



Statement of Accounts

2020-21



Stockton-on-Tees
BOROUGH COUNCIL

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The Borough

Stockton-on-Tees has something for everyone. It's no wonder our population is growing, business is booming and you tell us you're happy to be here. Here are some things you might like to know about our Borough.

A place people are proud to live

200,000 people call Stockton-on-Tees home. They live in our thriving towns - Stockton, Billingham, Thornaby, Ingleby Barwick, Norton and Yarm - and our rural villages. Our population is increasing, with a 2.8% rise over the last seven years, and we're committed to serving this growing community, supported by a thriving and active voluntary, community and social enterprise sector. We're delighted to know people are proud of living in Stockton-on-Tees.

Going places and getting further

Business is booming in Stockton-on-Tees, where 5,000 businesses generate £4 billion for the local economy. We account for a third of the Tees Valley economy overall and our towns provide work for people from across the Borough. Our excellent road and rail connections with London and key northern cities make Stockton a great place to do business. Whilst Teesside International Airport, on the Borough's boundary, provides international connections for our globally ambitious businesses.

Alive with events, leisure and culture

There's always something to do in Stockton-on-Tees. Whether that is enjoying our beautiful parks and open spaces, or visiting our beautiful towns. Although of course impacted by COVID-19, we hope to be able to return to our year-round events programme, and to ensure we can all continue to enjoy the wide range of activities, events and facilities that put our Borough on the map. Our Plan will maintain the Borough's reputation as a thriving and vibrant place to be.

Fighting inequality

Inequality is a challenge in Stockton-on-Tees. We have affluent areas alongside areas of deprivation. Nine of our wards are in the 10% most deprived wards in the country and there is a gap of 21 years in average life expectancy amongst men between the most and least deprived wards. We're committed to fighting this discrepancy and making sure more people enjoy a healthy and happy life here.

The climate change challenge

The effects of climate change are becoming ever more apparent. We know that the changes that are required to our transport, homes, industry and lifestyle are challenging and must be long term. The Council is working with a sense of urgency to develop plans in partnership with businesses and other agencies to drive down carbon production and reduce consumption of energy and raw materials. Everyone in the Borough can make a difference.

The Council

We are a unitary authority elected to serve the Borough of Stockton-on-Tees. We are the largest of the five local unitary Councils that make up the Tees Valley region. We have 26 wards, represented by 56 councillors. Following the May 2019 local elections, no political party has overall control of the Council. We have a Leader and Cabinet style administration. That means the Council appoints the Leader, and the Leader appoints the Cabinet.

Planning our financial future

In the current economic climate, and especially as a result of the Coronavirus pandemic, finances are always going to be a challenge, and we work hard to make our budget go further. 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.

Our people, our services, our commitment

We always struggle to tell you about our priorities for the year ahead as all of our teams work as if what they deliver is the number one priority. Our teams have risen to the many challenges of COVID-19, continuing to deliver high quality, value for money services, monitored through annual service plans, and by working with key partners in the public, business and voluntary, community and social enterprise sector.

Our Adult and Children's Social Care, Help and Support Teams and Education Support Teams work all year round to protect our residents from abuse and exploitation, working alongside the teams in Public Health, Community Safety, Licensing, Trading standards, Welfare Rights, Housing, Catering, Registrars, Bereavement Service, Community Engagement and Environmental Health work to make sure that the Borough is a place where people are healthy, safe and protected from harm.

Our refuse and recycling, street cleaning, groundworks, parks and maintenance teams all work alongside the teams in heritage, libraries, museums, events and countryside and green space to make sure that the Borough is clean, vibrant and attractive. Whilst the Planning, Building Control and Housing Development teams make sure that the Borough has great places to live.

Our Business Support, Inward Investment, Learning and Skills and Town Centre Development teams are working hard to support businesses in the Borough to ensure we have a thriving economy where everyone has opportunities to succeed and our Transport teams continue to manage and improve our highways networks to ensure that residents and businesses can move freely around the Borough.

And all of our teams, whether on the front line or working in the vital support functions that are needed to make it all happen, are all ambitious, effective and proud to serve.

During the last year in Stockton-on-Tees

For our Council Plan we have had to adapt the priorities we planned to work on during the last year. Since the initial development of the plan we have and still are experiencing the effects of the pandemic. This has provided huge challenges for us to address in terms of community and economic recovery and dealing with the long term implications.

The following is just a flavour of what the Council has achieved during the year.

Worked with Tees Valley Councils and Tees, Esk and Wear Valleys Trust to design new approaches to support and improve children and young people's mental health.

Improved the support we give to families to help them stay together, by reviewing our services and introducing new ways to support families.

Helped schools to improve pupil wellbeing and reduce exclusions.

Worked to improve the consistency and continuity of social work practice, including working with a Partners in Practice local authority to support improvement in quality assurance and performance.

Worked to reduce the number of children who need to be in care.

Developed plans to increase capacity in our fostering service and residential children's homes.

Reviewed the quality and suitability of our 'out of area' adults' placements to try, where possible, to support people to return to live in the Borough.

Worked to continuously improve quality of care within adults' residential homes, and in response to the specific issues arising from COVID-19.

<p>Led a consultation on community safety priorities - the outcomes will help inform our work to update the Community Safety Plan.</p>	<p>Worked to develop a strategy to accelerate the delivery of affordable housing and options for increasing housing land.</p>
<p>Continued with the re-development of the former Victoria estate. The new 143-home Sycamores development is off to a flying start with strong sales.</p>	<p>Completed and opened Ingleby Barwick leisure and library facility</p>
<p>Completed the restoration of Stockton's famous and much-loved Globe theatre.</p>	<p>Worked in partnership with the Tees Valley, Durham and Newcastle local authorities to procure new waste management arrangements.</p>
<p>Continued to develop and adapt our annual events programme to work well in the COVID-19 environment.</p>	<p>Improved the visitor facilities in Preston Park. Work on toilet improvements is underway.</p>
<p>Continued to work towards carbon reduction targets at the Council and in the Borough.</p>	<p>Continued to work with early years settings and schools to raise educational attainment for all pupils, including those with additional needs.</p>
<p>Opened a new Employment and Training Hub, working with partners from across the Borough.</p>	<p>Developed and implemented plans for our town centres recognising and understanding the full impact of COVID-19.</p>
<p>Worked with Tees Valley Combined Authority on improving regional economic and transport infrastructure.</p>	<p>Worked with Tees Valley Combined Authority on regional skills development. We will continue to work with TVCA to develop a strategy for skills across Tees Valley.</p>

Our COVID-19 Response

This year has been a year like no other and whilst you can see above we have continued to deliver on our Council Plan commitments, our major priority this year has been to respond to the pandemic. All of our services have had to adapt to restrictions and work differently. Here are some of the ways we have changed what we do as a result of COVID-19.

COVID-19 secure status

We moved urgently in 2020 to establish safe working practices and establish COVID-Secure status for the organisation. Our organisation-wide risk assessment sets out how we are delivering this and is supported by over 200 service-specific risk assessments including PPE guidance, 8 building risk assessments, an online checking-in process and an individual risk assessment process for all Clinically Vulnerable and Clinically Extremely Vulnerable employees to complete before they are able to work outside their home.

Changes to how we deliver services

We moved rapidly to enable home working for the majority of office-based staff. Improved IT capabilities, including widespread adoption of MS Teams as well as the well-developed process of replacing desktops with laptops and tablets enabled significant numbers of people to work from home with minimal disruption from March 2020. Virtual meetings are being held across all services and with key partners.

For those services where home working is not possible, significant changes have had to be made to ways of working on shift patterns, changes to the physical environment and other adjustments to procedures and protocols to keep services running.

Changes to how we deliver Civic activity

During the initial period when committee meetings resumed, these were conducted using a hybrid approach until the beginning of July 2020 when we were able to proceed with remote meeting only and have done so ever since. We have since been able to deliver over 120 public meetings using this approach.

We have continued to support the people and business of the Borough throughout.

<p>Providing vital front-line social care services and worked closely with the care homes and carers across the Borough to support them.</p>	<p>Helping to mobilise an army of volunteers to deliver 3,397 food parcels, 3,024 prescriptions and undertake 936 shopping trips and many other kinds of help to the vulnerable during lockdown.</p>
<p>Offering advice and support to 15,215 clinically extremely vulnerable (CEV) people in the Borough.</p>	<p>Continuing to carry out assessments for adults who have a need and support services are commissioned including home care and reablement. Hospital discharges are supported seven days a week by an integrated health and social care team.</p>
<p>Working closely with schools to support them to stay open for vulnerable children and children of key workers and then to widen opening for selected year groups. Even before the national free school meals voucher scheme, we co-ordinated the preparation and delivery of on average 1,300 packed lunches each day.</p>	<p>Implementing a new way of working, intensifying our work with schools, sharing information with partner agencies, creating a single point of contact for queries, and the development of a vulnerable children matrix so we can ensure support is being provided to the most vulnerable children.</p>
<p>Leading the local public health response and have done everything we possibly can to support vital public health messaging</p>	<p>Launching a new enhanced emotional health and wellbeing support offer for children and young people.</p>
<p>Continuing to support people who find themselves homeless or are threatened with homelessness.</p>	<p>Contacting over 1,000 people aged 75+ who may be entitled to Pension Credit in response to the TV licence fee changes</p>
<p>Administering swift financial support for over 2,500 businesses.</p>	<p>Maintaining weekly bin collections and recycling services throughout.</p>
<p>Introducing discretionary schemes to provide funding to a wide range of businesses who did not qualify for the National Scheme but who were significantly affected.</p>	<p>Setting up a number of business support grant schemes to support businesses through national and local restrictions.</p>
<p>Introducing discretionary schemes to provide funding to a wide range of businesses who did not qualify for the National Scheme but who were significantly affected.</p>	<p>Administering additional grants to support businesses re-starting their activities.</p>

We have done new things...

<p>We worked in partnership with Catalyst to establish the Community Support Team and the Shielding Hub - a multi-disciplinary approach to providing a one-stop service to support the most vulnerable, providing support around access to food, medicines and emotional wellbeing support and also links into services such as social care, mental health and welfare support.</p>	<p>We proactively contacted every shielding resident in the Borough and responded to enquiries from shielding residents offering advice and support through the community support team.</p>
<p>We took the lead role in the development of outbreak management plans and responses, including the provision of advice, guidance, support and risk assessment support to workspaces, schools and other settings, seven days a week.</p>	<p>We have set up testing sites and helped others to set up theirs - in schools, workplaces and in the community.</p>
<p>We provided advice and guidance to staff, the public and service providers and partners.</p>	<p>We have recruited and trained a dedicated team of COVID Marshals to help keep residents and businesses safe across Stockton-on-Tees.</p>
<p>We have set up a new employment and skills hub to help with anything employment and training related including employability support, job searches, skills, education and training, funding and benefits advice.</p>	<p>A care home protection group was created to ensure that the care homes are supported in continuing with their role throughout the pandemic, ensuring that the residents were kept safe and protected from COVID-19.</p>
<p>A number of employees worked shifts to help people who call the COVID-19 Community Support telephone line.</p>	<p>A number of staff offered to help provide a much needed service to isolated residents across the Borough.</p>
<p>A Logistics Hub was created at the back of Splash by installing a marquee and converting the sports activity hall. A number of Council staff were needed to help make up food parcels for some of the Borough's most vulnerable and isolated people.</p>	<p>Public Health team led the co-ordination, oversight and delivery of outbreak management, co-ordinated the planning and delivery of contact tracing activity and the local approach to testing.</p>

Our vision for the Borough

When we look at the situation in the Borough in 2021 and weigh up all of the challenges and opportunities that we face right now and in recovering from the impact of COVID-19 on residents, the community and voluntary sector and businesses, we have identified the following key priorities for the coming year as part of our vision, which remains unchanged.

