



# Statement of Accounts

2021-22

INGLEBY BARWICK



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 the Borough. We have affluent areas alongside areas of deprivation. Nine of our 26 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 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 year...

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.

## OUR PEOPLE

Improved the support we give to families to help them stay together where they can and to provide more capacity in the Borough to support children where this isn't possible.

Helped schools to improve pupil wellbeing, reduce exclusions, improve careers advice and continued the drive to improve educational attainment for all pupils.

Developed a new approach to support the best start in life. We have the Best Start strategy in place, a speech and language programme delivered in partnership with I-CAN and a programme of evidence based training is being rolled out to early years settings to support them to improve speech language and communication development.

Developed more services to help people to remain safely and independently in their homes for as long as possible and to make sure that they are not lonely.

Worked to improve the quality of care within adults' residential homes in the Borough. The Social Care Protection Operational Group continues to provide support and guidance to the sector.

Reviewed out of area placements and day options provision for adults to ensure as many services as possible are provided within the Borough.

Continued to lead the public health response to Covid including public health and infection control advice to education, workplaces and social care settings and members of the public, and promoting vaccinations.

Developed Fairer Stockton-on-Tees as a new approach to tackling inequality in the Borough.

Developed a new community safety strategy with key partners as part of the Safer Stockton Partnership.

Developed an arson reduction strategy in partnership with Cleveland Fire Brigade.

Carried out a scrutiny review of Public Space Protection Orders (PSPO) via the Crime and Disorder Select Committee with a set of recommendations approved by Cabinet.

## OUR PLACES

Commissioned a Specialist/Supported Housing Needs Assessment to enable the development of options to increase the number of affordable homes in the Borough.

Continued the development of the Sycamores with Keepmoat leading the development and sales.

Commenced a Selective Licensing Option appraisal to ensure that we continue to support the improvement of the quality of private rented homes in the Borough.

Worked in partnership with the Tees Valley local authorities, Durham and Newcastle to procure new waste management arrangements.

Developed a carbon reduction and environmental sustainability strategy for the Borough.

Developed and adapted our events programme across the Borough. Reflecting the changing levels of COVID restrictions.

Continued to attract high levels of visitors to Preston Park throughout the pandemic. The museum has reopened to the public and exhibitions delayed by Covid are now being restaged.

In response to the MORI Survey, investment was made in priority areas including additional enforcement activity to improve the perceptions of community safety, targeted work around street cleaning and grounds maintenance and targeted work on potholes.



# During the year...

## OUR ECONOMY

Delivered a new place branding campaign for the Borough to encourage inward investment and development.

Continued to develop options for increasing the availability of employment land.

Continued to develop and implement plans for our town centres

Worked to increase skills and employment prospects by developing a new Employment and Training Hub to support people into work.

**STOCKTON** – the transition from the Castlegate centre is progressing, the procurement for design and demolition has been undertaken and contractors will be appointed in May.

Developed local supply chains and social value in contracts to stimulate local economic activity.

**THORNABY** – Town Deal priorities and funding have been approved by Cabinet with full business case to be submitted in May 2022.

**BILLINGHAM** – Update valuation report expected in May. Bid being prepared for Levelling Up fund Round 2 to be submitted in July 2022.

Continued to develop major transport-related projects

**PORTRACK RELIEF ROAD** – design complete and land negotiations ongoing.

**INGLEBY BARWICK** – public engagement undertaken in February 2022 with detailed design of the park extension taking place from Spring 2022.

**BILLINGHAM STATION** – New bridge and lifts planned for completion by end of 2022.

**NORTON** – public engagement for duck pond improvements completed in September 2021 and implementation anticipated to begin spring 2022. Public engagement for southern end traffic improvements undertaken in December 2021 with expected implementation in the spring/summer 2022.

**EAGLESLIFFE STATION** – Full business case submitted. Bridge to be delivered by Network Rail, car park and access road by SBC in 2022/23. Planning application for car park submitted.

**YARM** – planning application for town hall refurbishment submitted January 2022. New toilet provision identified within existing Library and agreed with stakeholders. Likely implementation spring 2022.

**ELTON INTERCHANGE** – Planning permission granted, developer funding received, contract signed with a start on site due spring 2022.

**A689** – Awaiting a decision on Major Route Network bid submitted to DfT which includes an upgrade to the A19/A689 junction. Footway/cycleway bridge & Hanzard Drive designs completed awaiting developer funding to deliver schemes.



## OUR COUNCIL

Reviewed our office accommodation and completed the purchase of Dunedin House.

Continued to review surplus land and assets and develop plans for disposal or development.

Launched new website developments including additional online services and a new "My Council" feature which allows residents to create an account which allows a tailored view of the website content.

Responded to the Local Government and Parliamentary boundary reviews.

Led on the Covid-secure delivery of the Tees Valley Combined Authority Mayor, Cleveland Police and Crime Commissioner elections and 5 local by-elections in May 2021.

Continued with the successful apprenticeship programme with 41 new apprenticeship appointments made as part of our annual apprenticeship programme in September 2021. As at 31st December 2021 the Council had a total of 103 employees undertaking an apprenticeship qualification.

Reviewed and approved the Medium Term Financial Plan as part of the budget setting cycle. A wider review of the MTFP will be required once there is further clarity around the Fair Funding Review and on the future of business rates retention.

## Our COVID-19 Response

Despite the impact of COVID-19 work has progressed on many priorities in the Council Plan. Services and staff have responded flexibly, innovatively and effectively to ensure there is minimum disruption to service delivery. This reflects a huge commitment and effort from all services in responding quickly to the challenges, and in maintaining service provision, even as services are impacted by positive cases, staff absence through isolation or changing guidance and levels of restriction.

### We have had to adapt and change the way services are delivered but the following summarise some of the key additional roles and responsibilities throughout the past 12 months:

Safe working practices and COVID-Secure status for the organisation, ongoing democratic involvement through the delivery of virtual meetings and COVID-secure elections in May for the Tees Valley Combined Authority Mayor, Police and Crime Commissioner and Council and Parish by-elections.	Led the local public health response; developed outbreak management plans and responses, including the provision of advice, guidance, support and risk assessment support to workspaces, schools and other settings, 7 days a week.
Intensified our work with schools, 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, co-ordinated the preparation and delivery of packed lunches.	Introduced innovative ways of delivering some of our services in COVID-19 conditions such as at Halcyon Centre, Funky Feet, Rosedale rehabilitation centre, on-line libraries, on-line events, Tees Valley Music Service, short breaks for children and families and many more.
Home working for the majority of office-based staff through adoption of Microsoft Teams, and roll out of laptops and tablets.	Recruited and trained a dedicated team of COVID Marshals to help keep residents and businesses safe across Stockton-on-Tees.
Set up testing sites and helped others to set up theirs – in schools, workplaces and in the community.	Created a logistics hub at the back of Splash by installing a marquee and converting the sports activity hall.
Continued to carry out assessments for adults who have a need and support services are commissioned including home care and reablement.	Mobilised volunteers to deliver food parcels, prescriptions and undertake shopping trips and many other kinds of help to the vulnerable during lockdown.
Adapted ways of working at Rosedale rehabilitation centre to keep people safe, healthy and provide a high quality of life.	Introduced new services such as working in partnership with Catalyst to establish the Community Support Team and the Shielding Hub.
Played a leading role in the provision of PPE.	Distributed business grants to a range of businesses across the Borough.

## Our vision for the Borough

When we look at the situation in the Borough in 2022 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...



## 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 is currently managing. These include:**

The availability and uncertainty of medium term financial resources needed to meet key objectives. 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, capacity 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 particularly in relation to absence management during the Covid-19 pandemic, a refreshed apprenticeship programme, provision of high quality training including the development of a new learning management system and the launch of the Employee Health and Wellbeing Strategy. A flexible working policy has been piloted and using lessons learnt and employee and Elected Member feedback, has been revised, updated and re-launched.

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, roll out of further Office 365 functionality 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.

The ongoing operation and development of various partnerships including the Integrated Care Partnership, various shared services and collaborative procurement arrangements such as those through the North East Procurement Organisation (NEPO).

Opportunity to redevelop, re-invigorate and re-shape Town Centres.

## 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 their Auditors Annual Report which was presented to the Audit and Governance Committee in February 2022.

## Funding Position

On 27 October 2021 the Government announced the Budget and Spending Review (2022/23), setting out headline funding levels for government departments across the next three financial years to March 2025.

The key announcements from the Spending Review impacting on local government were:

- A new grant for local government amounting to £4.8bn over the next three years, of which £1.5bn is available for 2022/23.
- A core council tax referendum principle of up to 2% and the ability to levy an adult social care precept of 1% on top of the core principle. Indicated that these limits to apply for each of the three years covered by the Spending Review.
- Announcement of headline additional funding to support Adult Social Care reform. At that stage no further detail was available.
- Significant changes to Business Rates for 2022/23 including a nil increase in the multiplier and 50% business rates relief to businesses in the hospitality and retail sectors. It was announced that local authorities would be compensated in full for these changes.

On 16 December 2021 the Department for Levelling Up Housing and Communities (DLUHC) announced the Provisional Local Government Finance Settlement for 2022/23. The settlement was for a one-year period only. This expanded on the key aspects from the Spending Review highlighted above and presented information at a local authority level.

The key announcements from the Provisional Local Government Finance Settlement were:

- The new grant for local government of £1.5bn for 22/23 announced in the Spending Review has been split across two funding streams:

a. A new grant, Services Grant £822m for 2022/23 only (SBC allocation £2.7m). DLUHC are planning to consult on where this amount of money is best applied within the sector for future years. This grant includes funding for local government costs to cover the increase in employers National Insurance Contributions.

b. £636m has been added to the Social Care Grant (SBC allocation £2.2m)

- Improved Better Care Fund increased by 3%
- Core council tax referendum limit is set at 2%. There is also the flexibility to add 1% to the Adult Social Care levy in addition to the balance of the unapplied allowance from last year 2021/22 (1%).
- £5.4bn was announced to fund Adult Social Care Reform over the next three years.
- The proposed changes to business rates have been delayed.

On 7 February 2022 the Government presented the Final Local Government Finance Settlement to Parliament. There were no changes impacting on Stockton from those published in the Provisional Settlement.

The impact of the Spending Review and Local Government Finance Settlement on levels of funding were factored into the position set out in the Budget Report for 2022/23. The one-year spending review and financial settlement leaves significant uncertainty regarding the position from 2023 onwards. This makes financial planning across the duration of the MTFP challenging. The future of the review of local government finance (Funding Review and Business Rates Retention and Re-set) 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.

During 2021/22 the Government continued to provide a range of Covid-19 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-19 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.

### Revenue Expenditure 2021/22

Performance against revenue budgets for 2021/22 by Directorate is shown in the table below.

Service Departments	Approved Budget	Actual	Variance
Expenditure	£m	£m	£m
Adults & Health	75.583	74.825	(0.758)
Children's Services	41.003	44.478	3.475
Community Services	39.223	38.604	(0.619)
Corporate Management & Services	15.536	8.867	(6.669)
Culture, Leisure & Events	9.836	9.715	(0.121)
Town Centre Team	(1.251)	(0.467)	0.784
Finance & Business Services	10.308	10.204	(0.104)
HR, Legal & Comms	5.342	5.283	(0.059)
<b>Net Expenditure on Services</b>	<b>195.580</b>	<b>191.509</b>	<b>(4.071)</b>
Transfer between General Fund Reserves and Earmarked Reserves	0.000	7.537	7.537
<b>Net Expenditure on Services</b>	<b>195.580</b>	<b>199.046</b>	<b>3.466</b>

## Capital Medium Term Financial Plan

To achieve the Councils vision for the future it has an ambitious 3 year capital programme totalling £199m which will deliver on a a range of objectives, including the following:

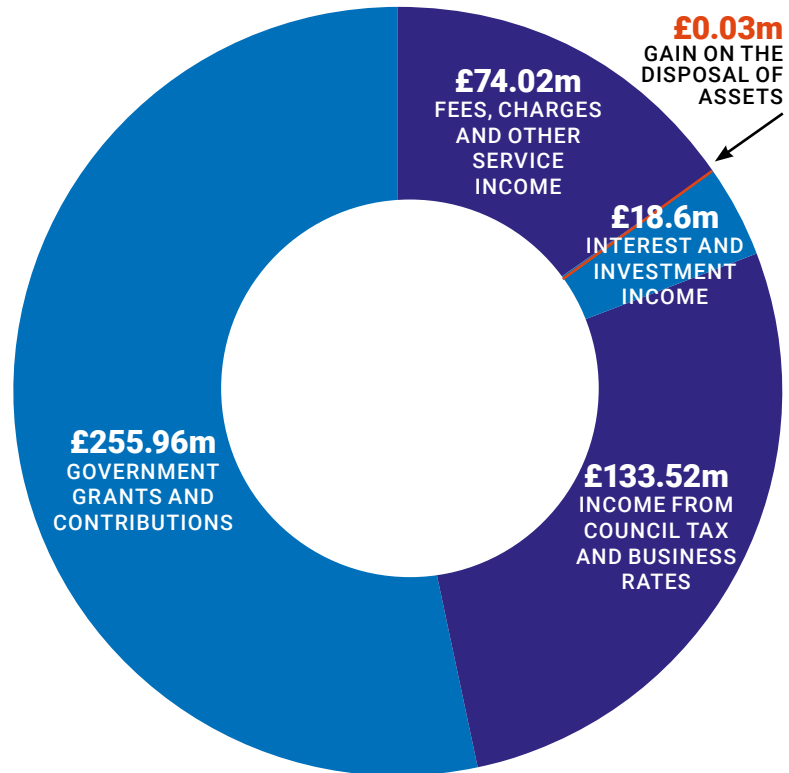
- Substantial investment within schools
- Indigenous Growth Investment
- Substantial investment Reshaping Town Centres
- Yarm & Eaglescliffe Levelling Up Fund
- Redevelopment of the Castlegate Site
- Significant investment in Transport infrastructure.

