asset.

### **DERECOGNISED**

The process of removing a financial asset or financial liability from the Balance Sheet once performance under the contract is complete or the contract is terminated.

### **DIRECT REVENUE FINANCING**

Resources provided from the Council's revenue budget to finance the cost of capital projects.

### **DISCRETIONARY BENEFITS**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers, such as The Local Government (Discretionary

Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

### **EARMARKED RESERVES**

These reserves represent monies set aside that can only be used for a specific purpose.

### **EFFECTIVE RATE OF INTEREST**

The rate of interest that will discount all the cash flows that take place throughout the expected life of a financial instrument down to the fair value of the asset calculated at initial measurement.

### **ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM**

An ERP system consists of integrated software allowing the Council to record, report and process transactions to facilitate the management and planning of important parts of the organisation including human and financial resources. The Council's current ERP system is Unit 4 Business World (UBW).

### **EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.



### EXCEPTIONAL ITEMS

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

### EXPECTED RATE OF RETURN ON PENSION ASSETS

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

### EXTRAORDINARY ITEMS

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

### FAIR VALUE

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

### FINANCIAL INSTRUMENT

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

### FINANCE LEASE

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

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

### GENERAL FUND

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

### GOVERNMENT GRANTS

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

### HERITAGE ASSET

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

## Glossary of Terms

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

### **IMPAIRMENT**

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

### **INCOME**

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

### **INTANGIBLE ASSETS**

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

### **INFRASTRUCTURE ASSETS**

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

### **INTERNATIONAL ACCOUNTING STANDARDS (IAS)**

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

### **INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS)**

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

### **INVENTORIES**

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

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

### INVESTMENT PROPERTIES

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

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

### INVESTMENTS

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

### INVESTMENTS (PENSION FUND)

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

### LEASING

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

### LIABILITY

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

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

### LENDER OPTION BORROWER OPTION (LOBO)

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

### LOANS OUTSTANDING

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

### **LONG TERM CONTRACTS**

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

### **MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE II (MIFID II)**

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

### **MATERIALITY**

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

### **MEDIUM TERM FINANCIAL STRATEGY (MTFS)**

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

### **MINIMUM REVENUE PROVISION (MRP)**

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

### **MOVEMENT IN RESERVES STATEMENT**

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

### **NON-DOMESTIC RATES (NDR)**

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

## Glossary of Terms

### NET BOOK VALUE

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

### NET CURRENT REPLACEMENT COST

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

### NET DEBT

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

### NET REALISABLE VALUE

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

### NON-CURRENT ASSET

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

### NON-DISTRIBUTED COSTS

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

### OPERATING LEASE

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

### OPERATIONAL ASSETS

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

### PAST SERVICE COST

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

### PENSIONS INTEREST COST

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

### PRECEPT

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

### PREMIUMS

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

### PRIOR PERIOD ADJUSTMENTS

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

### PRIVATE FINANCE INITIATIVE

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

### PROJECTED UNIT METHOD

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

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

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

### PROVISION

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

### PRUDENCE

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

### **PUBLIC WORKS LOAN BOARD (PWLB)**

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

### **RATEABLE VALUE**

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

### **RELATED PARTIES**

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

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

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

### **RELATED PARTY TRANSACTIONS**

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

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

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

### RESERVES

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

### RESIDUAL VALUE

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

### RETIREMENT BENEFITS

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

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

### REVALUATION RESERVE

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

### REVENUE EXPENDITURE

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

### REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

### REVENUE SUPPORT GRANT (RSG)

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



## Glossary of Terms

### SAFETY NET

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

### SCHEME LIABILITIES

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

### SERVICE REPORTING CODE OF PRACTICE

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

### SETTLEMENT

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

- (a) A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- (b) The purchase of an irrevocable annuity contract sufficient to cover vested benefits and

- (c) The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

### SHAPING OUR FUTURE

This is the Councils change framework enabling the transformation of the Council into a new service delivery model.

### SPECIFIC GRANTS

Government grants given to local authorities and earmarked for specific services, e.g. Standards Fund Grant paid to Education Services.

### SUPPORT SERVICES

The costs of Directorates which provide professional and administrative assistance to services.

### TANGIBLE ASSETS

Expenditure which may properly be capitalised and results in an asset with physical substance. Examples of this type of expenditure are Land and Buildings, Infrastructure, Vehicle Plant and Equipment.

### TOP UP GRANT

A grant payable by central Government when a local authority's business rate income is less than that generated by the local Government finance settlement methodology.

### **TREASURY MANAGEMENT**

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

### **TREASURY MANAGEMENT STRATEGY (TMS)**

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

### **TRUST FUNDS**

Funds administered by the Council for such purposes as prizes, charities, specific projects, and on behalf of minors.

### **UNOBSERVABLE INPUTS**

Unobservable inputs are based on the reporting entity's own assumptions where market data is unavailable.

### **USEFUL LIFE**

The period over which the Council will derive benefits from the use of a fixed asset.

### **WORK IN PROGRESS**

The value of work done on an uncompleted project which has not been recharged to the appropriate account at the Balance Sheet date.

