



# Statement of Accounts 2018/2019

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**Stockton-on-Tees**  
BOROUGH COUNCIL

Big plans, bright future

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## OUR PLACE

Stockton-on-Tees is a Borough of wide contrasts; a mixture of busy town centres, urban residential areas and picturesque villages.

The principal settlements are Stockton, Billingham, Thornaby, Ingleby Barwick, Norton, and Yarm; whilst Wynyard is expected to grow into a substantial residential location.

The River Tees courses through the Borough and sustains a variety of uses; from a working river upstream; a leisure destination; and forming part of the tranquil green corridors.

The Borough is bounded by County Durham to the north; Darlington to the west; Middlesbrough, Redcar & Cleveland and Hartlepool to the east; and Hambleton to the south.

The Borough covers approximately 20,000 Hectares with a population of about 195,700 people living in 85,700 households.

Using indices of multiple deprivation, the Borough is ranked 88th most deprived out of the 326 local authorities in England. However, whilst 28% of the population live within the top 20% of most deprived areas of England, 28% live in the 20% least deprived areas.

## OUR REGION

Stockton-on-Tees is part of the wider Tees Valley region covered by five local unitary Councils (Stockton-on-Tees, Middlesbrough, Darlington, Redcar and Cleveland, Hartlepool).

The five Councils have a long track record of public and private partnership working to address strategic economic development and transport matters and have, through Tees Valley Unlimited (TVU), pooled strategic economic functions – covering business engagement, economic strategy and intelligence, inward investment, marketing and promotions, strategic transport, and investment planning.

This success of this strong partnership working has been built upon and further formalised through the creation of the Tees Valley Combined Authority which came into effect in April 2016. The first Tees Valley Mayor was elected in May 2017.

The creation of the Combined Authority has given us the opportunity to negotiate a devolution deal with Government. The devolution deal, which was agreed in October 2015, included a commitment of £15m per annum additional investment funding for 30 years and was firmly focused on driving economic growth across a range of areas: transport; education and skills, housing and place; business growth; culture; and innovation and energy.

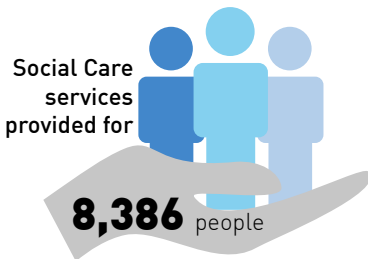
With opportunities for further funds to be added in future and the flexibilities to use funds between years it allows for much more ambitious investment planning in the Tees Valley than we have previously enjoyed.

## YOUR COUNCIL

- Been shortlisted in no fewer than 6 award categories, and also for the prestigious 'Council of the Year' award at the Association of Public Service Excellence Awards, winning the 'Best Service Team of the Year: Parks, Grounds and Horticultural' Award
- Maintained our Customer Service Excellence accreditation for the seventh consecutive year, securing the highest possible "compliance +" rating in 12 categories
- Continued to implement improvements in direct response to the Ipsos MORI residents' survey undertaken across the Borough in 2015
- Been ranked as best in the country by our residents in an annual public satisfaction survey carried out by independent market research specialist Ipsos MORI collecting local resident's perspectives on, and satisfaction with, Highway and Transport Services in Local Authority areas
- Received another extremely positive report from our Auditors, who said: "The Council is well aware of the financial challenges it is facing in the future" and "The Council remains well placed to face these challenges and officers continue to keep the overall position under close review"
- Continued to invest in our employees through the Shaping a Brighter Future programme, maintained our Silver Investor in People award and achieved the highest 'Continuing Excellence' level in the Better Health at Work Awards
- Continued to maintain a high survey response rate in our 2018 Employee Survey which shows that our staff strongly believe that the Council is a good place to work
- Continued to challenge and change the way we work and deliver our services with a 25% reduction in the size of our workforce since the programme of cuts began in 2010/11



# DURING THE LAST YEAR IN STOCKTON-ON-TEES



## OUR VISION

### ECONOMIC REGENERATION AND TRANSPORT

...is of an economically prosperous Borough that is dynamic, exciting and inviting with infrastructure to support the development of business start-ups, business growth, new jobs and skills.

**Big plans for an outstanding borough**

### ENVIRONMENT AND HOUSING

...is to make the Borough a better place to live and a more attractive place to do business with clean streets, carefully tended parks and open spaces, affordable and desirable housing.

**Big plans for our places and open spaces**

### COMMUNITY SAFETY

...is to make the Borough a place where levels of crime and fear of crime are low and people feel safe and secure.

**Big plans for keeping our communities safe**

### CHILDREN AND YOUNG PEOPLE

...is of a great place to grow up, where children and young people are protected from harm and supported to be the best they can be in life.

**Big plans for the young people of our borough**

### HEALTH AND WELLBEING

...is for a place where people are supported to be healthy.

**Big plans for the health of our people**

### STRONG COMMUNITIES

...is for communities that are diverse, cohesive, caring and vibrant.

**Big plans for helping our communities prosper**

### ADULTS

...is that people can get the right level and type of support at the right time to help, prevent, reduce or delay the need for ongoing support and maximise their independence.

**Big plans for the care we provide**

### ARTS, CULTURE AND LEISURE

...is of a Borough where our heritage, festivals, cultural activities and leisure facilities help us attract visitors and investment, and where sport and active leisure opportunities help people sustain healthier lifestyles.

**Big plans for great experiences**

## OUR COUNCIL

...is of a Council that prides itself on being open, honest and fair. On leading by example. On having big plans and the determination to see them through. We're facing difficult financial challenges and we can't do all we used to do so we're facing some tough decisions. Throughout this we'll stay focused on delivering genuine value for money, on setting the highest standards of public service, on communicating clearly and regularly with the community we serve and on being challenging, innovative and well organised.

## ECONOMIC REGENERATION AND TRANSPORT

- Continued to work with strategic partners to influence and attract investment opportunities to the Borough, and continued to raise the profile of the Borough as a place to do business with the use of the 'Made in Stockton' brand.
- Adopted the Local Plan which sets out a vision for future development in the Borough up to 2032, including policies for the long-term use of land that is sufficient and of a high quality to be attractive to new investment
- Acquired land at Belasis to safeguard employment uses at a strategic employment location
- Continued with works to deliver place based regeneration works across Stockton Town Centre including The Globe refurbishment, public realm enhancements completed on Silver Street and Bishop Street, Hampton by Hilton hotel
- Completed improvement works in Stockton Town Centre, Teesdale and Northshore to complement the Durham University International Study Centre students welcome events
- Continued to work in partnership to develop a Master Plan and Delivery Plan for Tees Marshalling Yards
- Commenced work on the new Ingleby Barwick leisure and library facility
- Commenced work on the new Crematorium
- Completed the England Coastal Path Phases 1, 2 and 3
- Delivered enhanced Green Infrastructure at various sites across the Borough
- Targeted recruitment and training approaches to maximise employment opportunities for local people e.g. Hampton by Hilton hotel
- Continue to work with partners to increase participation in the labour market by creating a range of opportunities for under-represented groups



## ENVIRONMENT AND HOUSING

- Commenced the Targeted Action Area initiative, working to support our local communities in North Thornaby and Central Stockton
- Continued working on The Big Community Energy Switch scheme
- Continued to progress the Affordable Warmth Strategy Action Plan to deliver projects that make a difference to the most vulnerable residents who need support
- Worked on progressing a number of high profile planning applications for large scale housing developments in various areas within the Borough such as Stockton, Norton, Yarm and Wynyard
- Continued to work with Thirteen on 2 key town centre redevelopment sites, phase 2 West End Gardens and Alma Street, to deliver 86 units of additional affordable housing
- Rolled out the Councils private sector Landlord Accreditation Scheme with over 1,000 properties and 150 landlords now members of the scheme
- Appointed a Joint Venture partner to work with the Council to deliver the Victoria housing site redevelopment
- Continued effectively delivering refuse and recycling collections effectively across the Borough with satisfaction levels of more than 90%
- Effectively managed the summer grass cutting programme including reviewing areas where grass cuts can be reduced to allow some rural and semi-rural areas to return to a natural state of cultivation and increasing the number of wildflower areas that have been planted across the Borough
- Worked closely with several external organisations to bring three of the former visitor centres in our Country Parks back into use (Wynyard, Billingham Beck and Cowpen Bewley)





## COMMUNITY SAFETY

- Continued to deliver effective community safety services in and around our local communities with continued investment in frontline such as civic enforcement services and the CCTV network
- Continued to invest in the ongoing replacement program of old CCTV equipment including upgrades at Ropner Park, a new scheme in Teesdale and further updates at all our main depots and buildings
- Dealt with increasing numbers of incidents which have resulted in a number of arrests and have carried out a number of footage reviews to support investigations, 60% of which were successful in providing evidence or new lines of enquiry
- Worked with various organisations at national and local level during National Licensing Week in June to help to raise awareness of licensing and its impact on everyday lives
- Launched Setting The Bar to all on-licensed premises operating in the Borough, promoting the benefits of operating above the minimum requirements of the Licensing Act 2003 in order to provide a higher standard of premises
- Continued with an active programme of enforcement of environmental health and trading standards cases



## HEALTH AND WELLBEING

- Supported the Health and Wellbeing Board in refreshing the Joint Health and Wellbeing Strategy for 2019 -2023
- Published the Pharmaceutical Needs Assessment for Stockton concluding that current community pharmacy provision in Stockton is sufficient
- Launched the new 0-19 wellbeing service within four family hubs across Stockton, integrating health visiting, school nursing and family weight management services and community outreach provision.
- Continued to focus on improving the oral health of children in the Borough through support to the supervised tooth brushing, the provision of toothpaste and toothbrushes through the 0-19 service and the roll out of the school fluoride varnish programme in areas with highest rates of dental decay
- Piloted a holiday enrichment programme to offer children, young people and families, healthy and nutritious food, alongside family focused activities within local communities
- Continued to offer a wide range of health and wellbeing services including stop smoking, weight management, drug and alcohol and sexual health services
- Continued to offer NHS health checks and Lung Health Checks to eligible population through GP practices
- Supported NHS England with the local launch of the national diabetes prevention programme working jointly with CCG
- Continued to support local businesses through the Better Health at Work Award
- Placed defibrillators in key areas of the Borough including Stockton Town Centre and Norton and offered training on how to use them
- Launched a winter health campaign including the promotion of flu vaccination, working with care homes and home care providers to promote flu vaccinations for patients and staff and funding the 'Warm Homes, Healthy People' programme



## CHILDREN AND YOUNG PEOPLE

- Launched the Family Hubs in April 2018 as centres for a variety of family focused services and projects
- Maintained take up of the existing free entitlement to 15 hours of education at 100%
- Delivered the required numbers of places in relation to the roll out of the 30 hours of support overall and supported a gradual increase in uptake
- Achieved the best secondary school results in the north east
- Significantly improved to 100% the proportion of Education Health and Care Plans being issued in 20 weeks, compared to 66.9% nationally
- Expanded our new edge of care service to help more young people stay safely with their families
- Continued to develop family group conferencing to support families to take control of their lives
- Seen the rate of children in need reduce, assisting our social workers to have manageable caseloads
- Worked with partners to establish Adoption Tees Valley
- Launched the new Corporate Parenting Board and the Our Family Strategy for children in, and leaving, our care



## STRONG COMMUNITIES

- Prepared for the May 2019 Local Elections and updated the Register of Electors
- Concluded the Parliamentary Boundary review, with the new constituencies to take effect at the next scheduled General Election in 2022
- Carried out extensive work throughout the year through the Locality Forums, to provide support people through the introduction of Universal Credit and to support Foodbanks, Holiday Hunger programmes and the Get Winter Ready Campaign
- Carried on with Infinity Partnership work this year focussed on support for people through the introduction of Universal Credit
- Opened the latest Big Community Switch programme in August to provide access to cheaper fuel deals
- Continued to work with Catalyst to support the VCSE sector, the annual review of the Council's partnership with Catalyst was undertaken this summer and delivery against all objectives continues to be strong
- Worked with Tees Valley Community Foundation to support co-ordinated grant-giving and provision of free professional expertise to charities across the Borough
- Supported Tees Credit Union to move to new premises on Dovecot Street in Stockton, following their merger with Moneywise
- Continued to work with Catalyst and members of the Volunteering Partnership to deliver the Volunteering Strategy for the Borough
- Continued to support the transfer of community assets and improve the governance and sustainability of community centres across the Borough, including at Primrose Hill, Clarences, Yarm, Willows and Parkfield
- Developed a new approach to consultation with young people as part of the Bright Minds Big Futures (BMBF) initiative
- Continued to consult widely on major policy proposals and service changes affecting the Borough including the new Local Plan, selective Licensing proposals, grave personalisation, proposed parking changes in Yarm



## ADULTS

- Worked on the Improving Pathway of Care for Dementia scheme that delivers an integrated service to support people with dementia and their carers through their journey
- Continued to develop The Livewell Dementia Hub as a single point of contact for anything relating to dementia
- Worked closely with the CCG to implement to capacity tracker into the local care home sector: this will provide greater accuracy and reliability of information on care home capacity to professionals in support of service users
- Developed the Community Integrated Intermediate Care (CIIC) project will act as the catalyst in order for services to come together and evolve into a multidisciplinary health and social care offer for the people of the Borough
- Implemented the Dementia Advisor Service that supports people with dementia, their carers and families by providing specialist information on dementia, identifying support networks, and coping strategies and signposting and/or referring them to appropriate services
- Continued to support vulnerable adults who are self-neglecting through advisory services to social workers and other partner organisations as well as delivering physical clearance and animal welfare services to clients
- Provided specialist mental health input for people with dementia as part of Multi-Disciplinary Service
- Continued to support the Teesside Safeguarding Adults Board with all key partners and organisations working together to protect adults rights to live safely and free from abuse and neglect
- Worked in partnership with NHSE Leadership Academy to develop a “Well Led” leadership programme for registered managers of providers in Stockton-on-Tees



## ARTS, LEISURE AND CULTURE

- Staged the first Stockton Super Car Saturday in the High Street in May, attracting an estimated 5,000 visitors
- Staged the Stockton Cycling Festival in July incorporating the National Championship Circuit Race, alongside the closed road family rides, the sportive and the stunts and entertainment on the Riverside
- Hosted The Danger Tree art exhibition as part of commemorations to mark the centenary of the end of World War I
- Presented 150 shows at SIRF 2018, making it the biggest programme since 2000 with 93% of SIRF visitors satisfied or very satisfied with the event and 92% believing it is a good promotion of Stockton as a place to live, work or visit
- Welcomed 185,000 visitors to Preston Park, Museum & Grounds through the museum since April and continued to deliver a varied and inclusive programme of events for families.
- Hosted The Behind the Seams exhibition at Preston Park Museum & Grounds that has seen the most visitor numbers for any exhibition in the museum history
- Further developed the Digital Offer in libraries and have been working with a number of partners including Learning and Skills, ARC, Public Libraries 2020 and local health providers to develop digital skills for our customers in our innovation Station
- Continued working with Tees Active to develop and refine a responsive leisure offer across their portfolio of facilities that meet the changing needs of our communities whilst also being financially viable.
- Continued to grow the Funky Feet and Sisters-R-Doing-It initiatives
- Expanded the national award winning Sporting Steps initiative for adults with learning disabilities and/or mental health conditions
- Delivered one of the biggest free fireworks display within the North East Region, attracting over 40,000 visitors on Stockton Riverside and Teesdale locations



## GOVERNANCE

The Council continues to review and update its governance arrangements to ensure they remain relevant and fit for purpose. During the year a fundamental review of the Council's constitution concluded and significant changes made all of which will be implemented in 2019/20.

## RISKS AND OPPORTUNITIES

The Council maintains a Strategic Risk Register which highlights all major risk areas and includes details about the risk, existing controls and required actions. The risk register is regularly reviewed and updated and reported to the Audit Committee.

