



Statement of Accounts 2023/24



Contents

1. NARRATIVE REPORT	2. CORE FINANCIAL STATEMENTS	3. NOTES TO THE ACCOUNTS	4. COLLECTION FUND ACCOUNTS AND EXPLANATORY NOTES	5. AUDITOR'S REPORT	6. GLOSSARY OF TERMS
<p>Councillor's Preface Page 4</p> <p>Chief Finance Officer's Statement Page 5</p> <p>Council Performance Page 6</p> <p>How the Council is Funded & How It Performed in 2023/24 Page 13</p> <p>Statement of Financial Accounts Page 24</p> <p>Balance Sheet Page 25</p> <p>Areas with Significant Financial Implications Page 27</p> <p>Our People Page 30</p> <p>Statement of Responsibilities for the Statement of Accounts Page 32</p>	<p>Movement in Reserves Statement Page 34</p> <p>Comprehensive Income and Expenditure Statement Page 36</p> <p>Balance Sheet Page 37</p> <p>Cash Flow Statement Page 38</p>	<p>Page 40</p>	<p>Income and Expenditure Account Page 162</p> <p>Notes to the Collection Fund Page 164</p>	<p>Page 171</p>	<p>Page 173</p>

1. Narrative Report



Councillor's Preface

Councillor Christopher Massey, PhD, Cabinet Member for Corporate Resources

The 2023/24 Statement of Accounts for Redcar and Cleveland Borough Council gives a detailed and comprehensive outline of the Council's finances.

As with other local authorities in the Country, Redcar and Cleveland Borough Council has dealt with several demand and inflation-led financial challenges during 2023/24 as well as seeking to deliver the five objectives of the Corporate Plan:

- Start life well
- Live and age well
- Prosper and flourish
- Clean and tidy
- A strong and sustainable council

The financial accounts provide the context for the financial challenges in the next few years as the local government sector deals with increasing demand for services and funding constraints. Inequities in an outdated funding formula exacerbate the challenge for this Council. However, we will continue to work towards delivering a balanced budget, ensuring financial resources are effectively deployed and striving to improve financial resilience in the future.

Due to factors outlined above, the Council saw a significant overspend in 2023/24. This will be considered as part of the financial position for 2024/25 and the assumptions we make for future years to set an affordable and balanced budget.

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



Phil Winstanley – Director of Finance and Section 151 Officer

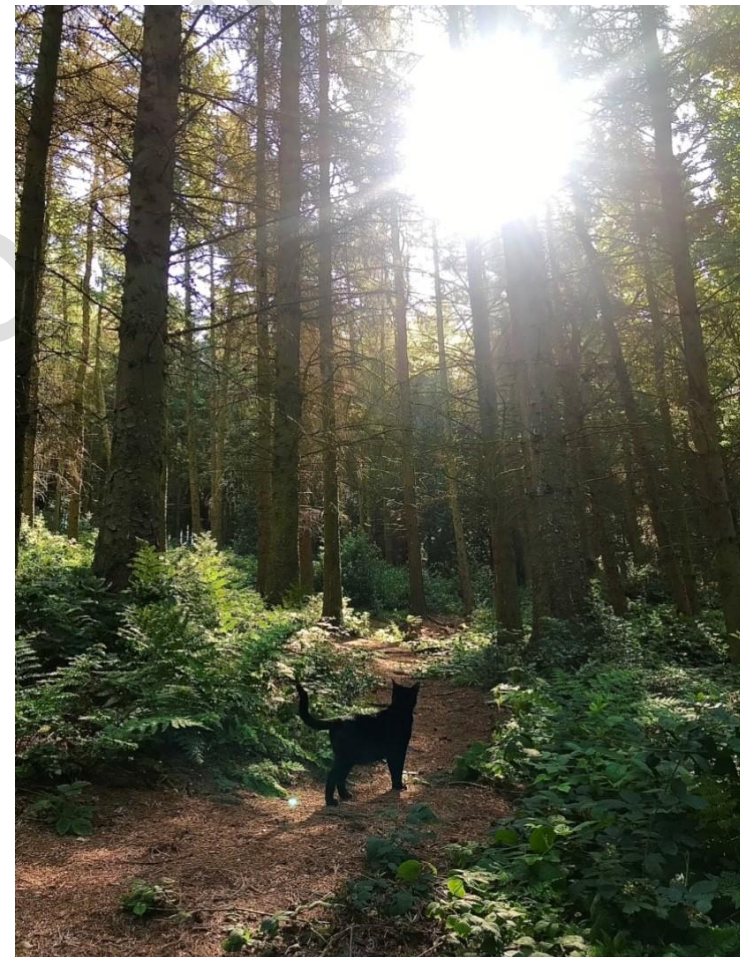
The 2023/24 financial year has brought with it a number of significant financial challenges. These challenges have arisen as a result of the after-effects of the Covid-19 pandemic, which has resulted in increased demand for our services, and as a result of the cost of living crisis, and inflation pressures. These financial challenges will continue in 2024/25 and future years.

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

As we enter into 2024/25 the Council will face numerous financial challenges and opportunities which it will seek to embrace and address. These include:

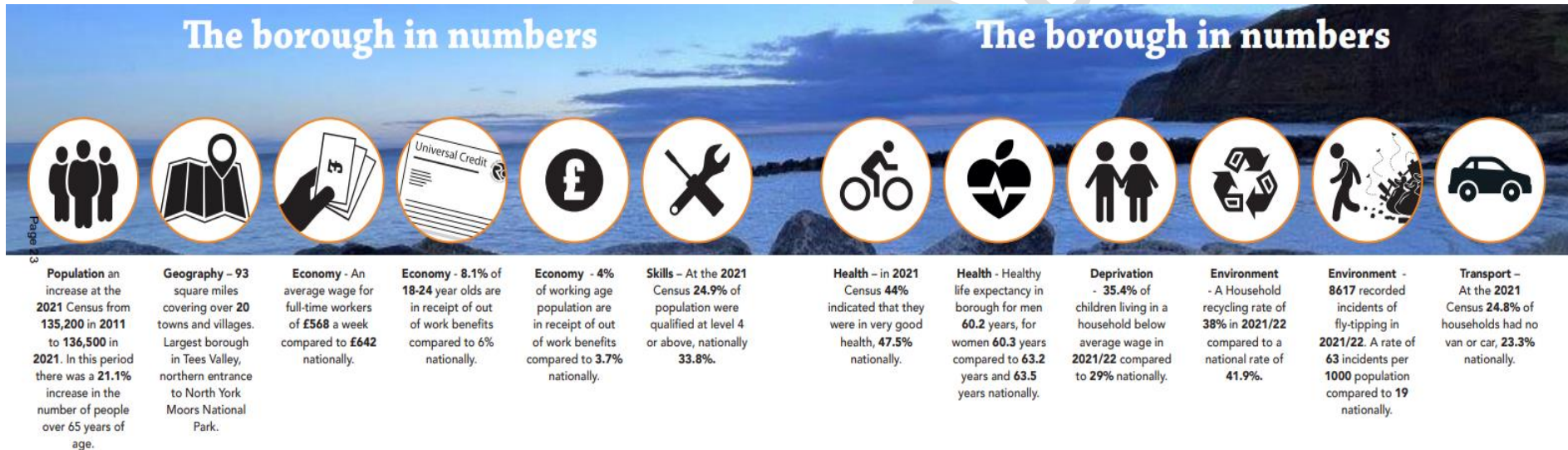
- Delivering the Council's corporate priorities.
- The delivery of an exciting capital investment plan including opportunities to deliver levelling up funding projects and regeneration projects in Eston, Redcar, Guisborough, Loftus and the wider Borough.
- Promoting economic development and regeneration in Teesworks as we support the creation of new businesses and economic activity – together with the jobs and skills this will create.
- Ensuring we maintain financial resilience in a very challenging financial environment, including the delivery of an extensive Driving Change Savings programme.
- Ensuring we continue to put in measures which will support the Borough's determination to be carbon neutral and more environmentally sustainable.
- Looking at ways in which we can invest in updated waste collection and treatment solutions, so we work in a more sustainable and efficient way.

The Council will continue to lobby the Government to stress the imperative of fairer funding distribution for local government and look for opportunities to change the way we deliver services for the better. At the heart of this will be to ensure we stay financially sustainable and resilient in the future.



The Borough of Redcar of Cleveland

Redcar & Cleveland, as a borough, has a bit of everything, at the one end being the welcome to North Yorkshire and the moors, at the other being at the economic centre of Tees Valley, with beautiful coastline sandwiched in between. What makes the area what it is though, is the 136,500 people who live here and make it their home. It is the council's job, alongside partners to provide vital public services which make a difference to these people. The council wants the best for the area and the people who live here. The best chance of ensuring that is by having a structured plan, with clear priorities.



Strategic Planning

Following the Council elections in May 2023 a new Council Corporate Plan was developed. This was agreed by Borough Council in December 2023. Given that the operating context of local government has changed in recent years, with ever increasing financial pressures, the plan sets a strategic direction which very much focusses on the Council's core purpose.

The Corporate Plan is supported by our Organisational Plan. This sets out how the organisation will deliver its priorities as well as ensuring the health of the organisation.

Within the organisational plan document are a number of key strategies, each with their own action plan. These will support the delivery of the Council's priorities.

Progress in the delivery of these strategies will be monitored on a monthly basis through Executive Management Team meetings and will also be subject to regular reports to elected members to provide further oversight and accountability.

Redcar & Cleveland is on the verge of an economic renaissance, with some of the most significant industrial regeneration activity in the country taking place within the borough. This is forecast to bring thousands of good and well-paid jobs. Whilst the full benefits of this are still some way off, when they do come to fruition it will be transformational for the area, bringing prosperity which will help to address some of the most significant challenges facing the area, which include higher than national unemployment levels, a lower than average weekly wage, as well as higher rates of child poverty.

In the here and now the council is working within a particularly challenging financial position, with the impact of inflation, combined with increasing demand and cost for delivering statutory services, especially children's social care putting real pressure on the organisation's resources. Mitigating the impact of this is absolutely fundamental to the future sustainability of the council. This means we need to strike a balance between having clear plan with priorities to fully seize the opportunities when they arise, whilst at the same time taking the necessary decisions now to safeguard vital public services for that longer term.

If we look forward to where the council wants the borough to be in several years, it is somewhere where a child can achieve all that they dream, regardless of their background. It is somewhere where they can grow up and develop skills which lead to getting a good job on

their doorstep. It somewhere where people can enjoy natural beauty as well as vibrant towns and villages. It is somewhere where people can grow old safely and independently. The council believes this can be achieved by delivering on the following, interdependent, priorities.

As a Council, we must ensure that the organisation is strong and sustainable in order to provide the services which residents value and deliver the priorities set out below.

Council Performance

The four new priorities are:

Start life well

Why is this so important to us? The environment which we grow up in and the education which we receive sets the tone for our whole life, including our health and future career. The safety and future prospects of local children is and always will be a priority for the Council. To that end:

- We will strive to reduce child poverty in the borough.
- We will support children to thrive and fulfil their potential.



Page 26

Live and age well

Why is this so important to us? Our health and wellbeing are the most important thing. A strong local community where there is access to leisure, culture and healthy pastimes, alongside providing support when required, all play a significant role in influencing quality of life. This is a key part of the council's role, helping people throughout their life, to that end:

- We will work hard to improve health and wellbeing.
- We will encourage community participation and volunteering.
- We will empower people to live independently.



Page 27

Prosper and flourish

Why is this so important to us? In simple terms, it is jobs and prosperity which will transform the prospects of local people. More money in peoples pockets, means more money for them to spend in the local area, it means business will prosper and people will come to live here. The council has a vital role as an enabler, to that end:

- We will support the creation of good and well-paid jobs.
- We will help local people get the skills and training they need for quality jobs.
- We will spend money with local businesses.
- We will invest money to improve our towns and villages and lobby for better transport connectivity between them.




Page 28

Clean and tidy

Why is this so important to us? We know that for many people the number one priority for the council is to look after the local area, to keep it clean and tidy, now, as well as to look after the environment for future generations. The council, alongside local people, will do its best, to that end:

- We will work with the local community to improve recycling levels.
- We will do our best to look after the environment.
- We will reduce the council's carbon footprint.



Page 29

Council Performance

Performance and service delivery

In 2023 the council's services made a positive difference throughout the local area. A snapshot of what the council did in the year is set out as follows:



Review of 2023

Visitors to Kirkleatham Museum
119,908




Adults supported
4,371



Food hygiene inspections
682



Tonnes of waste collected
67,794




Adults receiving financial support
1,329



Requests for housing assistance
2,134





2.1m Visits to the Council website

Planning applications decided
868



47 Number of apprenticeships




Families helped through the Council's Family Hubs
4,700+




Fly tipping collections
6,716



Licensing applications processed
1,318



Notices served over housing conditions
35



Area Growth Plans

In addition to this the Council led on a wide range of projects which positively shaped the area which it serves. This included:

Coatham Area

- Coatham Hotel – Remediation of the land started on site April 2024.
- Coatham Coastal Activity Centre - Renamed 'Beach Base' and opened spring 2024.

Redcar Town Deal

- Culture and Leisure. Asbestos removal complete well and demolition started in spring 2024.
- Public Realm – Preferred contractor appointed.

Loftus Projects

- Temperance Square. Contractors commenced work on site in spring 2024.
- Market Place works completed.
- Zetland Road works completed.
- Coronation Park completion in spring 2024.
- Hall Grounds car park completed in spring 2024.

Guisborough Levelling Up Fund Programme

- Bakehouse Square works underway.
- Architects appointed for design works to Westgate & Chaloner Street. RIBA stage 2 design underway and consultation pending, submitted for planning permission.
- Active Travel consultants appointed starting initial designs.
- Landscape architects appointed to undertake Chapel Beck and King George V play.

Eston Levelling Up Fund Programme

- Demolition of Eston pool completed - forecasting start on site in summer 2024.
- Eston Precinct – Negotiations to acquire properties from freeholders continue. Architects working up design for new build proposal.
- Eston Rec – Initial designs underway.

Levelling Up Partnership

In spring 2023 the Government awarded £20m to be invested in key projects across the Redcar and Cleveland area.

These include:

- Tees Valley All Access Academy – to be delivered in partnership with Redcar and Cleveland College.
- Refurbishment of the Daisy Lane site as single point of access for the public and to offer increased employment and learning opportunities.
- Investment in Tuned In! to revitalise the building and enhance what it offers.
- Enhancement and improvement of 5 family hubs to include outdoor spaces and sensory stimulation as well as kitchen improvements.
- Targeted supported accommodation for disadvantaged 16-17 year olds in partnership with a local housing provider.
- Redevelop Redcar Central Station which would see the grade II listed railway station building restored to its former glory.
- Investment in the area's CCTV and camera infrastructure.
- Working in partnership with the local housing provider to renovate 5 homes in the South Bank area to help address poor quality housing.
- Facilitate a community grant scheme which looks to invest in local community based organisations.

Long Term Plans for Towns

In October 2023 the Government named Eston as one of the 55 towns to receive £20m over 10 years.

- The investment will be in the TS6 area of the Borough, encompassing Eston, Normanby, South Bank, Teesville and Grangetown wards.
- A Town Deal Board will develop the vision and the action plan for the first 3 years.

The 3 key themes are:

- Public safety and security.
- High Streets, heritage and regeneration.
- Transport and connectivity.

Revenue Spending 2023/24

The Council's revenue budget for 2023/24 was £126.320 million which was resourced by the following funding sources:

Council Budget Summary	2023/24 £m
Revenue Support Grant	8.711
Council Tax Income	63.577
Adult Services Levy	10.079
Business Rates Income	43.953
Sub Total	126.320

The 2023/24 revenue budget was based upon the following key parameters:

- A council tax increase of 1.99%.
- An adult social care precept increase of 2.00%.
- Additional investment in our services of £22.837 million
- Driving Efficiencies Programme of £6.408 million.

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



How the Council is Funded and How It Performed in 2023/24

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

Directorate	Revised Budget £m	Actual Outturn £m	Year-end Variance £m	Q3 Forecast Full Year Variance £m
Adults and Communities	52.625	52.664	0.039	0.279
Children and Families	48.549	58.759	10.210	10.578
Growth, Enterprise and Environment Resources	37.505	37.003	(0.502)	0.724
Corporate Allocations	3.900	3.942	0.042	0.053
	(16.259)	(22.749)	(6.490)	(6.736)
Total	126.320	129.619	3.299	4.898



The revenue budget outturn position for the 2023/24 was an overspend of £3.299 million.

At the end of the financial year, the Council is reporting an overspend of £3.299 million (which is an improvement when compared to the forecast outturn reported to Cabinet in March of £4.898 million).

The main drivers of the overspend are:

- High demand and complexity for children in care cases and market insufficiency to support this demand – which has continued to rise during the financial year.
- An increase in adults receiving homecare provision.
- Increased home to school transport costs.
- Use of agency workers due to children social care worker recruitment challenges.
- Increased fleet hire and waste management costs.
- Persistent inflationary pressures.
- A pay award which is higher than budgeted.
- Relatively high borrowing costs after many years of ultra-low interest rates.

During 2023/24, the Council has taken steps to implement a package of control measures, focusing on staffing costs, optimising the use of funding and reviewing the current policy on minimum revenue provision. These measures have helped to mitigate in part the above pressures, reducing the anticipated overspend from a Quarter 1 highpoint of £7.704 million to a year end overspend of £3.299 million.

As reported in the 2024-25 Budget report to Council in February, given the enduring nature of some of the financial pressures faced, and the level of uncertainty and risk particularly within demand led statutory services where the drivers causing cost pressures can be unpredictable and volatile, further savings and solutions will need to be identified to mitigate these risks and close the budget deficits in the current MTFS.

The reasons for the variances per Directorate are:

- **Adult and Communities – Overspend of £0.039 million**

- The Directorate's adult social care team has continued to have challenges during the year. They have supported the delivery of a backlog of case assessments which needed to be undertaken to identify suitable care packages for adult social care customers. The Directorate has also faced difficulties in recruiting to front-line posts. This has resulted in an underspend on staffing costs of around £0.995 million.
- The Directorate overspent on the provision of homecare services during the year by £1.055 million. This was mainly due to delivering packages of care to the backlog of case assessments. The Council was able to maximise the level of external funding received from the NHS to fund some of the additional care packages, which contributed to the year-end position.

How the Council is Funded and How It Performed in 2023/24

- Within Public Health, the Service has successfully identified opportunities to draw in one-off specific grants to fund specific services and optimise the use of funding to help mitigate wider financial pressures. Recurring savings have been achieved in the current public health joint arrangements.
- **Children and Families: – Overspend of £10.210 million**
 - The Directorate continues to experience financial difficulties following significant rises in demand for services despite the additional allocation provided in the MTFP for 2023/24. The pressures persist in relation to children in our care and home to school transport, both of which worsened during the financial year, particularly in the second half of the year.
 - A Staffing overspend of £1.184 million was incurred in relation to the usage of expensive agency social workers due to continued challenges recruiting experienced staff. The Directorate have identified increased grant income opportunities and use of reserves of £0.732 million to alleviate these staffing pressures.
 - The Council's budget for children in our care placements overspent by £9.195 million. The most significant element of the overspend related to residential and supported accommodation placements which overspent by £8.219 million in 2023/24. This overspend has been magnified by the complexity of need of some children in our care where additional supervisory staffing is required to ensure the child's appropriate care and safety. The overspend is also driven by insufficiencies in the supplier market where national demand outstrips supply. The Council is working closely with local suppliers to identify opportunities to significantly enhance the provision of locally based placements to and these additional placements will be funded in large part by Levelling-up Partnership Funding in 2024/25.
 - The Children in our Care budget also overspent by £0.466 million in relation to rising demand for placements and associated allowances paid to friends and families who look after children in our care, and special guardianship arrangements for those children who would otherwise have been in our care. In addition, the Council's budget for foster care provision both internally and externally sourced is overspent by £0.498 million.
 - The high demand and increasingly complex nature of children's needs resulted in higher demands placed upon the Council's legal services budget, which overspent by £0.449 million in 2023/24.
 - The budget for Home to School Transport overspent by £1.075 million due to the demand for individual transport routes for children who attend education placements outside of their mainstream school placement.
- **Growth, Enterprise, and Environment – Underspend of £0.502 million**
 - The Directorate has a number of cost pressures which are being offset by increases in income above budget levels
 - The Fleet Service incurred additional pressures of £0.203 million, mainly due to fleet hire costs being incurred in advance of new vehicles being delivered.
 - The Engineering Service has incurred some additional one-off costs due to highway winter maintenance pressures £0.171 million.
 - The Waste Service has incurred additional costs due to the ongoing issues of recycling contamination levels, increased transportation costs and waste disposal costs due to short term closure of the waste facility totalling £0.899 million.
 - Offsetting these overspend pressures, additional income from commercial rentals, property leases £0.571 million, Planning and Highway Development Service income achieved a higher than budgeted target of £0.575 million, a rebate was received on the contribution made

How the Council is Funded and How It Performed in 2023/24

to TVCA for Concessionary Fares of £0.489 million and underspend of £0.142 million on staffing costs due to in year control applied to vacant posts.

- **Resources: – Overspend of £0.042 million**

- The Directorate has identified a number of staff saving measures, increased levels of procurement rebate and grant income to contribute to achieving a broadly breakeven position, although there are also some additional contract inflationary pressures for IT and Financial services being managed by the Directorate as well.

