



Statement of Accounts

2019-20



Stockton-on-Tees
BOROUGH COUNCIL

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Director of Finance &
Business Services

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The Borough

Stockton-on-Tees is the largest of the five local unitary Councils (Stockton-on-Tees, Middlesbrough, Redcar and Cleveland, Darlington and Hartlepool) that make up the Tees Valley region.

We have a population of almost 200,000 people living in Stockton, Billingham, Thornaby, Ingleby Barwick, Norton and Yarm and a number of smaller rural villages. Our population is growing, with a 2.8% increase over the last seven years. People are proud of living in the Borough of Stockton on Tees with 80% expressing a strong sense of belonging to the local area satisfaction with the local area as a place to live. However, inequality remains a real challenge as we have areas of great affluence existing alongside areas of deprivation with nine of our wards in the 10% most deprived wards in the country. We also see an inequality in the large differences in life expectancy between the most and least deprived parts of the borough, with a gap

of 21 years in average life expectancy between the most and least deprived wards.

We are seeing economic growth in the borough and now at £4 billion, it accounts for a third of the Tees Valley economy. The borough enjoys excellent connections to the national road network and direct rail connections to London and key northern cities. With a strong international profile for business, the 5,000 businesses across the borough and wider region enjoy global connectivity with Teesside International Airport on the borough's boundary.

We have beautiful parks and open spaces and our vibrant town centres play a key role in supporting our communities. Our packed year-round events programme, Preston Park Museum and Grounds and leisure activities based along and on the River Tees mean that there is always something happening in the borough.

The Council

Stockton-on-Tees Borough Council became a unitary authority on 1 April 1996. We are a public body elected to serve the borough of Stockton-on-Tees.

We have 56 councillors and 26 wards, with between one and three councillors representing each ward. No political party has overall control of the Council following the May 2019 local elections. Just over 70% of our councillors represent national political parties; the other 30% are independent or represent an independent group. We have a Leader and Cabinet style administration.

We have strong political and executive leadership, robust scrutiny processes, committed and resourceful employees, solid partnerships and robust financial and corporate governance.

We have a strong track record of sound financial management and we have adapted to unprecedented funding reductions over the last eight years, saving around £45m. Our medium-term financial planning approach has allowed us to continually balance our budget through delivering savings and efficiencies but also to plan ahead and deliver invest-to-save schemes and innovative changes to service delivery models.

Working closely with elected Members and with a close and constructive relationship with Trade Unions, the Council's 3,250 employees strive to deliver the very best services. We have reduced our workforce by 25% or over 1,200 employees due to the funding reductions.

At a time when there are increasingly limited public financial resources available, striking the balance between working with others or intervening and doing things ourselves is a constant challenge. We have an instinct to innovate, collaborate and lead. We carefully target investments to stimulate economic growth, provide great assets and deliver financial returns to offset funding reductions. We have a long and strong history of working successfully in partnership with other organisations.

We are committed to developing the Council and ensuring we deliver high quality, customer focused services that meet the changing needs of our communities.

During the last year in Stockton-on-Tees



GLOBE

We received a very positive report from the Centre for Public Scrutiny about the operation of review and scrutiny in the Council with well-established arrangements in place for scrutiny to continue to deliver purposeful challenge that is valued and makes a difference to residents' lives

We were shortlisted in the prestigious 'Overall Council of the Year' award at the Association of Public Service Excellence (APSE) Awards for a record-breaking tenth year

We have maintained our Silver Investor in People award and achieved the highest 'Continuing Excellence' level in the Better Health at Work Awards

We have maintained our Customer Service Excellence accreditation for the eighth consecutive year, securing the highest possible "compliance +" rating in 13 categories

We have reviewed and re-designed our Constitution and our approach to corporate and information governance to improve accountability and decision making.

We have 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"

Approved major redevelopment of Stockton Town Centre following extensive consultation including the acquisition of Wellington Square and Castlegate Centre. Commenced public consultation across the Borough's five other towns.

Continued with the Globe refurbishment

We opened the new crematorium in September 2019



We have continued the development of the Victoria housing site with our appointed partner Keepmoat Homes

We have been working with partners, commercial organisations and the wider community to reduce Borough-wide CO2 emissions and the Council's greenhouse gas emissions performance continues to exceed reduction targets

We maintained our Civic Enforcement Service, which is vital to reducing concerns associated with environmental crime, nuisance parking and anti-social behaviour

We continued to run a full programme of campaigns to promote public health messages and local services including alcohol, stop smoking, healthy eating, physical activity, mental health, cardio-vascular disease, cancer prevention and winter health.

We maintained take up of the existing free entitlement to 15 hours of education at 100% and take up of disadvantaged 2 year old offer at 95%

We supported schools to improve performance improved across all key stages over, Stockton is top or 2nd in almost all measures across the North East and, as of March 2020, 92% of children attend good or better schools

We successfully delivered three major elections during 2019, Local and Parish, European and a snap General Election in December

We have 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 prepare for the Get Winter Ready Campaign

The active engagement and consultation with the young people of the borough has continued through the Bright Minds Big Futures (BMBF) initiative, the success of the project was recognised at the national British Youth Council Awards where the initiative was awarded the Best Youth Lead Project.

We have worked with HaST CCG, North Tees & Hartlepool NHS Trust and Tees Esk & Wear Valley Mental Health Trust to ensure that these organisations continue to work with the Council in a pro-active way for the benefit of the residents.

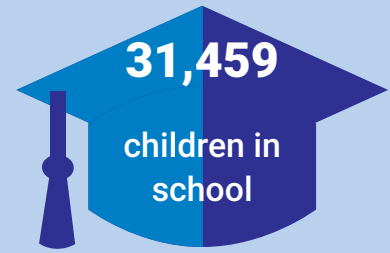
We have continued our delivery of high-profile sporting events including the popular Duathlon, Cycling Festival and Great Tees 10k mass participation run. In addition, The Great North City Games event was hosted in Stockton High Street this year, showcasing world class athletes competing in a top class live athletics event

SIRF 2019 presented 164 shows delivered by 46 companies from across the globe including France, Belgium, Catalonia and Korea

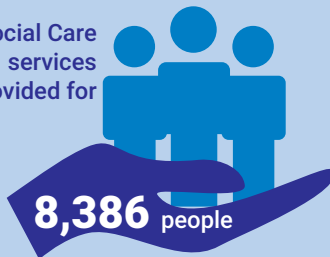
Preston Park Museum & Grounds has been nominated for the Welcome Accolade for excellent customer service, grew its volunteer community to 220 actively involved individuals and facilitated Arts Award 'Discover' for 140 children.

We invested in Autism day options at Ware Street to ensure it is fit for purpose and enables us to have capacity to meet people needs with Autism and Learning Disabilities in the Borough.

During the last year in Stockton-on-Tees



Social Care
services
provided for



Our vision for the Borough

We want the borough of Stockton-on-Tees to be...



Our vision and what it means

We want the borough to be....

<p>A place where people are healthy, safe and protected from harm</p>	<p>A place with a thriving economy where everyone has opportunities to succeed</p>	<p>A place that is clean, vibrant and attractive</p>
<p>This means the borough will be a place where:</p> <ul style="list-style-type: none"> People live in cohesive and safe communities People are supported and protected from harm People live healthy lives 	<p>This means that the borough will have :</p> <ul style="list-style-type: none"> A growing economy Improved education and skills development Job creation and increased employment 	<p>This means we will enjoy:</p> <ul style="list-style-type: none"> Great places to live and visit Clean and green spaces Rich cultural experiences

We will play our part in bringing about this vision for the Borough by being a Council that is ambitious, effective and proud to serve

This means that we will make sure that we provide:

Financial sustainability and value for money

Dedicated and resourceful employees

Strong leadership and governance

Impact of COVID-19

The Government's social distancing measures and lockdown announced in March 2020 continue to have significant impacts for council services and major financial implications. The council has had to put considerable additional resources into services to ensure that the most vulnerable in our community are cared for and that the local economy is protected.

The economic impact has been profound. Significant additional expenditure is being incurred across services with the largest areas of additional spend being within social care, hardship support for residents, supporting the voluntary and community sector and support for businesses. The council is also expecting substantial losses across many of our income streams. These include business rates, council tax, commercial income, parking, regulatory and planning fees.

These additional costs and loss of income have not had a material impact on the financial outturn for 2019/20 as the pandemic only started to make a notable impact on the public's and businesses behaviour in the last two weeks of March. However, the true scale of its impact on the Council's finances will be felt during 2020/21.

It is difficult to quantify the precise impact of Covid-19 at this stage with certainty, but the financial pressure on the Council will be substantial – even after the Government's emergency Covid-19 funding for local authorities is taken into consideration. The Secretary of State though has made public assurances that Local Government will have the resources it needs to meet COVID-19 challenges. A report presented to Cabinet and Council in July 2020 set out early indications of the financial pressures and how they may be addressed in 2020/21.

A robust financial plan will be developed to ensure the sustainability of the council's finances are maintained and this will form a substantial part of any financial resilience recovery work.

Governance

The Council continues to review and update its governance arrangements to ensure they remain relevant and fit for purpose, which is overseen by the Corporate Governance Group. The changes to the constitution identified during 2018/2019 were all implemented during 2019/2020.

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 level of Government funding reductions in recent years has presented significant challenges to the Council. Between 2010/11 and 2019/20 Government funding reduced by £73m (or 60% in cash terms) whilst the 2020/21 Financial Settlement provided some additional funding it is uncertain whether this will continue.

The Council has recognised for a number of years the financial challenges and the need to prepare well in advance. 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 and this continues.

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 October 2019. The Council has a strong track record of delivering savings and efficiencies and we remain 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 up to 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, Invest to Save schemes and innovative changes to delivery models. We are continuing this approach and once again have frozen budgets and are developing the use of technology in considering how we provide services.

Funding Position

On 4 September 2019 the Government set out the results of the 2019 Spending Round. It was announced that this would cover a one-year period (2020/21), setting out headline funding levels for government departments for that one year only.

In October 2019 MHCLG announced a Technical Consultation on the Local Government Finance Settlement 2020/21. This document set out the proposed approach that MHCLG will take to the 2020/21 Settlement and the detail reflected the announcements in the Spending Round 2019.

On 20 December 2019 the Secretary of State announced the Provisional Local Government Finance Settlement. This broadly confirmed the announcements previously made in the Spending Round 2019 and the MHCLG Technical Consultation and provided information on the impact of the Settlement to individual authorities.

The Government has stated previously that it remains committed to reforming local government finance. However the Provisional Settlement provided no update on the progress of either the move to further business rates retention or the Review of Relative Needs and Resources (Fair Funding Review).

The one year spending round/financial settlement leaves uncertainty regarding the position from 2021 onwards. This makes financial planning across the duration of the MTFP very challenging.

Revenue Year End

Performance against revenue budgets for 2019/20 by service departments is shown in the table below. Against the backdrop of increasing pressures actual spending on services exceeded the budget by £1.137m in year. In the updated Medium Term Financial Plan the authority had planned to use £956k of reserves to balance the budget so actual variance in year equated to a £181k overspend. In light of the increasing pressures faced by the Authority this still reflects sound financial management and good budgetary control.