There are a number of principal risks the Council currently is managing. These include:

- The availability and uncertainty of financial resources needed to meet key objectives continues to create a risk environment. The main controls in place include careful financial planning through the medium term financial plan, the delivery and monitoring of savings programmes, timely monitoring and reporting of financial performance, maximising income generation and taxation collection and a good understanding and interpretation of changes to funding regimes.
- The availability of human resources with the appropriate skills and competencies. The main controls in place include regular reviews and updates of HR policies to ensure they are in line with the Council's strategic aims, the delivery of the Council's Shaping a Brighter Future Programme aimed at getting the right people in place with the right organisational culture needed to deliver high quality services, an apprenticeship programme, provision of high quality training, a focus on health and wellbeing of the workforce and management of sickness absence.
- Providing an information governance framework to effectively manage information security and protect personal data. Main controls include an action plan to meet the requirements of GDPR, information governance policies and procedures, robust information security systems to protect ICT systems, employee training and a revised approach to records management.
- Delivering prosperous communities to minimise poverty and maximise life chances. Main controls include the regular monitoring of welfare reform activity and impact, providing financial support to residents through resources such as the Tees Credit Union, providing advice and information services including welfare support and multi-agency strategic planning.
- The growth in demand for services such as adult social care and children's services caused by an aging population with more complex needs and an increase in the number of looked after children. Main controls include an investment in preventative services to slow the demand and a better understanding of demand drivers.

The Council has identified a number of opportunities to reduce costs and improve services. These include:

- The Smarter Working Programme aims to use technology and building assets more effectively and efficiently and to improve access channels for residents.
- Commercial activity such as the development by the Council of a new hotel in Stockton town centre and the construction of a crematorium.
- The establishment of shared services such as the regional adoption agency, Adoption Tees Valley, the Internal Audit Shared Service and collaborative procurement arrangements such as those through the North East Procurement Organisation (NEPO).

## APPROACH TO FINANCIAL MANAGEMENT

The Council has recognised for a number of years the financial challenges it faces and the need to prepare well in advance. There has been a reduction in Government funding between 2010/11 and 2019/20 of £73m. Our approach to financial planning over the long-term has allowed us to plan ahead and has meant that we have been able to operate a managed approach to delivering savings. This includes opportunities for Invest to Save and exploring alternative models of service delivery.

The Council has a long history of providing value for money and delivering strong financial management which has again been reinforced by the External Auditor in his report to Cabinet in September 2018 which stated:

*“The Council is well aware of the financial challenges it is facing in the future. The Medium Term Financial Plan (MTFP) has been refreshed and updated for known pressures, events and assumptions as part of the 2018/19 budget setting process. The Council remain well placed to face these challenges and Officers continue to keep the overall position under close review.”*

As part of this approach, there is a strong track record of delivering savings and efficiencies and the Council remains well prepared for the challenges ahead.

The approach has meant that savings have been delivered in a planned and managed way. The Council will have delivered savings of around £45m by 2019/20 through various means. The Council has tried to protect front line services wherever possible and significant elements of the programme have been delivered through a series of reviews, freezing budgets, Invest to Save schemes and innovative changes to delivery models, such as the Council’s Smarter Working Programme.



## FUNDING POSITION

The Medium Term Financial Plan has recently been updated, indicating that in addition to reductions on government funding the Council also expects to see increasing demand for services over the next few years.

A large body of evidence exists highlighting the immediate and long term pressures local authorities are facing in relation to Children's and Adults Social Care. The Budget in Autumn 2018 announced a limited level of funding to fund short term pressures in 2018/19 and 2019/20 but did not address the long term issues.

A key issue facing all Local Authorities is the lack of certainty in funding post 2020 and there are a number of key issues which come together at that time to make planning extremely difficult:

- Spending Review – A Spending Review is scheduled for Spring/Summer 2019. This will inform the quantum of resources available to Local Government and to other Government Departments. It is not currently possible to know whether there will be any changes to the quantum level and what this will mean.
- Retention of Business Rates – As reported previously, the Government is now working towards business rates retention at a level of 75%, with a target introduction date of April 2020. Despite a significant amount of national work it is still unclear how this system will work and therefore the impact on Stockton.
- Fair Funding Review - the Government are conducting a review of the formula used to calculate the base level of funding for each Council which is used to redistribute elements of business rates through tariff and top ups. This is an extremely complex area and will result in winners and losers and it is still unclear how this will be introduced.

The Council will continue to monitor the situation on all these matters extremely closely and participate in working groups and consultation exercises to try and understand the position but all of these things together make planning post 2020 extremely difficult.

## REVENUE YEAR END

Performance against revenue budgets for 2018/19 by service departments is shown in the table below. Against the backdrop of increasing pressures actual spending on services generated a small saving in year and was within 0.4% of budget overall. This reflects sound financial management and good budgetary control.

Service Departments	Approved Budget	Actual	Variance
Expenditure	£m	£m	£m
Adults & Health	71.495	70.707	(0.788)
Children's Services	36.927	37.301	0.374
Community Services	28.772	28.619	(0.153)
Corporate Management & Services	8.074	7.600	(0.474)
Culture, Leisure & Events	8.445	8.484	0.039
Economic Growth & Development	7.785	7.513	(0.271)
Finance & Business Services	8.146	8.302	0.155
HR, Legal & Comms	4.876	5.262	0.386
<b>Net Expenditure on Services</b>	<b>174.520</b>	<b>173.788</b>	<b>(0.732)</b>



## CAPITAL

The Council has an ambitious 4 year capital programme of £163m which will deliver a range of objectives to achieve our vision. Major schemes included within the plan are;

- New lesiure facililty within Ingelby Barwick
- Substanital investment within schools
- Stockton Town Centre investment - including the Globe
- Reshaping Town Centres
- Building of a Crematorium

The current capital programme is set out below.

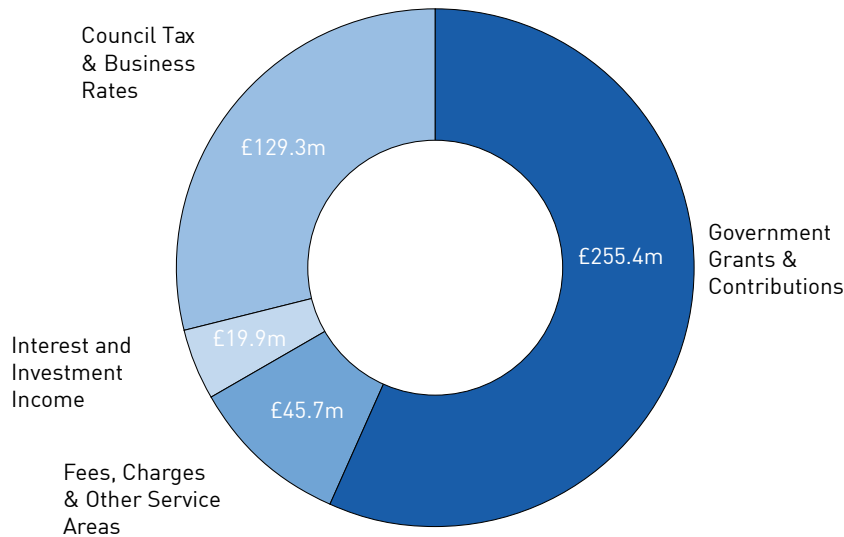
Expenditure	Outturn	Three Year Plan			Total
	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	£m
Schools Capital	7.890	18.825	6.513	16.068	<b>49.296</b>
Housing Regeneration	0.948	1.976	0	0	<b>2.924</b>
Stockton Town Centre	17.577	15.358	3.526	0.110	<b>36.571</b>
Other Regeneration Schemes	0.160	23.840	6.000	0	<b>30.000</b>
Local Transport Plans	0.000	0.393	0	0	<b>0.393</b>
Other Transport Schemes	4.731	4.985	0	0	<b>9.716</b>
Developer Agreements	1.060	2.080	0	0	<b>3.140</b>
Private Sector Housing	1.163	0.113	0	0	<b>1.276</b>
Building Management & Asset Review	1.810	2.213	0	0	<b>4.023</b>
Resources / ICT & Infrastructure	0.455	0.934	0	0	<b>1.389</b>
Energy Management Schemes	0	0.340	0	0	<b>0.340</b>
Other Schemes	9.481	13.999	0.868	0	<b>24.348</b>
<b>Total Expenditure</b>	<b>45.275</b>	<b>85.056</b>	<b>16.907</b>	<b>16.178</b>	<b>163.416</b>
Funding					
Grants and Other Contributions	20.482	32.241	6.140	16.068	<b>74.931</b>
Capital Receipts & Reserves	0.746	14.869	0.876	0.110	<b>16.601</b>
Borrowing	24.047	37.946	9.891	0.000	<b>71.884</b>
<b>Total Funding</b>	<b>45.275</b>	<b>85.056</b>	<b>16.907</b>	<b>16.178</b>	<b>163.416</b>

## INCOME SOURCES

### Core Funding

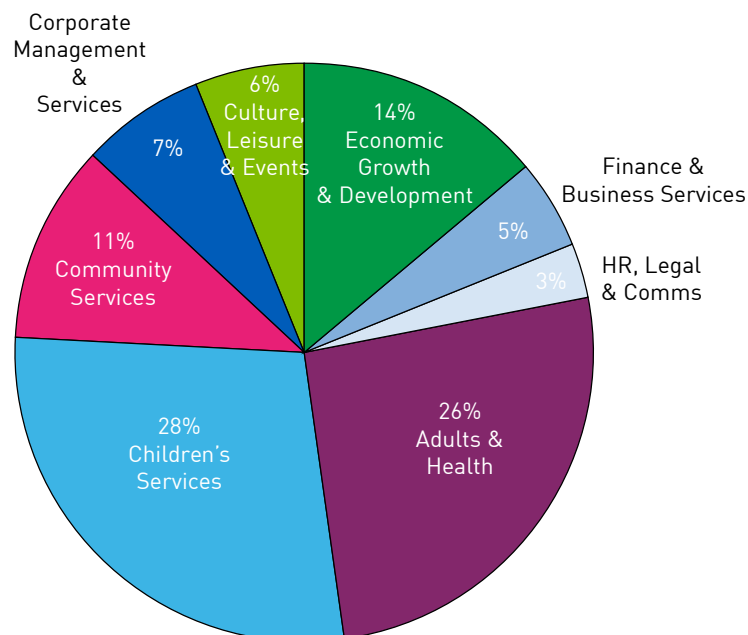
In common with the rest of local government, the Council has seen a reduction in its core government funding in recent years. The Government's aim is to phase out non-specific grant funding altogether, instead allowing local authorities to retain a higher proportion of business rates collected locally.

Total core funding for 2018/19 is presented below:



## NET EXPENDITURE

Net Expenditure included in the Comprehensive Income and Expenditure Statement shows the economic cost in year of providing services in accordance with generally accepted accounting practices. As a percentage, net expenditure for the year is demonstrated in the chart below



## Addressing Future Challenges

The Medium Term Financial Plan has recently been updated, indicating that in addition to reductions in government funding the Council also expects to see increasing demand for services over the next ten years. Population growth will put pressure on both adult social care and services for children. Anticipated changes to the Better Care Fund, Universal Credit Scheme and New Homes Bonus will also affect the Council's finances.

To balance the budget there will be a continuing need for service transformation, efficiencies and other savings initiatives for the foreseeable future.

### CORE FINANCIAL STATEMENTS

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2018. It comprises core and supplementary statements, together with disclosure notes.

The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which in turn is underpinned by International Financial Reporting Standards. The Core Financial Statements are;

#### **Movement in Reserves Statement (MIRS)**

This statement is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "useable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific purposes.

#### **Comprehensive Income and Expenditure Statement (CIES)**

This records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding.

#### **Balance Sheet**

The Balance Sheet is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date.

#### **Cash Flow Statement**

Shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

#### **Notes to the Financial Statements**

The Notes to these financial statements provide more detail about the Council's accounting policies and individual transactions.

#### **The Group Accounts**

Report the full extent of the assets and liabilities of the Council and the companies and similar entities, which the Council either controls or significantly influences. The Council has consolidated not only the interests, which are financially material to the Council, but also the non-material interests, to provide a full picture of the Council's arrangements for good governance.

# MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Revised Balance at 1st April 2017</b>	87,180	529	10,302	98,011	7,249	105,260
<b><u>Movement in reserves during 2017-18</u></b>						
Total Comprehensive Income and Expenditure	(36,884)	-	-	(36,884)	8,919	(27,965)
Adjustments between accounting basis & funding basis under regulations (Note 6)	26,593	714	6,488	33,795	(33,795)	-
<b>Increase/Decrease in Year</b>	<b>(10,291)</b>	<b>714</b>	<b>6,488</b>	<b>(3,089)</b>	<b>(24,876)</b>	<b>(27,965)</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>76,889</b>	<b>1,243</b>	<b>16,790</b>	<b>94,922</b>	<b>(17,627)</b>	<b>77,295</b>
<b><u>Movement in reserves during 2018-19</u></b>						
<b>Opening Balance 01 April 2018</b>	<b>76,889</b>	<b>1,243</b>	<b>16,790</b>	<b>94,922</b>	<b>(17,627)</b>	<b>77,295</b>
Total Comprehensive Income and Expenditure	(20,583)	-	-	(20,583)	(15,666)	(36,249)
Adjustments between accounting basis & funding basis under regulations (Note 6)	16,742	(198)	17,153	33,697	(33,697)	-
<b>Increase/Decrease in Year</b>	<b>(3,841)</b>	<b>(198)</b>	<b>17,153</b>	<b>13,114</b>	<b>(49,363)</b>	<b>(36,249)</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>73,048</b>	<b>1,045</b>	<b>33,942</b>	<b>108,035</b>	<b>(66,989)</b>	<b>41,046</b>
<b>General Fund analysed over:</b>						
Amounts earmarked (Note 7)	64,690					
Amounts uncommitted	8,358					
<b>Total General Fund Balance at 31 March 2019</b>	<b>73,048</b>					

# COMPREHENSIVE INCOME & EXPENDITURE STATEMENT FOR THE YEAR ENDED MARCH 2019

The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding analysis and the Movement in Reserves Statement.

