

Middlesbrough Council Annual Statement of Accounts 2009/2010



mima art gallery, Middlesbrough.

Annual Statement of Accounts 2009/2010

Contents	Page
Section 1 Explanatory Foreword & Review of 2009/2010 Financial Year	2
Section 2 Corporate Governance Statement	19
Section 3 Statement of Accounting Policies	37
Section 4 Statement of Responsibilities & Independent Auditors Report	52
Section 5 The Core Financial Statements	
Income and Expenditure Account	58
Statement of the Movement on the General Fund Balance	59
Statement of Total Recognised Gains and Losses (STRGL)	61
Balance Sheet	62
Cash Flow Statement	64
Notes to the Core Financial Statements	66
Section 6 The Supplementary Financial Statements	
Collection Fund Account	111
Notes to the Collection Fund Account	112
Section 7 Group Accounts	
Group Income and Expenditure Account	116
Group Statement of Total Recognised Gains and Losses (STRGL)	117
Group Balance Sheet	118
Group Cash Flow Statement	120
Notes to the Group Accounts	121
Section 8 Teesside Pension Fund	124
Section 9 Glossary of Terms	146

Section 1: Explanatory Foreword

EXPLANATORY FOREWORD – SECTION 1

Introduction

The Statement of Accounts presents the overall financial position for the year ended 31st March 2010 and incorporates all the financial statements and disclosure notes required by statute.

The “Statement of Recommended Practice” (SORP) specifies the accounting principles and practices required to prepare the Statement of Accounts which presents a ‘True and Fair view’ of the financial position and transactions of the Council and to prepare group financial statements where the Council has material interests in subsidiaries, associates or joint ventures.

New or Changed Requirements for the 2009/2010 Accounts

As a result of the ongoing trend to make Local Authority accounts more comparable with standard sector accounts there have been further changes in the presentation of the accounts:

- **Accounting For Council Tax / NNDR**

From 1st April 2009, the Council Tax income included in the Income and Expenditure Account will be the accrued income for the year. The Cleveland Police Authority and Cleveland Fire Authority will become debtors or creditors depending on the surplus / deficit on the Collection Fund for the year. This replaces the requirement to only include the precept amounts as in previous years. This is a major change and has required a prior year adjustment to the previous year (2008/09) figures in these accounts.

From 1 April 2009, NNDR taxpayers’ debit and credit balances and the associated provision for doubtful debts are no longer included in the council’s balance sheet. Billing authorities are now regarded simply as an agent for collecting NNDR and only the amount of cash collected from NNDR taxpayers that has not yet been paid (or has been overpaid) to the Government needs to be recognised in the council’s accounts.

Details of which are given in the table below:

Section 1: Explanatory Foreword

2008/2009 Council Tax / NNDR Balance Sheet Restatement			
	Original 2008/09	Restated 2008 /2009	Movement
	£000's	£000's	£000's
Debtors & Payments in Advance	4,478	3,447	(1,031)
Creditors & Income in Advance	(1,450)	(419)	1,031
Earmarked Reserves	84	0	84
Collection Fund Adjustment Account	0	84	(84)
Overall impact on Balance sheet			0

There is no impact on the authority's bottom line / Council Tax.

- **True and Fair View**

For the first time in 2009/2010, the Director of Resources is required by the Accounts and Audit Regulations to certify that the accounts present a true and fair view. This replaces the "presents fairly the financial position" required in previous years.

- **Reporting Senior Officers Remuneration**

With effect 1 April 2009, Local Authorities are required to disclose details of Officer remuneration in greater detail. The effects of the changes are twofold:

- The salary bandings are grouped into bands of £5,000 rather than £10,000 previously. (Starting at £50,000)
- An additional disclosure relating to the remuneration of "Senior Officers" requires that we disclose in greater detail the benefits payable to these individuals.

- **Removal of Disclosures Notes**

Five disclosure notes have been removed as requirements of the 2009 SORP:

- Section 137 expenditure;
- Expenditure on publicity;
- The Building Control Account;
- Business Improvement District Schemes; and
- Income under the Local Authorities Goods and Services Act

None of these disclosures are required in the statement of accounts by accounting standards or legislation.

Section 1: Explanatory Foreword

Preparation for Implementation of IFRS in 2010/11

Local authorities must prepare their accounts following International Financial Reporting Standards (IFRS) from 1 April 2010. The move to IFRS will bring a number of significant accounting changes and internal processes and procedures have required adjustment. Although IFRS is not being implemented in full until 2010/11, the need to include comparative information for 2009/10 in the first IFRS-based statement of accounts will require the production of shadow IFRS accounts for 2009/2010. The Council has been preparing for this transformation for the past eighteen months and has ensured that all necessary changes to systems and procedures have been identified, evaluated and carried out.

Annual Governance Statement (AGS)

In May 2008 the Council revised the Code of Corporate Governance in line with the CIPFA/SOLACE framework. The Council has undertaken a review of governance arrangements to ensure continuing compliance with best practice set out in the revised code. The Council has published the results of the review in an Annual Governance Statement in Section 2.

Core Financial Statements

A detailed analysis of the Council's financial position can be found in Section 5, the Core Financial Statements. A brief explanation of the purpose of each of the statements is given below:

Income and Expenditure Revenue Account

This statement is fundamental to the understanding of the local authority's activities. It reports the net cost for the year of all the services for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together expenditure and income relating to all of the local authority's services, in three distinct sections:

Part One: Net Cost of Service

The section summarises the cost incurred by each Service, net of specific grants and income from fees and charges. The Best Value Accounting Code of Practice (BVACOP) governs the analysis by service. The purpose of this analysis is to improve comparability and understanding between authorities.

Part Two: Net Operating Expenditure

The section includes income and expenditure that relates to the Authority as a whole and has not been recharged to a service. The most substantial entries relate to borrowing and investments. When added to the Net Cost of Service this gives the Net Operating Expenditure.

Section 1: Explanatory Foreword

Part Three: Surplus or Deficit for the Year

The section covers income from local taxation and general government grants for the financial year. When added to the Net Operating Expenditure this gives the Surplus or Deficit for the year.

The Income and Expenditure account is prepared in accordance with UK GAAP. However, the Council's budget requirement and Council tax demand is determined by statute and approved local authority accounting practice, i.e. depreciation is charged to the Income and Expenditure account in line with UK GAAP but excluded from Council Tax calculations. As a result the surplus or deficit on the Income and Expenditure will not reflect the outturn position on the Council's budget.

Statement of Movement on the General Fund Balance

The purpose of the statement is to provide reconciliation between the statutory requirement for raising council tax and the UK GAAP compliant Income and Expenditure Account.

Statement of Total Recognised Gains and Losses

The purpose of the statement is to summarise all the gains and losses on movements on headings within the Balance Sheet together with the final balance on the Income and Expenditure Account to demonstrate the total movement in the authority's net worth for the year.

Balance Sheet

This statement is fundamental to the understanding of the local authority's financial position as at the 31st March 2010. It reports details of the Assets, Liabilities, Balances and Reserves at the Council's disposal. It provides details of the assets employed in its operation and also identifies all liabilities to give the net equity of the Council.

Cash Flow Statement

The statement summarises the revenue and capital payments and receipts made by the Council to and from third parties. The cash inflows and outflows are analysed on a subjective basis and exclude any internal transfers.

Supplementary Financial Statements

The authority is obliged to include Supplementary Financial Statements where applicable to an authority's functions. A brief explanation of each statement is given below:

Collection Fund Account

This shows the income received by the Council from Non-domestic rates and Council Tax and indicates how the income has been distributed to the precepting

Section 1: Explanatory Foreword

authorities (Cleveland Police Authority and Cleveland Fire Authority), the National Pool and to the general fund.

Group Accounts

The authority conducts some of its activities through partnerships and separate undertakings. The SORP requires the production of Group Accounts to take account of these relationships in order to provide a full picture of its financial position.

The Group Accounts comprise the following statements;

- Group Income and Expenditure Account
- Reconciliation of the Single Entity Surplus or Deficit to the Group Surplus or Deficit
- Group Statement of Total Recognised Gains and Losses
- Group Balance Sheet
- Group Cash Flow Statement

Teesside Pension Fund

The Teesside Pension Fund is a local authority Occupational Pension Scheme and the management structure and scheme rules are defined in the Local Government Pension Scheme Regulations 1997.

The Fund provides for the payment of retirement benefits to local authority employees and former employees of the Teesside area and other bodies admitted by agreement. The Fund is administered by Middlesbrough Council via the Teesside Pension Fund and Investment Panel, which has plenary powers to make decisions without reference to the Council. The Panel acts in a similar manner to a Board of Trustees of a private sector pension fund.

The day to day running of the Teesside Pension Fund is delegated to the Director of Resources of Middlesbrough Council. He is responsible for implementing the strategies and policies set by the Pensions and Investment Panel. Supporting him is a team of staff split into two units, one being the Pensions Administration Unit, which is responsible for the calculation and payment of pension benefits and for looking after the employer interests in the Fund. The other is the Loans and Investment Unit, which is responsible for the investments made by the Fund.

Section 1: Review of 2009/2010 Financial Year

Introduction

Local electors and taxpayers have statutory rights to inspect the accounts before the audit is completed and to question the auditors. The Council advertises the inspection (“deposit”) period in the local papers. In order to make the final accounts as widely available as possible the Council publishes them on the Internet at www.middlesbrough.gov.uk and Middlesbrough residents have internet access at their local libraries. From the Statement of Accounts page you can also read the Audit Commission briefing “Council’s Accounts – Your Rights”.

Revenue Spending in 2009/2010

General Fund Summary Revenue Account

The General Fund covers all services provided by the Council.

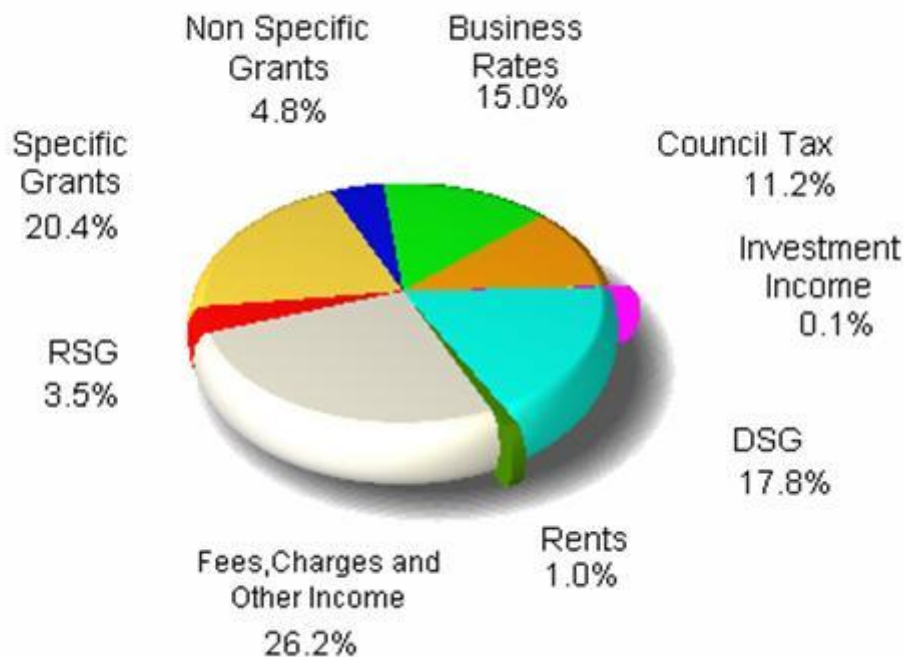
The charts summarise the gross expenditure in the year and the sources of funding for that expenditure. The charts cannot be directly compared to the data in the Income and Expenditure Account as capital financing costs are shown differently for presentation purposes.

Section 1: Review of 2009/2010 Financial Year

Where the Money Comes From

Source	Funding	Percentage
	£M	%
Revenue Support Grant	15.3	3.5
Dedicated Schools Grant	79.1	17.8
Specific Grants	90.1	20.4
Non Specific Grants	21.1	4.8
Business Rates	66.4	15.0
Council Tax	49.2	11.2
Investment Income	0.6	0.1
Rents	4.2	1.0
Fees, Charges and Other Income	116.0	26.2
Total	442.0	100.0

Where the Money Comes From



Section 1: Review of 2009/2010 Financial Year

Where the Money Goes

Service	Spending	Percentage
	£M	%
Central Services to the Public	19.7	4.5
Cultural, Environmental Regulatory and Planning	69.9	15.8
Children Families and Learning	174.5	39.4
Highways and Transport Services	22.2	5.0
Housing	59.5	13.5
Adult Social Care	78.5	17.8
Other Operating Costs	17.7	4.0
Total	442.0	100.0

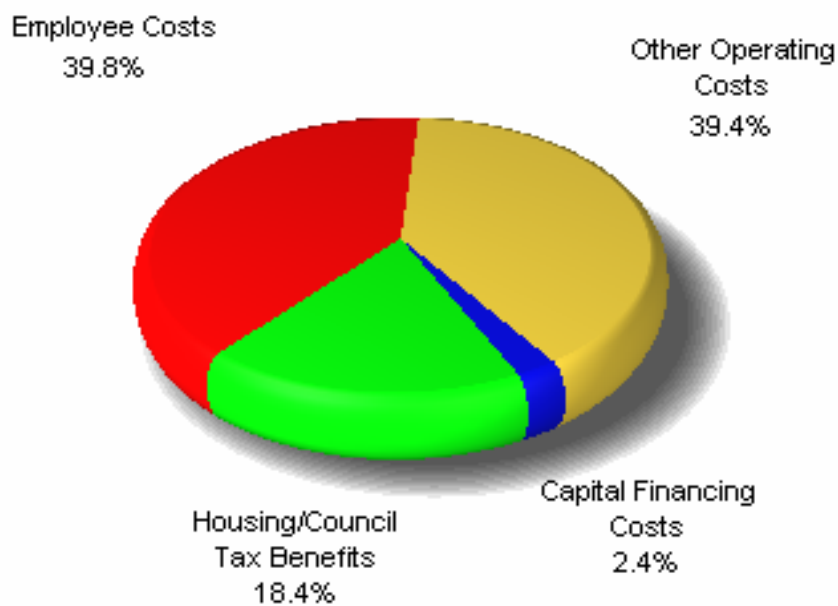


Section 1: Review of 2009/2010 Financial Year

What the Money is Spent On

Source	Amount	Percentage
	£M	%
Employee Costs	176.0	39.8
Other Operating Costs	173.9	39.4
Capital Financing Costs	10.8	2.4
Housing and Council Tax Benefits	81.3	18.4
Total	442.0	100.0

What the Money is Spent On



Section 1: Review of 2009/2010 Financial Year

The 2009/2010 Revenue Budget

The main components of the revenue budget for 2009/2010, and how these compare with the actual income and expenditure are set out below.

Budgeted Expenditure	Budget £M	Outturn £M	Variance £M
Service Budgets			
Children, Families & Learning	23.0	24.5	1.5
Social Care	36.5	36.6	0.1
Environment	26.2	26.1	-0.1
Regeneration & Culture	8.5	7.6	-0.9
Central Services	27.6	27.0	-0.6
Corporate Costs	9.5	9.3	-0.2
Net Service Expenditure	131.3	131.1	-0.2
Budgeted Contribution from Reserves	-0.4	-0.4	0.0
Net Impact on the General Fund	130.9	130.7	*-0.2

* NB. actual outturn variance for 2009/10 was £-182k

Summary of the Council's financial performance for the financial year 2009/2010

A detailed report on the financial outturn for the Council was presented to the Council's Executive Board on 25th May 2010, which confirmed that a saving of £182k had been achieved on the revenue budget of £130.9 million set by the Council. The major variations were:

- There was a net pressure of £1.461 million in Children, Families and Learning. There was increased demand for agency fostering services £1.406 million and agency residential care for children £1.762 million. The use of agency social work staff to cover vacancies in locality teams added £676k to the pressure in Family services. These were partly offset by savings of £338k achieved by maximising the use of specific grants across the service, savings on in-house fostering £245k and on school transport £294k, and vacancy management savings totalling £426k. Central and service demand led contingencies covered £1.08 million of the pressures.
- Social Care produced a net pressure of £131k. There were pressures from increased demand for services of £2.12 million and a reduction in trading for Ayresome Industries £224k. The service recovered £331k of unused Direct Payments. The maximisation of the use of the Supporting People grant saved £242k, Carers grant £127K and Workforce development funding £86k. Savings from managing vacancies totalled £319k. Central and service demand led contingency funds covered £1.134 million of the pressures.

Section 1: Review of 2009/2010 Financial Year

- There was a small saving of £59k for the Environment service. The adverse winter weather had a major impact on the service. Car-parking income fell short by £220k and in sports and leisure centres there was reduced income of £445k. The weather also increased Waste collection costs by £77k. This was offset by additional income of £101k from the sale of surplus LATS. Additional work in Area Care made a saving of £230k and Fleet Services £100k. The management of vacancies across the service produced net savings of £370k.
- There was a net saving of £950k in Regeneration. The savings were due to staff turnover, reduced spending on Regeneration initiatives and the maximisation of Working Neighbourhood funding and Housing Planning Delivery Grant.
- The net savings in Corporate Services amounted to £565k. There was £177k savings on Legal and Democratic Services mainly from extra fee income, savings on staff and members budgets. In Strategic Resources there was a saving of £175k mainly on increased Commercial Property rents and increased Housing Benefits grants. There were net savings of £204k on staffing costs within Policy & Performance.
- There was a net saving of £203k on Central Costs and Provisions. This was mainly due to funding of additional winter maintenance costs £300k, a reduction in right to buy receipts £142k and reduction in interest on balances £593k. These pressures were offset by savings on pay & prices inflation of £1 million and pension payment £230k. The Council approved the allocation of £1 million to the Invest to Save/Change Program reserve.

Changes on the Balance Sheet

Major movements on the balance sheet from 31 March 2009 to 31 March 2010 are as follows:

- The Council's total fixed assets have increased by £76.1m, which comprises expenditure on fixed assets of £75.1m, a revaluation of existing assets of £29.6m, less disposals of £3.7m and depreciation, impairments and adjustments of £24.9m.
- The Council's current debtors decreased by £6.1m. In March 2008/2009 there was £7.7m of government capital grants due for major capital road schemes, which finished during 2009/2010. The amount of VAT owed to the authority at the year-end increased by £1.7m compared to the previous year. The changes in the accounting treatment on the sharing of collection fund debtors/creditors with Police & Fire authorities added £0.5m to the debtors figure.
- The reduction in the Long-term investments of £2.8 million is from £2.5m of cash that was on long-term deposit being used to repay long-term loans and a fall in the value of Durham Tees Valley International Airport shares of £0.3m.
- Short-term investments have reduced by £5.4m as a result of the use of the funds being used to repay long term loans.

Section 1: Review of 2009/2010 Financial Year

- The increase in the Council’s creditors of £8.1m is due mainly to outstanding Early Retirement/Voluntary Redundancy payments of £1.6m, Building Schools for the Future scheme of £1.8m and income in advance of £4.6m.
- The Council reduced Long-term borrowing by £20.1m during 2009/2010 as it utilised cash balances to repay loans and reduce capital financing interest charges.
- The FRS 17 estimated net pensions liability has increased by £96m from £97m to £193m due to significant reductions in bond yields, which is reflected in the valuation of the fund’s assets and liabilities by the actuary.

The movement on the General Fund balance was:

	£'000
Opening Balance	5,539
Net Service impact on General Fund	182
General Fund Balances as at 31 March 2010	5,721

Local Economic Climate 2009/2010

There is evidence of a recovery commencing, but it is at a slow rate and is not in all sectors of the local economy:

Business and the Labour Market

- Major employers across the Tees Valley have made redundancies, including Corus.
- Decrease in commercial rent levels and asset values
- Number of business failures increasing
- Increase in the number of vacant retail and commercial property resulting from closures and downsizing
- Increased number of requests to reduce or defer rental payments
- Retail has experienced the greatest difficulties with reduced sales and numerous store closures
- Unemployment has continued to rise from 6.9% to 7.9% during the year, whilst the number of vacancies fell
- Evidence of a recovery commencing, but at a slow rate

Housing Market

- The value for properties in Middlesbrough has seen a rise in the year by 6%. This still shows a 7% decrease from the peak in 2007.
- In 2009/10, 207 new affordable homes were built. This shows an increase of 666% from the previous financial year.
- The total number of dwellings completed in 2009/10 was 334, up from 148 in 2008/09.
- In 2009/10 there were 280 repossession claims issued in Middlesbrough. This was down by 38 on the 2008/09 figure.
- Right to Buy sales of former council properties continued to be very low.

Section 1: Review of 2009/2010 Financial Year

Individuals

- Money/Debt Enquiries continue at a high level
- Council Tax arrears increased
- Rent Arrears increased
- No reduction in monthly number of Bankruptcies
- Impact on family stability

Impact on the Council

<ul style="list-style-type: none"> • Increase in bad debts 	<ul style="list-style-type: none"> • Increased court fees, staff workload and reduced income
<ul style="list-style-type: none"> • Requests for Hardship relief / empty Property relief / small business rate relief for Business Rates up substantially. 	<ul style="list-style-type: none"> • Increase in staff workload
<ul style="list-style-type: none"> • Large increase in Benefit Claimants 	<ul style="list-style-type: none"> • Increase in staff workload and administration costs.
<ul style="list-style-type: none"> • Reduced income from Car parks / Commercial Property Rents / planning fees 	<ul style="list-style-type: none"> • Budget pressures for services.
<ul style="list-style-type: none"> • Council share of Right to Buy receipts down 	<ul style="list-style-type: none"> • Continues to be a budget pressure.
<ul style="list-style-type: none"> • Increased demand for Welfare rights / Citizens advice services 	<ul style="list-style-type: none"> • Increase in staff workload
<ul style="list-style-type: none"> • Increase in children taken into care 	<ul style="list-style-type: none"> • Increase in social worker workload and huge costs
<ul style="list-style-type: none"> • Significant increase in numbers of free school meals. 	<ul style="list-style-type: none"> • Additional funding provided by schools to maintain the quality
<ul style="list-style-type: none"> • Capital receipts reduced and delayed 	<ul style="list-style-type: none"> • Possible difficulties funding the Council's 5 year £328 million Capital Programme.

Looking Ahead 2010/2011 and beyond

The perilous state of the UK national finances and the financial measures that the new Government will have to take to reduce the massive budget deficit will have a major impact on public services and Local Authorities in particular. The difficulties/uncertainties that all Local Authorities are facing are increased by the fact that the next Comprehensive Spending Review is due in autumn 2010. The Comprehensive Spending Review provides local authorities with indicative funding levels for three years.