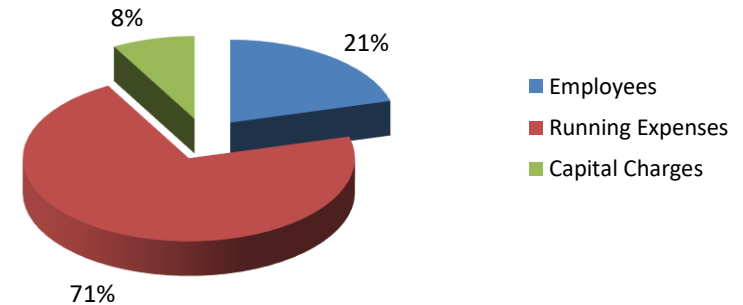
- **Corporate Allocations: – Underspend of £6.490 million**

- The forecast underspend is mainly caused by corporately held budgeted contingencies for demand (for example social care) and inflation increases (for example utilities and fuel costs) of £4.890 million.
- Additional savings against this area were identified as part of the suggested in-year mitigation measures referenced at Quarters 1 and 2 on Minimum Revenue Provision. The Council revised its Minimum Revenue Provision Policy for 2023/24 in February 2024 and has secured savings of £0.975 million, particularly in relation to how the Council sets aside provisions for repayment of debt – particularly in relation to historic debt and the repayment of debt associated with the Streetlighting Private Finance Initiative deal.
- Additional income was also received on interest payable balances due to rephasing of the capital programme in 2023/24 of £0.271 million due to the delayed timing of borrowing. In addition to this, the Council exceeded its investment income earned budget by £0.772 million due to interest rates staying comparatively higher than in recent financial years.

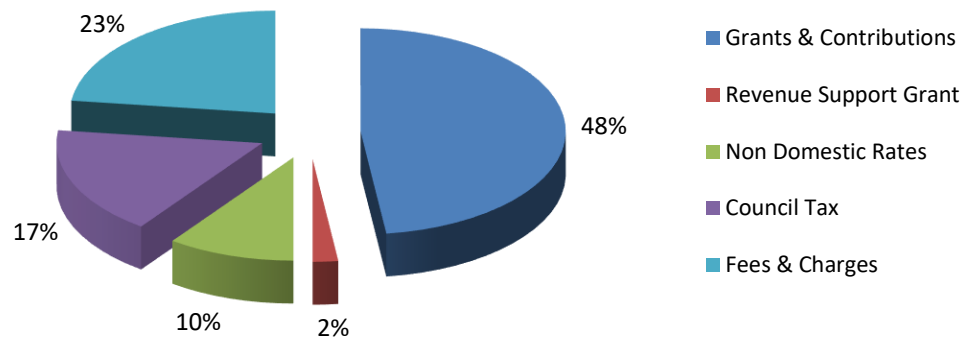


This chart shows that most expenditure incurred by the Council relates to running expenses (71%), this includes premises, transport and external supplies and services.

% of Revenue Expenditure by Type



Where the Council's Money Comes From



Only 17% of the Council's funding comes from local council taxpayers and 10% from localised business rates. Much of the remainder of the Council's funding comes in the form of specific grants from Central Government and other public sector bodies of 48%.

Medium Term Financial Strategy (MTFS)



In February 2024, the Council approved a five-year medium term financial plan between 2024/25 and 2028/29.

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

The 2024/25 budget was set based on raising council tax for 2024/25 by 2.99% and increasing the adult social care precept by 2%. The Budget was based on the third year of the Government's multi-year Comprehensive Spending Review, which covered a three-year period from 2022/23 to 2024/25. In December 2023, the Government announced a one-year local government finance settlement. As part of this settlement, the Government provided additional social care funding to support the rising costs of these service areas which was then further increased in the final settlement in February.

Additional budget allocations for rising budgetary pressures and service investment were made for £16.367 million in 2024/25. This included allocations for adult social care cost pressures, children social care pressures, additional costs to provide home to school transport provision, an estimated 5% pay award, additional waste management price costs and an increase in capital financing costs.

Driving change savings have had to be found of £7.574 million in 2024/25 and a further £0.607 million in 2025/26. These savings cover a range of areas including buildings & accommodation, changing how we deliver services, invest to save measures to reduce carbon emissions, increases in fees & charges, changes to contractual arrangements and improving business efficiency. The Council will continue to develop further savings, efficiencies and income during 2024/25 to reduce the current budget gap over the MTFS.

The Council's fees and charges for 2024-25 were approved by Cabinet in December 2023. The planned income increases from the fees and charges approved will help to support the 2024/25 budget.

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

How the Council is Funded and How It Performed in 2023/24

The Council's MTFs is summarised below as reported in February 2024:

Council Budget Summary	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m
Revenue Support Grant	9.288	9.520	9.711	9.905	10.103
Council Tax Income	65.605	70.062	74.316	78.277	82.456
Adult Services Levy	11.672	12.628	13.539	14.502	15.520
Business Rates Income	45.954	49.281	52.270	53.468	54.675
Sub Total	132.519	141.491	149.836	156.152	162.754
Education Funding	47.654	47.654	47.654	47.654	47.654
Housing Benefit Funding	34.823	34.823	34.823	34.823	34.823
Fees & Charges	19.643	19.643	19.643	19.643	19.643
Grants & Other Funding	89.829	87.759	87.759	87.759	87.759
Sub Total	191.949	189.879	189.879	189.879	189.879
Total Council Funding	324.468	331.370	339.715	346.031	352.633
Education Budget Allocation	47.654	47.654	47.654	47.654	47.654
Housing Benefit Payments	34.823	34.823	34.823	34.823	34.823
Base - Council Pay & Non-Pay Budget	233.903	242.695	251.850	259.855	266.192
Service Investments	16.367	9.761	8.253	6.458	6.408
Budget Reductions	(7.574)	(0.607)	(0.248)	(0.120)	(0.120)
Total Council Expenditure	325.173	334.326	342.332	348.670	354.957
Net Revenue Position	0.705	2.956	2.617	2.639	2.324

Capital Spending 2023/24

Spending on capital projects enhances the Council's assets, enables improved service delivery, and secures essential infrastructure. Capital expenditure can vary considerably between years depending on the way the projects are planned to be delivered. The Programme is financed in such a way as to even out the cost to Council taxpayers and spread it over the life of the asset being used. Capital expenditure during the year 2023/24 amounted to £27.734 million (2022/23 - £36.289 million) compared to a budget of £45.147 million, an underspend of £17.413 million (39%). The underspend is mainly on Town Scape Investment. This is due to the late announcement of funding and delays commencing projects

The investment has been across a range of schemes and categories including:

- £7.365 million - Town Scape Investment - the majority of the spend is for the delivery of Loftus Future High Street and Redcar Town Deal projects. These are predominantly grant funded.
- £3.438 million - Visitor Attractions & Amenities – these capital costs are mainly in relation to the demolition of Eston Pool prior to the rebuild commencing in 2024/25.
- £0.810 million - Business Infrastructure - this is mainly for the improvements at Coatham.
- £4.483 million – Transport Infrastructure - these investments have been on the maintenance and replacement of highways assets including roads, cycle paths, bridges and drainage systems.
- £2.634 million – Supported Housing – the majority of the spend is on disabled facilities grants. These allow residents to adapt their property to meet their needs.
- £2.614 million - Education – capital costs associated with the construction of the extension to Kirkleatham Hall School and investments into the school estate and the refurbishment of the Ridings.
- £5.724 million – Council Investments – investments relating to the cost of maintaining and replacing council assets and information technology improvements.

In addition to the above capital investment categories, we also invested in our recycling and waste initiatives and leisure centres.

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

How the Council is Funded and How It Performed in 2023/24

The following table details the capital schemes for the financial year 2023/24:

Capital Spend by Cluster		2023/24 £'000	Capital Spend by Cluster		2023/24 £'000
Town Scape Investment			Supported Housing		
Public Realm		142	CSDP Adaptations		123
Redcar Central Station		225	Aids & Adaptations		600
East Cleveland Town Centre Revival		12	Intermediate Care Centre		7
Saltburn Town Centre Revival		403	Community Capacity		33
Loftus Future High Street		3,494	Disabled Facilities Grant		1,871
Redcar Town Deal		2,353			2,634
LUF Connecting People and Place		331	Community Capacity		
LUF Eston		123	Investment in Leisure Centres		425
Levelling Up Partnership		187			425
Boroughwide High Street Support		19	Recycling & Waste Initiatives		
Parks & Play Equipment		18	Recycling Initiatives		46
Levelling Up Parks Improvement		55	Purchase of Refuse Bins		112
Kingsley Field		3	Procurement of Waste Facility		77
		7,365	Waste Management Infrastructure		6
					241
Visitor Attractions & Amenities			Education		
Welcome to Redcar & Cleveland Grants		3	School Estate Investment		1,809
Cleveland Ironstone Mining Museum		20	Devolved Formula Capital at LEA Level		87
Guisborough Town Hall Gateway Project		159	Kirkleatham School Expansion		355
Eston Sports Village		3,256	A Special Free School for the Tees Valley in Grangetown		14
		3,438	The Ridings - Renovation		349
					2,614
Business Infrastructure			Council Investments		
Coatham Leisure – Phase 1		803	Business Premises Improvements		13
Industrial Estates Programme		7	Purchase of Vehicles (Fleet Replacement)		2,421
		810	Climate Strategy		585
Transport Infrastructure			Information Technology Improvement Projects		1,001
Highways – City Regional Sustainable Transport Settlement Allocation		3,476	PFI Lifecycle Costs		367
Environment Assets		676	Changing Places		416
Eston to South Bank Cycleway		330	Asset Management – Capitalised Repairs		921
Swans Corner & Flatts Lane Traffic Improvements		1			5,724
		4,483			27,734
			Total Expenditure		

How the Council is Funded and How It Performed in 2023/24

Future Capital Programme

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

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

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

Cluster	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Townscape Investment	48.114	16.887	0.100	0.100	0.100
Visitor Attractions & Amenities	6.804	9.157	-	-	-
Business Infrastructure	3.503	-	-	-	-
Transport Infrastructure	5.519	5.739	5.252	3.420	3.419
Supported Housing	2.390	2.290	2.090	2.090	2.090
Community Capacity	0.468	-	-	0.515	-
Recycling & Waste Initiatives	0.645	0.100	0.100	0.100	0.100
Education	4.964	0.214	0.165	0.164	0.165
Council Investments	6.355	4.715	4.746	4.331	4.283
Total	78.762	39.102	12.453	10.720	10.157

Statement of Financial Accounts

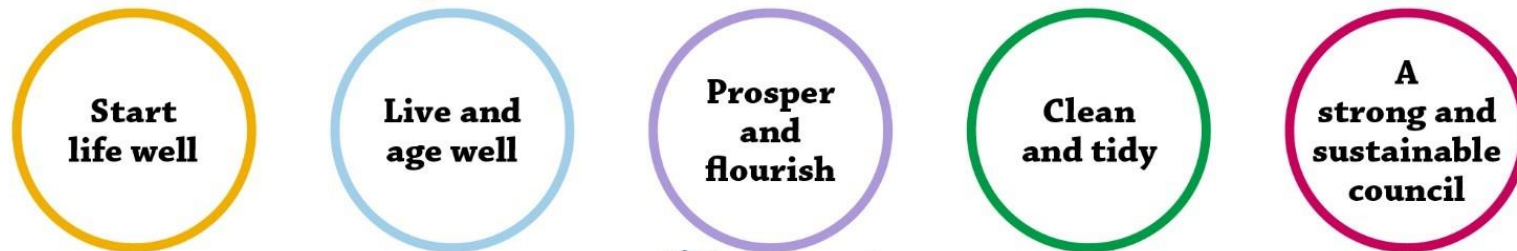
The Council's Statement of Financial Accounts is presented in a prescribed format which requires the Council to outline financial information through four core financial statements.

Movement in Reserves Statement (MIRS): This statement shows the change in the different types of reserves held by the Council over the financial year (see page 34). These reserves can be analysed into usable reserves, those that can be applied to fund future expenditure or to reduce taxation, and other unusable reserves, held for statutory accounting purposes (see Note 34, page 118).

Comprehensive Income and Expenditure Statement (CIES): This statement records all the gains and losses experienced by the Council during the financial year and highlights an annual total decrease in the net worth of the Council of £65.698 million. The primary purpose of the statement is to record revenue income and expenditure, including operational running costs such as employee costs, and supplies & services, and is financed from a combination of council tax, business rates, Government grants and other income. The CIES provides a breakdown over the reporting segments that the Council operates and makes decisions on during the year.

There is a surplus of £3.154 million on the CIES for the net cost of providing the Council's day to day revenue services. This includes various technical adjustments required by accounting standards such as capital accounting, pensions accounting and collection fund regulatory changes. Most of these technical adjustments are not chargeable against the funding from taxpayers and are excluded from the analysis of how the Council has performed against its revenue budget. When losses relating to pension fund performance of £78.646 million and gains relating to capital assets of £9.794 million are added back in, the net increase in the value of the Council balance sheet for the financial year is £65.698 million.

Our priorities for Redcar and Cleveland



Balance Sheet

Balance Sheet Position

The Balance Sheet shows what the Council owns, what it is owed, and what it owes to others and how these amounts have been funded. A summary of the position at the end of the 2023/24 financial year (31 March 2024) is shown in the table below:

Balance Sheet	2022/23 £m	2023/24 £m	+/- £m
What the Council Owns	315.3	322.7	7.4
What the Council is Owed	136.9	54.2	(82.7)
Total Assets of the Council	452.2	376.9	(75.3)
What the Council Owes	(324.5)	(314.9)	9.6
Council Reserves	127.7	62.0	(65.7)

The Council has a positive equity balance sheet on 31 March 2024. This means that assets are more than liabilities by £62.023 million. This is less than the prior year due to the application of a credit ceiling calculation on the Pension Fund (see what the Council is owed and Note 36 (page 127) in the Statement of Accounts disclosure notes for more details).

As the pension fund surplus reflects all the possible pension commitments payable to employees over many decades, the commitment to pay pensions will not crystallise at any one point in time and can be managed as part of the pension fund investment strategy. The pension fund is underpinned by financial investment assets which fluctuate in financial value. A better indicator of the financial health of the Council is the level of usable and earmarked reserves which are at £43.205 million. The Movement in Reserves statement within the Core Financial Statements gives further details (see page 34).

The Value of What the Council Owns

Balance Sheet	2022/23 £m	2023/24 £m	+/- £m
Property, Plant & Equipment	278.4	286.8	8.4
Heritage Assets	0.6	0.6	-
Investment Properties	12.3	11.8	(0.5)
Assets Held for Sale	-	2.6	2.6
Cash & Cash Equivalents	11.1	8.4	(2.7)
Long-term Investments	10.5	10.1	(0.4)
Others	2.4	2.4	-
Total	315.3	322.7	7.4

The value of what the Council owns is similar to the 2022/23 position.

What the Council is owed

Balance Sheet	2022/23 £m	2023/24 £m	+/- £m
Short Term Debtors	47.9	50.4	2.5
Long Term Debtors	1.7	1.5	(0.2)
Short Term Investments	5.0	-	(5.0)
Net Pension Asset	82.3	2.3	(80.0)
Total	136.9	54.2	(82.7)

The main movements relate to the Net Pension Asset previously highlighted due to the application of a credit ceiling. Note 36 gives further details in relation to the Council's pension fund and the reason for the year-on-year movements. This position is reviewed each year by a pension fund actuary with a formal revaluation every three financial years. The triannual valuation was completed as at 31 March 2022.



What the Council Owes

Balance Sheet	2022/23 £m	2022/23 £m	+/- £m
PFI and Leases	(42.4)	(39.9)	2.5
Creditors	(42.2)	(44.2)	(2.0)
Provisions	(4.2)	(5.7)	(1.5)
Short Term Borrowing	(30.9)	(21.5)	9.4
Long Term Borrowing	(186.2)	(186.2)	-
Grant Income received in advance	(18.6)	(17.5)	1.1
Total	(324.5)	(315.0)	9.5

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

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

The Council has reduced its total borrowing by £9.411 million. This is due to having a higher level of cash balances as capital grant was received in advance of spend. Further details are provided in Note 32.

Council Reserves

Balance Sheet	2022/23 £m	2023/24 £m	+/- £m
Schools Balances	(2.4)	(1.9)	0.5
Usable Reserves	(40.3)	(41.3)	(1.0)
Unusable Reserves	(85.0)	(18.8)	66.2
Total	(127.7)	(62.0)	65.7

Although the Council's usable reserves are similar to the level in 2022/23, there has been a significant movement with a reduction to revenue earmarked reserves and an increase in capital reserves from grants received which will be utilised in future years. Earmarked reserves have reduced by £13.352 million. This is for some planned use and to fund the in-year overspend.

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

Collection Fund (See Page 162)



The Collection Fund is an account that the Council maintains, in its statutory role as the Billing Authority, to record the income and expenditure from council tax and business rates. It is a separate legal fund from the Council's general fund and the transactions involved are defined by regulation. The Collection Fund is an income and expenditure statement only showing income receivable, precepts payable to relevant bodies, and any other associated costs involved in administering the Fund. All assets and liabilities are included within each precepting body's balance sheet. The Collection Fund shows a deficit of £6.043 million with £1.596 million deficit attributable to council tax and £4.447 million deficit in relation to business rates.

The deficit on council tax is mainly due to the increase in the bad debt provision required due to a reduction in the collection rate. For business rates the deficit is due to a higher deficit carried forward from 2022/23, an increase in the contribution required to the appeals provision than forecast, offset by a reduction in in reliefs.

The budget for 2023/24 was based on an increase in council tax with the Band D equivalent amount for 2023/24 being £1,809.45 per annum (including the social care levy). The addition of the Cleveland Police and Crime Commissioner and Cleveland Fire Authority spending requirements resulted in a total Band D Council Tax of £2,187.04 for residents of the Borough in non-parish areas. Residents of areas with parish council responsibilities paid marginally more than this depending on their own parish council tax amount. This resulted in a total precept income requirement of £89.613 million. Total income on council tax for 2023/24 was £90.673 million. For more details refer to page 162.

In 2013/14, the local Government finance regime was revised with the introduction of the business rate retention scheme. The main aim of the scheme is to give the Council a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk due to non-collection and the volatility of business rates income. The scheme allows the Council to retain a proportion of the total business rates income received. Redcar & Cleveland's share is 49% with the remainder paid over to precepting bodies (Central Government 50% and Cleveland Fire Authority 1%). The total income collectable from business rates payers was £39.821 million.



Pensions (See Page 127)



The Council participates in the Local Government Pension Scheme (Teesside Pension Fund), administered by XPS Administration Ltd on behalf of Middlesbrough Borough Council. Retirement benefits are recognised when they are earned rather than when they are paid out. The

value of future retirement benefits is professionally valued by an actuary resulting in either an asset or liability for the Council. At the 31 March 2024, the pension scheme valuation has resulted in a pension scheme asset and a pension reserve of £2.296 million. This is a large reduction from the balance sheet values at 31 March 2023 of £82.338 million. The net movement of £80.042 million is a key factor in understanding the movement in the overall net asset position of the Council.

Whilst this pension asset suggests a surplus between the forecast cost of future pensions and the level of assets held in the fund, it should be noted that valuation varies significantly each year and is subject to fluctuations in the state of stock markets and expectations around the level of inflation and interest rates. At 31 March 2023, the scheme was valued to be in surplus of £82.338 million. The most recent valuation has produced a significant movement, reducing the value of the asset to £2.296 million, which is due to the changes in wage inflation forecasts and discount rates used in the valuation.

Accounting standards requires that a pension scheme asset is only recognised in an employer's accounts up to the value of the savings it can make in future contributions. This limit is known as the asset ceiling and is in place to highlight that a pension scheme asset is for

the benefit of the pension scheme members. At 31 March 2023, the asset ceiling was calculated to be higher than the value of the pension scheme asset value of £82,338 million, resulting in an unadjusted net asset position. At 31 March 2024, the pension scheme assets were valued at £130,498 million, however an asset ceiling of £17.909 million was calculated by the actuary. This resulted in a reduction of £112.589 million to the value of the net assets. A further reduction of £15.613 million was required for unfunded pension liabilities, resulting in a reported net asset value of £2.296 million at 31 March 2024

The Pension Scheme has a long-term investment strategy in place to address the funding level requirements over a 20-year period, based on an appropriate level of employer's contributions to the fund. In addition, assumptions are reviewed regarding inflation levels, bank interest rates and the global economic outlook. On a three-yearly basis, the Teesside Pension Fund undertakes a Triennial Revaluation to review and determine the required level of employer pension fund contributions to be made by the Council on behalf of its employees.

Treasury Management

The Council borrows money to fund its Capital Investment Programme and operates within its own prudential limits set in accordance with the CIPFA Prudential Code for Capital Finance. This is seen as best practice in relation to local authorities and their treasury management activities. As at 31 March 2024, the Council's Capital Finance Requirement (the underlying need to borrow) was £261.602 million and its external debt was £247.913 million (this includes the outstanding PFI and lease liabilities).

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

The Council is currently under-borrowed by £13.689 million. This is 5% of our Capital Financing Requirement of £261.602 million or our underlying need to borrow for capital purposes.