2017-18				2018-19		
£000s	£000s	£000s		£000s	£000s	£000s
Expenditure	Income	Net		Expenditure	Income	Net
95,803	(52,110)	43,693	Adults & Health	99,279	(54,810)	<b>44,469</b>
155,757	(105,132)	50,625	Children's Services	146,767	(98,907)	<b>47,860</b>
24,817	(1,824)	22,993	Community Services	21,688	(2,200)	<b>19,488</b>
21,056	(7,520)	13,536	Corporate Management & Services	19,762	(8,332)	<b>11,430</b>
14,031	(3,528)	10,503	Culture, Leisure & Events	14,565	(3,890)	<b>10,675</b>
29,228	(6,667)	22,561	Economic Growth & Development	31,399	(7,158)	<b>24,241</b>
80,982	(72,327)	8,655	Finance & Business Services	75,000	(65,959)	<b>9,041</b>
4,614	(478)	4,136	HR, Legal & Comms	5,152	(543)	<b>4,609</b>
426,288	(249,586)	176,702	<b>Cost Of Services</b>	<b>413,612</b>	<b>(241,799)</b>	<b>171,813</b>
			<b>Other Operating Expenditure:</b>			
744	-	744	Parish council precepts	832		832
-	-	-	Payments to the Government Housing Capital Receipts Pool			-
8,087	-	8,087	(Gain) or loss on the disposal of non-current assets	4,594		4,594
			<b>Financing and Investment Income and Expenditure:</b>			
3,755		3,755	Interest payable and similar charges	3,778		3,778
			Net (gains) / losses on financial assets at fair value through profit and loss		576	576
23,677	(18,525)	5,152	Net interest on the net defined benefit liability/asset	25,313	(19,680)	5,633
	(541)	(541)	Interest receivable and similar income		(835)	(835)
19,977	(15,453)	4,524	(Gain) or loss on trading accounts (not applicable to service)	17,023	(10,366)	6,657
420	(397)	23	Income & costs and changes in fair value relating to investment properties	5,135	(877)	4,258
			<b>Taxation and Non-Specific Grant Income:</b>			
-	(80,946)	(80,946)	Council tax income		(86,744)	(86,744)
-	(38,800)	(38,800)	Retained Business Rates	599	(42,521)	(41,922)
-	(20,682)	(20,682)	Non-ringfenced government grants		(15,253)	(15,253)
-	(21,134)	(21,134)	Capital grants and contributions		(32,804)	(32,804)
482,948	(446,064)	36,884	<b>(Surplus) or Deficit on Provision of Services</b>	<b>470,886</b>	<b>(450,303)</b>	<b>20,583</b>
		(5,799)	(Surplus) or deficit on revaluation of non current assets			(1,522)
		407	(Surplus) or deficit on revaluation of available for sale financial assets			(407)
		(3,528)	Re-measurements of the defined benefit liability			17,596
		1	Other (gains) and losses			(1)
		(8,919)	<b>Other Comprehensive Income and Expenditure</b>			<b>15,666</b>
		27,965	<b>Total Comprehensive Income and Expenditure</b>			<b>36,249</b>

# BALANCE SHEET AS AT MARCH 2019

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

	Note	31 March 2019 £000s	31 March 2018 £000s
<b>Non-current assets</b>			
Property, plant and equipment	11	292,424	295,787
Investment property	13	18,749	6,339
Intangible assets		64	88
Heritage Assets	12	10,728	9,625
Long term investments	29	14,801	9,970
Long Term Debtors	29	1,105	302
<b>Total non-current assets</b>		<b>337,871</b>	322,111
<b>Current assets</b>			
Short term investments	29	-	8,490
Inventories		275	285
Debtors	15 & 29	42,873	33,446
Cash and Cash Equivalents	16	13,646	30,760
Assets held for sale		6,242	5,733
<b>Total current assets</b>		<b>63,036</b>	78,714
<b>Current liabilities</b>			
Cash and Cash Equivalents	16	(6,784)	(3,723)
Short Term Borrowing	29	(71)	(156)
Short Term Creditors	17 & 29	(34,740)	(36,185)
Provisions	33	(7,016)	(4,378)
<b>Total current liabilities</b>		<b>(48,611)</b>	(44,442)
<b>Long term liabilities</b>			
Long Term Creditors	29	(193)	(192)
Long Term Borrowing	29	(47,187)	(47,258)
Other Long Term Liabilities	18 & 29	(263,622)	(230,924)
Grants Receipts in Advance	28	(248)	(714)
<b>Total long term liabilities</b>		<b>(311,250)</b>	(279,088)
<b>Net Assets:</b>		<b>41,046</b>	77,295
<b>Reserves</b>			
<b>Usable reserves:</b>			
General Fund Balance		8,358	7,625
Earmarked General Fund Reserves	7	64,690	69,264
Capital Receipts Reserve		1,045	1,243
Capital Grants Unapplied		33,942	16,790
		<b>108,035</b>	94,922
<b>Unusable Reserves:</b>			
Revaluation Reserve	20	51,104	50,440
Available for Sale Financial Instruments Reserve		-	(30)
Capital Adjustment Account	19	141,052	154,033
Financial Instruments Adjustment Account		(546)	(629)
Pooled Fund Adjustment Account		(576)	-
Financial Instruments Revaluation Reserve		377	-
Deferred Capital Receipts Reserve		154	154
Pensions Reserve		(257,036)	(223,917)
Collection Fund Adjustment Account	21	(150)	3,897
Accumulated Absences Account		(1,368)	(1,575)
		<b>(66,989)</b>	(17,627)
<b>Total Reserves:</b>		<b>41,046</b>	77,295

Cllr Barry Woodhouse  
Chair of the Audit & Governance Committee  
31 July 2019



# CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

	Note	2018-19 £000s	2017-18 £000s
<b>Net (surplus) or deficit on the provision of services</b>		<b>20,583</b>	36,884
<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements:</b>			
Depreciation, impairment and amortisation of non current assets		(19,660)	(18,810)
Revaluation (gains)/losses		(6,456)	(9,973)
Pension Fund adjustments		(15,523)	(14,652)
Carrying amount of Non-Current Assets Sold		(5,328)	(11,643)
Other non-cash movement		1,854	7,667
Increase/(Decrease) in Inventories (Stock)		(10)	(55)
Increase/(Decrease) in Debtors		8,313	827
(Increase)/Decrease in Creditors		2,787	1,480
(Increase)/Decrease in Provisions		(2,638)	(1,140)
Increase/(Decrease) in Long Term Debtors		803	(219)
		<b>(35,858)</b>	<b>(46,518)</b>
<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>			
Capital Grants credited to surplus or deficit on the provision of services		36,374	24,694
Proceeds from the disposal of non current assets		548	2,912
		<b>36,922</b>	<b>27,606</b>
<b>Net cashflow from operating activities</b>		<b>21,647</b>	17,972
<b>Investing activities</b>			
Purchase of property, plant and equipment, investment property and intangible assets		40,203	24,427
Purchase of short term and long term investments		4,831	18,500
Proceeds from the sale of property, plant and equipment, investment property and intangibles		(548)	(2,912)
Proceeds from short term and long term investments		(8,520)	(20,046)
Other receipts from investing activities		(35,908)	(24,809)
<b>Net cashflow from investing activities</b>		<b>58</b>	<b>(4,840)</b>
<b>Financing activities</b>			
Other receipts from financing activities		(2,232)	(7,668)
Cash payments for liabilities relating to finance leases and PFI Contracts		546	693
Repayments of short and long term borrowings		156	729
<b>Net cashflow from financing activities</b>		<b>(1,530)</b>	<b>(6,246)</b>
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>20,175</b>	6,886
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>(27,037)</b>	(33,923)
<b>Cash and cash equivalents at the end of the reporting period</b>	15	<b>(6,862)</b>	(27,037)
<b>The cashflow for operating activities includes the following items:</b>			
Interest received		(199)	(127)
Dividends received		(608)	(329)
Interest paid		2,577	2,606



## Note 2: Notes to the Expenditure and Funding Analysis

<b>Adjustments between Funding and Accounting Basis 2018-19</b>				
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Adults & Health	726	1,377	(15,110)	<b>(13,007)</b>
Childrens Services	1,988	3,439	2,708	<b>8,135</b>
Community Services	3,964	589	4,594	<b>9,147</b>
Corporate Management & Services	(676)	722	3,240	<b>3,286</b>
Culture, Leisure & Events	1,432	576	183	<b>2,191</b>
Economic Growth & Development	12,428	635	319	<b>13,382</b>
Finance & Business Services	305	2,274	(1,126)	<b>1,453</b>
HR, Legal & Comms	-	278	(412)	<b>(134)</b>
<b>Net Cost Of Services</b>	<b>20,167</b>	<b>9,890</b>	<b>(5,604)</b>	<b>24,453</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(22,706)	5,633	13,935	<b>(3,138)</b>
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	<b>(2,539)</b>	<b>15,523</b>	<b>8,331</b>	<b>21,315</b>

<b>Adjustments between Funding and Accounting Basis 2017-18</b>				
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Adults & Health	917	1,380	(15,431)	(13,134)
Childrens Services	12,303	3,582	111	15,996
Community Services	4,307	558	4,840	9,705
Corporate Management & Services	(822)	745	(643)	(720)
Culture, Leisure & Events	1,233	575	766	2,574
Economic Growth & Development	5,189	675	4,666	10,530
Finance & Business Services	712	1,699	(581)	1,830
HR, Legal & Comms	-	287	(127)	160
<b>Net Cost Of Services</b>	<b>23,839</b>	<b>9,501</b>	<b>(6,399)</b>	<b>26,941</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(12,641)	5,152	16,589	9,100
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	<b>11,198</b>	<b>14,653</b>	<b>10,190</b>	<b>36,041</b>

**Adjustments for capital purposes:** this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

**Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

**Financing and investment income and expenditure** – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

## Note 2: Notes to the Expenditure and Funding Analysis

**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 Pensions Adjustments:** this is the net change for the removal of pension contributions and the addition of 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.

**For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

**Other Differences** between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts. The other differences column also recognises adjustments between the General Fund and Earmarked Reserves.

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.

## Note 3: Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

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

**Amendments to IAS 40 Investment Property:** Transfers of Investment Property - Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.

**IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

**IFRIC 22 Foreign Currency Transactions and Advanced Consideration** - Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.

**IFRIC 23 Uncertainty over Income Tax Treatments** -It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes

## **Note 4: Critical Judgements in Applying Accounting Policies**

In applying its accounting policies the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

**Lease Accounting** - Judgement is required in the initial classification of leases as either operating leases or finance leases. The Council has a number of vehicles held on leases, some of these are for substantially all of the life of the asset, and the amounts paid are in excess of what would be paid if the asset were to be purchased. These vehicles have been treated in accordance with the Council's policies in respect of finance leases, and feature on the balance sheet. The Council's other leases have been assessed and are being treated as operating leases, with the costs charged in full to the net cost of services.

**PFI Schemes** - The Council is involved with a PFI contract to provide schools and a library in Ingleby Barwick. After an assessment under the requirements of IFRIC 12, it has been determined that these are effectively under the control of the Council. The accounting policies relating to PFI schemes have therefore been applied to this arrangement and the associated assets have been recognised on the Council's balance sheet with the exception of All Saints School which has attained academy status.

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

The Council has brought voluntary controlled schools on-balance sheet because they meet the requirements for recognition under IAS 16, the Council acts as the admissions authority and employs the school staff. Voluntary aided schools remain off-balance sheet as they do not meet the same tests as those for voluntary controlled schools.

There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

## **Note 5: 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 that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Pension liabilities:** 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 assumptions to be applied. Sensitivities are included in Note 30.
- **Depreciation:** assets are depreciated over their estimated useful lives and are based on assumptions about the level of repairs and maintenance that will be incurred and useful economic lives.
- **Revaluations:** valuations are carried out on a rolling programme of up to three years, meaning that there is a possibility of material changes in value between valuations. The risk is minimised by annual valuations of all significant assets and annual reviews of market conditions for all asset categories to ensure that the fair value of assets as at the 31 March are not materially misstated.
- **Provisions:** the Council makes prudent provision for likely future liabilities, such as insurance costs, unpaid debts and the impact of successful business rate appeals. Changes in assumptions are very unlikely to materially affect the Statement of Accounts, with the exception of those for business rate appeals. The Council has assessed the likely impact of the appeals however the provision may require significant adjustment in future years.
- **Accruals of income and expenditure:** where revenue 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. The Council operates a de minimis level for accruals of £25,000 for revenue items and on-going capital projects. The Council has assessed the impact of the de minimis levels and has found that there is no significant impact upon the Statement of Accounts.

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

<b>2018-19</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Adjustments involving the Capital Adjustment Account (see note 19)	14,587			(14,587)
Adjustments involving the Capital Grants Unapplied Account	(17,153)		17,153	-
Adjustments involving the Capital Receipts Reserve	(548)	(198)		746
Adjustments involving the Deferred Capital Receipts Reserve	-			-
Adjustments involving the Financial Instruments Adjustment Account	(82)			82
Adjustments involving the Pensions Reserve	15,523			(15,523)
Adjustments Involving the Pooled Fund Adjustment Account	575			(575)
Adjustments involving the Collection Fund Adjustment Account (see note 21)	4,047			(4,047)
Adjustments involving the Accumulated Absences Adjustment Account	(207)			207
<b>Total Adjustments</b>	<b>16,742</b>	<b>(198)</b>	<b>17,153</b>	<b>(33,697)</b>

<b>2017-18 Comparative figures</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Adjustments involving the Capital Adjustment Account	20,597			20,597
Adjustments involving the Capital Grants Unapplied Account	(6,488)		6,488	-
Adjustments involving the Capital Receipts Reserve	(2,912)	714		(2,198)
Adjustments involving the Deferred Capital Receipts Reserve	-			-
Adjustments involving the Financial Instruments Adjustment Account	(82)			(82)
Adjustments involving the Pensions Reserve	14,652			14,652
Adjustments involving the Collection Fund Adjustment Account	919			919
Adjustments involving the Accumulated Absences Adjustment Account	(93)			(93)
<b>Total Adjustments</b>	<b>26,593</b>	<b>714</b>	<b>6,488</b>	<b>33,795</b>

## Note 7: Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018-19. The purpose of each earmarked reserve is set out in Appendix A.

<b>Earmarked Reserves</b>	Balance at 31 March 2017 £000s	Transfers Out 2017-18 £000s	Transfers In 2017-18 £000s	Balance at 31 March 2018 £000s	Transfers Out 2018-19 £000s	Transfers In 2018-19 £000s	Balance at 31 March 2019 £000s
<b>Capital Reserves</b>							
Stockton Town Centre Regeneration	(2,043)	1,219	(287)	<b>(1,111)</b>	131	(16)	<b>(996)</b>
Approved Capital Schemes	(13,001)	3,924	(919)	<b>(9,996)</b>	9,524	(8,070)	<b>(8,542)</b>
Fleet Renewals Fund	(3,097)	354	(1,225)	<b>(3,968)</b>	490	(1,134)	<b>(4,612)</b>
Street Lighting Renewal	(1,860)	2,860	(1,000)	-	-	-	-
Infrastructure Reserve	(164)	164	-	-	-	-	-
<b>Total Capital Reserves</b>	<b>(20,165)</b>	<b>8,521</b>	<b>(3,431)</b>	<b>(15,075)</b>	<b>10,145</b>	<b>(9,220)</b>	<b>(14,150)</b>
<b>Earmarked Revenue Reserves</b>							
Balances held by schools under a scheme of delegation	(5,570)	1,635	(1,073)	<b>(5,008)</b>	447	(251)	<b>(4,812)</b>
Insurance Fund	(14,123)	3,000	(2,227)	<b>(13,350)</b>	3,000	(1,838)	<b>(12,188)</b>
Managed Surpluses	(1,549)	1,904	(903)	<b>(548)</b>	548	-	-
Commuted Lump Sums	(1,709)	266	(5)	<b>(1,448)</b>	9	(9)	<b>(1,448)</b>
Litigation Reserve	(1,461)	-	-	<b>(1,461)</b>	-	(47)	<b>(1,508)</b>
ICT Infrastructure	(2,104)	505	(379)	<b>(1,978)</b>	675	(384)	<b>(1,687)</b>
Government Grants Income In Advance	(176)	80	(139)	<b>(235)</b>	-	(173)	<b>(408)</b>
Transformation & Implementation Reserve	(8,198)	5,944	(4,719)	<b>(6,973)</b>	3,653	(3,253)	<b>(6,573)</b>
MTFP Transition Reserve	(3,832)	4,212	(380)	-	2,143	(4,885)	<b>(2,742)</b>
ARCC Probation Service	(435)	-	(201)	<b>(636)</b>	-	(201)	<b>(837)</b>
Dedicated Schools Grant	-	-	-	-	2,577	-	<b>2,577</b>
Adults, Health, Intergration & Social Care	(7,027)	550	(3,386)	<b>(9,863)</b>	1,439	(1,390)	<b>(9,814)</b>
Other Revenue Reserves	(12,363)	8,137	(8,463)	<b>(12,689)</b>	3,158	(1,569)	<b>(11,100)</b>
<b>Total Revenue Reserves</b>	<b>(58,547)</b>	<b>26,233</b>	<b>(21,875)</b>	<b>(54,189)</b>	<b>17,649</b>	<b>(14,000)</b>	<b>(50,540)</b>
<b>Total Earmarked Reserves</b>	<b>(78,712)</b>	<b>34,754</b>	<b>(25,306)</b>	<b>(69,264)</b>	<b>27,794</b>	<b>(23,220)</b>	<b>(64,690)</b>

## Note 8: Segmental Income

The Council receives significant Fees and Charges income from external customers. The total income received on a segmental basis is analysed below:

	<b>2018-19</b>	<b>2017-18</b>
	<b>£000s</b>	<b>£000s</b>
<b>Services</b>		
Adults & Health	(14,305)	(13,637)
Childrens Services	(6,205)	(5,586)
Community Services	(1,788)	(1,562)
Corporate Management & Services	(2,308)	(2,769)
Culture, Leisure & Events	(598)	(636)
Economic Growth & Development	(3,352)	(2,570)
Finance & Business Services	(2,023)	(1,672)
HR, Legal & Comms	(307)	(300)
Other Income	(5,621)	(8,815)
<b>Total income analysed on a segmental basis</b>	<b>(36,507)</b>	<b>(37,547)</b>



## Note 9: Members' Allowances

Details of the amounts paid to each elected member of the Council are published annually. The total amount paid to members in respect of basic, special responsibility, travel & subsistence and carer's allowances was £692,069 (last year: £686,118). An analysis of the allowances paid is shown at Appendix B.