It is certain that Middlesbrough Council will have to deal with significant changes to its funding levels over the medium term.

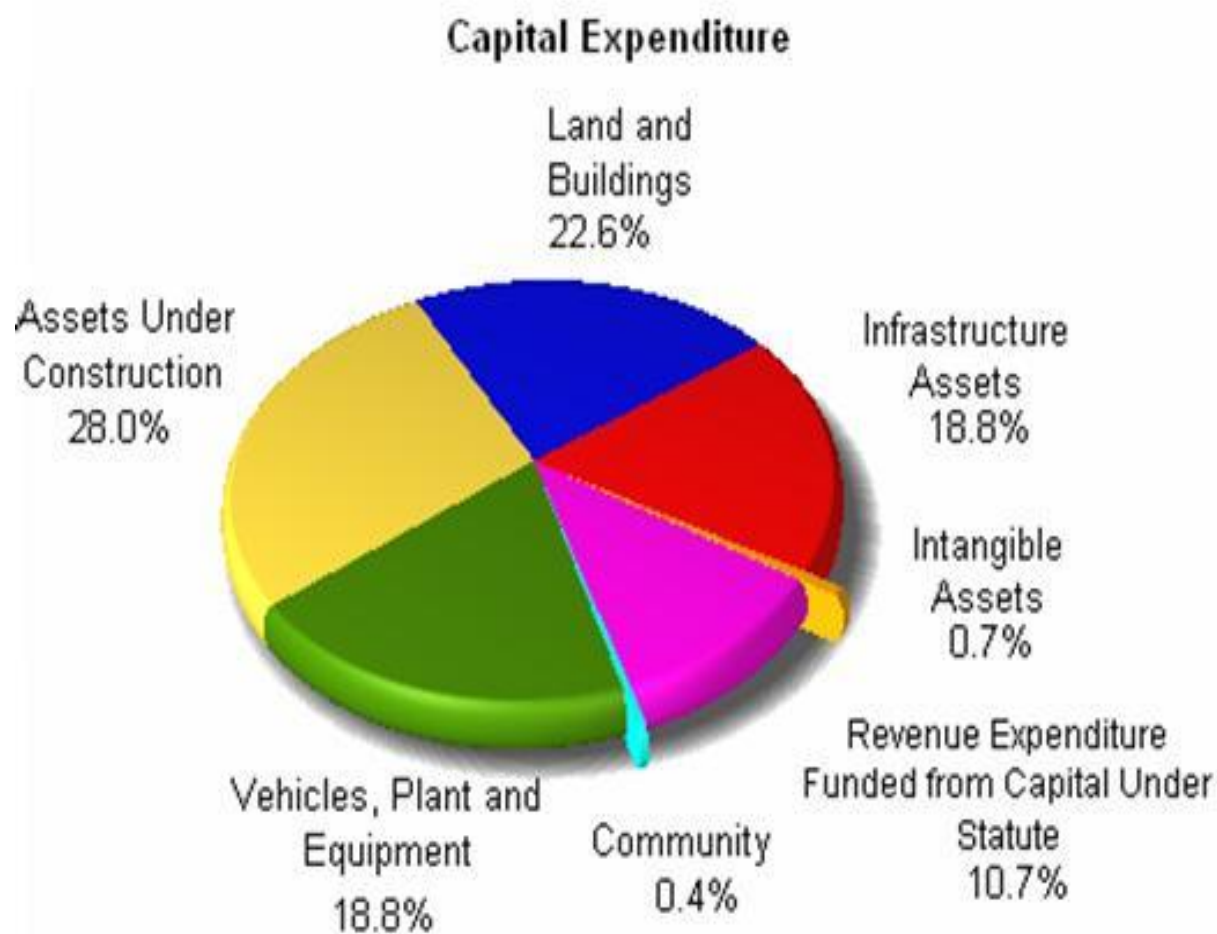
Section 1: Review of 2009/2010 Financial Year

Capital Spending in 2009/2010

In 2009/2010 the Council spent £67.4m on capital projects. The charts provide details of this spending and how it was financed during the year.

Capital Expenditure	Spending £M	Percentage %
Assets Under Construction	18.9	28.0
Land and Buildings	15.2	22.6
Infrastructure Assets	12.7	18.8
Intangible Assets	0.5	0.7
Revenue Expenditure Funded from Capital	7.2	10.7
Community Assets	0.3	0.4
Vehicles Plant and Equipment	12.6	18.8
Total	67.4	100

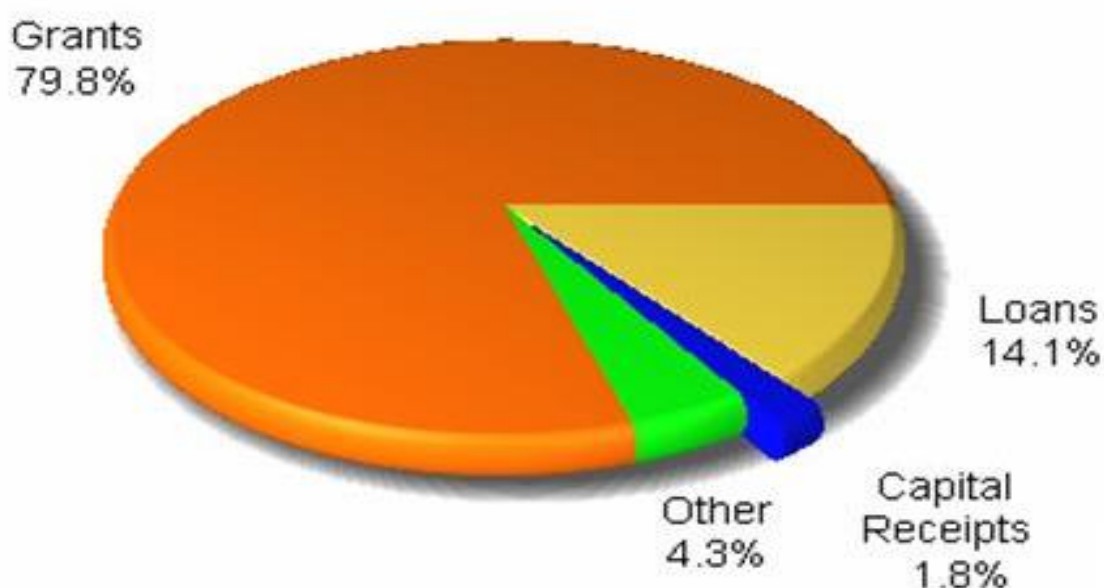
* Revenue Expenditure Funded from Capital represents expenditure, which is classified as capital, but does not result in the creation of an asset owned by the Council. Examples include home improvement grants.



Section 1: Review of 2009/2010 Financial Year

Capital Financing	Funding £M	Percentage %
Grants	53.8	79.8
Loans	9.5	14.1
Capital Receipts	1.2	1.8
Other	2.9	4.3
Total	67.4	100

Capital Financing



Major Items of Capital Expenditure

Details of the amounts spent on major capital schemes in 2009/2010 are shown below.

Scheme Description	£'000
Corporate	
Equal Pay Awards	
<i>This is estimated non recurring costs of future equal pay settlements</i>	1,220
ICT Infrastructure Programme	
<i>Upgrade to the Councils Core ICT Infrastructure</i>	555
	1,775

Section 1: Review of 2009/2010 Financial Year

Education	£'000
Building Schools for the Future - Acklam Grange – Design & Build <i>Build new school on existing Acklam Grange school site, retaining the existing sports complex and City Learning Centre.</i>	13,300
Building Schools for the Future - Ormesby & Priory Woods Design & Build <i>New build school developed as a combined scheme with Ormesby School and Priory Woods Special School</i>	11,540
Building Schools for the Future - Ashdale Design & Build <i>Rebuilding Ashdale Pupil Referral Unit in a new location, next to Parkwood School.</i>	744
Building Schools for the Future - Trinity RC College Design & Build <i>Predominantly 80% new build on the Newlands FCJ School site, with the retention of some existing buildings, to replace St. David's and Newlands FCJ Secondary Schools.</i>	1,167
Building Schools for the Future - Tollesby & Beverley Design & Build <i>Co-location of Beverley and Tollesby schools in a new building with shared facilities.</i>	2,391
Primary Strategy for Change - Phase 1: Archibald Primary <i>Alterations to Archibald Primary School kitchen/dining hall linking to main school block.</i>	732
Primary Strategy for Change: Linthorpe Primary Foundation Classroom <i>Replace free-standing nursery and reception class with extension to existing school giving integrated foundation stage linked to new Sure Start facility, new access and reception area.</i>	543
Primary Strategy for Change: Captain Cook Security/Access <i>Provide new entrance/reception area with increased security and improved DDA access.</i>	558
	<hr/>
	30,975
Environment	
Local Transport Plan - Highways Maintenance <i>A rolling programme of road maintenance projects across the borough</i>	792
Purchase of New Vehicles <i>Funding for the purchase of essential vehicles across the Council</i>	721

Section 1: Review of 2009/2010 Financial Year

	£'000
North Middlesbrough Accessibility	
<i>The A66 North Middlesbrough Accessibility project has widened the A66 in the Newport area to allow better access to Riverside Park</i>	6,790
	8,303
Regeneration	
St Hildas	
<i>The completion of property acquisition in St. Hildas and the progression of the Older Housing scheme.</i>	5,587
Middlehaven Phase 2 - Eligible Sites	
<i>Key property acquisitions in the central industrial area of Middlehaven</i>	2,550
Inner Middlesbrough Implementation	
<i>Funding for improvements to terraced streets in the older housing area and the repair/improvement of the homes of vulnerable residents throughout the town</i>	1,214
Disabled Facilities Grant	
<i>Funding provided for adaptations to dwellings to enable disabled people to continue to live at home</i>	1,135
	10,486
Grand Total	51,539

Section 2: Corporate Governance Statement

CORPORATE ASSURANCE STATEMENT 2009/2010

SCOPE OF RESPONSIBILITY

Middlesbrough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Middlesbrough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness. In discharging this overall responsibility, Middlesbrough Council is also responsible for putting in place proper arrangements for the governance of its affairs facilitating the effective exercise of the Council and Teesside Pension Fund functions including arranging for the management of risk.

Middlesbrough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on the Council website at www.middlesbrough.gov.uk or can be obtained from Legal Services, Middlesbrough Council, Town Hall, Middlesbrough, TS1 2QQ. This statement explains how Middlesbrough Council has complied with the code and also meets the requirements of regulations 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit Regulations 2006 in relation to the publication of a statement of internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework encompasses the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risk to the achievement of Middlesbrough Council's policies, aims and objectives;
- evaluate the likelihood of those risks being realised and the impact should they be realised, and;
- manage them efficiently, effectively and economically.

The governance framework has been in place within Middlesbrough Council and Teesside Pension fund for the year ended 31st March 2010 and up to the date of approval of the annual report and accounts.

Section 2: Corporate Governance Statement

THE CORPORATE GOVERNANCE ENVIRONMENT

In January 2004 the members of Middlesbrough Council approved “The Code of Corporate Governance”. The code has been reviewed and updated to incorporate the Corporate Governance framework set out in the CIPFA/SOLACE document “Delivering Good Governance In Local Government”. The new Framework comprises six core principles that support the governance of the Council. These core principles of the corporate governance environment, which underpin the credibility and confidence in the Council and the Teesside Pension Fund, are set out in this document.

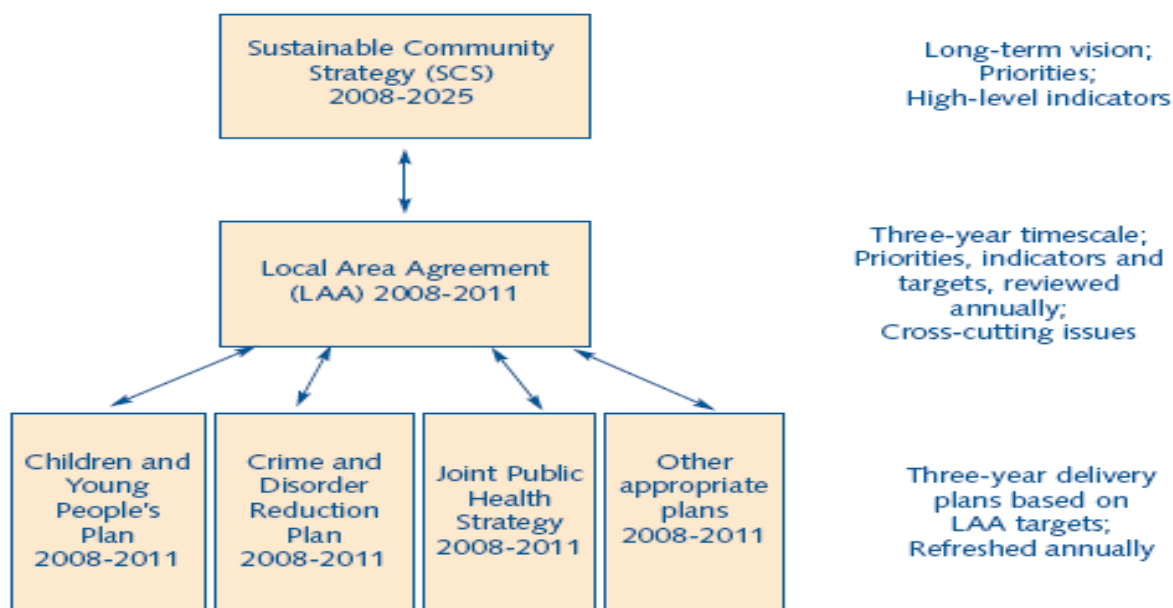
Core Principle 1: Focussing on the Council’s purpose and on outcomes for its citizens and creating and implementing a vision for the area:

Good governance ensures that the Council fulfils its purpose and achieve the intended outcomes for its citizens and service users and that it operates in an effective, efficient, economic and ethical manner. The Council has therefore developed a clear vision of its purpose and intended outcomes, which is communicated both within the authority and to external stakeholders.

Middlesbrough Councils Ambition And Prioritisation

Middlesbrough Council and its partners have a well established, clear and ambitious long-term vision for the town, which is articulated in a number of key strategy documents, including the Local Area Agreement (LAA) 2008. The LAA takes as its starting point the Sustainable Community Strategy 2008. As well as the overall vision for the town, the LAA identifies its strategic priorities, priority outcomes and associated indicators and targets. Both the Sustainable Community Strategy and the LAA are structured around outcomes and targets reflecting both local needs and national priorities.

The diagram below outlines the relationship between the key local strategic plans.



Section 2: Corporate Governance Statement

The Council is one of only 13 in the country operating a directly elected mayoral model. The Mayor was elected in May 2002 and re-elected for a second term in May 2007. The Mayor supported by the Council's executive and non-executive Councillors has set the "Raising Hope" agenda for change. The Sustainable Community Strategy 2008 is based on the "Raising Hope" agenda. The key elements or pillars of the agenda are:

- a clean, safe environment in which people can go about their business without fear of crime and anti-social behaviour;
- physical regeneration of the town's run-down sites and buildings;
- a business-friendly enterprise culture which welcomes would-be investors;
- a transport network that can meet the needs of a town on its way up.

Education and care for young people and support to vulnerable people in the town provide a foundation for these pillars

Core Principle 2 – Members and officers working together to achieve a common purpose with clearly defined functions and roles:

Elected members are collectively responsible for the governance of the Council. The Local Government Act 2000 introduced new executive arrangements whereby full Council following proposals from the Executive agrees the Council's policy framework, budget and key strategies. The Executive, which comprises elected members, is responsible for implementing them and is responsible for exercising all functions of the Council except to the extent they have been categorised as non-executive functions (e.g. planning, licensing, elections and other miscellaneous functions). This effectively separates decision-making and scrutiny of those decisions. The Chief Executive, Section 151 officer, Monitoring Officer and other senior managers are responsible for advising the executive and scrutiny committees on legal, financial and other policy considerations.

Executive Roles:

The Mayor has a mixed party Executive of eight, holding the following portfolios, which are focused on the delivery of the Council's priorities:

- Deputy Mayor / Regeneration and Economic Development
- Streetscene Services
- Transport
- Social Care
- Public Health and Sport
- Children, Families and Learning
- Community Protection
- Resources.

Clear Policy and Decision Making:

The Council has in place clearly documented and understood management processes for

- policy development, implementation and review,
- decision-making,
- monitoring, control, and reporting.

Section 2: Corporate Governance Statement

It also has formal, procedural and financial regulations to govern the conduct of the authority's business. These processes are detailed in the following documents:

- Constitution
- Scheme of Delegation to Officers
- Financial Procedure Rules
- Terms of reference for the Independent Allowances & Remuneration Panel
- Scheme of Delegation to Individual members of the Executive
- Executive Members Performance Management process guidance
- Formal scrutiny process guidance
- Terms of reference for the Independent Teesside Pension Fund panel

Ensuring Compliance with Council Decisions, Rules and Regulations:

Like all local authorities, Middlesbrough operates within a statutory framework, which governs the behaviour of elected members and officers. The following officers also have a specific duty to ensure that the Council acts within the law and uses its resources wisely:

- Chief Executive (Head of Paid Service)
- Head of Legal Services (Monitoring Officer)
- Director of Resources (Section 151 Officer)

Regular reviews by the Council of progress against its corporate plans / objectives:

- Middlesbrough Council Strategic Plan (by 30 June annually);
- Summary Performance Plan (by 31 March annually);
- The delivery plan for the Sustainable Community Strategy is reviewed annually;
- Comprehensive Area Assessment (CAA);
- Annual Statement of Accounts.

An Annual Report will be published in June for 2009/2010 by the Council, which will set out the key achievements during 2009/2010 and what is planned for 2010/2011 along with financial statements and capital investment summaries.

Value For Money

The need to be efficient and provide value for money has long been a necessity for Middlesbrough. The Council continues to secure significant cost reductions and achieves good value for money by balancing costs, service quality and working environment. The Council has been one of the most successful in the country in achieving value for money savings and re-investing them into front line services. Savings of £16.93 million have been made against a target of £10.90 million over the CSR07 period. It is continuing to develop and build on existing value for money methodologies, structures and processes. These are outlined in the Council's Value For Money strategy.

The following activities are being undertaken to improve value for money across the Council:

Section 2: Corporate Governance Statement

- The identification of growth and savings through the budget process; - Savings targets and growth proposals for each service area are presented annually to the Executive as part of the budget process and the setting of the Medium Term Financial Plans.
- Value for money reviews - capturing efficiency gains through a targeted efficiency programme.
- The Council's corporate procurement strategy is underpinned by the principles of value for money to ensure effective corporate procurement mechanisms;
- Reviewing partnership opportunities within services; – Partnership arrangements provide value for money through efficiency savings.
- Performance management (including corporate and business planning and risk management).
- An efficient organisational structure maintained through the active management of staffing costs and information.
- Benchmarking exercises with similar authorities to identify areas of potential improvements.
- An effective training programme to embed the value for money culture across the Council.
- Effective scrutiny via scrutiny panels, budget and performance clinics.
- Value for Money Team established to support services in carrying out reviews and delivering savings.
- Exploring opportunities for joint commissioning/joint working/joint use of assets with other Local Authorities and public sector organisations to achieve savings.
- Promote the basic principles of value for money across all levels of the Council by issuing newsletters and attending the managers induction speed networking event.
- The development of a transformation board comprised of senior officers to carry out key cross cutting improvement projects.

Partnerships

Modern local government is built around partnership working and Middlesbrough is no exception. As a comparatively small town, relationships between partners are generally close and there is a well established and understood common agenda enshrined in key documents, particularly the Sustainable Community Strategy and Local Area Agreement.

At the local level, the Local Strategic Partnership (LSP) is the key partnership. The LSP brings together agencies and stakeholders from all sectors of the community. There is a strong partnership with the University and the voluntary and community sector, which are keen to support the LSP. The aspirations of the partnership, which are based on shared national and local government priorities, complement the Mayor's vision. The shared priorities are:

- safer communities;
- stronger communities;
- children and young people;
- adult health and well-being – tackling exclusion and promoting equality;
- local economy;
- environmental sustainability.

Section 2: Corporate Governance Statement

The LSP is divided into action groups, which mirror the priority themes of the strategy. The action groups take overall responsibility for delivery of the relevant actions and targets in the strategy, with each partner organisation playing its particular role. The Council has a well thought out, thorough approach to the partnership, with a firm focus on the Council's priorities.

The Council has a significant partnership with the private sector firm – Mouchel, which provides the following services to the Council

➤ Accountancy	➤ Human Resources
➤ Pensions Admin	➤ Debtors
➤ Council Tax & NNDR collection	➤ Creditors
➤ Information Technology	➤ Payroll
➤ Housing & Council tax Benefits	➤ Service Admin Support
➤ Property Management	

There are formal monitoring arrangements in place to measure performance as well as investment.

Monitoring and Reporting Management Performance

Performance management reporting has now become part of the regular quarterly monitoring process of the Council. Services are required to report progress against national Key Performance Indicators as well as locally set improvement targets.

Improvements in Performance Management during 2009/2010 have included:

- Strengthening of Local Strategic Partnership performance management framework to monitor and review improvement targets set out in the Local Area Agreement through partnership accountability, collaboration and challenge.
- Review of quarterly Performance Clinic process and strengthening of report structure and content to better demonstrate achievement of priority outcomes and to identify and address potential areas of under performance.
- Further developed the performance management framework to ensure detailed knowledge of our communities is driving forward performance outcomes.

Improvements for Performance Management planned for 2010/2011 include:

- Monitor progress against priorities and inform CAA process
- Involve key "duty to regard" partners in accountability sessions to ensure further accountability to LAA targets

Core Principle 3 – Promoting high standards of conduct and behaviour across the Council

The Council recognises that good governance is underpinned by shared values and demonstrated in the behaviour of its members and staff. The Council's values (the way in which we will work for the community in pursuing our aims) are set out in our Strategic Plan. The standards of conduct and behaviour expected of members and officers are clearly set out in the codes of conduct for members and for officers. Training programmes for both members and staff support this.

Section 2: Corporate Governance Statement

The Council established a Standards Committee in 2005/06, which makes a significant contribution to internal control. The Committee identifies key items, which will have an impact on the Council's overall performance, financial management, risk management, and governance. Some of the key items addressed in 2009/10 are set out below.