Service Departments	Approved Budget	Actual	Variance
Expenditure	£m	£m	£m
Adults & Health	73.447	70.758	(2.689)
Children's Services	36.540	39.552	3.012
Community Services	29.088	30.281	1.193
Corporate Management & Services	8.827	7.823	(1.004)
Culture, Leisure & Events	9.032	9.202	0.170
Economic Growth & Development	8.070	8.009	(0.061)
Finance & Business Services	8.343	8.959	0.616
HR, Legal & Comms	5.113	5.013	(0.100)
Net Expenditure on Services	178.460	179.597	1.137



Capital

The Council has an ambitious 4 year capital programme of £166m which will deliver a range of objectives to achieve our vision. Major schemes included within the plan are;

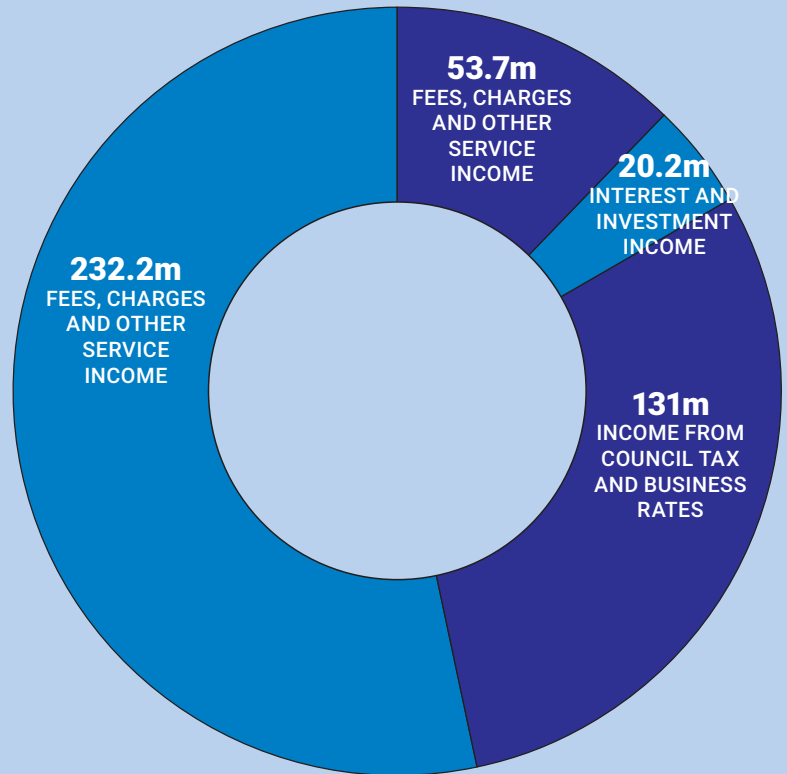
- Completion of the new leisure facility within Ingleby Barwick
- Substantial investment within schools
- Stockton Town Centre investment - including the Globe
- Reshaping Town Centres

	Outturn	Three Year Plan			Total
	2019/20	2020/21	2021/22	2022/23	
Expenditure	£m	£m	£m	£m	£m
Schools Capital	8.925	13.442	8.738	9.560	40.665
Housing Regeneration	0.293	1.521	0.328	0.000	2.142
Stockton Town Centre	10.214	15.483	0.550	0.980	27.227
Reshaping Town Centres	22.177	7.663	0.000	0.000	29.840
Other Regeneration Schemes	0.143	0.000	0.000	0.000	0.143
Growth Fund	0.026	5.400	2.287	2.287	10.000
TVCA Investment Plan	0.000	7.665	7.665	4.670	20.000
Local Transport Plans	4.143	4.867	0.000	0.000	9.010
Other Transport Schemes	0.392	1.875	0.000	0.000	2.267
Developer Agreements	1.008	0.338	0.000	0.000	1.346
Private Sector Housing	2.005	1.934	0.000	0.000	3.939
Building Management & Asset Review	0.625	0.657	0.000	0.000	1.282
Energy Management Schemes	0	0.340	0.000	0.000	0.340
Other Schemes	13.295	4.187	0.089	0.000	17.571
Total Expenditure	63.246	65.372	19.657	17.497	165.772
Funding					
Grants and Other Contributions	22.429	40.014	18.427	17.274	98.144
Capital Receipts & Reserves	5.518	6.375	1.230	0.223	13.346
Borrowing	35.299	18.983	0.000	0.000	54.282
Total Funding	63.246	65.372	19.657	17.497	165.772

Core Funding

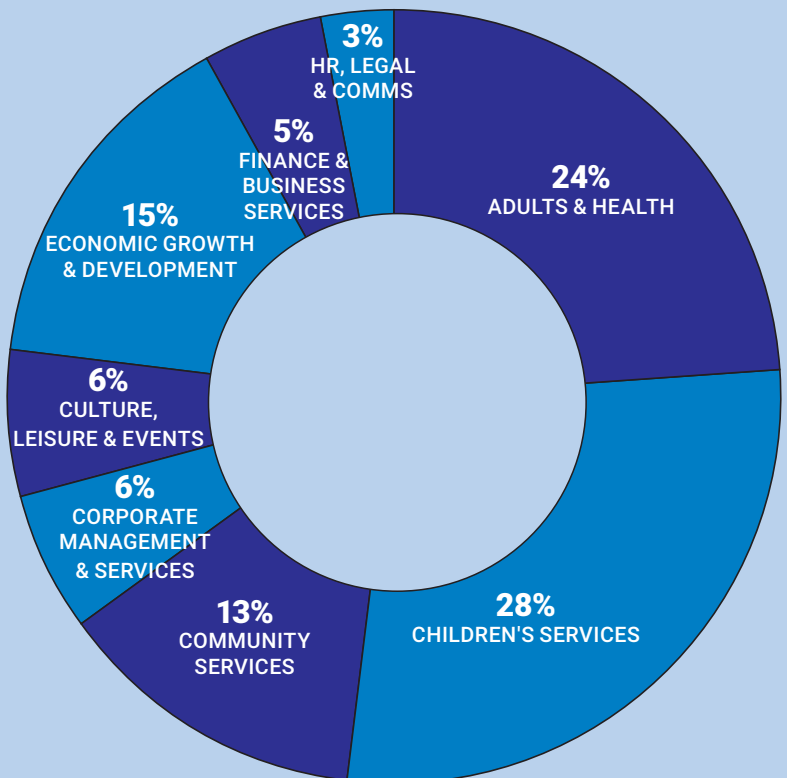
In common with the rest of local government, the Council has seen a reduction in its core government funding in recent years. The Government's aim is to phase out non-specific grant funding altogether, instead allowing local authorities to retain a higher proportion of business rates collected locally.

Income by source during 2019/20 is presented in the table 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



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 2020. 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 2019/20, which in turn is underpinned by International Financial Reporting Standards.

<p>Movement in Reserves Statement (MIRS)</p> <p>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.</p>	<p>Comprehensive Income and Expenditure Statement (CIES)</p> <p>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.</p>
<p>Balance Sheet</p> <p>The Balance Sheet is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date.</p>	<p>Cash Flow Statement</p> <p>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).</p>
<p>Notes to the Financial Statements</p> <p>The Notes to these financial statements provide more detail about the Council's accounting policies and individual transactions.</p>	<p>The Group Accounts</p> <p>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.</p>

The following entities are 100% controlled by Stockton Council by virtue of 100% shareholding and consolidated to form the group accounts.

Stockton Holding Company Limited - Registration Number 10523559

Stockton Hotels Company Limited - Registration Number 10525068

Movement in Reserves Statement for the year ended 31 March 2020

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
Revised Balance at 1st April 2018	76,889	1,243	16,789	94,921	(17,626)	77,295
Movement in reserves during 2018-19						
Total Comprehensive Income and Expenditure	(31,080)	-	-	(31,080)	24,928	(6,152)
Adjustments between accounting basis & funding basis under regulations (Note 6)	27,239	(198)	17,153	44,194	(44,194)	-
Increase/Decrease in Year	(3,841)	(198)	17,153	13,114	(19,266)	(6,152)
Balance at 31 March 2019 carried forward	73,048	1,045	33,942	108,035	(36,892)	71,143
Movement in reserves during 2019-20						
Opening Balance 01 April 2019	73,048	1,045	33,942	108,035	(36,892)	71,143
Total Comprehensive Income and Expenditure	(43,599)	-	-	(43,599)	(61,845)	(105,444)
Adjustments between accounting basis & funding basis under regulations (Note 6)	31,578	1,817	4,168	37,563	(37,563)	-
Increase/Decrease in Year	(12,021)	1,817	4,168	(6,036)	(99,408)	(105,444)
Balance at 31 March 2020 carried forward	61,027	2,862	38,110	101,999	(136,300)	(34,301)
General Fund analysed over:						
Amounts earmarked (Note 7)	53,806					
Amounts uncommitted	7,221					
Total General Fund Balance at 31 March 2020	61,027					

Comprehensive Income and Expenditure Statement for the year ended 31 Mach 2020

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				2019-20		
£000s	£000s	£000s		£000s	£000s	£000s
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
99,280	(54,810)	44,470	Adults & Health	103,105	(58,346)	44,759
146,769	(98,908)	47,861	Children's Services	150,098	(98,863)	51,235
21,688	(2,200)	19,488	Community Services	27,703	(4,558)	23,145
19,763	(8,332)	11,431	Corporate Management & Services	24,706	(12,980)	11,726
14,566	(3,890)	10,676	Culture, Leisure & Events	15,151	(4,763)	10,388
31,399	(7,159)	24,240	Economic Growth & Development	33,958	(6,110)	27,848
85,494	(65,959)	19,535	Finance & Business Services	65,368	(55,154)	10,214
5,152	(543)	4,609	HR, Legal & Comms	5,603	(605)	4,998
424,111	(241,801)	182,310	Cost Of Services	425,692	(241,379)	184,313
			Other Operating Expenditure:			
832	-	832	Parish council precepts	870	-	870
4,594	-	4,594	(Gain) or loss on the disposal of non-current assets	6,082	-	6,082
			Financing and Investment Income and Expenditure:			
3,778	-	3,778	Interest payable and similar charges	4,164	-	4,164
576	-	576	Net (gains) / losses on financial assets at fair value through profit and loss	516	-	516
25,313	(19,680)	5,633	Net interest on the net defined benefit liability/asset	24,640	(19,368)	5,272
-	(835)	(835)	Interest receivable and similar income	-	(870)	(870)
17,023	(10,366)	6,657	(Gain) or loss on trading accounts (not applicable to service)	15,717	(7,766)	7,951
5,135	(877)	4,258	Income & expenditure in relation to investment properties and changes in their fair value	2,867	(1,018)	1,849
-	-	-	Revaluation loss on Assets Held for Sale	170	-	170
			Taxation and Non-Specific Grant Income:			
-	(86,744)	(86,744)	Council tax income	-	(90,317)	(90,317)
599	(42,521)	(41,922)	Non-domestic rates income and expenditure	-	(40,687)	(40,687)
-	(15,253)	(15,253)	Non-ringfenced government grants	-	(17,555)	(17,555)
-	(32,804)	(32,804)	Capital grants and contributions	-	(18,159)	(18,159)
481,961	(450,881)	31,080	(Surplus) or Deficit on Provision of Services	480,718	(437,119)	43,599
		(1,817)	(Surplus) or deficit on revaluation of non current assets			3,586
		(407)	(Surplus) or deficit on revaluation of available for sale financial assets			-
		(22,705)	Re-measurements of the defined benefit liability			58,260
		1	Other (gains) and losses			(1)
		(24,928)	Other Comprehensive Income and Expenditure			61,845
		6,152	Total Comprehensive Income and Expenditure			105,444