## Note 10: Employee remuneration

The number of employees whose taxable remuneration, including benefits, redundancy and other severance payments, exceeded £50,000 is shown below, in bands of £5,000:

Remuneration Summary Salary Range	Number of Employees			
	2018-19	2017-18	2018-19	2017-18
	Council	Council	Schools	Schools
£50,001 - £55,000	22	22	16	14
£55,001 - £60,000	18	19	12	14
£60,001 - £65,000	11	9	11	12
£65,001 - £70,000	7	5	10	6
£70,001 - £75,000	-	1	5	9
£75,001 - £80,000	3	4	4	3
£80,001 - £85,000	1	2	3	1
£85,001 - £90,000	5	3	-	-
£90,001 - £95,000	2	2	-	-
£95,001 - £100,000	1	1	-	-
£100,001 - £105,000	1	2	-	1
£110,001 - £115,000	1	-	-	-
£115,001 - £120,000	2	3	-	-
£120,001 - £125,000	-	-	-	-
£125,001 - £130,000	-	1	-	-
£135,001 - £140,000	-	1	-	-
£150,001 - £155,000	-	1	-	-

Remuneration of the Chief Executive and his senior staff has been excluded above. Details are shown in the following tables.

Remuneration of Senior Employees 2018-19							
Post holder information	Salary (Including fees & Allowances)	Expense Allowances	Benefits in kind	Total Remuneration excluding pension contributions 2018/19	Compensation for Loss of Office	Pension contributions	Total Remuneration including pension contributions 2018/19
	£	£	£	£	£	£	£
Chief Executive - Neil Schneider	171,881	131	4,741	<b>176,753</b>	-	26,298	<b>203,051</b>
Deputy Chief Executive	138,935	414	-	<b>139,349</b>	-	21,257	<b>160,606</b>
Director of Children's Services	117,056	-	-	<b>117,056</b>	-	17,910	<b>134,966</b>
Director of Adults and Health	117,056	-	-	<b>117,056</b>	-	17,910	<b>134,966</b>
Monitoring Officer	117,056	-	1,582	<b>118,638</b>	-	17,910	<b>136,548</b>
	<b>661,984</b>	<b>545</b>	<b>6,323</b>	<b>668,853</b>	<b>0</b>	<b>101,284</b>	<b>770,136</b>

## Note 10: Employee remuneration

Remuneration of Senior Employees 2017-18							
Post holder information	Salary (Including fees & Allowances)	Expense Allowances	Benefits in kind	Total Remuneration excluding pension contributions 2017/18	Compensation for Loss of Office	Pension contributions	Total Remuneration including pension contributions 2017/18
	£	£	£	£	£	£	£
Chief Executive - Neil Schneider	168,511	51	6,399	<b>174,961</b>	-	25,782	<b>200,743</b>
Deputy Chief Executive	136,211	124		<b>136,335</b>	-	20,840	<b>157,175</b>
Director of Children's Services	114,761	-		<b>114,761</b>	-	17,558	<b>132,319</b>
Director of Adults and Health	114,761	-		<b>114,761</b>	-	17,558	<b>132,319</b>
Monitoring Officer (1)	24,518			<b>24,518</b>	83,226	3,751	<b>111,495</b>
Monitoring Officer (2)	86,071	-	4,593	<b>90,664</b>	-	13,169	<b>103,833</b>
	<b>644,833</b>	<b>175</b>	<b>10,992</b>	<b>656,000</b>	<b>83,226</b>	<b>98,659</b>	<b>837,885</b>

### Notes:

- Up to 30 June 2017
- From 1 July 2017 - Actual total salary and pension contributions including non statutory monitoring officer role was £132,319

## Note 11: Non Current Assets - Property, Plant & Equipment

<b>Movements in 2018-19</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>PP&amp;E Under Construction</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Cost or Valuation</b>							
At 1 April 2018	111,766	16,018	278,815	337	5,633	8,392	<b>420,961</b>
Additions	7,978	1,098	9,021		181	10,153	<b>28,431</b>
Accumulated depreciation written off on revaluation							-
Accumulated depreciation & impairment written off to GCA	(2,929)				(47)		<b>(2,976)</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	613				(169)		<b>444</b>
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on provision of services	(1,967)				(31)		<b>(1,998)</b>
Derecognition - disposals	(7,182)	(447)					<b>(7,629)</b>
Reclassified to/from held for sale/surplus	(202)				(404)		<b>(606)</b>
Other reclassifications	346				(346)	(4,978)	<b>(4,978)</b>
<b>At 31 March 2019</b>	<b>108,423</b>	<b>16,669</b>	<b>287,836</b>	<b>337</b>	<b>4,817</b>	<b>13,567</b>	<b>431,649</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2018	(14,600)	(9,921)	(100,532)	(29)		(93)	<b>(125,175)</b>
Depreciation Charge	(7,247)	(1,424)	(8,529)		(47)		<b>(17,247)</b>
Accumulated depreciation written off on revaluation							-
Accumulated depreciation written off to GCA	2,929				47		<b>2,976</b>
Accumulated impairment written off to GCA							-
Impairment losses/reversals recognised in the Revaluation Reserve							-
Impairment losses/reversals recognised in the (Surplus)/Deficit on provision of services	(1,495)	(459)	(96)		(166)	(148)	<b>(2,364)</b>
Derecognition - disposals	2,209	375					<b>2,584</b>
Other reclassifications							-
<b>At 31 March 2019</b>	<b>(18,204)</b>	<b>(11,429)</b>	<b>(109,157)</b>	<b>(29)</b>	<b>(166)</b>	<b>(241)</b>	<b>(139,226)</b>
<b>Net Book Value</b>							
<b>At 31 March 2019</b>	<b>90,219</b>	<b>5,240</b>	<b>178,679</b>	<b>308</b>	<b>4,651</b>	<b>13,326</b>	<b>292,424</b>
<b>At 31 March 2018</b>	<b>97,166</b>	<b>6,097</b>	<b>178,283</b>	<b>308</b>	<b>5,633</b>	<b>8,299</b>	<b>295,787</b>

## Note 11: Non Current Assets - Property, Plant & Equipment

Movements in 2017-18 (Prior Year Comparitors)	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost or Valuation</b>							
At 1 April 2017	134,274	15,349	270,719	437	8,742	1,066	<b>430,587</b>
Additions	9,219	810	8,119	109	27	7,326	<b>25,610</b>
Accumulated depreciation written off on revaluation							-
Accumulated depreciation & impairment written off to GCA	(7,642)			(344)			<b>(7,986)</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,384			210	206		<b>5,800</b>
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on provision of services	(9,324)		(18)		(583)		<b>(9,925)</b>
Derecognition - disposals	(11,637)	(141)	(5)	(75)	(300)		<b>(12,158)</b>
Reclassified to/from held for sale/surplus	(98)				(4,165)		<b>(4,263)</b>
Other reclassifications	(8,410)				2,313		<b>(6,097)</b>
<b>At 31 March 2018</b>	<b>111,766</b>	<b>16,018</b>	<b>278,815</b>	<b>337</b>	<b>6,240</b>	<b>8,392</b>	<b>421,568</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2017	(21,860)	(8,318)	(92,453)	(362)	(354)	(2)	<b>(123,349)</b>
Depreciation Charge	(6,414)	(1,469)	(8,077)		(45)		<b>(16,005)</b>
Accumulated depreciation written off on revaluation							-
Accumulated depreciation written off to GCA	6,426						<b>6,426</b>
Accumulated impairment written off to GCA	1,216			344			<b>1,560</b>
Impairment losses/reversals recognised in the Revaluation Reserve	(79)						<b>(79)</b>
Impairment losses/reversals recognised in the (Surplus)/Deficit on provision of services	(2,255)	(248)	(7)	(11)		(91)	<b>(2,612)</b>
Derecognition - disposals	2,054	114	5		7		<b>2,180</b>
Other reclassifications	6,312				(215)		<b>6,097</b>
<b>At 31 March 2018</b>	<b>(14,600)</b>	<b>(9,921)</b>	<b>(100,532)</b>	<b>(29)</b>	<b>(607)</b>	<b>(93)</b>	<b>(125,782)</b>
<b>Net Book Value</b>							
<b>At 31 March 2018</b>	<b>97,166</b>	<b>6,097</b>	<b>178,283</b>	<b>308</b>	<b>5,633</b>	<b>8,299</b>	<b>295,787</b>
<b>At 31 March 2017</b>	<b>112,414</b>	<b>7,031</b>	<b>178,266</b>	<b>75</b>	<b>8,388</b>	<b>1,064</b>	<b>307,238</b>

### Depreciation

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

Other Land and Buildings - 30 to 90 years

Vehicles, Plant, Furniture & Equipment - 5 to 15 years

Infrastructure - 10 to 40 years

Componentisation - 3 to 40 years

### Assets held under finance leases

Property, Plant and Equipment, set out in the preceding tables, includes assets held under finance leases. The value of these assets totalled £1.3m (Last year: £1.9m).

### Capital Commitments

At 31 March 2019, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years of which the major schemes are as follows:

Schools extension - £3.1m

Ingleby barwick Leisure Facility - £11.9m

Crematorium - £6.4m

## Note 11: Non Current Assets - Property, Plant & Equipment

The total value of contracts in place at the balance sheet date was £21.4m

### Revaluations

The Council has implemented out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every three years; this replaces a programme that previously required valuations to be carried out at least every five years. The majority of valuations were carried out internally with a small number carried out by the Valuation Office Agency. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. 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.

<b>Operational Assets</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Valued at historical cost</b>		16,669		16,669
<b>Valued at current value as at:</b>				
Current Year	30,227		4,651	34,878
2017/2018	28,784			28,784
2016/2017	49,412			49,412
				-
<b>Total</b>	<b>108,423</b>	<b>16,669</b>	<b>4,651</b>	<b>129,743</b>

## Note 12: Non Current Assets - Heritage Assets

2018-19	Artworks	Ceramics Glass Silverware & Decorative Art	Weapons & Militaria	Transport	Archaeo- logical	Civic Regalia	Total
<b>Cost or Valuation</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
At 1 April 2018	6,024	634	1,625	198	1,000	144	<b>9,625</b>
Additions	-	-	-	-	-	-	-
Revaluations	476	1,743	(151)	-	(965)	-	<b>1,103</b>
<b>At 31 March 2019</b>	<b>6,500</b>	<b>2,377</b>	<b>1,474</b>	<b>198</b>	<b>35</b>	<b>144</b>	<b>10,728</b>

2017-18	Artworks	Ceramics Glass Silverware & Decorative Art	Weapons & Militaria	Transport	Archaeo-logical	Civic Regalia	Total
<b>Cost or Valuation</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
At 31 March 2017	6,024	634	1,625	198	1,000	144	<b>9,625</b>
Additions	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
<b>At 31 March 2018</b>	<b>6,024</b>	<b>634</b>	<b>1,625</b>	<b>198</b>	<b>1,000</b>	<b>144</b>	<b>9,625</b>

## Note 13: Non Current Assets - Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	<b>31 March 2019</b>	31 March 2018
	<b>£000s</b>	£000s
Rental income from investment property	386	391
Direct operating expenses arising from investment property	<u>(35)</u>	<u>(208)</u>
<b>Net gain/(loss)</b>	<b><u>351</u></b>	<b><u>183</u></b>

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal.

The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	<b>31 March 2019</b>	31 March 2018
	<b>£000s</b>	£000s
<b>Balance at the start of the year</b>	<b>6,339</b>	6,361
Additions:		
Purchases	-	-
Construction	12,100	-
Subsequent expenditure	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	(4,668)	(22)
Transfers:           To/from Property, Plant & Equipment	4,978	-
Other changes	<u>-</u>	<u>-</u>
<b>Balance at the end of the year</b>	<b><u>18,749</u></b>	<b><u>6,339</u></b>

The Council's largest investment is the Hampton by Hilton Hotel on the North Shore development (£12.2m). The Council's interests in the Hotel have been valued by a specialist at 31st March 2019

## Note 14: Expenditure and Income Analysed By Nature

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

	31 March 2019 £000s	31 March 2018 £000s
<b>Expenditure</b>		
Employee benefits expenses	152,275	153,056
Other services expenses	234,797	236,897
Support service recharges	12,040	13,024
Depreciation, amortisation and impairment	36,729	43,879
Interest payments	28,883	27,261
Precepts and levies	1,568	744
(Gain) or Loss on the disposal of assets	4,594	8,087
<b>Total Expenditure</b>	<b>470,886</b>	<b>482,948</b>
<b>Income</b>		
Fees, charges and other service income	(45,685)	(65,612)
Interest and investment income	(19,942)	(19,077)
Income from council tax and business rates	(129,264)	(119,746)
Government grants and contributions	(255,412)	(241,629)
<b>Total Income</b>	<b>(450,303)</b>	<b>(446,064)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>20,583</b>	<b>36,884</b>

## Note 15: Debtors

	31 March 2019 £000s	31 March 2018 £000s
Central Government	8,302	8,878
Local Government	4,292	3,746
National Health Service	3,610	1,173
Local Taxation	7,214	6,434
Other entities and individuals	19,455	13,215
	<b>42,873</b>	<b>33,446</b>

## Note 16: Cash and Cash Equivalents

	31 March 2019 £000s	31 March 2018 £000s
Bank and Imprests	76	80
Cash Equivalents	13,570	30,680
Bank Overdraft	(6,784)	(3,723)
	<b>6,862</b>	<b>27,037</b>

## Note 17: Short Term Creditors

	31 March 2019 £000s	31 March 2018 £000s
Central Government	(11,287)	(13,185)
Local Government	(4,020)	(4,139)
National Health Service	(730)	(1,100)
Local Taxation	(1,920)	(1,670)
Other entities and individuals	(16,783)	(16,091)
	<b>(34,740)</b>	<b>(36,185)</b>

## Note 18: Other Long Term Liabilities

	31 March 2019 £000s	31 March 2018 £000s
Finance lease liability	(923)	(1,221)
PFI liability	(5,664)	(5,786)
Net pensions liability	(257,035)	(223,917)
	<b>(263,622)</b>	<b>(230,924)</b>

## Note 19: 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.

	<b>2018-19</b>	2017-18
	<b>£000s</b>	£000s
<b>Balance at 1 April</b>		(169,423)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation and impairment of non-current assets	19,141	18,037
• Revaluation losses on property, plant and equipment	1,974	9,925
• Revaluation losses on AHFS & Investment Properties	4,668	22
• Amortisation of intangible assets	23	31
• Revenue expenditure funded from capital under statute	4,846	5,571
• Amounts of non-current assets written off on disposal or sale	4,779	8,731
	<u>35,431</u>	<u>42,317</u>
Capital financing applied in the year:		
• Use of the Capital Receipts Reserve to finance new capital expenditure	(746)	(2,197)
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(8,543)	(11,518)
• Application of grants to capital financing from the Capital Grants Unapplied Account	(10,678)	(6,688)
• Statutory provision for the financing of capital investment charged against the General Fund balance	(1,222)	(1,345)
• Capital expenditure charged against the General Fund balance	(1,260)	(5,178)
	<u>(22,450)</u>	<u>(26,926)</u>
Other adjustments	-	-
<b>Balance at 31 March</b>	<b><u>(141,052)</u></b>	<b><u>(154,033)</u></b>



## Note 20: Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. 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.

	<b>2018-19</b>	2017-18
	<b>£000s</b>	£000s
<b>Balance at 1 April</b>		(47,651)
Upward revaluation of assets	(5,762)	(8,614)
Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the provision of services	4,240	2,815
Surplus or deficit on revaluation of non-current assets not posted to the (surplus)/deficit on the provision of services		(5,799)
Difference between fair value depreciation and historical cost depreciation	496	742
Accumulated gains on assets sold or scrapped	362	2,268
Amount written off to the Capital Adjustment Account		3,010
	<b>(51,104)</b>	(50,440)

## Note 21: Collection Fund Adjustment Account

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

	<b>2018-19</b>	2017-18
	<b>£000s</b>	£000s
<b>Balance at 1 April</b>		(4,816)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	217	1,506
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	3,830	(587)
<b>Balance at 31 March</b>	<b>150</b>	(3,897)

## **Note 22: Related Party Transactions**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

### **Central Government**

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 8 on reporting for resources allocation decisions.

### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in Note 9. During 2018/19, no material services in value were commissioned from any company where members have a controlling interest (last year: £0). If contracts were entered into these would be in full compliance with the Council's standing orders.

### **Entities Controlled or Significantly Influenced by the Council**

A number of elected members and senior officers sit on the management committees or boards of local organisations. During 2018/19 the Council had transactions that totalled £4.202 million (last year: £3.779 million) to bodies that included Elm Tree Community Association, Catalyst Stockton-on-Tees, Stockton Shopmobility, Spark of Genius North East, Stockton & District Advice and Information Service, Friends of Ropner, Tees Active Limited, Stockton Arts Centre (ARC), Onsite, Teesside & District Society for the Blind, Hardwick in Partnership, Eastern Ravens Trust, Wolviston Court Community Centre, Bridges Tees Valley, Stockton Hotel Company and Tees Music Alliance. The transactions consisted of grants and payments for services provided to and by the Council.

## Note 23: External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Council's external auditors:

	<b>2018-19</b> <b>£000s</b>	2017-18 £000s
Fees payable to Mazars LLP with regard to external audit services	101	127
Fees payable to Mazars LLP for the certification of grant claims	10	12
Fees payable in respect of other services provided by Mazars LLP	6	13
	<b>117</b>	<b>152</b>

## Note 24: Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2017. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2018/19 are as follows:

	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Final Dedicated Schools Grant for 2018/19 before academy recoupment			161,465
Academy figure recouped for 2018/19			(84,262)
Total DSG after Academy recoupment for 2018/19			77,203
Plus: Brought forward from 2017/18			(1,413)
Less: Carry-forward to 2019/20 agreed in advance			-
Agreed initial budgeted distribution in 2018/19	5,800	69,990	75,790
In year adjustments	-	-	-
Final budgeted distribution for 2018/19	<b>5,800</b>	<b>69,990</b>	<b>75,790</b>
Less: Actual central expenditure	(8,377)		(8,377)
Less: Actual ISB deployed to schools		(69,990)	(69,990)
Plus: Local authority contribution for 2018/19	-	-	-
Carry-forward to 2019/20	<b>(2,577)</b>	-	<b>(2,577)</b>

## Note 25: Private Finance Initiative and Similar Contracts

The Council entered into an agreement with Robertson Group to build a secondary school, primary school, nursery unit and a community library at Ingleby Barwick under the Private Finance Initiative. Ingleby Barwick Community Campus opened in September 2003 and payments to the contractor started from that date for a period of 25 years. The contractor took on the obligation to construct the buildings and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate them. The secondary school has attained academy status and is not therefore included within assets held under the scheme.

### Payments

The Council makes a contractual payment which is increased each year by an agreed inflation formula and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.

Payments remaining to be made under the PFI contract at 31 March 2019 (excluding any estimation of inflation and availability/performance deductions) are as follows:

<b>Future Payments</b>	<b>Payment for Services</b>	<b>Reimbursement of Capital Expenditure</b>	<b>Interest</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Payment due:				
In 2019-20	485	445	477	1,407
Within two to five years	2,235	1,916	1,479	5,630
Within six to ten years	2,105	3,305	806	6,216
Within eleven to fifteen years	-	-	-	-
	<b>4,825</b>	<b>5,666</b>	<b>2,762</b>	<b>13,253</b>

## Note 26: Leases

### Operating leases: Council as lessor

The Council acts as a lessor and has granted a number of long-term leases to commercial operations for land and property, accounting for them as operating leases.

<b>Future minimum lease payments receivable</b>	<b>2018-19 £000s</b>	<b>2017-18 £000s</b>
Not later than one year	324	348
Later than one year & not later than five years	1,133	1,221
Later than five years	25,148	25,679
	<b>26,605</b>	<b>27,248</b>

## Note 27: Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	<b>31 March 2019</b>	31 March 2018
	<b>£000s</b>	£000s
<b>Opening Capital Financing Requirement</b>	<b>113,151</b>	108,816
<b>Capital investment</b>		
Property, plant and equipment	40,489	25,607
Intangible assets	64	83
Revenue expenditure funded from capital under statute	4,846	5,571
<b>Sources of Finance</b>		
Capital receipts	(746)	(2,197)
Government grants and other contributions	(19,221)	(18,206)
<i>Sums set aside from revenue:</i>		
Direct revenue contributions	(1,260)	(5,178)
Minimum Revenue Provision (MRP)	(1,222)	(1,345)
<b>Closing Capital Financing Requirement</b>	<b>136,101</b>	113,151
<b>Explanation of movements in year</b>		
Increase/(Reduction) in underlying need to borrow	22,824	3,844
Assets acquired under finance leases	126	491
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>22,950</b>	4,335

## Note 28: Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018-19. This excludes Designated Schools Grant which is detailed in Note 23.

	<b>2018-19</b> <b>£000s</b>	2017-18 £000s
<b>Credited to Taxation and Non Specific Grant Income</b>		
RSG	9,840	14,648
New Homes Bonus	2,646	3,739
NNDR s31 Grant	2,763	2,291
Council Tax Discount	4	4
DCSF Capital Grants	20,188	14,276
Local Transport Plan	6,143	4,273
NPIF	-	616
Environment Agency	44	100
DFG	989	141
Other Capital Grants & Contributions	5,442	1,728
<b>Total</b>	<b>48,059</b>	41,816
<b>Credited to Services</b>		
Public Health	13,911	14,278
Housing Benefit and Council Tax Benefit Administration	1,026	1,099
SFA/ESA	1,890	2,652
Basic Need	1,803	2,131
Rent Rebates	95	105
Rent Allowance Subsidy	61,055	66,309
Pupil Premium	4,820	5,106
UIFSM	1,412	1,823
Primary PE & Sports Grant	646	582
Year 7 Catch Up	-	503
Adoption Reform Grant	282	222
Winter Pressures	845	-
Disabled Facilities Grant	1,726	1,353
Independent Living Fund	517	534
Local Sustainable Transport Fund	737	863
Improved Better Care Fund	5,056	3,804
Troubled Families	714	2,470
Adult Social Care Grant	528	778
Other Grants	3,165	4,478
<b>Total</b>	<b>100,228</b>	109,090

The Council has received 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. The balances at the year end are as follows:

### Capital and Revenue Grants Receipts in Advance

	<b>31 March 2019</b> <b>£000s</b>	31 March 2018 £000s
Devolved Formula Capital		466
Environment Agency Flood Defence		-
Offenders' Learning and Skills Service	82	82
Foundation Learning	166	166
<b>Total</b>	<b>248</b>	714

## Note 29: 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 accrued interest). Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

### Financial Assets

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 three classifications:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is 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 a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.
- Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

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

The value of debtors and creditors reported in the tables below are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

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

Financial Liabilities	Long Term		Short Term	
	31.3.2019 £000s	31.3.2018 £000s	31.3.2019 £000s	31.3.2018 £000s
Loans at Amortised Cost	47,187	47,258	71	156
Bank Overdraft	0	0	6,784	3,723
Total Other Long-term Liabilities	6,586	7,007	0	0
Financial Liabilities Included in Creditors	193	192	28,657	30,451
<b>Total Financial Liabilities</b>	<b>53,966</b>	<b>54,457</b>	<b>35,512</b>	<b>34,330</b>

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

Financial Liabilities	Long Term		Short Term	
	31.3.2019 £000s	31.3.2018 £000s	31.3.2019 £000s	31.3.2018 £000s
At Amortised Cost	0	0	1,105	8,802
At Fair Value Through Other Comprehensive Income	0	0	377	377
At Fair Value Through Profit & Loss	14,424	9,593	12,500	30,000
Cash and Cash Equivalents	0	0	1,146	670
Financial Assets Included in Debtors **	0	0	21,276	18,241
<b>Total Financial Assets</b>	<b>14,424</b>	<b>9,593</b>	<b>36,404</b>	<b>58,090</b>

## Equity instruments elected to fair value through other comprehensive income

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

	Fair Value		Dividends	
	31.3.2019 £000s	31.3.2018 £000s	2018/19 £000s	2017/18 £000s
SITA	377	377	0	0
Teesside Airport	0	0	0	0
<b>Total</b>	<b>377</b>	<b>377</b>	<b>0</b>	<b>0</b>

## Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those instruments that have been offset on the balance sheet.

	31.3.2019			31.3.2018		
	Gross assets (liabilities) £000s	(Liabilities) assets set off £000s	Net position on balance sheet £000s	Gross assets (liabilities) £000s	(Liabilities) assets set off £000s	Net position on balance sheet £000s
Trade receivables	0	0	0	0	0	0
Bank accounts in credit	1,070	0	1,070	670	0	670
<b>Total financial assets</b>	<b>1,070</b>	<b>0</b>	<b>1,070</b>	670	0	670
Trade payables	0	0	0	0	0	0
Bank overdrafts	0	(6,784)	(6,784)	0	(3,723)	(3,723)
<b>Total financial liabilities</b>	<b>0</b>	<b>(6,784)</b>	<b>(6,784)</b>	0	(3,723)	(3,723)

## Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	Financial Liabilities £'000	Financial Assets £'000	2018/19 Total £'000	2017/18 Total £'000
Interest expense	3,778	0	3,778	3,755
Losses on de-recognition	0	0	0	0
Losses from changes in fair value	0	5,711	5,711	420
Impairment losses	0	0	0	0
Fees paid	0	0	0	0
<b>Interest payable and similar charges</b>	<b>3,778</b>	<b>5,711</b>	<b>9,489</b>	<b>4,175</b>
Interest income	0	(227)	(227)	(541)
Dividend income	0	(608)	(608)	0
Gains on de-recognition	0	0	0	0
Gains from changes in fair value	0	(818)	(818)	(397)
Impairment loss reversals	0	0	0	0
<b>Interest and investment income</b>	<b>0</b>	<b>(1,653)</b>	<b>(1,653)</b>	<b>(938)</b>
<b>Net impact on surplus/deficit on provision of services</b>	<b>3,778</b>	<b>4,058</b>	<b>7,836</b>	<b>3,237</b>
Gains on revaluation	0	(1,522)	(1,522)	(5,799)
Losses on revaluation	0	(407)	(407)	407
Amounts recycled to surplus/deficit on provision of services	0	0	0	0
<b>Impact on other comprehensive income</b>	<b>0</b>	<b>(1,929)</b>	<b>(1,929)</b>	<b>(5,392)</b>
<b>Net Gain/(Loss) for the Year</b>	<b>3,778</b>	<b>2,129</b>	<b>5,907</b>	<b>(2,155)</b>



## Financial Instruments - Fair Values

- Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, 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.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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 determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Financial Liabilities	Fair value level	Balance Sheet 31.3.2018 £000s	Fair Value 31.3.2019 £000s	Balance Sheet 31.3.2018 £000s	Fair Value 31.3.2018 £000s
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	4,258	6,336	4,414	6,570
Long-term LOBO loans	2	37,000	64,424	37,000	66,226
Other long-term loans	2	6,000	7,669	6,000	8,105
Lease payables and PFI liabilities	2	6,586	9,141	7,007	9,722
<b>TOTAL</b>		<b>53,844</b>	<b>87,570</b>	54,421	90,623
Liabilities for which fair value is not disclosed *		35,634		34,366	
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>89,478</b>		<b>88,787</b>	
Recorded on balance sheet as:					
Short-term creditors		35,441		34,174	
Short-term borrowing		71		156	
Short-term provisions		0		0	
Long-term creditors		193		192	
Long-term borrowing		47,187		47,258	
Long-term provisions		0		0	
Other long-term liabilities		6,586		7,007	
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>89,478</b>		<b>88,787</b>	

\* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority'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.

<b>Financial Liabilities</b>	<b>Fair value level</b>	<b>Balance Sheet 31.3.2018 £000s</b>	<b>Fair Value 31.3.2019 £000s</b>	Balance Sheet 31.3.2018 £000s	Fair Value 31.3.2018 £000s
Financial assets held at fair value:					
Money market funds	<b>1</b>	12,500		30,000	
Bond, equity and property funds	<b>1</b>	14,424		9,593	
Shares in unlisted companies	<b>3</b>	377		377	
Financial assets held at amortised cost:					
Long-term loans to local authorities	<b>2</b>	0	0	0	0
Long-term loans to companies	<b>3</b>	1,105	1,105	302	302
Lease receivables	<b>3</b>	0	0	0	0
<b>TOTAL</b>		<b>28,406</b>	<b>28,406</b>	40,272	40,272
Assets for which fair value is not disclosed *		22,422		27,411	
<b>TOTAL FINANCIAL ASSETS</b>		<b>50,828</b>		67,683	
Recorded on balance sheet as:					
Long-term debtors		1,105		302	
Long-term investments		14,424		9,970	
Short-term debtors		21,729		18,161	
Short-term investments		0		8,490	
Cash and cash equivalents		13,570		30,760	
<b>TOTAL FINANCIAL ASSETS</b>		<b>50,828</b>		67,683	

\* The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

### Financial Instruments - Risks

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 Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017. The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

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

### Credit Risk: Treasury Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	31.3.2019		31.3.2018	
	Long Term £000s	Short Term £000s	Long Term £000s	Short Term £000s
AAA	0	12,500	0	30,000
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	0	0	0
A+	0	0	0	0
A	0	0	0	0
A-	0	0	0	5,000
BBB+	0	0	0	0
Unrated local authorities	0	0	0	3,500
<b>Total</b>	<b>0</b>	<b>12,500</b>	<b>0</b>	<b>38,500</b>
Credit risk not applicable	14,801	0	9,970	0
<b>Total Investments</b>	<b>14,801</b>	<b>12,500</b>	<b>9,970</b>	<b>38,500</b>

### Credit Risk: Trade and Lease Receivables and Contract Assets

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract. The following analysis summarises the Council's trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

	31.3.2019 Trade & Lease Receivables	31.3.2018 Trade & Lease Receivables
Current / Past due < 3 months	5,859	13,358
Past due 3-6 months	541	545
Past due 6-12 months	1,968	865
Past due 12+ months	3,589	3,566
<b>TOTAL RECEIVABLES</b>	<b>11,958</b>	<b>18,334</b>

### Liquidity Risk

The Council has ready access to borrowing 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 unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans.