- Review of the Members IT Strategy
- Review of Criminal Records Bureau checks for Members
- Review of local protocols for sharing Monitoring Officers and legal advice across the Tees valley
- Approved the distribution of "A Brief Guide to the Members' Code of Conduct" leaflet to all Council members
- Reviewed the Gifts and Hospitality Policy
- Monitoring of Corporate Complaints and Ombudsman complaints

Core Principle 4 – Making transparent decisions which are subject to scrutiny and risk management

The Council recognises that all Council decisions are potentially subject to legal challenge and that it needs to be able to successfully defend such challenges. In order to do so the Council must be able to demonstrate that decision makers followed a proper process, the decision was properly documented and was taken having regard to all relevant considerations whilst ignoring any irrelevant considerations. Scrutiny committees, which comprise non-executive members, can question and challenge the policy and performance of the Executive, and also the Council's policy and performance in respect of non-executive functions. Members and officers must therefore have all relevant information before them, including the outcome of any constructive scrutiny and a detailed assessment of the risks to ensure that Council resources are used legally and efficiently.

Scrutiny Function

The scrutiny arm of the Council has been widely recognised for the quality of its work and is led by the Overview and Scrutiny Board, comprising the chair plus 12 members.

The structure of the scrutiny function complements the Council's priorities and the executive portfolios. The following panels report to the Board:

- Children and Learning
- Community Safety and Leisure
- Environment
- Economic Regeneration and Transport
- Social Care and Adult Services
- Ad Hoc Panels as required
- 'Call In' (when initiated)
- Health

Robust Risk Management Processes

The Council has continued to progress the development and embedding of risk management, both corporately, and across all Service areas during 2009/2010. Major developments over recent years have included: -

Section 2: Corporate Governance Statement

- Amendment of the Council's scheme of delegation to include
 1. The role of "Risk Management Champion" in the portfolio of the Deputy Mayor
 2. "Issues relating to Corporate Risk Management" in the responsibilities of the Executive
- The Chief Executive has adopted the responsibility for Risk Management;
- Detailed Risk Management training for Service Risk Champions, leading to them achieving an intermediate-level qualification in the subject;
- Formal Risk Awareness training for all Members;
- Establishment of an intranet site providing access to risk management documents, information, and guidance;
- Review of the Risk Management strategy (January 2010);
- Development and review of Business Continuity Plans and Flu Pandemic Plans across the authority;
- Revision of the Risk Management toolkit (January 2010);
- Management via a computerised Risk Management system including the benefits of data entered once and used many times;
- Addition of Risk Management Awareness training to the Corporate Annual Training Programme (This is available to all staff across the Council);
- Assessment of Risk Management processes to confirm these are aligned with best practice in the 2009 ISO31000 Risk Management Principles and Guidelines;
- Strengthening of guidance to staff, within the Risk Management Toolkit, giving more detailed information relating to risk scoring.

The Internal Audit Function

The effectiveness of internal control is audited and assessed by the internal audit function under the direction of the Director of Resources and in accordance with prescribed codes of practice.

Internal Audit provides management with assistance and independent guidance on systems, processes and risks and through its work forms a view on the strength of the component controls and the overall control framework.

The Internal Audit function operates under the Local Government Accounts and Audit Regulations, which require the maintenance of adequate and effective systems of internal audit of accounting records and control systems, and full assistance from officers and members in the provision of documents, records, information and explanation to enable the proper fulfillment of those audit responsibilities. The work of the section reflects professional best practice, is guided by the Code of Practice for Internal Audit on Local Government and by the policies, procedures, rules and regulations established by the Authority.

The internal audit function, which works closely with the external auditor, and undertakes a planned programme (covering all the Councils activities) that is approved by the Audit Committee. The programme includes independent reviews of the systems of internal control and risk management.

Section 2: Corporate Governance Statement

The overall objective of Internal Audit is to provide an independent and objective appraisal function, and review and report upon the overall system of internal control. This work encompasses both operational and developing systems. Through this responsibility Internal Audit:

- Facilitates good practice in managing risks;
- Contributes to ensuring sound resource management;
- Recommends improvements in control, performance and productivity;
- Provides reassurance and challenge to managers;
- Encourages development of consistent policies and high standards;
- Assists in the impartial investigation of irregularities and policy breaches;
- Supports the achievement of statutory and best practice requirements.

The Director of Resources has line management responsibility for the Internal Audit Manager. The Internal Audit Manager has independent, direct access to the Chief Executive and other Directors and also has well established reporting lines to members.

The Internal Audit Manager reports audit findings to Heads of Service and action is agreed to address these findings as necessary. Each Head of Service is responsible for operating systems of internal control within their area of responsibility, which will provide reasonable assurance of effective and efficient operations, reliable information and compliance with laws and regulations. A report on audit activity together with details of internal audit is made regularly to the Audit Committee.

Internal Audit has concluded overall, based on the findings of work undertaken at Middlesbrough Council, that there are sound systems of internal financial control in place. A number of areas for improvement have been identified and will be implemented on an agreed and phased basis subject to the assessed level of risk.

Effective Audit Committee

The purpose of an Audit Committee is to provide independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process. To achieve these aims, the committee is responsible for the following key functions:

- Reviews of internal audit strategy, annual plan and performance, plus review of summary internal audit reports, and seeking assurance that action has been taken as necessary;
- Consider where appropriate the reports of external audit and inspection agencies;
- Consider the effectiveness of the authority's risk management arrangements, and seek assurances that action is taken on risk related issues identified by auditors and inspectors;
- Ensure that the authority's assurance statements, including the Corporate Governance Statement, properly reflect the risk environment and any actions required to improve it;

Section 2: Corporate Governance Statement

- Ensure that there are effective working relationships between external and internal audit, inspection agencies, and other relevant bodies, and that the value of the audit process is actively promoted;
- Reviews the Council's controls on Data Quality processes.

During 2009/2010 the audit committee undertook a formal review of its effectiveness as recommended in the guidance provided by the Chartered Institute of Public Finance Accountants – CIPFA "A toolkit for local authority audit committees". The Committee recommended the following improvements:

- The name of the Committee is changed to the Audit and Governance Committee;
- Membership of the Audit and Governance Committee to be seven elected Members;
- One or two independent (i.e. non-elected) members, with no voting rights, to be included in the membership of the Audit and Governance Committee.
- Elected members of the Audit and Governance Committee will only be non-Executive Members;
- Appointments to the Audit and Governance Committee will be of four years duration, or until the next Council elections, renewable on an annual basis;
- The remit and terms of reference of the Audit and Governance Committee will include corporate governance, risk management, diversity, business continuity planning, and ensuring that effective systems are in place to underpin the broader systems and processes of the Council;
- Meetings of the Audit and Governance Committee will take place 6 times a year;
- The Audit and Governance Committee will in future receive a variety of reports and other evidence, undertake investigations, and produce a report to Council, Corporate Affairs Committee or to the Executive, as appropriate;
- The role profile for the Chair of the Audit and Governance Committee is included in the Council Constitution;
- An annual forward work plan will be produced to ensure that all directorates are subject to consideration by the Audit and Governance Committee;
- Guides for Members and Officers supporting the Audit and Governance Committee, in relation to the main areas of work, will be produced.

Strong Financial Management

The system of internal financial control is based upon a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a structure of delegation and accountability. Internal financial controls include:

- The establishment of key controls within the accounting systems of the Council;
- A robust system of budgetary control including formal quarterly and annual financial reports that indicate financial performance up to year end and include action plans for dealing with pressure areas;
- The production of regular financial reports at various levels within the Council which indicate actual expenditure against budgets;

Section 2: Corporate Governance Statement

- A clear and concise capital appraisal process for prioritising and approving all capital projects;
- Adherence to Prudential Indicators approved by Council to ensure the Council only undertakes capital expenditure for which it can afford both the financing costs and the running costs;
- Provision of a financial management training course for all new budget managers in partnership with the Institute of Public Finance (IPF);
- Participation in the National Fraud Initiative and subsequent investigations;
- Membership of the North East Fraud Forum and National Anti-fraud Network;
- Mouchel, the Council's Strategic Partner, delivers a significant element of the Council's financial processes. The process and discipline of internal controls is also applied to the activities of Mouchel;
- The roll out of a corporate procurement strategy to all services, and review of procurement levels during 2009/10;
- Ongoing training for Council and Mouchel financial and support staff on the Procurement / Debtors / Budget Management / Asset Management / Grant monitoring procedures. Extra resources have been provided to ensure the continuous provision of a range of SAP courses for all new starters and staff changing jobs;
- Provision of a Project Management training course for all new budget managers in partnership with Aim for Excellence;
- A Business Case Development / Whole of Life Costing training course for relevant managers was initiated in March 2009.

Core Principle 5 – Developing the capacity of members and officers to be effective:

The Council needs people with the right skills to direct and control staff. The Council needs to draw on the largest possible pool of potential members to recruit people with the necessary skills. The Council's learning and development needs are met through training, e-learning and other methods delivered in accordance with the Middlesbrough Council People Strategy to ensure members and employees have the necessary skills and knowledge to be effective in carrying out their responsibilities.

The People Strategy links the Council's vision, values and priorities with national and regional challenges. It has been developed to ensure that the workforce and members are fit for the future, well equipped to shape the town and able to deliver excellent services to the people of Middlesbrough. The People Strategy is comprised of three separate documents:

- Part One – the People Strategy
- Part Two – the Corporate Workforce Plan and Corporate Workforce Learning & Development Plan
- Part Three – the Workforce Profile

The plans are reviewed and updated annually to accommodate any relevant changes to the Council's workforce. The Council achieved the Investors in People Award on a corporate basis for the first time in October 2008.

Section 2: Corporate Governance Statement

The standards and ideals expressed in the People Strategy are also used as guiding principles for partnership working.

Increasing capacity through Councillor development is also given a high priority and in April 2007 Middlesbrough Council was the first authority in the North East to achieve the Investors in People Award for elected members under the new criteria.

The Council is also a signatory to the IDEA North East Charter on Member Development. The assessors' report stated '*Middlesbrough is probably one of the most advanced authorities in the region in the way the Executive Members work with the Mayor and how their development is linked to annual appraisals of their particular portfolio.*'

Core Principle 6 – Engaging with local people and stakeholders

The Council is committed to engaging with its citizens. Community participation and engagement is essential to secure sustainable improvement in public services and to engage citizens in the public decision making processes that affect their lives. There is a range of consultation and engagement mechanisms to identify local people's views and priorities, from Community Councils and Neighbourhood Forums to regular and comprehensive surveys. The Council is responsive to local views and is particularly sensitive to the needs of vulnerable people. Planning recognises local needs in more disadvantaged areas. There are Neighbourhood Action Plans for the 14 most deprived (NRF) areas, based on the needs of each area and produced through Neighbourhood Management Steering Groups.

The Community Consultation Strategy

The [Community Consultation Strategy](#) outlines the way the Council consults and engages with the local community and citizens in making decisions that affect their lives, consistent with Central Government and Council objectives and professional and ethical standards.

The Community Engagement Framework & Consultation Toolkit

The [Community Engagement Framework and Consultation Toolkit](#) documents provide the overarching framework for community engagement in Middlesbrough together with a best practice guide. The framework and toolkit helps partnership organisations including the Council to effectively engage with the community

REVIEW OF EFFECTIVENESS

Middlesbrough Council

Middlesbrough Council has responsibility for conducting, at least annually, a review of the effectiveness of the corporate governance arrangements and the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of Internal Audit and the statutory officers within the authority who have a responsibility for the development and maintenance of the internal control environment, and also by comments made by our external auditors and other review agencies and inspectorates. In determining the effectiveness of the system of internal control review activities have been undertaken by a number of parties. These include:

Section 2: Corporate Governance Statement

- The authority
- Statutory officers
- The scrutiny panel process
- Internal Audit
- External audit
- Other inspection and review agents
- The executive
- The audit committee
- The standards committee

For the year under consideration, the key internal assurance work has been provided through Internal Audit as reported earlier in the statement.

The Council has established a Corporate Governance Team comprising: The Director of Legal & Democratic Services, Deputy Director of Resources, Assistant Chief Executive, Internal Audit Manager, Risk & Insurance Manager, Principal Development Officer and Senior Corporate Performance Officer. The Team is responsible for managing the process by which the annual review of corporate governance is conducted. The audit committee is responsible for reviewing the findings of the draft Governance Statement and advising the Council on matters it wishes to draw to the Council's attention.

All Service Directors and Heads of Service participate in the annual review of Corporate Governance by completing a service assurance statement. Where areas for improvement have been identified within services, Heads of Service have a duty to ensure the improvement action plans are acted upon.

Partnerships

Middlesbrough Council produces a set of group accounts, which are included within its overall Statement of Accounts. The group accounts include other organisations in which the Council is deemed to have control, either by the level of shareholding or other means, significant enough for the organisation to be considered part of the overall group. From 2006/07 onwards, the Accounting Code of Practice on Local Authority Accounting in Great Britain 2006 and the Statement of Recommended Practice require the statement to be extended to cover group activities. There are three organisations at 31 March 2010 whose accounts are either included in full or in part in the Council's group accounts as set out below, and whose significant activities therefore fall under the Corporate Governance Statement:

- Hustler Playing Fields Trust
- CADCAM
- Tees Valley Joint Strategy Unit

The three organisations have completed a service assurance statement for 2009/10, and none of them have identified any issues, which need to be separately reported in the Annual Governance Statement.

A review of the Council's partnership arrangements was undertaken using the CIPFA partnership matrix to identify which are key to its operation, and which minor. The key partnerships for Middlesbrough Council are identified as:

Section 2: Corporate Governance Statement

Contractual

- Mouchel – Service Middlesbrough
- Housing Partnerships, e.g. Erimus

Strategic

- Local Strategic Partnership (LSP)
- Children's Trust
- Youth Justice Board (YJB)
- Tees Valley Unlimited (TVU)
- Safer Middlesbrough Partnership
- Joint Emergency Planning Unit

Partnerships delivering major projects

- Stockton/Middlesbrough Initiative
- Middlehaven Regeneration Project

Delivery Partners

- Bus Partnership, Tees Valley Bus Network & Tees Valley Metro
- Groundwork South Tees
- Middlesbrough Environment City
- Tees Community Equipment Service
- Healthy Towns Initiative
- West Middlesbrough Neighbourhood Trust (WMNT)

The involvement of Members and officers varies, as does the operational, monitoring and reporting arrangements, which are different for each type of partnership. The assurance arrangements are robust for all of the partnerships.

External Reviews

The following external organisations have undertaken reviews in 2009/10 of specific Council services

- DWP Annual Benefit Review
- Benefits ISO 9000/2000 Assessment
- Customer Excellence Award for Council Tax
- Adoption Inspection (OFSTED)
- Ashdale PRU (OFSTED)
- OFSTED Safeguarding Inspection
- Education – Annual Performance Assessment (OFSTED & CSCI)
- Children's Service (CSCI Fostering Inspection)
- Gleneagles (OFSTED)
- Inspection of Adult Social Care (CSCI)

None of the other reviews identified any significant areas of concern, however, the relevant service departments will be implementing the action plans resulting from the reviews over 2010/2011.

Section 2: Corporate Governance Statement

The following major reviews are due during 2010/11:

- DWP Annual benefit review
- Benefits ISO 9000/2000 Assessment
- Council Tax ISO 9000/2000 Assessment
- Customer Excellence Award for Benefits
- Education - Annual Performance Assessment (OFSTED & CSCI)
- Private Fostering Inspection (OFSTED)
- Adoption Inspection (OFSTED)
- OFSTED Safeguarding Inspection
- Pupil Referral Unit (OFSTED)
- Tees Valley Museum Review (MLA)
- CQC Annual Assessment

Matters raised by our external auditors have been addressed as they have arisen during the course of the year. The advice will be reflected in the Annual Audit letter, which will be issued during 2010/11.

SIGNIFICANT GOVERNANCE ISSUES

The Internal Control environment has highlighted, at the end of 2009/2010, a number of areas of concern requiring improvement and / or careful monitoring. CIPFA guidance on the definition of a “significant internal control issue” (in relation to the Accounts & Audit Regulations 2003) has been used to identify appropriate issues for inclusion within this statement.

2008/2009 Areas requiring Improvements	Action Taken 2009/2010
<p>Working Neighbourhoods Fund Reduction in the controls in respect of the commissioning and monitoring of schemes with outside bodies.</p>	<ol style="list-style-type: none"> 1. Flowchart documenting all stages of commissioning and management process completed; 2. Revised templates produced to document finances/outcomes/milestones and reporting requirements; 3. Schedule of visits drawn up and agreed with outside bodies. First visits started in April 2009; 4. Future budget clinics reports have included progress on output/outcomes along with spend.
<p>Weaknesses in the monitoring on Supporting People grant Inadequate record keeping putting the council at risk of potential grant clawback.</p>	<ol style="list-style-type: none"> 1. The roles and responsibilities of key staff documented and agreed; 2. Monthly meetings between supporting people and finance staff are now taking place; 3. Additional checks by senior managements have been implemented.
<p>Submission of Grant Bids There is evidence of weaknesses in authorisation and approval procedures within services.</p>	<ol style="list-style-type: none"> 1. Revised guidance issued to all services on the authorisation requirements for grant bids and grant claims; 2. Checklist produced and used by services to ensure sign off by finance of all submissions.

Section 2: Corporate Governance Statement

The following control issues requiring attention were also identified during 2009/10, but a number of the actions will not be fully implemented until 2010/11

2009/2010 Areas requiring Improvements	Action Taken /planned 2010/2011
<p>Purchase of Swan Boats and coin operated Toy Tractors There were significant gaps in the appraisal and approval processes for these items of capital equipment.</p>	<ol style="list-style-type: none"> 1. Managers are to be reminded of the approval process required for the utilization of savings within a service. 2. Service management team to approve all proposals to purchase capital equipment; 3. Funding for capital equipment to be identified/agreed upfront.
<p>Procurement of building work at selected Middlesbrough Schools Internal Audit identified significant issues in the process and procedures being followed in a number of schools.</p>	<ol style="list-style-type: none"> 1. All schools are informed that external building management providers appointed by the school cannot also undertake building work; 2. All external building management providers are now required to complete a declaration of interests and declaration of non-collusive procurement; 3. All schools are informed that where an external building management provider is appointed and quotations for building work are obtained that the Council's procurement rules and procedures are followed; 4. When working for the Council all external building management providers are required to comply with the Council's terms and conditions.
<p>Management of Tied Accommodation Internal Audit identified weaknesses in the management of "Tied" accommodation linked to employment across the Council.</p>	<ol style="list-style-type: none"> 1. Officer group established to review Council's policy and use of tied Accommodation; 2. Tied Accommodation rental policy written; 3. The Valuers Asset Register is to be updated to show all tied accommodation; 4. Terms and conditions of employment including the level of allowances paid to be reviewed for all staff living in tied accommodation; 5. Tenancy agreements to be reviewed by legal services; 6. Level of rents paid are to be reviewed to ensure consistency across the Council; 7. Implement a process to release tied accommodation when an employee leaves the service of the Council.

Section 2: Corporate Governance Statement

SUMMARY OF EFFECTIVENESS

	Self Assessment Score %	Comments
Core Principle 1: Focussing on the Council's purpose and on outcomes for its citizens and creating and implementing a vision for the area.	97	No evidence of impact of review of vision on governance arrangements.
Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.	97	No formal protocol for ensuring Mayor and Chief Executive establish their respective roles early in relationship.
Core Principle 3: Promoting high standards of conduct and behaviour across the Council.	88	Not clear that conduct between partners and Council is defined. No evidence that procedures and operations are designed to conform with ethical standards and that they are monitored as such. No evidence that values set in partnership for decision making and actions can be demonstrated both individually and collectively.
Core Principle 4: Making transparent decisions which are subject to scrutiny and risk management.	95	Audit Committee review of effectiveness recommendations need to be embedded. No evidence that improvements are being made as a result of dealing with complaints.
Core Principle 5: Developing the capacity of members and officers to be effective.	97	Workforce development requires further improvement.
Core Principle 6: Engaging with local people and stakeholders	88	No evidence of assessment of institutional stakeholder relationships. Not clear that explicit processes established to deal with specific requirements of different sections of Community. No specific evidence to show that Council is open and accessible other than constitution
1 to 50%		51 to 90%
Weak –Need to improve		Fit for Purpose
		91 to 100%
		Excellent

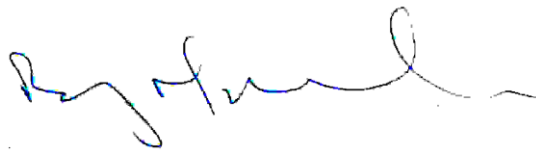
Section 2: Corporate Governance Statement

Officer and Member Review

On the basis of the self-audit processes and effectiveness reviews carried out to date, we are satisfied that, except for the areas of concern listed above, the Council's corporate governance procedures, including the systems of internal control, are adequate and are operating effectively.

We are satisfied that the Council's management arrangements, supplemented by the continued officer and Member involvement in the corporate governance processes, will address the required improvement and continue to review their development and effectiveness on an ongoing basis.

Signed:



.....
(Mayor)



.....
(Chief Executive)



.....
(Director of Resources)

Section 3: Statement of Accounting Policies

INTRODUCTION

The purpose of this statement is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

The accounts follow the appropriate accounting standards as required by the Accounting Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the SORP). The SORP constitutes a “proper accounting practice” under the terms of Section 21 (2) of the Local Government Act 2003. The SORP is based on approved accounting standards, except where these conflict with specific accounting or legislative requirements, so that the authority’s accounts present a true and fair view of the financial position and transactions of the authority.

The following policies have been adopted in the compilation of these accounts:-

1. FUNDAMENTAL ACCOUNTING CONCEPTS

a) Qualitative Characteristics Of Financial Information

Relevance

The accounts have been prepared with the objective of providing information about the authority’s financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.

Reliability

The financial information is reliable as it:-

- has been prepared so as to reflect the reality or substance of the transaction and activities underlying them, rather than their formal legal character;
- is free from deliberate or systemic bias;
- is free from material error;
- has been prepared on a prudent and cautious basis.

Comparability

In addition to complying with the SORP, the authority’s accounts also comply with the Best Value Accounting Code of Practice. This Code establishes proper practice with regard to consistent financial reporting and therefore aids comparability with other local authorities.

Understandability

These accounts are based on accounting concepts, treatments and terminology, which require reasonable knowledge of accounting and local government. However, all reasonable efforts have been made to use

Section 3: Statement of Accounting Policies

plain language and where technical terms are unavoidable they have been explained as they occur, or in the glossary.

b) Materiality

The SORP permits the concept of materiality to be used in the preparation of the accounts. This means that insignificant misstatements or omissions below an acceptable level are permitted provided that, in aggregate, they would not affect the overall meaning or interpretation of the accounts by a reader.

c) Pervasive Accounting Concepts

Accruals

The financial statements, other than the cash flow information, are prepared on an accruals basis. This means that expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not as money is paid or received.