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



Our People



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

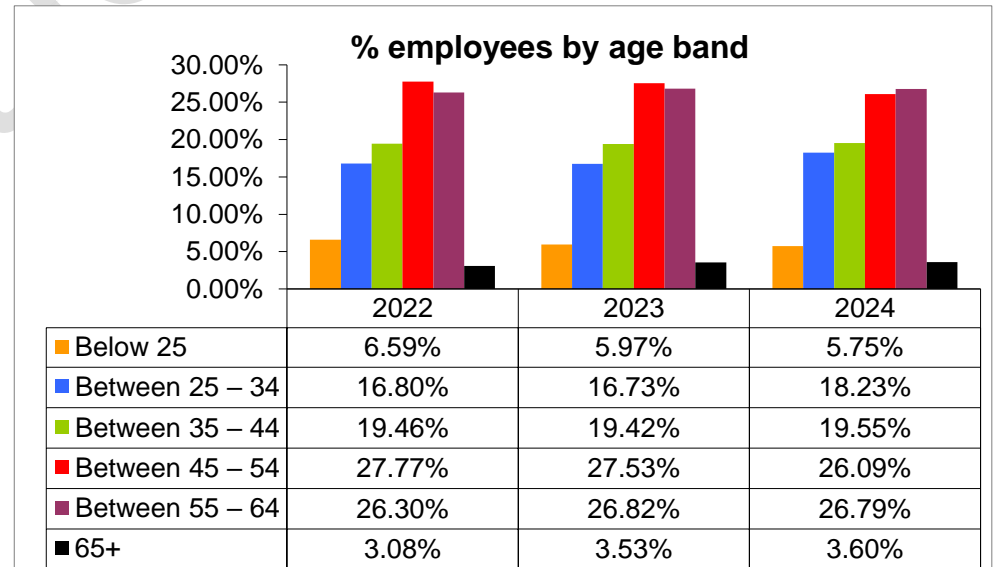
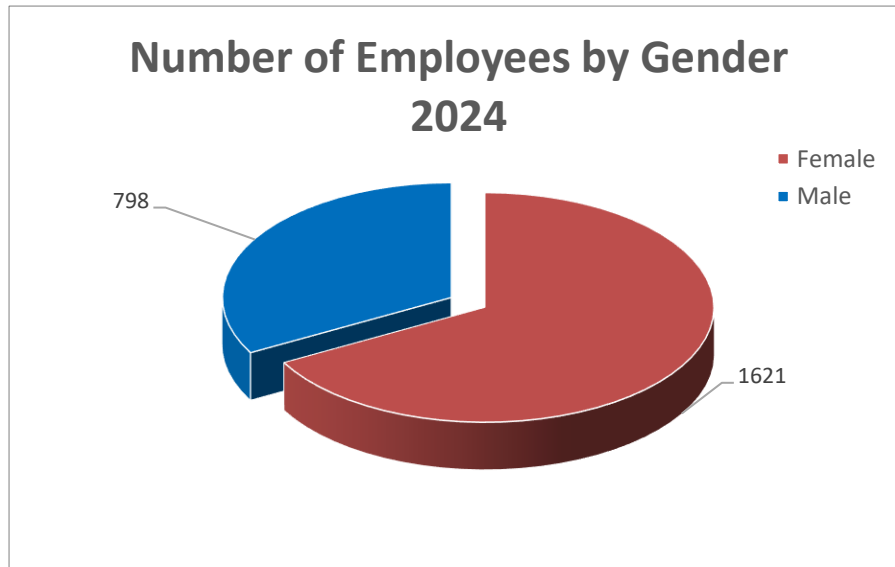
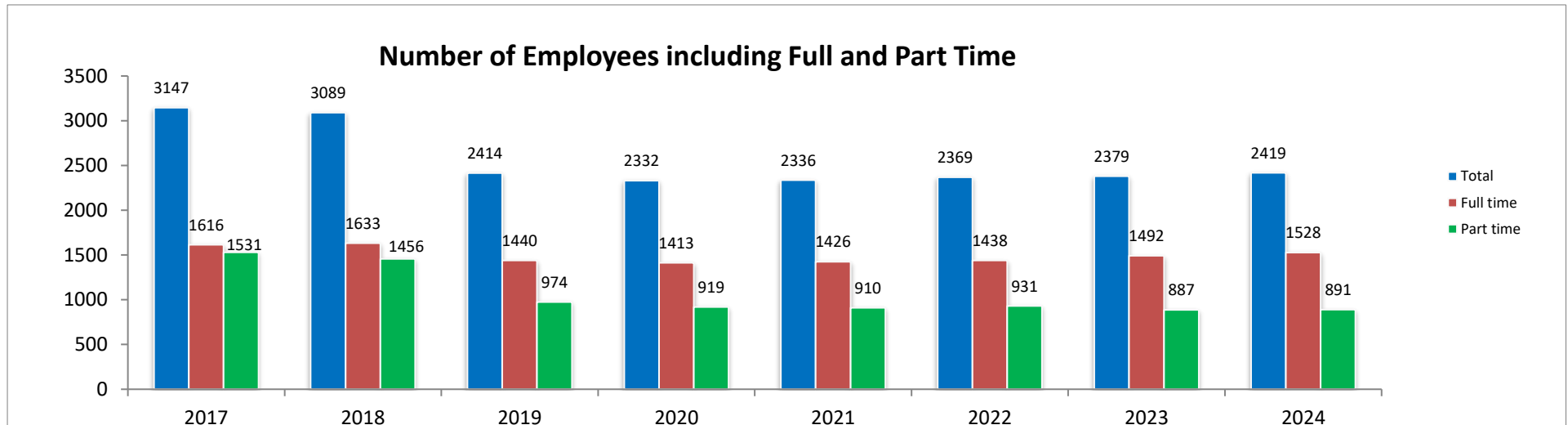
During 2023/24, the Redcar and Cleveland Management Team was made up of a Managing Director and three Corporate Directors, responsible for the leadership of four Directorates. These were Resources; Children and Families; and Adults and Communities; and Growth, Enterprise and Environment.

The Directors are joined by three other senior officers to form the Council's Executive Management Team (EMT), ensuring that the following corporate responsibilities are also represented; Head of Marketing and Communications, Governance Director (Monitoring Officer) and the Director of Finance (S151) Officer.

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

Our People

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



Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

Director of Finance (Section 151 Officer Responsibilities)

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

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

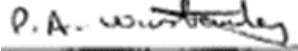
- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code of Practice.

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

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

I hereby state that the Statement of Accounts presents a true and fair view of the financial position of the Council as at 31 March 2024 and for its income and expenditure for the year ended 31 March 2024.

Phil Winstanley
Director of Finance (Section 151 Officer)

Signature:- 

Date: 28.06.2024

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Governance Committee at the meeting held on XX XX 2024.

Councillor Carole Morgan
Chair of the Governance Committee

Signature:-

Date:-

2. Core Financial Statements



Movement In Reserves Statement

This statement shows the movement in the different reserves held by the Council over the financial year. These reserves can be analysed into usable reserves, those that can be applied to fund expenditure or to reduce taxation, and other unusable reserves, held for accounting purposes.

2023/24	Revenue Reserves				Capital Reserves			Unusable Reserves £000	Total Council Reserves £000
	General Fund Balance £000	Other Earmarked Reserves £000	Earmarked Reserves – Collection Fund Timing Difference £000	School Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000		
Balance at 31 March 2023	(5,747)	(30,571)	-	(2,406)	-	(4,024)	(42,748)	(84,973)	(127,721)
<u>Movement in reserves during 2023/24</u>									
Total Comprehensive Income and Expenditure	(3,154)	-	-	-	-	-	(3,154)	68,852	65,698
Adjustments between accounting basis & funding basis under regulations (Note 6)	16,505	-	-	-	-	(13,808)	2,697	(2,697)	-
Net (Increase)/Decrease in 2023/24 before transfer into other reserves	13,351	-	-	-	-	(13,808)	(457)	66,155	65,698
Transfers to/(from) other reserves	(14,230)	13,706	-	525	-	(1)	-	-	-
Net (Increase)/Decrease in year	(879)	13,706	-	525	-	(13,809)	(457)	66,155	65,698
Balance at 31 March 2024 carried forward	(6,626)	(16,865)	-	(1,881)	-	(17,833)	(43,205)	(18,818)	(62,023)

Movement In Reserves Statement

2022/23	Revenue Reserves			Capital Reserves			Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
	General Fund Balance £000	Other Earmarked Reserves £000	Earmarked Reserves – Collection Fund Timing Difference £000	School Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000			
Balance at 31 March 2022 brought forward	(5,747)	(36,971)	(3,085)	(2,404)	-	(4,735)	(52,942)	129,957	77,015
<u>Movement in reserves during 2022/23</u>									
Total Comprehensive Income and Expenditure	45,971	-	-	-	-	-	45,971	(250,707)	(204,736)
Adjustments between accounting basis & funding basis under regulations (Note 6)	(36,488)	-	-	-	-	711	(35,777)	35,777	-
Net (Increase)/Decrease in 2022/23 before transfer into other reserves	9,483	-	-	-	-	711	10,194	(214,930)	(204,736)
Transfers to/(from) other reserves	(9,483)	6,400	3,085	(2)	-	-	-	-	-
Net (Increase)/Decrease in year	-	6,400	3,085	(2)	-	711	10,194	(214,930)	(204,736)
Balance at 31 March 2023 carried forward	(5,747)	(30,571)	-	(2,406)	-	(4,024)	(42,748)	(84,973)	(127,721)

Comprehensive Income and Expenditure Statement

This Statement brings together both income and expenditure relating to all of the Council's day to day services for the year and also shows how this is financed from a combination of local taxation, government grants and other income. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded by taxation.

2022/23*				2023/24		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
127,374	(75,530)	51,844	Adults and Communities	133,982	(80,459)	53,523
112,468	(53,579)	58,889	Children and Families	123,736	(62,387)	61,349
76,631	(15,538)	61,093	Growth, Enterprise and Environment	54,816	(15,383)	39,433
35,076	(35,157)	(81)	Housing Benefits	34,461	(34,318)	143
17,497	(12,222)	5,275	Resources	17,038	(11,953)	5,085
369,046	(192,026)	177,020	Net Cost of Services	364,033	(204,500)	159,533
1,288	-	1,288	Other Operating Expenditure (Note 9)	814	-	814
43,424	(21,021)	22,403	Financing and Investment Income and Expenditure (Note 10)	51,973	(35,337)	16,636
-	(154,740)	(154,740)	Taxation and Non-Specific Grant Income (Note 11)	-	(180,137)	(180,137)
413,758	(367,787)	45,971	(Surplus)/Deficit on Provision of Services	416,820	(419,974)	(3,154)
		(15,717)	(Surplus)/Deficit on revaluation of non-current assets (Note 34)			(9,794)
		(234,990)	Actuarial (gains)/losses on pension assets/liabilities (Note 36)			78,646
		(250,707)	Other Comprehensive Income and Expenditure			68,852
		(204,736)	Total Comprehensive Income and Expenditure			65,698

*As a result of a restructure of directorates during 2023/24, the 2022/23 directorate analysis figures have been restated in order to ensure they are comparable to the 2023/24 figures.

Balance Sheet

This is a statement of the financial position of the Council a/nd shows the balances and reserves at its disposal, it's long term indebtedness, and the fixed and net current assets employed in its operation, as at 31 March 2024.

31 March 2023 £000		Note No.	31 March 2024 £000
278,445	Property, Plant & Equipment	19	286,819
589	Heritage Assets		589
12,304	Investment Property	21	11,775
2,405	Intangible Assets	22	2,423
10,454	Long Term Investments		10,114
1,734	Long Term Debtors	25	1,527
82,338	Other Long Term Assets – Pension Fund	36	2,296
388,269	Long Term Assets		315,543
5,026	Short Term Investments	32	-
-	Assets Held for Sale	26	2,600
60	Inventories		26
47,777	Short Term Debtors	27	50,359
11,075	Cash and Cash Equivalents	28	8,377
63,938	Current Assets		61,362
(30,912)	Short Term Borrowing	32	(21,491)
(37,733)	Short Term Creditors	29	(40,602)
(1,525)	Short Term Provisions	30	(1,984)
(11,277)	Revenue Grants Receipts in Advance	33	(10,925)
(81,447)	Current Liabilities		(75,002)
(4,391)	Long Term Creditors	31	(3,624)
(2,718)	Long Term Provisions	30	(3,675)
(186,226)	Long Term Borrowing	32	(186,236)
(42,362)	Other Long Term Liabilities - Private Finance Initiatives & Leasing	23	(39,856)
-	Other Long Term Liabilities – Pension Fund	36	-
(7,342)	Capital Grants Receipts in Advance	33	(6,489)
(243,039)	Long Term Liabilities		(239,880)
127,721	Net Assets		62,023
(42,748)	Usable Reserves		(43,205)
(84,973)	Unusable Reserves	34	(18,818)
(127,721)	Total Reserves		(62,023)

Cash Flow Statement

This Statement shows the changes in cash and cash equivalents held by the Council during the financial year. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows into operating, investing and financing activities.

2022/23 £000		2023/24 £000
(45,971)	Net surplus/(deficit) to the provision of services (CIES)	3,154
45,310	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements (Note 37)	23,464
(28,813)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities (Note 37)	(39,179)
(29,474)	Net Cash Flows from Operating Activities (Note 37)	(12,561)
(2,890)	Net Cash Flows from Investing Activities (Note 38)	22,268
28,122	Net Cash Flows from Financing Activities (Note 39)	(12,405)
(4,242)	Net increase/(decrease) in cash and cash equivalents	(2,698)
15,317	Cash and cash equivalents at the beginning of the reporting period	11,075
11,075	Cash and cash equivalents at the end of the reporting period (Note 28)	8,377



3. Notes to the Accounts

Notes to the Accounts

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

Note No.	Note Description	Page	Note No.	Note Description	Page
1	Expenditure & Funding Analysis	41	21	Investment Properties	83
2	Accounting Standards That Have Been Issued But Have Not Yet Been Adopted	45	22	Intangible Assets	85
3	Critical Judgements in Applying Accounting Policies	46	23	Private Finance Initiatives and Similar Contracts	87
4	Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	49	24	Capital Expenditure and Capital Financing	91
5	Events after the Balance Sheet Date (31 March 2024)	51	25	Long Term Debtors	93
6	Adjustments between Accounting Basis and Funding Basis under Regulations	52	26	Assets Held for Sale	94
7	Expenditure and Income Analysed by Nature	56	27	Short Term Debtors	95
8	Transfers to/from Earmarked Reserves	58	28	Cash and Cash Equivalents	96
9	Other Operating Expenditure	61	29	Short Term Creditors	97
10	Financing and Investment Income and Expenditure	62	30	Provisions	98
11	Taxation and Non Specific Grant Income	63	31	Long Term Creditors	100
12	Dedicated Schools Grant	64	32	Financial Instruments	101
13	Members' Allowances	66	33	Grant Income, Contributions and Donations	114
14	Officers' Remuneration	67	34	Unusable Reserves	118
15	Termination Benefits	70	35	Pensions Schemes Accounted for as Defined Contribution Schemes	126
16	Trading Operations	71	36	Defined Benefit Pension Schemes	127
17	Pooled Budgets	73	37	Cash Flow Statement – Operating Activities	135
18	Fees Payable to Auditors	76	38	Cash Flow Statement – Investing Activities	136
19	Property, Plant and Equipment (PPE)	77	39	Cash Flow Statement – Financing Activities	136
20	Impairment Losses	83	40	Related Part	137
			41	Contingent Assets and Liabilities	140
			42	Statement of Accounting Policies	141

Note 1 Expenditure & Funding Analysis

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

2022/23*				2023/24		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
38,516	13,328	51,844	Adults and Communities	47,489	6,034	53,523
51,106	7,784	58,890	Children and Families	55,945	5,404	61,349
22,318	38,775	61,093	Growth, Enterprise & Environment	26,308	13,125	39,433
(81)	-	(81)	Housing Benefits	143	-	143
2,064	3,210	5,274	Resources	3,362	1,723	5,085
113,923	63,097	177,020	Net Cost of Services	133,247	26,286	159,533
(103,729)	(27,320)	(131,049)	Other Income and Expenditure	(133,704)	(28,983)	(162,687)
10,194	35,777	45,971	(Surplus)/Deficit	(457)	(2,697)	(3,154)
(48,207)			Opening General Fund Balance	(38,724)		
9,483			Plus/Less (Surplus) or Deficit on General Fund Balance in Year	13,352		
(38,724)			Closing General Fund Balance at 31 March	(25,372)		
(4,024)			Capital Receipts and Grants Unapplied	(17,833)		
(42,748)			Closing Total Usable Reserves	(43,205)		

*As a result of a restructure of directorates during 2023/24, the 2022/23 directorate analysis figures (above Net cost of Services) have been restated in order to ensure they are comparable to the 2023/24 figures.

2023/24	Adjustments for Capital Purposes (1) £000	Net Change for Employee Benefits (2) £000	Other Differences (3) £000	Total Adjustments £000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:				
Adults and Communities	4,461	1,573	-	6,034
Children and Families	3,751	1,653	-	5,404
Growth, Enterprise & Environment	11,855	1,270	-	13,125
Resources	1,123	600	-	1,723
Net Cost of Services	21,190	5,096	-	26,286
Other Income and Expenditure from the Expenditure and Funding Analysis	(26,724)	(3,790)	1,531	(28,983)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(5,534)	1,306	1,531	(2,697)
<hr/>				
2022/23*	Adjustments for Capital Purposes (1) £000	Net Change for Employee Benefits (2) £000	Other Differences (3) £000	Total Adjustments £000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:				
Adults and Communities	7,891	5,437	-	13,328
Children and Families	1,783	6,000	-	7,783
Growth, Enterprise & Environment	34,140	4,636	-	38,776
Resources	1,020	2,190	-	3,210
Net Cost of Services	44,834	18,263	-	63,097
Other Income and Expenditure from the Expenditure and Funding Analysis	(30,804)	3,763	(279)	(27,320)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	14,030	22,026	(279)	35,777

*As a result of a restructure of directorates during 2023/24, the 2022/23 directorate analysis figures have been restated in order to ensure that they are comparable to the 2023/24 figures.

Adjustments for Capital Purposes

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

Net Change for the Pension Adjustments and other employee benefits

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

Other Differences

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

Income received by service is analysed below:

Income from Services 2022/23* £000	Services	Income from Services 2023/24 £000
(75,530)	Adults and Communities	(80,459)
(53,579)	Children and Families	(62,387)
(15,538)	Growth, Enterprise & Environment	(15,383)
(35,157)	Housing Benefits	(34,318)
(12,222)	Resources	(11,953)
(192,026)	Total income Analysed by Service	(204,500)

*As a result of a restructure of directorates during 2023/24, the 2022/23 directorate analysis figures have been restated in order to ensure that they are comparable to the 2023/24 figures.



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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

There are no changes in accounting requirements for 2024/25 that are anticipated to have a material impact on the council's financial performance or financial position, other than IFRS 16 Leases.

For the 2024/25 financial year, the council must implement IFRS 16 Leases, applying the provisions as they have been adopted in the 2024/25 Code.

The main impact of IFRS 16 will relate to property that the council holds under operating leases, for which assets and liabilities are not recognised and rents are generally charged as revenue expenditure when they are payable. Under IFRS 16, the accounting treatment for all leases (except those with a term of less than 12 months and those involving low value items) will be to recognise a right-of-use asset in the Balance Sheet, measuring the value of the council's right to use the property over the remaining term of the lease. The Balance Sheet will also include a liability for the rents payable before the lease expires. When rents are paid, they will be applied partly to write down the liability and partly charged as interest on the outstanding liability. The cost of the right-of-use asset will be reflected in depreciation charges in the Comprehensive Income and Expenditure Statement. However, statutory arrangements are in place that will allow the impact on the General Fund balance to be unchanged – i.e. that the overall charge for each year will be the rents payable in that year.

Note 3 Critical Judgements in Applying Accounting Policies

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

Funding

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

Accounting for Schools – Consolidation

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

Accounting for Schools - Balance Sheet Recognition

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

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

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

There are currently 4 types of schools within the Borough:

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

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

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

PFI Schemes

The Council is involved with two Private Finance Initiatives (PFI) contracts to provide schools and street lighting. The street lighting contract is on the balance sheet as it has been determined that the assets provided under this PFI arrangements are effectively under the control of the Council. The majority of the schools provided under the PFI contract are off balance sheet as the schools have transferred to academy status (South Bank Primary remains on balance sheet).

Investment Properties

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

Pensions

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

Bad Debt Provision

The Council has determined its bad debt provision based on a range of factors including the age of the debt and the action been undertaken by the Council to liaise with the debtor to recover debt.

This success of securing the income has been impacted by the cost of living crisis.

Grant Income

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

IFRS 9 - Financial Assets

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

Group Accounts

The Council has financial relationships with other related companies, joint ventures and joint arrangements. Details of these can be found under the related party section of these accounts. By applying certain criteria, the Council must determine whether its interests in such bodies are significant enough to be included in the Council's consolidated accounts. After consideration of these criteria, the Council has determined that the consolidation of related companies would have no material impact on the Council's financial position and therefore it is not necessary to produce group accounts for 2023/24. The Related Party Transactions Disclosure Note provides details of the group status of companies for which the Council has a close financial relationship.

Subject to Audit

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

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

The items in the Council's Balance Sheet as at 31 March 2024, for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Land and Buildings and Investment Properties	Valuations are carried out on a 5-year rolling programme meaning that there is a possibility of material changes in value between valuations. In addition, each asset has been reviewed to confirm that it sits within the correct categorisation and there have been no material effects (market or physical impairments/additions) that would affect its value.	At 31 March 2024, the Council had land and buildings to the value of £176.725 million, and investment properties to the value of £11.775 million. A 1% change in the estimation of property values would lead to a £1.767 million change in the value of the Council's land and buildings and £0.118 million change in the value of the Council's investment properties. These changes to valuations would not have a direct impact on the Council's general fund, since any effect charged to the CIES would be reversed to the Council's unusable reserves.
Provisions - Insurance Claims	The Council has made a total provision of £1.067 million for the settlement of insurance claims for Public Liability, Vehicles and Property. These are based on estimated amounts through claims. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.106 million to the provision needed.
Provisions – Business Rate Appeals	The Council is liable for successful appeals under the Business Rates Retention Scheme. A provision has been recognised for £3.684 million based on an estimate using the Valuations Office Agency (VOA) ratings list of appeals and an analysis of successful appeals to date.	An increase over the forthcoming year of 10% in value of successful appeals would have the effect of adding £0.368 million to the provision needed.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Net Pensions Liability	<p>Estimation of the net asset 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.</p> <p>A firm of consulting actuaries is engaged to provide the Council with expert advice about the rates to be applied.</p>	<p>The effects on the net pension asset of changes in individual assessments can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension asset of £10.611 million. Note 36 provides further detail within a sensitivity analysis for other key assumptions.</p>
Fair Value Measurements of CCLA Investment	<p>The Council has 3.070 million units with the CCLA Property Fund (purchase price of £10.000 million). The Council is currently using the Governments statutory override to account for fair value movements in the fund by transferring the gain/loss to an unusable reserve. In the event that these units are sold or the statutory override expires the amount in the unusable reserve will become chargeable to the Council's Income and Expenditure account.</p>	<p>The current fair value adjustment on the Council's CCLA investment is a loss of £1.628 million. A 5% fall in property prices will reduce the value of the investment by an additional £0.366 million.</p>



Note 5 Events after the Balance Sheet Date (31 March 2024)

There are no events at the authorised for issue date that affect any of the values in either the Financial Statements for 2023/24 or in the Notes to the Accounts.



Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations

(CIES = Comprehensive Income and Expenditure Statement)

2023/24	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
<u>Reversal of items debited or (credited) to the CIES</u>				
Charges for depreciation and impairment of non-current assets	(13,548)			13,548
Revaluation gains/(losses) on Property, Plant and Equipment, Investment Properties and Assets Held for Sale	(5,036)			5,036
Amortisation of Intangible Assets	(498)			498
Capital grants and Contributions Applied	26,673			(26,673)
Revenue Expenditure Funded from Capital Under Statute	(5,004)			5,004
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	(2,407)	(147)		2,554
<u>Insertion of items not debited or (credited) to the CIES</u>				
Statutory provision for the financing of capital investment	5,354			(5,354)
Capital Expenditure charged against the General Fund	-			-
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	13,808		(13,808)	-
Adjustments involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		370		(370)
Other Adjustments involving the Capital Receipts Reserve		(223)		223

2023/24	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in year in accordance with statutory requirements	(924)			924
Adjustments against the Pooled Investment Fund Adjustment Account				
Amount by which the movement in fair value of pooled funds charged to the CIES are different from the amount chargeable in year in accordance with statutory requirements	(351)			351
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 36)	(9,597)			9,597
Employers Pension Contributions and direct payments to pensioners payable in the year	8,201			(8,201)
Adjustments involving the Collection Fund Adjustment Account (NDR and Council Tax):				
Amount by which the collection fund income credited to the CIES is different from the collection fund income calculated for the year in accordance with statutory requirements	786			(786)
Adjustments involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in year in accordance with statutory requirements	90			(90)
Adjustments involving the Delegated Schools Grant Adjustment Account				
Transfer of Dedicated Schools Grant (DSG) over/(underspend) to the DSG Adjustment Account	(1,042)			1,042
Total Adjustments	16,505	-	(13,808)	(2,697)

2022/23	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
<u>Reversal of items debited or (credited) to the CIES</u>				
Charges for depreciation and impairment of non-current assets	(12,937)	-	-	12,937
Revaluation (gains)/losses on Property, Plant and Equipment, Investment Properties and Assets Held for Sale	(23,148)	-	-	23,148
Amortisation of Intangible Assets	(506)	-	-	506
Capital grants and contributions Applied	29,265	-	-	(29,265)
Revenue Expenditure Funded from Capital Under Statute	(8,007)	-	-	8,007
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES – Assets	(4,686)	(258)	-	4,944
<u>Insertion of items not debited or (credited) to the CIES</u>				
Statutory provision for the financing of capital investment	5,886	-	-	(5,886)
Capital Expenditure charged against the General Fund	103	-	-	(103)
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	(711)	-	711	-
Adjustments involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	457	-	(457)
Other Adjustments involving the Capital Receipts Reserve	-	(199)	-	199
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in year in accordance with statutory requirements	505	-	-	(505)

2022/23	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments against the Pooled Investment Fund Adjustment Account				
Amount by which the movement in fair value of pooled funds charged to the CIES are different from the amount chargeable in year in accordance with statutory requirements	(1,729)	-	-	1,729
Adjustments against the Available for Sale Financial Instruments Reserve				
Amount by which the movement in fair value of available for sale financial instruments charged to the CIES are different from the amount chargeable in year in accordance with statutory requirements	(313)	-	-	313
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 36)	(29,691)	-	-	29,691
Employers Pension Contributions and direct payments to pensioners payable in the year	7,596	-	-	(7,596)
Adjustments involving the Collection Fund Adjustment Account (NDR and Council Tax):				
Amount by which the collection fund income credited to the CIES is different from the collection fund income calculated for the year in accordance with statutory requirements	3,438	-	-	(3,438)
Adjustments involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in year in accordance with statutory requirements	69	-	-	(69)
Adjustments involving the Delegated Schools Grant Adjustment Account				
Transfer of Dedicated Schools Grant (DSG) over/(underspend) to the DSG Adjustment Account	(1,622)	-	-	1,622
Total Adjustments	(36,488)	-	711	35,777

Note 7 Expenditure and Income Analysed by Nature

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

2023/24	Cost of Services £000	Other Operating Expenditure (Note 9) £000	Financing and Investment Income and Expenditure (Note 10) £000	Taxation and Non- specific Grant income (Note 11) £000	Surplus or Deficit on provision of Services £000
Expenditure/Income					
Expenditure					
Employee expenses	84,394	-	-	-	84,394
Other service expenses	247,349	-	25	-	247,374
Support service recharges	18,747	-	-	-	18,747
Depreciation, amortisation and impairment	13,543	-	3,247	-	16,790
Interest payments	-	-	46,342	-	46,342
Precepts & Levies	-	766	-	-	766
Loss on Disposal of Fixed Assets	-	48	2,359	-	2,407
Total Expenditure	364,033	814	51,973	-	416,820
Income					
Fees, charges & other service income	(29,590)	-	-	-	(29,590)
Interest and investment income	-	-	(35,337)	-	(35,337)
Income from council tax and NDR	-	-	-	(115,319)	(115,319)
Government grants and contributions	(174,910)	-	-	(64,818)	(239,728)
Gain on Disposal of Fixed Assets	-	-	-	-	-
Gain on Revaluation of Financial Instruments	-	-	-	-	-
Total Income	(204,500)	-	(35,337)	(180,137)	(419,974)
(Surplus)/Deficit on the Provision of Services	159,533	814	16,636	(180,137)	(3,154)

2022/23*	Cost of Services £000	Other Operating Expenditure (Note 9) £000	Financing and Investment Income and Expenditure (Note 10) £000	Taxation and Non- specific Grant income (Note 11) £000	Surplus or Deficit on provision of Services £000
Expenditure/Income					
Expenditure					
Employee expenses	87,606	-	-	-	87,606
Other service expenses	226,993	-	35	-	227,028
Support service recharges	20,425	-	-	-	20,425
Depreciation, amortisation and impairment	34,022	-	1,744	-	35,766
Interest payments	-	-	37,491	-	37,491
Precepts & Levies	-	765	-	-	765
Loss on Disposal of Fixed Assets	-	523	4,154	-	4,677
Total Expenditure	369,046	1,288	43,424	-	413,758
Income					
Fees, charges & other service income	(26,300)	-	-	-	(26,300)
Interest and investment income	-	-	(20,785)	-	(20,785)
Income from council tax and NDR	-	-	-	(108,761)	(108,761)
Government grants and contributions	(165,726)	-	-	(45,979)	(211,705)
Gain on Disposal of Fixed Assets	-	-	(236)	-	(236)
Gain on Revaluation of Financial Instruments	-	-	-	-	-
Total Income	(192,026)	-	(21,021)	(154,740)	(367,787)
(Surplus)/Deficit on the Provision of Services	177,020	1,288	22,403	(154,740)	45,971

*The 2022/23 analysis of cost of services has been restated to be comparable with 2023/24 due to the reclassification of expenditure.

Note 8 Transfers to/from Earmarked Reserves

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

Balance at 1 April 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31 March 2024 £000		Balance at 1 April 2023 £000	Transfers Out 2023/24 £000	Transfers In 2023/24 £000	Balance at 31 March 2024 £000
(417)	-	-	(417)	Leisure Contract Risk Fund	(417)	417	-	-
(500)	-	-	(500)	MMI Reserve	(500)	-	-	(500)
(1,500)	-	(373)	(1,873)	Insurance Reserve	(1,873)	300	(215)	(1,788)
(1,075)	-	(63)	(1,138)	Private Finance Initiative – Schools	(1,138)	18	-	(1,120)
(611)	119	-	(492)	Private Finance Initiative – Street Lighting	(492)	371	-	(121)
(522)	-	-	(522)	Council Tax Reserve Reliefs	(522)	522	-	-
(50)	153	(103)	-	Direct Revenue Funding Reserve	-	-	-	-
(8,350)	4,757	(4,557)	(8,150)	MTFS Reserve	(8,150)	4,012	(2,666)	(6,804)
(132)	46	-	(86)	Brexit Funding	(86)	50	-	(36)
(544)	272	-	(272)	Business Rates Taxation Compensation Reserve	(272)	272	-	-
(1,867)	133	(675)	(2,409)	Business Rates Funding Reserve	(2,409)	2,409	(541)	(541)
(4,500)	166	(200)	(4,534)	Strategic Change and Resilience	(4,534)	3,534	-	(1,000)
(320)	160	-	(160)	Climate Change Initiatives	(160)	160	-	-
(1,301)	-	-	(1,301)	Collection Fund Risk Reserve	(1,301)	1,301	-	-
(300)	300	-	-	Utilities Risk Reserve	-	-	-	-
(14,982)	6,608	(344)	(8,718)	Directorate Reserves	(8,718)	4,545	(782)	(4,955)
(36,971)	12,714	(6,315)	(30,572)	Total Excluding Schools and Business Rate Relief Accounting Reserve	(30,572)	17,911	(4,204)	(16,865)
(3,085)	3,085	-	-	Business Rate Relief Accounting Reserve	-	-	-	-
(2,404)	2,404	(2,405)	(2,405)	Balances held by schools under a scheme of delegation	(2,405)	2,405	(1,881)	(1,881)
(42,460)	18,203	(8,720)	(32,977)	Total Including Schools and Business Rate Relief Accounting Reserve	(32,977)	20,316	(6,085)	(18,746)

- Leisure Contract Risk Fund – The fund is used to manage property costs which are over and above those included within the leisure contract which may result in the provider claiming for loss of income during periods of property upgrade.
- MMI Reserve - In March 2012 the Supreme Court on the Employers' Liability Policy Trigger Litigation relating to Mesothelioma Claims ruled that the insurer, Municipal Mutual Insurance (MMI) who was at risk at the time of the employee's exposure to asbestos was liable to pay compensation for the employee's Mesothelioma. The Council received information relating to possible MMI claims and a provision was created for these. In addition, a reserve was established to provide for potential future claims not currently included within the provision created.
- Insurance Reserve - The Council operates a self-funding arrangement on its insurance liability policies. An Insurance Reserve has been established for potential future insurance claims not currently provided for within the insurance provision.
- PFI Street Lighting and Schools Reserve - The Council receives support from the Government in the form of PFI grant that is paid on an annuity basis. Where the funding available is in excess of the contract payments to be made in the year, the surplus is transferred to an earmarked PFI reserve. This reserve is called upon in future years when contract payments exceed funding available.
- Council Tax Reserve Reliefs Reserve - This funding relates to the timing of income being received in relation to court costs on council tax. As the number of court cases varies from year to year this income is being set aside to ensure that a fixed revenue budget can be financed over the medium term.
- The Direct Revenue Funding Reserve relates to revenue resources which are earmarked to fund capital expenditure.
- The MTFRS Reserve will be used to manage the volatility of the assumptions around the Medium Term Financial Strategy.
- Brexit Reserve – this is funding received from central Government to fund the legal and operational impact of Brexit.
- Business Rates Taxation Compensation Reserve - this reserve has been created through the receipt of grant funding, received from Central Government, to compensate the Council for Business Rates tax losses due to the impact of COVID-19 in 2020/21. The grant is to compensate local authorities for 75% of the loss in income on business rates which was anticipated at budget set, and will be used to part-fund the three-year spreading of the 2020/21 Business Rates Collection Fund deficit (as permitted by Central Government for one-year only).
- Business Rates Funding Reserve – this is a reserve created from income from refunds and grants which will be used to offset deficits to be funded by the Council.
- Strategic Change and Resilience – a reserve created to build the financial resilience of the Council.
- Climate Change Initiatives – to provide additional capacity to the climate change service to support initiatives to help address the Council's priority on climate change.
- Collection Fund Risk Reserve – the reserve is created from funding provided by Government to fund the additional cost of providing council tax support due to pressures on households as a result of Covid-19.

- Utilities Risk Reserve – a reserve set aside to mitigate the current risk of excessive inflationary pressures on our utility budgets.
- Directorate Reserves – these have been created from grant income where there are no conditions attached to the funding, by income generated through trading operations or created by directorates to fund future year spending commitments.
- Business Rate Relief Accounting Reserve - this is a Section 31 grant received from Central Government to cover the cost of the additional reliefs awarded for business rates. This grant is held for technical accounting purposes and will fund a significant element of the business rates deficit in future years.
- Balances held by schools represent the accumulated cash balances of schools within the Borough's control. In accordance with Government regulations and the Council's Scheme of Delegation for Schools, these funds are carried forward and specifically earmarked for use by schools in future years. This fund does not include cash balances held by schools which are under Multi-academy Trust control.

The earmarked reserves held by the Council at the 31 March 2024 have decreased by £14.231 million from the 2022/23 balance. This is primarily attributed to the need to absorb the overspend reported on the revenue outturn position of £3.299 million, the planned use of £6.173 million to balance the 2023/24 budget (£2.503 million budget gap, £1.301 million council tax and £2.342 million business rates) and the drawdown of reserves to fund in-year spend.



Note 9 Other Operating Expenditure

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

2022/23 £000		2023/24 £000
593	Town and Parish council precepts	588
172	Northumbria Flood Defence and N.E. Sea Fisheries Levies	178
523	(Gains)/Losses on the disposal of non-current assets	48
1,288	Total	814



Note 10 Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure is analysed in the table below. The loss on disposal of academies is due to the removal of Lingdale Primary from the balance sheet following academisation. The net loss on the fair value of investment properties relates to the recognition of elements of the Coatham development as investment properties. As investment properties are valued at their rental income, this results in a loss on the Comprehensive Income and Expenditure Statement.

2022/23 £000		2023/24 £000
14,739	Interest payable and similar charges	15,467
3,763	Net interest on the defined pension liability	(3,790)
(1,760)	Interest receivable and similar income	(2,097)
4,154	Loss on Disposal of Academies	2,359
(236)	Net (gains)/losses on fair value of investment properties	2,896
-	Premium on early redemption of LOBO loan	1,450
1,743	Net (gains)/losses on fair value of financial instruments through profit & loss	351
22,403	Total	16,636

Note 11 Taxation and Non Specific Grant Income

The line, Taxation and Non-Specific Grant Income, below the Net Cost of Services in the Comprehensive Income and Expenditure Statement holds a number of grants and contributions that are used on a corporate basis. The grants and contributions for 2023/24 are as follows:

2022/23 £000		2023/24 £000
	<u>Credited to Taxation and Non-Specific Grant Income</u>	
(70,065)	Council Tax Income	(73,304)
(38,696)	Distribution from Non-Domestic Rates	(42,015)
	<u>Non-Ring-Fenced Government Grants:</u>	
(7,704)	Revenue Support Grant	(8,711)
(6,957)	PFI Grant	(5,790)
(949)	New Homes Bonus Scheme	(382)
(21,164)	Capital Grants and Contributions	(35,740)
(9,204)	Other Grants	(14,195)
(154,739)	Total	(180,137)

Note 12 Dedicated Schools Grant

The Council's expenditure on schools is funded through the Dedicated Schools Grant (DSG) allocated by the Department for Education. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations [2023]. The Schools Budget includes elements for a range of educational

services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2023/24 are as follows:



	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
Final DSG for 2023/24 before academy and high needs recoupment			(143,554)
Academy and high needs figure recouped for 2023/24			102,060
Total DSG after academy and high needs recoupment for 2023/24			(41,494)
Plus: Brought forward from 2022/23			-
Less: Carry-forward to 2024/25 agreed in advance			-
Agreed initial budgeted distribution in 2023/24	(20,619)	(20,875)	(41,494)
In year adjustments			
Early Years additional allocation re. 2022/23, recouped in 2023/24	-	18	18
Final budget distribution for 2023/24	(20,619)	(20,857)	(41,476)
Less: Actual central expenditure	22,255	-	22,255
Less: Actual ISB deployed to schools	-	20,263	20,263
Plus: Local authority contribution for 2023/24	-	-	-
In Year Carry-forward to 2023/24	1,636	(594)	1,042
Plus/Minus: Carry-forward to 2024/25 agreed in advance	-	-	-
Carry-forward to 2023/24	1,636	(594)	1,042
DSG unusable reserve at the end of 2022/23			4,970
Addition to DSG unusable reserve at the end of 2023/24			1,042
Total of DSG unusable reserve at the end of 2023/24			6,012
Net DSG position at the end of 2023/24			6,012

Note 13 Members' Allowances

2022/23 £000		2023/24 £000
630	Basic Allowances	656
176	Special Responsibility Allowances	173
10	Expenses	6
816	Total	835

During the year, the Council had a total of 59 elected Members. The cost of remuneration includes basic allowances, special responsibility allowance, dependents' carer's allowance, co-optees' allowance, travel and subsistence and telephone costs paid to Elected Members in 2023/24. This figure also includes employers National Insurance contributions. The figures shown for 2022/23 are a direct comparison with 2023/24.



Note 14 Officers' Remuneration

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

2022/23 Total Employees	Remuneration Band (£)	2023/24 Total Employees
76	50,000 to 54,999	73
37	55,000 to 59,999	77
10	60,000 to 64,999	12
24	65,000 to 69,999	17
9	70,000 to 74,999	28
1	75,000 to 79,999	-
7	80,000 to 84,999	5
4	85,000 to 89,999	5
2	90,000 to 94,999	3
7	95,000 to 99,999	8
-	100,000 to 104,999	4
-	105,000 to 109,999	1
1	110,000 to 114,999	1
-	115,000 to 119,999	1
1	120,000 to 124,999	-
-	125,000 to 129,999	2
-	130,000 to 134,999	-
-	135,000 to 139,999	-
2	140,000 to 144,999	-
-	145,000 to 149,999	3
-	150,000 to 154,999	-
1	155,000 to 159,999	-
-	160,000 to 164,999	1
-	165,000 to 169,999	1
-	170,000 to 174,999	-
-	175,000 to 179,999	1
-	Over £180,000	2
182	Total	245

In terms of statutory requirements any senior member of staff with a gross salary (not remuneration) in excess of £150,000 needs to be named. Only one officer of the Council met this requirement in 2023/24. John Sampson, Managing Director (Head of Paid Services).

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

2023/24	Salary (including Fees & Allowances) £	Recurring Payment £	One Off Payment £	Benefits in Kind £	Redundancy and other severance payments £	Gross Remuneration Excl. Pension Contributions 2023/24 £	Pension Contributions 2023/24 £	Total Remuneration Including Pension Contributions 2023/24 £
Managing Director (Head of Paid Services)	147,715	-	-	-	-	147,715	15,067	162,782
Executive Director for Children and Families	135,718	-	-	-	-	135,718	13,843	149,561
Executive Director for Growth, Enterprise & Environment	135,718	-	-	-	-	135,718	13,843	149,561
Executive Director for Adults and Communities	135,718	-	-	-	-	135,718	13,843	149,561
Director for Finance (Section 151 Officer)	116,717	-	-	-	-	116,717	11,905	128,622
Governance Director	116,597	-	-	-	-	116,597	11,905	128,502
Director of Public Health (1)	-	-	-	-	-	-	-	-
Head of Marketing and Communications	64,944	-	-	-	-	64,944	6,624	71,568
Total	853,127	-	-	-	-	853,127	87,030	940,157

Items to note:

1. Employed by Middlesbrough Council

2022/23	Salary (including Fees & Allowances) £	Recurring Payment £	One Off Payment £	Benefits in Kind £	Redundancy and other severance payments £	Gross Remuneration Excl. Pension Contributions 2022/23 £	Pension Contributions 2022/23 £	Total Remuneration Including Pension Contributions 2022/23 £
Managing Director (Head of Paid Services)	142,719	-	-	-	-	142,719	13,038	155,757
Executive Director for Children and Families	131,128	-	-	-	-	131,128	12,320	143,448
Executive Director for Growth, Enterprise & Environment (1)	32,782	-	-	-	-	32,782	3,158	35,940
Executive Director for Adults and Communities	131,128	-	-	-	-	131,128	12,110	143,238
Director for Finance (Section 151 Officer)	100,207	-	-	-	-	100,207	10,206	110,413
Governance Director	112,650	-	-	-	-	112,650	11,503	124,153
Director of Public Health (2)	-	-	-	-	-	-	-	-
Head of Policy & Performance (3)	28,733	-	-	-	37,724	66,457	2,899	69,355
Head of Marketing and Communications	62,518	-	-	-	-	62,518	6,377	68,895
Total	741,865	-	-	-	37,724	779,589	71,611	851,199

Items to note:

1. Corporate Director for Growth, Enterprise & Environment post vacant part year
2. Employed by Middlesbrough Council
3. Head of Policy & Performance post deleted in year

Note 15 Termination Benefits

The Council terminated the contracts of 37 employees in the 2023/24 financial year, incurring liabilities of £1.254m (£0.142m for 2022/23). The payments were all for agreed voluntary arrangements. Of this total £1.210m was payable to 33 officers in respect of various voluntary arrangements agreed and £0.044m was paid to 4 officers who received compulsory redundancy.

The table below shows an analysis of the total cost incurred by Directorate during 2023/24.