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

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 and Audit and Governance Committee. The committee continues to monitor implementation of actions identified in last year's Annual Governance Statement. The Council has had to change and adapt operations including governance processes during the year. More detail is included in the Annual Governance Statement which is published on the Council's website.

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 and Governance Committee.

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

- The availability and uncertainty of medium term financial resources needed to meet key objectives continues to create a risk environment. This has been compounded by the impact of Covid-19, particularly on income streams. The main controls in place include careful financial planning through the medium term financial plan, access to additional Covid-19 grant funding, 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. Once again, the impact of Covid-19 has had a significant impact on large parts of the workforce and forced the implementation of new ways of working. The benefits of flexible working will be carried forward and maximised where they can lead to an increase in productivity and workforce wellbeing.

- Providing an information governance framework to effectively manage information security and protect personal data. Main controls include regular reviews of information governance policies and procedures, robust information security systems to protect ICT systems, employee training and a revised approach to records management.
- 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 overall impact of Covid-19 both within the Council and the impact on communities. Main controls include recovery plans for Council services and additional support to communities and businesses within the Borough.

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

- Using technology and building assets more effectively and efficiently and to improve access channels for residents particularly building upon the positive changes to working arrangements and the way communities accessed services during the pandemic.
- Commercial activity such as the ongoing redevelopment of the Town Centres.
- The ongoing operation and development of shared services such as the regional adoption agency, Adoption Tees Valley, the Internal Audit Shared Service and collaborative procurement arrangements such as those through the North East Procurement Organisation (NEPO).

Approach to Financial Management

The Council has recognised for a number of years the financial challenges 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 the Audit and Governance Committee in January 2021. As part of this approach, there is a strong track record of delivering savings and efficiencies and the Council remains well prepared for the challenges ahead.

Funding Position

On 25 November the Government announced the Spending Review (2021/22), setting out headline funding levels for government departments, again for one year only. This outlined a headline increase in Core Spending Power (CSP) of 4.5% for local government (4.6% for Stockton). However, it should be noted the majority of this increase does not directly translate into additional government funding. Most of the increase is assumed to come from local council tax increases. The increase in spending power without the local tax increases would only be approximately 0.7%.

Alongside the core items above, the Spending Review announced some one-off provision to support local authorities with Covid-19 pressures in 2021/22. Nationally a sum of £3bn was allocated, broken down as follows:

- a. £1.55bn to meet additional expenditure pressures as a result of Covid-19;
- b. £670m support for council tax;
- c. £762m to compensate for 75% of irrecoverable losses of council tax and business rates revenues relating to 2020/21;
- d. Extending the existing Sales, Fees and Charges income compensation scheme for a further three months to the end of June 2021.

On 17 December 2020 the MHCLG announced the

Provisional Local Government Finance Settlement for 2021/22. This expanded on the key aspects from the Spending Review highlighted above and presented information at a local authority level. In particular, further detail was provided on the Council Tax Support funding, the funding to compensate for irrecoverable losses of Council Tax and Business Rates and the extension to the Sales, Fees and Charges Compensation Scheme.

The one-year spending review and financial settlement leaves significant uncertainty regarding the position from 2022 onwards. This makes financial planning across the duration of the MTFP extremely challenging. The future of the review of local government finance (Fair Funding Review and further Business Rates Retention) is also in question and adds to the future uncertainty.

COVID-19 - A Financial Perspective

Throughout the year, the Council continued to demonstrate robust financial management. As anticipated, there were a number of variations from the approved budget which related to Covid-19, however spend was effectively managed. The balance of the General Fund Reserve increased at year end and the details will be included in a Report to Cabinet in July 2021.

During 2020/21 the Government provided a range of Covid financial support packages. These included additional funding to support service pressures (both income and expenditure) caused by the pandemic, funding for specific measures and initiatives, and grants paid to local businesses. In accordance with the Code of Practice, where the authority has the ability to determine/influence the grant scheme criteria it is said to be acting as a Principal. Where the authority has acted as principal, transactions are included in the financial statements and on this basis, the majority of Covid grants are recognised

in the CIES. However there are some instances where the Council has acted as an agent i.e. the Council has simply acted as an intermediary and passed the funds onto recipients following government criteria. Where the Council has acted as an agent, transactions are not reflected in the authority's financial statements

One measure the Government put in place was to provide 100% business rates discount for the leisure and hospitality sectors. Based on estimates, an upfront payment of compensation for the cost of these reliefs was given to local authorities via a Section 31 Grant in 2020/21. Due to Collection Fund accounting rules, the additional costs of reliefs resulted in a Collection Fund deficit in 2020/21. Therefore, £16.4m of the upfront payment received in 2020/21 has been set aside in reserves at year end to offset this deficit in 2021/22. This and other Covid grants has resulted in an increase in reserves at 31 March 2021.

Revenue Expenditure 2020/21

Performance against revenue budgets for 2020/21 by Directorate is shown in the table below.

Service Departments	Approved Budget	Actual	Variance
Expenditure	£m	£m	£m
Adults & Health	73.774	73.976	0.202
Children's Services	36.950	42.620	5.669
Community Services	35.478	37.214	1.736
Corporate Management & Services	15.834	1.218	(14.616)
Culture, Leisure & Events	9.428	10.541	1.113
Town Centre Team	1.856	2.878	1.023
Finance & Business Services	9.466	9.413	(0.053)
HR, Legal & Comms	5.027	4.296	(0.731)
Net Expenditure on Services	187.814	182.156	(5.658)

Capital Medium Term Financial Plan

The Council has an ambitious 3 year capital programme of £129m which will deliver a range of objectives to achieve our vision:

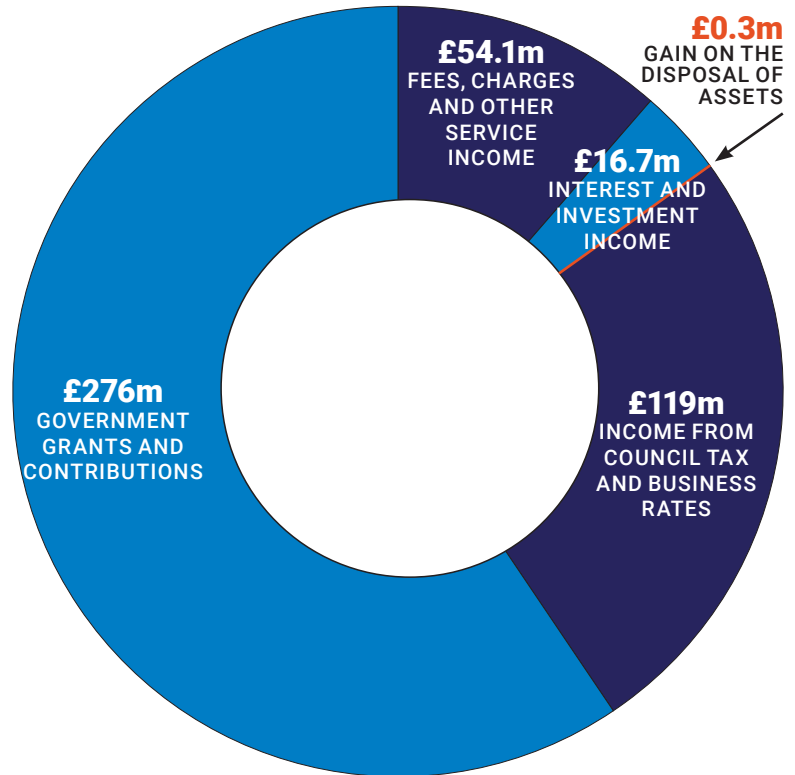
- Substantial investment within schools
- Substantial investment in Town Centres - including the Globe Theatre Refurbishment
- Redevelopment of the Castlegate Site.
- Indigenous Growth Fund

	Outturn	Three Year Plan			Total
	2020/21	2021/22	2022/23	2023/24	
Expenditure	£m	£m	£m	£m	£m
Schools Capital	3.312	10.669	5.626	12.876	32.483
Housing Regeneration	0.143	1.711	0.000	0.000	1.854
Indigenous Growth Fund	0.016	5.415	1.245	3.298	9.974
Stockton Town Centre	11.920	2.594	0.631	0.439	15.584
Reshaping Town Centres	0.188	11.004	5.570	3.901	20.663
Thornaby Town Centre	0.000	0.750	0.000	5.000	5.750
Redevelopment Castlegate Site	0.203	5.365	11.211	24.707	41.486
Other Town Centre Regeneration Schemes	0.503	1.154	0.972	0.000	2.629
Local Transport Plans	4.704	6.727	0.000	0.000	11.431
Other Transport Schemes	1.571	2.009	0.000	0.000	3.580
Developer Agreements	0.513	0.513	0.000	0.000	1.026
Private Sector Housing	1.714	0.549	0.000	0.000	2.263
Building Management & Asset Review	0.656	1.235	0.000	0.000	1.891
Energy Management Schemes	0.082	0.655	0.000	0.000	0.737
Other Schemes	2.751	3.207	0.000	0.000	5.958
Total Expenditure	28.276	53.557	25.255	50.221	157.309
Funding					0.000
Grants and Other Contributions	14.550	36.035	16.049	38.674	105.308
Capital Receipts & Reserves	2.592	6.841	2.864	0.215	12.512
Borrowing	11.134	10.681	6.342	11.332	39.489
Total Funding	28.276	53.557	25.255	50.221	157.309

Core Funding

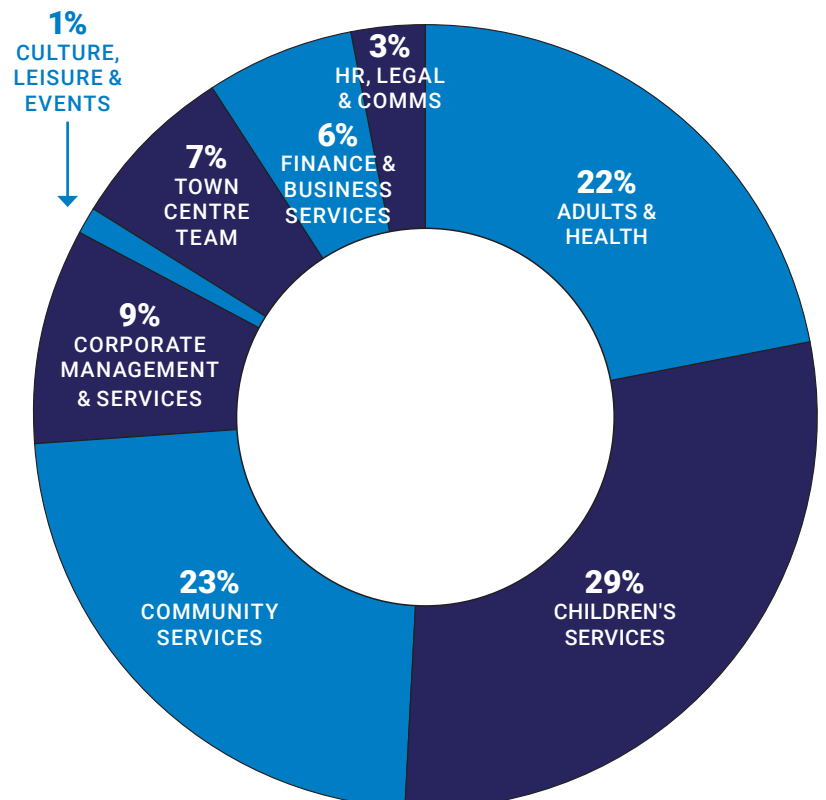
In common with the rest of local government, the Council has seen a reduction in its core government funding in recent years. The Government's aim is to phase out non-specific grant funding altogether, instead allowing local authorities to retain a higher proportion of business rates collected locally. Government grants have increased during the year due to additional grants made due to the Covid 19 pandemic.