Going Concern

The accounts have been prepared on the assumption that the authority will continue in operational existence for the foreseeable future.

Primacy of Legislative Requirements

Local Authorities derive their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. It is a fundamental principle of local authority accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall apply.

The following specific legislative accounting requirements have been applied in the compilation of these accounts.

- i) Capital receipts from the disposal of assets are treated in accordance with the provisions of the Local Government Act 2003;
- ii) The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007 requires the authority to set aside a minimum revenue provision (MRP) for repayment of debt. This is based on the preceding financial year. The MRP is charged to revenue by an appropriate increase or decrease in the depreciation charge. This adjustment is made by way of an appropriation to or from the capital adjustment account.
- iii) The Collection Fund account reflects the statutory requirement of Section 89 of the Local Government Finance

Section 3: Statement of Accounting Policies

Act 1988 (as amended by the Local Government Finance Act 1992).

None of the above legislative requirements impacts on the authority's accounts to the extent that they no longer present a true and fair view of the financial position of the authority.

2. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

The accounting policies are the principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the authority. Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed, the reason and effect have been separately disclosed.

Where estimating techniques are required to enable the accounting practices adopted to be applied, then the techniques, which have been used, are, in the authority's view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, if practicable, the effect on the results for the current period is separately disclosed.

3. ACCRUALS OF INCOME AND EXPENDITURE

In compliance with the SORP in all material respects both revenue and capital accounts of the Council are maintained on an accruals basis. That is, sums due to or payable by the Council during the year are included in the accounts whether or not the cash has actually been received or paid in the year.

4. DEFINITION OF CAPITAL EXPENDITURE

All expenditure on the acquisition, construction, or enhancement of a tangible asset, as defined below, has been capitalised and classified as a fixed asset, where the asset brings benefit to the authority for a period of more than one year.

Capital expenditure is defined as the acquisition, reclamation, enhancement or laying out of land, the acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures, and the acquisition, installation or replacement of movable or immovable plant, machinery, equipment, vehicles and vessels.

The definition of 'enhancement' is works intended to lengthen substantially the useful life of the asset, increase substantially the open market value of the asset or increase substantially the extent to which the asset can or will be used for the purposes of, or in conjunction with, the functions of the local authority.

Major overhaul or replacement expenditure can also be capitalised if it relates to an asset that has previously been depreciated.

Section 3: Statement of Accounting Policies

A fixed asset should initially be recognised at its cost, which is its purchase price plus any costs directly attributable to bringing it into working condition for its intended use. Directly attributable costs are the labour costs of own employees (e.g. site workers, in-house architects & surveyors) arising directly from the construction or acquisition of the specific asset, the incremental costs to the entity that would have been avoided only if the particular fixed asset had not been constructed or acquired.

Costs will also be ineligible to the extent that they relate to activity that takes place before the intention to acquire or construct a particular fixed asset has been confirmed. Examples include project appraisals and feasibility studies.

The authority has adopted a de-minimus level of £5,000, for expenditure on non-trading fixed assets, and a £1,000 level for expenditure on trading service assets. These limits are reviewed each year.

5. FIXED ASSETS

Fixed assets are valued on the basis recommended by CIPFA and the Royal Institute of Chartered Surveyors (RICS).

Operational and non-operational land and buildings have been valued by the Council's Valuation Service and are included in the Balance Sheet. The basis of the valuation, including that for vehicles, equipment and plant, is the lower of net current replacement cost or net realisable value in existing use. Infrastructure assets are held at historical cost net of depreciation. Community assets and assets under construction are held at historical cost.

Re-valuations of fixed assets are being carried out as part of a rolling programme over a five year cycle, although material changes to asset valuations will be adjusted in the interim period as they occur. Any surpluses or deficits arising on the revaluation of assets are adjusted through the Revaluation Reserve. Additions to fixed assets during 2009/2010 are included in the Balance Sheet at cost.

Where there is a material reduction in the value of an asset caused by a consumption of economic benefits (e.g., physical damage or a deterioration in the quality of the service provided by the asset) the loss is reflected through an impairment charge to the service accounts.

The SORP requires that on the disposal of a fixed asset the sale proceeds are compared to carrying amount of the asset at the time of disposal and any gain or loss be separately identified in the Income and Expenditure Account. The gain or loss on disposals will not affect Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund.

Section 3: Statement of Accounting Policies

6. DEPRECIATION

Depreciation is provided for on all fixed assets with a finite useful life with the exception of Investment properties, Land and Assets under construction. Where depreciation is provided for, assets are being depreciated using the 'straight line' method on the opening balance over the following periods:-

Buildings	40 to 50 years
Vehicles, Plant & Equipment	4 to 15 years
Infrastructure	40 years

The depreciation periods are reviewed each year.

7. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUE

Expenditure that is classified as capital, but does not result in the creation of an asset owned by the Council has been charged to the relevant service revenue account in the year. Examples include home improvement grants on private houses.

Where the cost of this expenditure is met from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged to the Statement of Movement on the General Fund Balance so there is no impact on the Council Tax.

8. INTANGIBLE ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The cost is charged to the relevant service account over the useful economic life (UEL) to reflect the pattern of consumption of benefits (The UEL is assessed as 4 years). In line with Tangible Assets the values of Intangible Assets are reviewed periodically, and impairment and disposal policies are also applied.

9. CAPITAL RECEIPTS

Capital receipts from the disposal of assets have been recorded in the accounts on an accruals basis. Capital receipts are shown separately in the Balance Sheet and are used to finance capital expenditure

The de-minimus level for Capital Receipts is set at a level of £10,000.

10. REDEMPTION OF DEBT

The Council makes provision for all scheduled debt repayments. The basis of these payments is dependent on the type of loans raised. The Authority will also redeem or restructure debt early as part of its overall debt management

Section 3: Statement of Accounting Policies

policy utilising its ability to repay and/or replace debt based on prevailing market conditions.

11. REVENUE GOVERNMENT GRANTS AND CONTRIBUTIONS

Government grants are accounted for on an accruals basis. Revenue grants are matched in the Income and Expenditure accounts with the services expenditure to which they relate. Grants to cover general expenditure e.g. Revenue Support Grant (RSG) and Area Based Grant (ABG), are credited to the Income and Expenditure Account after the Net Operating Expenditure.

12. CAPITAL GOVERNMENT GRANTS AND CONTRIBUTIONS

Grants and Contributions received for the purpose of financing Revenue Expenditure Funded from Capital Under Statute should be regarded as revenue despite their classification as capital for the purposes of capital controls. Therefore, there are no implications of Government Grants Deferred and income can be credited to service revenue accounts in a manner consistent with the charging of expenditure for which the income has been given.

13. LEASES

The Council will consider using operating leases as well as other methods of financing equipment purchases in line with the Prudential Code. In accordance with current recommended accounting practices, as laid down in SSAP 21: Accounting for Leases, the operating leases are charged to revenue on an accruals basis. Sums not yet paid are accrued for and prepaid payments are treated as payments in advance. An analysis of leasing costs is shown in the notes to the Core Financial Statements.

The Council also acts as a lessor, and has granted a significant number of operating leases to third parties across its portfolio. The rentals receivable are credited to the relevant service revenue account on an accruals basis. Further information is shown in the notes to the Core Financial Statements.

14. STOCKS AND WORKS IN PROGRESS

With the exception of the Council's trading undertakings, stocks held at 27th February 2010 are valued at the lower of actual cost or net realisable value in accordance with SSAP 9. Stocks in trading undertakings are valued at the last notified price (i.e., current cost). Work in progress in trading undertakings is valued at sale value. The following bases have been used for arriving at cost values : Average Cost; Original Cost; Selling price less estimated profit margin. Where stocks have been identified as being of no further use to the Council and the appropriate procedures have been complied with, the obsolete stock has been written off, otherwise an allowance has been made for obsolescence.

Section 3: Statement of Accounting Policies

15. COSTS OF SUPPORT SERVICES

The accounting treatment for support services has been prepared in accordance with CIPFA's Best Value Accounting Code of Practice (BVACOP). The costs of management and administration overheads have been allocated to all services including trading undertakings. The basis of allocation used for the main costs of management and administration is outlined below:-

Description	Basis of Allocation
Accountancy	Time apportionment
Debtors	Invoices raised
Payroll	Payslips issued
Legal	Time apportionment
Human Resources	Staff numbers
Democratic Processes	Attendance at relevant committees
Administrative Buildings	Area occupied
Information & Communication Technology	Number of PCs/direct Charges
Architectural/Engineering	Professional fee scales/Time spent

The costs of the Corporate and Democratic Core and of Non Distributed Costs are allocated to a separate expenditure head and are shown on the face of the Income and Expenditure Account

16. PROVISIONS

The Council makes general provisions for significant liabilities or losses, which are likely to be incurred, or certain to be incurred but are uncertain as to the amounts or dates on which they will arise. Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account. Details of each provision are included in notes to the Core Financial Statements.

The Council continually reviews its bad debts as part of its Balance Sheet monitoring process. The Council makes provision for bad debts, which for most services is calculated as 50% of all debts between 12 and 24 months old and 100% of all debts over two years old. Separate bad debt provisions are calculated for:

- Council Tax & NNDR (Note 7 Section 6)
- Housing and Council Tax Benefits (Note 28 Section 5)

Section 3: Statement of Accounting Policies

17. EARMARKED AND GENERAL RESERVES

The Council sets aside earmarked reserves for specific future expenditure. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure. A list of these reserves and an explanation of their use is included in the notes to the Core Financial Statements.

In addition the Council maintains certain reserves to meet general, rather than specific, future expenditure. Capital Reserves are not available for revenue purposes and some can only be used for specific statutory purposes.

18. SELF INSURED RISKS

The Council has created an internal insurance fund to cover its liability in respect of the risks from fire damage, employers and public liability, motor vehicles, cash in transit and personal accident claims enquiries. The balances on the fund are reviewed biannually with surpluses transferring to general reserves and deficits being funded from increased premiums in the following financial year. In addition a separate internal insurance fund exists to cover remaining liabilities of the former Cleveland County Council. The risks to the two funds are reviewed on an annual basis.

19. PENSIONS

The Council participates in two different pension schemes, which meet the needs of employees in particular services. Both the schemes provide members with defined benefits related to pay and service. The schemes are as follows:-

a) TEACHERS

The Teachers Pensions Scheme is an unfunded scheme administered by the Teachers Pensions Agency. The arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the education service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

b) OTHER EMPLOYEES

The Local Government Pension Scheme, administered by Middlesbrough Borough Council, is a funded scheme that is accounted for as a defined benefits scheme.

Section 3: Statement of Accounting Policies

The liabilities of the Teesside pension scheme attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond (iBoxx AA rated 15 year corporate bond index).

The assets of the Teesside pension fund attributable to the council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
- expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
- gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- contributions paid to the Teesside pension fund – cash paid as employer's contributions to the pension fund.

Section 3: Statement of Accounting Policies

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

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

20. INVESTMENTS

Investments are shown in the Balance Sheet at cost. If the value of an investment falls below its cost, the investment is written down to market value and a provision for the unrealised loss made in the Income and Expenditure account if it is unlikely to be a temporary fall. The investment in Durham Tees Valley International Airport was written down in 2009/2010 due to a reduction in market value of a non temporary nature. Dividends are credited to revenue when received or when receivable. Investments are made in accordance with the appropriate statutory regulations and the Council's Treasury Management Strategy.

21. EXTERNAL INTEREST

Interest payments on external borrowings (PWLB and other bodies) are fully accrued in order that each year bears the costs of interest to reflect the overall economic effect of the borrowings. External interest income is credited to revenue over the period to which it relates.

22. CONTINGENT LIABILITES

Where there is a possible obligation to make a payment, but the amount and timing is not certain no entry is required to be made in the accounts. However, for each class of contingent liability which the authority has a commentary on, the nature of the contingency, a brief description, an estimate of the financial effect where appropriate, and an indication of the issues relating to the amount and level of certainty of any payment has been included in the notes to the Core Financial Statements.

Section 3: Statement of Accounting Policies

23. CONTINGENT ASSETS

Occurs where a possible asset arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Council. No entry is required to be made in the accounts. However, for each class of contingent asset which the authority has a commentary on, the nature of the contingency, a brief description, an estimate of the financial effect where appropriate, and an indication of the issues relating to the amount and level of certainty of any receipt has been included in the notes to the Core Financial Statements.

24. POST BALANCE SHEET EVENTS

Where a material event occurs which affects the Balance Sheet after the end of the financial year and before the date on which the Statement of Accounts have been authorised for issue the application of FRS21 requires that such events be classified into adjusting and non-adjusting events. Adjusting events require an amendment to the accounts and non-adjusting events are disclosed by way of a note.

25. RESEARCH AND DEVELOPMENT COSTS

Expenditure on research and development is regarded as part of the continuing operation of the authority and is written off as it is incurred.

26. GROUP ACCOUNTS

The Local Authority SORP (Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice) contains Group Accounting requirements. These require Local Authorities to consider all their interests (including those in local authorities and similar bodies) and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The Council's interests are reviewed on an annual basis.

27. ESTIMATION METHODS

In order to achieve publication of this document within the deadline set by legislation it has been necessary to introduce or modify estimation methods in relation to Debtors, Creditors, Stocks and Petty Cash balances. However, none of the estimation methods used have had a material effect on the information disclosed. The Council has applied the same methods in 2009/10 as in previous years.

Section 3: Statement of Accounting Policies

28. CHARGES TO THE INCOME AND EXPENDITURE ACCOUNT FOR THE USE OF FIXED ASSETS

Service revenue accounts, support services and trading accounts are debited or credited with the following amounts to record the real cost of holding fixed assets during the year:-

- Depreciation attributable to the assets used by the relevant service
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- Amortisation of intangible fixed assets attributable to the service.
- Amortisation of Governments Grants Deferred to offset the cost of depreciation

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance, or loans fund principal charges) Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

29. LANDFILL ALLOWANCE TRADING SCHEME (LATS)

In accordance with the requirements of the SORP the fair value of the LATS allowance allocated by the DEFRA to the Council is accounted for under SSAP 4 Accounting for Government Grants.

The landfill usage liability is accounted for in accordance with the requirements of FRS 12 Provisions, Contingent Liabilities and Contingent Assets.

The SORP requires Local Authorities should adopt the lower of cost and net reliable value when re-measuring the value of landfill allowance after initial recognition.

30. VALUE ADDED TAX (VAT)

Value Added Tax is included within the accounts only to the extent that it is irrecoverable and therefore charged to revenue or capital expenditure as appropriate.

31. FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount (balance carried forward) of

Section 3: Statement of Accounting Policies

the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount included in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain/loss over the term that was remaining on the relevant loan. The reconciliation of amounts charged to the Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

32. FINANCIAL ASSETS

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the loans that the council has made, this means that the amount included in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the council can make loans to voluntary organisations or other bodies at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally

Section 3: Statement of Accounting Policies

higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the cost of the loans in the Balance sheet. Statutory provision require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance. The Council has not entered into any such arrangement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Section 3: Statement of Accounting Policies

Instruments Entered Into Before 1 April 2006

The council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in Policy 22 (above).

Section 4: Statement of Responsibilities

The Authority's responsibilities

The authority 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 authority, that officer is the Director of Resources
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the statement of accounts

The Director of Resource's responsibilities

The Director of Resources 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 SORP)

In preparing the statement of accounts, the Director of Resources has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority SORP

The Director of Resources has also;

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

Certificate

I certify that the statement of accounts present a true and fair view of the financial position of the authority at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

Paul Slocombe
Director of Resources



Date 27th September 2010

Councillor G.B. Clarke
Chair, Corporate Affairs Committee



Date 27th September

Section 4: Independent Auditors Report

Independent auditor's report to the Members of Middlesbrough Council

Opinion on the Authority and Group accounting statements

We have audited the Authority and Group accounting statements and related notes of Middlesbrough Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the related Authority notes 1 to 55 and Group notes 1 to 6, and the Collection Fund and its related notes 1 to 7. The Authority and Group accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Middlesbrough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the Authority and Group accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Authority and Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

Section 4: Independent Auditors Report

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the accounting statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the Authority and Group accounting statements and related notes as described in the contents section and consider whether it is consistent with the audited Authority and Group accounting statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the accounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

Opinion

In our opinion:

- the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and

Section 4: Independent Auditors Report

- the Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 and its income and expenditure for the year then ended.

Opinion on the pension fund accounting statements

We have audited the pension fund accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 23. The pension fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Middlesbrough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the pension fund accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Section 4: Independent Auditors Report

We read other information published with the pension fund accounting statements and related notes as described in the contents section and consider whether it is consistent with the audited pension fund accounting statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund accounting statements and related notes. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the accounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the pension fund accounting statements and related notes.

Opinion

In our opinion the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the account and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Section 4: Independent Auditors Report

Auditor's Responsibilities

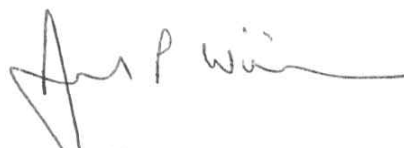
We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, we are satisfied that, in all significant respects, Middlesbrough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



David Wilkinson

for and on behalf of Deloitte LLP
Appointed Auditor
Newcastle upon Tyne, United Kingdom

30th September 2010

Section 5: The Core Financial Statements

Income and Expenditure Account

Restated 2008/09 Net £'000		Note	Gross Exp £'000	2009/10 Gross Inc £'000	Net Exp £'000
2,241	Central Services to the public		20,524	18,175	2,349
42,764	Cultural, Environmental, Regulatory and Planning services		69,079	19,030	50,049
44,230	Children's and Education services		172,677	132,027	40,650
16,450	Highways and Transport services		22,072	7,892	14,180
3,035	Housing services		59,442	70,144	(10,702)
43,533	Adult Social Care		77,641	31,968	45,673
0	Court services		0	0	0
3,567	Corporate and Democratic Core		3,437	43	3,394
2,175	Non Distributed Costs		1,098	2	1,096
157,995	Net cost of services	1	425,970	279,281	146,689
(212)	Loss/(Gain) on the Disposal of Fixed Assets	11			0
14	Parish council precepts				9
1,818	(Surpluses)/deficits on trading undertakings	12			2,158
5,090	Interest Payable				4,086
0	Cont. of housing cap receipts to Govt. Pool				0
(2,730)	Interest and investment income				(642)
30,360	Pension Interest cost	39			26,895
(23,990)	Expected return on Pension Assets	39			(19,270)
168,345	Net operating expenditure				159,925
(46,847)	Demand on collection fund				(49,122)
0	Transfers (from)/to the Collection fund in respect of surpluses/deficits				0
(9,709)	Revenue Support Grant				(15,328)
(960)	Performance Reward Grant				(599)
(18,127)	Area Based Grants	55			(20,464)
(69,745)	Non-domestic rates redistribution				(66,407)
22,957	(Surplus)/Deficit for Year				8,005

Section 5: The Core Financial Statements

Statement of Movement on the General Fund Balance

Restated 2008/09 £'000		2009/10 £'000
22,957	(Surplus)/Deficit for Year	8,005
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.	
0	Amortisation of intangible fixed assets	(128)
(17,682)	Depreciation and Impairment of fixed assets	(22,547)
(1,671)	Depreciation on Revaluation	(1,930)
16,937	Government Grants amortisation	8,949
(20,141)	Amounts treated as Revenue expenditure in accordance with the SORP but which are classified as Capital expenditure by Statute.	6,247
212	(Loss)/Gain on the Disposal of Fixed Assets	0
(22,857)	Net change for retirement benefits in accordance with FRS17	(19,088)
(48)	Amount by which Council Tax income and residual community charge adjustment included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation.	(124)
(45,250)		(28,621)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year.	
3,883	Minimum revenue provision for capital financing	4,009
4,212	Capital expenditure financed from revenue	2,040
0	Transfer from Usable Capital Receipts equal to the contribution to Housing Pooled Capital Receipts	0
14,378	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	16,278
22,473		22,327
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
722	Voluntary revenue provision for capital financing	644
282	Transfers to/from insurance reserve	(117)
(1,245)	Transfers from other earmarked reserves	(2,420)
(241)		(1,893)
(23,018)	Net additional amount (Credited) / Debited to General Fund balance	(8,187)
(61)	Net change (Credited)/Debited to the General Fund balance	(182)
(5,478)	Balance on General Fund brought forward	(5,539)
(5,539)	Balance on General Fund carried forward	(5,721)

Section 5: The Core Financial Statements

NB. The general fund balances figure excludes school balances. A summary of the schools balances position is shown below:-

Statement of Movement on the General Fund Balance

2008/09 £'000		2009/10 £'000
(5,579)	Balances attributable to schools budgets b/fwd	(4,826)
753	(Surplus)/Deficit in year	140
<u>(4,826)</u>	Balances attributable to schools budget c/fwd	<u>(4,686)</u>

The statement of movement on General Fund Balance above reconciles the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise Council Tax on a different accounting basis, the main differences being:

- a) Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- b) Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

Section 5: The Core Financial Statements

Statement of Total Recognised Gains and Losses (STRGL)

Restated 2008/09 £'000		2009/10 £'000
(22,957)	Surplus/(Deficit) for the year on the Income and Expenditure Account	(8,005)
(17,748)	Gains/(losses) on Capital Movements	(4,011)
25,687	Surplus/(Deficit) for the year on the Revaluation of Fixed Assets	29,568
(183)	Surplus/(Deficit) for the year on the Revaluation of Long Term Investment	(275)
7,247	Actuarial gains/(losses) on pension fund assets and liabilities	(92,983)
<u>(7,954)</u>	Total recognised gains for the year	<u>(75,706)</u>

Reconciliation with the Movement in Net Worth

254,383	Net Worth at Start of Year	246,429
246,429	Net Worth at End of Year	170,723
<u>(7,954)</u>	Net Worth Change in Year	<u>(75,706)</u>

Note: The impact of the Gains / (losses) on the Collection Fund Balance are now reflected in the Deficit on the Income and Expenditure in 2008 /2009.