Directorate	£000	Number of Employees
Resources	61	3
Adults and Communities	599	8
Children and Families (Schools)	-	-
Children and Families (Non Schools)	73	11
Growth, Enterprise and Environment	521	15
Total	1,254	37

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	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23 £000	2023/24 £000
0 to 20,000	-	3	15	18	15	21	78	143
20,001 to 40,000	-	1	2	8	2	9	64	270
40,001 to 60,000	-	-	-	2	-	2	-	86
60,001 to 80,000	-	-	-	-	-	-	-	-
80,001 to 100,000	-	-	-	1	-	1	-	96
100,001 to 150,000	-	-	-	2	-	2	-	285
Over 150,001	-	-	-	2	-	2	-	374
Total	-	4	17	33	17	37	142	1,254

Note 16 Trading Operations

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

2022/23					2023/24					
Income £000	Expend- iture £000	(Surplus)/ Deficit £000	Less Technical Adjust- ments £000	Net (Surplus)/ Deficit £000	<u>Trading Operation</u>	Income £000	Expend- iture £000	(Surplus)/ Deficit £000	Less Technical Adjust- ments £000	Net (Surplus)/ Deficit £000
(804)	734	(70)	(35)	(105)	Trade Refuse Collection	(885)	867	(18)	(10)	(28)
(52)	63	11	(16)	(5)	Industrial Estates	(56)	59	3	-	3
(6)	10	4	-	4	Markets	(5)	10	5	-	5
(137)	1,891	1,754	(1,537)	217	Business Centres	(133)	194	61	(4)	57
(1,142)	1,177	35	(63)	(28)	Car Parking	(1,132)	1,863	731	(683)	48
(167)	242	75	(32)	43	Taxi Licensing	(150)	183	33	(7)	26
(159)	208	49	(32)	17	General Licensing	(167)	236	69	(11)	58
(2,467)	4,325	1,858	(1,715)	143	Total	(2,528)	3,412	884	(715)	169

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

Technical adjustments in the table above are included within Note 6.

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

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

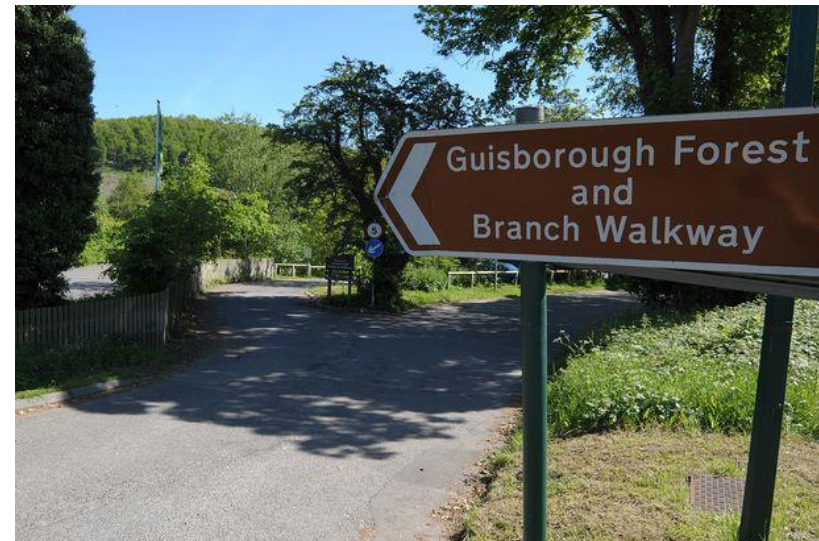
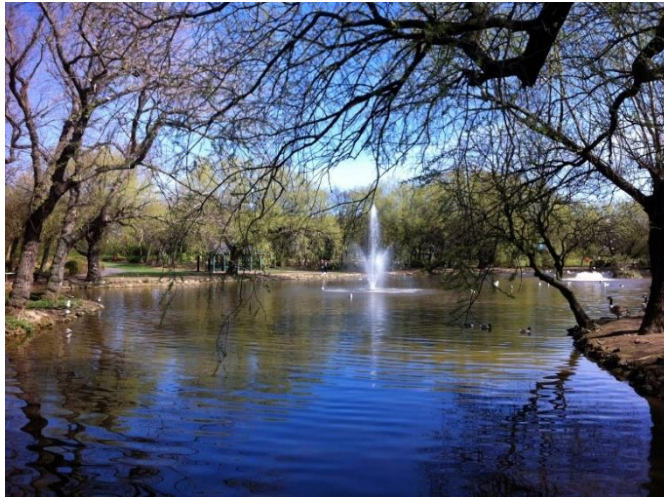


Note 17 Pooled Budgets

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

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

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



2022/23 £000	Pooled Budgets	2023/24 £000
(1,898)	Balance brought forward - Revenue	(1,039)
(1,955)	Balance brought forward - Capital	(1,361)
(3,853)		(2,400)
<u>Funding Provided to the Pooled Budget</u>		
(2,391)	The Authority	(2,918)
(13,647)	North East & North Cumbria ICB	(14,340)
(16,038)		(17,258)
<u>Expenditure Met from Pooled Budget</u>		
13,729	The Authority	14,227
3,762	North East & North Cumbria ICB	3,732
17,491		17,959
(2,400)	Total surplus	(1,699)
(1,361)	Capital amounts carried forward into Future Years	(673)
(1,039)	Net revenue surplus arising on the Better Care Fund pooled budget to be carried forward	(1,026)

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

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

2022/23 £000	Improved Better Care Fund	2023/24 £000
-	Balance brought forward	-
	<u>Funding Provided to the Pooled Budget</u>	
(6,928)	The Authority	(6,928)
	<u>Expenditure Met from Pooled Budget</u>	
6,928	The Authority	6,928
-	Net Balance Carried Forward	-



Note 18 Fees Payable to Auditors

For 2023/24 the following fees relating to external audit and inspection were payable by the Council:

2022/23 £000		2023/24 £000
135	Fees payable for services provided by the External Auditors	396
16	Fees payable for the certification of grant claims	15
151	Total	411



Note 19 Property, Plant and Equipment (PPE)

(SDPS = Surplus/Deficit on Provision of Services)

(RR = Revaluation Reserve)

Movements in tangible non-current assets (excluding Infrastructure Assets) for the year 2023/24:

2023/24	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000	Assets Under Construction £000	Total PPE (excluding Infrastructure) £000	Included in Total PPE – Owned (excluding Infrastructure) £000	Included in Total PPE - Finance Leased £000	Included in Total PPE – PFI Assets £000
<u>Cost or Valuation</u>								
At 1 April 2023	149,267	28,460	5,413	13,094	196,234	190,333	75	5,826
Additions	4,346	3,518	1,131	7,205	16,200	16,123	-	77
Revaluation increases/(decreases) to Revaluation Reserve	7,684	-	-	2,111	9,795	9,831	-	(36)
Revaluation increases/(decreases) to Surplus or Deficit on Provision of Service	(6,570)	-	(166)	-	(6,736)	(6,620)	-	(116)
De-recognition - Disposals	(2,551)	(1,891)	-	(34)	(4,476)	(4,476)	-	-
Assets reclassified (to)/from Held for Sale	(2,600)	-	-	-	(2,600)	(2,600)	-	-
Assets reclassified (to)/from Investment Properties	1,503	-	-	(3,689)	(2,186)	(2,186)	-	-
Other movements	6,352	-	-	(6,352)	-	-	-	-
At 31 March 2024	157,431	30,087	6,378	12,335	206,231	200,405	75	5,751

2023/24	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Assets Under Construction	Total PPE (excluding Infrastructure)	Included in Total PPE – Owned (excluding Infrastructure)	Included in Total PPE - Finance Leased	Included in Total PPE – PFI Assets
	£000	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment								
At 1 April 2023	(1,679)	(17,797)	2	(27)	(19,501)	(19,451)	(50)	-
Depreciation charge for the year	(4,994)	(2,348)	-	-	(7,342)	(7,200)	(25)	(117)
Depreciation written out to the Surplus or Deficit on Provision of Service	4,595	-	-	-	4,595	4,478	-	117
De-recognition - Disposals	80	1,841	-	-	1,921	1,921	-	-
Other movements	(24)	-	-	28	4	4	-	-
At 31 March 2024	(2,022)	(18,304)	2	1	(20,322)	(20,248)	(75)	-
Net Book Value								
At 31 March 2024	155,409	11,783	6,380	12,336	185,908	180,157	-	5,751
AT 31 March 2023	147,588	10,663	5,415	13,067	176,734	170,885	25	5,826

Depreciation

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

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

Movements in tangible non-current assets for the year 2022/23:

2022/23	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Assets Under Construction	Total PPE (excluding infrastructure)	Included in Total PPE – Owned (excluding infrastructure)	Included in Total PPE - Finance Leased	Included in Total PPE – PFI Assets
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2022	153,970	26,678	5,411	7,632	193,691	181,776	75	11,840
Additions	10,951	2,364	230	7,915	21,460	15,892	-	5,568
Revaluation increases/(decreases) to Revaluation Reserve	15,717	-	-	-	15,717	16,053	-	(336)
Revaluation increases/(decreases) to Surplus or Deficit on Provision of Service	(17,815)	-	(228)	-	(18,043)	(8,362)	-	(9,681)
De-recognition - Disposals	(4,154)	(582)	-	-	(4,736)	(4,736)	-	-
Assets reclassified (to)/from Investment Properties	(8,595)	-	-	(3,260)	(11,855)	(11,855)	-	-
Other movements	(807)	-	-	807	-	1,565	-	(1,565)
At 31 March 2023	149,267	28,460	5,413	13,094	196,234	190,333	75	5,826
Accumulated Depreciation and Impairment								
At 1 April 2022	(2,989)	(16,167)	-	(2)	(19,158)	(19,097)	(25)	(34)
Depreciation charge for the year	(4,491)	(2,164)	-	-	(6,655)	(6,369)	(25)	(261)
Depreciation written out to the Surplus or Deficit on Provision of Service	5,776	-	-	-	5,776	5,481	-	295
De-recognition - Disposals	-	533	-	-	533	533	-	-
Other movements	25	2	2	(25)	4	4	-	-
At 31 March 2023	(1,679)	(17,797)	2	(27)	(19,500)	(19,448)	(50)	-
Net Book Value								
At 31 March 2023	147,588	10,663	5,415	13,067	176,734	170,885	25	5,826
At 31 March 2022	150,981	10,511	5,411	7,630	174,533	162,677	50	11,806

Highways Infrastructure Assets

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

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

For depreciation of Highways Infrastructure assets useful life is between 10 to 40 years.

	31 Mar 2023	31 Mar 2024
	£000	£000
Net Book Value at 1 April	102,847	101,712
Additions	5,791	5,404
Derecognition	(2,938)	-
Depreciation	(3,988)	(6,205)
Other Movements in Cost	-	-
Net Book Value at 31 March	101,712	100,911

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

	31 Mar 2023	31 Mar 2024
	£000	£000
Other PPE Assets	176,733	185,908
Infrastructure Assets	101,712	100,911
Net Book Value 31 March	278,445	286,819

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



Revaluations

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

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

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

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

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

	Other Land and Buildings	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Total PPE
	£000	£000	£000	£000	£000
Carried at historical cost at 31 March 2024	86,216	11,794	4,977	12,336	115,323
Valued at current value as at:					
31 March 2024	134,972	-	1,290	3,400	139,662
31 March 2023	139,861	-	392	-	140,253
31 March 2022	127,909	-	3,307	-	131,216
31 March 2021	31,581	-	1,720	-	33,301
31 March 2020	43,665	-	286	-	43,951

Note 20 Impairment Losses

Paragraph 4.7.4.2(1) of the Code of Practice requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. There has been no impairment of assets in 2023/24.

Saltburn Cliff Lift suffered fire damage in January 2024. Work to repair the fire damaged areas is estimated to be between £0.04million and £0.05 million and is due to be completed in June 2024. The cost of repair is deemed to be immaterial and so no impairment has been actioned.

Note 21 Investment Properties

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

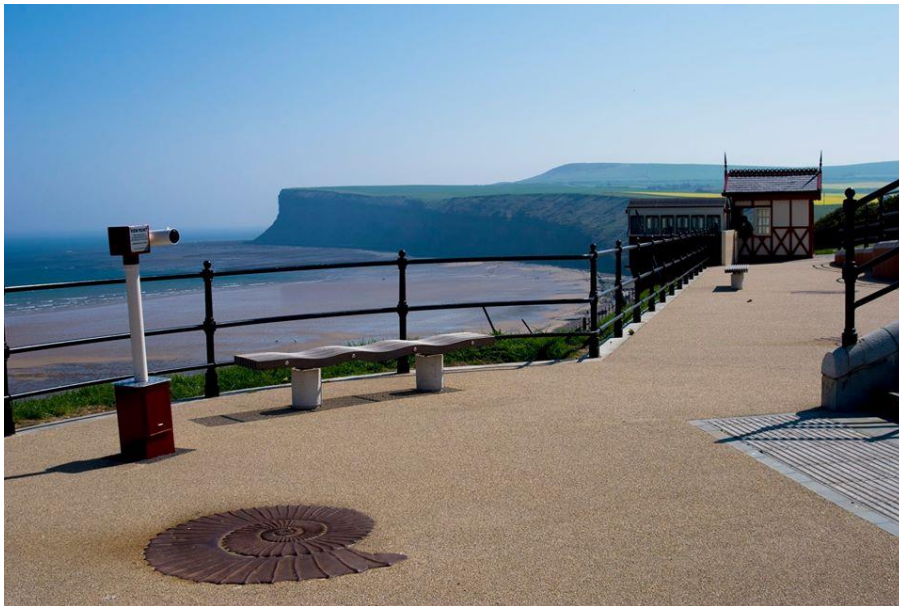
2022/23 £000		2023/24 £000
11,312	Balance at start of the year	12,304
	<u>Additions:</u>	
-	Purchases	-
21	Subsequent expenditure	184
	<u>Disposals:</u>	
(10,881)	Net gains/(losses) from fair value adjustments	(2,896)
-	Other Disposals	-
	<u>Transfers:</u>	
11,852	(To)/From Property, Plant and Equipment and Assets Held for Sale	2,183
12,304	Balance at end of the year	11,775

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

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

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

2022/23 £000		2023/24 £000
9,715	Properties for rental income purposes	10,861
576	Properties held for an undetermined future use	483
248	Properties currently vacant held to be leased out	80
1,640	Properties held for capital appreciation purposes	241
125	Properties which are being constructed/developed for future investment use	110
12,304		11,775



Note 22 Intangible Assets

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

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

Assets	Useful Life	Useful Life Remaining	31 March 2023 £000	Expenditure 2023/24 £000	Amortisation 2023/24 £000	31 March 2024 £000
Adult Services System	10 Years	9 Years	114	-	(14)	100
Agresso	10 Years	10 Years	575	121	(74)	622
Back Up Disaster Recover	5 Years	4 Years	159	-	(32)	127
Customer Relationship Management System	5 Years	2 Years	46	-	(19)	27
Xais Software	10 Years	10 Years	89	77	(9)	157
Corporate Web	5 Years	4 Years	119	-	(28)	91
Recovery CYBER	5 Years	5 Years	751	-	(203)	548
Route Optimisation	3 Years	2 Years	41	-	(14)	27
Technology Forge	5 Years	4 Years	161	-	(41)	120
Other IT Software	Various	Various	350	319	(65)	604
			2,405	517	(499)	2,423

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

2022/23		2023/24
£000		£000
7,127	Gross carrying amounts	8,035
(5,226)	Accumulated amortisation	(5,630)
1,901	Net carrying amount at start of year	2,405
	Additions – internal development	
1,010	Additions - purchases	517
(102)	Disposals – gross carrying amount	-
102	Disposals – accumulated amortisation	-
(506)	Amortisation for the period	(499)
-	Other changes	-
2,405	Net carrying amount at end of year	2,423
	Comprising:	
8,035	Gross carrying amounts	8,552
(5,630)	Accumulated amortisation	(6,129)

Note 23 Private Finance Initiatives and Similar Contracts

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

Office Accommodation and Business Centre

During 2022/23 the Council voluntarily terminated its private finance initiative (PFI) contract for office accommodation.

Schools

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

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

Classification of Schools

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

Where the school becomes an academy, the building is de-recognised on the Council's Balance Sheet as the economic benefits and service potential for the building rest with the governing body.

However, as the PFI contract is an agreement between the Council and the contractor, the corresponding liability remains with the Council for the remaining period of the contract.

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

Street Lighting

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

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

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

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

Payments

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

Other reasons why costs might vary in future years are:

- The provision of facilities management services may be subject to benchmarking and/or market testing. Payments to

the contractor may be adjusted to reflect the outcome of these exercises and could reduce or increase costs.

- Once PFI contracts are operational it is sometimes possible to re-finance the contract which reduces the cost of borrowing incurred by the contractor.
- The Council can vary the contract regarding services provided which may impact on the unitary charge.

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

Payments to be made over the life of the remaining two PFI contracts at 31 March 2024 (excluding any estimation of inflation and availability/performance deductions) are detailed below:

Payments due to be made under PFI Contracts (excluding inflation) - Outstanding as at 31 March 2024

	Repayment of leasing liability	Payment of interest	Provision of services	Total
	31 March 2024	31 March 2024	31 March 2024	31 March 2024
	£000	£000	£000	£000
Within 1 year	2,507	4,081	3,717	10,305
Within 2 - 5 years	13,146	13,743	14,330	41,219
Within 6 – 10 years	19,827	9,345	17,737	46,909
Within 11 -15 years	6,883	827	3,992	11,702
Total Future Payments	42,363	27,996	39,776	110,135

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



Payments due to be made under PFI Contracts (including inflation) - Outstanding as at 31 March 2024

	Repayment of leasing liability	Payment of interest	Provision of services	Total
	31 March 2024	31 March 2024	31 March 2024	31 March 2024
	£000	£000	£000	£000
Within 1 year	2,507	6,490	5,071	14,068
Within 2 – 5 years	13,146	25,464	20,534	59,144
Within 6 – 10 years	19,827	25,949	27,676	73,452
Within 11 – 20 years	6,883	6,497	6,817	20,197
Total Future Payments	42,363	64,400	60,098	166,861

The figures below represent the amount of debt outstanding with the PFI contractor for the assets held under contract as at 31 March 2024. This is repayable over the remaining term of the contracts.

Value of liabilities held under PFI schemes

2022/23 £000	Outstanding PFI Liability	2023/24 £000
(50,329)	Opening Balance	(44,874)
2,864	Repayments	2,511
2,591	Repayment of outstanding liability payment following termination of office PFI contract	-
(44,874)	Closing Balance	(42,363)



Note 24 Capital Expenditure and Capital Financing

The Capital Financing Requirement shows the underlying need of the Council to borrow to finance its Capital Investment Plan.

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

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

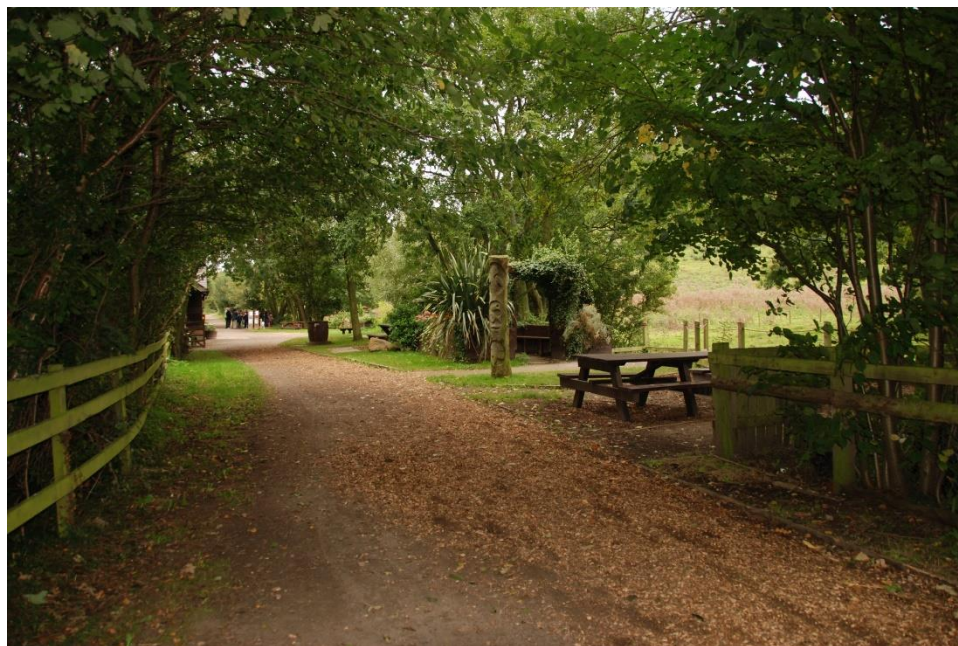
2022/23		2023/24	
£000	£000	£000	£000
	265,687	Opening Capital Financing Requirement	266,265
		<u>Capital Investment</u>	
27,251		Property, Plant and Equipment	21,604
1,010		Intangible Assets	517
-		Loans & Advances Treated as Capital Expenditure	425
21		Investment Properties	184
-		Long Term Investment	-
8,007		Revenue Expenditure Funded from Capital under Statute	5,004
	36,289	Total Capital Investment	27,734
		<u>Sources of Finance</u>	
(457)		Capital Receipts	(370)
(29,265)		Government grants and other contributions	(26,673)
		<u>Sums set aside from revenue:</u>	
(103)		Direct revenue contributions	-
(5,886)		MRP/Loans Fund Principal	(5,354)
	(35,711)	Total Sources of Finance	(32,397)
	266,265	Closing Capital Financing Requirement	261,602
	578	Movement in Year	(4,663)
		<u>Explanation of movement in year</u>	
		Increase in underlying need to borrow (supported by Government assistance)	
6,662		Increase in underlying need to borrow (unsupported by Government assistance)	914
		Assets acquired under finance leases	
(198)		Write down of long term debtor	(223)
-		Additional use of capital receipts	-
	6,464	Increase/(Decrease) in Capital Financing Requirement	691
	(5,886)	Reduced by Minimum Revenue Provision	(5,354)
	578	Total Movement in Year	(4,663)

Capital Commitments

As at 31 March 2024, there were two contracts for the construction or enhancement of Property, Plant and Equipment in future years in excess of £1.000 million.