	Outturn	Three Year Plan			Total
	2021/22	2022/23	2023/24	2024/25	
<b>Expenditure</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Schools Capital	6.402	24.162	10.268	0.769	<b>41.601</b>
Housing Regeneration	0.143	1.571	0.000	0.000	<b>1.714</b>
Inclusive Growth & Development	6.482	7.097	15.170	12.159	<b>40.908</b>
Stockton Town Centre	1.906	1.464	1.159	0.000	<b>4.529</b>
Reshaping Town Centres	0.182	12.724	0.049	7.663	<b>20.618</b>
Thornaby Town Centre	1.040	1.191	2.365	2.500	<b>7.096</b>
Yarm & Eaglescliffe LUF	0.167	4.085	15.748	0.000	<b>20.000</b>
Redevelopment Castlegate Site	3.799	12.676	14.597	12.212	<b>43.284</b>
Other Town Centre Regeneration Schemes	0.549	1.579	0.000	0.000	<b>2.128</b>
Local Transport Plans	6.969	4.826	0.000	0.000	<b>11.795</b>
Other Transport Schemes	3.096	14.113	1.510	0.000	<b>18.719</b>
Developer Agreements	0.766	1.851	0.000	0.000	<b>2.617</b>
Private Sector Housing	1.892	0.516	0.000	0.000	<b>2.408</b>
Building Management & Asset Review	0.767	2.134	0.000	0.000	<b>2.901</b>
Energy Management Schemes	0.632	0.967	0.000	0.000	<b>1.599</b>
Other Schemes	2.506	5.739	6.044	0.000	<b>14.289</b>
<b>Total Expenditure</b>	<b>37.298</b>	<b>96.695</b>	<b>66.910</b>	<b>35.303</b>	<b>236.206</b>
<b>Funding</b>					
Grants and Other Contributions	30.559	72.151	47.163	8.139	<b>158.012</b>
Capital Receipts & Reserves	2.370	8.517	0.381	0.000	<b>11.268</b>
Borrowing	4.369	16.027	19.366	27.164	<b>66.926</b>
<b>Total Funding</b>	<b>37.298</b>	<b>96.695</b>	<b>66.910</b>	<b>35.303</b>	<b>236.206</b>

## Core Funding

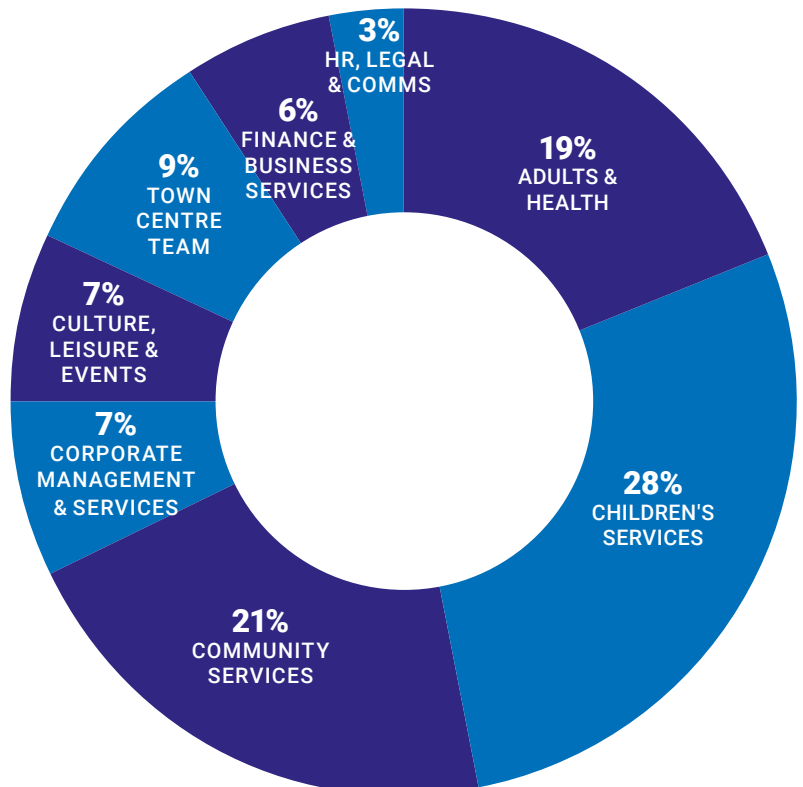
In common with the rest of local government, the Council has seen a reduction in its core government funding in recent years. The Government's aim is to phase out non-specific grant funding altogether, instead allowing local authorities to retain a higher proportion of business rates collected locally.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

Income by source during 2021/22 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 2022. 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 2021/22, 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



# Movement in Reserves Statement for the year ended 31 March 2022

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
<b>Revised Balance at 1st April 2020</b>	7,221	-	58,230	<b>65,451</b>	2,862	38,110	<b>106,423</b>	(128,221)	<b>(21,798)</b>
<b>Movement in reserves during 2020-21</b>									
Total Comprehensive Income and Expenditure	(9,420)	-	-	<b>(9,420)</b>	-	-	<b>(9,420)</b>	(6,194)	<b>(15,614)</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	-	-	35,908	<b>35,908</b>	(618)	7,847	<b>43,137</b>	(43,137)	-
<b>Increase/Decrease before transfer to earmarked reserves</b>	(9,420)	-	35,908	<b>26,488</b>	(618)	7,847	<b>33,717</b>	(49,331)	<b>(15,614)</b>
Transfers to / from earmarked reserves	15,078	-	(15,078)	-	-	-	-	-	-
<b>Increase/Decrease in Year</b>	5,658	-	20,830	<b>26,488</b>	(618)	7,847	<b>33,717</b>	(49,331)	<b>(15,614)</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>12,879</b>	-	<b>79,060</b>	<b>91,939</b>	<b>2,244</b>	<b>45,957</b>	<b>140,140</b>	<b>(177,552)</b>	<b>(37,412)</b>
<b>Opening Balance 01 April 2021</b>	12,879	-	79,060	<b>91,939</b>	2,244	45,957	<b>140,140</b>	(177,552)	<b>(37,412)</b>
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2021	-	-	-	-	-	-	-	-	-
<b>Restated Balance at 1 April 2021</b>	12,879	-	79,060	<b>91,939</b>	2,244	45,957	<b>140,140</b>	(177,552)	<b>(37,412)</b>
<b>Movement in Reserve in 2021-22</b>									
Total Comprehensive Income and Expenditure	(30,167)	-	-	<b>(30,167)</b>	-	-	<b>(30,167)</b>	157,066	<b>126,899</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	-	-	25,442	<b>25,442</b>	193	1,670	<b>27,305</b>	(27,305)	-
<b>Increase/Decrease before transfer to earmarked reserves</b>	<b>(30,167)</b>	-	<b>25,442</b>	<b>(4,725)</b>	<b>193</b>	<b>1,670</b>	<b>(2,862)</b>	<b>129,761</b>	<b>126,899</b>
Transfers to / from earmarked reserves	26,701	-	(26,701)	-	-	-	-	-	-
<b>Increase / Decrease in the year</b>	<b>(3,466)</b>	-	<b>(1,259)</b>	<b>(4,725)</b>	<b>193</b>	<b>1,670</b>	<b>(2,862)</b>	<b>129,761</b>	<b>126,899</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>9,413</b>	-	<b>77,801</b>	<b>87,214</b>	<b>2,437</b>	<b>47,627</b>	<b>137,278</b>	<b>(47,791)</b>	<b>89,487</b>
<b>General Fund analysed over:</b>									
Amounts earmarked (Note 7)	77,801	-	-	-	-	-	-	-	-
Amounts uncommitted	9,413	-	-	-	-	-	-	-	-
<b>Total General Fund Balance at 31 March 2022</b>	<b>87,214</b>	-	-	-	-	-	-	-	-

# Comprehensive Income and Expenditure Statement for the year ended 31 March 2022

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.

2020-21				2021-22		
£000s	£000s	£000s		£000s	£000s	£000s
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
115,369	(78,642)	36,727	Adults & Health	118,807	(81,201)	<b>37,606</b>
150,049	(100,740)	49,309	Children's Services	159,390	(103,063)	<b>56,327</b>
44,852	(6,546)	38,306	Community Services	49,457	(7,683)	<b>41,774</b>
24,793	(9,469)	15,324	Corporate Management & Services	17,842	(3,330)	<b>14,512</b>
5,571	(4,155)	1,416	Culture, Leisure & Events	18,563	(5,326)	<b>13,237</b>
17,143	(4,802)	12,341	Town Centre Investment	21,075	(4,184)	<b>16,891</b>
59,518	(49,752)	9,766	Finance & Business Services	62,703	(50,296)	<b>12,407</b>
5,981	(910)	5,071	HR, Legal & Comms	6,743	(702)	<b>6,041</b>
423,276	(255,016)	168,260	<b>Cost Of Services</b>	<b>454,580</b>	<b>(255,785)</b>	<b>198,795</b>
			<b>Other Operating Expenditure:</b>			
906	-	906	Parish council precepts	873	-	873
		-	(Gain) or loss on the disposal of Investment Properties		(31)	(31)
-	(291)	(291)	(Gain) or loss on the disposal of non-current assets	587	-	587
			<b>Financing and Investment Income and Expenditure:</b>			
4,709	-	4,709	Interest payable and similar charges	4,183	-	4,183
99	-	99	Net (gains) / losses on financial assets at fair value through profit and loss	-	(2,424)	(2,424)
22,913	(16,028)	6,885	Net interest on the net defined benefit liability/asset	26,028	(17,927)	8,101
-	(688)	(688)	Interest receivable and similar income	-	(600)	(600)
15,091	(6,216)	8,875	(Gain) or loss on trading accounts (not applicable to service)	17,861	(9,078)	8,783
803	(1,533)	(730)	Income & expenditure in relation to investment properties and changes in their fair value	567	(2,630)	(2,063)
5	-	5	Revaluation loss on Assets Held for Sale	-	-	-
			<b>Taxation and Non-Specific Grant Income:</b>			
-	(93,541)	(93,541)	Council tax income	-	(99,064)	(99,064)
-	(25,465)	(25,465)	Non-domestic rates income and expenditure	-	(34,455)	(34,455)
7,781	(49,295)	(41,514)	Non-ringfenced government grants	7,547	(33,986)	(26,439)
-	(18,090)	(18,090)	Capital grants and contributions	-	(26,079)	(26,079)
475,583	(466,163)	9,420	<b>(Surplus) or Deficit on Provision of Services</b>	<b>512,226</b>	<b>(482,059)</b>	<b>30,167</b>
		(21,798)	(Surplus) or deficit on revaluation of non current assets			(4,524)
		27,990	Re-measurements of the defined benefit liability			(152,540)
		2	Other (gains) and losses			(2)
		6,194	<b>Other Comprehensive Income and Expenditure</b>			<b>(157,066)</b>
		15,614	<b>Total Comprehensive Income and Expenditure</b>			<b>(126,899)</b>