Balance Sheet as at 31 March 2020

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 2020 £000s	31 March 2019 £000s
Non-current assets			
Property, plant and equipment	11	314,315	292,719
Investment property	13	16,268	18,749
Intangible assets		41	64
Heritage Assets	12	10,728	10,728
Long term investments	29	14,285	14,801
Long Term Debtors	29	4,394	4,113
Total non-current assets		360,031	341,174
Current assets			
Short term investments	29	-	-
Inventories		324	275
Debtors	15 & 29	41,164	39,865
Cash and Cash Equivalents	16	24,853	13,646
Assets held for sale		1,441	6,242
Total current assets		67,782	60,028
Current liabilities			
Cash and Cash Equivalents	16	(1,553)	(6,784)
Short Term Borrowing	29	(27,883)	(71)
Short Term Creditors	17 & 29	(34,377)	(34,740)
Provisions	33	(7,805)	(7,016)
Total current liabilities		(71,618)	(48,611)
Long term liabilities			
Long Term Creditors	29	(213)	(193)
Long Term Borrowing	29	(73,871)	(47,187)
Other Long Term Liabilities	18 & 29	(311,864)	(233,820)
Grants Receipts in Advance	28	(4,548)	(248)
Total long term liabilities		(390,496)	(281,448)
Net Assets:		(34,301)	71,143
Reserves			
Usable reserves:			
General Fund Balance		7,221	8,358
Earmarked General Fund Reserves	7	53,806	64,690
Capital Receipts Reserve		2,862	1,045
Capital Grants Unapplied		38,110	33,942
Total Usable Reserves		101,999	108,035
Unusable Reserves:			
Revaluation Reserve	20	43,433	51,399
Available for Sale Financial Instruments Reserve		-	-
Capital Adjustment Account	19	128,831	141,052
Financial Instruments Adjustment Account		(463)	(546)
Pooled Fund Adjustment Account		(1,091)	(576)
Financial Instruments Revaluation Reserve		377	377
Deferred Capital Receipts Reserve		154	154
Pensions Reserve		(305,723)	(227,234)
Collection Fund Adjustment Account	21	(479)	(150)
Accumulated Absences Account		(1,339)	(1,368)
Total Unusable Reserves		(136,300)	(36,892)
Total Reserves:		(34,301)	71,143

Cash flow Statement for the year ended 31 March 2020

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	31 March 2020 £000s	31 March 2019 £000s
Net (surplus) or deficit on the provision of services		43,599	31,080
Adjustments to net surplus or deficit on the provision of services for non-cash movements:			
Depreciation, impairment and amortisation of non current assets		(18,017)	(19,660)
Revaluation (gains)/losses		(7,263)	(6,456)
Pension Fund adjustments		(20,229)	(26,022)
Carrying amount of Non-Current Assets Sold		(14,013)	(5,328)
Other non-cash movement		3,873	1,854
Increase/(Decrease) in Inventories (Stock)		48	(10)
Increase/(Decrease) in Debtors		(1,463)	5,304
(Increase)/Decrease in Creditors		(970)	2,787
(Increase)/Decrease in Provisions		(789)	(2,637)
Increase/(Decrease) in Long Term Debtors		282	3,811
		(58,541)	(46,357)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:			
Capital Grants credited to surplus or deficit on the provision of services		24,764	36,375
Proceeds from the disposal of non current assets		5,708	548
		30,472	36,923
Net cashflow from operating activities		15,530	21,646
Investing activities			
Purchase of property, plant and equipment, investment property and intangible assets		61,137	40,203
Purchase of short term and long term investments		(516)	4,831
Proceeds from the sale of property, plant and equipment, investment property and intangibles		(5,708)	(548)
Proceeds from short term and long term investments		-	(8,520)
Other receipts from investing activities		(29,063)	(35,908)
Net cashflow from investing activities		25,850	58
Financing activities			
Other receipts from financing activities		(3,893)	(2,232)
Cash payments for liabilities relating to finance leases and PFI Contracts		571	547
Repayments of short and long term borrowings		(54,496)	156
Net cashflow from financing activities		(57,818)	(1,529)
Net (increase) or decrease in cash and cash equivalents		(16,438)	20,175
Cash and cash equivalents at the beginning of the reporting period		(6,862)	(27,037)
Cash and cash equivalents at the end of the reporting period	16	(23,300)	(6,862)
The cashflow for operating activities includes the following items:			
Interest received		(268)	(199)
Dividends received		(624)	(608)
Interest paid		3,027	2,577

Cash Flow Statement - Reconciliation of liabilities arising from financing activities

	1st April 2019	Financing Cash Flows	Changes which are not financing cash flows		31st March 2020
			Acquisition	Other Non Cash Changes	
	£000's	£000's	£000's	£000's	£000's
Long Term Borrowing	47,187	26,684	-	-	73,871
Short Term Borrowing	71	27,812	-	-	27,883
Lease Liabilities	796	562	-	(119)	1,239
Other Balance Sheet PFI Liabilities	5,664	(1,014)	-	-	4,650
Total Liabilities From Financing Activities	53,718	54,044	-	(119)	107,643

Comparative Information	1st April 2018	Financing Cash Flows	Changes which are not financing cash flows		31st March 2019
			Acquisition	Other Non Cash Changes	
	£000's	£000's	£000's	£000's	£000's
Long Term Borrowing	47,258	(71)	-	-	47,187
Short Term Borrowing	156	(85)	-	-	71
Lease Liabilities	1,221	(299)	-	(126)	796
Other Balance Sheet PFI Liabilities	5,785	(121)	-	-	5,664
Total Liabilities From Financing Activities	54,420	(576)	-	(126)	53,718

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Expenditure & Funding Analysis

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

2018-19			2019-20			
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000s	£000s	£000s		£000s	£000s	£000s
57,476	(13,006)	44,470	Adults & Health	55,128	(10,369)	44,759
39,725	8,136	47,861	Childrens Services	42,321	8,914	51,235
10,341	9,147	19,488	Community Services	10,750	12,395	23,145
8,144	3,287	11,431	Corporate Management & Services	7,431	4,295	11,726
8,484	2,192	10,676	Culture, Leisure & Events	9,179	1,209	10,388
10,859	13,381	24,240	Economic Growth & Development	11,306	16,542	27,848
7,588	11,947	19,535	Finance & Business Services	7,554	2,660	10,214
4,743	(134)	4,609	HR, Legal & Comms	4,410	588	4,998
147,360	34,950	182,310	Net Cost Of Services	148,079	36,234	184,313
(148,092)	(3,138)	(151,230)	Other Income and Expenditure	(146,944)	6,230	(140,714)
(732)	31,812	31,080	Surplus or Deficit	1,135	42,464	43,599
(7,625)			Opening General Fund Balance	(8,357)		
(732)			Less/Plus (Surplus) or Deficit	1,135		
(8,357)			Closing General Fund Balance at 31 March	(7,222)		

Note 2: Notes to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2019-20				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000s	£000s	£000s	£000s
Adults & Health	430	2,336	(13,135)	(10,369)
Childrens Services	(855)	5,634	4,135	8,914
Community Services	6,099	1,156	5,140	12,395
Corporate Management & Services	(946)	1,221	4,020	4,295
Culture, Leisure & Events	(674)	965	918	1,209
Economic Growth & Development	14,628	1,032	882	16,542
Finance & Business Services	1,536	2,161	(1,037)	2,660
HR, Legal & Comms	-	452	136	588
Net Cost Of Services	20,218	14,957	1,059	36,234
Other Income and Expenditure from the Expenditure and Funding Analysis	(9,084)	5,272	10,042	6,230
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	11,134	20,229	11,101	42,464

Adjustments between Funding and Accounting Basis 2018-19				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000s	£000s	£000s	£000s
Adults & Health	726	1,378	(15,110)	(13,006)
Childrens Services	1,988	3,442	2,706	8,136
Community Services	3,964	589	4,594	9,147
Corporate Management & Services	(676)	722	3,241	3,287
Culture, Leisure & Events	1,432	576	184	2,192
Economic Growth & Development	12,428	635	318	13,381
Finance & Business Services	305	12,768	(1,126)	11,947
HR, Legal & Comms	-	278	(412)	(134)
Net Cost Of Services	20,167	20,388	(5,605)	34,950
Other Income and Expenditure from the Expenditure and Funding Analysis	(22,706)	5,633	13,935	(3,138)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	(2,539)	26,021	8,330	31,812

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.

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 on Local Authority Accounting in the United Kingdom:

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 2021.

Amendments to IAS 19 Employee Benefits: will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

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 2020 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. The pension valuations have been provided amidst the economic uncertainty created as a result of the Novel Coronavirus (COVID-19) and thus valuations and estimations are subject to a level of future uncertainty. Sensitivities are included in Note 31.
- **Property Plant & Equipment:** 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. Details of depreciation charged is included within Note 11.
- **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. The valuations have been provided amidst the economic uncertainty created as a result of the Novel Coronavirus (Covid 19) and thus valuations have been reported subject to a Material Valuation Uncertainty clause.

- **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 deminimis level for accruals of £25,000 for revenue items and on-going capital projects. The Council has assessed the impact of the deminimis levels and has found that there is no significant impact upon the Statement of Accounts.
- **There may be additional credit risks, potential bad debts and write-offs** as a result of COVID-19. Collection rates are being closely monitored, and additional government assistance is being provided in many key areas including council tax support, business rates relief and universal credit.

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

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

2019-20	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments involving the Capital Adjustment Account (see note 19)	20,491			(20,491)
Adjustments involving the Capital Grants Unapplied Account	(4,168)		4,168	-
Adjustments involving the Capital Receipts Reserve	(5,708)	1,817		3,891
Adjustments involving the Deferred Capital Receipts Reserve	-			-
Adjustments involving the Financial Instruments Adjustment Account	(83)			83
Adjustments involving the Pensions Reserve	20,229			(20,229)
Adjustments Involving the Pooled Fund Adjustment Account	516			(516)
Adjustments involving the Collection Fund Adjustment Account (see note 21)	330			(330)
Adjustments involving the Accumulated Absences Adjustment Account	(29)			29
Total Adjustments	31,578	1,817	4,168	(37,563)

2018-19 Comparative figures	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments involving the Capital Adjustment Account	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	(83)			(83)
Adjustments involving the Pensions Reserve	26,022			26,022
Adjustments Involving the Pooled Fund Adjustment Account	575			575
Adjustments involving the Collection Fund Adjustment Account	4,047			4,047
Adjustments involving the Accumulated Absences Adjustment Account	(208)			(208)
Total Adjustments	27,239	(198)	17,153	44,194

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 2019-20. The purpose of each earmarked reserve is set out in Appendix A. Note 24 to the accounts provides further detail on the Dedicated School Grant Deficit.