Scheme	Estimated value £000	Spend to Date £000	Outstanding £000
United Reformed Church (URC), Loftus	1,322	108	1,214
Temperance Square, Loftus - Main Works	2,966	-	2,966

The Council had no contracts for the construction or enhancement of Property, Plant and Equipment exceeding £1.000 million in 2022/23.



Note 25 Long Term Debtors

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

Loan to Leisure Service Provider - As part of the current leisure contract with Sports and Leisure Management Ltd (SLM) the Council agreed to use its prudential borrowing powers to finance the capital investment programme put forward by SLM as part of its successful bid. The rationale being that the Council could access cheaper long term external finance than SLM could obtain from the banking sector. This would result in savings to the Council as these capital borrowing costs are recharged back to the Council through the regular billing process. As the assets involved, principally leisure centres, are owned by the Council in a freehold capacity, this process is similar to the Council investing in its own buildings portfolio.

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

Children and Families Social Care Loans – loans to assist foster carers and special guardianships with essential adaptations to their homes and other capital purchases. These loans are repaid by deductions to allowances over an agreed number of years.

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

	Balance 31 March 2023 £000	Total Spend £000	Disposals/ Transfers £000	Amounts Written Off/ Repaid £000	Balance 31 March 2024 £000
Loan to Leisure Service Provider - SLM	22	425	-	(206)	241
FROG Loan	17	-	-	(17)	-
Payment in Advance - Middlesbrough Council	435	-	-	(401)	34
Cygnet Family Law	1,227	-	-	-	1,227
Children and Families Social Care Loans	33	-	-	(8)	25
Total	1,734	425	-	(632)	1,527

Note 26 Assets Held for Sale

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

2022/23 £000		2023/24 £000
90	Balance outstanding at start of year	-
-	Assets newly classified as held for sale - PPE	2,600
-	Revaluation losses	-
-	Revaluation gains	-
-	Assets declassified as held for sale: Investment properties	-
(90)	Assets sold	-
-	Balance outstanding at year end	2,600

There is a increase in the net book value of assets held for sale at the end of this financial year of £2.600 million due to two new classified assets held for sale, these being Land formerly Eston Park and Belmont House.

Note 27 Short Term Debtors

31 March 2023 £000		31 March 2024 £000
3,661	Central Government Bodies	3,996
13,099	Other Local Authorities	12,740
3,621	NHS Bodies	3,232
328	Public Corporation and Trading Funds	195
27,594	Council Taxpayers	31,496
1,336	Business Rates	1,350
3,105	Housing Benefits Overpayments	2,448
6,341	Other Entities and Individuals	7,715
59,085	Total	63,172
	<u>Provisions for Doubtful Debts</u>	
(1,488)	Directorate Contribution to Bad Debt Provision	(1,534)
(8,135)	Council Taxpayers	(9,825)
(678)	Business Rates	(668)
(1,006)	Housing Benefits Overpayments	(786)
47,777	Total debtors including provision for doubtful debt	50,359

Note 28 Cash and Cash Equivalents

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

31 March 2023 £000		31 March 2024 £000
44	Cash held by the Council	45
2,124	Bank current accounts – school accounts	1,514
(1,443)	Bank current accounts – main Council	(2,212)
10,350	Short term deposits with Financial Institutions	9,030
11,075	Total Cash and Cash Equivalents	8,377



Note 29 Short Term Creditors

31 March 2023 £000		31 March 2024 £000
(1,812)	Central Government Bodies	(3,580)
(12,832)	Other Local Authorities	(9,243)
(963)	NHS Bodies	(778)
(110)	Public Corporation and Trading Funds	(213)
(788)	Short Term Accumulating Compensated Absences	(698)
(16,813)	Other Entities and Individuals	(22,768)
(4,415)	Local Taxation	(3,322)
(37,733)	Total	(40,602)



Note 30 Provisions

	Balance at 1 April 2023	Provisions made in 2023/24	Provisions utilised in 2023/24	Other Transfers in 2023/24	Balance at 31 March 2024	Short Term Provisions	Long Term Provisions
	£000	£000	£000	£000	£000	£000	£000
Insurance Provision	(1,893)	(109)	935	-	(1,067)	(510)	(557)
Business Rates Appeals	(1,403)	(2,420)	139	-	(3,684)	(1,474)	(2,210)
Childrens' Social Care Provision	(947)	-	39	-	(908)	-	(908)
Total Provisions	(4,243)	(2,529)	1,113	-	(5,659)	(1,984)	(3,675)

A provision is a monetary sum set aside in respect of a known event which may occur and for which the timing is uncertain, but the actual financial liability is known with some degree of confidence.

Insurance Provision:

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

The value of the provision is underpinned by the latest actuary report and the best estimate of the financial liability of existing claims outstanding at 31 March 2024.

Business Rates Appeals:

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

The value of the provision has been established based on discussions with the Council's own staff, the outsourced provider, Liberata, and the VOA. This is based on the value of appeals outstanding, past experience of appeals being successful, and adjusted for any significant appeals that are in progress. The total value of the provision is £7,518 million with the 49% share in the Council's own accounts being £3,684 million.

Children Social Care Provision:

Provision is made for possible claims for financial payments for some children's social care activities.



Note 31 Long Term Creditors

	Balance at 31 March 2023 £000	Income £000	Expenditure £000	Balance at 31 March 2024 £000
Section 38 / 278 Agreements	(492)	(509)	761	(240)
Section 106 Agreements	(3,725)	(703)	1,218	(3,210)
Commutated Sums	(65)	-	-	(65)
Trust Funds	(109)	-	-	(109)
Total	(4,391)	(1,212)	1,979	(3,624)

Section 38 / 278 agreements relate to the creation of new highways upon land in the ownership of anyone other than the Highway Authority. It is an agreement between the land owner and the Council for the construction of new highways and the ultimate adoption by the Council as a public highway. The agreement secures a bond for the cost of the works, to enable completion of the works by the Council upon default by the developer. There are currently 17 agreements in place.

Section 106 Agreements provide Councils with the power to enter into a legally binding agreement with a person with an interest in land. The agreement may restrict development or use of the land, require operations or activities to be carried out on the land or require land to be used in a particular way. There are currently 18 agreements in place.

Commutated sums are a payment made by a developer to the Council which will cover the future maintenance of an asset which will be adopted by the Council. There are currently 3 agreements in place.

The Council is the custodian of three trust funds. The Council decides on how the funds are used whilst ensuring that the conditions in the trust deed is fulfilled.

Note 32 Financial Instruments

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

Financial Liabilities

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

Financial Assets

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

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

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

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

Financial Instruments: Balances

Financial Liabilities

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

Financial Liabilities	Long-term		Current	
	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000
Loans at amortised cost:				
- Principal sum borrowed – PWLB	(95,962)	(103,125)	(12,966)	(8,311)
- Principal sum borrowed – LOBO	(25,000)	(18,500)	-	-
- Principal sum borrowed – Market	(48,750)	(48,750)	-	-
- Principal sum borrowed – Local Authority	(15,690)	(15,763)	(15,000)	(10,000)
- Principal sum borrowed – Other	(1,090)	(363)	(726)	(726)
Accrued interest				
- Accrued interest – PWLB	-	-	(657)	(738)
- Accrued interest – LOBO	-	-	(448)	(328)
- Accrued interest – Market	-	-	(800)	(801)
- Accrued interest – Local Authority	-	-	(315)	(587)
EIR adjustments - PWLB	266	265	-	-
Total Borrowing	(186,226)	(186,236)	(30,912)	(21,491)
Liabilities at amortised cost:				
- PFI arrangements	(42,362)	(39,856)	-	-
Other Long Term Liabilities	(42,362)	(39,856)	-	-
Liabilities at amortised cost:				
- Trade payables	(4,391)	(3,624)	(21,797)	(25,989)
- PFI arrangements and leases	-	-	(2,524)	(2,507)
Included in Creditors *	(4,391)	(3,624)	(28,321)	(28,496)
Total Financial Liabilities	(232,979)	(229,716)	(55,233)	(49,987)

* The creditors lines on the Balance Sheet includes £12.106 million (2022/23 £13.412 million) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

Financial Assets

Financial Assets	Long-term		Current	
	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000
At amortised cost:				
- Principal	-	-	5,000	-
- Accrued interest	-	-	26	-
At fair value through other comprehensive income:				
- Equity investments elected FVOCI	1,742	1,742	-	-
At fair value through profit and loss				
- Fair value	8,712	8,372	-	-
Total Investments	10,454	10,114	5,026	-
At amortised cost:				
- Principal	-	-	8,530	489
- Accrued interest	-	-	30	2
At fair value through profit and loss				
- Fair value	-	-	2,515	7,886
Total Cash & Cash Equivalents	-	-	11,075	8,377
At amortised cost:				
- Short-term debtors	435	34	22,443	23,482
- Loans made for service purposes and employees	1,299	1,493	50	24
Included in Debtors *	1,734	1,527	22,493	23,506
Total Financial Assets	12,188	11,641	38,594	31,883

* The debtors lines on the Balance Sheet include £39.666 million (2022/23 £36.593 million) short term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions. The debtors line also includes a credit of £12.813 million for the bad debt provision.

Equity Instruments Elected to Fair Value Through Other Comprehensive Income

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

	Fair Value		Dividend	
	31 March 2023 £000	31 March 2024 £000	31 March 2022 £000	31 March 2024 £000
Redcar and Cleveland Legal Services Ltd	1,722	1,722	700	700
Veritau Tees Valley Limited	20	20	-	-
	1,742	1,742	700	700

Financial Instruments: Gains and Losses

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

2023/24	Financial Liabilities		Financial Assets		2023/24 Total £000	2022/23 Total £000
	Liabilities measured at amortised cost £000	Amortised Cost £000	Fair Value through Profit & Loss £000			
Interest expense	15,441	-	-	-	15,441	14,703
Losses from changes in fair value	-	-	351		351	1,744
Fees paid	26	-	-		26	36
Interest payable and similar charges	15,467	-	351		15,818	16,483
Interest income *	-	(376)	(1,021)		(1,397)	(1,060)
Dividend income	-	-	(700)		(700)	(700)
Impairment loss reversals	-	-	-		-	(1)
Interest and investment income	-	(376)	(1,721)		(2,097)	(1,761)
Net impact on surplus/deficit on provision of services	15,467	(376)	(1,370)		13,721	14,722

* The interest earned from treasury management activities was £1.270 million. The additional income over this amount is in respect of other activities which have earned interest.

Financial Instruments: Fair Value of Assets and Liabilities

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2024, using the following methods and assumptions:

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

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

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

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



31 March 2023			Fair Value Level	31 March 2024	
Balance Sheet £000	Fair Value £000			Balance Sheet £000	Fair Value £000
<u>Financial liabilities held at amortised cost:</u>					
(109,319)	(99,196)	Loans from PWLB	2	(111,909)	(104,810)
(25,448)	(38,164)	LOBO loans	2	(18,828)	(27,113)
(82,371)	(97,191)	Other loans	2	(76,990)	(92,528)
(44,886)	(82,308)	Lease payables and PFI liabilities	3	(42,363)	(82,517)
(262,024)	(316,859)	Total		(250,090)	(306,968)
(26,189)		Liabilities for which fair value is not disclosed*		(29,613)	
(288,212)		Total financial liabilities		(279,703)	
Recorded on Balance Sheet as:					
(24,321)		Short-term creditors		(28,496)	
(30,912)		Short-term borrowing		(21,491)	
(4,391)		Long-term creditors		(3,624)	
(186,226)		Long-term borrowing		(186,236)	
(42,362)		Other long- term liabilities		(39,856)	
(288,212)		Total financial liabilities		(279,703)	

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

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

31 March 2023			Fair Value Level	31 March 2024	
Balance Sheet £000	Fair Value £000			Balance Sheet £000	Fair Value £000
<u>Financial assets held at fair value:</u>					
1,742	1,742	Shares in listed companies	3	1,742	1,742
8,712	8,712	Pooled Property Fund	1	8,372	8,372
2,515	2,515	Money Market Funds	1	7,886	7,886
<u>Financial assets held at amortised cost:</u>					
5,026	5,025	Loans and receivables over 90 days	2	-	-
7,835	7,827	Loans and receivables under 90 days	2	1,144	1,170
25,830	25,821	Total		19,144	19,170
24,952		Assets for which fair value is not disclosed*		24,380	
50,782		Total financial assets		43,524	
<u>Recorded on balance sheet as:</u>					
11,075		Cash and cash equivalents		8,377	
5,026		Short-term investments		-	
10,454		Long-term investments		10,114	
22,493		Short-term debtors		23,506	
1,734		Long-term debtors		1,527	
50,782		Total financial assets		43,524	

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

Financial Instruments: Risks

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

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

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

The main risks covered are:

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

(a) Credit Risk - Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of a high credit quality, as set out in the annual Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK Government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice.

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

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

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

The full Investment Strategy for 2023/24 was approved by Full Council on 23 February 2023 and is available on the Council's website. The Investment Strategy for 2024/25 was approved by Full Council on 29 February 2024 and it became operational immediately. It is therefore the 2024/25 Strategy that governed the investment decisions on 31 March 2024.

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

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

<u>Deposits with banks and financial institutions (not including accrued interest)</u>	Amount at 31 March 2023 £000	Amount at 31 March 2024 £000
AAA rated counterparties - The rated institution has an exceptional degree of creditworthiness	2,500	7,850
AA+ rated counterparties - Very low expectation of credit risk	-	-
AA rated counterparties - Very low expectation of credit risk	11,300	-
AA- rated counterparties - Very low expectation of credit risk	500	500
A+ rated counterparties – Low expectation of credit risk	-	642
A rated counterparties - Low expectation of credit risk	1,005	-
A- rated counterparties - Low expectation of credit risk	-	-
BBB rated counterparties – Adequate capacity to meet financial commitments	-	-
Credit Risk not applicable *	10,000	10,000
Total	25,305	18,992

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

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

they retail an investment grade credit rating. They are determined to be credit impaired when awarded a "D" credit rating or equivalent. At the 31st March 2024 there was no loss adjustment related to treasury investments. This was due to the majority of the cash being held in Money Market Funds.

Credit Risk - Receivables

The Council does not generally allow credit for customers, although £5.689 million of the £9.639 million debtors invoices balance is past its due date for payment. The overdue amount can be analysed by age as follows:

	31 March 2023 £000	31 March 2024 £000
Less than one month	5,355	3,950
One to three months	(621)	862
Three to six months	603	1,228
Six months to one year	983	1,365
More than one year	2,165	2,234
Total	8,485	9,639

As the Council maintains a bad debt provision for debts based on age of debt and nature of dispute, no further assessment of the fair value has needed to be made. The amounts are carried on the Balance Sheet at their amounts outstanding and no amounts have been included in the table above for the Council's exposure to default. The £9.639 million above relates to invoiced debt only and is an element of the Debtor total in Note 27.

Credit Risk – Loans

The Council has debtor loans outstanding as at 31 March 2023 of £1.609 million to support either the achievement of the Council's objectives or to its employees. The amounts recognised on the balance sheet, and the Council's total exposure to credit risk is as follows:

	31 March 2023 £000	31 March 2024 £000
Charity	40	242
Business	1,231	1,230
Employees	86	92
Other	21	44
Total	1,378	1,608

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

(b) Liquidity Risk

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

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

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

Period	Approved Maximum Limits	Actual 31 March 2023 £000	%	Actual 31 March 2024 £000	%
Less than 1 year	50%	(28,692)	13%	(19,037)	9%
Between 1 and 2 years	60%	(8,086)	4%	(20,674)	10%
Between 2 and 5 years	70%	(39,443)	18%	(33,696)	17%
Between 5 and 10 years	90%	(29,568)	14%	(31,133)	15%
More than 10 years	100%	(84,394)	39%	(82,498)	40%
Uncertain date *		(25,000)	12%	(18,500)	9%
Total		(215,183)	100%	(205,538)	100%

* The Council has £18.500 million of "Lender Option, Borrower's Option" (LOBO) loans where the lender has the option to propose an increase in the rate payable on a call date; the Council will then have the option to accept the new rate or repay the loan without penalty. The maturity date is therefore uncertain.

Creditors are paid in accordance with supplier's terms which, for liquidity risk purposes to the Council, are less than one year and are

not shown in the table above. The Council utilises "call accounts" that provide sufficient liquidity to meet its short-term creditor and cash payment commitments. Further analysis of creditors can be found in Note 29.

c) Market Risk

(i) Interest Rate Risk

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

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

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposure to fixed and variable interest rates. At 31 March 2024 100% of the net principal borrowed was exposed to fixed rates.

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

	£000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(217)
Decrease in fair value of investments held at FVPL	(9)
Impact on Surplus or Deficit on the Provision of Services	(226)
Decrease in fair value of fixed rate investment held at FVOCI	-
Impact on Comprehensive Income and Expenditure	-
Decrease in fair value of fixed rate investment assets	(45)
Decrease in fair value of fixed rate borrowings	2,095
No Impact on Comprehensive Income and Expenditure Statement	2,050

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

The Council has £18.500 million of LOBO loans where the lender has the option to propose an increase in the rate payable. The Council will then have the option to accept the new rate or repay the loan without penalty. Due to interest rates being high, the likelihood of the lender increasing the rates is now a risk. There are no LOBO loans with a call period in 2024/25 so debt is currently classified as fixed rate borrowings for the above assessment.

(ii) Price Risk

The Council's £10.000 million investment in a pooled property fund is subject to the risk of falling commercial property prices. A 5% fall in commercial property prices as at 31 March 2024 would result in a £0.366 million charge to the surplus or deficit on the provision of

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

The Council does not generally invest in equity shares or marketable bonds but does have a shareholding in companies of £1.742 million. Whilst these holdings are generally illiquid, the Council is consequently exposed to losses arising from movements in the value of the asset.

(iii) Foreign Currency Risk

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



Note 33 Grant Income, Contributions and Donations

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24

2022/23 £000		2023/24 £000
	Credited to Services	
(2,755)	Department for Works & Pensions	(2,593)
(740)	Council Tax and Business Rates Administration	(481)
(34,914)	Housing Benefits Subsidy and Admin Grant	(34,676)
(11)	Ministry of Justice	-
(11,581)	Department for Levelling Up, Housing and Communities	(11,761)
(1,438)	Department of Health	(1,742)
(12,620)	Public Health Grant	(13,748)
(38,376)	Dedicated Schools Grant	(41,476)
(2,980)	Education and Skills Funding Agency/Department for Education	(4,905)
(1,793)	Pupil Premium Grant	(1,928)
(11)	Department for Environment, Food and Rural Affairs	(48)
(133)	Department for Transport	(162)
(2,542)	Home Office	(2,789)
(1,912)	Diocese Contributions	(1,943)
(33,341)	Health Authorities	(36,069)

(105)	Police Authorities	(141)
(3,042)	Other Local Authorities	(3,700)
(2,692)	Other Grants and Contributions	(3,223)
(11)	Donations	(5)
(100)	Department for Business, Energy & Industrial Strategy	(117)
(300)	Contain Outbreak Management Fund	-
(3)	COVID Winter Grant Scheme	-
(151,400)	Total	(161,507)

Subject to

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

31 March 2023		31 March 2024
£000		£000
Revenue Receipts in Advance		
(3,379)	Education & Skills Funding Agency / Department for Education	(4,211)
(3,334)	Department for Levelling Up, Housing and Communities	(2,227)
(36)	Department for Health	-
(362)	Health Authorities	(1,059)
(444)	Department for Works and Pensions	(15)
(238)	Department for Environment, Food and Rural Affairs	(624)
(2,097)	Home Office	(1,889)
(466)	Public Health England	(181)
(489)	Department for Business, Energy & Industrial Strategy	-
(284)	Other Local Authorities	(647)
(109)	Other Contributions	(72)
(11,238)	Total	(10,925)

31 March 2023 £000	Capital Receipts in Advance	31 March 2024 £000
(32)	Devolved Formula Capital Grant	(15)
(155)	Changing Places DLUHC	(28)
(57)	Skinningrove Coast Protection	(57)
(1,101)	Redcar Town Deal	-
(45)	Indigenous Growth Fund	(78)
(188)	Guisborough Town Hall Gateway Project	(175)
(4,080)	Redcar Growth Fund	(4,637)
(1,684)	Loftus Future High Street Funds	-
-	Resettlement and Homeless Housing Programme	(1,404)
-	Coronation Living Heritage	(95)
(7,342)	Total	(6,489)

Note 34 Unusable Reserves

31 March 2023 £000		31 March 2024 £000
(67,310)	Revaluation Reserve	(72,395)
-	Financial Instruments Revaluation Reserve	-
36,659	Capital Adjustment Account	26,416
16,755	Financial Instruments Adjustment Account	17,679
(82,338)	Pensions Reserve	(2,296)
4,120	Collection Fund Adjustment Account	3,334
788	Accumulating Compensated Absences Adjustment Account	698
1,383	Pooled Fund Adjustment Account	1,734
4,970	DSG Adjustment Account	6,012
(84,973)	Total Unusable Reserves	(18,818)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account (CAA).