# Balance Sheet as at 31 March 2022

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 2022 £000s	31 March 2021 £000s
<b>Non-current assets</b>			
Property, plant and equipment	11	367,562	368,363
Investment property	13	17,407	16,048
Intangible assets		520	17
Heritage Assets	12	10,728	10,728
Long term investments	29	16,610	14,186
Long Term Debtors	29	2,554	4,056
<b>Total non-current assets</b>		<b>415,381</b>	413,398
<b>Current assets</b>			
Inventories		477	539
Debtors	15 & 29	49,293	46,242
Cash and Cash Equivalents	16	30,751	16,322
Assets held for sale		136	136
<b>Total current assets</b>		<b>80,657</b>	63,239
<b>Current liabilities</b>			
Cash and Cash Equivalents	16	(16,389)	(9,131)
Short Term Borrowing	29	(5,925)	(6,554)
Short Term Creditors	17 & 29	(43,713)	(36,943)
Provisions	33	(8,477)	(8,967)
<b>Total current liabilities</b>		<b>(74,504)</b>	(61,595)
<b>Long term liabilities</b>			
Long Term Creditors	29	(198)	(213)
Long Term Borrowing	29	(78,538)	(73,472)
Other Long Term Liabilities	18 & 29	(251,995)	(371,878)
Grants Receipts in Advance	28	(1,316)	(6,891)
<b>Total long term liabilities</b>		<b>(332,047)</b>	(452,454)
<b>Net Assets:</b>		<b>89,487</b>	(37,412)
<b>Reserves</b>			
<b>Usable reserves:</b>			
General Fund Balance		9,413	12,879
Earmarked General Fund Reserves	7	77,801	79,060
Capital Receipts Reserve		2,437	2,244
Capital Grants Unapplied		47,627	45,957
<b>Total Usable Reserves</b>		<b>137,278</b>	140,140
<b>Unusable Reserves:</b>			
Revaluation Reserve	20	59,482	56,876
Capital Adjustment Account	19	151,575	156,292
Financial Instruments Adjustment Account		(213)	(339)
Pooled Fund Adjustment Account		1,233	(1,190)
Financial Instruments Revaluation Reserve		377	377
Deferred Capital Receipts Reserve		154	154
Pensions Reserve	31	(243,939)	(363,949)
Collection Fund Adjustment Account	21	(9,747)	(18,582)
Accumulated Absences Account		(1,233)	(1,139)
Dedicated Schools Grant Adjustment Account		(5,480)	(6,052)
<b>Total Unusable Reserves</b>		<b>(47,791)</b>	(177,552)
<b>Total Reserves:</b>		<b>89,487</b>	(37,412)

# Cash Flow Statement for the year ended 31 March 2022

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 2022	31 March 2021
		£000s	£000s
<b>Net (surplus) or deficit on the provision of services</b>		<b>30,167</b>	9,420
<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements:</b>			
Depreciation, impairment and amortisation of non current assets		(22,494)	(21,115)
Revaluation (gains)/losses		(11,346)	7,112
Pension Fund adjustments		(32,530)	(22,745)
Carrying amount of Non-Current Assets Sold		(2,348)	(2,587)
Other non-cash movement		14,329	(12,444)
Increase/(Decrease) in Inventories (Stock)		(62)	215
Increase/(Decrease) in Debtors		1,773	7,313
(Increase)/Decrease in Creditors		(8,273)	(2,172)
(Increase)/Decrease in Provisions		490	(1,162)
Increase/(Decrease) in Long Term Debtors		(1,501)	(338)
		<b>(61,962)</b>	(47,923)
<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>			
Capital Grants credited to surplus or deficit on the provision of services		30,298	20,844
Proceeds from the disposal of non current assets		1,134	1,667
		<b>31,432</b>	22,511
<b>Net cashflow from operating activities</b>		<b>(363)</b>	(15,992)
<b>Investing activities</b>			
Purchase of property, plant and equipment, investment property and intangible assets		33,537	21,523
Purchase of short term and long term investments		2,424	(99)
Proceeds from the sale of property, plant and equipment, investment property and intangibles		(1,134)	(1,667)
Other receipts from investing activities		(24,723)	(23,187)
<b>Net cashflow from investing activities</b>		<b>10,104</b>	(3,430)
<b>Financing activities</b>			
Other receipts from financing activities		(14,314)	12,444
Cash payments for liabilities relating to finance leases and PFI Contracts		1,839	1,359
Repayments of short and long term borrowings		(4,437)	21,728
<b>Net cashflow from financing activities</b>		<b>(16,912)</b>	35,531
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(7,171)</b>	16,109
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>(7,191)</b>	(23,300)
<b>Cash and cash equivalents at the end of the reporting period</b>	16	<b>(14,362)</b>	(7,191)
<b>The cashflow for operating activities includes the following items:</b>			
Interest received		<b>(66)</b>	(108)
Dividends received		<b>(536)</b>	(603)
Interest paid		<b>2,927</b>	3,337

# 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.

2020-21				2021-22		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000s	£000s	£000s		£000s	£000s	£000s
55,481	(18,754)	36,727	Adults & Health	56,028	(18,422)	<b>37,606</b>
41,654	7,655	49,309	Children's Services	43,861	12,466	<b>56,327</b>
24,470	13,836	38,306	Community Services	25,715	16,059	<b>41,774</b>
19,476	(4,152)	15,324	Corporate Management & Services	21,481	(6,969)	<b>14,512</b>
10,513	(9,098)	1,416	Culture, Leisure & Events	9,719	3,518	<b>13,237</b>
2,942	9,399	12,341	Town Centres Investment	343	16,548	<b>16,891</b>
7,413	2,353	9,766	Finance & Business Services	8,901	3,506	<b>12,407</b>
4,296	775	5,071	HR, Legal & Comms	5,282	759	<b>6,041</b>
166,245	2,014	168,260	<b>Net Cost Of Services</b>	<b>171,330</b>	<b>27,465</b>	<b>198,795</b>
(171,903)	13,063	(158,840)	Other Income and Expenditure	(167,864)	(764)	<b>(168,628)</b>
(5,658)	15,077	9,420	Surplus or Deficit	<b>3,466</b>	<b>26,701</b>	<b>30,167</b>
(7,221)			<b>Opening General Fund Balance</b>	<b>(12,879)</b>		
(5,658)			Less/Plus (Surplus) or Deficit	<b>3,466</b>		
(12,879)			<b>Closing General Fund Balance at 31 March</b>	<b>(9,413)</b>		

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

Adjustments between Funding and Accounting Basis 2021-22				
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	656	4,019	(23,097)	<b>(18,422)</b>
Childrens Services	2,710	9,069	687	<b>12,466</b>
Community Services	9,195	2,594	4,270	<b>16,059</b>
Corporate Management & Services	(1,632)	2,345	(7,682)	<b>(6,969)</b>
Culture, Leisure & Events	3,077	1,650	(1,209)	<b>3,518</b>
Town Centres Investment	15,756	252	540	<b>16,548</b>
Finance & Business Services	1,672	3,534	(1,700)	<b>3,506</b>
HR, Legal & Comms	-	966	(207)	<b>759</b>
<b>Net Cost Of Services</b>	<b>31,434</b>	<b>24,429</b>	<b>(28,398)</b>	<b>27,465</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(29,084)	8,101	20,219	<b>(764)</b>
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	<b>2,350</b>	<b>32,530</b>	<b>(8,179)</b>	<b>26,701</b>

Adjustments between Funding and Accounting Basis Restated 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
<b>Net Cost Of Services</b>	<b>11,247</b>	<b>15,861</b>	<b>(25,093)</b>	<b>2,014</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(17,490)	6,885	23,668	13,063
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services</b>	<b>(6,243)</b>	<b>22,746</b>	<b>(1,425)</b>	<b>15,077</b>

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

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

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



**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

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

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

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

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year). SBC has not yet adopted IFRS16.
- Annual Improvements to IFRS Standards

2018–2020. The annual IFRS improvement programme notes 4 changed standards:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

These changes are not expected to have a material impact on the 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.

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 principal.

## 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 2022 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, specifically for the impact of successful 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.

<b>2021-22</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Adjustments involving the Capital Adjustment Account (see note 19)	5,659			(5,659)
Adjustments involving the Revaluation Reserve	1,918			(1,918)
Adjustments involving the Capital Grants Unapplied Account	(1,670)		1,670	-
Adjustments involving the Capital Receipts Reserve	(1,134)	193		941
Adjustments involving Dedicated Schools Grant Adjustment Account	(571)			571
Adjustments involving the Financial Instruments Adjustment Account	(126)			126
Adjustments involving the Pensions Reserve	32,530			(32,530)
Adjustments Involving the Pooled Fund Adjustment Account	(2,424)			2,424
Adjustments involving the Collection Fund Adjustment Account (see note 21)	(8,835)			8,835
Adjustments involving the Accumulated Absences Adjustment Account	95			(95)
<b>Total Adjustments</b>	<b>25,442</b>	<b>193</b>	<b>1,670</b>	<b>(27,305)</b>

<b>2020-21 Comparative figures</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Adjustments involving the Capital Adjustment Account	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	18,102			(18,102)
Adjustments involving the Accumulated Absences Adjustment Account	(200)			200
<b>Total Adjustments</b>	<b>35,908</b>	<b>(618)</b>	<b>7,847</b>	<b>(43,137)</b>

## Note 7: Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021-22. 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.

<b>Earmarked Reserves</b>	Balance at 31 March 2020	Transfers Out 2020-21	Transfers In 2020-21	<b>Balance at 31 March 2021</b>	Transfers Out 2021-22	Transfers In 2021-22	<b>Balance at 31 March 2022</b>
	£000s	£000s	£000s	<b>£000s</b>	£000s	£000s	<b>£000s</b>
<b>Capital Reserves</b>							
Stockton Town Centre Regeneration	(807)	26	(53)	<b>(834)</b>	105	(25)	<b>(754)</b>
Approved Capital Schemes	(5,513)	1,127	(4,792)	<b>(9,178)</b>	2,948	(2,863)	<b>(9,093)</b>
Fleet Renewals Fund	(4,942)	1,477	(1,043)	<b>(4,508)</b>	1,054	(479)	<b>(3,933)</b>
<b>Total Capital Reserves</b>	<b>(11,262)</b>	<b>2,630</b>	<b>(5,888)</b>	<b>(14,520)</b>	<b>4,107</b>	<b>(3,367)</b>	<b>(13,780)</b>
<b>Revenue Reserves</b>							
Insurance Fund	(11,297)	3,000	(1,870)	<b>(10,167)</b>	3,000	(1,624)	<b>(8,791)</b>
Commuted Lump Sums	(753)	-	-	<b>(753)</b>	-	(318)	<b>(1,071)</b>
Litigation Reserve	(1,455)	1,455	-	-	-	-	-
ICT Infrastructure	(1,267)	834	(374)	<b>(807)</b>	719	(874)	<b>(962)</b>
Government Grants Income In Advance	(388)	-	-	<b>(388)</b>	-	-	<b>(388)</b>
Transformation & Implementation Reserve	(3,841)	2,946	(4,365)	<b>(5,260)</b>	2,664	(1,192)	<b>(3,788)</b>
MTFP Transition Reserve	(546)	546	(2,284)	<b>(2,284)</b>	2,578	(9,541)	<b>(9,247)</b>
ARCC Probation Service	(1,038)	-	(201)	<b>(1,239)</b>	-	(50)	<b>(1,289)</b>
Health & Integration	(7,928)	1,772	(4,078)	<b>(10,234)</b>	1,215	(4,273)	<b>(13,292)</b>
Collection Fund Deficit Reserve	-	-	(2,227)	<b>(2,227)</b>	1,138	-	<b>(1,089)</b>
NNDR S31 Grant	-	-	(16,354)	<b>(16,354)</b>	16,354	(7,759)	<b>(7,759)</b>
Covid Recovery Funds	-	-	-	-	765	(2,483)	<b>(1,718)</b>
Other Revenue Reserves	(15,342)	9,090	(3,374)	<b>(9,626)</b>	2,378	(2,895)	<b>(10,143)</b>
<b>Total Revenue Reserves</b>	<b>(43,855)</b>	<b>19,643</b>	<b>(35,127)</b>	<b>(59,339)</b>	<b>30,811</b>	<b>(31,009)</b>	<b>(59,537)</b>
<b>Schools Related Reserves</b>							
Balances held by schools under a scheme of delegation	(3,113)	249	(2,337)	<b>(5,201)</b>	819	(102)	<b>(4,484)</b>
Dedicated Schools Grant (Deficit)	4,424	1,628	(6,052)	-	-	-	-
<b>Total Schools Related Reserves</b>	<b>1,311</b>	<b>1,877</b>	<b>(8,389)</b>	<b>(5,201)</b>	<b>819</b>	<b>(102)</b>	<b>(4,484)</b>
<b>Total Earmarked Reserves</b>	<b>(53,806)</b>	<b>24,150</b>	<b>(49,404)</b>	<b>(79,060)</b>	<b>35,737</b>	<b>(34,478)</b>	<b>(77,801)</b>

The Government put measures in place to provide 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 2021/22. Due to Collection Fund accounting rules, the additional costs of reliefs resulted in a Collection Fund deficit in 2021/22. Therefore, £5.778m of the upfront payment received in 2021/22 has been set aside in reserves at year end to offset this deficit in 2022/23.