Income by source during 2020/21 is presented in the chart to the right.



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 to the right.



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 2021. 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 2020/21, which in turn is underpinned by International Financial Reporting Standards.

The Core Financial Statements are;

Movement in Reserves Statement (MIRS)

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

Comprehensive Income and Expenditure Statement (CIES)

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

Balance Sheet

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

Cash Flow Statement

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

Notes to the Financial Statements

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

The Group Accounts

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

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

Stockton Borough Holding Company Limited - Registration Number 10523559

Stockton Hotels Company Limited - Registration Number 10525068

Prior Period Adjustments - Restatement of Income and Expenditure Comparators due to Change in Reporting Structure

The Expenditure & Funding Analysis (EFA), the Comprehensive Income & Expenditure Statement (CIES) and their supporting notes, are compiled based on the Council's reporting structure at the 31st March. This structure reflects the Directorate structure in place at that point in time.

During 2020/21 the Council's reporting structure was changed to reflect the new Town Centres Investment Team and the disbanding of Economic Growth and Development Services (EGDS). Services that were included within EGDS were moved between the remaining existing Directorates and Town Centres.

This restructuring has however had no change to the overall net cost of services, Surplus/Deficit on Provision of Services, general fund balances, or the balance sheet. The financial statements and disclosures impacted by the restructuring are as follows:

- Expenditure & Funding Analysis
- Comprehensive Income & Expenditure Statement
- Notes to the Expenditure and Funding Analysis

Movement in Reserves Statement for the year ended 31 March 2021

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.

	Unearmarked General Fund Balance	Earmarked Schools Budget Reserve	Other Earmarked Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Revised Balance at 1st April 2019	8,358	-	64,690	73,048	1,045	33,942	108,035	(16,898)	91,137
Movement in reserves during 2019-20									
Total Comprehensive Income and Expenditure	(1,137)	-	(42,462)	(43,599)	-	-	(43,599)	(69,336)	(112,935)
Adjustments between accounting basis & funding basis under regulations (Note 6)	-	-	31,578	31,578	1,817	4,168	37,563	(37,563)	-
Increase/Decrease in Year	(1,137)	-	(10,884)	(12,021)	1,817	4,168	(6,036)	(106,899)	(112,935)
Balance at 31 March 2020 carried forward	7,221	-	53,806	61,027	2,862	38,110	101,999	(123,797)	(21,798)
Opening Balance 01 April 2020	7,221	-	53,806	61,027	2,862	38,110	101,999	(123,797)	(21,798)
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	-	-	4,424	4,424	-	-	4,424	(4,424)	-
Restated Balance at 1 April 2020	7,221	-	58,230	65,451	2,862	38,110	106,423	(128,221)	(21,798)
Movement in reserves in 2020-21									
Total Comprehensive Income and Expenditure	(9,420)	-	-	(9,420)	-	-	(9,420)	(6,194)	(15,614)
Adjustments between accounting basis & funding basis under regulations (Note 6)	-	-	35,908	35,908	(618)	7,847	43,137	(43,137)	-
Increase/Decrease before transfer to earmarked reserves	(9,420)	-	35,908	26,488	(618)	7,847	33,717	(49,331)	(15,614)
Transfers to / from earmarked reserves	15,078	-	(15,078)		-	-			-
Increase / Decrease in the year	5,658	-	20,830	26,488	(618)	7,847	33,717	(49,331)	(15,614)
Balance at 31 March 2021 carried forward	12,879	-	79,060	91,939	2,244	45,957	140,140	(177,552)	(37,412)
General Fund analysed over:									
Amounts earmarked (Note 7)	79,060								
Amounts uncommitted	12,879								
Total General Fund Balance at 31 March 2021	91,939								

Comprehensive Income and Expenditure Statement for the year ended 31 March 2021

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.

Restated 2019-20				2020-21		
£000s	£000s	£000s		£000s	£000s	£000s
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
101,989	(58,346)	43,643	Adults & Health	115,369	(78,642)	36,727
153,636	(100,037)	53,599	Children's Services	150,049	(100,740)	49,309
48,112	(7,175)	40,937	Community Services	44,852	(6,546)	38,306
22,318	(9,061)	13,257	Corporate Management & Services	24,793	(9,469)	15,324
15,415	(4,896)	10,519	Culture, Leisure & Events	5,571	(4,155)	1,416
-	-	-	Economic Growth & Development	-	-	-
9,485	(4,283)	5,202	Town Centres Investment	17,143	(4,802)	12,341
68,864	(57,009)	11,855	Finance & Business Services	59,518	(49,752)	9,766
5,873	(572)	5,301	HR, Legal & Comms	5,981	(910)	5,071
425,692	(241,379)	184,313	Cost Of Services	423,276	(255,016)	168,260
			Other Operating Expenditure:			
870	-	870	Parish council precepts	906	-	906
6,082	-	6,082	(Gain) or loss on the disposal of non-current assets	-	(291)	(291)
			Financing and Investment Income and Expenditure:			
4,164	-	4,164	Interest payable and similar charges	4,709	-	4,709
516	-	516	Net (gains) / losses on financial assets at fair value through profit and loss	99	-	99
24,640	(19,368)	5,272	Net interest on the net defined benefit liability/asset	22,913	(16,028)	6,885
-	(870)	(870)	Interest receivable and similar income	-	(688)	(688)
15,717	(7,766)	7,951	(Gain) or loss on trading accounts (not applicable to service)	15,091	(6,216)	8,875
2,867	(1,018)	1,849	Income & expenditure in relation to investment properties and changes in their fair value	803	(1,533)	(730)
170	-	170	Revaluation loss on Assets Held for Sale	5	-	5
			Taxation and Non-Specific Grant Income:			
-	(90,317)	(90,317)	Council tax income	-	(93,541)	(93,541)
-	(40,687)	(40,687)	Non-domestic rates income and expenditure	-	(25,465)	(25,465)
-	(17,555)	(17,555)	Non-ringfenced government grants	7,781	(49,295)	(41,514)
-	(18,159)	(18,159)	Capital grants and contributions	-	(18,090)	(18,090)
480,718	(437,119)	43,599	(Surplus) or Deficit on Provision of Services	475,583	(466,163)	9,420
		3,586	(Surplus) or deficit on revaluation of non current assets			(21,798)
		-	(Surplus) or deficit on revaluation of available for sale financial assets			-
		65,751	Re-measurements of the defined benefit liability			27,990
		(1)	Other (gains) and losses			2
		69,336	Other Comprehensive Income and Expenditure			6,194
		112,935	Total Comprehensive Income and Expenditure			15,614

Balance Sheet as at 31 March 2021

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 2021 £000s	Restated 31 March 2020 £000s	Restated 31 March 2019 £000s
Non-current assets				
Property, plant and equipment	11	368,363	334,309	312,713
Investment property	13	16,048	16,268	18,749
Intangible assets		17	41	64
Heritage Assets	12	10,728	10,728	10,728
Long term investments	29	14,186	14,285	14,801
Long Term Debtors	29	4,056	4,394	4,113
Total non-current assets		413,398	380,025	361,168
Current assets				
Inventories		539	324	275
Debtors	15 & 29	46,242	41,164	39,865
Cash and Cash Equivalents	16	16,322	24,853	13,646
Assets held for sale		136	1,441	6,242
Total current assets		63,239	67,782	60,028
Current liabilities				
Cash and Cash Equivalents	16	(9,131)	(1,553)	(6,784)
Short Term Borrowing	29	(6,554)	(27,883)	(71)
Short Term Creditors	17 & 29	(36,943)	(34,377)	(34,740)
Provisions	33	(8,967)	(7,805)	(7,016)
Total current liabilities		(61,595)	(71,618)	(48,611)
Long term liabilities				
Long Term Creditors	29	(213)	(213)	(193)
Long Term Borrowing	29	(73,472)	(73,871)	(47,187)
Other Long Term Liabilities	18 & 29	(371,878)	(319,355)	(233,820)
Grants Receipts in Advance	28	(6,891)	(4,548)	(248)
Total long term liabilities		(452,454)	(397,987)	(281,448)
Net Assets:		(37,412)	(21,798)	91,137
Reserves				
Usable reserves:				
General Fund Balance		12,879	7,221	8,358
Earmarked General Fund Reserves	7	79,060	58,230	64,690
Capital Receipts Reserve		2,244	2,862	1,045
Capital Grants Unapplied		45,957	38,110	33,942
Total Usable Reserves		140,140	106,423	108,035
Unusable Reserves:				
Revaluation Reserve	20	56,876	36,310	53,295
Capital Adjustment Account	19	156,292	155,948	159,150
Financial Instruments Adjustment Account		(339)	(463)	(546)
Pooled Fund Adjustment Account		(1,190)	(1,091)	(576)
Financial Instruments Revaluation Reserve		377	377	377
Deferred Capital Receipts Reserve		154	154	154
Pensions Reserve	31	(363,949)	(313,214)	(227,234)
Collection Fund Adjustment Account	21	(18,582)	(479)	(150)
Accumulated Absences Account		(1,139)	(1,339)	(1,368)
Dedicated Schools Grant Adjustment Account		(6,052)	(4,424)	-
Total Unusable Reserves		(177,552)	(128,221)	(16,898)
Total Reserves:		(37,412)	(21,798)	91,137

Cash Flow Statement for the year ended 31 March 2021

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 2021	31 March 2020
		£000s	£000s
Net (surplus) or deficit on the provision of services		(9,552)	43,599
Adjustments to net surplus or deficit on the provision of services for non-cash movements:			
Depreciation, impairment and amortisation of non current assets		(21,115)	(18,017)
Revaluation (gains)/losses		7,112	(7,263)
Pension Fund adjustments		(22,745)	(20,229)
Carrying amount of Non-Current Assets Sold		(2,587)	(14,013)
Other non-cash movement		(12,444)	3,873
Increase/(Decrease) in Inventories (Stock)		215	48
Increase/(Decrease) in Debtors		7,313	(1,463)
(Increase)/Decrease in Creditors		(2,172)	(970)
(Increase)/Decrease in Provisions		(1,162)	(789)
Increase/(Decrease) in Long Term Debtors		(338)	282
		(47,923)	(58,541)
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		20,844	24,764
Proceeds from the disposal of non current assets		1,667	5,708
		22,511	30,472
Net cashflow from operating activities		(15,992)	15,530
Investing activities			
Purchase of property, plant and equipment, investment property and intangible assets		21,523	61,137
Purchase of short term and long term investments		(99)	(516)
Proceeds from the sale of property, plant and equipment, investment property and intangibles		(1,667)	(5,708)
Proceeds from short term and long term investments		-	-
Other receipts from investing activities		(23,187)	(29,063)
Net cashflow from investing activities		(3,430)	25,850
Financing activities			
Other receipts from financing activities		12,444	(3,893)
Cash payments for liabilities relating to finance leases and PFI Contracts		1,359	571
Repayments of short and long term borrowings		21,728	(54,496)
Net cashflow from financing activities		35,531	(57,818)
Net (increase) or decrease in cash and cash equivalents		16,109	(16,438)
Cash and cash equivalents at the beginning of the reporting period		(23,300)	(6,862)
Cash and cash equivalents at the end of the reporting period	16	(7,191)	(23,300)
The cashflow for operating activities includes the following items:			
Interest received		(108)	(268)
Dividends received		(603)	(624)
Interest paid		3,337	3,027

Cash Flow Statement - Reconciliation of liabilities arising from financing activities

	1 April 2020	Financing Cash Flows	Changes which are not financing cash flows		31 March 2021
			Acquisition	Other Non financing cash flows	
	£000s	£000s	£000s	£000s	£000s
Long Term Borrowing	73,871	(399)	-	-	73,472
Short Term Borrowing	27,883	(21,329)	-	-	6,554
Lease Liabilities	1,239	2,304	-	(3,146)	397
Other Balance Sheet PFI Liabilities	4,650	(517)	-	-	4,133
Total Liabilities From Financing Activities	107,643	(19,941)	-	(3,146)	84,556

Comparative Information	1 April 2019	Financing Cash Flows	Changes which are not financing cash flows		31 March 2020
			Acquisition	Other Non financing cash flows	
	£000s	£000s	£000s	£000s	£000s
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

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.