2022/23 £000	Revaluation Reserve	2023/24 £000
(56,411)	Balance at 1 April	(67,310)
	Opening balance adjustment written off to CAA	
(17,295)	Upward revaluation of assets and impairment	(11,228)
1,579	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,434
(15,717)	(Surplus)/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(9,794)
1,640	Difference between fair value depreciation and historic cost depreciation	2,147
3,178	Accumulated gains on assets sold or scrapped	1,215
-	Non-current assets transferred direct to Capital Adjustment Account	1,347
4,818	Amounts written off to the Capital Adjustment Account	4,709
(67,310)	Balance at 31 March	(72,395)

Financial Instruments Revaluation Reserve

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

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

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

2022/23 £000	Financial Instruments Revaluation Reserve	2023/24 £000
(312)	Balance at 1 April	-
-	Upward revaluation of investments	-
15	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-
297	Accumulated gains on assets sold and maturing assets written out of the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
-	Balance at 31 March	-

Capital Adjustment Account

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

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

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

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

2022/23 £000	Capital Adjustment Account	2023/24 £000
27,447	Balance at 1 April	36,659
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</u>		
11,297	Charges for depreciation and impairment of non-current assets	11,401
23,148	Revaluation (gains)/losses on Property, Plant and Equipment, Investment Properties and Assets Held for Sale	3,688
505	Amortisation of intangible assets	499
8,007	Revenue expenditure funded from capital under statute	5,004
1,759	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,339
44,716	Net amount written out of the cost of non-current assets consumed in the year	21,931
<u>Capital financing applied in the year</u>		
(60)	Use of the Capital Receipts Reserve to finance new capital expenditure and loan repayments	(370)
(102)	Direct Revenue Financing	-
(199)	Write down long term debtor/capital receipt deferred	223
(29,265)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(26,673)
(5,886)	Statutory provision for the financing of capital investment charged against the General Fund in year (MRP)	(5,354)
8	Disposal expenses	-
(35,504)	Total Capital Financing	(32,174)
36,659	Balance at 31 March	26,416

Financial Instruments Adjustment Account

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

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

2022/23 £000	Financial Instruments Adjustment Account	2023/24 £000
17,260	Debt - Balance as at 1 April	16,755
-	Premium incurred in the year and charged to the Comprehensive Income and Expenditure Statement	1,450
(505)	Proportion of premiums incurred in the previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	(526)
16,755	Total Debt	17,679



Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The credit balance on the Pensions Reserve therefore shows a substantial surplus in terms of the assets available when compared to the discounted liabilities of the future benefits earned by past and current employees. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2022/23 £000	Pensions Reserve	2023/24 £000
130,557	Balance at 1 April	(82,338)
(234,990)	Actuarial (gains)/losses on pensions assets and liabilities	(49,556)
-	Asset ceiling applied	128,202
29,691	Reversal of items relating to retirement benefits debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	9,597
(7,596)	Employer's pensions contributions and direct payments to pensioners	(8,201)
(82,338)	Balance at 31 March	(2,296)

Collection Fund Adjustment Account

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

2022/23 £000	Collection Fund Adjustment Account	2023/24 £000
7,558	Balance at 1 April	4,120
(3,438)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(786)
4,120	Balance at 31 March	3,334

Accumulating Compensating Absences Adjustment Account

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

2022/23 £000	Accumulating Compensating Absences Adjustment Account	2023/24 £000
857	Balance at 1 April	
(857)	Settlement or cancellation of accrual made at the end of the preceding year	788
788	Amounts accrued at the end of the current year	(788)
-	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	698
788	Balance at 31 March	698

Pooled Investment Fund Adjustment Account

The Department for Levelling Up, Housing and Communities (DLUHC) has granted a statutory override for fair value movements in pooled property investment funds for a period of at least five years in 2018. This was extended by a further two years in 2023. The reserve contains the gains and losses from movements in fair value through the Comprehensive Income and Expenditure Statement. The balance is reduced and the General Fund is charged when either, a gain in fair value is realised, the investment is sold or the statutory override is discontinued (which is expected to occur on 31 March 2025).

2022/23 £000	Pooled Investment Fund Adjustment Account	2023/24 £000
(346)	Balance at 1 April	1,383
-	Upward revaluation of investments	-
1,729	Downward revaluation of investments	351
-	Change in impairment loss allowances	-
1,383	Balance at 31 March	1,734

DSG Adjustment Account

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

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

2022/23 £000	DSG Adjustment Account	2023/24 £000
3,347	Balance at 1 April	4,970
1,623	In year DSG deficit	1,042
4,970	Balance at 31 March	6,012

Note 35 Pensions Schemes Accounted for as Defined Contribution Schemes

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

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

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

In 2023/24, the Council paid £1.527 million to Teachers' Pensions Agency in respect of teachers' retirement benefits, representing 23.61% of pensionable pay. The figures for 2022/23 were £1.447 million and 23.68%.

The contributions the Council made to NHS Pensions was £0.187 million, representing 16.75% of pensionable pay. The figures for 2022/23 were £0.197 million and 18.57%.

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



Note 36 Defined Benefit Pension Schemes

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

The Council participates in the following post-employment scheme:

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

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

The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2022 and the contributions to be paid until 31 March 2026 resulting from the valuation are set out in the Fund's Rates and Adjustment Certificate.

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against the revenue budget 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:



2022/23 £000		2023/24 £000
Comprehensive Income and Expenditure Statement		
<u>Cost of Services</u>		
26,363	Current service cost	13,036
5	Past service costs (including curtailments)	351
(440)	Settlements	
<u>Financing and Investment Income and Expenditure</u>		
22,788	Interest cost on liabilities	29,450
(19,025)	Interest income on assets	(33,240)
29,691	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	9,597
<u>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</u>		
8,682	Actual return on assets	(39,528)
-	Asset ceiling applied	128,202
(285,115)	Actuarial (gains)/losses on liabilities – financial assumptions	(27,198)
(5,614)	Actuarial (gains)/losses on liabilities – demographic assumptions	(3,828)
47,057	Actuarial (gains)/losses on liabilities - experience	20,998
(234,990)	Total Actuarial (gains) and losses	78,646
(205,299)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	88,243
<u>Movement in Reserves Statement</u>		
(29,691)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(9,597)
<u>Actual amount charged against General Fund Balance for pensions in the year</u>		
7,596	Employers' contributions payable to scheme	8,201

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

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

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

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

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

Guaranteed Minimum Pension (GMP) Indexation and Equalisation

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



Assets and Liabilities in Relation to Post-employment Benefits

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

31 March 2023 £000		31 March 2024 £000
(843,395)	Opening balance at 1 April	(626,149)
(26,363)	Current Service Cost	(13,036)
(22,788)	Interest Cost	(29,450)
(3,773)	Contributions by scheme participants	(4,106)
	Re-measurement Gain	
285,115	Actuarial gains/(losses) on liabilities – financial assumptions	27,198
5,614	Actuarial gains/(losses) on liabilities – demographic assumptions	3,828
(47,057)	Actuarial gains/(losses) on liabilities - experience	(20,998)
25,250	Benefits paid	29,917
(5)	Past Service Cost including Curtailments	(351)
1,253	Settlements	-
(626,149)	Closing balance at 31 March	(633,147)

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

31 March 2023 £000		31 March 2024 £000
712,838	Opening balance at 1 April	708,487
19,025	Interest Income on assets	33,240
(8,682)	Re-measurement gains/(losses) on assets	39,528
-	Asset ceiling applied	(128,202)
(813)	Service cost – Effect of Settlements	-
7,596	Contributions by the Employer	8,201
3,773	Contributions by scheme participants	4,106
(25,250)	Net Benefits paid out	(29,917)
708,487	Closing balance at 31 March	635,443

Scheme History

	2023/2024 £000	2022/2023 £000	2021/22 £000	2020/21 £000	2019/20 £000	2018/19 £000	2017/18 £000
Present Value of Funded Scheme Liabilities	(617,534)	(610,789)	(824,491)	(874,891)	(730,838)	(752,413)	(719,078)
Present Value of Unfunded Scheme Liabilities	(15,613)	(15,360)	(18,904)	(20,387)	(21,256)	(23,404)	(24,375)
Fair Value of Scheme Assets	635,443	708,487	712,838	671,143	545,373	619,754	580,131
Surplus/(Deficit) in the scheme	2,296	82,338	(130,557)	(224,135)	(206,721)	(156,063)	(163,322)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total asset of £2,296 million is a substantial reduction to the net worth of the Council as recorded in the Balance Sheet compared to 2022/23. The movement between years of £80,402 million in net assets is driven by the application of an asset ceiling in 2023/24.

Following the pensions valuation by the Council's actuary at 31 March 2023, it was determined that the fair value of its pension plan assets outweighed the present value of the plan obligations. This resulted in a funded pension plan asset for the first time as assessed by the scheme actuary. IAS19 requires that the asset is measured as the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling being calculated as the net present value of future service costs less the net present value of future contributions. At 31 March 2023, the asset ceiling calculated by the actuary was higher than the net assets as valued in the accounts resulting in no adjustment. In 2023/24 the net present value of future service costs less the net present value of future contributions was significantly reduced due to changes in the discount rate used and the predicted future rate of salary growth.

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

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2025 is £6.804 million.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the roll forward approach, an estimate of the pension fund assets and liabilities by adjusting the results of the last full actuarial valuation exercise using financial, demographic and experience assumptions. The scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2022.

The principal assumptions used by the actuary have been:

2022/23		2023/24
<u>Mortality assumptions (years)</u>		
Member aged 65 at accounting date:		
20.6	Men	20.5
23.7	Women	23.5
Member aged 45 at accounting date:		
21.5	Men	21.3
25.2	Women	25.0
3.00%	Rate of Inflation (Consumer Price Index)	2.80%
4.00%	Rate of increase in salaries	4.00%
3.00%	Rate of increase in pensions	2.80%
4.75%	Rate for discounting scheme liabilities	4.75%

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

Year to 31 March 2023		Year to 31 March 2024
%	Assets	%
71	Equities	71
9	Property	10
7	Cash	3
13	Other*	16
100	TOTAL	100

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

Estimated Pension Expense in Future Periods

Year to 31 March 2023 £000	Analysis of Amount Charged to Profit and Loss	Year to 31 March 2024 £000
11,943	Current Service Cost	11,779
(3,812)	Interest on Net Defined Benefit Liability	(6,184)
8,131	Total Estimated Pension Expense	5,595

Sensitivity Analysis

The results shown in this report are sensitive to the assumptions used. The approximate impact of changing the key assumptions on the present value of the funded benefit obligation as at 31 March 2024 is set out below.

In each case, only the assumption mentioned is altered; all other assumptions remain the same. The sensitivity of unfunded benefits is not included on materiality grounds.

Funded LGPS Benefits			
Discount rate assumptions			
Adjustments to discount rate	+0.1% p.a.	Base Figure	-0.1% p.a.
Present Value of total obligation (£M's)	622,536	633,147	643,758
% change in present value of total obligation	-1.7%		1.7%
Rate of general increase in salaries			
Adjustment to salary increase rate	+0.1% p.a.	Base Figure	-0.1% p.a.
Present Value of total obligation (£M's)	633,577	633,147	632,717
% change in present value of total obligation	0.1%		-0.1%
Rate of increase to pensions in payment and deferred pensions assumptions, and rate of revaluation of pension accounts assumption			
Adjustment to pension increase rate	+0.1% p.a.	Base Figure	-0.1% p.a.
Present Value of total obligation (£M's)	643,512	633,147	622,782
% change in present value of total obligation	1.6%		-1.6%
Post retirement mortality assumption			
Adjustment to mortality age rating assumption *	-1 year	Base Figure	+1 year
Present Value of total obligation (£M's)	658,473	633,147	607,821
% change in present value of total obligation	4.0%		-4.0%

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

Note 37 Cash Flow Statement – Operating Activities

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

2022/23 £000		2023/24 £000
(45,971)	Surplus/(Deficit) on Provision of Services	3,154
	<u>Adjust net surplus/(deficit) on the provision of services for non-cash movements</u>	
13,442	Depreciation/Amortisation	14,046
23,148	Revaluation losses on Property, Plant & Equipment, Investment Property and Assets Held for Sale	5,036
(685)	Other non-cash items charged to the net surplus/(deficit) on the provision of services in year	318
(9,881)	Increase/(Decrease) in Creditors	2,056
(7,748)	(Increase)/Decrease in Debtors	(1,977)
(5)	(Increase)/Decrease in Inventories	35
22,095	Pension Liability	1,396
4,944	Carrying amount of non-current assets sold	2,554
45,310	Total	23,464
	<u>Adjust for items included in the net surplus/deficit on the provision of services that are investing or financing activities</u>	
(28,554)	Capital Grants Credited	(39,032)
(259)	Proceeds from Sale of Assets	(147)
(28,813)	Total	(39,179)
(29,474)	Net Cash flow from Operating Activities	(12,561)

Memo Item – Operating Activities – Interest

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

2022/23 £000		2023/24 £000
1,681	Interest Received	2,120
(14,466)	Interest Paid	(15,233)
(12,785)	Total	(13,113)

Note 38 Cash Flow Statement – Investing Activities

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

2022/23 £000		2023/24 £000
(28,282)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(22,305)
(4,702)	(Purchase)/Disposal of short- and long-term investments	5,000
(32)	Other Payments for Investing Activities	(425)
376	Capital Receipts	138
29,750	Other receipts for investing activities	39,860
(2,890)	Net cash flows from investing activities	22,268

Note 39 Cash Flow Statement – Financing Activities

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

2022/23 £000		2023/24 £000
(5,573)	Other payments for financing activities	(2,510)
29,376	(Repayment)/New short term/long term borrowing	(9,645)
4,319	Financing activities	(250)
28,122	Net cash flows from financing activities	(12,405)

Note 40 Related Party Transactions and Group Arrangements

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

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes many of the transactions that the Council has with other parties. Grants received from Government departments are set out in the subjective analysis in Note 7 on expenditure and income analysed by nature. Grant receipts outstanding at 31 March 2024 are also set out in Note 33.

Of the 59 Elected Members and 69 Chief and senior officers' posts, 57 Members and 67 Officers have provided details of any 'related party transactions', as required by the latest Code of Practice. There are no items declared that are material to the activities of the Council and its related parties apart from those details separately disclosed below. A number of Elected Members serve on community groups and associations who receive grants from the Council. All interests are declared in the Register of Members Interests. The Members have direct control over the financial and operating policies of the Council. The total of Members allowances for the 2023/24 financial year is shown in Note 13.

The Council's Chief Accountant, the Commercial and Legal Manager, and the Director of Adults and Community Services are the Treasurer, the Chief Legal Officer and the Head of Paid Service respectively, for River Tees Port Health Authority. Five Members also hold positions on the Board of River Tees Port Health Authority. The Council's financial

contribution to River Tees Port Health Authority for 2023/24 was £0.074 million.

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

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

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

Entities Controlled or Significantly Influenced by the Council

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

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

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

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

Redcar and Cleveland Legal Services Limited and Cygnet Family Law:

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

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

Redcar and Cleveland Legal Services Limited have published final audited accounts to 31 March 2023. The company paid consideration of £4.219 million to acquire Cygnet Family Law. A further final payment of £0.700 million was made in December 2023 to finalise the acquisition which was funded by a dividend payable by Cygnet Family Law based on their profit levels at 30 June 2023. Therefore, the total investment in Cygnet Family Law stands at £4.919 million.

Redcar and Cleveland Legal Services continue to hold a loan with the Council for principal of £1.300 million which has accrued interest increasing the value of this loan at 31 March 2024 to £1.587 million. During 2023/24 Redcar and Cleveland Legal Services made a profit of £1.289 million which was comprised of accrued interest payable on the loan from the Council of £0.111 million and investment income (dividends received) from Cygnet Family Law's Long-Term Investment of £1.400 million. The company paid a dividend to the Council of £0.700 million, resulting in a net increase in shareholder equity of £0.589 million at the end of 2023/24. Redcar and Cleveland Legal Services Limited have net assets of £3.332 million, underpinned by

equity of £1.700 million and a cumulative profit account of £1.632 million.

Cygnets Family Law have published final financial accounts to 30 June 2023 which show turnover of £4.417 million and made a profit before taxation of £1.352 million; and profit after tax of £1.076 million. Cygnets Family Law had net assets on 30 June 2023 of £2.658 million. Cygnets Family Law's external auditors are Clive Owen LLP. Clive Owen LLP have qualified the financial accounts of Cygnets Family Law to 30 June 2023 due to the inability to obtain sufficient evidence on the estimation of accrued income of £1.342 million. Whilst undertaking the audit of accrued income it has become apparent that the legal aid cases which are included within this number have been valued at historic rates rather than the current agreed rates for the specific part of each legal case assignment. This, coupled with a significant delay in invoicing the legal aid work, due to the workload for the costing clerk, has resulted in a number of cases which were complete at 30 June 2023 not yet been costed. In addition, there are a number of ongoing legal aid cases which overlap the year end which it has not been possible to value. It is therefore estimated that accrued income is underestimated at 30 June 2023.

The reporting date for financial accounts for Cygnets Family Law has been shortened to 31 March 2024 and these are currently unaudited and in draft. Initial indications are 9 month turnover £3.572 million and made an unaudited pre-tax profit of £0.970 million and profit after tax of £0.730 million.

During 2023/24, the Council made payments to Cygnets Family Law of £2.031 million, with no closing creditor balance outstanding at 31 March 2024.

Veritau – Tees Valley Limited

The Council owns a 25% shareholding in Veritau – Tees Valley Limited (company reference number 12363643). Veritau – Tees Valley is

jointly owned by Middlesbrough Council (25%) and Veritau Limited (50%) (Company Reference Number 06794890). Veritau – Tees Valley provide internal audit and information governance services to the Council. During 2023/24, the Council paid £0.230 million to Veritau – Tees Valley for provision of these internal audit services and information governance services.

Veritau – Tees Valley Limited's managements accounts show the company has turnover of £0.427 million (£0.430 million 22/23) and a profit after tax of £0.002 million (£0.044 million loss in 22/23).

During 2023/24, the Council made payments to Veritau - Tees Valley Limited of £0.230 million, with no closing creditor balance outstanding at 31 March 2024.

Other Group Interests

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

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

Note 41 Contingent Assets and Liabilities

CONTINGENT LIABILITY

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

There are no contingent liabilities pertaining to the Council's activities at 31 March 2024.

CONTINGENT ASSET

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

There are no contingent assets pertaining to the Council's activities at 31 March 2024.

Note 42 Statement of Accounting Policies

GENERAL

The Statement of Accounts summarises the Council's financial transactions for the 2023/24 financial year and its financial position at the year ended 31 March 2024, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2023/24, produced under International Financial Reporting Standards. It also complies with the Service Code of Accounting Practice which constitutes proper practice under Part IV of the Local Government and Housing Act 1989.

ROUNDINGS

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

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

ESTIMATION TECHNIQUES

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

An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount

corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

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

ACCRUALS OF INCOME & EXPENDITURE (DEBTORS & CREDITORS)

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

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

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

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. A change is only made when material and it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

REVENUE

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

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

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

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

Non-Domestic Rates (NDR)

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

Council Tax

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

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

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

RESERVES

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

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

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

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

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

EVENTS AFTER THE BALANCE SHEET DATE

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

Adjusting Events

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

Non-Adjusting Events

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

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

ACQUIRED OPERATIONS

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

TRUST FUNDS

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

GRANTS AND CONTRIBUTIONS

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

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

EMPLOYEE BENEFITS

Benefits payable during employment

Benefits payable during employment cover two classes:

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

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

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

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

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

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

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

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

Termination benefits

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

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

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

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

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

Post-employment benefits

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

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

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

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

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

Local Government Pension Scheme

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

Estimating the benefit that employees have earned

Actuarial techniques are used to:

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

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

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

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

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

Determining the fair value of any pension fund assets

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

Determining the re-measurement of actuarial gains and losses

Re-measurement of actuarial gains and losses comprise of:

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

Past Service cost:

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

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

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

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

A curtailment occurs when the Council either:

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

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

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

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

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

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

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

Balance Sheet recognition

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

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

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

Surplus or deficit on the provision of services

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

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

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

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

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

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

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

VAT

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

PROPERTY PLANT AND EQUIPMENT

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

Recognition

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

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

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

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

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

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

Measurement

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

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

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

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

Revaluation

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

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

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

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

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

Componentisation

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

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

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

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

componentisation where they are generally treated together elsewhere.

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

Derecognition

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

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

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

HERITAGE ASSETS

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

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

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

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

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

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

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

INVESTMENT PROPERTY

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

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

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

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

INTANGIBLE ASSETS

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

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

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

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

PRIVATE FINANCE INITIATIVE

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

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

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

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

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

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



LEASES

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

The Council as lessee

Finance leases

A lease is accounted for as a finance lease when substantially all the risks and rewards relating to the leased property, plant or equipment

lie with the Council as lessee. This depends on the substance of the transaction rather than the form of the contract.

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

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

Operating leases

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

The Council as lessor

Operating leases

The Council accounts for these leases as operating leases. These assets are held on the Council's Balance Sheet according to the nature of the asset and rental income is recognised, in the surplus or

deficit on the cost of services, on a straight-line basis over the lease term.