Earmarked Reserves	Balance at 31 March 2018 £000s	Transfers Out 2018-19 £000s	Transfers In 2018-19 £000s	Balance at 31 March 2019 £000s	Transfers Out 2019-20 £000s	Transfers In 2019-20 £000s	Balance at 31 March 2020 £000s
Capital Reserves							
Stockton Town Centre Regeneration	(1,111)	131	(16)	(996)	189	-	(807)
Approved Capital Schemes	(9,996)	9,524	(8,070)	(8,542)	4,409	(1,380)	(5,513)
Fleet Renewals Fund	(3,968)	490	(1,134)	(4,612)	910	(1,240)	(4,942)
Total Capital Reserves	(15,075)	10,145	(9,220)	(14,150)	5,508	(2,620)	(11,262)
Revenue Reserves							
Insurance Fund	(13,350)	3,000	(1,838)	(12,188)	3,000	(2,109)	(11,297)
Managed Surpluses	(548)	548	-	-	-	-	-
Commuted Lump Sums	(1,448)	9	(9)	(1,448)	1,535	(840)	(753)
Litigation Reserve	(1,461)	-	(47)	(1,508)	53	-	(1,455)
ICT Infrastructure	(1,978)	675	(384)	(1,687)	2,164	(1,744)	(1,267)
Government Grants Income In Advance	(235)	-	(173)	(408)	20	-	(388)
Transformation & Implementation Reserve	(6,973)	3,653	(3,253)	(6,573)	4,245	(1,513)	(3,841)
MTFP Transition Reserve	-	2,143	(4,885)	(2,742)	2,196	-	(546)
ARCC Probation Service	(636)	-	(201)	(837)	-	(201)	(1,038)
Adults, Health, Intergration & Social Care	(9,863)	1,439	(1,390)	(9,814)	2,144	(258)	(7,928)
Other Revenue Reserves	(12,689)	3,158	(1,569)	(11,100)	3,092	(7,334)	(15,342)
Total Revenue Reserves	(49,181)	14,625	(13,749)	(48,305)	18,449	(13,999)	(43,855)
Schools Related Reserves							
Balances held by schools under a scheme of delegation	(5,008)	447	(251)	(4,812)	3,596	(1,897)	(3,113)
Dedicated Schools Grant (Deficit)	-	2,577	-	2,577	1,847	-	4,424
Total Schools Related Reserves	(5,008)	3,024	(251)	(2,235)	5,443	(1,897)	1,311
Total Earmarked Reserves	(69,264)	27,794	(23,220)	(64,690)	29,400	(18,516)	(53,806)

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:

	2019-20	2018-19
	£000s	£000s
Services		
Adults & Health	(13,823)	(14,305)
Childrens Services	(4,946)	(6,205)
Community Services	(2,120)	(1,788)
Corporate Management & Services	(5,907)	(2,308)
Culture, Leisure & Events	(575)	(598)
Economic Growth & Development	(2,506)	(3,352)
Finance & Business Services	(1,731)	(2,023)
HR, Legal & Comms	(336)	(307)
Other Income	(6,383)	(5,621)
Total income analysed on a segmental basis	(38,327)	(36,507)

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 £701,490 (last year: £692,069). 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			
	2019-20	2018-19	2019-20	2018-19
	<i>Council</i>	<i>Council</i>	<i>Schools</i>	<i>Schools</i>
£50,000 - £54,999	28	22	20	16
£55,000 - £59,999	14	18	8	12
£60,000 - £64,999	18	11	8	11
£65,000 - £69,999	4	7	13	10
£70,000 - £74,999	6	-	4	5
£75,000 - £79,999	4	3	4	4
£80,000 - £84,999	1	1	1	3
£85,000 - £89,999	3	5	2	-
£90,000 - £94,999	1	2	1	-
£95,000 - £99,999	1	1	-	-
£100,000 - £104,999	-	1	-	-
£105,000 - £109,999	1	-	-	-
£110,000 - £114,999	-	1	-	-
£115,000 - £119,999	1	2	-	-
£120,000 - £124,999	-	-	-	-
£125,000 - £129,999	2	-	-	-
£130,000 - £134,999	-	-	-	-

Remuneration of the Chief Executive / Managing Director and the Council's senior staff has been excluded above. Details are shown in the following tables.

Remuneration of Senior Employees 2019-20							
Post holder information	Salary (including fees & Allowances) £	Expense Allowances £	Benefits in kind £	Total Remuneration excluding pension contributions 19/20 £	Compensation for Loss of Office £	Pension contributions £	Total Remuneration including pension contributions £
Chief Executive (1)	14,610	8	-	14,618	-	2,294	16,912
Managing Director (1)	148,851	-	-	148,851	-	23,370	172,221
Director of Finance & Business Services (2)	109,447	176	-	109,623	-	17,183	126,806
Director of Children's Services	119,397	-	-	119,397	-	18,745	138,142
Director of Adults and Health	119,397	-	-	119,397	-	18,745	138,142
Monitoring Officer	119,397	-	-	119,397	-	18,745	138,142
	631,099	184	0	631,283	0	99,082	730,365

Notes:

1. From the 1st May 2019 the Deputy Chief Executive was appointed as Acting Managing Director taking over from the Chief Executive and subsequently appointed as Managing Director in September 2019.
2. On the 1st May 2019 the Director of Finance & Business Services took over s151 responsibilities from the Deputy Chief Executive. The Deputy Chief Executive post has subsequently been deleted.

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 2017/18 £
Chief Executive - Neil Schneider	171,881	131	4,741	176,753	-	26,298	203,051
Deputy Chief Executive	138,935	414	-	139,349	-	21,257	160,606
Director of Children's Services	117,056	-	-	117,056	-	17,910	134,966
Director of Adults and Health	117,056	-	-	117,056	-	17,910	134,966
Monitoring Officer	117,056	-	1,582	118,638	-	17,910	136,548
	661,984	545	6,323	668,853	0	101,284	770,136

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

Movements in 2019-20	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation							
At 1 April 2019	105,757	16,669	287,836	308	5,112	13,474	429,156
Additions	29,882	2,524	5,811		590	18,346	57,153
Accumulated depreciation written off on revaluation							-
Accumulated depreciation & impairment written off to GCA	(9,856)				(24)		(9,880)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,700)				(805)		(2,505)
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on provision of services	(6,683)				(1,230)		(7,913)
Derecognition - disposals	(8,115)	(309)			(92)		(8,516)
Reclassified to/from held for sale/surplus					245		245
Other reclassifications	3,139	(2,575)			(166)	(4,682)	(4,284)
At 31 March 2020	112,423	16,309	293,647	308	3,630	27,138	453,455
Accumulated Depreciation and Impairment							
At 1 April 2019	(15,538)	(11,429)	(109,157)	-	(166)	(148)	(136,438)
Depreciation Charge	(5,825)	(1,382)	(8,761)		(24)		(15,992)
Accumulated depreciation written off on revaluation							-
Accumulated depreciation written off to GCA	9,856				24		9,880
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	(1,375)	(247)	(59)		(10)	(296)	(1,987)
Derecognition - disposals	874	237					1,111
Other reclassifications	1,395	2,575			166	149	4,285
At 31 March 2020	(10,613)	(10,245)	(117,977)	-	(10)	(295)	(139,140)
Net Book Value							
At 31 March 2020	101,810	6,064	175,670	308	3,620	26,843	314,315
At 31 March 2019	90,219	5,240	178,679	308	4,946	13,326	292,719

Movements in 2018-19 (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
Cost or Valuation							
At 1 April 2018	111,766	16,018	278,815	337	6,240	8,392	421,568
Additions	7,978	1,098	9,021		181	10,153	28,431
Accumulated depreciation written off on revaluation							-
Accumulated depreciatiion & impairment written off to GCA	(3,812)			(29)	(47)	(93)	(3,981)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	613				102		715
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on provision of services	(1,967)				(7)		(1,974)
Derecognition - disposals	(6,298)	(447)					(6,745)
Reclassified to/from held for sale/surplus	(202)				(404)		(606)
Other reclassifications	(2,321)				(953)	(4,978)	(8,252)
At 31 March 2019	105,757	16,669	287,836	308	5,112	13,474	429,156
Accumulated Depreciation and Impairment							
At 1 April 2018	(14,600)	(9,921)	(100,532)	(29)	(607)	(93)	(125,782)
Depreciation Charge	(7,247)	(1,424)	(8,529)		(47)		(17,247)
Accumulated depreciation written off on revaluation							-
Accumulated depreciation written off to GCA	3,812			29	47	93	3,981
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)	(2,364)
Derecognition - disposals	1,325	375					1,700
Other reclassifications	2,667				607		3,274
At 31 March 2018	(15,538)	(11,429)	(109,157)	-	(166)	(148)	(136,438)
Net Book Value							
At 31 March 2019	90,219	5,240	178,679	308	4,946	13,326	292,719
At 31 March 2018	97,166	6,097	178,283	308	5,633	8,299	295,787

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 £1.8m (Last year: £1.3m).

Capital Commitments

At 31 March 2020, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years of which the major schemes are as follows:

- Schools extension - £0.445m
- Ingleby barwick Leisure Facility - £0.379m
- The Globe - £9.4m

The total value of contracts in place at the balance sheet date was £10.2m

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.

Operational Assets	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Surplus Assets £000s	Total £000s
Valued at historical cost		16,309		16,309
Valued at current value as at:				
Current Year	78,827		3,630	81,702
2018/2019	11,999			11,999
2017/2018	22,352			22,352
				-
Total	112,423	16,309	3,630	132,362

Note 12: Non Current Assets - Heritage Assets

2019-20	Artworks £000s	Ceramics Glass Silverware & Decorative Art £000s	Weapons & Militaria £000s	Transport £000s	Archaeological £000s	Civic Regalia £000s	Total £000s
Valuation							
At 1 April 2019	6,500	1,464	2,538	47	35	144	10,728
Additions	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
At 31 March 2020	6,500	1,464	2,538	47	35	144	10,728

2018-19	Artworks £000s	Ceramics Glass Silverware & Decorative Art £000s	Weapons & Militaria £000s	Transport £000s	Archaeological £000s	Civic Regalia £000s	Total £000s
Valuation							
At 31 March 2018	6,024	634	1,625	198	1,000	144	9,625
Additions	-	-	-	-	-	-	-
Revaluations	476	830	913	(151)	(965)	-	1,103
At 31 March 2019	6,500	1,464	2,538	47	35	144	10,728

Heritage Assets are carried at their revalued amount.

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:

	31 March 2020	31 March 2019
	£000s	£000s
Rental income from investment property	755	445
Direct operating expenses arising from investment property	(122)	(35)
Net gain/(loss)	633	410

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:

	31 March 2020	31 March 2019
	£000s	£000s
Balance at the start of the year	18,749	6,339
Additions:		
Purchases	-	-
Construction		12,100
Subsequent expenditure	-	-
Disposals		-
Net gains/(losses) from fair value adjustments	(2,481)	(4,668)
Transfers:		
To/from Property, Plant & Equipment		4,978
Other changes	-	-
Balance at the end of the year	16,268	18,749

The Council's largest investment is the Hampton by Hilton Hotel on the North Shore development (£9.9m). The Council's interests in the Hotel have been valued by a specialist at 31st March 2020

The Hotel has been valued using the Income Capitalisation method and discounted cash flow using Level 2 observable inputs.

Note 14: Expenditure and Income Analysed By Nature

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

	31 March 2020	31 March 2019
	£000s	£000s
Expenditure		
Employee benefits expenses	156,950	162,774
Other services expenses	234,449	234,797
Support service recharges	12,551	12,040
Depreciation, amortisation and impairment	40,946	37,305
Interest payments	28,683	28,883
Precepts and levies	887	1,568
(Gain) or Loss on the disposal of assets	6,252	4,594
Total Expenditure	480,718	481,961
Income		
Fees, charges and other service income	(53,703)	(45,687)
Interest and investment income	(20,250)	(20,518)
Income from council tax and business rates	(131,004)	(129,264)
Government grants and contributions	(232,162)	(255,412)
Total Income	(437,119)	(450,881)
(Surplus) or Deficit on the Provision of Services	43,599	31,080

Note 15: Debtors

	31 March 2020	31 March 2019
	£000s	£000s
Central Government	9,875	8,302
Local Government	4,066	4,292
National Health Service	3,301	1,263
Local Taxation	8,089	7,214
Other entities and individuals	15,833	18,794
	41,164	39,865

Note 16: Cash and Cash Equivalents

	31 March 2020	31 March 2019
	£000s	£000s
Bank and Imprests	73	76
Cash Equivalents	24,780	13,570
Bank Overdraft	(1,553)	(6,784)
	23,300	6,862

Note 17: Short Term Creditors

	31 March 2020	31 March 2019
	£000s	£000s
Central Government	(11,962)	(11,287)
Local Government	(4,527)	(4,020)
National Health Service	(256)	(730)
Local Taxation	(1,661)	(1,920)
Other entities and individuals	(15,971)	(16,783)
	(34,377)	(34,740)

Note 18: Other Long Term Liabilities

	31 March 2020	31 March 2019
	£000s	£000s
Finance lease liability	(1,491)	(922)
PFI liability	(4,650)	(5,664)
Net pensions liability	(305,723)	(227,234)
	(311,864)	(233,820)

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.