Section 5: The Core Financial Statements

Balance Sheet

Restated 31 March 2009 £'000		Notes	31 March 2010 £'000
	FIXED ASSETS		
584	Intangible Fixed Assets	22	803
	Tangible Fixed Assets		
	Operational Assets	13	
404,317	Other Land & Buildings		424,760
5,970	Vehicles/Plant & Equipment		8,424
75,078	Infrastructure Assets		85,201
27,668	Community Assets		27,519
	Non Operational Assets	13	
23,265	Investment Properties		43,207
13,892	Assets under construction		32,799
15,087	Surplus Assets Held for Disposal		19,279
565,861	Total Fixed Assets		641,992
6,470	Long-term investments	24	3,692
1,072	Long-term Debtors	25	1,095
573,403	Total Long Term Assets		646,779
	Current Assets		
2,606	Stock & Work in Progress	26	2,355
1	Landfill Tax Allowance		2
44,403	Debtors & Payment in Advance	27	38,282
43,818	Short-term investments		38,421
139	Cash in hand		149
3,741	Cash at Bank		4,018
668,111	Total Assets		730,006
	Current liabilities		
0	Short Term Loans		0
45,648	Creditors & Income in Advance	29	53,777
0	Bank Overdraft		0
622,463	Total Assets less Current Liabilities		676,229
	Long Term liabilities		
100,511	Long term borrowing	30	80,381
319	Other Long Liabilities		373
5,231	Provisions	32	4,078
156,705	Government Grants Deferred	33	203,966
16,104	Unapplied Capital Resources	50	23,751
97,164	Pensions Liability	39	192,957
246,429	Total Assets less Liabilities		170,723

Section 5: The Core Financial Statements

Balance Sheet

Restated 31 March 2009 £'000		Notes	31 March 2010 £'000
	Financed by:		
71,977	Revaluation Reserve	36	98,160
0	Available For Sale Reserve		0
237,652	Capital Adjustment Account	35	235,489
0	Financial Instruments Adjustment Account		0
11,462	Usable Capital Receipts Reserve	37	10,298
(84)	Collection Fund Adjustment Account		(208)
69	Deferred Capital Receipts	38	54
5,539	General Fund Balance		5,721
16,978	Earmarked Reserves	34	14,166
343,593	Total Net Worth (Excluding Pension Reserve)		363,680
(97,164)	Pensions Reserve	39	(192,957)
246,429	Total Net Worth		170,723

Section 5: The Core Financial Statements

Cash Flow Statement

2008/09 £'000		Notes	2009/10 £'000
	Revenue Activities		
	Cash Outflows	43	
171,233	Cash paid to and on behalf of employees		181,861
176,607	Other operating cash payments		173,763
55,567	Housing Benefit Paid Out		64,731
9	Precepts Paid		9
0	NNDR paid to National Pool		0
403,416	Total Revenue Cash Outflows		420,364
	Cash Inflows	43	
(4,659)	Rents (after rebates)		(4,314)
(34,200)	Council Tax Income		(35,059)
(69,745)	NNDR receipts from National Pool		(66,407)
0	Non-domestic rate receipts		0
(28,796)	Revenue Support Grant		(37,951)
(54,874)	DWP grants for benefits		(62,878)
(138,176)	Other government grants	47	(146,905)
(76,665)	Cash received for goods and services		(76,574)
(9,924)	Other operating cash receipts		(1,965)
(417,039)	Total Revenue Cash Inflows		(432,053)
(13,623)	Net Cash Flow Revenue Activities	43	(11,689)
	Returns on Investments & Servicing of Finance		
	Cash Outflows		
10,148	Interest Paid		4,111
	Interest element of finance lease rental payments		0
10,148			4,111
	Cash inflows		
(6,113)	Interest received		(664)
4,035	Net Cash Outflow from Return on Investments & Servicing of Finance		3,447
	Capital Activities		
	Cash Outflows		
42,425	Purchase of fixed assets		56,958
0	Purchase of long-term investments		0
6,391	Other Capital Cash Payments		7,298
48,816			64,256
	Cash Inflows		
(2,402)	Sale of fixed assets		(48)
(31,252)	Capital grants received	48	(71,711)
(4,232)	Other capital cash receipts		(1,829)
0	Disposal of subsidiary undertakings		0
(37,886)			(73,588)
10,930	Net Cash Inflow from Capital Activities		(9,332)
1,342	Net Cash Inflows/Outflows before Financing		(17,574)

Section 5: The Core Financial Statements

Cash Flow Statement

2008/09 £'000		Notes	2009/10 £'000
	Management of Liquid Resources		
(1,300)	Net increase/(decrease) in cash deposits	45	(7,800)
4,019	Net increase/(decrease) in other liquid resources		6,087
	Financing		
	Cash Outflows		
0	Repayments of amounts borrowed		44,000
0	Capital element of finance lease rental payments		0
	Cash Inflows		
0	New loans raised		(25,000)
0	New Short term loans		0
4,061	Net Increase / Decrease in Cash	44	(287)

Section 5: The Core Financial Statements

Note 1 - Net Cost of Services

The analysis of income and expenditure by service area shown in the Income and Expenditure Account reflects the requirements of CIPFA's Best Value Accounting Code of Practice (BVACOP). In accordance with the latest version of the BVACOP, there is one minor change to service expenditure analysis:

- The requirement for a separate Courts Costs line has been removed. This expenditure is now included within the Central Services to the Public line.

The following specific items are also shown in this account:

- Central Services to the Public - This consists of expenditure on Council Tax collection, Non-Domestic Rate collection, Council Tax Benefit administration, Registration of Births, Deaths and Marriages, Register of Electors, Emergency Planning, Local Land Charges and Court Costs.
- Corporate and Democratic Core - Consists of those activities and costs which provide the infrastructure which allows services to be provided, whether by the Council or its contractors and the information that is required for public accountability. It includes items such as the cost of the Council's Chief Executive, the costs of statutory external audit and inspection, Members' expenses, allowances and support service costs associated with meetings of the Council and its various Boards.
- Non Distributed Costs - This identifies costs, which cannot be charged to individual service areas e.g. unfunded pensions.

Segment Reporting – From 2010/11 onwards, the Council's accounts will have to comply with International Financial Reporting Standards (IFRS). Under IFRS the notes to the accounts will have to reflect the organisational structure of the Council and how various segments of it have performed financially. In other words, councils will be required to report financial performance split across individual management segments.

Note 2 - Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school.

Section 5: The Core Financial Statements

Details of the deployment of DSG receivable for 2009/2010 are as follows:

	Central Expenditure	Individual Schools Budget	Total £'000
	£'000	£'000	£'000
Final DSG for 2009/10	8,279	70,819	79,098
Brought forward from 2008/09	0	440	440
Carry forward to 2009/10 agreed in advance	0	0	0
Agreed Distribution in 2009/10	8,279	71,259	79,538
Actual central expenditure	7,780	0	7,780
Actual ISB deployed to schools	0	71,314	71,314
Local authority contribution for 2009/10	0	0	0
Carry Forward to 2009/10	499	(55)	444

Note: The level of reserves and balances held by the schools can be found in Note 34

Note 3 - Members' Allowances

Included within Corporate and Democratic Core is the amount paid to Members in respect of basic, special responsibility and attendance allowance, as follows;

	2008/09	2009/10
	£	£
Special Responsibility Allowance	278,282	278,450
Basic Allowance	299,317	299,346
Attendance Allowance	30	0
	577,629	577,796

Note 4 - Officers Remuneration

The definition of remuneration excludes both employees and employers pension payments, but includes:

- (1) all taxable amounts paid to, or received by, employees, including sums due by way of expenses allowances; and:
- (2) the estimated money value of all other benefits received by employees, other than in cash.

In accordance with the Accounts and Audit Regulations 2009, the number of employees including teachers whose remuneration falls into each pay bracket shown in multiples of £5,000, and starting at £50,000 is shown:

Section 5: The Core Financial Statements

Remuneration	Number of Employees at 31 March 2009			Number of Employees at 31 March 2010		
	Total	MBC	Schools	Total	MBC	Schools
£50,001 - £55,000	37	15	22	55	22	33
£55,001 - £60,000	26	11	15	20	9	11
£60,001 - £65,000	16	5	11	21	4	17
£65,001 - £70,000	17	8	9	11	4	7
£70,001 - £75,000	4	3	1	6	2	4
£75,001 - £80,000	4	2	2	10	9	1
£80,001 - £85,000	2	1	1	3	1	2
£85,001 - £90,000	0	0	0	3	2	1
£90,001 - £95,000	0	0	0	1	1	0
£95,001 - £100,000	0	0	0	0	0	0
£100,001 - £105,000	1	0	1	1	1	0
£105,001 - £110,000	1	1	0	1	0	1
£110,001 - £115,000	2	2	0	1	1	0
£115,001 - £120,000	1	1	0	1	1	0
£120,001 - £125,000	0	0	0	0	0	0
£125,001 - £130,000	0	0	0	0	0	0
£130,001 - £135,000	0	0	0	1	1	0
£135,001 - £140,000	0	0	0	0	0	0
£140,001 - £145,000	0	0	0	0	0	0
£150,001 - £155,000	0	0	0	0	0	0
£155,001 - £160,000	1	1	0	0	0	0
	112	50	62	135	58	77

Post holder information (Post title)	Salary (Including fees & Allowances) £	Expense Allowances £	Benefit in kind (e.g. Car Allowances) £	Total Remuneration excluding pension Contributions 2009/10 £	Pension Contributions £	Total Remuneration including pension contributions 2009/10 £
Chief Executive	131,687	0	1,044	132,731	22,913	155,644
Director of Social Care	113,484	0	1,633	115,117	19,746	134,863
Director of Children, Families & Learning	110,062	66	1,558	111,686	19,151	130,837
Director of Environment	108,081	0	2,144	110,225	18,914	129,139
Director of Regeneration	101,619	0	835	102,454	17,681	120,135
Director of Resources	90,000	0	689	90,689	15,660	106,349
Director of Human Resources	85,000	0	689	85,689	14,790	100,479
Director of Legal & Democratic Services	85,000	0	98	85,098	14,790	99,888
Assistant Chief Executive	75,000	0	815	75,815	13,050	88,865

Section 5: The Core Financial Statements

Note 5 - Related Party Transactions

The Code of Practice on Local Authority Accounting in conjunction with FRS8 requires disclosure of material transactions between the Council and related parties. Related parties are organisations or individuals that may have the potential to control or influence the Council or be controlled or influenced by the Council. These include:

- Central Government – controls the statutory framework within which the Council operates and provides the majority of the Council's funding via government grants. The details of grants paid to the Council are shown in the Income and Expenditure Account and Cashflow Statement.
- Senior Officers and Councillors – The Council's Senior Managers and Elected Members and their close relations may influence the Council's financial and operating policies. Using the Council's Register of Members' Declarations of Interest and a separate survey of both Members and Senior Officers, the following disclosures meet the criteria for related party transactions on behalf of the Council.
 - The Chief Executive is also on the Board of Tees Valley Regeneration and the Board of Teesside University.
 - The Director of Resources is also the Treasurer of the Teesside Pension Fund.
 - The Director of Legal and Democratic Services is also Company Secretary of Dial-a-Ride Middlesbrough.
 - The Director of Environment is also a Director of Nature's World (Botanic Centre).
 - The Assistant Director, Commissioning & Resources (Children, Families & Learning) is also a Director of Northern Grid for Learning.
 - Several of the Council's elected representatives hold directorships of related companies.
 - In some cases Members also have related transactions through their employment in companies which trade with the Council; where stated these have been investigated and found not to be material.
- Teesside Pension Fund – Details of all transactions with the Pension Fund are shown in the Teesside Pension Fund section of the Statement of Accounts.
- Related Companies – Under Part V of the Local Government and Housing Act 1989, the Council has to maintain a Register of Interests in companies, where there is some form of relationship or control by the Council. The details of these companies, and their relationship with the Council are shown in the Notes to the Group Accounts.

Note 6 - Agency Services

The Council may carry out certain work for other bodies on an agency basis for which it is fully reimbursed. All the income and expenditure is included in the Income and Expenditure Account. Having reviewed the services supplied the Council has concluded that it does not provide services which fall under the category of Agency Services.

Note 7 - Tees Community Equipment Service Pooled Budget

The Tees Community Equipment Service is a partnership established by an agreement under Section 31 of the Health Act 1999. The partnership agreement covers the costs of administering the Tees Community Equipment Service including:

Section 5: The Core Financial Statements

- The procurement, storage, delivery, assembly or fitting, maintenance, collection, decontamination and recycling of community equipment provided to support vulnerable or disabled service users living in the community.
- To provide and maintain stock of equipment at additional designated locations, where provided by the Partner of this Agreement, for demonstration and use by the Occupational Therapy Service of that locality.
- To incorporate mechanisms which enable Health and Social Service professionals and members of the public to attend the service's premises to collect equipment
- A facility for the procurement of non-stock items.
- The production and distribution of a catalogue describing the service and equipment available.

The agreement is made between eight partners as set out in the memorandum of account. The eight partners in the Tees Community Equipment Service are Middlesbrough Council, Stockton Council, Redcar & Cleveland Borough Council, Hartlepool Council, Middlesbrough PCT, North Tees PCT, Langbaugh PCT and Hartlepool PCT. The outturn position for the year is:

	2008/09	2009/10
	£	£
Balance brought forward	(52,638)	(95,924)
Gross Expenditure	919,249	1,007,766
Gross Income	(962,535)	(1,017,034)
Balance carried forward	(95,924)	(105,192)
Contributions from partners:		
Middlesbrough Council	139,337	139,346
Stockton Council	153,569	157,488
Redcar & Cleveland Borough Council	131,201	147,967
Hartlepool Council	82,012	91,932
Middlesbrough Primary Care Trust	44,537	42,035
North Tees Primary Care Trust	43,782	44,622
Langbaugh Primary Care Trust	69,118	68,476
Hartlepool Primary Care Trust	39,144	36,734
	702,700	728,600
Other income	259,835	288,434
Total	962,535	1,017,034

Prior to 2009/10, service development costs have been excluded from the TCES gross expenditure figure set out in note 7. A decision has subsequently been taken to include these costs so that the gross expenditure figures reflect the full cost of administering the TCES. The comparative figures for 2008/09 have been restated accordingly.

Note 8 - Audit Fees

An analysis of fees payable to the Council's external auditor is shown below:

	2008/09	2009/10
	£'000	£'000
External Audit Services	274	249
Statutory inspection (payable to the Audit Commission)	25	22
Certification of Grants Claims and Returns	24	63
Other Services (VAT)	0	100
Total Fee	323	434

Section 5: The Core Financial Statements

Note 9 - Leasing Obligations

The Council has a policy of using operating leasing as a means of financing a substantial part of its equipment requirements, particularly computer equipment and vehicles. In 2009/2010, leasing rentals amounted to £789,000 with obligations for future years as detailed below:

	Vehicles Plant & Machinery £'000
Current Year (2009/10)	789
Next Year (2010/11)	330
Over the next five year period	<u>267</u>
Leases expiring within 12 months	197
Leases expiring in excess of 12 months	<u>133</u>
Total	<u>330</u>

Note 10 - Long Term Contracts

Middlesbrough Council has a £260 million, 10-year partnership with Mouchel Business Services for the provision of business, finance, IT, HR and other support services, which commenced 1st June 2001. Within this contract there is an option to extend for a period of 5 years. This option has been exercised and the extended period will commence on the 1st June 2011.

Note 11 - Gains/(Losses) on Sale of Assets

	2008/09 £'000	2009/10 £'000
Total Capital Receipts Received	(2,757)	(63)
Deposit Received in 2007/08 for asset sold 2008/9	(86)	0
Less:		
Pooled Capital Receipts	0	0
De-minimus Receipts	0	0
Capital Receipts from Non Assets Disposals	1,231	63
Capital Receipts from the Disposal of Assets	<u>(1,612)</u>	<u>0</u>
Total Net Book Value of Disposals	1,400	3,701
Less:		
Disposals not resulting in a capital receipt	0	3,701
Add:		
Revaluation on Disposals	0	0
Net Book Value of Assets Disposed of	<u>1,400</u>	<u>0</u>
Net (Gain)/loss in Disposal of Assets	<u>(212)</u>	<u>0</u>

Note: The disposal of assets not resulting in a capital receipt relates to the transfer of assets formerly held by the Council on behalf of West Middlesbrough Neighbourhood Trust to the trust for the development of Acklam Green Health and Community facility.

Section 5: The Core Financial Statements

Note 12 - Trading Undertakings

The Council has established a number of operations which are required to operate in a commercial environment and balance their budgets by generating income from other parts of the authority or other organisations. Details of these operations are given below:

Trading Activity	Description	2008/09 Deficit/ (Surplus) £'000	Turnover £'000	Expenditure £'000	2009/10 Deficit/ (Surplus) £'000
Building Control	Ensures that all relevant building work complies with regulations existing to secure the health & safety of building users, promote energy efficiency and improve access for the disabled	55	0	0	0
Commercial & Industrial Properties	Estate management of properties for industrial and commercial tenants	1,901	2,352	3,315	963
Highways & Sewers	Work to general highways and sewers including street lighting maintenance	136	2,259	3,107	848
Building maintenance cleaning & security	Construction and maintenance of public buildings and council houses	(82)	3,985	4,370	385
Grounds maintenance	Grass cutting, maintenance of ornamental parks and gardens, Arboriculture and related activities	149	1,514	1,663	149
School Support	The provision of administrative and support services to schools.	0	1,942	1,973	31
Architects fee instruction	The provision of architectural design work.	(251)	1,187	947	(240)
Engineers fee account	The provision of civil and structural engineering services.	(90)	530	334	(196)
Fleet Services	Provision of repairs, Maintenance and Fuel for all council owned vehicles	0	3,235	3,453	218
Total		1,818	17,004	19,162	2,158

Section 5: The Core Financial Statements

Note 13 - The Movement of Fixed Assets

Operational Assets

	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra- Structure Assets £'000	Community Assets £'000	Total £'000
Cost or Valuation					
At 1st April 2009	442,461	14,862	91,524	27,699	576,546
<i>Movement in 2009/2010</i>					
Additions	8,979	3,262	13,033	298	25,572
Donations	0	0	0	0	0
Disposals	(3,633)	(364)	0	(201)	(4,198)
Reclassification	7,021	2,030	(9)	(275)	8,767
Revaluation's	13,978	0	0	0	13,978
At 31st March 2010	468,806	19,790	104,548	27,521	620,665

Depreciation & Impairment

At 1st April 2009	(38,144)	(8,892)	(16,446)	(31)	(63,513)
Charge for 2009/10	(16,784)	(2,752)	(2,902)	29	(22,409)
Disposals	336	283	0	0	619
Reclassification	119	(5)	1	0	115
Reversal Dep. on Revaluation's	10,427	0	0	0	10,427
At 31st March 2010	(44,046)	(11,366)	(19,347)	(2)	(74,761)

Balance Sheet Amount at 31st March 2009

	404,317	5,970	75,078	27,668	513,033
--	----------------	--------------	---------------	---------------	----------------

Balance Sheet Amount at 31st March 2010

	424,760	8,424	85,201	27,519	545,904
--	----------------	--------------	---------------	---------------	----------------

Non-Operational Assets

	Investment Properties £'000	Assets under construct'n £'000	Surplus assets £'000	Total £'000	Total Assets £'000
Cost or Valuation					
At 1st April 2009	23,514	13,892	17,718	55,124	631,670
<i>Movement in 2009/2010</i>					
Additions	19,301	28,749	1,410	49,460	75,032
Donations	0	0	0	0	0
Disposals	(128)	0	(14)	(142)	(4,340)
Reclassification	1,114	(9,842)	(270)	(8,998)	(231)
Revaluation's	1,213	0	3,792	5,005	18,983
At 31st March 2010	45,014	32,799	22,636	100,449	721,114

Depreciation & Impairment

At 1st April 2009	(249)	0	(2,631)	(2,880)	(66,393)
Charge for 2009/10	(1,426)	0	(916)	(2,342)	(24,751)
Disposals	20	0	0	20	639
Reclassification	(166)	0	49	(117)	(2)
Reversal Dep. on Revaluations	14	0	141	155	10,582
At 31st March 2010	(1,807)	0	(3,357)	(5,164)	(79,925)

Section 5: The Core Financial Statements

Balance Sheet Amount at 31st March 2009	23,265	13,892	15,087	52,244	565,277
Balance Sheet Amount at 31st March 2010	43,207	32,799	19,279	95,285	641,189

On 1st January 2009 Hallgarth School adopted Foundation Status under the name Hallgarth Community Arts College, and so was removed from the value of Fixed Assets in the Balance Sheet, as ownership transferred as at that date. The Value of this asset upon removal was £13,290,253.01.

Note: The additions figures for Investment Properties and Infrastructure contains £6,174 M which had been classified as "Refcus" in 2008/2009. The reclassification of this expenditure has increased the Authority's assets by £6.174M

Note 14 - Valuation Information

Operational and non-operational land and buildings valuations have been taking place since April 1994 by the Valuation/Estates Manager, who is currently Mr T Wake R.I.C.S. These assets, are recorded at the lower of net current cost or realisable value. Assets are revalued on a rolling programme at intervals of no more than five years and in accordance with the Council's Asset Management Strategy (as detailed in the Statement of Accounting Policies).

Infrastructure, community assets and Assets under construction continue to be valued at historic cost. There are also a number of community assets, which due to their nature are not accounted for on the balance sheet or are held at market value. These include some works of art, other museum exhibits and official council regalia. De-minimus limits for assets are detailed in the Statement of Accounting Policies.

There are no assets held under finance leases accounted for on the balance sheet. The table below summarises the value of assets to be re-valued over the next five years:

	Valued at Current Value In:						Valued at Historical Cost
	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	Total £'000	Total £'000
Other Land & Buildings	75,577	86,881	89,105	90,538	82,660	424,761	0
Vehicles Plant & Equipment	0	0	0	0	0	0	8,424
Infrastructure Assets	0	0	0	0	0	0	85,201
Community Assets	0	0	0	0	0	0	27,519
Surplus Assets	200	0	0	352	18,727	19,279	0
Investment Assets	3,770	2,916	3,139	2,168	31,213	43,206	0
Assets Under Construction	0	0	0	0	0	0	32,799
	79,547	89,797	92,244	93,058	132,600	487,246	153,943

Section 5: The Core Financial Statements

Note 15 - Depreciation Methodologies

Depreciation is provided for on all fixed assets with a finite useful life. Where depreciation is provided for, assets are being depreciated using the 'straight line' method on the opening balance over the following periods:

Buildings (where appropriate)	40 – 50 years
Vehicles Plant and Equipment	4 – 10 years
Infrastructure	40 years

Since 2000/2001, all assets must be depreciated. This change in accounting policy has meant that Middlesbrough has had to estimate the remaining useful economic life of its assets. A period of 40 years has been used for the majority of its assets and depreciation has been processed on this basis.