The maturity analysis of financial instruments is as follows:

Time to maturity (years)	31.3.19			31.3.18		
	Liabilities £000s	Assets £000s	Net £000s	Liabilities £000s	Assets £000s	Net £000s
Not over 1	71	(12,500)	(12,429)	156	(38,500)	(38,344)
Over 1 but not over 2	9	0	9	71	0	71
Over 2 but not over 5	6,043	0	6,043	6,052	0	6,052
Over 5 but not over 10	5,264	0	5,264	5,059	0	5,059
Over 10	35,871	0	35,871	36,076	0	36,076
Uncertain date	0	(14,801)	(14,801)	0	(9,970)	(9,970)
<b>Total</b>	<b>47,258</b>	<b>(27,301)</b>	<b>19,957</b>	<b>47,414</b>	<b>(48,470)</b>	<b>(1,056)</b>

The Council has £37m (2018: £37m) of "Lender's 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.

#### Market Risks: 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 authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

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

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

	<b>31.3.2019</b> <b>£000s</b>	31.3.2018 £000s
Increase in interest payable on variable rate borrowings	370	370
Increase in interest receivable on variable rate investments	(110)	(318)
Decrease in fair value of investments held at FVPL	0	0
Decrease in fair value of derivative financial instruments held at FVPL	0	0
Increase in government grant receivable for financing costs	0	0
Impact on Surplus or Deficit on the Provision of Services	<b>260</b>	52
Decrease in fair value of investments held at FVOCI	0	0
Impact on Comprehensive Income and Expenditure	<b>260</b>	52
Decrease in fair value of loans and investments at amortised cost *	0	0
Decrease in fair value of fixed rate borrowing *	(12,044)	(12,753)

\*No impact on Comprehensive Income and Expenditure.

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

#### Market Risks: Price Risk

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. A 5% fall in commercial property prices at 31st March 2019 would result in a £0.721m charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

#### Transition to IFRS 9 Financial Instruments

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown as an additional line in the Movement in Reserves Statement.

"Upon transition to IFRS 9 on 1st April 2018, and in accordance with paragraphs 5.7.5 and 7.2.8(b) of IFRS 9, the Council makes an irrevocable election to present in other comprehensive income changes in the fair values of the following shares.

Durham Tees Valley Airport Ltd – the Council has a shareholding in the airport. These are currently valued at zero due to operating losses incurred during recent financial years.

SITA Tees Valley Ltd – the Council holds a number of preference shares. As such the Council is not entitled to the retained profits of the company.

The Council has elected to hold the shares at Fair Value through Other Comprehensive Income (FVOCI). In effect this means that any movement in the fair value of the shares can be held in an unusable reserve until de-recognition. At the point of de-recognition any balance in the reserve will need transferring to the Income and Expenditure account.

## Note 30: Pensions Schemes Accounted for as Defined Contribution Schemes

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

Former NHS staff who transferred to the Council as part of the transfer of Public Health responsibilities are members of the NHS Pension Scheme that is administered by NHS Pensions on behalf of the Department of Health (DoH). The scheme provides employees with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

Both schemes are technically a defined benefit scheme. However, the schemes are unfunded and notional funds are used as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the schemes with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, they are therefore accounted for on the same basis as defined contribution schemes.

Contributions to the schemes by the Council and contribution rate as a percentage of total pay are shown in the table below:

Scheme	Contributions 2018-19		Contributions 2017-18	
	£000s	%	£000s	%
Teachers' Pension Scheme	3,902	16.48	4,270	16.48
NHS Pension Scheme	18	14.38	23	14.30
	<b>3,920</b>		<b>4,293</b>	

There were no contributions remaining payable at the year end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 31.

## Note 31: Defined Benefit Pension Schemes

### Participation in Pension Schemes

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

The Council participates in The Local Government Pension Scheme, administered locally by Middlesbrough Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

### Transactions Relating to Post-employment Benefits

We recognise 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 we are 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:

## Note 31: Defined Benefit Pension Schemes

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2018-19 £000s	2017-18 £000s	2018-19 £000s	2017-18 £000s
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Financing and Investment Income and Expenditure</b>				
Net interest cost	4,905	4,436	728	716
<b>Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>29,356</b>	<b>27,517</b>	<b>728</b>	<b>716</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>				
• Return on plan assets (excluding the amount included in the net interest expense)	(42,655)	(8,166)	-	-
• Actuarial gains and losses arising on changes in financial assumptions	54,603	(776)	715	2
• Actuarial gains and losses arising due to changes in demographic assumptions	(38,228)	-	(1,159)	-
• Actuarial gains and losses due to liability experience	1,583	5,133	82	279
• Actuarial gains and losses due to acquisitions	-	-	-	-
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(24,697)</b>	<b>(3,809)</b>	<b>(362)</b>	<b>281</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the (Surplus) or Deficit for the				
• Provision of Services for post employment benefits in accordance with the Code	(29,356)	(27,517)	(728)	(716)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
• Employers' contributions payable to scheme	<b>13,046</b>	11,868		
• Retirement benefits payable to pensioners			<b>1,515</b>	1,713

## Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2018-19 £000s	2017-18 £000s	2018-19 £000s	2017-18 £000s
Present value of defined benefit obligation	(1,001,620)	(956,101)	(27,618)	(28,767)
Fair value of plan assets	814,857	760,951	-	-
<b>Net liability recognised in the Balance Sheet</b>	<b>(186,763)</b>	<b>(195,150)</b>	<b>(27,618)</b>	<b>(28,767)</b>

## Note 31: Defined Benefit Pension Schemes

### Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2018-19 £000s	2017-18 £000s	2018-19 £000s	2017-18 £000s
Opening fair value of scheme assets	760,951	747,401	-	-
Interest income	19,680	18,525	-	-
Remeasurement gains and (losses)	42,655	8,166	1,515	1,713
Contributions from the employer	13,046	11,868	-	-
Contributions from employees into the scheme	4,766	4,669	-	-
Benefits paid	(26,241)	(29,678)	(1,515)	(1,713)
<b>Closing balance at 31 March</b>	<b>814,857</b>	760,951	-	-

### Reconciliation Of Present Value Of The Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2018-19 £000s	2017-18 £000s	2018-19 £000s	2017-18 £000s
Opening balance at 1 April	(956,101)	(930,711)	(28,767)	(29,483)
Current service cost	(23,111)	(22,357)	-	-
Interest cost	(24,585)	(22,961)	(728)	(716)
Contributions by scheme participants	(4,766)	(4,669)	-	-
Actuarial gains and losses - financial assumptions	(54,603)	776	(715)	(2)
Actuarial gains and losses - demographic assumptions	38,228	-	1,159	0
Actuarial gains and losses - liability experience	(1,583)	(5,133)	(83)	(279)
Benefits paid	26,241	29,678	1,515	1,713
Past service cost	(1,340)	(724)	-	-
<b>Closing balance at 31 March</b>	<b>(1,001,620)</b>	(956,101)	<b>(27,619)</b>	(28,767)

### Local Government Pension Scheme assets comprised:

	Fair value of scheme assets			
	2018-19		2017-18	
	£000s	%	£000s	%
Equity investments (Quoted)	585,882	71.9	608,000	79.9
Property (Quoted)	74,967	9.2	55,549	7.3
Government Bonds	-	-	-	-
Corporate Bonds	-	-	-	-
Cash	136,896	16.8	84,466	11.1
Other Investments	17,112	2.1	12,936	1.7
	<b>814,857</b>	<b>100.0</b>	760,951	100.0

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by AON Hewitt, an independent firm of actuaries; estimates for the Teesside Pension Fund being based on the latest full valuation of the scheme as at 31 March 2016.

## Note 31: Defined Benefit Pension Schemes

The significant assumptions used by the actuary have been:

	2018-19	2017-18
Mortality assumptions:		
<i>Longevity at 65 for current pensioners:</i>		
Men	22.2	22.9
Women	24.1	25.0
<i>Longevity at 45 for future pensioners:</i>		
Men	23.9	25.1
Women	25.9	27.3
Other assumptions:		
<i>Rate of inflation (RPI)</i>	3.3%	3.2%
<i>Rate of inflation (CPI)</i>	2.2%	2.1%
<i>Rate of increase in salaries</i>	3.2%	3.1%
<i>Rate of increase in pensions</i>	2.2%	2.1%
<i>Rate for discounting scheme liabilities</i>	2.4%	2.6%
<i>Take-up of option to convert annual pension into retirement lump sum</i>	80.0%	80.0%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, I.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

### Impact on the Defined Benefit Obligation in the Scheme

	Change in Assumption		
	+0.1% p.a. £000s	Base £000s	-0.1% p.a. £000s
Rate of increase in salaries	1,005,274	1,001,620	998,000
Rate of increase in pensions in payment	1,015,914	1,001,620	987,547
Rate for discounting scheme liabilities	983,958	1,001,620	1,019,599
	<b>-1 year</b> £000s	<b>Base</b> £000s	<b>+1 year</b> £000s
Post retirement motility assumption	1,034,005	1,001,620	969,579

### Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be carried out as at 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates to pay £13.727m contributions to the scheme in 2019/20

The weighted average duration of the defined benefit obligation for scheme members is 17.8 years.

(Last year 17.8 years).



## Note 32: Termination Benefits

The Council terminated the contracts of a number of employees in 2018-19, incurring liabilities of £2.006m (£4.054m in 2017-18). The amounts have been payable to officers from across the Council reflecting the end of specific grant funding and the rationalisation of services as part of the Council's programme of service reviews.

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	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19 £000s	2017-18 £000s
£1 to £20,000	9	39	43	105	52	144	307	731
£20,001 to £40,000	4	5	11	27	15	32	328	956
£40,001 to £60,000	-	5	5	5	5	10	239	486
£60,001 to £80,000	1	-	5	4	6	4	348	266
£80,001 to £100,000	-	-	2	1	2	1	171	89
£100,001 to £150,000	1	1	3	3	4	4	344	473
£150,001 to £200,000	-	-	1	5	1	5	269	1,053
<b>Total</b>	<b>15</b>	<b>50</b>	<b>70</b>	<b>150</b>	<b>85</b>	<b>200</b>	<b>2,006</b>	<b>4,054</b>

## Note 33: Provisions

The Council has established a provision for lost income that arises due to successful rating appeals by business rates payers. The Council's share of the provision at the balance sheet date stood at £7.016m (last year £4.378m).

## Note 34 Contingent Liabilities

### Achieving Real Change in Communities (ARCC)

ARCC is the new probation service for the Tees Valley that has been established in association with a number of partners. The Council has agreed to guarantee the performance of ARCC under the Services Agreement pursuant to a Guarantee with the Secretary of State for Justice.

### Business Rate Appeals

The Council has made a provision for the loss of Business Rates that result from appeals made by ratepayers, however it is likely that actual appeals will be made that have not currently been provided and that additional liabilities will arise in the future.

### Guaranteed Minimum Pension

Guaranteed Minimum Pension (GMP) is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension prior to 6 April 1997. Without action by Government there would have been an inequality of benefits between male and female members who have GMP after April 2016 when Additional Pension (AP) element of the old state pension was removed. In March 2016 the government introduced an interim solution to members in public sector schemes with GMPs who were set to lose out from the removal of AP. This was done by paying full increases on GMP pensions for individuals reaching State Pension Age (SPA) from 5 April 2016 through 6 December 2018. In January 2018 the interim solution was extended for individuals reaching SPA before 5 April 2021. The additional liability from extending the interim solution was not measured over the year ending 2018 as it was deemed extremely unlikely to be material and would have been complex to measure accurately without undertaking a full valuation of the liability. Any action with regard to individuals reaching SPA after April 2021 is also unlikely to be material. Broadly, if HM Treasury's solution was to extend the interim solution indefinitely we would expect the impact to be an increase in liabilities of between 0.2% and 0.3% for Stockton Council which would equate to £0.5m.

### Note 35: Better Care Fund

The Council has entered into a pooled budget arrangement with NHS Hartlepool And Stockton Clinical Commissioning Group (CCG), the Better Care Fund, for the commissioning of health and social care services for the residents of the Borough of Stockton-on-Tees. The services will be provided by the Council or the NHS depending upon the mix required by clients. The Council and the CCG have an agreement in place for funding these services with the partners contributing funds to the pooled budget.

The pooled budget is hosted by the Council on behalf of the two partners to the agreement.

	<b>2018-19</b>		<b>2017-18</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Funding provided to the pooled budget:			
Stockton-on-Tees Borough Council	6,730		5,498
NHS Hartlepool And Stockton Clinical Commissioning Group	<u>13,575</u>		<u>13,322</u>
		20,305	18,820
Expenditure met from the pooled budget:			
Stockton-on-Tees Borough Council	(15,768)		(14,360)
NHS Hartlepool And Stockton Clinical Commissioning Group	<u>(4,537)</u>		<u>(4,460)</u>
		(20,305)	(18,820)
Net surplus arising on the pooled budget during the year		<u>-</u>	<u>-</u>
Council share of the net surplus arising on the fund		<u>-</u>	<u>-</u>

### Note 36: Events After the Reporting Period

The financial statements and notes have not been adjusted for the following events which took place after the 31st March 2019 as they provide information that is relevant to an understanding of the authority's financial position but did not relate to conditions at that date:

- In May 2019 the authority purchased Wellington Square Shopping Centre in Stockton High Street for £7m.

## **Note 37: Statement of Accounting Policies**

### **General Principles**

The Statement of Accounts summarise the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the financial statements is principally historical cost, modified by the revaluation of certain categories of non current assets and financial instruments.

### **Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

### **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than 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.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### **Charges to Revenue for Non Current Assets**

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, the Minimum Revenue Provision, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Council Tax and Non-Domestic Rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### **Employee Benefits**

#### ***Benefits Payable During Employment***

Short term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and charged on an accruals basis to the relevant service line of the Comprehensive Income and Expenditure Statement.

#### ***Termination Benefits***

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year.

## **Post Employment Benefits**

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by NHS Pensions on behalf of the Department of Health (DoH).
- The Local Government Pensions Scheme, administered by Middlesbrough Council.

The schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet.

### **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Teesside 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 assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on the Aon Hewitt GBP Central AA Curve.
- The assets of the Teesside Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

*quoted securities* – current bid price

*unquoted securities* – professional estimate

*unitised securities* – current bid price

*property* – market value.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost: the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost: the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- net interest on the net defined benefit liability: i.e. net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period - taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets - excluding amounts included in the net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Teesside Pension Fund:

- cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

## Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## Events after the Reporting Period

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 Financial Statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Financial Statements are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the financial statements.

## Financial Instruments

### *Financial liabilities*

Financial liabilities 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 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 rate 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 that the Council has, this means that 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 and discounts have been charged to the Comprehensive Income and Expenditure Statement, 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 or discount receivable when it was repaid within the general fund. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement 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.

### **Financial Assets**

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

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income].

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie 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 authority 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 authority, 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.

However, the authority has made loans to organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain 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.

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 CIES.

### **Expected Credit Loss Model**

The authority recognises expected credit losses on all of 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 and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

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 losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### **Financial Assets Measured at Fair Value through Profit of Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority 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.

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

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

### **Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

### **Heritage Assets**

The Council's heritage assets are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Council's history and local area. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets: where the cost of an asset cannot be identified with certainty, the value has been assessed by a suitably experienced officer. In certain cases, high value heritage assets that are on long term loan to the Council have been treated as though owned by the Council and included within the reported values.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment of heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. The Council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

### **Intangible Assets**

Expenditure on nonmonetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

#### Interest in Companies and Other Entities

The Council has interests in companies that require it to prepare group accounts. In the Council's own single entity accounts, the interest in companies are recorded as financial assets at cost, less any provision for losses.

### **Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is determined on the basis of the initial invoice price, except for stock held by Community Services, which is valued on the basis of last invoice price.