	2019-20		2018-19
	£000s	£000s	£000s
Balance at 1 April		(141,052)	(154,033)
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	17,099		19,141
• Revaluation losses on property, plant and equipment	6,155		1,974
• Revaluation losses on AHFS & Investment Properties	2,651		4,668
• Amortisation of intangible assets	24		23
• Revenue expenditure funded from capital under statute	8,011		4,846
• Amounts of non-current assets written off on disposal or sale	8,304		4,779
		42,246	35,431
Capital financing applied in the year:			
• Use of the Capital Receipts Reserve to finance new capital expenditure	(3,891)		(746)
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(9,567)		(8,543)
• Application of grants to capital financing from the Capital Grants Unapplied Account	(11,029)		(10,678)
• Statutory provision for the financing of capital investment charged against the General Fund balance	(2,076)		(1,222)
• Capital expenditure charged against the General Fund balance	(3,461)		(1,260)
		(30,025)	(22,449)
Other adjustments		-	-
Balance at 31 March		(128,831)	(141,052)

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.

	2019-20		2018-19
	£000s	£000s	£000s
Balance at 1 April		(51,399)	(50,440)
Upward revaluation of assets	(4,701)		(5,762)
Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the provision of services	8,287		3,945
Surplus or deficit on revaluation of non-current assets not posted to the (surplus)/deficit on the provision of services		3,586	(1,817)
Difference between fair value depreciation and historical cost depreciation	894		496
Accumulated gains on assets sold or scrapped	3,486		362
Amount written off to the Capital Adjustment Account		4,380	858
Balance at 31 March		(43,433)	(51,399)

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.

	2019-20		2018-19
	£000s	£000s	£000s
Balance at 1 April		150	(3,897)
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	(303)		217
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		632	3,830
Balance at 31 March		479	150

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 analysis in Note 28.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 9. During 2019/20, £1,691 in value were commissioned from companies 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

The Council has two subsidiaries over which it has control by virtue of its 100% shareholding. The Council's subsidiary companies are Stockton Hotel Company and Stockton Holding Company. The Council received £653k from these companies during the year. Additional information can be found in the Group Accounts section of the accounts.

A number of elected members and senior officers sit on the management committees or boards of local organisations. During 2019/20 the Council had transactions that totalled £5.810 million (last year: £4.202 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, FRADE, North Tees and Hartlepool NHS Trust, North East Regional Employers Organisation, Thirteen 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:

	2019-20	2018-19
	£000s	£000s
Fees payable to Mazars LLP with regard to external audit services	101	101
Fees payable to Mazars LLP for the certification of grant claims	10	10
Fees payable in respect of other services provided by Mazars LLP	5	6
	116	117
<i>Rebate from Public Sector Audit Appointments Ltd</i>	(12)	

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) (No 2) Regulations 2018. The schools budget includes elements for a range of educational services provided on an authority-wide basis and for the individual schools budget (ISB), which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2019/20 are as follows:

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final Dedicated Schools Grant for 2019/20 before academy and high needs recoupment			166,293
Academy and high needs figure recouped for 2019/20			(94,009)
Total DSG after Academy and high needs recoupment for 2019/20			72,284
Plus: Brought forward from 2018/19			(2,577)
Less: Carry-forward to 2020/21 agreed in advance			-
Agreed initial budgeted distribution in 2019/20	7,174	62,533	69,707
In year adjustments	-	-	-
Final budgeted distribution for 2019/20	7,174	62,533	69,707
Less: Actual central expenditure	(11,598)		(11,598)
Less: Actual ISB deployed to schools		(62,533)	(62,533)
Plus: Local authority contribution for 2019/20	-	-	-
Carry-forward Surplus / (Deficit) to 2020/21	(4,424)	-	(4,424)

At 31st March 2020, the DSG shows a cumulative deficit balance of £4.4million. This has arisen due to the increased pressure in supporting children with special educational needs and disabilities from what is also commonly referred to as High Needs spend. For example, these services have been impacted by the increasing number of Education, Health and Care plans (EHCP) being undertaken. This is a national challenge and locally in Stockton, there has been a 66% growth in the number of EHCPs in the last 5 years. This has led to spend which is significantly higher than the available funding provided.

In line with the requirements of the Accounts and Audit Regulations 2015, as amended (Regulation 7 (4)) this deficit is disclosed separately from general reserves and will be funded from future year's Dedicated Schools Grant and/or recovery plan. The deficit of £4.4million will be carried forward to 2020/21 and the progress made to address the deficit is subject to regular reports to Schools Forum.

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 2020 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Future Payments	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000s	£000s	£000s	£000s
Payment due:				
In 2020-21	398	570	440	1,408
Within two to five years	2,362	1,950	1,318	5,630
Within six to ten years	1,580	2,700	527	4,807
Within eleven to fifteen years	-	-	-	-
	4,340	5,220	2,285	11,845

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.

Future minimum lease payments receivable	2019-20	2018-19
	£000s	£000s
Not later than one year	2,944	324
Later than one year & not later than five years	7,108	1,133
Later than five years	24,779	25,148
	34,831	26,605

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.

	31 March 2020	31 March 2019
	£000s	£000s
Opening Capital Financing Requirement	136,101	113,151
Capital investment		
Property, plant and equipment	56,474	40,529
Intangible assets	15	24
Revenue expenditure funded from capital under statute	8,011	4,846
Sources of Finance		
Capital receipts	(3,891)	(746)
Government grants and other contributions	(20,596)	(19,221)
<i>Sums set aside from revenue:</i>		
Direct revenue contributions	(3,461)	(1,260)
Minimum Revenue Provision (MRP)	(2,076)	(1,222)
Closing Capital Financing Requirement	170,577	136,101
Explanation of movements in year		
Increase/(Reduction) in underlying need to borrow	33,222	22,824
Assets acquired under finance leases	1,254	126
Increase/(decrease) in Capital Financing Requirement	34,476	22,950

Note 28: Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019-20. This excludes Dedicated Schools Grant which is detailed in Note 24.

	2019-20	2018-19
	£000s	£000s
Credited to Taxation and Non Specific Grant Income		
RSG	4,546	9,840
New Homes Bonus	3,001	2,646
NNDR s31 Grant	4,414	2,763
Covid 19	5,594	-
Council tax discount	-	4
DCSF Capital Grants	5,711	20,188
Local Transport Plan	4,054	6,143
Sports England	1,500	
National Lottery	2,221	
Environment Agency	-	44
Other Capital grants	378	989
Other Capital Contributions	4,295	5,442
Total	35,714	48,058
Credited to Services		
Public Health	13,544	13,911
Housing Benefit and Council Tax Benefit Administration	941	1,026
Adult Education SFA/ESA	1,828	1,890
Basic need	4,946	1,803
Rent Rebates	82	95
Rent Allowance Subsidy	50,356	61,055
Pupil Premium	4,329	4,820
UIFSM	1,226	1,412
Primary PE & Sports Grant	475	646
Arts Council Music Grant	896	440
Adoption Reform Grant	341	282
Winter Pressures	845	845
Disabled Facilities Grant	1,634	1,726
Independent Living Fund	501	517
Local Sustainable Transport Fund	960	737
Better care fund	6,116	5,056
Troubled families	760	714
Adult Social Care Grant	1,444	528
Other Grants	4,418	2,726
Total	95,641	100,228

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

	31 March 2020	31 March 2019
	£000s	£000s
Offenders' Learning and Skills Service	82	82
S31 NNDR	4,300	-
Foundation Learning	166	166
Total	4,548	248

Note 29: Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council. The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised

- long-term loans from the Public Works Loan Board and commercial lenders
- overdraft with the NatWest bank
- lease payables
- Private Finance Initiative contracts
- trade payables for goods and services received

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 (at Amortised Cost)	Long Term		Short Term	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000s	£000s	£000s	£000s
Loans	73,871	47,187	27,883	71
Bank Overdraft	0	0	1,553	6,784
Total Other Long-term Liabilities	6,141	6,586	570	0
Financial Liabilities Included in Creditors	213	193	26,329	28,657
Total Financial Liabilities	80,225	53,966	56,335	35,512

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

Financial Assets	Long Term		Short Term	
	31 March 2020 £000s	31 March 2019 £000s	31 March 2020 £000s	31 March 2019 £000s
At Amortised Cost	1,987	1,105	0	0
At Fair Value Through Other Comprehensive Income	377	377	0	0
At Fair Value Through Profit & Loss	13,908	14,424	18,000	12,500
Cash and Cash Equivalents (Amortised Cost)	0	0	6,853	1,146
Financial Assets Included in Debtors (Amortised Cost)	0	3,008	21,244	18,268
Total Financial Assets	16,273	18,914	46,097	31,914

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 March 2020 £000s	31 March 2019 £000s	31 March 2020 £000s	31 March 2019 £000s
SITA	377	377	0	0
Teesside Airport	0	0	0	0
Total	377	377	0	0

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 March 2020			31 March 2019		
	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	1,780	0	1,780	1,070	0	1,070
Total financial assets	1,780	0	1,780	1,070	0	1,070
Trade payables	0	0	0	0	0	0
Bank overdrafts	0	(1,553)	(1,553)	0	(6,784)	(6,784)
Total financial liabilities	0	(1,553)	(1,553)	0	(6,784)	(6,784)

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	Financial Assets	2019-20 Total	2018-19 Total
	£'000	£'000	£'000	£'000
Interest expense	4,164	0	4,164	3,778
Losses on de-recognition	0	0	0	0
Losses from changes in fair value	0	3,383	3,383	5,711
Impairment losses	0	0	0	0
Fees paid	18	0	18	0
Interest payable and similar charges	4,182	3,383	7,565	9,489
Interest income	0	(246)	(246)	(227)
Dividend income	0	(624)	(624)	(608)
Gains on de-recognition	0	0	0	0
Gains from changes in fair value	0	(1,018)	(1,018)	(818)
Impairment loss reversals	0	0	0	0
Interest and investment income	0	(1,888)	(1,888)	(1,653)
Net impact on surplus/deficit on provision of services	4,182	1,495	5,677	(7,836)
Gains / IOSS on revaluation	0	3,586	3,586	(1,522)
Gain on revaluation	0	0	0	(407)
Amounts recycled to surplus/deficit on provision of services	0	0	0	0
Impact on other comprehensive income	0	3,586	3,586	(1,929)
Net Gain/(Loss) for the Year	4,182	5,081	9,263	5,907

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 2020, 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. Pooled Property Fund based on the latest market value from quarterly unaudited accounts.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability. For PWLB loans payable, PWLB premature repayment rates. For non-PWLB loans payable, prevailing market rates.
- Level 3 – fair value is determined using unobservable inputs. Loans are based on estimated creditworthiness.