Note 16 - Financing of Capital Expenditure

	2008/09 £'000	2009/10 £'000
Capital Investment		
Operational assets	22,183	33,322
Non operational assets	9,970	26,412
Intangible assets	328	458
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	20,140	7,219
	52,621	67,411
Sources of Finance		
Capital Receipts	(4,870)	(1,223)
Government Grants and Other Contributions	(38,486)	(54,790)
Sums set aside from Revenue	(1,460)	(1,895)
Borrowing	(7,805)	(9,503)
	(52,621)	(67,411)

Note 17- Capital Programme Commitments

The Council prepares an annual capital programme but a number of schemes take several years to complete thus committing the authority to capital expenditure in future years. Details of such scheme are listed in the table below.

Contractual commitments arising as at 31st March 2010 with a commitment of £250,000 or more are marked with an * in the table below.

Capital Programme	Future commitments from 1 April 2010	Period of investment
Service Area: Scheme Description	£'000	Years
Corporate		
Equal Pay Awards	2,272	1
<i>This is estimated non recurring costs of future equal pay settlements</i>		

Section 5: The Core Financial Statements

Service Area: Scheme Description	Future commitments from 1 April 2010	Period of investment
	£'000	Years
Building Improvement Programme – Viewley Centre Refurbishment <i>Scheme to enhance and refurbish the Viewley Centre – Hemlington</i>	260	1*
Corporate: Sub Total	2,532	
Children, Families & Learning		
City Learning Centre: Acklam Grange <i>This funding is for the purchase of ICT equipment and more specifically for the further development of existing provision and could include: ICT equipment and related peripherals, software (not subscriptions), modification / replacement /supplement to existing ICT infrastructure, developments to existing CLC buildings and furniture.</i>	491	3
Primary Strategy for Change - Phase 1: Block Budget <i>Phase 1 of Middlesbrough's Primary Strategy for Change programme includes: a new 315-place school on the existing Berwick Hills Primary School site; refurbishment and extension of Beechwood Primary School to create a single 420-place school to serve the Beechwood/Marton Grove catchment area; alterations to Archibald Primary School kitchen/dining hall linking to main school block.</i>	6,404	2
Acklam Green Health & Community Facility <i>Temporary loan to West Middlesbrough Neighbourhood Trust to enable the construction of a new health, youth and community facility.</i>	600	1
Myplace YCC (former Custom House) <i>Refurbishment of the former Custom House to create a world-class youth facility.</i>	4,105	3*
Harnessing Technology ICT Grant <i>This grant is to be used for the upgrading / enhancement of the schools broadband infrastructure and purchase of ICT equipment.</i>	1,878	3*
Fair Play Playbuilder Capital <i>A three-year programme from 2008/09 to 2010/11 to provide high-quality and safe places to play. Including replacing existing play areas / equipment and creation of new play areas at various sites.</i>	476	1

Section 5: The Core Financial Statements

	Future commitments from 1 April 2010	Period of investment
Service Area: Scheme Description	£'000	Years
Devolved Formula Capital - various schools <i>Allocations of capital funding devolved to schools for structural improvements and investment in IT development.</i>	7,311	3
DDA Improvements <i>Funding to provide easier access to council properties for the disabled members of the community eg. ramps, disabled toilets, disabled parking bays, induction loops, etc.</i>	300	3
Primary Strategy for change: Berwick Hills Primary <i>Phase 1 of Middlesbrough's Primary Strategy for Change programme: a new 315-place school on the existing Berwick Hills Primary School site.</i>	6,276	3*
Primary Strategy for change: Archibald Primary <i>Alterations to Archibald Primary School kitchen/dining hall linking to main school block.</i>	1,199	2*
Primary Strategy for change: Beechwood/Marton Grove Primary <i>Refurbishment and extension of Beechwood Primary School to create a single 420-place school to serve the Beechwood/Marton Grove catchment area.</i>	4,168	3*
Primary Strategy for change: Green Lane Primary Foundation - Stage Classroom <i>Replace free-standing nursery and isolated reception class with extension to existing school giving integrated foundation stage linked to new Sure Start facility, new access and reception area.</i>	2,843	3*
Primary Strategy for change: Sustainability Schemes: Pallister Park Kitchen/Dining Area <i>Provide a fully refurbished production kitchen.</i>	263	1*
BSF - Acklam Grange Design & Build <i>Building new school on existing Acklam Grange school site, retaining the existing sports complex and City Learning Centre.</i>	7,559	2*
Building Schools for the Future - Ormesby & Priory Wood Design & Build <i>Building new school developed as a combined scheme with Ormesby School and Priory Wood Special School.</i>	7,946	2*

Section 5: The Core Financial Statements

Service Area: Scheme Description	Future commitments from 1 April 2010 £'000	Period of investment Years
Building Schools for the Future - Acklam Base Design & Build <i>Building new school to be named Oakfields Community College, on existing school site to replace the Hall Garth and Kings Manor Schools.</i>	28,125	3*
Building Schools for the Future - Ashdale Design & Build <i>Rebuilding Ashdale Pupil Referral Unit in a new location, next door to Parkwood School.</i>	2,552	1*
Building Schools for the Future - Trinity RC College D&B <i>Predominantly 80% new build on the Newlands FCJ School site, with the retention of some existing buildings, to replace St. Davids and Newlands FCJ Secondary Schools.</i>	18,657	2
Building Schools for the Future - Tollesby & Beverley Design & Build <i>Co-location of Beverley and Tollesby schools in a new building with shared facilities.</i>	13,191	2*
Building Schools for the Future ICT - Acklam Grange <i>Procurement of an ICT Managed Service Provider (MSP) at the new Acklam Grange School.</i>	1,413	1
Building Schools for the Future ICT - Ormesby <i>Procurement of an ICT Managed Service Provider (MSP) at the new Ormesby School.</i>	828	1*
Building Schools for the Future ICT - Acklam Base <i>Procurement of an ICT Managed Service Provider (MSP) at the new Oakfields Community College (formally Hall Garth and King's Manor Schools).</i>	1,355	2
Building Schools for the Future ICT - RC School <i>Procurement of an ICT Managed Service Provider (MSP) at the Trinity College as part of the BSF programme.</i>	1,204	1
Children, Families and Learning: Sub total	119,144	
Environment		
HTG - Safe Routes to School <i>The design and implementation of safer transport routes around schools. This can include creating 20mph zones, park and walk routes.</i>	338	1*

Section 5: The Core Financial Statements

	Future commitments from 1 April 2010	Period of investment
Service Area: Scheme Description	£'000	Years
HTG - Urban Safety Management <i>This scheme is to create a 20mph zone in the Linthorpe Village area of the town.</i>	554	1*
Purchase of new Vehicles <i>Funding for the purchase of new vehicles across the Council.</i>	5,173	3
Stewarts Park Heritage Lottery Fund <i>This scheme is for the restoration of Stewart Park including restoring several of the original Victorian features.</i>	5,469	3*
Cemetery Infrastructure Improvements <i>Funding for the upgrade and abatement for 3 of the 5 cremators in the crematorium.</i>	1,146	2*
North Middlesbrough Accessibility <i>Improved access to Middlehaven and Riverside Park, including the widening of the A66 and access ramps.</i>	479	1*
Transporter Bridge Replacement Motor <i>Replacement of original DC electric motors with new AC electric motors and computerised control systems to improve performance, efficiency and safety.</i>	250	1*
Grass Verge Replacement <i>Replacement of non-maintainable grass verges with hardened surfaces to suit the environment.</i>	304	3*
Highways Maintenance - Road Repairs <i>Funding for road repairs that have arisen as a result of the bad weather in the winter of 2009/2010.</i>	6,000	3*
Environment: Sub Total	19,713	
Regeneration		
Disabled Facilities Grant <i>Funding for adaptations to dwellings to enable disabled people to continue living at home</i>	2,277	3*
Inner Middlesbrough <i>Relates to the acquisition and clearance of the older properties, provision of new housing and improvement works in the Gresham area as part of the Regeneration Programme</i>	9,798	3

Section 5: The Core Financial Statements

	Future commitments from 1 April 2010	Period of investment
Service Area: Scheme Description	£'000	Years
Places of Change Programme - Wellington Street Hostel <i>Wellington Street Hostel is a multi funded new build hostel led by the Riverside Housing Group. The new facility will improve homelessness provision within M'bro.</i>	1,467	1*
Other Housing Funding - Working Neighbourhood Fund <i>Funding for future facelift schemes within the HMR area.</i>	700	1
Boho Core Building 1 <i>Boho is part of the DigitalCity Initiative, which will develop an incubation centre aimed specifically at Digital Media companies to foster their growth.</i>	345	1*
Improve Crown House Public Realm <i>The project seeks to convert the currently derelict Crown House building into a fully functioning high quality modern office space facility that will provide state of the art premises to small new businesses as they start out on their commercial life and to upgrade/improve an area of public realm in an important location close to greater Middlehaven site and linking with the Boho Zone.</i>	700	2
Middlesbrough Theatre <i>Refurbishment and major extension of foyer.</i>	500	1
Trinity Public Realm Works - Market Place <i>Renewal of the market Square and market amenity block and works to James Street and Kings Road North Ormesby</i>	1,025	1*
Improvements to Linthorpe Rd Central <i>Schemes to maintain and develop the economic success of Linthorpe Road.</i>	700	2
Culture Development Fund <i>The Development Fund is to generate match funding to support cultural and heritage projects around Middlesbrough.</i>	400	1
Growthpoint Grant Funding <i>The Growthpoint Fund is to support housing growth, enabling housing development to be brought forward, tackling barriers to delivery. The grant will be used to fund acquisitions of owner-occupied homes, including an equivalent of OHRAS(Re-Housing Options for Affected Residents) in the Grove Hill area.</i>	800	1*
Regeneration Sub Total	18,712	

Section 5: The Core Financial Statements

Service Area: Scheme Description	Future commitments from 1 April 2010	Period of investment
	£'000	Years
Social Care		
Chronically Sick and Disabled Person Act <i>Provision of minor adaptations, costing £1000 or less, in accordance with the Fair Access to Care Services (FACS) Guidance.</i>	349	2*
Short Break Service at Levick <i>To provide premises for a joint health and social care residential short breaks service to replace 4 St Pauls Rd.</i>	2,483	1*
Common Assessment Framework (CAF) <i>To develop a Common Assessment Framework for Adults, this will see the replacement of the current operating system (SWIFT).</i>	810	1*
Disabled Facilities Grant <i>Use of this grant will prevent people from entering sheltered housing etc. by enabling them to live independently at home.</i>	1,241	3*
Training, Employment & Social Enterprise at Stewart Park <i>Refurbishment of the old stables/wardens centre at Stewart Park, to provide a training centre provision in Middlesbrough to enable practical training for people with disabilities to gain employment.</i>	602	2
Telecare <i>The purchase of telecare equipment to carry out the telecare strategy.</i>	250	1*
Social Care: Sub Total	5,735	
Grand Total	165,836	

Note 18 - Information on Assets Held

Fixed assets of the Council include the following:

	Number of council assets as at 31st March 2009	Number of council assets as at 31st March 2010	Number of Non Council assets as at 31st March 2010
Operational Buildings			
Administrative Buildings	7	9	
Centres for People with Learning Disabilities	1	1	
Children's Day Nursery	0	1	

Section 5: The Core Financial Statements

	Number of council assets as at 31st March 2009	Number of council assets as at 31st March 2010	Number of Non Council assets as at 31st March 2010
Children's Services Homes	4	4	
Community Centres	9	9	
Multi Storey Car Parks	2	2	
Surface Car Parks	15	16	
Crematorium	1	1	
Day Centres for People with Physical Disabilities	2	2	
Day Centres for the Elderly	1	1	
Depots and Workshops	8	8	
Enterprise Employment Centres	2	4	
Farms	2	1	
Garden Centres (Nurseries)	1	1	
Golf Course	1	1	
Halls and Theatres	1	1	
Markets	1	0	
Leisure Centres and Pools	5	5	
Libraries	9	8	
Mental Health Day Centres	1	1	
Mental Health Hostels	1	1	
Museums and Galleries	4	4	
Nautical Centre	1	1	
Outdoor Centre	2	2	
Primary Schools including Nurseries	31	31	
Public Conveniences	3	3	
Pupil Referral Units (PRUs)	2	2	
Registrars	1	1	
Secondary Schools	3	3	1
Social Care Homes	2	2	
Special Schools	4	4	
Sports Stadium	1	1	
Teaching Unit (non school)	0	1	
Trading Standards Building	1	1	
Training and Development	1	2	
Travellers Site	1	1	
Youth & Community Centres	12	10	
Operational Equipment			
Vehicles/Heavy Plant	425	414	

Section 5: The Core Financial Statements

	Number of council assets as at 31st March 2009	Number of council assets as at 31st March 2010	Number of Non Council assets as at 31st March 2010
Personal Computers	5,833	5,994	
IT Systems	124	138	
Entertainment Facilities	0	2	
Recreational Equipment	0	3	
Heating / Cooling Systems	0	2	
Infrastructure Assets			
Kilometres of Road	578	578	
Bridges / Retaining Walls / Culverts	258	258	
Community Assets			
Allotments	6	6	
Cemeteries	6	6	
Parks and Recreation Grounds	57	63	
External Artworks and Monuments	6	9	
Non-Operation Land/Buildings			
Surplus/Commercial Properties	40	48	
Investment Properties	185	197	
Assets Under Construction	0	10	

Note 19 - Custodian Properties

The interest in the properties listed below passed to the Council on 1st April 1996 following the abolition of Cleveland County Council. In agreement with the Districts of the former County Council area, liabilities and benefits arising from the properties are shared between the four Districts.

- Melrose House Freehold
- Douglas House Freehold – site only (Sale proceeds received – legal transfer will take place once building requirements achieved)
- Exchange House Freehold
- 51A Kings Road Freehold
- Former County Depot, Cargo Fleet Lane Freehold
- High Force House Leasehold
- Aurora Court Leasehold
- Cannon Street Trading
- Lane Head
- Stainsacre

Note 20 - Landfill Tax Allowance Trading Scheme (LATS)

The Government introduced the Landfill Tax Allowance Trading Scheme (LATS) on 1st April 2005 for Waste Disposal Authorities. The value of the landfill is shown on the face of the Balance Sheet.

Section 5: The Core Financial Statements

Note 21 - Assets Held for Lease

The Authority has granted a significant number of leases across its portfolio. The Net Book Value of the assets included in the Asset Register is £42m, which generated an annual rental of £2.8m.

Note 22 - Intangible Assets

Capital expenditure on Intangible Assets amounts to £113,000 in 2009/2010. The expenditure mainly relates to software for the Common Assessment Framework Programme (£53k) and Integrated Children's system (£33k). A definition of Intangible Assets can be found within the Glossary of Terms.

	Intangible Assets
Cost or Valuation	£000
At 1st April 2009	593
<i>Movement in 2009/2010</i>	
Additions	113
Donations	0
Disposals	0
Reclassification	231
Revaluation's	0
At 31st March 2010	937
Depreciation and Impairments	
At 1st April 2009	(9)
Charge for 2009/10	(128)
Disposals	0
Reclassification	3
Reversal Dep. On Revaluations	0
	(134)
Balance Sheet amount at 31st March 2010	803
Balance Sheet amount at 31st March 2009	584

Section 5: The Core Financial Statements

Note 23 - Net Assets Employed

	Balance as at 31 st March 2009 £'000	Balance as at 31 st March 2010 £'000
General Fund	342,051	361,725
Trading	1,458	1,747
Collection Fund	84	208
Other: Un-apportioned Pension Reserve	(97,164)	(192,957)
Total	246,429	170,723

Note 24 - Long Term Investments

	Balance as at 31 st March 2009 £'000	Balance as at 31 st March 2010 £'000
Cash on Long Term Deposit	5,522	3,019
Durham Tees Valley International Airport	639	364
SITA Tees Valley Ltd	309	309
Total	6,470	3,692

The long-term investment in Durham Tees Valley International Airport has been revalued and this has resulted in a reduction of £275,000.

Note 25 - Long Term Debtors

	As at 31 March 2009 £'000	Adjustments £'000	Repayments £'000	As at 31 March 2010 £'000
MBC Mortgages	82	0	14	68
Probation Capital	314	0	20	294
Insurance Fund	81	0	1	80
Magistrates	296	0	21	275
Car Loans	299	218	139	378
Total	1,072	218	195	1,095

Note 26 - Stocks and Work in Progress

	Balance as at 31 st March 2009 £'000	Balance as at 31 st March 2010 £'000
Trading Services	412	406
Other	2,194	1,949
Total	2,606	2,355

Section 5: The Core Financial Statements

Note 27 - Debtors & Payment in Advance

	Balance as at 31 st March 2009 £'000	Balance as at 31 st March 2010 £'000
Amounts falling within 1 year		
Government Departments	18,763	11,734
Other Local Authorities	3,001	3,981
Housing Rents Payers	1,491	1,507
Council Tax Payers	6,718	7,131
Non Domestic Rates Payers	0	0
Other Debtors	19,671	19,648
	49,644	44,001
Less: Provision for Doubtful Debts	8,938	9,761
	40,706	34,240
Add: Payments in Advance	3,697	4,042
Total	44,403	38,282

Note: Changes in the accounting practices in relation to the treatment of Council Tax and NNDR income have required a prior year adjustment of £1,031,000.

Note 28 - Housing Benefits Bad Debt Provision

The bad debt provision calculation for Housing Benefit outstanding debt has been modified from the standard calculation to reflect more accurately the anticipated level of debt recovery. The calculation, based on a detailed review of recovery rates in prior years, makes provision for 100% of debt outstanding that is more than two years old, 80% for debt between one and two years old and 55% for debt less than one year old. Using this basis, the bad debt provision for Housing Benefits has increased by £23,000 in 2009/10 from £1,542,000 to £1,565,000.

Note 29 - Creditors & Income in Advance

	As at 31 st March 2009 £'000	As at 31 st March 2010 £'000
Government Departments	1,461	1,127
Other Local Authorities	1,975	1,869
Other Creditors	29,821	33,819
	33,257	36,815
Add : Income in Advance	12,391	16,962
Total	45,648	53,777

Note: Changes in the accounting requirements in relation to the treatment of Council Tax and NNDR income have required a prior year adjustment of £1,031,000.

Section 5: The Core Financial Statements

Note 30 - Long Term Borrowing

	Balance as at 31 st March 2009 £'000	Balance as at 31 st March 2010 £'000
Public Works Loan Board	61,000	47,000
Bonds and Mortgage	38,274	33,264
	99,274	80,264
Analysis of Loans Maturity is:		
Maturing in 1-2 Years	0	5,000
Maturing in 2-5 Years	6,500	16,500
Maturing in 5- 10 Years	0	0
Maturing in over 10 Years	92,774	58,764
	99,274	80,264
Accrued Interest	744	669
Premiums and Discounts	493	(552)
	100,511	80,381

Gains and losses arising from the repurchase or early settlement of borrowing have been written off to revenue. However where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains or losses have been recognised over the life of the replacement loan. Details of the premiums and discounts are shown below:

	Balance as at 1 st April 2009 £'000	Balance as at 31 st March 2010 £'000
Deferred Discounts	(523)	(600)
Deferred Premium	30	1,152
	(493)	552

Note 31 - Insurance Funds

	Fund Balance as at 1 st April 2009 £'000	Fund Balance as at 31 st March 2010 £'000	Movement in Year £'000
Insurance Fund – MBC	(1,450)	(1,401)	49
Insurance Fund-Designated Authority	(965)	(897)	68

The Insurance Fund is provisioned on a conventional insurance basis: that is to say it is funded annually with notional premiums intended to cover to extinction all claims arising against the fund as a result of incidents or losses during the twelve month period covered by those premiums. During 2009-10 the main risks carried were:-

Section 5: The Core Financial Statements

- (i) Property Losses up to £250,000 per claim in respect of all Council and Cleveland Fire Authority properties arising from the risks of fire, lightning, aircraft, explosions and earthquake are limited to £750,000 aggregate in any one year for each authority.
- (ii) Property losses in respect of schools, arising from the risk of riot and civil commotion, storm, flood, bursting or overflowing of water, pipes or cisterns and impact by own or third party vehicles. Claims other than riot and civil commotion exclude the first £250 of each loss.
- (iii) Consequential losses in respect of schools arising as a result of damage by any insured pupil up to a maximum £50,000, any one loss and subject to an indemnity period of 12 months.
- (iv) "All Risks" losses up to £100,000 per claim in respect of Civic Regalia and owned and loaned museum and gallery exhibits.
- (v) "All Risks" losses in respect of certain items of IT hardware, cameras etc. Identified for specific insurance coverage by individual Council units and schools, and items of Council owned or hired equipment.
- (vi) All owned damage Council and Cleveland Fire Authority motor risks, but excluding the first £500 of each loss in respect of the majority of Council vehicles.
- (vii) Middlesbrough Council employers and non-motor third party legal liability risks up to £140,000 per claim and limited to £1,200,000 in aggregate in any one year.
- (viii) Cleveland Fire Authority employers and non-motor third party legal liability risks up to £140,000 per claim and limited to £223,000 in aggregate in any one year.
- (ix) Middlesbrough Council motor third party liability risks up to £140,000 per claim.
- (x) Fidelity Guarantee losses up to £100,000 per claim.
- (xi) Money losses subject to varying indemnity limits dependant on loss circumstances.
- (xii) All claims other than medical expenses and emergency travel costs arising under standard travel insurance for school trips.
- (xiii) All claims arising under a school Personal Accident and Sickness Insurance for staff.

Section 5: The Core Financial Statements

Note 32 - Provisions

	As at 31 March 2009 £'000	Additions £'000	Reductions £'000	As at 31 March 2010 £'000
Business Loan Guarantees	70	0	0	70
Unpresented Cheques Write Back	12	16	0	28
Housing Pension Contribution Deficit	3,000	0	200	2,800
Landfill Usage Liability	1	1	0	2
NDC Corporation Tax Liability	352	0	352	0
HR Initiatives & Equal Pay	621	600	772	449
Building Schools for the Future	338	77	113	302
Repayment of Capital Grants	528	0	221	307
Dilapidations Provision	129	0	129	0
Ayresome Industries DDA	60	0	60	0
Business Rents Provision	120	0	0	120
Total	5,231	694	1,847	4,078

Business Loan Guarantees

The provision covers loan guarantees given by the Council to local businesses.

Unpresented Cheques Write Back

A provision has been created to cover any replacement cheques raised where the original cheque was previously unpresented after six months and had been written back to the accounts.

Housing Pension Contribution Deficit

The Council has made appropriate provision to cover the pensions deficit from the date of transfer of the Council's housing service (November 2004) for a period of 20 years.

Landfill Usage Liability

A provision has been made to cover the 2009/2010 estimated Landfill Usage in accordance with LAAP Bulletin 64. The Liability will be discharged in 2010-11 when the authority's reconciled landfill usage is established.