## Note 8: Segmental Income

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

	<b>2021-22</b>	<b>2020-21</b>
	<b>£000s</b>	<b>£000s</b>
<b>Services</b>		
Adults & Health	(13,206)	(12,504)
Childrens Services	(4,413)	(4,370)
Community Services	(4,496)	(3,836)
Corporate Management & Services	(2,530)	(1,363)
Culture, Leisure & Events	(468)	(222)
Town Centres	(3,821)	(4,375)
Finance & Business Services	(3,618)	(2,470)
HR, Legal & Comms	(352)	(264)
Other Income	(6,308)	(5,062)
<b>Total income analysed on a segmental basis</b>	<b>(39,212)</b>	<b>(34,466)</b>

## Note 9: Members' Allowances

Details of the amounts paid to each elected member of the Council are published annually. The total amount paid to members in respect of basic allowance, special responsibility allowance, Mayoral Allowances, travel & subsistence and carer's allowances was £721,357 (last year: £704,703).

	<b>2021-22</b>	<b>2020-21</b>
	<b>£000s</b>	<b>£000s</b>
Basic Allowances	516	501
Special Responsibility Allowances	205	204
Travel & Expenses	0	0
<b>Total</b>	<b>721</b>	<b>705</b>

## Note 10: Employee Remuneration

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

Remuneration Summary Bandings	Number of Employees			
	2021-22	2020-21	2021-22	2020-21
	<i>Council</i>	<i>Council</i>	<i>Schools</i>	<i>Schools</i>
£50,000 - £54,999	34	29	21	22
£55,000 - £59,999	33	17	14	9
£60,000 - £64,999	8	14	11	10
£65,000 - £69,999	9	12	3	7
£70,000 - £74,999	10	6	8	10
£75,000 - £79,999	3	2	4	2
£80,000 - £84,999	5	6	2	2
£85,000 - £89,999	3	5	-	1
£90,000 - £94,999	4	-	1	-
£95,000 - £99,999	1	1	-	1
£100,000 - £104,999	-	1	1	-
£105,000 - £109,999	-	-	-	-
£110,000 - £114,999	1	-	-	-
£115,000 - £119,999	-	-	-	-
£120,000 - £124,999	-	-	-	-
£125,000 - £129,999	-	-	-	-
£130,000 - £134,999	-	-	-	-
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£145,000 - £149,999	-	-	-	-
£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.

<b>Remuneration of Senior Employees 2021-22</b>							
<b>Post holder information</b>	Salary (Including fees & Allowances)	Expense Allowances	Benefits in kind	Total Remuneration excluding pension contributions 21/22	Compensation for Loss of Office	Pension contributions	Total Remuneration including pension contributions 21/22
	£	£	£	£	£	£	£
<i>Managing Director (Julie Danks)</i>	155,915	-	-	<b>155,915</b>	-	20,425	<b>176,340</b>
<i>Director of Town Centres Development Team *</i>	102,457	-	-	<b>102,457</b>	-	13,393	<b>115,849</b>
<i>Director of Finance, Development &amp; Business Services</i>	124,520	-	-	<b>124,520</b>	-	16,312	<b>140,832</b>
<i>Director of Children's Services</i>	124,520	-	-	<b>124,520</b>	-	16,312	<b>140,832</b>
<i>Director of Adults and Health</i>	124,520	-	-	<b>124,520</b>	-	16,312	<b>140,832</b>
<i>Director of Culture, Leisure &amp; Events</i>	124,520	-	138	<b>124,658</b>	-	16,050	<b>140,708</b>
<i>Director of Community Services &amp; Transport</i>	124,520	-	-	<b>124,520</b>	-	16,312	<b>140,832</b>
<i>Director of HR, Legal and Communications (Monitoring Officer)</i>	124,520	-	-	<b>124,520</b>	-	16,312	<b>140,832</b>
	<b>1,005,492</b>	<b>0</b>	<b>138</b>	<b>1,005,630</b>	<b>0</b>	<b>131,428</b>	<b>1,137,058</b>

**Notes:**

\* Officer left position at the end of January 2022 and the post has not been replaced.

<b>Remuneration of Senior Employees 2020-21</b>							
<b>Post holder information</b>	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
	£	£	£	£	£	£	£
<i>Managing Director (Julie Danks)</i>	153,611	-	-	<b>153,611</b>	-	20,123	<b>173,734</b>
<i>Director of Town Centres Development Team *</i>	122,680	-	-	<b>122,680</b>	-	16,071	<b>138,751</b>
<i>Director of Finance, Development &amp; Business Services</i>	122,680	-	-	<b>122,680</b>	-	16,071	<b>138,751</b>
<i>Director of Children's Services</i>	122,680	-	-	<b>122,680</b>	-	16,071	<b>138,751</b>
<i>Director of Adults and Health</i>	122,680	-	-	<b>122,680</b>	-	16,071	<b>138,751</b>
<i>Director of Culture, Leisure &amp; Events</i>	119,748	-	-	<b>119,748</b>	-	15,687	<b>135,435</b>
<i>Director of Community Services &amp; Transport</i>	118,864	-	-	<b>118,864</b>	-	15,571	<b>134,435</b>
<i>Director of HR, Legal and Communications (Monitoring Officer)</i>	122,680	-	-	<b>122,680</b>	-	16,071	<b>138,751</b>
	<b>1,005,623</b>	<b>0</b>	<b>0</b>	<b>1,005,623</b>	<b>0</b>	<b>131,737</b>	<b>1,137,359</b>

**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.

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

Movements in 2021-22	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost or Valuation</b>						
At 1 April 2021	171,059	19,072	210	2,978	26,516	<b>219,835</b>
Additions	15,377	3,448	-	322	1,747	<b>20,894</b>
Accumulated depreciation written off on revaluation						-
Accumulated depreciation & impairment written off to Gross Carrying Amount (GCA)	(1,328)		-	(59)		<b>(1,387)</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,373		-	152		<b>4,525</b>
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on provision of services	(12,267)		-	(832)		<b>(13,099)</b>
Derecognition - disposals	(1,355)	(1,612)	-	-		<b>(2,967)</b>
Reclassified to/from Investment Properties	(233)					<b>(233)</b>
Reclassified to/from held for sale/surplus						-
Other reclassifications	24,712	(412)	-	110	(26,752)	<b>(2,342)</b>
<b>At 31 March 2022</b>	<b>200,338</b>	<b>20,495</b>	<b>210</b>	<b>2,671</b>	<b>1,511</b>	<b>225,226</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 April 2021	(13,724)	(10,792)	-	-	(252)	<b>(24,768)</b>
Depreciation Charge	(8,050)	(1,750)		(26)		<b>(9,826)</b>
Accumulated depreciation written off on revaluation	1,328			59		<b>1,387</b>
Accumulated depreciation written off to GCA						-
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	(2,636)	(244)	-	-	(602)	<b>(3,482)</b>
Derecognition - disposals	120	1,454				<b>1,574</b>
Reclassified to/from Investment Properties	20					<b>20</b>
Other reclassifications	1,711	412		(33)	252	<b>2,343</b>
<b>At 31 March 2022</b>	<b>(21,231)</b>	<b>(10,919)</b>	<b>-</b>	<b>-</b>	<b>(602)</b>	<b>(32,752)</b>
<b>Net Book Value</b>						
<b>At 31 March 2022</b>	<b>179,107</b>	<b>9,576</b>	<b>212</b>	<b>2,671</b>	<b>909</b>	<b>192,476</b>
<b>At 31 March 2021</b>	<b>157,335</b>	<b>8,280</b>	<b>210</b>	<b>2,978</b>	<b>26,264</b>	<b>195,069</b>

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets. Details of the Net Book value of Infrastructure Assets are included in the table below.

Infrastructure Assets Net Book Value	Total
<b>At 31 March 2021</b>	<b>173,294</b>
Additions	10,944
Depreciation	(9,091)
Other	(61)
<b>At 31 March 2022</b>	<b>175,086</b>

Total Non Current Assets Net Book Value is shown in the table below;

<b>Total Non Current Assets Net Book Value</b>	<b>Total</b>
<b>At 31 March 2021</b>	<b>368,363</b>
<b>At 31 March 2022</b>	<b>367,562</b>

<b>Movements in 2020-21</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>PP&amp;E Under Construction</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Cost or Valuation</b>						
At 1 April 2020	131,027	16,309	308	3,630	27,138	<b>178,412</b>
Additions	3,524	4,326		451	12,352	<b>20,653</b>
Accumulated depreciation written off on revaluation						-
Accumulated depreciation & impairment written off to Gross Carrying Amount (GCA)	(3,897)			(12)		<b>(3,909)</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	16,817		5,094	(115)		<b>21,796</b>
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on provision of services	6,741		351	(966)		<b>6,126</b>
Derecognition - disposals	-	(1,316)		-		<b>(1,316)</b>
Reclassified to/from held for sale/surplus						-
Other reclassifications	16,847	(247)	(5,543)	(10)	(12,974)	<b>(1,927)</b>
<b>At 31 March 2021</b>	<b>171,059</b>	<b>19,072</b>	<b>210</b>	<b>2,978</b>	<b>26,516</b>	<b>219,835</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 April 2020	(9,223)	(10,245)	-	(10)	(295)	<b>(19,773)</b>
Depreciation Charge	(8,486)	(1,623)		(12)		<b>(10,121)</b>
Accumulated depreciation written off on revaluation						-
Accumulated depreciation written off to GCA	3,897			12		<b>3,909</b>
Accumulated impairment written off to GCA						-
Impairment losses/reversals recognised in the Revaluation Reserve						-
Impairment losses/reversals recognised in the (Surplus)/Deficit on provision of services	(1,287)	(412)			(252)	<b>(1,951)</b>
Derecognition - disposals	-	1,240				<b>1,240</b>
Other reclassifications	1,375	247		10	295	<b>1,927</b>
<b>At 31 March 2021</b>	<b>(13,724)</b>	<b>(10,792)</b>	<b>-</b>	<b>-</b>	<b>(252)</b>	<b>(24,768)</b>
<b>Net Book Value</b>						
<b>At 31 March 2021</b>	<b>157,335</b>	<b>8,280</b>	<b>210</b>	<b>2,978</b>	<b>26,264</b>	<b>195,069</b>
<b>At 31 March 2020</b>	<b>121,804</b>	<b>6,064</b>	<b>308</b>	<b>3,620</b>	<b>26,843</b>	<b>158,640</b>

<b>Infrastructure Assets Net Book Value</b>	<b>Total</b>
<b>At 31 March 2020</b>	<b>175,670</b>
Additions	6,642
Depreciation	(9,016)
Other	(2)
<b>At 31 March 2021</b>	<b>173,294</b>

Total Non Current Assets Net Book Value is shown in the table below;

<b>Total Non Current Assets Net Book Value</b>	<b>Total</b>
<b>At 31 March 2020</b>	<b>334,310</b>
<b>At 31 March 2021</b>	<b>368,363</b>



## Depreciation

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

### PPE

Other Land and Buildings	30 to 90 years
Vehicles, Plant, Furniture & Equipment	5 to 15 years

### Infrastructure Assets

Carriageways	40 years
Footways and cycle tracks	40 years
Structures (bridges)	40 years
Street lighting	10 years
Street furniture	40 years
Traffic management systems	10 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 £5.3m (Last year: £4.3m).

### Capital Commitments

At 31 March 2022, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2021/22 and future years of which the major schemes are as follows:

Schools extension - £7.141m

Local Transport Plan - £0.738m

Elton Interchange Highways Works - £11.409m

The total value of contracts in place at the balance sheet date was £19.290m

### Revaluations

The Council has implemented out a rolling programme that ensures that all property, plant and equipment required to be measured at current 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 BNP Paribas. 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. The effective date for revaluations in 21/22 is 1st April 2021 for property, plant and equipment required to be valued as part of the three year rolling programme, and 31st March 2022 if appropriate.

Operational Assets	Other Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	Total
	£000s	£000s	£000s	£000s
<b>Valued at historical cost</b>		20,496		20,496
<b>Valued at current value as at:</b>				
Current Year	48,916		2,671	51,587
2020/2021	94,189			94,189
2019/2020	57,233			57,233
<b>Total</b>	<b>200,338</b>	<b>20,496</b>	<b>2,671</b>	<b>223,505</b>

## Note 12: Non Current Assets - Heritage Assets

<b>2021-22</b>	<b>Artworks</b>	<b>Ceramics Glass Silverware &amp; Decorative Art</b>	<b>Weapons &amp; Militaria</b>	<b>Transport</b>	<b>Archaeological</b>	<b>Civic Regalia</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Valuation</b>							
At 1 April 2021	6,500	1,464	2,538	47	35	144	<b>10,728</b>
Additions	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
<b>At 31 March 2022</b>	<b>6,500</b>	<b>1,464</b>	<b>2,538</b>	<b>47</b>	<b>35</b>	<b>144</b>	<b>10,728</b>

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

### 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 and are reviewed on an annual basis to ensure the valuations remain current.