Financial Liabilities	Fair Value Level	Balance Sheet 31.3.2020 £000s	Fair Value 31.3.2020 £000s	Balance Sheet 31.3.2019 £000s	Fair Value 31.3.2019 £000s
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	33,754	36,084	4,258	6,336
Long-term LOBO loans	2	37,000	71,145	37,000	64,424
Other long-term loans	2	6,000	7,148	6,000	7,669
Lease payables and PFI liabilities	2	6,711	7,543	6,586	9,141
TOTAL		83,465	121,920	53,844	87,570
Liabilities for which fair value is not disclosed *		53,095		35,634	
TOTAL FINANCIAL LIABILITIES		136,560		89,478	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		28,452		35,441	
Short-term borrowing		27,883		71	
Short-term provisions		0		0	
Long-term creditors		213		193	
Long-term borrowing		73,871		47,187	
Long-term provisions		0		0	
Other long-term liabilities		6,141		6,586	
TOTAL FINANCIAL LIABILITIES		136,560		89,478	

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

Financial Assets	Fair Value Level	Balance Sheet 31.3.2020 £000s	Fair Value 31.3.2020 £000s	Balance Sheet 31.3.2019 £000s	Fair Value 31.3.2019 £000s
<i>Financial assets held at fair value:</i>					
Money market funds	1	18,000	18,000	12,500	12,500
Bond, equity and property funds	1	13,908	13,908	14,424	14,424
Shares in unlisted companies	3	377	377	377	377
<i>Financial assets held at amortised cost:</i>					
Long-term loans to local authorities	2	0	0	0	0
Long-term loans to companies	3	1,987	1,987	1,105	1,105
Lease receivables	3	0	0	0	0
TOTAL		34,273	34,273	28,406	28,406
Assets for which fair value is not disclosed *		28,097		22,422	
TOTAL FINANCIAL ASSETS		62,370		50,828	
<i>Recorded on balance sheet as:</i>					
Long-term debtors		1,988		4,114	
Long-term investments		14,285		14,801	
Short-term debtors		21,244		18,343	
Short-term investments		0		0	
Cash and cash equivalents		24,853		13,570	
TOTAL FINANCIAL ASSETS		62,370		50,828	

* 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 March 2020		31 March 2019	
	Long-term £000s	Short-term £000s	Long-term £000s	Short-term £000s
AAA	0	0	0	0
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	19,000	0	12,500
A+	0	4,000	0	0
A	0	0	0	0
A-	0	0	0	0
BBB+	0	0	0	0
Unrated local authorities	0	0	0	0
Total	0	23,000	0	12,500
Credit risk not applicable	14,285	0	14,801	0
Total Investments	14,285	23,000	14,801	12,500

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 March 2020	31 March 2019
	Trade & Lease Receivables	Trade & Lease Receivables
Current / Past due < 3 months	3,981	5,859
Past due 3-6 months	404	541
Past due 6-12 months	743	1,968
Past due 12+ months	4,365	3,589
TOTAL RECEIVABLES	9,493	11,957

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 March 2020			31 March 2019		
	Liabilities £000s	Assets £000s	Net £000s	Liabilities £000s	Assets £000s	Net £000s
Not over 1	27,883	(23,000)	4,883	71	(12,500)	(12,429)
Over 1 but not over 2	4,904	0	4,904	9	0	9
Over 2 but not over 5	2,786	0	2,786	6,043	0	6,043
Over 5 but not over 10	10,105	0	10,105	5,264	0	5,264
Over 10	56,077	0	56,077	35,871	0	35,871
Uncertain date	0	(14,285)	(14,285)	0	(14,801)	(14,801)
Total	101,754	(37,285)	64,469	47,258	(27,301)	19,957

The Council has £37m (2019: £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:

	31 March 2020 £000s	31 March 2019 £000s
Increase in interest payable on variable rate borrowings	370	370
Increase in interest receivable on variable rate investments	(158)	(110)
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	212	260
Decrease in fair value of investments held at FVOCI	0	0
Impact on Comprehensive Income and Expenditure	212	260
Decrease in fair value of loans and investments at amortised cost *	0	0
Decrease in fair value of fixed rate borrowing *	(16,730)	(12,044)

*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 2020 would result in a £0.677m charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment 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	2019-20		2018-19	
	£000s	%	£000s	%
Teachers' Pension Scheme	4,253	16.48	3,902	16.48
NHS Pension Scheme	13	14.38	18	14.38
	4,266		3,920	

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

Allowance for McCloud Judgement and GMP Indexation / Equalisation

The pension figures have been prepared on the basis of accounting for the impact of the McCloud judgement and for full pension increases to be paid on GMP equalisation and indexation to individuals reaching pension age after April 2016.

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.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

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:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019-20 £000s	2018-19 £000s	2019-20 £000s	2018-19 £000s
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• Current service cost	29,479	23,118	-	-
• Past service cost	697	11,834	-	-
Financing and Investment Income and Expenditure				
Net interest cost	4,632	4,905	640	728
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	34,808	39,857	640	728
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
• Return on plan assets (excluding the amount included in the net interest expense)	117,850	(40,302)	-	-
• Actuarial gains and losses arising on changes in financial assumptions	(20,135)	54,604	(215)	715
• Actuarial gains and losses arising due to changes in demographic assumptions	(29,090)	(38,228)	(948)	(1,159)
• Actuarial gains and losses due to liability experience	(9,073)	1,583	(129)	82
• Actuarial gains and losses due to acquisitions	-	-	-	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	59,552	(22,343)	(1,292)	(362)
Movement in Reserves Statement				
• Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(34,808)	(39,857)	(640)	(728)
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to scheme	13,291	13,048		
• Retirement benefits payable to pensioners			1,928	1,515

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	
	2019-20 £000s	2018-19 £000s	2019-20 £000s	2018-19 £000s
Present value of defined benefit obligation	(983,209)	(1,012,118)	(25,038)	(27,618)
Fair value of plan assets	702,524	812,502	-	-
Net liability recognised in the Balance Sheet	(280,685)	(199,616)	(25,038)	(27,618)

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019-20 £000s	2018-19 £000s	2019-20 £000s	2018-19 £000s
Opening fair value of scheme assets	812,502	760,951	-	-
Interest income	19,368	19,680	-	-
Remeasurement gains and (losses)	(117,850)	40,302	-	-
Contributions from the employer	13,291	13,048	1,928	1,513
Contributions from employees into the scheme	5,055	4,762	-	-
Benefits paid	(29,842)	(26,241)	(1,928)	(1,513)
Closing balance at 31 March	702,524	812,502	-	-

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019-20 £000s	2018-19 £000s	2019-20 £000s	2018-19 £000s
Opening balance at 1 April	(1,012,118)	(956,101)	(27,618)	(28,767)
Current service cost	(29,479)	(23,118)	-	-
Interest cost	(24,000)	(24,585)	(640)	(728)
Contributions by scheme participants	(5,055)	(4,762)	-	-
Actuarial gains and losses - financial assumptions	20,135	(54,604)	215	(715)
Actuarial gains and losses - demographic assumptions	29,090	38,228	948	1,159
Actuarial gains and losses - liability experience	9,073	(1,583)	129	(82)
Benefits paid	29,842	26,241	1,928	1,515
Past service cost	(697)	(11,834)	-	-
Closing balance at 31 March	(983,209)	(1,012,118)	(25,038)	(27,618)

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets			
	2019-20		2018-19	
	£000s	%	£000s	%
Equity investments (Quoted)	510,735	72.7	614,252	75.6
Property (Quoted)	62,525	8.9	69,875	8.6
Government Bonds	-	-	-	-
Corporate Bonds	-	-	-	-
Cash	94,138	13.4	107,250	13.2
Other Investments	35,126	5.0	21,125	2.6
	702,524	100.0	812,502	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 2019.

The significant assumptions used by the actuary have been:

	2019-20	2018-19
Mortality assumptions:		
<i>Longevity at 65 for current pensioners:</i>		
Men	21.8	22.2
Women	23.5	24.1
<i>Longevity at 45 for future pensioners:</i>		
Men	23.2	23.9
Women	25.3	25.9
Other assumptions:		
<i>Rate of inflation (CPI)</i>	2.0%	2.2%
<i>Rate of increase in salaries</i>	3.0%	3.2%
<i>Rate of increase in pensions</i>	2.0%	2.2%
<i>Rate for discounting scheme liabilities</i>	2.3%	2.4%

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	985,175	983,209	981,243
Rate of increase in pensions in payment	1,000,907	983,209	965,511
Rate for discounting scheme liabilities	963,545	983,209	1,002,873
	-1 year £000s	Base £000s	+1 year £000s
Post retirement motility assumption	1,015,655	983,209	951,746

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 was due to be carried out as at 31 March 2022.

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 £12.791m contributions to the scheme in 2020/21

The weighted average duration of the defined benefit obligation for scheme members is 20.1 years. (Last year 17.8 years)."

Note 32: Termination Benefits

The Council terminated the contracts of a number of employees in 2019-20, incurring liabilities of £1.438m (£2.006m in 2018-19). The amounts have been payable in relation 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	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20 £000s	2018-19 £000s
£1 to £20,000	5	9	24	43	29	52	212	307
£20,001 to £40,000	3	4	9	11	12	15	332	328
£40,001 to £60,000	-	-	1	5	1	5	48	239
£60,001 to £80,000	2	1	-	5	2	6	136	348
£80,001 to £100,000	-	-	2	2	2	2	176	171
£100,001 to £150,000	-	1	-	3	-	4	-	344
£150,001 +	2	-	1	1	3	1	534	269
Total	12	15	37	70	49	85	1,438	2,006

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 £7.805m (last year £7.016m).

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.

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.

	2019-20		2018-19
	£000s	£000s	£000s
Funding provided to the pooled budget:			
Stockton-on-Tees Borough Council	8,751		6,730
NHS Hartlepool And Stockton Clinical Commissioning Group	14,184		13,575
		22,935	20,305
Expenditure met from the pooled budget:			
Stockton-on-Tees Borough Council	(17,950)		(15,768)
NHS Hartlepool And Stockton Clinical Commissioning Group	(4,985)		(4,537)
		(22,935)	(20,305)
Net surplus arising on the pooled budget during the year		-	-
Council share of the net surplus arising on the fund		-	-

Note 36: 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 – 31 March 2020 – and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- 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 an event 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 Statement of Accounts.

There are no non-adjusting events after the balance sheet date.

Note 37: Statement of Accounting Policies

General Principles

The Statement of Accounts summarise the Council's transactions for the 2019/20 financial year and its position at the year-end of 31st March 2020. 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 2019/20, 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.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

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)

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, 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.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

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. As a non financial asset, investment properties are measured at highest and best use. 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.

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.

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 2020

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.