Restated 2019-20			2020-21		
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
54,000	(10,357)	43,643	55,481	(18,754)	36,727
40,372	13,227	53,599	41,654	7,655	49,309
23,467	17,470	40,937	24,470	13,836	38,306
8,962	4,295	13,257	19,476	(4,152)	15,324
9,178	1,341	10,519	10,513	(9,098)	1,416
-	-	-	-	-	-
(600)	5,802	5,202	2,942	9,399	12,341
7,987	3,868	11,855	7,413	2,353	9,766
4,713	588	5,301	4,296	775	5,071
148,079	36,234	184,313	166,245	2,014	168,260
(146,944)	6,230	(140,714)	(171,903)	13,063	(158,840)
1,135	42,464	43,599	(5,658)	15,077	9,420
(8,356)			(7,221)		
1,135			(5,658)		
(7,221)			(12,879)		

Note 2: Notes to the Expenditure & Funding Analysis

Adjustments between Funding and Accounting Basis 2020-21

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	(804)	2,503	(20,453)	(18,754)
Childrens Services	1,865	6,075	(285)	7,655
Community Services	7,759	1,611	4,466	13,836
Corporate Management & Services	(1,699)	1,313	(3,766)	(4,152)
Culture, Leisure & Events	(9,572)	1,040	(565)	(9,098)
Economic Growth & Development	-	-	-	-
Town Centres Investment	12,094	152	(2,847)	9,399
Finance & Business Services	1,604	2,605	(1,856)	2,353
HR, Legal & Comms	-	562	213	775
Net Cost Of Services	11,247	15,861	(25,093)	2,014
Other Income and Expenditure from the Expenditure and Funding Analysis	(17,490)	6,885	23,668	13,063
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	(6,243)	22,746	(1,425)	15,077

Adjustments between Funding and Accounting Basis Restated 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	442	2,336	(13,135)	(10,357)
Childrens Services	3,459	5,633	4,135	13,227
Community Services	10,247	1,593	5,630	17,470
Corporate Management & Services	(946)	1,221	4,020	4,295
Culture, Leisure & Events	(598)	967	972	1,341
Economic Growth & Development	-	-	-	-
Town Centres Investment	5,628	51	123	5,802
Finance & Business Services	1,986	2,704	(822)	3,868
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 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:

The Authority has considered the impact of accounting changes that will be required by any new accounting standards that have been issued but not yet adopted by the Code for 2021/22.

These changes relate to accounting amendments to IFRS 3 Definition of a Business and Interest Rate Benchmark Reform (phase 1 and 2) affecting IFRS9, IAS39, IFRS7 and for phase 2 only IFRS4 and IFRS 16. These changes are not expected to have a material impact on the Authority's Accounts but it will be dependent on arrangements in place at that time and further details of the potential impact will be disclosed when more information becomes available.

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.

The Council received significant amounts of funding for distribution or use to support the Covid-19 lockdown and recovery. The terms of such grants meant some could be considered service or general funding with wider judgement required on whether the Authority was acting as agent or principle.

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 2021 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.
- 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.
- Provisions: the Council makes prudent provision for likely future liabilities, such as insurance costs, unpaid debts and the impact of successful business rate appeals. Changes in assumptions are very unlikely to materially affect the Statement of Accounts, with the exception of those for business rate appeals. The Council has assessed the likely impact of the appeals however the provision may require significant adjustment in future years.
- Accruals of income and expenditure: where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. The Council operates a de minimis level for accruals of £25,000 for revenue items and on-going capital projects. The Council has assessed the impact of the de minimis levels and has found that there is no significant impact upon the Statement of Accounts.

- 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.

2020-21	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)	1,942			(1,942)
Adjustments involving the Revaluation Reserve	1,231			(1,231)
Adjustments involving the Capital Grants Unapplied Account	(7,847)		7,847	-
Adjustments involving the Capital Receipts Reserve	(1,667)	(618)		2,285
Adjustments involving Dedicated Schools Grant Adjustment Account	1,628			(1,628)
Adjustments involving the Financial Instruments Adjustment Account	(125)			125
Adjustments involving the Pensions Reserve	22,745			(22,745)
Adjustments Involving the Pooled Fund Adjustment Account	99			(99)
Adjustments involving the Collection Fund Adjustment Account (see note 21)	18,102			(18,102)
Adjustments involving the Accumulated Absences Adjustment Account	(200)			200
Total Adjustments	35,908	(618)	7,847	(43,137)

2019-20 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 (see note 19)	16,111			16,111
Adjustments involving the Revaluation Reserve	4,380			4,380
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 Dedicated Schools Grant Adjustment Account	4,424			4,424
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	36,002	1,817	4,168	41,987

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 2020-21. 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 2019	Transfers Out 2019-20	Transfers In 2019-20	Balance at 31 March 2020	Transfers Out 2020-21	Transfers In 2020-21	Balance at 31 March 2021
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Capital Reserves							
Stockton Town Centre Regeneration	(996)	189	-	(807)	26	(53)	(834)
Approved Capital Schemes	(8,542)	4,409	(1,380)	(5,513)	1,127	(4,792)	(9,178)
Fleet Renewals Fund	(4,612)	910	(1,240)	(4,942)	1,477	(1,043)	(4,508)
Total Capital Reserves	(14,150)	5,508	(2,620)	(11,262)	2,630	(5,888)	(14,520)
Revenue Reserves							
Insurance Fund	(12,188)	3,000	(2,109)	(11,297)	3,000	(1,870)	(10,167)
Commuted Lump Sums	(1,448)	1,535	(840)	(753)	-	-	(753)
Litigation Reserve	(1,508)	53	-	(1,455)	1,455	-	-
ICT Infrastructure	(1,687)	2,164	(1,744)	(1,267)	834	(374)	(807)
Government Grants Income In Advance	(408)	20	-	(388)	-	-	(388)
Transformation & Implementation Reserve	(6,573)	4,245	(1,513)	(3,841)	2,946	(4,365)	(5,260)
MTFP Transition Reserve	(2,742)	2,196	-	(546)	546	(2,284)	(2,284)
ARCC Probation Service	(837)	-	(201)	(1,038)	-	(201)	(1,239)
Health & Integration	(9,814)	2,144	(258)	(7,928)	1,772	(4,078)	(10,234)
Collection Fund Deficit Reserve	-	-	-	-	-	(2,227)	(2,227)
NNDR S31 Grant	-	-	-	-	-	(16,354)	(16,354)
Other Revenue Reserves	(11,100)	3,092	(7,334)	(15,342)	9,090	(3,374)	(9,626)
Total Revenue Reserves	(48,305)	18,449	(13,999)	(43,855)	19,643	(35,127)	(59,339)
Schools Related Reserves							
Balances held by schools under a scheme of delegation	(4,812)	3,596	(1,897)	(3,113)	249	(2,337)	(5,201)
Dedicated Schools Grant (Deficit)	2,577	1,847	-	4,424	1,628	(6,052)	-
Total Schools Related Reserves	(2,235)	5,443	(1,897)	1,311	1,877	(8,389)	(5,201)
Total Earmarked Reserves	(64,690)	29,400	(18,516)	(53,806)	24,150	(49,404)	(79,060)

The Government put measures in place to provide 100% business rates discount for the leisure and hospitality sectors. Based on estimates, an upfront payment of compensation for the cost of these reliefs was given to local authorities via a Section 31 Grant in 2020/21. Due to Collection Fund accounting rules, the additional costs of reliefs resulted in a Collection Fund deficit in 2020/21. Therefore, £16.354m of the upfront payment received in 2020/21 has been set aside in reserves at year end to offset this deficit in 2021/22. This and other Covid grants has resulted in an increase in reserves at 31 March 2021.

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:

	2020-21	2019-20
	£000s	£000s
Services		
Adults & Health	(12,504)	(13,823)
Childrens Services	(4,370)	(4,946)
Community Services	(3,836)	(2,120)
Corporate Management & Services	(1,363)	(5,907)
Culture, Leisure & Events	(222)	(575)
Economic Growth & Development	0	(2,506)
Town Centres	(4,375)	0
Finance & Business Services	(2,470)	(1,731)
HR, Legal & Comms	(264)	(336)
Other Income	(5,062)	(6,383)
Total income analysed on a segmental basis	(34,466)	(38,327)

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, Mayoral Allowances, travel & subsistence and carer's allowances was £704,703 (last year: £713,281).

	2020-21	2019-20
	£000s	£000s
Basic Allowances	501	511
Special Responsibility Allowances	204	201
Travel & Expenses	0	1
Total	705	713

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			
	2020-21	2019-20	2020-21	2019-20
	Council	Council	Schools	Schools
£50,000 - £54,999	29	28	22	20
£55,000 - £59,999	17	14	9	8
£60,000 - £64,999	14	18	10	8
£65,000 - £69,999	12	4	7	13
£70,000 - £74,999	6	6	10	4
£75,000 - £79,999	2	4	2	4
£80,000 - £84,999	6	1	2	1
£85,000 - £89,999	5	3	1	2
£90,000 - £94,999	-	1	-	1
£95,000 - £99,999	1	1	1	-
£100,000 - £104,999	1	-	-	-
£105,000 - £109,999	-	1	-	-
£115,000 - £119,999	-	1	-	-
£125,000 - £129,999	-	2	-	-
£150,000 - £154,999	1	-	-	-

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 2020-21							
Post holder information	Salary (including fees & Allowances)	Expense Allowances	Benefits in kind	Total Remuneration excluding pension contributions 20/21	Compensation for Loss of Office	Pension contributions	Total Remuneration including pension contributions 20/21
	£	£	£	£	£	£	£
Managing Director (Julie Danks)	153,611	-	-	153,611	-	20,123	173,734
Director of Town Centres Investment Team	122,680	-	-	122,680	-	16,071	138,751
Director of Finance, Development & Business Services	122,680	-	-	122,680	-	16,071	138,751
Director of Children's Services	122,680	-	-	122,680	-	16,071	138,751
Director of Adults and Health	122,680	-	-	122,680	-	16,071	138,751
Director of Culture, Leisure & Events	119,748	-	-	119,748	-	15,687	135,435
Director of Community Services & Transport	118,864	-	-	118,864	-	15,571	134,435
Director of HR, Legal and Communications (Monitoring Officer)	122,680	-	-	122,680	-	16,071	138,751
	1,005,623	0	0	1,005,623	0	131,737	1,137,359

Notes:

- Due to changes to the senior management structure within the authority a number of Director posts are now directly responsible to the Managing Director and as such are included within the above note for the first time.