## Note 13: Non Current Assets - Investment Property

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

	<b>31 March 2022</b>	31 March 2021
	<b>£000s</b>	£000s
Rental income from investment property	1,094	1,046
Direct operating expenses arising from investment property	(126)	(96)
<b>Net gain/(loss)</b>	<b>968</b>	950

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

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

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

	<b>31 March 2022</b>	31 March 2021
	<b>£000s</b>	£000s
<b>Balance at the start of the year</b>	<b>16,048</b>	16,268
Additions:		
Purchases	348	-
Construction		-
Subsequent expenditure	-	-
Disposals	(298)	-
Net gains/(losses) from fair value adjustments	1,095	(220)
Transfers:		
To/from Property, Plant & Equipment	213	-
Other changes	-	-
<b>Balance at the end of the year</b>	<b>17,407</b>	16,048

The Council's largest investment is the Hampton by Hilton Hotel on the North Shore development (£10.8m). The Council's interests in the Hotel have been valued by a specialist at 31st March 2022.

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

## Note 14: Expenditure and Income Analysed by Nature

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

	<b>31 March 2022</b>	31 March 2021
	<b>£000s</b>	£000s
<b>Expenditure</b>		
Employee benefits expenses	167,137	156,789
Other services expenses	227,726	218,395
Support service recharges	14,768	14,224
Depreciation, amortisation and impairment	71,167	57,707
Interest payments	29,874	27,260
Precepts and levies	967	1,208
Loss on the disposal of assets	587	-
<b>Total Expenditure</b>	<b>512,226</b>	<b>475,583</b>
<b>Income</b>		
Fees, charges and other service income	(74,019)	(54,112)
Gain on the disposal of assets	(31)	(291)
Interest and investment income	(18,527)	(16,717)
Income from council tax and business rates	(133,519)	(119,006)
Government grants and contributions	(255,963)	(276,037)
<b>Total Income</b>	<b>(482,059)</b>	<b>(466,163)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>30,167</b>	<b>9,420</b>

## Note 15: Debtors

	<b>31 March 2022</b>	31 March 2021
	<b>£000s</b>	£000s
Central Government	11,848	9,298
Local Government	5,908	3,744
National Health Service	692	6,125
Local Taxation	13,087	11,207
Other entities and individuals	17,758	15,868
	<b>49,293</b>	46,242

## Note 16: Cash & Cash Equivalents

	<b>31 March 2022</b>	31 March 2021
	<b>£000s</b>	£000s
Bank and Imprests	71	72
Cash Equivalents	30,680	16,250
Bank Overdraft	(16,389)	(9,131)
	<b>14,362</b>	7,191

## Note 17: Short Term Creditors

	<b>31 March 2022</b>	31 March 2021
	<b>£000s</b>	£000s
Central Government	(14,656)	(12,782)
Local Government	(4,567)	(3,425)
National Health Service	(1,209)	(797)
Local Taxation	(4,852)	(1,997)
Other entities and individuals	(18,429)	(17,942)
	<b>(43,713)</b>	(36,943)

## Note 18: Other Long Term Liabilities

	<b>31 March 2022</b>	31 March 2021
	<b>£000s</b>	£000s
Finance lease liability	(4,502)	(3,795)
PFI liability	(3,554)	(4,133)
Net pensions liability	(243,939)	(363,950)
	<b>(251,995)</b>	(371,878)



## Note 19: Capital Adjustment Account

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

with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	<b>2021-22</b>		2020-21
	<b>£000s</b>	<b>£000s</b>	£000s
<b>Balance at 1 April</b>		(156,292)	(155,948)
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	21,041		20,317
• Revaluation losses on property, plant and equipment	13,099		(6,126)
• Revaluation losses / (gain) on AHFS & Investment Properties	(1,095)		225
• Amortisation of intangible assets	10		24
• Revenue expenditure funded from capital under statute	6,542		4,124
• Amounts of non-current assets written off on disposal or sale	1,214		919
		40,811	19,483
Capital financing applied in the year:			
• Use of the Capital Receipts Reserve to finance new capital expenditure	(941)		(2,285)
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(15,913)		(8,407)
• Application of grants to capital financing from the Capital Grants Unapplied Account	(12,714)		(4,590)
• Statutory provision for the financing of capital investment charged against the General Fund balance	(3,165)		(2,684)
• Capital expenditure charged against the General Fund balance	(3,360)		(1,860)
		(36,093)	(19,827)
Other adjustments		-	-
<b>Balance at 31 March</b>		<b>(151,575)</b>	(156,292)

## 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.

	2021-22		2020-21
	£000s	£000s	£000s
<b>Balance at 1 April</b>		(56,876)	(36,310)
Upward revaluation of assets	(6,189)		(24,109)
Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the provision of services	1,664		2,312
Surplus or deficit on revaluation of non-current assets not posted to the (surplus)/deficit on the provision of services		(4,525)	(21,797)
Difference between fair value depreciation and historical cost depreciation	1,443		774
Accumulated gains on assets sold or scrapped	476		457
Amount written off to the Capital Adjustment Account		1,919	1,231
<b>Balance at 31 March</b>		<b>(59,482)</b>	(56,876)

## 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.

	2021-22		2020-21
	£000s	£000s	£000s
<b>Balance at 1 April</b>		18,582	479
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		(629)	2,032
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		(8,207)	16,070
<b>Balance at 31 March</b>		<b>9,747</b>	18,582

## 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 2021/22 is shown in Note 9. During 2021/22, £73,523 in value were commissioned from companies where members have a controlling interest (last year: £1,444). 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 £884k 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 2021/22 the Council had transactions that totalled £7.065 million (last year: £9.610 million) to bodies that included 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 and Stockton Holding Companies, FRADE, North Tees and Hartlepool NHS Trust, Stockton BID, Billingham, Ingleby Barwick and Thornaby Town Councils, North East Regional Employers Organisation, Karbon Homes Ltd 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 £199k from related party suppliers and they in turn owed £1.010 million 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:

	<b>2021-22</b>	2020-21
	<b>£000s</b>	£000s
Fees payable to Mazars LLP with regard to external audit services	130	116
Fees payable to Mazars LLP for the certification of grant claims	11	11
Fees payable in respect of other services provided by Mazars LLP	4	4
	<b>145</b>	<b>131</b>
<i>Rebate from Public Sector Audit Appointments Ltd</i>	19	
<i>Government Funding Additional Audit Requirements</i>	50	

## Note 24: Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2017. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2021/22 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£000s	£000s	£000s
Final Dedicated Schools Grant for 2021/22 before academy and high needs recoupment			191,143
Academy and high needs figure recouped for 2021/22			(113,457)
<b>Total DSG after Academy and high needs recoupment for 2021/22</b>			<b>77,686</b>
Plus: Brought forward from 2020/21			-
Less: Carry-forward to 2022/23 agreed in advance			-
<b>Agreed initial budgeted distribution in 2021/22</b>	<b>25,105</b>	<b>52,581</b>	<b>77,686</b>
In year adjustments	-	108	108
<b>Final budgeted distribution for 2021/22</b>	<b>25,105</b>	<b>52,689</b>	<b>77,794</b>
Less: Actual central expenditure	24,533		24,533
Less: Actual ISB deployed to schools		52,689	52,689
Plus: Local authority contribution for 2021/22	-	-	-
<b>In Year Carry-forward Surplus / (Deficit) to 2022/23</b>	<b>572</b>	<b>-</b>	<b>572</b>
Plus: Carry-forward to 2022/23 agreed in advance			-
<b>Carry-forward to 2022/23</b>			<b>572</b>
DSG unusable reserve at the end of 2020/21			<b>6,052</b>
Addition to DSG unusable reserve at the end of 2021/22			-
Total of DSG unusable reserve at the end of 2021/22			<b>6,052</b>
<b>Net DSG position at the end of 2021/22</b>			<b>(5,480)</b>

At 31st March 2022, the DSG shows a cumulative deficit balance of £5.480million. 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 (£5.480m), to an account established, charged and used solely for the purpose of recognising deficits in respect of its schools budget: the 2021/22 Code 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 2022 (excluding any estimation of inflation and availability/performance deductions) are as follows:

<b>Future Payments</b>	<b>Payment for Services</b>	<b>Reimbursement of Capital Expenditure</b>	<b>Interest</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Payment due:				
In 2022-23	481	578	348	1,407
Within two to five years	2,267	2,387	975	5,629
Within six to ten years	696	1,167	130	1,993
	<b>3,444</b>	<b>4,132</b>	<b>1,453</b>	<b>9,029</b>

## Note 26: Leases

### Operating leases: Council as lessor

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

<b>Future minimum lease payments receivable</b>	<b>2021-22</b>	2020-21
	<b>£000s</b>	£000s
Not later than one year	2,825	2,611
Later than one year & not later than five years	8,730	6,460
Later than five years	24,232	23,407
	<b>35,787</b>	<b>32,478</b>



## Note 27: Capital Expenditure and Financing

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

	<b>31 March 2022</b>	31 March 2021
	<b>£000s</b>	£000s
<b>Opening Capital Financing Requirement</b>	<b>182,173</b>	170,577
<b>Capital investment</b>		
Property, plant and equipment	32,186	27,295
Intangible assets	538	3
Revenue expenditure funded from capital under statute	6,542	4,124
<b>Sources of Finance</b>		
Capital receipts	(941)	(2,285)
Government grants and other contributions	(28,628)	(12,997)
<i>Sums set aside from revenue:</i>		
Direct revenue contributions	(3,360)	(1,860)
Minimum Revenue Provision (MRP)	(3,164)	(2,684)
<b>Closing Capital Financing Requirement</b>	<b>185,346</b>	182,173
<b>Explanation of movements in year</b>		
Increase/(Reduction) in underlying need to borrow	1,205	8,450
Assets acquired under finance leases	1,968	3,146
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>3,173</b>	11,596

## Note 28: Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021-22. This excludes Dedicated Schools Grant which is detailed in Note 24.

	<b>2021-22</b>	2020-21
	<b>£000s</b>	£000s
<b>Credited to Taxation and Non Specific Grant Income</b>		
RSG	5,104	5,076
New Homes Bonus	2,076	2,933
NNDR s31 Grant	9,916	20,636
Income Loss Support	445	1,574
Covid 19 - Various Non Service Specific	15,789	18,934
Council tax Hardship Fund	656	142
DCSF Capital Grants	260	2,416
Local Transport Plan	4,371	7,568
Future High Streets	1,350	-
Town Deal	1,195	-
Homes England	1,088	-
TVCA	5,745	-
National Lottery	162	1,436
Other Capital grants	888	3,134
Other Capital Contributions	11,020	3,536
<b>Total</b>	<b>60,065</b>	<b>67,385</b>
<b>Credited to Services</b>		
Public Health	14,446	14,327
Housing Benefit and Council Tax Benefit Administration	939	978
Adult Education SFA/ESA/TVCA	2,020	1,989
Basic need	2,420	1,205
Rent Rebates	42	82
Rent Allowance Subsidy	41,018	45,595
Covid 19 - Service Specific	8,684	12,049
Pupil Premium	4,326	4,473
UIFSM	747	927
Primary PE & Sports Grant	395	451
Arts Council Music Grant	894	715
Adoption Reform Grant	693	537
Disabled Facilities Grant	1,799	1,499
Independent Living Fund	501	501
Improved Better care fund	6,961	6,961
Troubled families	774	765
Adult Social Care Grant	5,766	4,868
Other Grants	7,237	6,205
<b>Total</b>	<b>99,662</b>	<b>104,128</b>

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:

<b>Capital and Revenue Grants Receipts in Advance</b>	<b>31 March 2022</b>	31 March 2021
	<b>£000s</b>	£000s
Offenders' Learning and Skills Service	82	82
S31 Grant NNDR	-	-
Covid 19 - Various	594	6,643
Well Being For Education	24	-
Discretionary Council Tax Energy Rebate	450	-
Foundation Learning	166	166
<b>Total</b>	<b>1,316</b>	<b>6,891</b>

## 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 2022	31 March 2021	31 March 2022	31 March 2021
	£000s	£000s	£000s	£000s
Loans	78,538	73,472	5,925	6,554
Bank Overdraft	0	0	16,389	9,131
Total Other Long-term Liabilities	8,056	7,928	578	517
Financial Liabilities Included in Creditors	198	213	34,944	30,684
<b>Total Financial Liabilities</b>	<b>86,792</b>	<b>81,613</b>	<b>57,836</b>	<b>46,886</b>

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

Financial Assets	Long Term		Short Term	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000s	£000s	£000s	£000s
Loans to Companies and for Service Purposes at Amortised Cost	827	2,251	524	0
At Fair Value Through Other Comprehensive Income	377	377	0	0
At Fair Value Through Profit & Loss	16,233	13,810	30,000	16,000
Cash and Cash Equivalents at Amortised Cost	0	0	751	322
Financial Assets at Amortised Cost Included in Debtors	0	0	23,930	23,964
<b>Total Financial Assets</b>	<b>17,437</b>	<b>16,437</b>	<b>55,205</b>	<b>40,285</b>

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

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

	Fair Value		Dividends	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000s	£000s	£000s	£000s
SITA	377	377	0	0
Teesside Airport	0	0	0	0
<b>Total</b>	<b>377</b>	<b>377</b>	<b>0</b>	<b>0</b>

## 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	2021-22 Total £'000	2020-21 Total £'000
Interest expense on liabilities held at amortised cost	4,183	0	4,183	4,709
Losses from changes in fair value of assets held at fair value through profit and loss	0	(2,424)	(2,424)	99
Fees paid	4	0	4	13
<b>Interest payable and similar charges</b>	<b>4,187</b>	<b>(2,424)</b>	<b>1,763</b>	4,821
Interest income on assets held at amortised cost	0	(64)	(64)	(85)
Dividend income on assets held at fair value through profit and loss	0	(536)	(536)	(603)
<b>Interest and investment income</b>	<b>0</b>	<b>(600)</b>	<b>(600)</b>	(688)
<b>Net impact on surplus/deficit on provision of services</b>	<b>4,187</b>	<b>(3,024)</b>	<b>1,163</b>	4,133
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
<b>Impact on other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	0
<b>Net Gain/(Loss) for the Year</b>	<b>4,187</b>	<b>(3,024)</b>	<b>1,163</b>	4,133

## 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 2022, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- Discount rates for "Lender'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 31st March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements)

at the appropriate AA-rated corporate bond yield.

- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the historically low 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. PFI Liabilities have been arrived at using a discounted cash flow analysis over the remaining term of the instrument.
- Level 3 – fair value is determined using unobservable inputs. Loans are based on estimated creditworthiness.



<b>Financial Liabilities</b>	<b>Fair Value Level</b>	<b>Balance Sheet 31 March 2022 £000s</b>	<b>Fair Value 31 March 2022 £000s</b>	Balance Sheet 31 March 2021 £000s	Fair Value 31 March 2021 £000s
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	<b>2</b>	41,968	40,193	32,871	35,354
Long-term LOBO loans	<b>2</b>	37,000	60,646	37,000	68,568
Other long-term loans	<b>2</b>	4,909	5,254	4,505	5,300
Lease payables and PFI liabilities	<b>2</b>	8,635	5,292	8,445	6,444
<b>TOTAL</b>		<b>92,512</b>	<b>111,385</b>	82,821	115,666
Liabilities for which fair value is not disclosed *		52,116		45,678	
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>144,628</b>		128,499	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		51,911		40,332	
Short-term borrowing		5,925		6,554	
Short-term provisions		0		0	
Long-term creditors		198		213	
Long-term borrowing		78,538		73,472	
Long-term provisions		0		0	
Other long-term liabilities		8,056		7,928	
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>144,628</b>		128,499	

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

Financial Assets	Fair Value Level	Balance Sheet 31 March 2022 £000s	Fair Value 31 March 2022 £000s	Balance Sheet 31 March 2021 £000s	Fair Value 31 March 2021 £000s
<b>Financial assets held at fair value:</b>					
Money market funds	1	30,000	30,000	16,000	16,000
Bond, equity and property funds	1	16,233	16,233	13,810	13,810
Shares in unlisted companies	3	377	377	377	377
<b>Financial assets held at amortised cost:</b>					
Long-term loans to local authorities	2	0	0	0	0
Long-term loans to companies	3	827	827	2,251	2,251
Lease receivables	3	0	0	0	0
<b>TOTAL</b>		<b>47,437</b>	<b>47,437</b>	32,438	32,438
Assets for which fair value is not disclosed *		25,205		24,285	
<b>TOTAL FINANCIAL ASSETS</b>		<b>72,642</b>		56,723	
<b>Recorded on balance sheet as:</b>					
Long-term debtors		827		2,251	
Long-term investments		16,610		14,186	
Short-term debtors		24,454		23,964	
Short-term investments		0		0	
Cash and cash equivalents		30,751		16,322	
<b>TOTAL FINANCIAL ASSETS</b>		<b>72,642</b>		56,723	

- \* 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 2021. 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 and Commitments

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 2022		31 March 2021	
	Long-term	Short-term	Long-term	Short-term
	£000s	£000s	£000s	£000s
AA-	0	30,000	0	3,000
A+	0	0	0	13,000
Unrated local authorities	0	0	0	0
<b>Total</b>	<b>0</b>	<b>30,000</b>	<b>0</b>	<b>16,000</b>
Credit risk not applicable	16,610	0	14,186	0
<b>Total Investments</b>	<b>16,610</b>	<b>30,000</b>	<b>14,186</b>	<b>16,000</b>

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

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

	31 March 2022	31 March 2021
	Trade & Lease Receivables	Trade & Lease Receivables
Current / Past due < 3 months	7,724	10,355
Past due 3-6 months	1,069	830
Past due 6-12 months	921	1,275
Past due 12+ months	2,735	3,273
<b>TOTAL RECEIVABLES</b>	<b>12,449</b>	<b>15,733</b>

### Liquidity Risk

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

The maturity analysis of financial instruments is as follows:

Time to maturity (years)	31 March 2022			31 March 2021		
	Liabilities	Assets	Net	Liabilities	Assets	Net
	£000s	£000s	£000s	£000s	£000s	£000s
Not over 1	5,925	(30,000)	(24,075)	6,554	(16,000)	(9,446)
Over 1 but not over 2	1,334	0	1,334	4,927	0	4,927
Over 2 but not over 5	4,195	0	4,195	2,801	0	2,801
Over 5 but not over 10	12,578	0	12,578	10,180	0	10,180
Over 10	60,431	0	60,431	55,564	0	55,564
Uncertain date	0	(16,610)	(16,610)	0	(14,186)	(14,186)
<b>Total</b>	<b>84,463</b>	<b>(46,610)</b>	<b>37,853</b>	<b>80,026</b>	<b>(30,186)</b>	<b>49,840</b>

The Council has £37m (2021: £37m) of “Lender’s option, borrower’s option” (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans.

### Market Risks: Interest Rate Risk

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

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

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

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

	<b>31 March 2022 £000s</b>	31 March 2021 £000s
Increase in interest payable on variable rate borrowings	370	370
Increase in interest receivable on variable rate investments	(266)	(137)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>104</b>	233
Decrease in fair value of investments held at FVOCI	0	0
<b>Impact on Comprehensive Income and Expenditure</b>	<b>104</b>	233
Decrease in fair value of fixed rate borrowing *	(10,866)	(18,210)

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 2022 would result in a £0.768m 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	2021-22		2020-21	
	£000s	%	£000s	%
Teachers' Pension Scheme	4,497	23.68	4,801	23.68
NHS Pension Scheme	11	14.38	12	14.38
	<b>4,508</b>		<b>4,813</b>	

There were no contributions remaining payable at the year end.

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

## Note 31: Defined Benefit Pension Schemes

### 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. This further ruling is unlikely to have a significant impact on the pension obligations of a typical employer, and the historic individual member data the actuary would need to assess the impact is not readily available. As a result, the actuary has not made any allowance for this within their calculations at the Accounting Date.

### Participation in Pension Schemes

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

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

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (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:

## Comprehensive Income and Expenditure Statement

### Cost of Services:

• Current service cost	40,003	28,631
• Past service cost	1,098	939
• Settlements	(1,881)	

### Financing and Investment Income and Expenditure

Net interest cost	8,101	6,885
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### Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services

<b>47,321</b>	<b>36,455</b>
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### 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)	(82,956)	(164,136)
• Actuarial gains and losses arising on changes in financial assumptions	(12,546)	204,600
• Actuarial gains and losses arising due to changes in demographic assumptions	(37,714)	-
• Actuarial gains and losses due to liability experience	(19,324)	(12,474)
• Actuarial gains and losses due to acquisitions	-	-

### Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement

<b>(152,540)</b>	<b>27,990</b>
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### 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	(47,321)	(36,455)
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### Actual amount charged against the General Fund Balance for pensions in the year:

• Employers' contributions payable to scheme	14,791	13,710
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## 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:

### Defined Benefit Pension Scheme

	2021-22 £000s	2020-21 £000s
Present value of defined benefit obligation	(1,216,544)	(1,227,358)
Fair value of plan assets	972,605	863,409
<b>Net liability recognised in the Balance Sheet</b>	<b>(243,939)</b>	<b>(363,949)</b>

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

	Defined Benefit Pension Scheme	
	2021-22 £000s	2020-21 £000s
Opening fair value of scheme assets	863,409	695,033
Interest income	17,927	16,028
Remeasurement gains and (losses)	82,956	164,136
Contributions from the employer	12,890	13,710
Contributions from employees into the scheme	5,391	5,213
Other Experiences	24,060	-
Settlements	(2,683)	-
Benefits paid	(31,345)	(30,711)
<b>Closing fair value of scheme assets at 31 March</b>	<b>972,605</b>	<b>863,409</b>

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

	Defined Benefit Pension Scheme	
	2021-22 £000s	2020-21 £000s
Opening balance at 1 April	(1,227,358)	(1,008,247)
Current service cost	(40,003)	(28,631)
Interest cost	(26,028)	(22,913)
Contributions by scheme participants	(5,391)	(5,213)
Actuarial gains and losses - financial assumptions	12,546	(204,600)
Actuarial gains and losses - demographic assumptions	37,714	-
Actuarial gains and losses - liability experience	(4,736)	12,474
Benefits paid	33,246	30,711
Settlements	4,564	-
Past service cost	(1,098)	(939)
<b>Closing balance at 31 March</b>	<b>(1,216,544)</b>	<b>(1,227,358)</b>

## Local Government Pension Scheme assets comprised:

	Fair value of scheme assets			
	2021-22		2020-21	
	£000s	%	£000s	%
Equity investments (Quoted and un-quoted)	661,372	68.0	689,000	79.8
Property (Quoted and un-quoted)	77,808	8.0	64,756	7.5
Cash	155,617	16.0	64,756	7.5
Other Investments	77,808	8.0	44,897	5.2
<b>Total Assets</b>	<b>972,605</b>	<b>100.0</b>	<b>863,409</b>	<b>100.0</b>

## 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 Hymans Robertson LLP, 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 2022.

The significant assumptions used by the actuary have been:

	2021-22	2020-21
Mortality assumptions:		
<i>Longevity at 65 for current pensioners:</i>		
Men	20.9	21.9
Women	23.9	23.3
<i>Longevity at 65 for future pensioners:</i>		
Men	21.9	23.3
Women	25.5	25.4
Other assumptions:		
<i>Rate of inflation (CPI)</i>	3.15%	2.7%
<i>Rate of increase in salaries</i>	4.2%	3.7%
<i>Rate of increase in pensions</i>	3.2%	2.7%
<i>Rate for discounting scheme liabilities</i>	2.7%	2.1%

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			
	Rate	+% p.a. £000s	Base £000s	-% p.a. £000s
Rate of increase in salaries	4.20%	1,221,653	1,216,544	1,211,435
Rate of increase in pensions in payment	3.20%	1,220,437	1,216,544	1,212,651
Rate for discounting scheme liabilities	2.70%	1,219,829	1,216,544	1,213,259

## 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 latest triennial valuation was 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 £11.482m contributions to the scheme in 2022/23

The weighted average duration of the defined benefit obligation for scheme members is 20.0 years.

(Last year 20.1 years).

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 £11.146m contributions to the scheme in 2022/23

The weighted average duration of the defined benefit obligation for scheme members is 20.0 years. (Last year 20.1 years).

## Note 32: Termination Benefits

The Council terminated the contracts of a number of employees in 2021/22, incurring liabilities of £2.452m (£2.027m in 2020/21). 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	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22 £000s	2020-21 Restated £000s
£1 to £20,000	3	9	21	17	24	26	169	258
£20,001 to £40,000	-	4	9	7	9	11	242	353
£40,001 to £60,000	3	1	5	-	8	1	417	44
£60,001 to £80,000	1	1	3	1	4	2	278	202
£80,001 to £100,000	-	-	3	1	3	1	268	83
£100,001 to £150,000	5	3	2	-	7	3	845	547
£150,001 +	-	2	1	-	1	2	233	540
<b>Total</b>	<b>12</b>	<b>20</b>	<b>44</b>	<b>26</b>	<b>56</b>	<b>46</b>	<b>2,452</b>	<b>2,027</b>

## Note 33: Provisions

The Council has established a provision for lost income that arises due to successful rating appeals by business rates payers. The Council's share of the provision at the balance sheet date stood at £8.477m (last year £8.967m).

	Ratings Appeals £000's
Balance at 1 April 2021	8,967
Provisions Released in 2021/22	-1,634
Amounts Used in 2021/22	1,144
<b>Balance at 31 March 2022</b>	<b>8,477</b>

## Note 34 Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council has identified the following contingent liabilities as at 31 March 2022.