### **Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between market participants at the measurement date. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **The Council as Lessee**

#### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### ***Operating Leases***

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### **The Council as Lessor**

#### ***Finance Leases***

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal and replaced by a long-term debtor in the Balance Sheet valued on the future income due under the finance lease.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease debtor (together with any premiums received), and
- a finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the deferred Capital Receipts Reserve in the movement in Reserves Statement.

The written-off value of disposals is 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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### ***Operating Leases***

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the councils arrangements for accountability and financial performance.

### **Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year and cost more than £10,000 are classified as property, plant and equipment.

#### ***Recognition***

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.



## **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every three years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

## **Impairment**

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## **Depreciation**

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- buildings – straight line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight line over the useful life of the asset, as advised by a suitably qualified officer
- infrastructure – straight line allocation over a period of 10 to 40 years.

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components will be depreciated separately if the change in depreciation cost is considered to be significant.

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

## **Disposals and Non current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. 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 to 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 losses previously 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 reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations 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.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, plant and equipment or Assets held for sale) 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 disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement. Mortgage receipts are treated as capital receipts irrespective of their value.

The written off value of disposals is 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 appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **Private Finance Initiative (PFI) and Similar Contracts**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of property, plant and equipment.

- The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.
- Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

**fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement

**finance cost** – an interest charge of 8.4% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

**contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

**payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease)

**lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, plant and equipment when the relevant works are eventually carried out.

## **Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

### **Contingent Liabilities & Contingent Assets**

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

### **Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

### **Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

### **VAT**

VAT on income and expenditure is included only to the extent that it is not recoverable from HM Revenue and Customs.

## **Schools**

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (ie those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not in Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

## **Fair Value Measurement**

The Council measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments at fair value at each reporting date. Fair value is 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. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 - quoted prices
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - unobservable inputs for the asset or liability.

# COLLECTION FUND STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

## Collection Fund Statement for the year ended 31 March 2019

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non domestic rates.

	2018-19			2017-18		
	Council Tax £000	Business Rates £000	Total £000	Council Tax £000	Business Rates £000	Total £000
<b>Income</b>						
Income from Council Tax payers	(104,879)		<b>(104,879)</b>	(97,541)		(97,541)
Income from business ratepayers		(87,054)	<b>(87,054)</b>		(83,865)	(83,865)
<b>Total Income</b>	<b>(104,879)</b>	<b>(87,054)</b>	<b>(191,933)</b>	(97,541)	(83,865)	(181,406)
<b>Expenditure</b>						
Precepts, demands and shares:						
Central Government		45,462	<b>45,462</b>		42,535	42,535
Stockton-on-Tees Borough Council	86,124	42,572	<b>128,696</b>	79,955	36,689	116,644
Police & Crime Commissioner for Cleveland	12,515		<b>12,515</b>	11,657		11,657
Cleveland Fire Authority	4,153	864	<b>5,017</b>	3,970	742	4,712
	<b>102,792</b>	<b>88,898</b>	<b>191,690</b>	95,582	79,966	175,548
<b>Apportionment of Previous Year Estimated Surplus/Deficit</b>						
Central Government		-	-		-	-
Stockton-on-Tees Borough Council	836	-	<b>836</b>	2,498	-	2,498
Police & Crime Commissioner for Cleveland	122		<b>122</b>	375		375
Cleveland Fire Authority	42	-	<b>42</b>	127	-	127
	<b>1,000</b>	-	<b>1,000</b>	3,000	-	3,000
<b>Charges to Collection Fund</b>						
Write off of uncollectable amounts	517	648	<b>1,165</b>	288	332	620
Change in Bad Debt Provision	830	(300)	<b>530</b>	485	(200)	285
Change in Provision for Appeals		5,383	<b>5,383</b>		2,327	2,327
Cost of Collection		241	<b>241</b>		242	242
	<b>1,347</b>	<b>5,972</b>	<b>7,319</b>	773	2,701	3,474
Surplus (-) / Deficit arising during the year	<b>260</b>	<b>7,816</b>	<b>8,076</b>	1,814	(1,198)	616
<b>Balance at 1st April</b>	<b>(337)</b>	<b>(7,380)</b>	<b>(7,717)</b>	(2,151)	(6,182)	(8,333)
<b>Balance at 31st March</b>	<b>(77)</b>	<b>436</b>	<b>359</b>	(337)	(7,380)	(7,717)

## Note 1: Council Tax Base

Property Category and Council Tax Banding	2018-19		2017-18	
	Number in Category No.	Band D Equivalent No.	Number in Category No.	Band D Equivalent No.
A - up to £40,000	35,008	13,892.40	34,955	13,692.60
B - £40,001 to £52,000	16,512	10,029.90	16,346	9,879.00
C - £52,001 to £68,000	15,706	11,970.70	15,575	11,863.40
D - £68,001 to £88,000	9,538	8,515.50	9,425	8,424.10
E - £88,001 to £120,000	5,551	6,332.60	5,394	6,154.00
F - £120,001 to £160,000	2,370	3,253.80	2,245	3,078.90
G - £160,001 to £320,000	1,303	2,061.00	1,285	2,034.60
H - over £320,000	122	173.40	124	174.40
<b>Gross Tax Base</b>		<b>56,229.30</b>		<b>55,301.00</b>
Non Collection	1.8%	(984.01)	1.8%	(967.77)
<b>Council Tax Base</b>		<b>55,245.29</b>		<b>54,333.23</b>

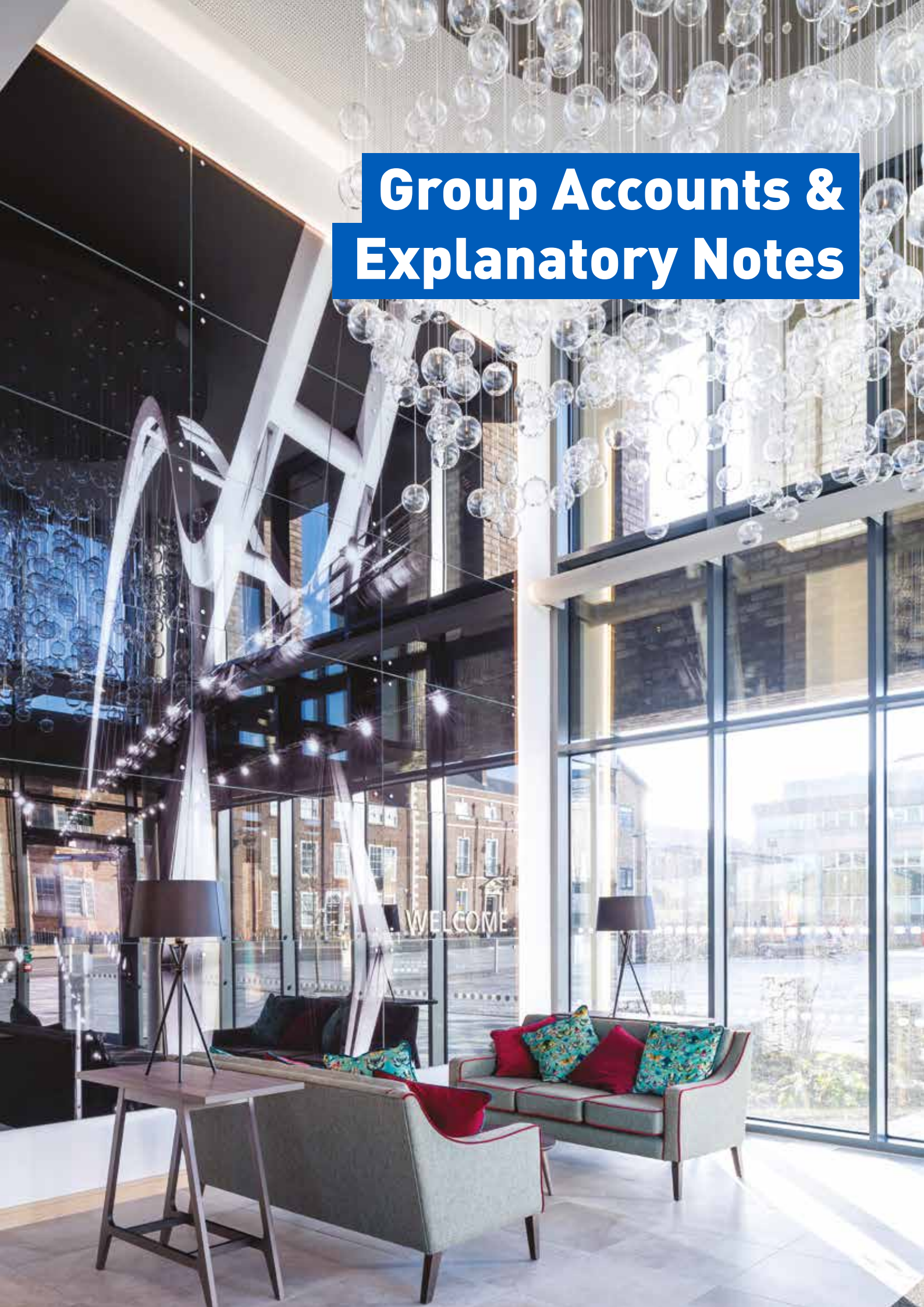
## Note 2: National Non Domestic (Business) Rates Gross Rateable Value

	2018-19 £	2017-18 £
Value at the year end	201,626,858	199,406,983

## Note 3: National Non Domestic (Business) Rates Multiplier

	2018-19 pence	2017-18 pence
Multiplier for the year	49.3p	47.9p

# Group Accounts & Explanatory Notes



## **Introduction**

The purpose of the Group Accounts is to provide a picture of Stockton Borough Council and the group of companies, which are either controlled or are significantly influenced by the Council. The Group Accounts show the full extent of the Authority's wider assets and liabilities. While the Group Accounts are not primary statements, they provide transparency and enable comparison with other entities that have different corporate entities.

The Group Accounts include the following:

- Group Comprehensive Income and Expenditure Statement - summarises the resources that have been generated and consumed in providing services and managing the Group during the year. It includes all day-to-day expenses and related income on an accruals basis.
- Group Movement in Reserves - shows the movement in the year on the Council's single entity usable and unusable reserves together with the Council's share of the Group reserves.
- Group Cash Flow Statement - shows the changes in cash and cash equivalents of the Group during the year. The statement shows how the Group generates and uses cash and cash equivalents by classifying cashflows as operating, financing and investing activities.
- Group Balance Sheet - shows the assets and liabilities of the group as at the 31st March 2019.
- Notes to the Group Accounts where the balances are materially different to those in the single entity accounts.

## **Subsidiaries**

The following entities are consolidated to form the group accounts.

Stockton Holding Company Limited - Registration Number 10523559

Stockton Hotels Company Limited - Registration Number 10525068

## **Audit of the Accounts**

Under s479A of the Company's Act 2006 a company is exempt from the requirements of the Act relating to audit of its individual accounts (but not any group accounts) for a financial year if the company is included in the consolidated accounts drawn up for that year and the parent undertaking discloses in the notes to the consolidated accounts that the company is exempt from the requirements of the Act relating to the audit of individual accounts by virtue of s479A.



## Group Movement in Reserves Statement for the year ended 31 March 2019

The Movement in Reserves Statement shows the movement in year on reserve balances held by the Group.

	Council						Subsidiaries	Group
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's share of group reserves	Total Authority reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b><u>Movement in reserves during 2018-19</u></b>								
<b>Opening Balance 01 April 2018</b>	<b>76,889</b>	<b>1,243</b>	<b>16,790</b>	<b>94,922</b>	<b>(17,627)</b>	<b>77,295</b>	<b>0</b>	<b>77,295</b>
Total Comprehensive Income and Expenditure	(20,583)	-	-	<b>(20,583)</b>	(15,666)	<b>(36,249)</b>	<b>(330)</b>	<b>(36,579)</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	16,742	(198)	17,153	<b>33,697</b>	(33,697)	-	-	-
<b>Increase/Decrease in Year</b>	<b>(3,841)</b>	<b>(198)</b>	<b>17,153</b>	<b>13,114</b>	<b>(49,363)</b>	<b>(36,249)</b>	<b>(330)</b>	<b>(36,579)</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>73,048</b>	<b>1,045</b>	<b>33,943</b>	<b>108,036</b>	<b>(66,990)</b>	<b>41,046</b>	<b>(330)</b>	<b>40,716</b>

## Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding analysis and the Movement in Reserves Statement.

	2018-19		
	£000s Expenditure	£000s Income	£000s Net
Adults & Health	99,279	(54,810)	<b>44,469</b>
Children's Services	146,767	(98,907)	<b>47,860</b>
Community Services	21,688	(2,200)	<b>19,488</b>
Corporate Management & Services	19,762	(8,332)	<b>11,430</b>
Culture, Leisure & Events	14,565	(3,890)	<b>10,675</b>
Economic Growth & Development	31,848	(7,278)	<b>24,570</b>
Finance & Business Services	75,000	(65,959)	<b>9,041</b>
HR, Legal & Comms	5,152	(542)	<b>4,610</b>
<b>Cost Of Services</b>	<b>414,061</b>	<b>(241,918)</b>	<b>172,143</b>
<b>Other Operating Expenditure:</b>			
Parish council precepts	832		832
Payments to the Government Housing Capital Receipts Pool			-
(Gain) or loss on the disposal of non-current assets	4,594		4,594
<b>Financing and Investment Income and Expenditure:</b>			
Interest payable and similar charges	3,778		3,778
Net (gains)/losses on financial assets at fair value through profit and loss		576	576
Net interest on the net defined benefit liability/asset	25,313	(19,680)	5,633
Interest receivable and similar income		(835)	(835)
(Gain) or loss on trading accounts (not applicable to service)	17,023	(10,366)	6,657
Income & costs and changes in fair value relating to investment properties	5,135	(877)	4,258
Revaluation loss on Assets Held for Sale	-	-	-
<b>Taxation and Non-Specific Grant Income:</b>			
Council tax income		(86,744)	(86,744)
Retained Business Rates	599	(42,521)	(41,922)
Non-ringfenced government grants		(15,253)	(15,253)
Capital grants and contributions		(32,804)	(32,804)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>471,335</b>	<b>(450,422)</b>	<b>20,913</b>
<b>Tax Expenses of Subsidiary</b>			<b>-</b>
<b>Group Surplus or Deficit</b>			<b>20,913</b>
(Surplus) or deficit on revaluation of non current assets			(1,522)
(Surplus) or deficit on revaluation of available for sale financial assets			(407)
Re-measurements of the defined benefit liability			17,596
Other (gains) and losses			(1)
<b>Other Comprehensive Income and Expenditure</b>			<b>15,666</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>36,579</b>

## Group Balance Sheet as at 31 March 2019

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group.

	Note	31 March 2019 £000s
<b>Non-current assets</b>		
Property, plant and equipment		292,424
Investment property		18,749
Intangible assets		64
Heritage Assets		10,728
Long term investments		14,801
Long Term Debtors	4	305
<b>Total non-current assets</b>		<b>337,071</b>
<b>Current assets</b>		
Inventories		286
Debtors	1 & 4	42,855
Cash and Cash Equivalents	2	14,329
Assets held for sale		6,242
<b>Total current assets</b>		<b>63,712</b>
<b>Current liabilities</b>		
Cash and Cash Equivalents	2	(6,784)
Short Term Borrowing		(71)
Short Term Creditors	3	(34,946)
Provisions		(7,016)
<b>Total current liabilities</b>		<b>(48,817)</b>
<b>Long term liabilities</b>		
Long Term Creditors		(193)
Long Term Borrowing		(47,187)
Other Long Term Liabilities		(263,622)
Grants Receipts in Advance		(248)
<b>Total long term liabilities</b>		<b>(311,250)</b>
<b>Net Assets:</b>		<b>40,716</b>
<b>Reserves</b>		
<b>Usable reserves:</b>		
General Fund Balance		8,358
Earmarked General Fund Reserves		64,690
Capital Receipts Reserve		1,045
Capital Grants Unapplied		33,942
Profit and Loss Reserve - Stockton Borough Holding Co Ltd		(330)
		<b>107,705</b>
<b>Unusable Reserves:</b>		
Revaluation Reserve		51,104
Available for Sale Financial Instruments Reserve		-
Capital Adjustment Account		141,052
Financial Instruments Adjustment Account		(546)
Pooled Fund Adjustment Account		(576)
Financial Instruments Revaluation Reserve		377
Deferred Capital Receipts Reserve		154
Pensions Reserve		(257,036)
Collection Fund Adjustment Account		(150)
Accumulated Absences Account		(1,368)
		<b>(66,989)</b>
<b>Total Reserves:</b>		<b>40,716</b>
Cllr Barry Woodhouse		
Chair of the Audit & Governance		
Committee		
31 July 2019		

## Group Cash Flow Statement For The Year Ended 31 March 2019

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period.