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 19/20
	£	£	£	£	£	£	£
Chief Executive	14,610	8	-	14,618	-	2,294	16,912
Managing Director	148,851	-	-	148,851	-	23,370	172,221
Director of Finance & Business Services	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

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

Movements in 2020-21	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 2020	131,027	16,309	293,647	308	3,630	27,138	472,059
Additions	3,524	4,326	6,642		451	12,352	27,295
Accumulated depreciation written off on revaluation							-
Accumulated depreciation & impairment written off to GCA	(3,897)				(12)		(3,909)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	16,817			5,094	(115)		21,796
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on provision of services	6,741			351	(966)		6,126
Derecognition - disposals	-	(1,316)			-		(1,316)
Reclassified to/from held for sale/surplus							-
Other reclassifications	16,847	(247)	(59)	(5,543)	(10)	(12,974)	(1,986)
At 31 March 2021	171,059	19,072	300,230	210	2,978	26,516	520,065
Accumulated Depreciation and Impairment							
At 1 April 2020	(9,223)	(10,245)	(117,977)	-	(10)	(295)	(137,750)
Depreciation Charge	(8,486)	(1,623)	(9,016)		(12)		(19,137)
Accumulated depreciation written off on revaluation							-
Accumulated depreciation written off to GCA	3,897				12		3,909
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	(1,287)	(412)	(2)			(252)	(1,953)
Derecognition - disposals	-	1,240					1,240
Other reclassifications	1,375	247	59		10	295	1,986
At 31 March 2021	(13,724)	(10,792)	(126,936)	-	-	(252)	(151,704)
Net Book Value							
At 31 March 2021	157,335	8,280	173,294	210	2,978	26,264	368,363
At 31 March 2020	121,804	6,064	175,670	308	3,620	26,843	334,310

**Movements in 2019-20
(Prior Year Comparitors Restated)**

	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	125,751	16,669	287,836	308	5,112	13,474	449,150
Additions	29,204	2,524	5,811		590	18,346	56,475
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	(2,780)				(805)		(3,585)
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on provision of services	(4,925)				(1,230)		(6,155)
Derecognition - disposals	(8,115)	(309)			(92)		(8,516)
Reclassified to/from held for sale/surplus					245		245
Other reclassifications	1,749	(2,575)			(166)	(4,682)	(5,674)
At 31 March 2020	131,027	16,309	293,647	308	3,630	27,138	472,060
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	2,785	2,575			166	149	5,675
At 31 March 2020	(9,223)	(10,245)	(117,977)	-	(10)	(295)	(137,751)
Net Book Value							
At 31 March 2020	121,804	6,064	175,670	308	3,620	26,843	334,310
At 31 March 2019	110,213	5,240	178,679	308	4,946	13,326	312,713

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 £4.3m (Last year: £1.8m).

Capital Commitments

At 31 March 2021, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years of which the major schemes are as follows:

Schools extension - £1.885m

Local Transport Plan - £4.056m

The Globe - £0.445m

The total value of contracts in place at the balance sheet date was £6.4m

Revaluations

The Council has implemented 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 and Knight Frank. 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. The effective date for revaluations in 20/21 is 1 April 2020 for property, plant and equipment required to be valued as part of the three year rolling programme, and 31 March 2021 if appropriate.

Operational Assets	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Surplus Assets £000s	Total £000s
Valued at historical cost		19,072		19,072
Valued at current value as at:				
Current Year	101,458		2,978	104,436
2019/2020	59,707			59,707
2018/2019	9,894			9,894
				-
Total	171,059	19,072	2,978	193,109

Error on Note 11 Non-Current Assets - Property, Plant and Equipment

The Council discovered that the cost or valuation of its 'Other Land & Buildings' as at 1st April 2019 contained an error which meant that it was understated by £19.994m. The error occurred due to an incorrect approach being taken to the valuation of Leisure Centres. This approach has now been corrected and the Council have made the appropriate changes to its valuation process.

In order to correct this error the Council has re-stated the prior year information in Note 11 for the £19.994m. In line with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, the Council have also presented a Balance Sheet at the beginning of the preceding period where the Council makes a retrospective restatement.

Note 12: Non Current Assets - Heritage Assets

2020-21	Artworks	Ceramics Glass Silverware & Decorative Art	Weapons & Militaria	Transport	Archaeological	Civic Regalia	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Valuation							
At 1 April 2020	6,500	1,464	2,538	47	35	144	10,728
Additions	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
At 31 March 2021	6,500	1,464	2,538	47	35	144	10,728

2019-20	Artworks	Ceramics Glass Silverware & Decorative Art	Weapons & Militaria	Transport	Archaeological	Civic Regalia	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Valuation							
At 31 March 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

Revaluations

A comprehensive valuation was undertaken in 2018/19 by Anderson & Garland Ltd who are auctioneers and valuers. Dependant on the artifact in question the value is either the new replacement value, the second-hand replacement value, the facsimile value or the compensation value. The Authority considers that the cost of obtaining annual external valuations would involve disproportionate costs in relation to the benefits to the user of the Authority's accounts. 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 2021	31 March 2020
	£000s	£000s
Rental income from investment property	1,046	755
Direct operating expenses arising from investment property	(96)	(122)
Net gain/(loss)	950	633

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 2021	31 March 2020
	£000s	£000s
Balance at the start of the year	16,268	18,749
Additions:		
Purchases	-	-
Construction	-	-
Subsequent expenditure	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	(220)	(2,481)
Transfers:		
To/from Property, Plant & Equipment	-	-
Other changes	-	-
Balance at the end of the year	16,048	16,268

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 31 March 2021

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

Note 14: Expenditure & Income Analysed by Nature

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

	31 March 2021	31 March 2020
	£000s	£000s
Expenditure		
Employee benefits expenses	156,789	156,950
Other services expenses	218,395	234,449
Support service recharges	14,224	12,551
Depreciation, amortisation and impairment	57,707	40,946
Interest payments	27,260	28,683
Precepts and levies	1,208	887
Loss on the disposal of assets	-	6,252
Total Expenditure	475,583	480,718
Income		
Fees, charges and other service income	(54,112)	(53,703)
Gain on the disposal of assets	(291)	-
Interest and investment income	(16,717)	(20,250)
Income from council tax and business rates	(119,006)	(131,004)
Government grants and contributions	(276,037)	(232,162)
Total Income	(466,163)	(437,119)
(Surplus) or Deficit on the Provision of Services	9,420	43,599

Note 15: Debtors

	31 March 2021	31 March 2020
	£000s	£000s
Central Government	9,298	9,875
Local Government	3,744	4,066
National Health Service	6,125	3,301
Local Taxation	11,207	8,089
Other entities and individuals	15,868	15,833
	46,242	41,164

Note 16: Cash & Cash Equivalents

	31 March 2021	31 March 2020
	£000s	£000s
Bank and Imprests	72	73
Cash Equivalents	16,250	24,780
Bank Overdraft	(9,131)	(1,553)
	7,191	23,300

Note 17: Short Term Creditors

	31 March 2021	31 March 2020
	£000s	£000s
Central Government	(12,782)	(11,962)
Local Government	(3,425)	(4,527)
National Health Service	(797)	(256)
Local Taxation	(1,997)	(1,661)
Long Term Loan Interest	-	(645)
Other entities and individuals	(17,942)	(15,326)
	(36,943)	(34,377)

Note 18: Other Long Term Liabilities

	31 March 2021	31 March 2020
	£000s	£000s
Finance lease liability	(3,795)	(1,491)
PFI liability	(4,133)	(4,650)
Net pensions liability	(363,950)	(313,214)
	(371,878)	(319,355)

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

	2020-21		Restated 2019-20
	£000s	£000s	£000s
Balance at 1 April		(155,948)	(159,150)
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	20,317		17,099
• Revaluation losses on property, plant and equipment	(6,126)		6,155
• Revaluation losses on AHFS & Investment Properties	225		2,651
• Amortisation of intangible assets	24		24
• Revenue expenditure funded from capital under statute	4,124		8,011
• Amounts of non-current assets written off on disposal or sale	919		8,304
		<u>19,483</u>	<u>42,246</u>
Capital financing applied in the year:			
• Use of the Capital Receipts Reserve to finance new capital expenditure	(2,285)		(3,891)
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(8,407)		(9,567)
• Application of grants to capital financing from the Capital Grants Unapplied Account	(4,590)		(11,029)
• Statutory provision for the financing of capital investment charged against the General Fund balance	(2,684)		(2,076)
• Capital expenditure charged against the General Fund balance	(1,860)		(3,461)
		<u>(19,827)</u>	<u>(30,024)</u>
Other adjustments		-	(9,019)
Balance at 31 March		<u>(156,292)</u>	<u>(155,948)</u>

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.

	2020-21		Restated 2019-20
	£000s	£000s	£000s
Balance at 1 April		(36,310)	(53,295)
Upward revaluation of assets	(24,109)		(4,701)
Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the provision of services	2,312		8,287
Surplus or deficit on revaluation of non-current assets not posted to the (surplus)/deficit on the provision of services		(21,797)	3,586
Difference between fair value depreciation and historical cost depreciation	774		894
Accumulated gains on assets sold or scrapped	457		12,505
Amount written off to the Capital Adjustment Account		1,231	13,399
Balance at 31 March		(56,876)	(36,310)

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.

	2020-21	2019-20
	£000s	£000s
Balance at 1 April	479	150
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	2,032	(303)
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	16,070	632
Balance at 31 March	18,582	479

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 2020/21 is shown in Note 9. During 2020/21, £1,444 in value was commissioned from companies where members have a controlling interest (last year: £1,967). 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 £312k 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 2020/21 the Council had transactions that totalled £9.610 million (last year: £5.810 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, Onsite, Hardwick in Partnership, Eastern Ravens Trust, Stockton Hotel Company, FRADE, North Tees and Hartlepool NHS Trust, Tees Esk & Wear Valley NHS Trust, Stockton Riverside College, Stockton Borough Holding Company, Thirteen and Tees Music Alliance. The transactions consisted of grants and payments for services provided to and by the Council. At the 31st March the Council owed £125k from related party suppliers and they in turn owed £1.037m to 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 for non-audit services provided by the Council's external auditors:

	2020-21	2019-20
	£000s	£000s
Fees payable to Mazars LLP with regard to external audit services	116	101
Fees payable to Mazars LLP for the certification of grant claims	11	10
Fees payable in respect of other services provided by Mazars LLP	4	5
	131	116
<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 2020/21 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£000s	£000s	£000s
Final Dedicated Schools Grant for 2020/21 before academy and high needs recoupment			175,847
Academy and high needs figure recouped for 2020/21			(100,799)
Total DSG after Academy and high needs recoupment for 2020/21			75,048
Plus: Brought forward from 2019/20			(4,424)
Less: Carry-forward to 2021/22 agreed in advance			-
Agreed initial budgeted distribution in 2020/21	16,908	53,716	70,624
In year adjustments	-	50	50
Final budgeted distribution for 2020/21	16,908	53,766	70,674
Less: Actual central expenditure	22,960		22,960
Less: Actual ISB deployed to schools		53,766	53,766
Plus: Local authority contribution for 2020/21	-	-	-
Carry-forward Surplus / (Deficit) to 2021/22	(6,052)	-	(6,052)
Plus: Carry-forward to 2021/22 agreed in advance			-
Carry-forward to 2021/22			(6,052)

At 31 March 2021, the DSG shows a cumulative deficit balance of £6.052million. 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 significant 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.