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

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

	2021-22		2020-21
	£000s	£000s	£000s
Funding provided to the pooled budget:			
Stockton-on-Tees Borough Council	8,966		8,966
NHS Tees Valley Clinical Commissioning Group	16,568		15,769
		25,534	24,735
Expenditure met from the pooled budget:			
Stockton-on-Tees Borough Council	(20,803)		(20,329)
NHS Tees Valley Clinical Commissioning Group	(4,731)		(4,406)
		(25,534)	(24,735)
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 2022 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.

There has been one adjusting event after the balance sheet date.

This relates to the pension fund triennial valuation which had a material effect on the pension fund liability originally reported, reducing this down by £39m from draft publication of the accounts. The financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Note 37: Cash Flow Statement - Reconciliation of liabilities arising from financing activities

	1 April 2021	Financing Cash Flows	Changes which are not financing cash flows		31 March 2022
			Acquisition	Other Non financing cash flows	
	£000s	£000s	£000s	£000s	£000s
Long Term Borrowing	73,472	5,066	-	-	78,538
Short Term Borrowing	6,554	(629)	-	-	5,925
Lease Liabilities	397	707	-	(1,968)	(864)
Other Balance Sheet PFI Liabilities	4,133	(578)	-	-	3,555
<b>Total Liabilities From Financing Activities</b>	<b>84,556</b>	<b>4,566</b>	<b>-</b>	<b>(1,968)</b>	<b>87,154</b>

Comparative Information	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
<b>Total Liabilities From Financing Activities</b>	<b>107,643</b>	<b>(19,941)</b>	<b>-</b>	<b>(3,146)</b>	<b>84,556</b>

## Note 38: Statement of Accounting Policies

### General Principles

The Statement of Accounts summarise the Council's transactions for the 2021/22 financial year and its position at the year-end of 31st March 2022. 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 2021/22, 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.

The concept of materiality has been applied in the process of preparing the accounts, such that insignificant items are excluded and fluctuations under an acceptable level of tolerance are permitted, provided that in aggregate they would not affect the interpretation of the accounts by an informed reader.

### 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:



## General Principles

The Statement of Accounts summarise the Council's transactions for the 2021/22 financial year and its position at the year-end of 31st March 2022. 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 2021/22, 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.

- 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 (i.e. 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.
- 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 Hymans Robertson LLP 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 (i.e. where the cash flows do not take the form of a basic debt instrument).

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

Financial assets measured at amortised cost are recognised on the Balance Sheet when the 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 or 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, i.e. 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.

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

### **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 (i.e. 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.

### **Revenue Recognition**

Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient. Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.



## Collection Fund Statement for the year ended 31 March 2022

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.

	2021-22			2020-21		
	Council Tax £000	Business Rates £000	Total £000	Council Tax £000	Business Rates £000	Total £000
<b>Income</b>						
Income from Council Tax payers	(118,865)		<b>(118,865)</b>	(113,592)		(113,592)
Contribution from General Fund	(2,138)		<b>(2,138)</b>	(2,298)		(2,298)
Income from business ratepayers		(66,529)	<b>(66,529)</b>		(51,684)	(51,684)
<b>Total Income</b>	<b>(121,003)</b>	<b>(66,529)</b>	<b>(187,532)</b>	<b>(115,890)</b>	<b>(51,684)</b>	<b>(167,574)</b>
<b>Expenditure</b>						
Precepts, demands and shares:						
Central Government		25,588	<b>25,588</b>		41,523	41,523
Stockton-on-Tees Borough Council	99,039	24,237	<b>123,276</b>	95,116	39,438	134,554
Police & Crime Commissioner for Cleveland	15,211		<b>15,211</b>	14,871		14,871
Cleveland Fire Authority	4,598	486	<b>5,084</b>	4,499	798	5,297
	<b>118,848</b>	<b>50,311</b>	<b>169,159</b>	<b>114,486</b>	<b>81,759</b>	<b>196,245</b>
<b>Apportionment of Previous Year Estimated Surplus/Deficit</b>						
Central Government		-	-		-	-
Stockton-on-Tees Borough Council	(561)	-	<b>(561)</b>	457	-	457
Police & Crime Commissioner for Cleveland	(88)		<b>(88)</b>	71		71
Cleveland Fire Authority	(26)	-	<b>(26)</b>	22	-	22
	<b>(675)</b>	-	<b>(675)</b>	<b>550</b>	-	<b>550</b>
<b>Charges to Collection Fund</b>						
Write off of uncollectable amounts	242	(15)	<b>227</b>	127	64	191
Change in Bad Debt Provision	1,832	250	<b>2,082</b>	3,172	50	3,222
Change in Provision for Appeals		(1,000)	<b>(1,000)</b>		2,371	2,371
Cost of Collection		234	<b>234</b>		237	237
	<b>2,074</b>	<b>(531)</b>	<b>1,543</b>	<b>3,299</b>	<b>2,722</b>	<b>6,021</b>
Surplus (-) / Deficit arising during the year	<b>(756)</b>	<b>(16,749)</b>	<b>(17,505)</b>	2,445	32,797	35,242
<b>Balance at 1st April</b>	<b>2,003</b>	<b>34,524</b>	<b>36,527</b>	(442)	1,727	1,285
<b>Balance at 31st March</b>	<b>1,247</b>	<b>17,775</b>	<b>19,022</b>	2,003	34,524	36,527

The Council Tax contribution from General Fund of £2.138m represents the use of the Hardship Fund in 2021-22 and s13 awards



## Note 1: Council Tax Base

Property Category and Council Tax Banding	2021-22		2020-21	
	Number in	Band D	Number in	Band D
	Category	Equivalent	Category	Equivalent
	No.	No.	No.	No.
A - up to £40,000	35,174	14,182.10	35,146	14,293.60
B - £40,001 to £52,000	17,107	10,303.60	16,975	10,338.30
C - £52,001 to £68,000	16,134	12,176.00	16,033	12,203.70
D - £68,001 to £88,000	9,930	8,860.90	9,837	8,743.20
E - £88,001 to £120,000	5,993	6,780.50	5,870	6,675.90
F - £120,001 to £160,000	2,652	3,599.40	2,579	3,524.40
G - £160,001 to £320,000	1,386	2,172.80	1,353	2,128.20
H - over £320,000	124	185.00	125	185.50
<b>Gross Tax Base</b>		58,260.30		58,092.80
Non Collection	1.75%	(1,019.56)	1.75%	(1,016.62)
<b>Council Tax Base</b>		<b>57,240.74</b>		<b>57,076.18</b>

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

	2021-22	2020-21
	£	£
Value at the year end	197,992,273	201,295,156

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

	2021-22	2020-21
	pence	pence
Standard Multiplier for the year	51.2p	51.2p



# **Group Accounts & Explanatory Notes**

**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. The Group Accounts provide transparency and enable comparison with other entities that have different corporate entities.**

The Group Accounts include the following:

- Group Comprehensive Income and Expenditure Statement - summarises the resources that have been generated and consumed in providing services and managing the Group during the year. It includes all day-to-day expenses and related income on an accruals basis.
- Group Movement in Reserves - shows the movement in the year on the Council's single entity usable and unusable reserves together with the Council's share of the Group reserves.
- Group Cash Flow Statement - shows the changes in cash and cash equivalents of the Group during the year. The statement shows how the Group generates and uses cash and cash equivalents by classifying cashflows as operating, financing and investing activities.
- Group Balance Sheet - shows the assets and liabilities of the group as at the 31st March 2022.
- 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.

Due to the delay in the approval of the Councils accounts for 2021/22 the Board of Directors for Stockton Hotel Company and Stockton Borough Holding Company engaged an independent audit of both subsidiary companies.

## Movement in Reserves Statement for the year ended 31 March 2022

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
<b>Revised Balance at 1st April 2020</b>	7,221	-	58,230	65,451	2,862	38,110	106,423	(128,221)	(21,798)	(215)	(22,013)
<b>Movement in reserves during 2020-21</b>											
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)	-		
<b>Increase/Decrease before transfer to earmarked reserves</b>	(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)	-	-	-	-	-	-		
<b>Increase / Decrease in the year</b>	<b>5,658</b>		<b>20,830</b>	<b>26,488</b>	<b>(618)</b>	<b>7,847</b>	<b>33,717</b>	<b>(49,331)</b>	<b>(15,614)</b>	<b>209</b>	<b>(15,405)</b>
<b>Balance at 31 March 2021 Carried Forward</b>	<b>12,879</b>		<b>79,060</b>	<b>91,939</b>	<b>2,244</b>	<b>45,957</b>	<b>140,140</b>	<b>(177,552)</b>	<b>(37,412)</b>	<b>(6)</b>	<b>(37,418)</b>
<b>Opening Balance 01 April 2021</b>	12,879		79,060	91,939	2,244	45,957	140,140	(177,552)	(37,412)	(6)	(37,418)
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2021	-	-	-	-	-	-	-	-	-		
<b>Restated Balance at 1 April 2021</b>	<b>12,879</b>		<b>79,060</b>	<b>91,939</b>	<b>2,244</b>	<b>45,957</b>	<b>140,140</b>	<b>(177,552)</b>	<b>(37,412)</b>	<b>(6)</b>	<b>(37,418)</b>
<b>Movement in Reserve in 2021-22</b>											
Total Comprehensive Income and Expenditure	(30,167)	-	-	(30,167)	-	-	(30,167)	157,066	126,899	126	127,025
Adjustments between accounting basis & funding basis under regulations (Note 6)	-	-	25,442	25,442	193	1,670	27,305	(27,305)	-		-
<b>Increase/Decrease before transfer to earmarked reserves</b>	<b>(30,167)</b>		<b>25,442</b>	<b>(4,725)</b>	<b>193</b>	<b>1,670</b>	<b>(2,862)</b>	<b>129,761</b>	<b>126,899</b>	<b>126</b>	<b>127,025</b>
Transfers to / from earmarked reserves	26,701		(26,701)								
<b>Increase / Decrease in the year</b>	<b>(3,466)</b>		<b>(1,259)</b>	<b>(4,725)</b>	<b>193</b>	<b>1,670</b>	<b>(2,862)</b>	<b>129,761</b>	<b>126,899</b>	<b>126</b>	<b>127,025</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>9,413</b>		<b>77,801</b>	<b>87,214</b>	<b>2,437</b>	<b>47,627</b>	<b>137,278</b>	<b>(47,791)</b>	<b>89,487</b>	<b>120</b>	<b>89,607</b>



## Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2022

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.

2020-21				2021-22			
£000s	£000s	£000s		£000s	£000s	£000s	
Expenditure	Income	Net		Expenditure	Income	Net	
115,369	(78,642)	36,727	Adults & Health	118,807	(81,201)	<b>37,606</b>	
150,049	(100,740)	49,309	Children's Services	159,390	(103,063)	<b>56,327</b>	
44,852	(6,546)	38,306	Community Services	49,457	(7,683)	<b>41,774</b>	
24,793	(9,469)	15,324	Corporate Management & Services	17,842	(3,330)	<b>14,512</b>	
5,571	(4,155)	1,416	Culture, Leisure & Events	18,563	(5,326)	<b>13,237</b>	
18,056	(6,506)	11,550	Town Centres Investment	22,968	(6,898)	<b>16,071</b>	
59,518	(49,752)	9,766	Finance & Business Services	62,703	(50,296)	<b>12,407</b>	
5,981	(910)	5,071	HR, Legal & Comms	6,743	(702)	<b>6,041</b>	
<b>424,189</b>	<b>(256,720)</b>	<b>167,469</b>	<b>Cost Of Services</b>	<b>456,473</b>	<b>(258,499)</b>	<b>197,975</b>	
			<b>Other Operating Expenditure:</b>				
906	-	906	Parish council precepts	873	-	873	
-	(291)	(291)	(Gain) or loss on the disposal of non-current assets	587		587	
			(Gain) or loss on the disposal of Investment Properties		(31)	(31)	
			-				
			<b>Financing and Investment Income and Expenditure:</b>				
4,709	-	4,709	Interest payable and similar charges	4,183	-	4,183	
99	-	99	Net (gains)/losses on financial assets at fair value through profit and loss	-	(2,424)	(2,424)	
22,913	(16,028)	6,885	Net interest on the net defined benefit liability/asset	26,028	(17,927)	8,101	
	(645)	(645)	Interest receivable and similar income		(562)	(562)	
15,091	(6,216)	8,875	(Gain) or loss on trading accounts (not applicable to service)	17,861	(9,078)	8,783	
803	(993)	(190)	Income & costs and changes in fair value relating to investment properties	567	(2,030)	(1,463)	
			-				
5	-	5	Revaluation loss on Assets Held for Sale	-	-	-	
			-				
			<b>Taxation and Non-Specific Grant Income:</b>				
-	(93,541)	(93,541)	Council tax income	-	(99,064)	(99,064)	
-	(25,465)	(25,465)	Retained Business Rates	-	(34,455)	(34,455)	
7,781	(49,295)	(41,514)	Non-ringfenced government grants	7,547	(33,986)	(26,439)	
-	(18,090)	(18,090)	Capital grants and contributions	-	(26,079)	(26,079)	
<b>476,496</b>	<b>(467,284)</b>	<b>9,212</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>514,119</b>	<b>(484,135)</b>	<b>29,985</b>	
			<b>Tax Expenses of Subsidiary</b>	<b>56</b>		<b>56</b>	
			<b>Group Surplus or Deficit</b>			<b>30,041</b>	
		(21,798)	(Surplus) or deficit on revaluation of non current assets			(4,524)	
		27,990	Re-measurements of the defined benefit liability			(152,540)	
		1	Other (gains) and losses			(2)	
		<b>6,193</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(157,066)</b>	
		<b>15,405</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(127,025)</b>	