NDC Corporation Tax Liability

The provision has been created to cover the potential Corporation Tax liability in respect of the Capital receipt received on the disposal of land received by West Middlesbrough Neighbourhood Trust.

Section 5: The Core Financial Statements

HR Initiatives and Equal Pay

Middlesbrough Council has received over 750 equal pay claims from current and former members of staff. These claims are having a significant financial impact on the Council. The Council has defended the claims vigorously throughout the legal process, however a large number of the claims have been successful and are being settled through payments to the claimants for arrears of wages. The payments for claims that have been settled have continued to be capitalised, while the costs of processing the outstanding claims is provided for in the Council's budget and the medium term financial plan. This area continues to be subject to developing case law and therefore remains a significant financial risk to the authority. The complicated process of dealing with this issue is ongoing and the provision has been used to fund costs in 2010/2011 and beyond. The provision is utilised to cover the administration cost associated with equal pay claims and also covers the ongoing costs of the Council's job evaluation exercise.

Building Schools For the Future

Funding has been set aside to cover a proportion of the future costs incurred in supporting the Council's Building Schools for the Future project.

Repayment of Capital Grant

A provision has been created to fund the possible repayment of capital grants in the following areas:

- Standards Fund
- Sure Start Local Programmes

Dilapidations Provision

A claim was received from the owner of Gurney House for potential reinstatement costs as required in accordance with the covenants of the lease. These costs cover the removal of existing partitions and fixtures installed by the tenant (Cleveland County Council) and the associated making good to finishes. There is also a potential further claim in respect of the external decoration and cleaning down of existing window frames. The provision covered Middlesbrough's share of these costs (25.9%) paid in 2009/2010.

Ayresome Industries DDA cost Provision

An inspection of the Ayresome Industries workshop site has identified the need for essential works to be undertaken in order for existing facilities to meet statutory requirement and fulfil the Council's obligations under DDA legislation. This capital work was carried out in 2009/10.

Business Rents Provision

The provision covers a premium guarantee given by the Council to a local business.

Section 5: The Core Financial Statements

Note 33 - Government Grants Deferred Account

This represents grants and contributions received to finance (wholly or partly) the acquisition of fixed assets. The account has been established in accordance with SSAP4 (the Accounting Treatment of Government Grants). These amounts are released to the Income and Expenditure account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

	2008/09 £'000	2009/10 £'000
Balance as at 1 April	134,353	156,705
<i>Financing of Capital Expenditure:</i>		
Grants	35,758	49,988
Other Contributions	3,532	2,204
	173,643	208,897
Grants & Contributions on Disposals	0	(3)
Amortised to revenue during the year	(16,938)	(4,928)
Balance as at 31st March	156,705	203,966

Note 34 - Earmarked Reserves

Reserve	31 March 2009 £'000	Receipts in Year £'000	Payments in Year £'000	31 March 2010 £'000
School Reserves				
School Balances	4,826	0	140	4,686
Total School Reserves	4,826	0	140	4,686
Reserve				
Investment Reserves				
Durham Tees Valley Airport	639	0	275	364
SITA Tees Valley Ltd	309	0	0	309
Total Investment Reserves	948	0	275	673
Specific Revenue Reserves				
Insurance Fund (MBC)	1,450	2,968	3,017	1,401
Insurance Fund (CCC)	965	27	95	897
DDA Access	6	0	6	0
TAD Centre Development	7	0	7	0
Accommodation Review	30		9	21
IT Development	334	0	15	319
Ayresome Industries	74	0	74	0
Service Middlesbrough	1,028	310	52	1,286
Social Care & Vulnerable Children	1,168	1,000	1,168	1,000
Performance Reward Grant	960	544	1,000	504
European Grant Reserve	128	0	0	128
Repairs and Maintenance	19	0	19	0
Enterprise Centre Sinking Fund	4	0	4	0

Section 5: The Core Financial Statements

Initiatives Fund Reserve	150	0	0	150
	31 March 2009	Receipts in Year	Payments in Year	31 March 2010
Research and Development in Future Provision in School	254	0	0	254
Investment to Save/Change Programme	3,492	1095	3,285	1,302
WNF and JIP Grants	829	797	578	1,048
VAT Reduction in Rate	23	0	23	0
Election cost Reserve	35	35	0	70
Multi Functional Devices Reserve	48	0	39	9
ABG Reserve	200	167	86	281
Middlehaven Commuted Sums	0	137	0	137
Total Revenue Reserves	11,204	7,080	9,477	8,807
Totals	16,978	7,080	9,892	14,166

Reserves and Balances held by Schools

This reserve holds the accumulated balances and the differences between the school budget and actual expenditure incurred in 2009/2010 for all the Middlesbrough schools. 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.

Investment Reserves

More detail on the Council's investment in the following companies can be found in note 24.

Durham Tees Valley Airport
SITA Tees Valley Ltd – formerly Cleveland Waste Management.

Specific Revenue Reserves

Insurance Fund

Middlesbrough Council set up an Insurance Fund from 1st April 1996 covering nearly all the authority's insurable risks with a limited amount of external cover or catastrophe or special risk incidents. The nature of the risks covered by the insurance reserve includes fidelity guarantee, personal accident, employers liability, fire, motor, marine, engineers, public liability, money and all risks. (See Note 31).

Insurance fund (former CCC)

The Insurance Fund set up by Cleveland County Council to cover virtually all the insurable risks of that authority transferred to Middlesbrough Council as part of its duties as designated authority. The fund is used to settle claims relating to incidents occurring before 1 April 1996 for which Cleveland County Council would have been liable. There is also a continuing liability transferred from Cleveland County Council for payments in respect of claims up to agreed excess levels for incidents prior to 28

Section 5: The Core Financial Statements

February 1992 when the insurance arrangements for Cleveland County Council were changed. There is also a contingent liability in respect of claims above the agreed limits in the event that the assets of Municipal Mutual are ultimately inadequate to meet the full costs of claims. (See Note 31).

Disability Discrimination Act 1995

The requirement under the Disability Discrimination Act (DDA) 1995 to make services accessible to the public came into effect on the 1 October 2004. The legislation relies on individuals or groups to bring cases before a tribunal. A reserve has been created as the Council may face significant risk dependant on the outcome of any tribunal decisions.

TAD Centre Development

A reserve has been made to cover the future developments of the Council's Training and Development (TAD) Centre including improvements to IT equipment alterations, and furniture.

Accommodation Review

The Council has undertaken a review of accommodation across all services. The reserve is being used to fund the costs of implementing the improvements identified in the review.

IT Development

Funding has been set aside to cover ongoing software development and training issues in relation to the SAP financial system and to fund the potential development of other financial systems.

Ayresome Industries

Ayresome Industries is a Council managed Sheltered Workshop. A reserve was created from the surplus generated by the workshop in 2005/2006 and 2006/2007 to cover downturns in demand and to provide future investment in the business.

Service Middlesbrough

A reserve has been set up to cover the cost of future developments in relation to the Council's Strategic Partnership with Mouchel – Service Middlesbrough.

Social Care and Vulnerable Children

The demands on the budgets for vulnerable children and adults in care are difficult to forecast and a reserve has been created to cover pressures that the service need time to manage.

Section 5: The Core Financial Statements

Performance Reward Grant

The Council was awarded 2nd Generation LPSA Performance Reward Grant totalling £1.92m by the DCLG in March 2009. Of this £960k (50%) was to be paid as a revenue grant. A Performance Improvement Programme is being developed to ensure that the PRG is used effectively in line with key priorities for Middlesbrough, linked closely to the Local Area Agreement 2008-2011.

European Grant Reserve

Funding has been set aside to fund the possible repayment of European grant.

Repairs and Maintenance

A reserve has been created to deal with the backlog of urgent repairs and maintenance work outstanding on the Council's property, which the corporate condition survey exercise identified.

Enterprise Centre Sinking Fund

An investment fund has been created to carry out improvement works to empty units in the authority's Enterprise Centres, making it easier to re-let the empty units.

Initiatives Fund

A reserve has been created for future investment in schemes, which will be designed to make a clear difference across the borough.

Developments in the future provision of schools

A reserve has been created to fund the future costs arising from developments in the provision of primary education across the borough. This change is driven by falling roles and a need to improve the quality of school buildings.

Invest to Save/Change Programme

A number of Value for Money / Service Reviews started in 2008/09 have been progressed in 2009/2010 and more are planned for 2010/2011. A reserve has been set up to pay for the one off costs associated with implementing change within services including the funding of investment to save projects and altering the way services are commissioned.

WNF and JIP Grants

There is a carry forward of 10% of the unspent Working Neighbourhood Fund (WNF) grant for 2009/2010. The unspent Joint Investment Programme grant allocation has been carried forward to part fund future years programmes.

Section 5: The Core Financial Statements

VAT Reserve

Savings resulting from the reduction in the standard rate of VAT from 17.5% to 15% have been transferred to a reserve to offset future increases in Council Tax.

Election Costs Reserve

The reserve has been set up to cover the cost of postal ballots and other additional costs that are incurred by the Council when holding elections. An additional £30,000 p.a. has been allocated to the Legal & Democratic Services revenue budget to cover the cost of an annual contribution to this reserve.

Multi Functional Devices (MFD) Reserve

Funding has been set aside to cover the costs of replacement of the current contract for combined printer, photocopier and fax machines.

Area Based Grants Reserve

Amounts set aside to allow continued operation in 2009/10 of services undertaken in 2008/9 with funding from Area Based Grant.

Middlehaven Commuted Sums

This reserve has been created from revenue savings made by the Environment Directorate in 2009/10 to fund highway development costs at Middlehaven in future years.

Note 35 - Capital Adjustment Account

The capital adjustment account reflects the difference between the cost of fixed assets consumed and the capital financing set a side to pay for them.

	2008/09 £000	2009/10 £000
Balance as at 1 April	269,758	237,652
Adjustment to Brought Forward	(4,823)	0
Balance as at 1 April	264,935	237,652
Movements on:		
REFCUS	(20,141)	6,246
Depreciation	(17,682)	(22,676)
Contributions	2,250	591
Grants Write Down	14,687	8,358
Contributions Disposal	(80)	3
Grants Disposal	225	1
Capital Receipts	4,870	1,223
Direct Revenue Funding	1,460	1,895
Net Expenditure Financing	(145)	64
Voluntary Revenue Provision	722	644
Minimum Revenue Provision	3,883	4,009
Disposals	(17,332)	(2,521)
Balance as at 31st March	237,652	235,489

Section 5: The Core Financial Statements

Note 36 - Revaluation Reserve

The purpose of the reserve is to record the gains on revaluation of fixed assets that have not yet been realised through the disposal of the asset. The closing position on the reserve represents the revaluation gains accumulated since the 1st April 2007.

	Operational Assets		Non- Operational			
	Buildings £'000	Land £'000	Investment		Surplus	
			Buildings £'000	Land £'000	Buildings £'000	Land £'000
Balance at 1 April 2009	50,429	15,208	468	839	213	4,820
Reclassification	0	0	0	0	(211)	211
Revaluations	15,342	9,063	534	695	0	3,934
Depre. on Revaluation	(1,930)	0	0	0	0	0
Disposal of assets	(968)	(209)	0	0	0	(4)
Transfers	(11)	(2)	11	2	0	0
Impairments	0	0	0	0	0	(274)
Balance as at 31 March	62,862	24,060	1,013	1,536	2	8,687

	Operational Assets £'000	Non- Operational £'000	Total £'000
Balance at 1 April 2009	65,637	6,340	71,977
Reclassification	0	0	0
Revaluations	24,405	5,163	29,568
Depre. on Revaluation	(1,930)	0	(1,930)
Disposal of assets	(1,177)	(4)	(1,181)
Transfers	(13)	13	0
Impairments	0	(274)	(274)
Balance as at 31 March	86,922	11,238	98,160

Note 37 - Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve is the earmarked element of income from the disposal of assets available to spend on capital projects.

	2008/09 £'000	2009/10 £'000
Balance as at 1 April	13,779	11,462
Adjustment to brought Forward Balance	(80)	(4)
Net proceeds on sale of fixed assets	2,633	63
Less: Pooling of Housing Capital Receipts	0	0
Applied to finance new expenditure	4,870	1,223
Balance as at 31 March	11,462	10,298

Section 5: The Core Financial Statements

Note 38 - Deferred Capital Receipts

This amount is derived from the sale of council houses, which will be received in instalments over agreed time periods. They are backed up by long term debtors in the form of CP Mortgages. In 2009/10 the level of CP mortgages fell below the Deferred Capital Receipts, which allowed the release of the difference to the Usable Capital Receipts Reserve.

	2008/09 £'000	2009/10 £'000
Balance as at 1 April	75	69
Release of Deferred Capital Receipts	(6)	(15)
Balance as at 31 March	69	54
CP Mortgages Balance as at 31 March	69	54

Note 39 - Retirement Benefits

As part of the terms and conditions of employment, the Council offers retirement benefits to its employees. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two different pension schemes:-

- the Local Government Pension Scheme, for employees other than teachers, administered by Teesside Pension Fund. Its purpose is to provide retirement benefits for local authority employees in the Teesside area and other bodies admitted by agreement. This is a funded scheme, meaning that the Council and employees pay contributions into a fund based on a percentage of pensionable pay, calculated at a level intended to balance the pensions liabilities with investment assets.
- the Teachers Pensions Scheme, administered by the Teachers Pensions Authority (TPA). This is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Any discretionary enhancements to benefits awarded by the Council remain the liability of the Council and are paid monthly in addition to the pension paid by the TPA.

Pension Contributions: Teachers

In 2009/10 the Council paid £5.75million (£5.65m in 2008/2009) to the Department for Education in respect of teachers pension costs, which represents 14.09% (14.10% in 2008/2009) of teachers pensionable pay. In addition, the Council is responsible for all pension payments relating to added years that it has awarded, together with the related increases. In 2009/10 these amounted to £105,619 (£91,871 in 2009/10) representing 0.259% (0.229% in 2008/09) of pensionable pay.

Section 5: The Core Financial Statements

Pension Contributions: Other Employees

In 2009/10 the Council paid an employers contribution of £13.1m into the Pension Fund, representing 17.4% of pensionable pay, this compares with figures £12.6 m and 17.4% for 2008/09 respectively. The contribution rate is determined by the fund's Actuary based on triennial actuarial valuations, the most recent of which took place as at 31 March 2007. Following this funding level of 98.3% was given. In order to bring the funding level to 100% the actuary has set the contribution rate for Middlesbrough Council at 17.4% of pensionable pay for 2010/11. The actuarial valuation uses the projected unit method: this means that for schemes in which the age profile of the active membership is rising significantly, the current service cost will increase as the members of the scheme approach retirement. In addition the Council is responsible for all pension payments relating to added years benefits awarded, together with the related increases. In 2009/10 these amounted to £1.71m for Middlesbrough (2.3% of pensionable pay) and £3.2m for the Designated Authority. No discretionary added years lump sum payments were awarded in the year. The capital costs of discretionary increases in earlier years have been calculated as £30.8m. The pension costs that would have to be provided for the year in order to meet future pension liabilities over the period during which the Local Authority derives benefit from its employees services has been calculated as £10.9m (14.8% of pensionable pay).

Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year.

Income and Expenditure Account

	2008/09 £000	2009/10 £000
Service Cost	14,733	10,410
Past service costs	1,439	0
Curtailment and Settlements	315	1,053
Decrease in irrecoverable surplus	0	0
Charge to Net cost of Service	16,487	11,463
Expected Return on Employer Assets	(23,990)	(19,270)
Interest on Pension Scheme Liabilities	30,360	26,895
Charge to Net Operating Expenditure	6,370	7,625
Net Charge to the Income and Expenditure Account	22,857	19,088

Section 5: The Core Financial Statements

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	2008/09	2009/10
	£000	£000
1 April	(457,396)	(405,284)
Current Cost of Service	(14,733)	(10,410)
Interest Costs	(30,360)	(26,895)
Employee Contributions	(4,608)	(4,828)
Actuarial gain / (loss)	89,522	(191,001)
Benefits Paid	12,788	20,592
Unfunded Pension Payments	1,257	2,502
Curtailments and Settlements	(315)	(1,053)
Past Service Costs	(1,439)	0
31 March	(405,284)	(616,377)

Reconciliation of fair value of the scheme assets:

	2008/09	2009/10
	£000	£000
1 April	361,465	308,120
Expected Return on assets	23,990	19,270
Actuarial gain / (loss)	(82,275)	98,018
Employer Contributions	14,378	16,278
Employee Contributions	4,608	4,828
Benefits Paid	(14,045)	(23,094)
Receipt of Bulk Transfer	0	0
31 March	308,120	423,420

The liabilities show the underlying commitments that the authority has in the long term to pay retirement benefits. The total liability of £192.9m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a balance of £170.7m. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy: the deficit on the Local Government scheme will be made good by increased contributions over the remaining working life of employees. Contribution rates for Middlesbrough Council have been set at 17.4% of pensionable pay for 2009/2010.

Section 5: The Core Financial Statements

Scheme History:

	2005/6 £000's	2006/7 £000's	2007/8 £000's	2008/9 £000's	2009/10 £000's
Present Value of Liabilities	(503,168)	(515,457)	(457,396)	(405,284)	(616,377)
Fair Value of Assets	355,218	385,533	361,464	308,120	423,420
Surplus (Deficit) at end of year	(147,950)	(129,924)	(95,932)	(97,164)	(192,957)

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Barnett Waddingham Partnership, an independent firm of actuaries, has assessed the liabilities. The information contained within this note is based on an actuarial valuation at March 2008.

The main assumptions used in their calculations have been:

	2008/09	2009/10
Long Term Return expected rate of return on assets:		
Equities	6.8%	7.3%
Gifts	4.0%	4.5%
Bonds	6.5%	5.5%
Property	6.4%	5.5%
Cash	3.0%	3.0%
Mortality assumptions:		
Longevity at 65 for Current Pensioners:		
Men	19.51	19.51
Women	22.55	22.55
Longevity at 65 for Future Pensioners:		
Men	20.41	20.41
Women	23.43	23.43
Rate of inflation	3.00%	3.9%
Rate of Salary Increases	4.50%	5.4%
Rate of Pension Increases	3.00%	3.9%
Discount Rate	6.70%	5.5%
Take-up option to convert annual pension into retirement lump sum assumed at 50%		

Section 5: The Core Financial Statements

Actuarial Gains and Losses

The actuarial gains identified as movements on the Pension Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities as at the 31 March.

	2006/7	2007/8	2008/9	2009/10
Differences between the expected and actual return on assets	0.4%	(14.5%)	(26.7%)	23.1%
Experience gains and losses on the scheme liabilities	0.0%	(0.3%)	0.0%	(0.3%)

The table below details the overall movements in the assets and liabilities of the fund.

Movement in Surplus (Deficit) During the Year:

	2008/9 £000	2009/10 £000
Surplus /(Deficit) at beginning of year	(95,932)	(97,164)
Effect of Change in Accounting Methodology	0	0
Current Service Cost	(14,733)	(10,410)
Employer contributions	13,121	13,776
Unfunded Pension payments	1,257	2,502
Other income	(6,370)	(7,625)
Impact of settlements and curtailments	(315)	(1,053)
Net return on assets	0	0
Gains/Losses	7,247	(92,983)
Past Service Cost	(1,439)	0
Surplus (Deficit) at end of year	(97,164)	(192,957)

The Local Government pension fund assets consist of the following categories, by the proportion of the total assets held:

	2008/9 %	2009/10 %
Equity Investments	72.1	83.0
Gilts	11.2	7.0
Other Bonds	1.5	1.0
Property	5.2	4.0
Cash	10.0	5.0
Total	100	100

Note 40 - Contingent Liabilities/Assets

Home Housing Guarantee

An agreement was entered into with Home Housing, which guaranteed an initial liability of £2.4million. This was increased to £4.01million in 1996/97 as a result of further development at St Johns Gate. The assets of Home Housing are considered sufficient to meet their liabilities without calling upon the guarantee and no provision has been made in the accounts.

Section 5: The Core Financial Statements

Public Private Partnership Bonds

As part of the Public Private Partnership with Mouchel Business Services Ltd there was a requirement for a performance bond of £6m. With effect from 1st November 2009 the value of the performance bond was reduced to £3m. In addition to this the Pension Fund Admission Agreement contained a requirement that a guarantee bond be provided by MBS Ltd in the sum of £3.15m. with effect from 1st June 2010 the value of the guarantee will be reduced to £1.104m.

North East Assembly

The Council is a Member of the North East Assembly. It is one of 25 Constituent Local Authorities who have agreed to provide cross-guarantees in respect of the admission of the North East Assembly staff to the Tyne & Wear Local Government Pension Fund. There is a potential liability of up to £85,598, but this liability is unlikely to materialise and no provision has been made in the accounts.

Macmillan College / West Middlesbrough Neighbourhood Trust

Middlesbrough Council is the accountable body for the grant funding provided to West Middlesbrough Neighbourhood Trust (WMNT). In 2000 the trust allocated a capital grant to Macmillan College to fund the development of a community facility for use by WMNT residents and the college. The funding was linked to the achievement of specific agreed targets and outputs up to March 2010. The Director of Resources commissioned a report for the Government Office North East (GONE). The report was sent in March 2010 with the recommendation that there is a very low possibility of clawback from Macmillan College.

Centre Square Development

The Council is in negotiation with a developer in relation to aborted development works on a proposed scheme at Centre Square. The development was halted because of an EU procurement legal case ruling. There is currently no agreed outcome.

Note 41 - Post Balance Sheet Events

In its recent budget, the new coalition government announced that, in future, its intention to calculate the liability of the pension fund using the Consumer Price Index (CPI) rather than the Retail Price index (RPI).

The Government announced that this would generate savings implying that it is anticipated that CPI will be lower than RPI in the future.

This is a “non- adjusting post balance sheet event”.

Accordingly no adjustment has been made to the Balance Sheet, however the impact of such a change has been assessed by the Councils actuary and they estimate that such a change would reduce the Net Pension Liability by £27.783m from £192.957m to £165.174m.

Section 5: The Core Financial Statements

Note 42 - Trust Funds

The Council administers 20 Trust Funds, which are varied in nature and relate principally to legacies left by local inhabitants of the area over a number of years. All funds are invested in external marketable securities; with any cash either being invested internally at 7-day interest rates or externally in the money market. None of the funds are included in the Balance Sheet of the Council.