	2019-20			2018-19		
	Council Tax £000	Business Rates £000	Total £000	Council Tax £000	Business Rates £000	Total £000
Income						
Income from Council Tax payers	(110,486)		(110,486)	(104,879)		(104,879)
Income from business ratepayers		(84,129)	(84,129)		(87,054)	(87,054)
Total Income	(110,486)	(84,129)	(194,615)	(104,879)	(87,054)	(191,933)
Expenditure						
Precepts, demands and shares:						
Central Government		42,553	42,553		45,462	45,462
Stockton-on-Tees Borough Council	90,014	39,295	129,309	86,124	42,572	128,696
Police & Crime Commissioner for Cleveland	14,058		14,058	12,515		12,515
Cleveland Fire Authority	4,341	794	5,135	4,153	864	5,017
	108,413	82,642	191,055	102,792	88,898	191,690
Apportionment of Previous Year Estimated Surplus/Deficit						
Central Government		-	-		-	-
Stockton-on-Tees Borough Council	-	-	-	836	-	836
Police & Crime Commissioner for Cleveland	-		-	122		122
Cleveland Fire Authority	-	-	-	42	-	42
	-	-	-	1,000	-	1,000
Charges to Collection Fund						
Write off of uncollectable amounts	790	528	1,318	517	648	1,165
Change in Bad Debt Provision	918	400	1,318	830	(300)	530
Change in Provision for Appeals		1,611	1,611		5,383	5,383
Cost of Collection		239	239		241	241
	1,708	2,778	4,486	1,347	5,972	7,319
Surplus (-) / Deficit arising during the year	(365)	1,291	926	260	7,816	8,076
Balance at 1st April	(77)	436	359	(337)	(7,380)	(7,717)
Balance at 31st March	(442)	1,727	1,285	(77)	436	359

Note 1: Council Tax Base

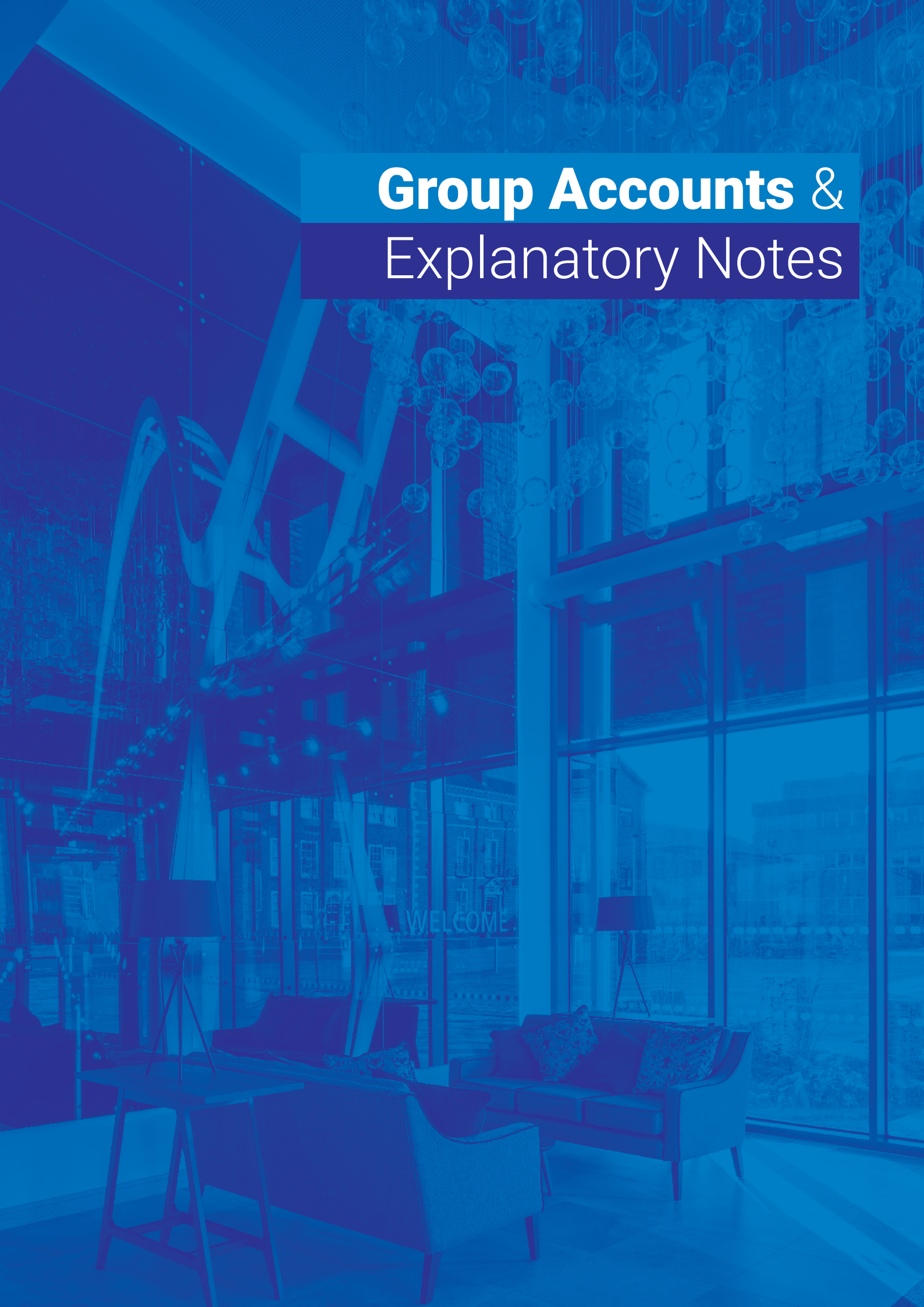
Property Category and Council Tax Banding	2019-20		2018-19	
	Number in Category	Band D Equivalent	Number in Category	Band D Equivalent
	No.	No.	No.	No.
A - up to £40,000	35,051	14,050.70	35,008	13,892.40
B - £40,001 to £52,000	16,729	10,166.10	16,512	10,029.90
C - £52,001 to £68,000	15,855	12,074.30	15,706	11,970.70
D - £68,001 to £88,000	9,719	8,652.30	9,538	8,515.50
E - £88,001 to £120,000	5,727	6,503.80	5,551	6,332.60
F - £120,001 to £160,000	2,474	3,383.40	2,370	3,253.80
G - £160,001 to £320,000	1,334	2,100.60	1,303	2,061.00
H - over £320,000	125	181.00	122	173.40
Gross Tax Base		57,112.20		56,229.30
Non Collection	1.75%	(999.46)	1.75%	(984.01)
Council Tax Base		56,112.74		55,245.29

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

	2019-20	2018-19
	£	£
Value at the year end	201,209,979	201,626,858

Note 3: National Non Domestic (Business) Rates Multiplier

	2019-20	2018-19
	pence	pence
Multiplier for the year	50.4p	49.3p



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 2020.
- Notes to the Group Accounts where the balances are materially different to those in the single entity accounts.

Subsidiaries

The following entities are 100% controlled by Stockton Council by virtue of 100% shareholding and are consolidated with Stockton Council. 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. This is the current situation with regards to the councils subsidiary companies listed above.

Group Movement in Reserves Statement for the year ended 31 March 2020

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

Council	Council						Subsidiaries	Group
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Councils share of group reserves	Total Authority reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Openin Balance at 1st April 2018	76,889	1,243	16,789	94,921	(17,626)	77,295		77,295
Movement in reserves during 2018-19								
Total Comprehensive Income and Expenditure	(31,080)	-	-	(31,080)	24,928	(6,152)	(330)	(6,482)
Adjustments between accounting basis & funding basis under regulations (Note 6)	27,239	(198)	17,153	44,194	(44,194)	-		
Increase/Decrease in Year	(3,841)	(198)	17,153	13,114	(19,266)	(6,152)	(330)	(6,482)
Balance at 31 March 2019 carried forward	73,048	1,045	33,942	108,035	(36,892)	71,143	(330)	70,813
Movement in reserves during 2019-20								
Opening Balance 01 April 2019	73,048	1,045	33,942	108,035	(36,892)	71,143	(330)	70,813
Total Comprehensive Income and Expenditure	(43,599)	-	-	(43,599)	(61,845)	(105,444)	115	(105,330)
Adjustments between accounting basis & funding basis under regulations (Note 6)	31,578	1,817	4,168	37,563	(37,563)	-	-	-
Increase/Decrease in Year	(12,021)	1,817	4,168	(6,036)	(99,408)	(105,444)	115	(105,330)
Balance at 31 March 2020 carried forward	61,027	2,862	38,109	101,998	(136,299)	(34,301)	(215)	(34,516)

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2020

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.

£000s	2018-19			2019-20		
	£000s	£000s		£000s	£000s	£000s
Expenditure	Income	Net		Expenditure	Income	Net
99,279	(54,810)	44,469	Adults & Health	103,105	(58,346)	44,759
146,769	(98,908)	47,861	Children's Services	150,098	(98,863)	51,235
21,688	(2,200)	19,488	Community Services	27,703	(4,558)	23,145
19,763	(8,332)	11,431	Corporate Management & Services	24,706	(12,980)	11,726
14,566	(3,890)	10,676	Culture, Leisure & Events	15,151	(4,763)	10,388
31,848	(7,279)	24,569	Economic Growth & Development	35,740	(8,505)	27,235
85,494	(65,959)	19,535	Finance & Business Services	65,368	(55,154)	10,214
5,152	(543)	4,609	HR, Legal & Comms	5,603	(605)	4,998
424,559	(241,921)	182,639	Cost Of Services	427,474	(243,774)	183,700
			Other Operating Expenditure:			
832	-	832	Parish council precepts	870	-	870
-	-	-	Payments to the Government Housing Capital Receipts Pool	-	-	-
4,594	-	4,594	(Gain) or loss on the disposal of non-current assets	6,082	-	6,082
			-			
			Financing and Investment Income and Expenditure:			
3,778	-	3,778	Interest payable and similar charges	4,164	-	4,164
576	-	576	Net (gains)/losses on financial assets at fair value through profit and loss	516	-	516
25,313	(19,680)	5,633	Net interest on the net defined benefit liability/asset	24,640	(19,368)	5,272
	(835)	(835)	Interest receivable and similar income		(822)	(822)
17,023	(10,366)	6,657	(Gain) or loss on trading accounts (not applicable to service)	15,717	(7,766)	7,951
5,135	(877)	4,258	Income & costs and changes in fair value relating to investment properties	2,867	(568)	2,299
			-			
-	-	-	Revaluation loss on Assets Held for Sale	170	-	170
			-			
			Taxation and Non-Specific Grant Income:			
-	(86,744)	(86,744)	Council tax income		(90,317)	(90,317)
599	(42,521)	(41,922)	Retained Business Rates		(40,687)	(40,687)
-	(15,253)	(15,253)	Non-ringfenced government grants		(17,555)	(17,555)
-	(32,804)	(32,804)	Capital grants and contributions		(18,159)	(18,159)
482,409	(451,001)	31,410	(Surplus) or Deficit on Provision of Services	482,500	(439,016)	43,484
			Tax Expenses of Subsidiary			-
			Group Surplus or Deficit			43,484
		(1,817)	(Surplus) or deficit on revaluation of non current assets			3,586
		(407)	(Surplus) or deficit on revaluation of available for sale financial assets			
		(22,705)	Re-measurements of the defined benefit liability			58,260
		1	Other (gains) and losses			(1)
		(24,928)	Other Comprehensive Income and Expenditure			61,845
		6,482	Total Comprehensive Income and Expenditure			105,329