On the 6 November 2020, the secretary of state for Ministry of Housing, Communities and Local Government laid before Parliament a statutory instrument 1 (the instrument) to amend The Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations). The provisions came into effect from 29 November 2020.

The instrument amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits such that where a local authority has a deficit on its schools budget relating to its accounts for a financial year beginning on 1st April 2020, 1st April 2021 or 1st April 2022, it must not charge the amount of that deficit to a revenue account. The local authority must record any such deficit in a separate account established solely for the purpose of recording

deficits relating to its school's budget. The new accounting practice has the effect of separating schools budget deficits from the local authorities' general fund for a period of three financial years.

The Authority must charge the amount of the deficit (£6.052m), to an account established, charged and used solely for the purpose of recognising deficits in respect of its schools budget: the 2021/22 Code has established this as the 'Dedicated Schools Grant Adjustment Account', an unusable reserve.

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 2021 (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 2021-22	498	517	392	1,407
Within two to five years	2,365	2,111	1,153	5,629
Within six to ten years	1,078	2,022	300	3,400
Within eleven to fifteen years	-	-	-	-
	3,941	4,650	1,845	10,436

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	2020-21	2019-20
	£000s	£000s
Not later than one year	2,611	2,944
Later than one year & not later than five years	6,460	7,108
Later than five years	23,407	24,779
	32,478	34,831

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 2021	31 March 2020
	£000s	£000s
Opening Capital Financing Requirement	170,577	136,101
Capital investment		
Property, plant and equipment	27,295	56,474
Intangible assets	3	15
Revenue expenditure funded from capital under statute	4,124	8,011
Sources of Finance		
Capital receipts	(2,285)	(3,891)
Government grants and other contributions	(12,997)	(20,596)
<i>Sums set aside from revenue:</i>		
Direct revenue contributions	(1,860)	(3,461)
Minimum Revenue Provision (MRP)	(2,684)	(2,076)
Closing Capital Financing Requirement	182,173	170,577
Explanation of movements in year		
Increase/(Reduction) in underlying need to borrow	8,450	33,222
Assets acquired under finance leases	3,146	1,254
Increase/(decrease) in Capital Financing Requirement	11,596	34,476

Note 28: Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020-21. This excludes Dedicated Schools Grant which is detailed in Note 24.

	2020-21	2019-20
	£000s	£000s
Credited to Taxation and Non Specific Grant Income		
RSG	5,076	4,995
New Homes Bonus	2,933	3,001
NNDR s31 Grant	20,636	3,965
Income Loss Support	1,574	
Covid 19	18,933	5,594
Council tax Hardship Fund	142	-
DCSF Capital Grants	2,416	5,711
Local Transport Plan	7,568	4,054
Sports England	-	1,500
National Lottery	1,436	2,221
Other Capital grants	3,134	378
Other Capital Contributions	3,537	4,295
Total	67,385	35,714
Credited to Services		
Public Health	14,327	13,544
Housing Benefit and Council Tax Benefit Administration	978	941
Adult Education SFA/ESA	1,989	1,828
Basic need	1,205	4,946
Rent Rebates	82	82
Rent Allowance Subsidy	45,595	50,356
Covid 19 - Service Specific	12,049	-
Pupil Premium	4,473	4,329
UIFSM	927	1,226
Primary PE & Sports Grant	451	475
Arts Council Music Grant	715	896
Adoption Reform Grant	537	341
Winter Pressures	-	845
Disabled Facilities Grant	1,499	1,634
Independent Living Fund	501	501
Local Sustainable Transport Fund	-	960
Better Care Fund	6,961	6,116
Troubled Families	765	760
Adult Social Care Grant	4,868	1,444
Other Grants	6,205	4,418
Total	104,128	95,641

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 2021	31 March 2020
	£000s	£000s
Offenders' Learning and Skills Service	82	82
S31 NNDR	-	4,300
Covid 19 - Various	6,643	-
Foundation Learning	166	166
Total	<u>6,891</u>	<u>4,548</u>

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 and some assets held at fair value through other comprehensive income 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 2021	31 March 2020	31 March 2021	31 March 2020
	£000s	£000s	£000s	£000s
Loans	73,472	73,871	6,554	27,883
Bank Overdraft	0	0	9,131	1,553
Total Other Long-term Liabilities	7,928	6,141	517	570
Financial Liabilities Included in Creditors	213	213	30,684	26,329
Total Financial Liabilities	81,612	80,225	46,886	56,335

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

Financial Assets	Long Term		Short Term	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	£000s	£000s	£000s	£000s
Loans to Companies and for Service Purposes at Amortised Cost	2,251	1,987	0	0
At Fair Value Through Other Comprehensive Income	377	377	0	0
At Fair Value Through Profit & Loss	13,810	13,908	16,000	18,000
Cash and Cash Equivalents at Amortised Cost	0	0	322	6,853
Financial Assets at Amortised Cost Included in Debtors	0	0	23,964	21,244
Total Financial Assets	16,437	16,273	40,285	46,097

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 2021	31 March 2020	31 March 2021	31 March 2020
	£000s	£000s	£000s	£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 2021			31 March 2020		
	Gross assets (liabilities)	(Liabilities) assets set off	Net position on balance sheet	Gross assets (liabilities)	(Liabilities) assets set off	Net position on balance sheet
	£000s	£000s	£000s	£000s	£000s	£000s
Trade receivables	0	0	0	0	0	0
Bank accounts in credit	250	0	250	1,780	0	1,780
Total financial assets	250	0	250	1,780	0	1,780
Trade payables	0	0	0	0	0	0
Bank overdrafts	0	(9,131)	(9,131)	0	(1,553)	(1,553)
Total financial liabilities	0	(9,131)	(9,131)	0	(1,553)	(1,553)

Financial Instruments - Gains and Losses

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

	Financial Liabilities £'000	Financial Assets £'000	2020-21 Total £'000	2019-20 Total £'000
Interest expense on liabilities held at amortised cost	4,709	0	4,709	4,164
Losses on de-recognition	0	0	0	0
Losses from changes in fair value of assets held at fair value through profit and loss	0	99	99	516
Impairment losses	0	0	0	0
Fees paid	13	0	13	18
Interest payable and similar charges	4,722	99	4,821	4,698
Interest income on assets held at amortised cost	0	(85)	(85)	(246)
Dividend income on assets held at fair value through profit and loss	0	(603)	(603)	(624)
Gains on de-recognition	0	0	0	0
Gains from changes in fair value	0	0	0	0
Impairment loss reversals	0	0	0	0
Interest and investment income	0	(688)	(688)	(870)
Net impact on surplus/deficit on provision of services	4,722	(589)	4,133	3,828
Gains / Loss on revaluation	0	0	0	0
Gain on revaluation	0	0	0	0
Amounts recycled to surplus/deficit on provision of services	0	0	0	0
Impact on other comprehensive income	0	0	0	0
Net Gain/(Loss) for the Year	4,722	(589)	4,133	3,828

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 2021, using the following methods and assumptions:

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

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

- No early repayment or impairment is recognised 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 March 2021 £000s	Fair Value 31 March 2021 £000s	Balance Sheet 31 March 2020 £000s	Fair Value 31 March 2020 £000s
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	32,871	35,354	33,754	36,084
Long-term LOBO loans	2	37,000	68,568	37,000	71,145
Other long-term loans	2	4,505	5,300	6,000	7,148
Lease payables and PFI liabilities	2	8,445	6,444	6,711	7,543
TOTAL		82,821	115,666	83,465	121,920
Liabilities for which fair value is not disclosed *		45,678		53,095	
TOTAL FINANCIAL LIABILITIES		128,499		136,560	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		40,332		28,452	
Short-term borrowing		6,554		27,883	
Short-term provisions		0		0	
Long-term creditors		213		213	
Long-term borrowing		73,472		73,871	
Long-term provisions		0		0	
Other long-term liabilities		7,928		6,141	
TOTAL FINANCIAL LIABILITIES		128,499		136,560	

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

Financial Assets	Fair Value Level	Balance Sheet 31 March 2021 £000s	Fair Value 31 March 2021 £000s	Balance Sheet 31 March 2020 £000s	Fair Value 31 March 2020 £000s
Financial assets held at fair value:					
Money market funds	1	16,000	16,000	18,000	18,000
Bond, equity and property funds	1	13,810	13,810	13,908	13,908
Shares in unlisted companies	3	377	377	377	377
Financial assets held at amortised cost:					
Long-term loans to local authorities	2	0	0	0	0
Long-term loans to companies	3	2,251	2,251	1,987	1,987
Lease receivables	3	0	0	0	0
TOTAL		32,438	32,438	34,272	34,272
Assets for which fair value is not disclosed *		24,285		28,097	
TOTAL FINANCIAL ASSETS		56,723		62,369	
Recorded on balance sheet as:					
Long-term debtors		2,251		1,988	
Long-term investments		14,186		14,285	
Short-term debtors		23,964		21,244	
Short-term investments		0		0	
Cash and cash equivalents		16,322		24,853	
TOTAL FINANCIAL ASSETS		56,723		62,370	

* 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 2021		31 March 2020	
	Long-term	Short-term	Long-term	Short-term
	£000s	£000s	£000s	£000s
AA-	0	3,000	0	19,000
A+	0	13,000	0	4,000
Unrated local authorities	0	0	0	0
Total	0	16,000	0	23,000
Credit risk not applicable	14,186	0	14,285	0
Total Investments	14,186	16,000	14,285	23,000

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 2021	31 March 2020
	Trade & Lease Receivables	Trade & Lease Receivables
Current / Past due < 3 months	10,355	3,981
Past due 3-6 months	830	404
Past due 6-12 months	1,275	743
Past due 12+ months	3,273	4,365
TOTAL RECEIVABLES	15,733	9,493

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.

Time to maturity (years)	31 March 2021			31 March 2020		
	Liabilities	Assets	Net	Liabilities	Assets	Net
	£000s	£000s	£000s	£000s	£000s	£000s
Not over 1	6,554	(16,000)	(9,446)	27,883	(23,000)	4,883
Over 1 but not over 2	4,927	0	4,927	4,904	0	4,904
Over 2 but not over 5	2,801	0	2,801	2,786	0	2,786
Over 5 but not over 10	10,180	0	10,180	10,105	0	10,105
Over 10	55,564	0	55,564	56,077	0	56,077
Uncertain date	0	(14,186)	(14,186)	0	(14,285)	(14,285)
Total	80,026	(30,186)	49,840	101,754	(37,285)	64,469

The Council has £37m (2020: £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 2021 £000s	31 March 2020 £000s
Increase in interest payable on variable rate borrowings	370	370
Increase in interest receivable on variable rate investments	(137)	(158)
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	233	212
Decrease in fair value of investments held at FVOCI	0	0
Impact on Comprehensive Income and Expenditure	233	212
Decrease in fair value of loans and investments at amortised cost *	0	0
Decrease in fair value of fixed rate borrowing *	(18,210)	(16,730)

* 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 2021 would result in a £0.673m 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	2020-21		2019-20	
	£000s	%	£000s	%
Teachers' Pension Scheme	4,801	23.68	4,253	16.48
NHS Pension Scheme	12	14.38	13	14.38
	4,813		4,266	

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 Guaranteed Minimum Pension 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. In October 2020 a second ruling in the Lloyds bank case clarified that compensation would be required to members who transferred benefits out since May 1990. At time of writing Government has not yet acknowledged a liability in public service schemes nor indicated an approach to rectifying this. Therefore there is no allowance for a potential liability resulting from this ruling in the accounting figures prepared this year.