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

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

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

NON-CURRENT ASSETS HELD FOR SALE

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

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

an active programme to locate a buyer and complete the plan must have been initiated;

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

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

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

CAPITAL RECEIPTS

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

INVENTORIES

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

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

CASH AND CASH EQUIVALENTS

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

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

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

PROVISIONS

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

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

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

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

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

FINANCIAL INSTRUMENTS

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

Financial Assets

Typical financial assets include a variety of instruments, including:

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

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

Financial Liabilities

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

Recognition

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

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

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

Classification & Measurement

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Expected Credit Loss Model:

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

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

Financial Liabilities:

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

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

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

CONTINGENT ASSETS & LIABILITIES

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

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

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

Interests in companies and other entities

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



4. Collection Fund Accounts and Explanatory Notes



Redcar Beach

Collection Fund Income and Expenditure Account

2022/23			2023/24			
Council Tax £000	Non-Domestic Rates £000	Total £000		Council Tax £000	Non-Domestic Rates £000	Total £000
INCOME						
(86,660)	-	(86,660)	Council Tax Receivable	(90,673)	-	(90,673)
1	-	1	Hardship Funding	3	-	3
-	-	-	Council Tax Support Fund	(232)	-	(232)
-	(32,134)	(32,134)	Business Rates Receivable	-	(39,821)	(39,821)
(86,659)	(32,134)	(118,793)		(90,902)	(39,821)	(130,723)
Apportionment of previous year's surplus/(deficit)						
-	(4,829)	(4,829)	Central Government	-	(1,515)	(1,515)
(75)	(4,732)	(4,807)	Billing Authority	(1,301)	(1,485)	(2,786)
(3)	(97)	(100)	Cleveland Fire Authority	(61)	(30)	(91)
(10)	-	(10)	Cleveland Police & Crime Commissioner	(204)	-	(204)
(88)	(9,658)	(9,746)		(1,566)	(3,030)	(4,596)
Precepts, Demands and Shares						
-	17,450	17,450	Central Government	-	19,476	19,476
70,777	17,101	87,878	Billing Authority (RCBC)	74,243	19,087	93,330
3,301	349	3,650	Cleveland Fire Authority	3,536	389	3,925
11,122	-	11,122	Cleveland Police & Crime Commissioner	11,834	-	11,834
85,200	34,900	120,100		89,613	38,952	128,565
Charges to the Collection Fund						
-	(3,054)	(3,054)	Less: refunds written off against the appeals provision	-	(282)	(282)
2,317	39	2,356	Less: (Decrease)/Increase in Bad Debt Provision	2,423	(2)	2,421
-	(1,073)	(1,073)	Less: (Decrease)/Increase in Provision for Appeals	-	4,938	4,938
-	-	-	Less: Interest	-	4	4
-	160	160	Less: Cost of Collection	-	164	164
-	241	241	Less: Disregarded amounts	-	2,568	2,568
-	2,012	2,012	Less: Transitional Protection	-	(3,646)	(3,646)
2,317	(1,675)	642		2,423	3,744	6,167
770	(8,567)	(7,797)	(Surplus)/Deficit arising during the year	(432)	(155)	(587)

Collection Fund Income and Expenditure Account

2022/23				2023/24		
Council Tax £000	Non-Domestic Rates £000	Total £000		Council Tax £000	Non-Domestic Rates £000	Total £000
1,258	13,169	14,427	(Surplus)/Deficit brought forward 1 April	2,028	4,602	6,630
-	-	-	Adjustment to previous years surplus	-	-	-
2,028	4,602	6,630	(Surplus)/Deficit carried forward 31 March	1,596	4,447	6,043

GENERAL INFORMATION

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

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

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

For 2023/24, the proportions are as follows:

	Council Tax	Business Rates
Redcar and Cleveland Borough Council (General Fund)	82.85%	49.00%
Cleveland Police and Crime Commissioner	13.21%	0.00%
Cleveland Fire Authority	3.94%	1.00%
Central Government	0.00%	50.00%
Total	100.00%	100.00%

NOTE 1 – COUNCIL TAX LEVELS AND TAX BASE

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

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

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

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

Set out in the table are the Band D weightings, property numbers and income from each band level, as per the council tax base, which was set by the Council in February 2023. The council tax base for 2023/24 was 40,706.20 (40,336.31 in 2022/23). The increase is mainly due to property growth in the area and a reduction in council tax support costs.

Band	Property Value	Weighting to Band D	Number of Chargeable Dwellings	Band D Equivalent Incl. Council Tax Support	Redcar & Cleveland Demand Excluding Parishes	Police Authority Demand Per Property	Fire Authority Demand Per Property	Total Demand Per Property
			No.	No.	£	£	£	£
A	Entitled to disabled relief	5/9	126	38.00	1,005.25	161.52	48.26	1,215.03
A	Up to £40,000	6/9	26,102	10,734.80	1,206.30	193.82	57.91	1,458.03
B	£40,001 - £52,000	7/9	13,407	8,192.10	1,407.35	226.12	67.56	1,701.03
C	£52,001 - £68,000	8/9	14,210	10,972.40	1,608.40	258.43	77.21	1,944.04
D	£68,001 - £88,000	9/9	5,813	5,291.60	1,809.45	290.73	86.86	2,187.04
E	£88,001 - £120,000	11/9	3,482	3,994.10	2,211.55	355.34	106.16	2,673.05
F	£120,001 - £160,000	13/9	1,002	1,348.90	2,613.65	419.94	125.46	3,159.05
G	£160,001 - £320,000	15/9	399	622.60	3,015.75	484.55	144.77	3,645.07
H	Over £320,000	18/9	16	27.00	3,618.90	581.46	173.72	4,374.08
			64,557	41,221.50				
	Less non collection 1.25%			515.30				
	Council Tax Base			40,706.20				

NOTE 2 – COUNCIL TAX INCOME

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

The income is determined from the following sources:

2022/23 £000		2023/24 £000
(113,527)	Opening Liability	(119,254)
180	Disabled Band Reduction	203
24,468	Discount	25,723
2,219	Exemptions	2,655
(86,660)	Income collectable from Council Taxpayers	(90,673)



Notes to the Collection Fund

NOTE 3 – INCOME FROM NON-DOMESTIC RATES

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

2023/24			2022/23	
£000	£000		£000	£000
Estimated Income				
(97,384)		Gross Rateable Value	(110,805)	
49.9		Multiplier (pence in the £)	49.9	
	(48,595)	Estimated Opening Debit		(55,292)
Actual Income				
	(44,455)	Actual Opening charges payable		(55,683)
	5,975	Reduced Assessments		6,008
	(198)	Transitional Protection		3,646
	6,227	Mandatory Relief		5,978
	319	Discretionary Relief		219
	-	Enterprise Zone		13
	(2)	Revaluation Support		(2)
	12,321			15,862
	(32,134)	Actual Income Collectable		(39,821)

Notes to the Collection Fund

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

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

2022/23		2023/24		
Total £000		Council Tax £000	Non-Domestic Rates £000	Total £000
266	Cleveland Police & Crime Commissioner	211	-	211
125	Cleveland Fire Authority	63	44	107
2,301	Central Government	-	2,223	2,223
3,938	Redcar & Cleveland Borough Council	1,322	2,180	3,502
6,630		1,596	4,447	6,043



NOTE 5 – COLLECTION FUND GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

5. Auditor's Report

Wildflowers

TO BE ADDED ON COMPLETION OF THE AUDIT

Subject to Audit

6. Glossary of Terms



Guisborough Town Hall

Glossary of Terms

ACCOUNTING PERIOD

The period covered by the accounts, normally a period of twelve months commencing on 1 April and ending as at the Balance Sheet date of 31 March.

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through

- (a) Recognising
- (b) Selecting measurement bases for, and
- (c) Presenting

Assets, liabilities, gains, losses, and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the income and expenditure account or Balance Sheet it is to be presented.

ACCRUAL

A sum included in the final accounts attributable to that accounting period but for which payment has yet to be made or income received. Accruals are made for revenue and capital expenditure and income.

ACTUARIAL GAINS & LOSSES

For a defined benefit pension scheme the changes in actuarial deficits or surpluses that arise because:

- (a) Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- (b) The actuarial assumptions have changed.

AMORTISED COST

A measure of the real cost that the Council bears by entering into a financial liability. This is not necessarily based on the contractual term but on the effective rate of interest within the contract.

AGENCY

The provision of services by one body (the Agent) on behalf of, and generally reimbursed by, the responsible body.

ASSET

An item having value in monetary terms. Assets are defined as current or non-current.

- a current asset will be consumed or cease to have value within the next financial year e.g. stock and debtors.
- a non-current asset provides benefits to the Council and to the services it provides for a period of more than one year.
- an asset held for sale is an asset that is currently in the process of being sold. They must be actively marketed, with the sale expected within 12 months.

AUDIT

An independent examination of the Council's activities, either by Internal Audit or the Council's External Auditor, Mazars.

BALANCE SHEET

A Statement of the recorded assets, liabilities and other balances at a specified date usually at the end of an accounting period.

BALANCES

The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the general fund or any other fund.

BUDGET

The forecast of revenue and capital expenditure over the accounting period.

CAPITAL CHARGES

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

CAPITAL EXPENDITURE

Expenditure on the acquisition of a non-current asset or expenditure which increases the benefit in service to the Council and not merely maintains the non-current asset.

CAPITAL FINANCING

The raising of money to pay for capital expenditure. This includes borrowing, leasing, direct revenue financing (DRF), usable capital receipts, capital grants, capital contributions and revenue reserves.

CAPITAL FINANCING REQUIREMENT (CFR)

A calculation to show the Council's underlying need to borrow to fund capital resources.

CAPITAL GRANT

Grant used to finance specific schemes in the capital programme. Where capital grants are receivable, and all conditions are met and expenditure incurred, they are released to the Comprehensive Income & Expenditure Statement. Where conditions to the funder exist, or the Council may be required to repay the grant, it is held as a creditor. Where there are no conditions but the funding is not spent, it is carried forward as a usable reserve.

CAPITAL PROGRAMME

The capital schemes the Council intends to carry out over a specific time period.

CAPITAL RECEIPT

Income received from the disposal of land or other capital assets. Capital receipts can be utilised to finance new capital expenditure or on qualifying revenue spend that is forecast to generate ongoing savings to the Council. Any use of receipts on revenue spend must be approved by Council within the budget setting report.

CARRYING AMOUNT

The Balance Sheet value recorded of either an asset or a liability.

CASH AND CASH EQUIVALENTS

Cash held by the Council, along with short term investments held for periods of less than 90 days.

CASH FLOW STATEMENT

A statement summarising the inflows and outflows of cash, arising from transactions between the Council and third parties, for revenue and capital purposes.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code sets out the accounting concepts and accounting principles, which underpin the statement of accounts.

COLLECTION FUND

A fund administered by the Council, which records all the income received in relation to local taxation and non-domestic rates. It also shows how the income has been distributed to the preceptors and the general fund.

COMMUNITY ASSETS

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples are parks and historic buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement brings together the income and expenditure relating to all the Council's functions and identifies how this is financed from local taxation and Government grants.

CONSISTENCY

The principle that the accounting treatment of like items within an accounting period, and from one period to another, is the same.

CONTINGENCY

The sum of money set aside to meet unforeseen expenditure or liability.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

CONTINGENT LIABILITY

A contingent liability is either:

- (a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or
- (b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities is thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

COST OF CARRY

This is the difference between the interest received from investments against the interest paid for borrowing.

COUNCIL TAX

The form of local taxation in use since April 1993, based on property values.

CREDITORS

Amounts owed by the Council for work done, goods received or services rendered within the accounting period but for which payment was not made at the Balance Sheet date.

CURRENT ASSETS

Assets which can be expected to be consumed, or realised, during the next accounting period, e.g. debtors and stocks.

CURRENT LIABILITIES

Amounts which will become payable or could be called in within the next accounting period e.g. creditors, cash overdrawn.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

CURTAILMENT

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number

Glossary of Terms

of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- (a) termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- (b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEBT OUTSTANDING

Amounts borrowed to finance capital expenditure which is still to be repaid.

DEBTORS

Amounts due to the Council for works done, goods received or services rendered before the end of the accounting period, but for which payments have not been received by the end of that accounting period.

DEFERRED CAPITAL RECEIPTS

Amounts due to the Council from the sale of fixed assets which are not receivable immediately on sale. The amounts will usually be received in instalments over an agreed period.

DEFERRED LIABILITIES

Liabilities which, by arrangement, are payable beyond the next year, at some point in the future or paid off by an annual sum over a period.

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEDICATED SCHOOLS GRANT (DSG)

A ring-fenced central Government grant paid direct to the education service as fundamental support for its revenue expenditure.

Glossary of Terms

DE MINIMIS

A de minimis level is adopted to only reflect material transactions in the capital accounts. The Council's policy on de Minimis levels are outlined in the statement of accounting policies.

DEPRECIATION

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passing of time or obsolescence through either change in technology or demand for the goods and services produced by the asset.

DERECOGNISED

The process of removing a financial asset or financial liability from the Balance Sheet once performance under the contract is complete or the contract is terminated.

DIRECT REVENUE FINANCING

Resources provided from the Council's revenue budget to finance the cost of capital projects.

DISCRETIONARY BENEFITS

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers, such as The Local Government (Discretionary

Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

EARMARKED RESERVES

These reserves represent monies set aside that can only be used for a specific purpose.

EFFECTIVE RATE OF INTEREST

The rate of interest that will discount all the cash flows that take place throughout the expected life of a financial instrument down to the fair value of the asset calculated at initial measurement.

ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM

An ERP system consists of integrated software allowing the Council to record, report and process transactions to facilitate the management and planning of important parts of the organisation including human and financial resources. The Council's current ERP system is Unit 4 Business World (UBW).

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

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

EXPECTED RATE OF RETURN ON PENSION ASSETS

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FINANCIAL INSTRUMENT

Any contract that gives rise to a financial asset of one entity and a financial liability of another.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee. Such a transfer of risks and reward may be presumed to occur if:

- at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.
- The Council will hold the asset for substantially all of its useful life
- There will be little residual value in the asset at the end of the lease term.

GENERAL FUND

The main revenue account of the Council, which summarises the cost of all services provided by the Council which are paid for from Government grants, non-domestic (business) rates contributions, council tax and other income.

GOVERNMENT GRANTS

Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to the Council in return for past or future compliance with certain conditions relating to the activities of the Council.

HERITAGE ASSET

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for

Glossary of Terms

its contribution to knowledge and culture. Heritage assets include civic regalia, museum and gallery collections and works of art.

IMPAIRMENT

A reduction in the value of an asset below its carrying amount on the statement caused by a specific event or reason.

INCOME

Amounts which the Council receives or expects to receive from any source, including fees, charges, sales and grants.

INTANGIBLE ASSETS

Expenditure which may properly be capitalised, but which does not result in an asset with substance. Examples of this type of expenditure are software and other licences, patents and trademarks and artistic originals.

INFRASTRUCTURE ASSETS

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

INTERNATIONAL ACCOUNTING STANDARDS (IAS)

These standards are developed by the International Accounting Standards Board and regulate the preparation and presentation of financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS)

These standards are developed by the International Accounting Standards Board and regulate the preparation and presentation of financial statements. The Companies Act 1985 requires compliance to these Standards or disclosures in the notes if there are any material departures from those Standards.

INVENTORIES

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Inventories comprise the following categories:

- (a) Goods or other assets purchased for resale;
- (b) Consumable stores;
- (c) Raw materials and components purchased for incorporation into products for sale;
- (d) Products and services in intermediate stages of completion;
- (e) Long-term contract balances, and
- (f) Finished goods.

INVESTMENT PROPERTIES

Properties that are held by the Council for the purpose of generating income, whether through:

- Rental income
- Capital appreciation, or where an asset is declared surplus but is not yet marketed for sale.

INVESTMENTS

A long-term investment is one that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the Investment. Investments which do not meet the above criteria should be classified as current assets.

INVESTMENTS (PENSION FUND)

The investments of the pension fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

LEASING

A method of financing capital expenditure where a rental charge is paid for the asset over a specified period of time.

LIABILITY

A liability is where the Council owes payment to an individual or another organisation. Liabilities are usually classed as contingent or current.

- A **contingent liability** is a potential liability at the Balance Sheet date which arises as the result of a condition which exists where the outcome will be confirmed only on the occurrence or non-occurrence of one or more future events. The financial liability is included in the Balance Sheet where it can be reasonably estimated. Where the contingency is material but a financial estimate cannot be made, the existence of the liability is disclosed as a note to the accounts.
- A **current liability** is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn.

LENDER OPTION BORROWER OPTION (LOBO)

A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every 5 years), the lender has the ability to alter the interest rate. Should the lender make this offer, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum with no other penalty.

LOANS OUTSTANDING

The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the Balance Sheet date.

LONG TERM CONTRACTS

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE II (MIFID II)

Introduced in January 2018, to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection. Under the Directive the Council has chosen to opt up to professional status to enable access to certain financial instruments and improved yields. To meet this status the Council needs to meet both qualitative and quantitative criteria which include maintaining an investment balance of £10.000 million.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements.

MEDIUM TERM FINANCIAL STRATEGY (MTFS)

A five-year forward assessment of the Council's expenditure strategy for both revenue and capital expenditure. This is produced as part of the Council's annual budget process.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

MOVEMENT IN RESERVES STATEMENT

This statement shows movement in the year on the different reserves held by the Council analysed into 'usable reserves' and 'unusable reserves'.

NON-DOMESTIC RATES (NDR)

NDR is the levy on a business property, based on a national rate in the pound applied to the rateable value of the property. The Government determines national rate poundage each year which is applicable to all local authorities. NDR income is collected by the billing authority and then distributed to central Government and other pre-empting bodies.

Glossary of Terms

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST

The cost of replacing, or recreating, the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET DEBT

The Council's borrowings less cash and cash equivalents. Where cash and cash equivalents exceed borrowings, reference should be made to net funds rather than net debt.

NET REALISABLE VALUE

The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NON-CURRENT ASSET

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

NON-DISTRIBUTED COSTS

These are overheads for which no user of the Council benefits and should not be apportioned to services.

OPERATING LEASE

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Authority.

OPERATIONAL ASSETS

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

PAST SERVICE COST

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PENSIONS INTEREST COST

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one year closer to settlement.

Glossary of Terms

PRECEPT

The amount levied by various Authorities that is collected by the Council on their behalf, e.g. Central Government, Parish Councils, Police and Fire Authorities.

PREMIUMS

These are discounts that have arisen following the early redemption of long-term debt, which are written down over the lifetime of replacement loans where applicable.

PRIOR PERIOD ADJUSTMENTS

Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PRIVATE FINANCE INITIATIVE

A partnership arrangement whereby a private sector provider provides purpose-built buildings/equipment etc. for long term rental by public sector users.

PROJECTED UNIT METHOD

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- (a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
- (b) The accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

PROVISION

Funds set aside to cover potential liabilities or losses which are likely or certain to be incurred at a future date but where the exact amount and timing of the liability or loss is currently not known.

PRUDENCE

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

Glossary of Terms

PUBLIC WORKS LOAN BOARD (PWLB)

A Government agency which lends money to public bodies for capital purposes.

RATEABLE VALUE

The annual assumed rental of a hereditament (property) which is used for NDR purposes.

RELATED PARTIES

Two or more parties are related parties when one party has the ability to control the other party or exercise significant influence in making financial and operating decisions, or if the related party entity and another entity are subject to common control. Related parties include:

- (a) entities that the authority directly, or indirectly through one or more intermediaries, controls, has an interest in, that gives it significant influence over the entity or has joint control over
- (b) associates
- (c) joint ventures in which the authority is a venture
- (d) an entity that has an interest in the authority that gives it significant influence over the authority
- (e) key management personnel, and close members of the family of key management personnel
- (f) entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, key management personnel, and close members of the family of key management personnel

- (g) post-employment benefit plan (pension fund) for the benefit of employees of the authority, or of any entity that is a related party of the authority

RELATED PARTY TRANSACTIONS

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- (a) the purchase, sale, lease, rental or hire of assets between related parties;
- (b) the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the Pension Fund;
- (c) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- (d) the provision of services to a related party, including the provision of Pension Fund administration services;
- (e) transactions with individuals who are related parties of a Council or a Pension Fund, except those applicable to other members of the community or the Pension Fund, such as council tax, rents and payments of benefits.

The above examples are not intended to be comprehensive. The materiality of related party transactions should be judged not only in terms of their significance to the Council, but also in relation to its related party.

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- (a) an employer's decision to terminate an employee's employment before the normal retirement date, or
- (b) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVALUATION RESERVE

The revaluation reserve was introduced as part of the changes included within the 2006 SORP. The purpose of the reserve is to record the gains on revaluation of fixed assets that have not been realised through the disposal of the asset. The balance on the reserve represents the revaluation gains accumulated since 1 April 2007.

REVENUE EXPENDITURE

The day-to-day expenses of providing services. This comprises staff costs, other operating costs and capital charges.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Revenue expenditure funded by capital under statute. This is expenditure that can be properly capitalised, but which does not result in an asset for the Council. Expenditure is therefore charged to the CIES.

REVENUE SUPPORT GRANT (RSG)

A general Central Government grant paid to the Income and Expenditure Account in support of the Council's revenue expenditure.

Glossary of Terms

SAFETY NET

A mechanism that protects local authorities on NDR income by paying additional Government grant when actual income is less than 92.5% of the funding baseline position.

SCHEME LIABILITIES

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit methods reflect the benefits that the employer is committed to provide for service up to the valuation date.

SERVICE REPORTING CODE OF PRACTICE

A Chartered Institute of Public Finance and Accountancy (CIPFA) guide to accounting for local Government services which provides a consistent and comparable calculation of the total costs of services.

SETTLEMENT

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to affect the settlement. Settlements include:

- (a) A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- (b) The purchase of an irrevocable annuity contract sufficient to cover vested benefits and

- (c) The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

SHAPING OUR FUTURE

This is the Councils change framework enabling the transformation of the Council into a new service delivery model.

SPECIFIC GRANTS

Government grants given to local authorities and earmarked for specific services, e.g. Standards Fund Grant paid to Education Services.

SUPPORT SERVICES

The costs of Directorates which provide professional and administrative assistance to services.

TANGIBLE ASSETS

Expenditure which may properly be capitalised and results in an asset with physical substance. Examples of this type of expenditure are Land and Buildings, Infrastructure, Vehicle Plant and Equipment.

TOP UP GRANT

A grant payable by central Government when a local authority's business rate income is less than that generated by the local Government finance settlement methodology.

TREASURY MANAGEMENT

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

TREASURY MANAGEMENT STRATEGY (TMS)

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

TRUST FUNDS

Funds administered by the Council for such purposes as prizes, charities, specific projects, and on behalf of minors.

UNOBSERVABLE INPUTS

Unobservable inputs are based on the reporting entity's own assumptions where market data is unavailable.

USEFUL LIFE

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

WORK IN PROGRESS

The value of work done on an uncompleted project which has not been recharged to the appropriate account at the Balance Sheet date.