## Group Balance Sheet as at 31 March 2022

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

	Note	31 March 2022 £000s	31 March 2021 Revised £000s	1 April 2020 Revised £000s
<b>Non-current assets</b>				
Property, plant and equipment		367,562	368,365	334,309
Investment property	5	17,409	16,048	16,268
Intangible assets		520	17	41
Heritage Assets		10,728	10,728	10,728
Long term investments		16,610	14,186	14,285
Long Term Debtors		1,994	3,416	3,674
<b>Total non-current assets</b>		<b>414,823</b>	412,760	379,305
<b>Current assets</b>				
Inventories		483	546	336
Debtors	1 & 4	49,447	46,276	41,392
Cash and Cash Equivalents	2	31,978	17,211	25,811
Assets held for sale		136	136	1,441
<b>Total current assets</b>		<b>82,044</b>	64,169	68,980
<b>Current liabilities</b>				
Cash and Cash Equivalents	2	(16,389)	(9,131)	(1,553)
Short Term Borrowing		(5,925)	(6,554)	(27,883)
Short Term Creditors	3	(44,423)	(37,242)	(35,071)
Provisions		(8,477)	(8,967)	(7,805)
<b>Total current liabilities</b>		<b>(75,214)</b>	(61,894)	(72,312)
<b>Long term liabilities</b>				
Long Term Creditors		(198)	(213)	(213)
Long Term Borrowing		(78,538)	(73,472)	(73,871)
Other Long Term Liabilities		(251,995)	(371,878)	(319,355)
Grants Receipts in Advance		(1,316)	(6,891)	(4,548)
<b>Total long term liabilities</b>		<b>(332,047)</b>	(452,454)	(397,987)
<b>Net Assets:</b>		<b>89,607</b>	(37,418)	(22,013)
<b>Reserves</b>				
<b>Usable reserves:</b>				
General Fund Balance		9,413	12,879	7,221
Earmarked General Fund Reserves		77,801	79,060	58,230
Capital Receipts Reserve		2,437	2,244	2,862
Capital Grants Unapplied		47,627	45,957	38,110
Profit and Loss Reserve - Stockton Borough Holding Group		120	(6)	(215)
		<b>137,398</b>	140,134	106,208
<b>Unusable Reserves:</b>				
Revaluation Reserve		59,482	56,876	36,310
Capital Adjustment Account		151,574	156,292	155,948
Financial Instruments Adjustment Account		(213)	(339)	(463)
Pooled Fund Adjustment Account		1,233	(1,190)	(1,091)
Financial Instruments Revaluation Reserve		377	377	377
Deferred Capital Receipts Reserve		154	154	154
Pensions Reserve		(243,939)	(363,949)	(313,214)
Collection Fund Adjustment Account		(9,747)	(18,582)	(479)
Dedicated Schools Grant Adjustment Account		(5,480)	(6,052)	(4,424)
Accumulated Absences Account		(1,233)	(1,139)	(1,339)
		<b>(47,791)</b>	(177,552)	(128,221)
<b>Total Reserves:</b>		<b>89,607</b>	(37,418)	(22,013)



## Group Cash Flow Statement For The Year Ended 31 March 2022

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

	<b>31 March 2022</b>	31 March 2021
	<b>£000s</b>	£000s
<b>Net (surplus) or deficit on the provision of services</b>	<b>30,041</b>	9,212
<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements:</b>		
Depreciation, impairment and amortisation of non current assets	(22,496)	(21,115)
Revaluation (gains)/losses	(11,346)	7,112
Pension Fund adjustments	(32,530)	(22,745)
Carrying amount of Non-Current Assets Sold	(2,348)	(2,587)
Other non-cash movement	14,330	(12,444)
Increase/(Decrease) in Inventories (Stock)	(63)	210
Increase/(Decrease) in Debtors	1,775	7,443
(Increase)/Decrease in Creditors	(8,485)	(2,021)
(Increase)/Decrease in Provisions	490	(1,162)
Increase/(Decrease) in Long Term Debtors	(1,501)	(338)
	<b>(62,173)</b>	(47,647)
<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>		
Capital Grants credited to surplus or deficit on the provision of services	30,298	20,844
Proceeds from the disposal of non current assets	1,134	1,667
	<b>31,432</b>	22,511
<b>Net cashflow from operating activities</b>	<b>(700)</b>	(15,924)
<b>Investing activities</b>		
Purchase of property, plant and equipment, investment property and intangible assets	33,537	21,524
Purchase of short term and long term investments	2,424	(99)
Proceeds from the sale of property, plant and equipment, investment property and intangibles	(1,134)	(1,667)
Other receipts from investing activities	(24,723)	(23,187)
<b>Net cashflow from investing activities</b>	<b>10,104</b>	(3,429)
<b>Financing activities</b>		
Other receipts from financing activities	(14,314)	12,443
Cash payments for liabilities relating to finance leases and PFI Contracts	1,839	1,359
Repayments of short and long term borrowings	(4,437)	21,728
<b>Net cashflow from financing activities</b>	<b>(16,912)</b>	35,530
<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(7,508)</b>	16,177
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>(8,081)</b>	(24,258)
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(15,589)</b>	(8,081)
<b>The cashflow for operating activities includes the following items:</b>		
Interest received	<b>(27)</b>	(65)
Dividends received	<b>(536)</b>	(603)
Interest paid	<b>2,927</b>	3,337

## Group Notes

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

### Group Note 1: Debtors

	<b>31 March 2022</b>	<b>31 March 2021</b>
	<b>£000s</b>	<b>£000s</b>
Central Government	8,026	9,298
Local Government	5,908	3,744
National Health Service	692	6,125
Local Taxation	13,087	11,207
Other entities and individuals	21,734	15,902
	<b>49,447</b>	<b>46,276</b>

### Group Note 2: Cash and Cash Equivalents

	<b>31 March 2022</b>	<b>31 March 2021</b>
	<b>£000s</b>	<b>£000s</b>
Bank and Imprests	1,298	961
Cash Equivalents	30,680	16,250
Bank Overdraft	(16,389)	(9,131)
	<b>15,589</b>	<b>8,080</b>

### Group Note 3: Short Term Creditors

	<b>31 March 2022</b>	<b>31 March 2021</b>
	<b>£000s</b>	<b>£000s</b>
Central Government	(14,656)	(12,782)
Local Government	(4,567)	(3,425)
National Health Service	(1,209)	(797)
Local Taxation	(4,852)	(1,997)
Other entities and individuals	(19,138)	(18,240)
	<b>(44,423)</b>	<b>(37,242)</b>

### 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 2022	31 March 2021	31 March 2022	31 March 2021
<b>Financial Liabilities (at Amortised Cost)</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Loans	78,538	73,472	5,925	6,554
Bank Overdraft	0	0	16,389	9,131
Total Other Long-term Liabilities	8,056	7,928	578	517
Financial Liabilities Included in Creditors	198	213	35,653	30,982
<b>Total Financial Liabilities</b>	<b>86,792</b>	<b>81,613</b>	<b>58,545</b>	<b>47,184</b>

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

Financial Assets	Long Term		Short Term	
	31 March 2022 £000s	31 March 2021 £000s	31 March 2022 £000s	31 March 2021 £000s
Loans to Companies and for Service Purposes at Amortised Cost	267	1,611	524	0
At Fair Value Through Other Comprehensive Income	377	377	0	0
At Fair Value Through Profit & Loss	16,233	13,809	30,000	16,000
Cash and Cash Equivalents at Amortised Cost	0	0	1,978	1,211
Financial Assets at Amortised Cost Included in Debtors	0	0	24,084	23,998
<b>Total Financial Assets</b>	<b>16,877</b>	<b>15,797</b>	<b>56,586</b>	<b>41,209</b>

#### Note 5: Prior Period Adjustment

In the 2020-21 accounts the hotel asset had been classified as Property Plant and Equipment within the group balance sheet in error. The asset should have been classified as an Investment Property in-line with the single entity accounts. This was corrected in the 2021-22 accounts. There was no overall impact on the Balance Sheet as shown in the prior period adjustment table below.

	31 March 2021 - As originally Stated	31 March 2021 - As restated	Restatement
	£000s	£000s	£000s
Property Plant & Equipment	378,265	368,365	9,900
Investment Property	6,148	16,048	(9,900)
Current Liabilities	(61,894)	(61,894)	0
Net Assets	(37,418)	(37,418)	0
Usable Reserves	140,134	140,134	0
Total Reserves	(37,418)	(37,418)	0

## 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 Finance, Development and Regeneration and Deputy Chief Executive;
- 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 Finance, Development and Regeneration and Deputy Chief Executive Responsibilities

The Director Finance, Development and Regeneration and Deputy Chief Executive 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 Finance, Development and Regeneration and Deputy Chief Executive 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 Finance, Development and Regeneration and Deputy Chief Executive 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 Finance, Development and Regeneration and Deputy Chief Executive

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 2022.



**G Cummings CPFA**

**Date: 25 July 2022**

**Director of Finance, Development and Regeneration and Deputy Chief Executive**

These financial statements replace the unaudited financial statements certified by the Director Finance, Development and Regeneration and Deputy Chief Executive on 25th July 2022.

**G Cummings CPFA**

**Date: 25 September 2023**

**Director of Finance, Development and Regeneration and Deputy Chief Executive**

### 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: 25 September 2023**

## Opinion on the financial statements

We have audited the financial statements of Stockton-on-Tees Borough Council (the Council) and its subsidiaries (the Group) for the year ended 31 March 2022, 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 Council Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

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 2022 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 2021/22 as amended by the Code update.

## 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 Regeneration and Deputy Chief Executive' 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 Regeneration and Deputy Chief Executive with respect to going concern are described in the relevant sections of this report.

## Other information

The Director of Finance, Development and Regeneration and Deputy Chief Executive 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, Development and Regeneration and Deputy Chief Executive for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director Finance, Development and Regeneration and Deputy Chief Executive 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 2021/22, and for being satisfied that they give a true and fair view. The Director Finance, Development and Regeneration and Deputy Chief Executive is also responsible for such internal control as the Director Finance, Development and Regeneration and Deputy Chief Executive 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 Regeneration and Deputy Chief Executive is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Finance, Development and Regeneration and Deputy Chief Executive 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, the Local Government and Housing Act 1989 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 Regeneration and Deputy Chief Executive 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 Finance, Development and Regeneration and Deputy Chief Executive's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

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

## **Report on the Council's arrangements for securing economy, efficiency and effectiveness in 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 2022.

We have nothing to report in this respect.

### **Responsibilities of the Council**

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in 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 December 2021.

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

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- 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:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.

## **Gavin Barker**

### ***Key Audit Partner***

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

Date to be Confirmed

**Stockton Town Centre Regeneration**

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

**Approved Capital Schemes**

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

**Fleet Renewals Fund**

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

**Insurance Fund**

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

**Commuted Lump Sums**

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

**Litigation Reserve**

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

**ICT Infrastructure**

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

**Government Grants Income In Advance**

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

**Transformation & Implementation Reserve**

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

**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.

**ARCC Probation Service**

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

**Health and Integration**

Includes the ring-fenced Public Health reserve and funds retained for future use on initiatives to support the Better Care Fund objectives 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 2021/22. Due to Collection Fund accounting rules, the additional costs of reliefs resulted in a Collection Fund deficit in 2021/22. Therefore, the upfront payment received in 2021/22 was set aside in reserves at year end to offset this deficit in 2022/23.

**Covid Recovery Funds**

Funding for various schemes to support the Council in its Covid recovery.

## **Other Revenue Reserves, 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 was transferred to an unusable reserve in 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 cost of replacing or recreating the particular asset in its existing condition and in its existing use i.e. the costs of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

## Net Realisable Value

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

## Non Current Assets

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

## Non Operational Assets

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

## Operating Lease

A lease other than a finance lease.

## Operational Assets

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

## Private Finance Initiative (PFI)

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

## Post Balance Sheet Events

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



## **Prior Year Adjustments**

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

## **Prudence**

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

## **Usable Reserves**

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

## **Unusable Reserves**

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

## **Useful Life**

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







Stockton-on-Tees  
BOROUGH COUNCIL