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. In 2014 membership of the Local Government Pension Scheme was closed to new Tees Active members. At this point relevant scheme members were accepted back into Stockton Borough Council's membership together with the notional surplus on Tees Actives scheme assets and associated liabilities. These assets and liabilities therefore are included within the pension figures presented.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. 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	
	2020-21 £000s	2019-20 £000s	2020-21 £000s	2019-20 £000s
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• Current service cost	28,631	29,479	-	-
• Past service cost	939	697	-	-
Financing and Investment Income and Expenditure				
Net interest cost	6,331	4,632	554	640
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	35,901	34,808	554	640
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)	(164,136)	125,341	-	-
• Actuarial gains and losses arising on changes in financial assumptions	202,893	(20,135)	1,707	(215)
• Actuarial gains and losses arising due to changes in demographic assumptions	-	(29,090)	-	(948)
• Actuarial gains and losses due to liability experience	(11,396)	(9,073)	(1,078)	(129)
• Actuarial gains and losses due to acquisitions	-	-	-	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	27,361	67,043	629	(1,292)
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	(35,901)	(34,808)	(554)	(640)
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to scheme	11,818	13,291		
• Retirement benefits payable to pensioners			1,892	1,928

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	
	2020-21 £000s	2019-20 £000s	2020-21 £000s	2019-20 £000s
Present value of defined benefit obligation	(1,203,029)	(983,209)	(24,329)	(25,038)
Fair value of plan assets	863,409	695,033	-	-
Net liability recognised in the Balance Sheet	(339,620)	(288,176)	(24,329)	(25,038)

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020-21 £000s	2019-20 £000s	2020-21 £000s	2019-20 £000s
Opening fair value of scheme assets	695,033	812,502	-	-
Interest income	16,028	19,368	-	-
Remeasurement gains and (losses)	164,136	(125,341)	-	-
Contributions from the employer	11,818	13,291	1,892	1,928
Contributions from employees into the scheme	5,213	5,055	-	-
Benefits paid	(28,819)	(29,842)	(1,892)	(1,928)
Closing balance at 31 March	863,409	695,033	-	-

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020-21 £000s	2019-20 £000s	2020-21 £000s	2019-20 £000s
Opening balance at 1 April	(983,209)	(1,012,118)	(25,038)	(27,618)
Current service cost	(28,631)	(29,479)	-	-
Interest cost	(22,359)	(24,000)	(554)	(640)
Contributions by scheme participants	(5,213)	(5,055)	-	-
Actuarial gains and losses - financial assumptions	(202,893)	20,135	(1,707)	215
Actuarial gains and losses - demographic assumptions	-	29,090	0	948
Actuarial gains and losses - liability experience	11,396	9,073	1,078	129
Benefits paid	28,819	29,842	1,892	1,928
Past service cost	(939)	(697)	-	-
Closing balance at 31 March	(1,203,029)	(983,209)	(24,329)	(25,038)

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets			
	2020-21		2019-20	
	£000s	%	£000s	%
Equity investments (Quoted and un-quoted)	689,000	79.8	505,289	72.7
Property (Quoted and un-quoted)	64,756	7.5	61,858	8.9
Cash	64,756	7.5	93,134	13.4
Other Investments	44,897	5.2	34,752	5.0
Total Assets	863,409	100.0	695,033	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:

	2020-21	2019-20
Mortality assumptions:		
<i>Longevity at 65 for current pensioners:</i>		
Men	21.9	21.8
Women	23.6	23.5
<i>Longevity at 45 for future pensioners:</i>		
Men	23.3	23.2
Women	25.4	25.3
Other assumptions:		
<i>Rate of inflation (CPI)</i>	2.7%	2.0%
<i>Rate of increase in salaries</i>	3.7%	3.0%
<i>Rate of increase in pensions</i>	2.7%	2.0%
<i>Rate for discounting scheme liabilities</i>	2.1%	2.3%

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

Impact on the Defined Benefit Obligation in the Scheme

	Change in Assumption		
	+0.1% p.a. £000s	Base £000s	-0.1% p.a. £000s
Rate of increase in salaries	1,205,435	1,203,029	1,200,623
Rate of increase in pensions in payment	1,224,684	1,203,029	1,181,374
Rate for discounting scheme liabilities	1,178,968	1,203,029	1,227,090
	-1 year £000s	Base £000s	+1 year £000s
Post retirement motility assumption	1,247,541	1,203,029	1,159,720

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be carried out as at 31 March 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 £13.182m contributions to the scheme in 2021/22

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

Note 32: Termination Benefits

The Council terminated the contracts of a number of employees in 2020-21, incurring liabilities of £1.780m (£1.438m in 2019-20). 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	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21 £000s	2019-20 £000s
£1 to £20,000	9	5	17	24	26	29	258	212
£20,001 to £40,000	4	3	7	9	11	12	323	332
£40,001 to £60,000	1	-	-	1	1	1	44	48
£60,001 to £80,000	1	2	1	-	2	2	125	136
£80,001 to £100,000	-	-	1	2	1	2	83	176
£100,001 to £150,000	3	-	-	-	3	-	419	-
£150,001 +	2	2	-	1	2	3	540	534
Total	20	12	26	37	46	49	1,792	1,438

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 £8.967m (last year £7.805m).

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 Tees Valley, 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.

	2021-21		2019-20
	£000s	£000s	£000s
Funding provided to the pooled budget:			
Stockton-on-Tees Borough Council	8,966		8,751
NHS Hartlepool And Stockton Clinical Commissioning Group	15,769		14,184
		24,735	22,935
Expenditure met from the pooled budget:			
Stockton-on-Tees Borough Council	(20,329)		(17,950)
NHS Hartlepool And Stockton Clinical Commissioning Group	(4,406)		(4,985)
		(24,735)	(22,935)
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 2021 - 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 2020/21 financial year and its position at the year-end of 31st March 2021. 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 2020/21,

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 and Social Care (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

Heritage Assets are primarily held at the Authority's museum. There are 6 categories of Heritage Assets which are held in support of

the primary objective of the authority's museum, ie increasing the knowledge, understanding and appreciation of the authority'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 or a suitably experienced external valuer. 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. The collections are relatively static and acquisitions, disposals and donations are rare.

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.

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

Impairment

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

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

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

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

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their

useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the (Surplus) or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they

were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, plant and equipment or Assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

The written off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property,

plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of property, plant and equipment.

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

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

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

finance cost - an interest charge 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.

Going Concern

The Statement of Accounts has been prepared on a 'going concern' basis. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Collection Fund Statement for the year ended 31 March 2021

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.

	2020-21			2019-20		
	Council Tax £000	Business Rates £000	Total £000	Council Tax £000	Business Rates £000	Total £000
Income						
Income from Council Tax payers	(113,592)		(113,592)	(110,486)		(110,486)
Contribution from General Fund	(2,298)		(2,298)			
Income from business ratepayers		(51,684)	(51,684)		(84,129)	(84,129)
Total Income	(115,890)	(51,684)	(167,574)	(110,486)	(84,129)	(194,615)
Expenditure						
Precepts, demands and shares:						
Central Government		41,523	41,523		42,553	42,553
Stockton-on-Tees Borough Council	95,116	39,438	134,554	90,014	39,295	129,309
Police & Crime Commissioner for Cleveland	14,871		14,871	14,058		14,058
Cleveland Fire Authority	4,499	798	5,297	4,341	794	5,135
	114,486	81,759	196,245	108,413	82,642	191,055
Apportionment of Previous Year Estimated Surplus/Deficit						
Central Government		-	-		-	-
Stockton-on-Tees Borough Council	457	-	457	-	-	-
Police & Crime Commissioner for Cleveland	71		71	-		-
Cleveland Fire Authority	22	-	22	-	-	-
	550	-	550	-	-	-
Charges to Collection Fund						
Write off of uncollectable amounts	127	64	191	790	528	1,318
Change in Bad Debt Provision	3,172	50	3,222	918	400	1,318
Change in Provision for Appeals		2,371	2,371		1,611	1,611
Cost of Collection		237	237		239	239
	3,299	2,722	6,021	1,708	2,778	4,486
Surplus (-) / Deficit arising during the year	2,445	32,797	35,242	(365)	1,291	926
Balance at 1st April	(442)	1,727	1,285	(77)	436	359
Balance at 31st March	2,003	34,524	36,527	(442)	1,727	1,285

The Council Tax contribution from General Fund of £2.298m represents the use of the Hardship Fund in 2020-21.

Note 1: Council Tax Base

Property Category and Council Tax Banding	2020-21		2019-20	
	Number in	Band D	Number in	Band D
	Category	Equivalent	Category	Equivalent
	No.	No.	No.	No.
A - up to £40,000	35,146	14,293.60	35,051	14,050.70
B - £40,001 to £52,000	16,975	10,338.30	16,729	10,166.10
C - £52,001 to £68,000	16,033	12,203.70	15,855	12,074.30
D - £68,001 to £88,000	9,837	8,743.20	9,719	8,652.30
E - £88,001 to £120,000	5,870	6,675.90	5,727	6,503.80
F - £120,001 to £160,000	2,579	3,524.40	2,474	3,383.40
G - £160,001 to £320,000	1,353	2,128.20	1,334	2,100.60
H - over £320,000	125	185.50	125	181.00
Gross Tax Base		58,092.80		57,112.20
Non Collection	1.75%	(1,016.62)	1.75%	(999.46)
Council Tax Base		57,076.18		56,112.74

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

	2020-21	2019-20
	£	£
Value at the year end	201,295,156	201,209,979

Note 3: National Non Domestic (Business) Rates Multiplier

	2020-21	2019-20
	pence	pence
Standard Multiplier for the year	51.2p	50.4p



Group Accounts & Explanatory Notes

WELCOME

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 31 March 2021.
- 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 Borough 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.