Group Balance Sheet as at 31 March 2020

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

	Note	31 March 2020 £000s	31 March 2019 £000s
Non-current assets			
Property, plant and equipment		324,215	304,919
Investment property		6,368	6,549
Intangible assets		41	64
Heritage Assets		10,728	10,728
Long term investments		14,285	14,801
Long Term Debtors	4	3,674	3,313
Total non-current assets		359,311	340,374
Current assets			
Inventories		336	286
Debtors	1 & 4	41,392	39,847
Cash and Cash Equivalents	2	25,811	14,329
Assets held for sale		1,441	6,242
Total current assets		68,980	60,704
Current liabilities			
Cash and Cash Equivalents	2	(1,553)	(6,784)
Short Term Borrowing		(27,883)	(71)
Short Term Creditors	3	(35,071)	(34,946)
Provisions		(7,805)	(7,016)
Total current liabilities		(72,312)	(48,817)
Long term liabilities			
Long Term Creditors		(213)	(193)
Long Term Borrowing		(73,871)	(47,187)
Other Long Term Liabilities		(311,864)	(233,820)
Grants Receipts in Advance		(248)	(248)
Total long term liabilities		(386,196)	(281,448)
Net Assets:		(34,516)	70,813
Reserves			
Usable reserves:			
General Fund Balance		7,221	8,358
Earmarked General Fund Reserves		53,806	64,690
Capital Receipts Reserve		2,862	1,045
Capital Grants Unapplied		38,110	33,942
Profit and Loss Reserve - Stockton Borough Holding Co Ltd		(215)	(330)
		101,784	107,705
Unusable Reserves:			
Revaluation Reserve		43,433	51,399
Capital Adjustment Account		128,831	141,052
Financial Instruments Adjustment Account		(463)	(546)
Pooled Fund Adjustment Account		(1,091)	(576)
Financial Instruments Revaluation Reserve		377	377
Deferred Capital Receipts Reserve		154	154
Pensions Reserve		(305,723)	(227,234)
Collection Fund Adjustment Account		(479)	(150)
Accumulated Absences Account		(1,339)	(1,368)
		(136,300)	(36,892)
Total Reserves:		(34,516)	70,813

Group Cash Flow Statement For The Year Ended 31 March 2020

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

	31 March 2020 £000s	31 March 2019 £000s
Net (surplus) or deficit on the provision of services	43,484	31,410
Adjustments to net surplus or deficit on the provision of services for non-cash movements:		
Depreciation, impairment and amortisation of non current assets	(18,018)	(19,660)
Revaluation (gains)/losses	(7,263)	(6,456)
Pension Fund adjustments	(20,229)	(26,022)
Carrying amount of Non-Current Assets Sold	(14,013)	(5,328)
Other non-cash movement	3,873	1,854
Increase/(Decrease) in Inventories (Stock)	50	1
Increase/(Decrease) in Debtors	(1,286)	5,353
(Increase)/Decrease in Creditors	(1,389)	2,514
(Increase)/Decrease in Provisions	(789)	(2,637)
Increase/(Decrease) in Long Term Debtors	361	3,011
	(58,702)	(47,369)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		
Capital Grants credited to surplus or deficit on the provision of services	24,764	36,374
Proceeds from the disposal of non current assets	5,708	548
	30,472	36,922
Net cashflow from operating activities	15,254	20,963
Investing activities		
Purchase of property, plant and equipment, investment property and intangible assets	61,138	40,203
Purchase of short term and long term investments	(516)	4,831
Proceeds from the sale of property, plant and equipment, investment property and intangibles	(5,708)	(548)
Proceeds from short term and long term investments	-	(8,520)
Other receipts from investing activities	(29,063)	(35,908)
Net cashflow from investing activities	25,851	58
Financing activities		
Other receipts from financing activities	(3,893)	(2,232)
Cash payments for liabilities relating to finance leases and PFI Contracts	571	547
Repayments of short and long term borrowings	(54,497)	156
Net cashflow from financing activities	(57,819)	(1,529)
Net (increase) or decrease in cash and cash equivalents	(16,713)	19,492
Cash and cash equivalents at the beginning of the reporting period	(7,545)	(27,037)
Cash and cash equivalents at the end of the reporting period	(24,258)	(7,545)
The cashflow for operating activities includes the following items:		
Interest received	(220)	(199)
Dividends received	(624)	(608)
Interest paid	3,027	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

	31 March 2020 £000s	31 March 2019 £000s
Central Government	9,875	8,321
Local Government	4,066	4,292
National Health Service	3,301	1,263
Local Taxation	8,089	7,214
Other entities and individuals	16,061	18,757
	41,392	39,847

Group Note 2: Cash and Cash Equivalents

	31 March 2020 £000s	31 March 2019 £000s
Bank and Imprests	1,031	759
Cash Equivalents	24,780	13,570
Bank Overdraft	(1,553)	(6,784)
	24,258	7,545

Group Note 3: Short Term Creditors

	31 March 2020 £000s	31 March 2019 £000s
Central Government	(11,962)	(11,287)
Local Government	(4,549)	(4,020)
National Health Service	(256)	(730)
Local Taxation	(1,661)	(1,920)
Other entities and individuals	(16,642)	(16,989)
	(35,071)	(34,946)

Note 4: Group Financial Instruments

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.

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

Financial Liabilities (at Amortised Cost)	Long Term		Short Term	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000s	£000s	£000s	£000s
Loans	73,871	47,187	27,883	71
Bank Overdraft	0	0	1,553	6,784
Total Other Long-term Liabilities	6,141	6,586	570	0
Financial Liabilities Included in Creditors	213	193	27,022	28,862
Total Financial Liabilities	80,225	53,966	57,028	35,717

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

Financial Assets	Long Term		Short Term	
	31 March 2020 £000s	31 March 2019 £000s	31 March 2020 £000s	31 March 2019 £000s
Loans to Companies and for Service Purposes at Amortised Cost	1,267	305	0	0
At Fair Value Through Other Comprehensive Income	377	377	0	0
At Fair Value Through Profit & Loss	13,908	14,424	18,000	12,500
Cash and Cash Equivalents at Amortised Cost	0	0	7,811	1,829
Financial Assets at Amortised Cost Included in Debtors	0	3,008	21,472	18,250
Total Financial Assets	15,553	18,114	47,283	32,579

Note 5: Property, Plant & Equipment

The value of Property, Plant & Equipment shown in the Group Accounts differs from that of the single entity as follows:

	31 March 2020 £000s	31 March 2019 £000s
Property, Plant & Equipment - Stockton Borough Council	314,315	292,719
Plus		
Northshore Hotel	9,900	12,200
Property, Plant & Equipment - Group	324,215	304,919

For Group Accounting purposes the Northshore Hotel is treated as operational Property, Plant and Equipment.

Note 6: Investment Property

The value of Investment Property shown in the Group Accounts differs from that of the single entity as follows:

	31 March 2020 £000s	31 March 2019 £000s
Rental income from investment property	755	445
Less Rental Income from Group properties	(450)	(59)
Direct operating expenses arising from investment property	(122)	(35)
Net gain/(loss)	183	351

	31 March 2020 £000s	31 March 2019 £000s
Investment Property - Stockton Borough Council	16,268	18,749
less		
Northshore Hotel	(9,900)	(12,200)
Investment Property - Group	6,368	6,549

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 2020.



G Cummings CPFA
Director of Finance & Business Services

Date: 15th July 2020

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.

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.

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 International Financial Reporting Standard 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.

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.

Covid 19 Grant Funding

First tranche of the funding provided by the government that was paid at the end of the financial year but will be utilised during 2020/21.

Time to Buy Initiative

A scheme to assist first time buyers of houses.

SCHOOLS RELATED RESERVES

Balances held by schools under a scheme of delegation

Balances retained by individual schools from their delegated budget.

Dedicated Schools Grant

Deficit in year related to schools spending. See DSG note 24 for further information on the deficit.

Members' Allowances

Appendix B

Member	Basic Allowance £	Special Responsibility Allowance £	Travel £	Subsistence £	Carer's Allowance £	Total 2019-20 £	Total 2018-19 £
H Atkinson	9,300.00					9,300.00	9,300.00
S Bailey	900.00	302.42				1,202.42	13,345.04
P Baker	900.00					900.00	9,300.00
L Baldock	9,300.00	3,125.04				12,425.04	12,390.31
C Barlow	9,300.00	5,813.14				15,113.14	12,425.04
P Beall	8,400.00	4,838.68				13,238.68	-
J Beall	9,300.00	13,749.96	308.97			23,358.93	23,374.76
J Bright	8,400.00					8,400.00	-
D Brown	900.00	604.84				1,504.84	15,569.96
J M Cherrett	9,300.00					9,300.00	9,300.00
C Clark	9,300.00	6,249.96				15,549.96	9,300.00
C Clough	9,300.00	2,688.20				11,988.20	9,300.00
R Cook	9,300.00	24,999.96	180.62			34,480.58	34,432.18
N Cooke	9,300.00	11,250.00				20,550.00	20,550.00
G Corr	9,300.00					9,300.00	9,300.00
E Cunningham	9,300.00	5,813.14				15,113.14	10,602.10
IJ Dalgarno	9,300.00					9,300.00	9,300.00
P Dennis	900.00					900.00	9,300.00
K Dixon	9,300.00					9,300.00	9,300.00
L Evans	9,300.00	10,719.08				20,019.08	-
K Faulks	9,300.00		209.53			9,509.53	9,497.01
L Frost	8,400.00		24.60			8,424.60	-
C Gamble	7,750.00	3,338.20				11,088.20	-
J Gardner	9,300.00					9,300.00	9,300.00
R Godwin	8,400.00					8,400.00	-
L Grainge	0.00					-	15,576.96
L Hall	9,300.00					9,300.00	9,388.60
A Hampton	9,300.00					9,300.00	9,300.00
E Hampton	900.00					900.00	9,300.00
DC Harrington	900.00	604.84				1,504.84	15,549.96
D Hewitt	900.00					900.00	9,300.00
S Houghton	9,300.00					9,300.00	9,300.00
B Inman	9,300.00	3,125.04				12,425.04	12,425.04
M Javed	9,300.00	344.42				9,644.42	9,300.00
E Johnson	9,300.00	2,688.20				11,988.20	9,343.40
P Kirton	9,300.00	6,249.96				15,549.96	15,549.96
T Large	8,400.00					8,400.00	-
A McCoy	9,300.00	11,250.00	255.88			20,805.88	20,808.54
D Minchella	8,400.00					8,400.00	-
M Moore	9,300.00					9,300.00	9,300.00
K Nelson	900.00	302.42				1,202.42	12,425.04
S Nelson	9,300.00	11,250.00	20.22			20,570.22	20,542.60
E O'Donnell	9,300.00	6,249.96				15,549.96	15,549.96
R Patterson	9,300.00					9,300.00	9,445.01
M Perry	9,300.00					9,300.00	9,300.00
L Povey	9,300.00	2,688.20				11,988.20	11,122.94
T Riordan	8,400.00					8,400.00	-
S Richardson	9,300.00					9,300.00	9,300.00
P Rowling	900.00	302.42				1,202.42	12,425.04
A Sherris	8,400.00					8,400.00	-
M Smith	9,300.00	11,250.00				20,550.00	20,550.00
N Stephenson	9,300.00	6,249.96				15,549.96	15,576.96
M Stoker	9,300.00	3,125.04				12,425.04	12,425.04
T Stott	900.00					900.00	9,300.00
T Strike	8,400.00					8,400.00	-
M Surtees	9,300.00					9,300.00	9,300.00
L Tunney	9,300.00					9,300.00	9,300.00
H Vickers	8,400.00					8,400.00	-
M Vickers	9,300.00	5,000.04				14,300.04	14,300.04
S Walmsley	9,300.00	5,813.14				15,113.14	12,619.66
SA Walmsley	8,400.00					8,400.00	-
A Watson	8,400.00					8,400.00	-
SA Watson	9,300.00					9,300.00	9,300.00
P Weston	9,300.00	3,225.83				12,525.83	9,367.52
J Whitehill	9,300.00					9,300.00	9,300.00
D Wilburn	900.00	604.84				1,504.84	15,549.96
N Wilburn	900.00	1,088.71				1,988.71	20,550.00
W Woodhead	9,300.00		85.05			9,385.05	9,340.84
B Woodhouse	9,300.00	6,249.96				15,549.96	15,549.96
Totals	519,250.00	181,155.60	1,084.87	-	-	701,490.47	692,069.43

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.