	Note	2018-19 £000s
<b>Net (surplus) or deficit on the provision of services</b>		<b>20,913</b>
<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements:</b>		
Depreciation, impairment and amortisation of non current assets		(19,660)
Revaluation (gains)/losses		(6,456)
Pension Fund adjustments		(15,523)
Carrying amount of Non-Current Assets Sold		(5,328)
Other non-cash movement		1,854
Increase/(Decrease) in Inventories (Stock)		1
Increase/(Decrease) in Debtors		8,362
(Increase)/Decrease in Creditors		2,514
(Increase)/Decrease in Provisions		(2,638)
Increase/(Decrease) in Long Term Debtors		3
		<b>(36,871)</b>
<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>		
Capital Grants credited to surplus or deficit on the provision of services		36,374
Proceeds from the disposal of non current assets		548
		<b>36,922</b>
<b>Net cashflow from operating activities</b>		<b>20,964</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment, investment property and intangible assets		40,203
Purchase of short term and long term investments		4,831
Proceeds from the sale of property, plant and equipment, investment property and intangibles		(548)
Proceeds from short term and long term investments		(8,520)
Other receipts from investing activities		(35,908)
<b>Net cashflow from investing activities</b>		<b>58</b>
<b>Financing activities</b>		
Other receipts from financing activities		(2,232)
Cash payments for liabilities relating to finance leases and PFI Contracts		546
Repayments of short and long term borrowings		156
<b>Net cashflow from financing activities</b>		<b>(1,530)</b>
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>19,492</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>(27,037)</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(7,545)</b>
<b>The cashflow for operating activities includes the following items:</b>		
Interest received		(199)
Dividends received		(608)
Interest paid		2,577

## Group Notes

The group notes are largely the same as those specified with the Council only statement, however there are some slight divergencies from these within the group as detailed below.

### **Group Note 1: Debtors**

	<b>31 March 2019</b> <b>£000s</b>
Central Government	8,321
Local Government	4,292
National Health Service	3,610
Local Taxation	7,214
Other entities and individuals	19,418
	<b><u>42,855</u></b>

### **Group Note 2: Cash and Cash Equivalents**

	<b>31 March 2019</b> <b>£000s</b>
Bank and Imprests	759
Cash Equivalents	13,570
Bank Overdraft	(6,784)
	<b><u>7,545</u></b>

### **Group Note 3: Short Term Creditors**

	<b>31 March 2019</b> <b>£000s</b>
Central Government	(11,287)
Local Government	(4,020)
National Health Service	(730)
Local Taxation	(1,920)
Other entities and individuals	(16,989)
	<b><u>(34,946)</u></b>

### **Note 4: Group Financial Instruments**

The value of debtors reported in the tables below are solely those amounts meeting the definition of a financial instrument. The balances of debtors reported in the balance sheet also include balances which do not meet the definition of a financial instrument, such as tax-based debtors.

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

<b>Financial Assets</b>	<b>Long Term</b> <b>31.3.2019</b> <b>£000s</b>	<b>Short Term</b> <b>31.3.2019</b> <b>£000s</b>
At Amortised Cost	0	305
At Fair Value Through Other Comprehensive Income	0	377
At Fair Value Through Profit & Loss	14,424	12,500
Cash and Cash Equivalents	0	1,146
Financial Assets Included in Debtors	0	21,276
<b>Total Financial Assets</b>	<b>14,424</b>	<b>35,604</b>

## **Responsibilities for the Annual Financial Statements**

### **The Council's Responsibilities**

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance and Business Services;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Annual Financial Statements by the date specified by the Secretary of State.

### **The Director of Finance and Business Services Responsibilities**

The Director of Finance and Business Services is responsible for the preparation of the Council's Annual Financial Statements (and Group) in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (the Code of Practice).

In preparing the Annual Financial Statements, the Director of Finance and Business Services has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code of Practice.

The Director of Finance and Business Services has also:

- kept accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **Certification of the accounts by the Director of Finance and Business Services**

In accordance with the requirements of the Accounts and Audit Regulations 2015, I certify that by signing this statement the Annual Financial Statements give a true and fair view of the financial position of the Council (and Group) at the accounting date and its income and expenditure for the year ended 31 March 2019.

**G Cummings CPFA**  
***Director of Finance & Business Services***

**Date: 30th May 2019**

## Earmarked Reserves

### Stockton Town Centre Regeneration

This incorporates the balance of funds being used by the Council to contribute to the Stockton Town Centre Regeneration project.

### Approved Capital Schemes

To be used to assist the funding of capital expenditure in future years.

### Fleet Renewals Fund

A reserve formed to cover the replacement of the Council's vehicle fleet.

### Balances held by schools under a scheme of delegation

Balances retained by individual schools from their delegated budget.

### Insurance Fund

The fund covers the insurance policy 'excess' on liability, motor and property claims. The 'excess' on liability covers any public, employers, officials and professional indemnity and libel and slander liability claims. A property 'excess' covers claims relating to property. The excess on motors covers claims relating to vehicles.

### Managed Surpluses

Budget savings that are earmarked specifically for their use and form an important part of the service planning process.

### Commuted Lump Sums

These lump sums have been received to help cover the maintenance costs of bridges, play areas and open spaces, for which the Council has become responsible.

### Litigation Reserve

Reserve to cover the costs of potential legal action that the Council may face.

### ICT Infrastructure

Reserve to develop workflow technologies and flexible working arrangements, as detailed within the Council's ICT Strategy

### Government Grants Income In Advance

Reserve holding grants received by the Council whose conditions may require repayment if the grant conditions are not met. This is an IFRS requirement.

### Transformation & Implementation Reserve

Reserve to support the Council as it responds to current and future budget pressures. It will fund items such as redundancy costs and the transformation agenda.

### ARCC Probation Service

Funds set aside to support the newly formed Tees Valley-wide Probation Service partnership.

### MTFP Transition Reserve

A reserve created to assist in dealing with budget pressures that will arise of the life of the Medium Term Financial Plan. This has been fully utilised in year.

### Dedicated Schools Grant

Surplus or deficit in year related to schools spending.

### Adults and Public Health Reserve

Funds to support the Council's responsibilities regarding Public Health functions which were formerly a part of the National Health Service. Also includes funds retained for future use from the initiatives related to the Better Care Fund and other health and social care projects.

### Other Revenue Reserves are individual reserves of generally less than £2m and include:

#### Winter Maintenance

This reserve has been created to offset the costs over future years of the change in the climate. This includes extra grass cutting, changes to the statutory requirements for winter maintenance of roads and extra watering of plants and trees, etc.

#### Youth Offending

The reserve will be utilised to fund the Youth Offending Service, including the cost of inspection and other essential services, such as Regional Training Consortium and Developing Initiatives for Supporting Communities (DISC).

**Xentrall**

Stockton Borough Council's share of any surplus generated from the Xentrall partnership with Darlington Borough Council.

**Learning & Skills Surplus**

Learning & Skills offers apprenticeships, E2E training programmes and adult education courses across the borough. A specific reserve has been created to ringfence funding for future developments and restructuring as funding for these projects is not guaranteed to remain at the same levels.

**Miscellaneous**

This reserve contains other smaller amounts which will be utilised in future years.

**Time to Buy Initiative**

A scheme to assist first time buyers of houses.



## Members' Allowances

Member	Basic Allowance £	Special Responsibility Allowance £	Travel £	Subsistence £	Carer's Allowance £	Total 2018-19 £	Total 2017-18 £
H Atkinson	9,300.00					<b>9,300.00</b>	9,300.00
S Bailey	9,300.00	3,125.04			920.00	<b>13,345.04</b>	13,645.04
P Baker	9,300.00					<b>9,300.00</b>	9,300.00
L Baldock	9,300.00	3,090.31				<b>12,390.31</b>	3,280.83
C Barlow	9,300.00	3,125.04				<b>12,425.04</b>	12,425.04
J Beall	9,300.00	13,749.96	324.80			<b>23,374.76</b>	23,336.44
D Brown	9,300.00	6,249.96	20.00			<b>15,569.96</b>	15,594.76
J M Cherrett	9,300.00					<b>9,300.00</b>	9,300.00
C Clark	9,300.00					<b>9,300.00</b>	9,300.00
C Clough	9,300.00					<b>9,300.00</b>	9,300.00
R Cook	9,300.00	24,999.96	132.22			<b>34,432.18</b>	34,620.86
N Cooke	9,300.00	11,250.00				<b>20,550.00</b>	20,550.00
G Corr	9,300.00					<b>9,300.00</b>	9,300.00
E Cunningham	9,300.00	1,302.10				<b>10,602.10</b>	9,300.00
IJ Dalgarno	9,300.00					<b>9,300.00</b>	9,300.00
P Dennis	9,300.00					<b>9,300.00</b>	9,300.00
K Dixon	9,300.00					<b>9,300.00</b>	9,300.00
KC Faulks	9,300.00		197.01			<b>9,497.01</b>	9,411.62
J Gardner	9,300.00					<b>9,300.00</b>	9,300.00
L Grainge	9,300.00	6,249.96	27.00			<b>15,576.96</b>	15,604.33
L Hall	9,300.00		88.60			<b>9,388.60</b>	9,300.00
A Hampton	9,300.00					<b>9,300.00</b>	7,181.67
E Hampton	9,300.00					<b>9,300.00</b>	9,300.00
DC Harrington	9,300.00	6,249.96				<b>15,549.96</b>	15,549.96
D Hewitt	9,300.00					<b>9,300.00</b>	9,300.00
B Houchen	0.00	0.00				-	1,366.67
S Houghton	9,300.00					<b>9,300.00</b>	9,300.00
B Inman	9,300.00	3,125.04				<b>12,425.04</b>	12,390.31
M Javed	9,300.00	0.00				<b>9,300.00</b>	9,385.62
E Johnson	9,300.00	43.40				<b>9,343.40</b>	12,425.04
P Kirton	9,300.00	6,249.96				<b>15,549.96</b>	15,549.96
A McCoy	9,300.00	11,250.00	258.54			<b>20,808.54</b>	20,658.76
A Mitchell	0.00					-	4,750.00
M Moore	9,300.00					<b>9,300.00</b>	9,300.00
K Nelson	9,300.00	3,125.04				<b>12,425.04</b>	12,485.04
S Nelson	9,300.00	11,218.75	23.85			<b>20,542.60</b>	20,550.00
E O'Donnell	9,300.00	6,249.96				<b>15,549.96</b>	15,549.96
S Parry	0.00	0.00				-	2,070.84
R Patterson	9,300.00		145.01			<b>9,445.01</b>	9,300.00
M Perry	9,300.00					<b>9,300.00</b>	9,300.00
L Povey	9,300.00	1,822.94				<b>11,122.94</b>	12,390.31
R Proud	0.00					-	103.33
S Richardson	9,300.00					<b>9,300.00</b>	9,300.00
P Rowling	9,300.00	3,125.04				<b>12,425.04</b>	12,425.04
M Smith	9,300.00	11,250.00				<b>20,550.00</b>	20,550.00
N Stephenson	9,300.00	6,249.96	27.00			<b>15,576.96</b>	15,642.97
M Stoker	9,300.00	3,125.04				<b>12,425.04</b>	11,730.59
T Stott	9,300.00	0.00				<b>9,300.00</b>	9,342.81
M Surtees	9,300.00					<b>9,300.00</b>	8,075.00
L Tunney	9,300.00					<b>9,300.00</b>	9,300.00
M Vickers	9,300.00	5,000.04				<b>14,300.04</b>	13,050.03
S Walmsley	9,300.00	3,125.04	194.62			<b>12,619.66</b>	12,425.04
SA Watson	9,300.00					<b>9,300.00</b>	9,300.00
P Weston	9,300.00		67.52			<b>9,367.52</b>	6,407.48
J Whitehill	9,300.00					<b>9,300.00</b>	9,300.00
D Wilburn	9,300.00	6,249.96				<b>15,549.96</b>	15,549.96
N Wilburn	9,300.00	11,250.00				<b>20,550.00</b>	20,550.00
W Woodhead	9,300.00		40.84			<b>9,340.84</b>	9,342.89
B Woodhouse	9,300.00	6,249.96				<b>15,549.96</b>	15,549.96
<b>Totals</b>	<b>511,500.00</b>	<b>178,102.42</b>	<b>1,547.01</b>	<b>0.00</b>	<b>920.00</b>	<b>692,069.43</b>	<b>686,118.16</b>

## Glossary of Terms

### Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

### Amortised cost

The amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount. International Accounting Standard (IAS) 39 requires the amortised cost to be calculated using the effective interest method.

### Capital Charge

A charge to service revenue accounts to reflect the cost of non current assets used in the provision of a service.

### Capital Expenditure

Expenditure on the acquisition of a non current asset or expenditure designed to extend its useful life.

### 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 of community assets are parks and historic buildings.

### Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

### Contingency

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non occurrence of one or more uncertain future events.

### Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of a non current asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

### Effective interest method

This is a method of calculating the amortised cost of a financial asset or financial liability, and of allocating the interest income or interest expense over the relevant period. The effective interest rate in a financial instrument is the rate that exactly discounts the cash flows associated with the instrument to the net carrying amount at initial recognition.

### Exceptional Items

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

### 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.

## **Finance Lease**

A lease that transfers substantially all the risks and rewards of ownership of a non current asset to the lessee. Such a transfer of risks and rewards 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.

## **Going Concern**

The concept that the Council will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

## **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 an Council in return for past or future compliance with certain conditions relating to the activities of the Council.

## **Heritage Assets**

Heritage assets are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Council's history and local area. They include items such as works of art, museum collections and civic regalia.

## **Infrastructure Assets**

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

## **Inventories**

Comprise the value of items held in 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.

## **Investments**

A long term investment is an investment that is being 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 are classified as current assets.

## **Investment Properties**

Interest in land and/or buildings:

- a) in respect of which construction work and development have been completed; and
- b) which is held for its investment potential, any rental income being negotiated at arm's length.

### **Long Term Contracts**

A contract entered into for the design, manufacture or construction of a 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 to substantially 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.

### **Net Book Value**

The amount at which non current assets are included in the balance sheet i.e. the 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 costs of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

### **Net Realisable Value**

The open market value of the asset in its existing use (or open market value in the case of a non operational asset), less any expenses incurred in realising the asset.

### **Non Current Assets**

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

### **Non Operational Assets**

Non current assets held by a council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

### **Operating Lease**

A lease other than a finance lease.

### **Operational Assets**

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

### **Private Finance Initiative (PFI)**

An agreement with the private sector to design, build and operate facilities specified by an authority in return for an annual payment.

### **Post Balance Sheet Events**

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

### **Prior Year Adjustments**

Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates in prior years.

**Prudence**

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

**Usable Reserves**

Amounts set aside to meet future costs, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

**Unusable Reserves**

Reserves that not available to spend; this category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

**Useful Life**

The period over which the Council will derive benefits from the use of a non current asset.



Stockton-on-Tees  
BOROUGH COUNCIL

Big plans, bright future