Movement in Reserves Statement for the year ended 31 March 2021

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

	Unearmarked General Fund Balance	Earmarked Schools Budget Reserve	Other Earmarked Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's share of group reserves	Total Authority reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Revised Balance at 1st April 2019	8,358	-	64,690	73,048	1,045	33,942	108,035	(16,898)	91,137	(330)	90,807
Movement in reserves during 2019-20											
Total Comprehensive Income and Expenditure	(1,137)	-	(42,462)	(43,599)	-	-	(43,599)	(69,336)	(112,935)	115	(112,820)
Adjustments between accounting basis & funding basis under regulations (Note 6)	-	-	31,578	31,578	1,817	4,168	37,563	(37,563)	-	-	-
Increase/Decrease in Year	(1,137)	-	(10,884)	(12,021)	1,817	4,168	(6,036)	(106,899)	(112,935)	115	(112,820)
Balance at 31 March 2020 carried forward	7,221	-	53,806	61,027	2,862	38,110	101,999	(123,797)	(21,798)	(215)	(22,013)
Opening Balance 01 April 2020	7,221	-	53,806	61,027	2,862	38,110	101,999	(123,797)	(21,798)	(215)	(22,013)
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	-	-	4,424	4,424	-	-	4,424	(4,424)	-	-	-
Restated Balance at 1 April 2020	7,221	-	58,230	65,451	2,862	38,110	106,423	(128,221)	(21,798)	(215)	(22,013)
Movement in reserves in 2020-21											
Total Comprehensive Income and Expenditure	(9,420)	-	-	(9,420)	-	-	(9,420)	(6,194)	(15,614)	209	(15,405)
Adjustments between accounting basis & funding basis under regulations (Note 6)	-	-	35,908	35,908	(618)	7,847	43,137	(43,137)	-	-	-
Increase/Decrease before transfer to earmarked reserves	(9,420)	-	35,908	26,488	(618)	7,847	33,717	(49,331)	(15,614)	209	(15,405)
Transfers to / from earmarked reserves	15,078	-	(15,078)	-	-	-	-	-	-	-	-
Increase / Decrease in the year	5,658	-	20,830	26,488	(618)	7,847	33,717	(49,331)	(15,614)	209	(15,405)
Balance at 31 March 2021 carried forward	12,879	-	79,060	91,939	2,244	45,957	140,140	(177,552)	(37,412)	(6)	(37,418)

Group Balance Sheet as at 31 March 2021

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

	Note	31 March 2021 £000s	Restated 31 March 2020 £000s	Restated 31 March 2019 £000s
Non-current assets				
Property, plant and equipment	5	378,265	344,209	324,913
Investment property	6	6,148	6,368	6,549
Intangible assets		17	41	64
Heritage Assets		10,728	10,728	10,728
Long term investments		14,186	14,285	14,801
Long Term Debtors		3,416	3,674	3,313
Total non-current assets		412,760	379,305	360,368
Current assets				
Inventories		546	336	286
Debtors	1 & 4	46,276	41,392	39,847
Cash and Cash Equivalents	2	17,211	25,811	14,329
Assets held for sale		136	1,441	6,242
Total current assets		64,169	68,980	60,704
Current liabilities				
Cash and Cash Equivalents	2	(9,131)	(1,553)	(6,784)
Short Term Borrowing		(6,554)	(27,883)	(71)
Short Term Creditors	3	(37,242)	(35,071)	(34,946)
Provisions		(8,967)	(7,805)	(7,016)
Total current liabilities		(61,894)	(72,312)	(48,817)
Long term liabilities				
Long Term Creditors		(213)	(213)	(193)
Long Term Borrowing		(73,472)	(73,871)	(47,187)
Other Long Term Liabilities		(362,103)	(319,355)	(233,820)
Grants Receipts in Advance		(6,891)	(4,548)	(248)
Total long term liabilities		(452,454)	(397,987)	(281,448)
Net Assets:		(37,418)	(22,013)	90,807
Reserves				
Usable reserves:				
General Fund Balance		12,879	7,221	8,358
Earmarked General Fund Reserves		79,060	58,230	64,690
Capital Receipts Reserve		2,244	2,862	1,045
Capital Grants Unapplied		45,957	38,110	33,942
Profit and Loss Reserve - Stockton Borough Holding Group		(6)	(215)	(330)
		140,134	106,208	107,705
Unusable Reserves:				
Revaluation Reserve		56,876	36,310	53,295
Capital Adjustment Account		156,292	155,948	159,150
Financial Instruments Adjustment Account		(339)	(463)	(546)
Pooled Fund Adjustment Account		(1,190)	(1,091)	(576)
Financial Instruments Revaluation Reserve		377	377	377
Deferred Capital Receipts Reserve		154	154	154
Pensions Reserve		(354,175)	(313,214)	(227,234)
Collection Fund Adjustment Account		(18,582)	(479)	(150)
Dedicated Schools Grant Adjustment Account		(6,052)	(4,424)	-
Accumulated Absences Account		(1,139)	(1,339)	(1,368)
		(177,552)	(128,221)	(16,898)
Total Reserves:		(37,418)	(22,013)	90,807

Group Cash Flow Statement For The Year Ended 31 March 2021

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

	31 March 2021	31 March 2020
	£000s	£000s
Net (surplus) or deficit on the provision of services	9,212	43,484
Adjustments to net surplus or deficit on the provision of services for non-cash movements:		
Depreciation, impairment and amortisation of non current assets	(21,115)	(18,018)
Revaluation (gains)/losses	7,112	(7,263)
Pension Fund adjustments	(22,745)	(20,229)
Carrying amount of Non-Current Assets Sold	(2,587)	(14,013)
Other non-cash movement	(12,444)	3,873
Increase/(Decrease) in Inventories (Stock)	210	50
Increase/(Decrease) in Debtors	7,443	(1,286)
(Increase)/Decrease in Creditors	(2,021)	(1,389)
(Increase)/Decrease in Provisions	(1,162)	(789)
Increase/(Decrease) in Long Term Debtors	(338)	361
	(47,646)	(58,702)
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	20,844	24,764
Proceeds from the disposal of non current assets	1,667	5,708
	22,511	30,472
Net cashflow from operating activities	(15,923)	15,254
Investing activities		
Purchase of property, plant and equipment, investment property and intangible assets	21,524	61,138
Purchase of short term and long term investments	(99)	(516)
Proceeds from the sale of property, plant and equipment, investment property and intangibles	(1,667)	(5,708)
Proceeds from short term and long term investments	-	0
Other receipts from investing activities	(23,187)	(29,063)
Net cashflow from investing activities	(3,429)	25,851
Financing activities		
Other receipts from financing activities	12,443	(3,893)
Cash payments for liabilities relating to finance leases and PFI Contracts	1,359	571
Repayments of short and long term borrowings	21,727	(54,497)
Net cashflow from financing activities	35,529	(57,819)
Net (increase) or decrease in cash and cash equivalents	16,177	(16,713)
Cash and cash equivalents at the beginning of the reporting period	(24,258)	(7,545)
Cash and cash equivalents at the end of the reporting period	(8,081)	(24,258)
The cashflow for operating activities includes the following items:		
Interest received	(65)	(220)
Dividends received	(603)	(624)
Interest paid	3,337	3,027

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 2021	31 March 2020
	£000s	£000s
Central Government	9,298	9,875
Local Government	3,744	4,066
National Health Service	6,125	3,301
Local Taxation	11,207	8,089
Other entities and individuals	15,902	16,061
	46,276	41,392

Group Note 2: Cash and Cash Equivalents

	31 March 2021	31 March 2020
	£000s	£000s
Bank and Imprests	961	1,031
Cash Equivalents	16,250	24,780
Bank Overdraft	(9,131)	(1,553)
	8,080	24,258

Group Note 3: Short Term Creditors

	31 March 2021	31 March 2020
	£000s	£000s
Central Government	(12,782)	(11,962)
Local Government	(3,425)	(4,549)
National Health Service	(797)	(256)
Taxation Local	(1,997)	(1,661)
Loan Interest Long Term	0	(645)
Other entities and individuals	(18,240)	(15,997)
	(37,242)	(35,071)

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:

	Long Term		Short Term	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
Financial Liabilities (at Amortised Cost)	£000s	£000s	£000s	£000s
Loans	73,472	73,871	6,554	27,883
Bank Overdraft	0	0	9,131	1,553
Total Other Long-term Liabilities	7,928	6,141	517	570
Financial Liabilities Included in Creditors	213	213	30,982	27,022
Total Financial Liabilities	81,613	80,225	47,184	57,028

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

Financial Assets	Long Term		Short Term	
	31 March 2021 £000s	31 March 2020 £000s	31 March 2021 £000s	31 March 2020 £000s
Loans to Companies and for Service Purposes at Amortised Cost	1,611	1,267	0	0
At Fair Value Through Other Comprehensive Income	377	377	0	0
At Fair Value Through Profit & Loss	13,809	13,908	16,000	18,000
Cash and Cash Equivalents at Amortised Cost	0	0	1,211	7,811
Financial Assets at Amortised Cost Included in Debtors	0	0	23,998	21,472
Total Financial Assets	15,797	15,553	41,209	47,283

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 2021 £000s	31 March 2020 £000s
Property, Plant & Equipment - Stockton Borough Council	368,363	334,309
Plus		
Northshore Hotel	9,900	9,900
Property, Plant & Equipment - Group	378,265	344,209

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 2021 £000s	31 March 2020 £000s
Rental income from investment property	1,046	755
Less Rental Income from Group properties	(540)	(450)
Direct operating expenses arising from investment property	(96)	(122)
Net gain/(loss)	410	183

	31 March 2021 £000s	31 March 2020 £000s
Investment Property - Stockton Borough Council	16,048	16,268
less		
Northshore Hotel	(9,900)	(9,900)
Investment Property - Group	6,148	6,368

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, Development 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, Development and Business Services Responsibilities

The Director of Finance, Development 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, Development 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, Development 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, Development 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 2021.



G Cummings CPFA

Director of Finance, Development & Business Services

Date: 19 July 2021

These financial statements replace the unaudited financial statements certified by the Director of Finance, Development and Business Services on 15th July 2020.

G Cummings CPFA

Director of Finance, Development & Business Services

Date: 1st November 2021

APPROVAL OF STATEMENT OF ACCOUNTS

The Statement of Accounts was approved by Stockton Councils Audit and Governance Committee.

Councillor Barry Woodhouse

Chairman of the Audit and Governance Committee

Date: 1st November 2021

Opinion on the financial statements

We have audited the financial statements of Stockton-on-Tees Borough ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2021, which comprise the Council and Group Movement in Reserves Statements, the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2021 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance, Development and Business Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Director of Finance, Development and Business Services with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Director of Finance and Business Services for the financial statements

As explained more fully in the Statement of the Director of Finance, Development and Business Services' Responsibilities, the Director of Finance, Development and Business Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Director of Finance, Development and Business Services is also responsible for such internal control as the Director of Finance, Development and Business Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance, Development and Business Services is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Finance, Development and Business Services is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

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

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

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

Matters on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Council

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

Matters on which we are required to report by exception under the Code of Audit Practice.

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Use of the audit report

This report is made solely to the members of Stockton-on-Tees Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Gavin Barker

Director

For and on behalf of Mazars LLP
The Corner
26 Mosley Street
Newcastle Upon Tyne
NE1 1DF

1st Novmeber 2021

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.

Commutated 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.

Health and Integration

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.

Collection Fund Deficit Reserve

Due to collection fund accounting rules funding has been set aside to offset collection fund deficits in future years.

NNDR S31 Grant

Based on estimates, an upfront payment of compensation for the cost of these reliefs was given to local authorities via a Section 31 Grant in 2020/21. Due to Collection Fund accounting rules, the additional costs of reliefs resulted in a Collection Fund deficit in 2020/21. Therefore, £16.4m of the upfront payment received in 2020/21 has been set aside in reserves at year end to offset this deficit in 2021/22

Other Revenue Reserves are individual reserves of generally less than £2m and include:**Weather 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 2019/20 financial year and was fully utilised during 2020/21.

Town Centre Events/SIRF

Funding set aside to undertake increased activities during the forthcoming year.

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. This negative balance has been transferred to an unusable reserve for 2020/21. See DSG note 24 for further information on the deficit.

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 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 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.