	Fund balance as at 1 April 2009 £	Surplus (Deficit) £	Fund balance as at 31 March 2010 £
Teesside Education Endowment Reg. Charity No. 514301 for the award of scholarships, bursaries and other financial assistance for those under the age of 25 years	7,276	(14)	7,262
Sanderson Prize Reg. Charity No. 516308 provision of prizes for pupils at Acklam Grange School.	1,486	7	1,493
Haines Prize Reg. Charity No 516305 provision of prizes for pupils at Brackenhoe School, Middlesbrough.	4,832	20	4,852
Capt. J.V. Nancarrow Reg. Charity No 506937 for the award of scholarships, bursaries and other financial assistance to those under the age of 25 years.	108,841	(200)	108,641
Middlesbrough Educational Trust Fund Reg. Charity No. 532293 for the award of grants, scholarships, bursaries and other financial assistance to those under the age of 25 years	62,838	(268)	62,570
Hustler Playing Fields Reg. Charity No. 523381 to provide funding for a sports project at Grove Hill Youth and Community Centre for the Development of open spaces in Brookfield and Lingfield Park, Coulby Newham	1,702,908	(82,061)	1,620,847
Miss Olive Scarr Reg. Charity No. 508539 Music Prizes at schools in Middlesbrough.	13,521	105	13,626
W.M. Anderton Reg. Charity 509198 Academic prizes for pupils of Kings Manor School and Acklam Sixth Form College.	1,326	6	1,332
Rev. J.W. Dales Reg. Charity No. 512215 to provide a university scholarship	2,059	9	2,068
Teesside Relief in Sickness Reg. Charity No. 229137 to provide support to those with physical or health needs.	3,567	15	3,582

Section 5: The Core Financial Statements

	Fund balance as at 1 April 2009 £	Surplus (Deficit) £	Fund balance as at 31 March 2010 £
Settlement Hall Reg. Charity No. 226877 The provision of accommodation for social and religious purposes	98,582	336	98,918
Lady Crossthwaite Bequest Reg. Charity No. 234932 To provide appropriate support and assistance to older people in Middlesbrough.	472,306	1,926	474,232
King Edward VII & Sister Purvis Convalescent Fund Reg. Charity No. 226433 to provide support and relief to those with physical/health needs and living in Middlesbrough, Grangetown, and South Bank areas of Redcar and Cleveland.	36,250	3,231	39,481
Wilson & Marwood Charity Reg. Charity No. 221291 To support disadvantaged people in St Hilda's Ward of Middlesbrough.	14,749	167	14,916
Stewart Park Reg. Charity No 507075 To provide a public park, recreation and pleasure ground and open space for the exercise, recreation and enjoyment of the people of the County Borough of Middlesbrough.	76,237	(67,812)	8,425
Middlesbrough Little Theatre Trust Reg. Charity No. 503828 The advancement of education by the promotion and encouragement of drama and arts. The assets of this trust do not have a carrying value in the accounts and it's annual operating deficit is paid by Middlesbrough Council. As a result there are no balances to disclose.	0	0	0
Sub - Total	2,606,778	(144,533)	2,462,245
Other Funds			
Levick Trust Reg. Charity No.255056 To provide accommodation and tenancies to people in need over the age of 60 and resident in Middlesbrough	336,660	17	336,677
Captain Cook Birthplace Trust Reg. Charity No. 507317 To help support the work of the Captain Cook Birthplace Museum in Stewart Park Middlesbrough.	3,130	13	3,143
Dorman Museum and Art Gallery Appeal Trust. To support and assist the museum and art gallery, and to assist in the purchase or acquisition of items or works of art	254	1	255

Section 5: The Core Financial Statements

	Fund balance as at 1 April 2009 £	Surplus (Deficit) £	Fund balance as at 31 March 2010 £
Brian Clough Memorial Statue Fund	15,657	(15,657)	0
To collect funds by way of public donation in order to pay for the design, construction and erection of a memorial statue to the memory of Brain Clough			
TOTALS	2,962,479	(160,159)	2,802,320

Note 43 - Reconciliation of net surplus/deficit on the Income and Expenditure Account to Net Revenue Cash Flow

	2008/09		2009/10	
	£'000	£'000	£'000	£'000
Net Cashflow from revenue activities:		(13,623)		(11,689)
Expenditure				
Revenue Account Outflow	456,628		444,780	
Less: Cashflow Outflow	403,416		420,364	
	<u>53,212</u>		<u>24,416</u>	
Income				
Revenue Account Inflow	(433,719)		(436,775)	
Less: Cashflow Inflow	(417,039)		(432,053)	
	<u>(16,680)</u>		<u>(4,722)</u>	
Net Revenue Outflow		36,532		19,694
Revenue Deficit for year		<u>22,909</u>		<u>8,005</u>

Note 44 - Reconciliation of the Movement in Net Debt to Cash

	£'000
Balance as at 1 April 2009	3,880
Balance as at 31 st March 2010	4,167
Net inflow of Cash	<u>(287)</u>
Movements in fixed assets	76,131
Movements in long term assets	(2,755)
Movement in current assets (excluding bank)	(11,768)
Movement in current liabilities (excluding bank)	(8,129)
Movement in long term liabilities	(129,472)
Movement in equity	75,706
	<u>(287)</u>

Note 45 - Reconciliation of Liquid Resources

	£'000
Investments of cash as at 1 st April 2009	49,340
Investments of cash as at 31 st March 2010	41,439
Less: Accrual Adjustment	101
Net outflow	<u>7,800</u>

Section 5: The Core Financial Statements

Note 46 - Explanation of Liquid Resources

Included within the liquid resources of the Council are short term investments. Short term investments are monetary deposits of less than one year.

Note 47 - Analysis of Government Revenue Grants

	2008/09 £'000	2009/10 £'000
Dept for Education		
Sure Start	7,558	4,250
Standards Fund	15,275	20,723
Dedicated Schools Grant	76,886	79,098
Youth Opportunity Fund	0	1,478
Learning Skills	3,357	3,093
Dept of Communities and Local Government		
Supporting People	5,983	5,633
New Deal	3,931	1,157
LABGI	848	0
Dept for Transport		
Traffic Management	685	726
Dept of Health		
Reform	0	1,250
Communities Health	0	2,261
Dept of Works and Pensions		
Council Tax Subsidy	13,987	17,161
Housing Benefit Administration Subsidy	2,211	2,211
Home Office		
Drug Intervention Partnership	1,029	1,037
Youth Justice Board	2,198	2,208
Dept Trade and Industry		
Single Programme	0	405
Miscellaneous Grants (Below £500K)	4,228	4,214
Total	138,176	146,905

Note 48 - Analysis of Government Capital Grants

	2008/09 £'000	2009/10 £'000
Big Lottery Fund:	746	561
Home Office		
Building Safer Communities	0	87
Dept for Transport		
Section 31	784	15,061
Traffic Management	93	368
IT	0	509
Dept for Education		
Standards Fund	8,801	42,000
Sure Start	1,213	1,099
Miscellaneous	116	445

Section 5: The Core Financial Statements

	2008/09 £'000	2009/10 £'000
Dept of Health		
Miscellaneous	299	801
Dept of Communities and Local Government		
Single Housing Investment Pot	3,069	3,069
Housing Market Renewal Fund	4,608	2,726
Places for Change Programme	1,350	0
ERDF	3,979	2,028
Disabled Facilities Grant	662	1,303
Growthpoint	0	418
Miscellaneous	132	125
Dept for Business, Innovation & Skills		
Single Programme	4,583	1,064
Miscellaneous Minor Grants	817	47
Total	31,252	71,711

Note 49 - Authorisation of Accounts for Issue

The 2009/2010 statement of accounts were authorised for issue by the Director of Resources on 21st June 2010. All events after the balance sheet date until this date have been considered for disclosure as events after the balance sheet date.

Note 50 - Unapplied Capital Resources

The balance on unapplied capital resources represents the amounts received in Grants, contributions and direct revenue funding which have yet to be applied to fund capital projects.

	31 March 2009 £'000	Receipts in Year £'000	Payments in Year £'000	31 March 2010 £'000
Capital Resources				
Capital Contributions Unapplied	2,243	1,732	987	2,988
Capital Grants Unapplied	10,713	60,559	53,799	17,473
Direct Revenue Financing Unapplied	3,148	2,040	1,898	3,290
Total Capital Reserves	16,104	64,331	56,684	23,751

Section 5: The Core Financial Statements

Note 51 - Borrowing and Investments

The borrowing and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments

	31 March 2010		
	Long Term £'000	Current £'000	Total £'000
Financial liabilities at amortised cost - PWLB	47,117	0	47,117
Financial liabilities at amortised cost - LOBO	33,264	0	33,264
Financial liabilities at amortised cost – Market Loan	0	0	0
Financial liabilities at amortised cost – other	370	3	373
Financial liabilities at fair value through profit & loss	0	0	0
Total Borrowings	80,751	3	80,754
Loans and receivables – Temporary Investments	3,019	43,921	46,940
Available for sale financial assets	0	0	0
Unquoted equity investments at cost	0	673	673
Total Investments	3,019	44,594	47,613

Note 52 Gains and losses from Financial Assets and Liabilities

There are no gains and losses recognised in the Income and Expenditure Account in relation to financial instruments. The table below summarises the interest received and payable that is recorded in the Income and Expenditure account.

	Financial Liabilities measured at amortised cost £'000	Financial Assets Loans and Receivables £'000	Financial Assets Available for sale assets £'000	Total £'000
Interest	4,086	0	0	4,086
Losses on de-recognition	0	0	0	0
Impairment Losses	0	0	0	0
Interest Payable and similar charges	4,086	0	0	4,086
Interest Income	0	(642)	0	(642)
Gains on de-recognition	0	0	0	0
Interest & investment Income	0	(642)	0	(642)
Gains/(Losses) on revaluation	0	0	0	0
Amounts recycled to the I&E Account after impairment	0	0	0	0
Surplus arising on revaluation of financial asset	0	0	0	0
Net gain/(loss) for the year	4,086	(642)	0	3,444

Section 5: The Core Financial Statements

Note 53 - Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- the fair value of PWLB has been calculated by reference to the 'premature repayment' set of rates as at 31 March 2010
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of future payments in today's terms. The fair value of the financial liabilities and assets held at the 31st March were calculated by Sector the Councils Treasury Management advisors. A summary is provided in the table below:

	31 March 2010	
	Carrying Amount £'000	Fair Value £'000
Financial Liabilities – PWLB	47,117	46,994
Financial Liabilities – LOBO	33,264	47,013
Financial Liabilities – Market Loans	0	0
Financial Liabilities – Other	373	373
Loans and Receivables – temporary investments	46,940	46,967

Financial Liabilities

The fair value of PWLB is less than the carrying amount because the authority's portfolio of loans is based on fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date.

The table above excludes other Financial Liabilities such as cash overdrawn, creditors and other liabilities. The carrying amount as shown in the balance sheet is assumed to approximate to fair value, as the instrument will mature in the next 12 months.

Financial Assets

The table above excludes other Financial Assets such as debtors, the carrying amount (the invoiced or billed amount) as shown in the balance sheet is assumed to approximate to fair value.

Note 54 - Risk Exposure

Credit Risk Exposure

This is the risk that one party to a financial instrument will fail to meet their contractual obligations, resulting in loss for the other party. Exposure to this risk is managed through the Authority's Treasury Management Strategy. As part of that Strategy the

Section 5: The Core Financial Statements

Authority only invests in those institutions which meet agreed criteria, with limits in place to ensure adequate diversification. The Strategy is reviewed regularly by the Director of Resources to ensure that it continues to take into account changing market circumstances and has due regard to changing perceptions of risk.

Liquidity Risk Exposure

This is the risk that the Authority will be unable to raise funds to meet its commitments associated with financial instruments. As the Authority currently has ready access to borrowings from the Debt Management Office, there is no significant risk that it would be unable to raise finance to meet its commitments under financial instruments. The main risk is that the Authority will be required to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority's Strategy requires that its financial liabilities are spread over a period of years, as can be seen from the maturity analysis:

	PWLB	Market	Other long	Total
		Loans	term	
	£'000	£'000	Liabilities	£'000
			£'000	
Less than one year	0	0	3	3
Between one and two years	5,000	0	7	5,007
Between two and five years	16,500	0	10	16,510
Between five and ten years	0	0	17	17
	0	0	0	0
More than ten years	25,500	33,264	336	59,100
Total	47,000	33,264	373	80,637

This excludes trade and other payables (creditors and other liabilities), which are due to be paid in less than one year.

Market Risk Exposure

This is the risk that the value of an instrument will fluctuate because of changes in interest rates, market prices or exchange rates. The Strategy limits the exposure to those instruments, which could fluctuate in value because of market price changes and limits the degree of exposure to changes in interest rates.

Note 55 - Area Based Grant (ABG)

In 2009/10 the Council received an Area Based Grant from the government that incorporated a range of grants formerly paid on an individual basis. This included grants from the Department of Children, Schools and Families (DCSF), the Home Office, Communities and Local Government (CLG) and the Department of Health and amounted to £20.4m. The major benefits of the Area Based Grant are that the Council has full flexibility to determine its use and relaxations in the administration requirements with regard to audit and reporting. As a general grant ABG is recorded in the bottom section of the Income and Expenditure, along with Demand on the Collection Fund, Revenue Support Grant, Performance Reward Grant and Non-domestic rates redistribution, and not within the Net Cost of Services section.

Section 6: Supplementary Financial Statements

Collection Fund Income and Expenditure Account

The Collection Fund is a statutory account introduced under the Local Government Finance Act 1988. The Code of Practice on Local Authority Accounting requires the inclusion of a separate Income and Expenditure Account for the Collection Fund. A separate balance sheet is not required as Collection Fund balances are included in the Balance Sheet of the authority.

2008/ 09		Notes	2009/10
	Income		
41,758	Council Tax	1	42,646
	Transfers from General Fund		
14,862	Council Tax Benefits		16,576
0	Transitional Relief	1	0
38,999	Income from Business Rate Payers	2,6	39,075
	Contributions		
	Towards Previous Years Estimate		0
(63)	Collection Fund (Surplus) / Deficit	3,4	(79)
0	Bad Debts provision		0
95,556	Total Income		98,218
	Expenditure		
	Precepts and Demands:		
46,843	Middlesbrough Council		49,180
6,915	Cleveland Police Authority		7,289
2,334	Cleveland Fire Authority		2,459
	Business Rates		
38,814	Payments to National Pool		38,888
185	Costs of Collection		187
	Bad & Doubtful Debts		
4	Write Offs		63
519	Provisions		300
95,614	Total Expenditure		98,366
(58)	Movement on Fund Balance	5	(148)

Section 6: Supplementary Financial Statements

Notes to the Collection Fund Income and Expenditure Account

Note 1 - Income from Council Tax

Calculation of the Council Tax Base

The Council Tax replaced the Community Charge on the 1st April 1993 and is a tax based on property valuation bandings (A to H). There is a basic tax for the middle band (Band D) with proportionately higher and lower taxes for the other bands. The Council's tax base i.e. the number of chargeable dwellings in each band (adjusted for discounts where applicable), converted to an equivalent number of Band D dwellings was calculated as follows:

Band	Estimated No. of Taxable Properties after Discounts	Ratio	Band D Equivalent Council Tax £000	Band D Equivalent Dwellings
A*	48	+5/9	40	27
A	27,720	+6/9	27,258	18,480
B	8,303	+7/9	9,526	6,458
C	9,023	+8/9	11,830	8,020
D	4,121	+9/9	6,079	4,121
E	1,717	+11/9	3,095	2,098
F	602	+13/9	1,282	869
G	378	+15/9	929	630
H		+18/9	84	57
Less : Adjustments for assumed non-collection based on budgets assumption of 98% collection rate			1,202	815
Total			58,921	39,945

A* - Band A Properties receiving Disabled Relief

The average Council Tax for Band D dwellings for the Council and major Precepting authorities was £1,475.01.

Section 6: Supplementary Financial Statements

Notes to the Collection Fund Income and Expenditure Account

Council Tax Income	2008/09	2009/10
	£000's	£000's
Estimated Income (as per CTB1 budget setting)	56,080	58,921
Add: Estimated Doubtful Debts	1,144	1,202
Estimated Income (as per CTB1 budget setting)	57,224	60,123
Add: Impact of changes in discounts & exemptions between CTB1 and billing	139	(8)
Total Council Tax Billed	57,363	60,115
Less: Council Tax Benefit	(14,862)	(16,576)
Add: Transitional Relief	0	0
	42,501	43,539
Less: Impact of changes in discounts & exemptions between annual billing & the 31 st March.	743	893
Income from Council Tax	41,758	42,646

Note 2 - Income from Business Ratepayers

Under the arrangements for uniform business rates the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform (national) rate. The total amount after deduction of certain reliefs and other allowable deductions is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population. The total non-domestic rateable value at 31st March 2010 was £97,291,908 and the national non-domestic multiplier for the year was 48.5p. other.

Note 3 - Previous Year's Council Tax Surplus (Deficit)

The estimated previous year's Council tax deficits / surplus are payable to / from the Collection Fund by the Billing Authority and the major Precepting Authorities in proportion to amounts raised or owing.

	2008/09	2009/10
	£000's	£000's
Middlesbrough Borough Council	(53)	(66)
Cleveland Police Authority	(7)	(10)
Cleveland Fire Authority	(3)	(3)
Total Surplus (Deficit)	(63)	(79)

Section 6: Supplementary Financial Statements

Note 4 - Previous Year's Community Charge Surplus

The estimated previous years Community Charge surplus/deficit is nil.

Note 5 - Movements on Fund Balances

	£000's
Balance as at 1st April 2009	(101)
The movement on the Fund Balance consists of:	
Community Charge	0
Council Tax	(148)
Balance as at 31st March 2010	(249)

The Collection Fund balance is split to the Billing Authority and the major Precepting Authorities as follows:-

Middlesbrough Borough Council	(208)
Cleveland Police Authority	(31)
Cleveland Fire Authority	(10)
	(249)

Notes 6 - NNDR Income Reconciliation

	£000's	2009/10 £000's
Estimated Income		
Gross Rateable Value	97,292	
Multiplier (pence in the £)	48.5	47,187
Less: Voids	0	
Less: Exemptions	(3,164)	(3,164)
Estimated Opening Debit		44,023
Actual Income		
Actual Opening Debit	47,183	
Additional Debit / Credit	(1,019)	46,164
Discretionary Relief	(28)	
Empty Rates Loss	(3,248)	
Hardship Relief	(66)	
Interest on Overpayments	(51)	
Losses in Collection	(563)	
Mandatory Relief	(2,847)	
Part Occupation Allowance	117	
Transitional Relief	251	
Small Business Relief	(738)	
Void Rates Loss	84	(7,089)
Actual Income Collectable for All Years		39,075

Section 6: Supplementary Financial Statements

Note 7 - Council Tax and NNDR Bad Debt Provision

The bad debt provision calculation for Council Tax and NNDR has been developed following a review carried out by an external consultant on the likely levels of Collection Fund debt recovery.

For Council Tax debt, a provision of 90% provision is made for all debt over three years old. A provision of between 5% and 40% is made for debt between one and three years old depending on the category of debtor. A provision of 25% is made for all debt less than a year old apart from debt pending write off, for which a provision of 100% is made.

For NNDR debt a provision of 25% is made for all debt less than a year. A provision of between 5% to 50% for debt of one to three years depending on the category of debtor. For debt over three years old a provision of 100% is provided.

The 2008/09 Collection Fund bad debt provision has been re-stated in line with the 2009 SORP requirements. Using this basis, the bad debt provision for Council Tax in 2009/10 has increased by £254,000 from £4,057,000 to £4,302,000. The NNDR bad debt provision has been removed completely in line with the 2009 SORP.

Section 7: Group Accounts

Group Income and Expenditure Account

Restated 2008/09		Exp £000's	Inc £000's	2009/10 Net £000's
	Net			
	£000's			
2,241	Central Services to the public	20,524	18,175	2,349
42,764	Cultural, environmental & planning services	69,079	19,030	50,049
44,325	Children's and Education services	172,742	132,007	40,735
16,450	Highways, roads & transport services	22,072	7,892	14,180
3,035	Housing Services	59,442	70,144	(10,702)
43,533	Adult Social Care	77,641	31,968	45,673
0	Court Costs	0	0	0
3,567	Corporate and democratic core	3,437	43	3,394
2,175	Non Distributed Costs	1,098	2	1,096
0	Share of Operating results of Associates	0	0	0
	Share of Operating results of Joint Ventures			
(563)	- Turnover	0	705	(705)
570	- Other Operating Income & Expenditure	688	0	688
158,097	Net cost of services	426,723	279,966	146,757
(212)	(Gains)/losses on disposal of fixed assets	0	0	0
14	Parish council precepts	9	0	9
1,818	Surpluses/deficits on trading undertakings	7,090	4,932	2,158
5,090	Interest payable	4,086	0	4,086
	Contribution of housing cap receipts to Govt. pool	0	0	0
0	Losses on the repurchase of borrowing	0	0	0
(2,756)	Interests and investment income	0	645	(645)
	Share of Assoc/Joint venture Interest/Inv Income	0	0	0
0	Share of Assoc/Joint venture Corp Tax	0	0	0
30,360	Pension Interest Cost	26,895	0	26,895
(23,990)	Expected Return on Pension Assets	(19,270)	0	(19,270)
	Share of Assoc/Joint venture Pension Interest cost and Return on Pensions Assets	0	0	0
168,421	Sub Total	445,533	285,543	159,990
0	Minority Interest share of subsidiary	0	0	0
168,421	Net operating expenditure	445,533	285,543	159,990
(46,847)	Demand on the Collection Fund	0	49,122	(49,122)
	Transfers (from)/to the Collection Fund in respect of:	0	0	0
0	Surpluses/deficits	0	0	0
(9,709)	General Government Grants	0	15,328	(15,328)
(69,745)	Non domestic rates redistribution	0	66,407	(66,407)
(18,127)	Area Based Grant	0	20,464	(20,464)
(960)	Performance Reward Grant	0	599	(599)
23,033	(Surplus)/Deficit for year	445,533	437,463	8,070

Section 7: Group Accounts

Reconciliation of the Single Entity (Surplus)/Deficit for the Year to the Group (Surplus)/ Deficit

Restated 2008/09 £000's		2009/10 £000's
22,957	(Surplus)/deficit for the year on the Authority Income and Expenditure Account	8,005
0	Adjustments for transactions with other group entities	0
22,957	Surplus in the Group Income and Expenditure account to the Authority	8,005
	(Surplus)/deficit in the Group Income and Expenditure Account attributable to Group Entities	
69	Subsidiaries	82
0	Associates	0
7	Joint Ventures	(17)
23,033	(Surplus)/deficit for the year on the Group Income & Expenditure Account	8,070

Group Statement of Total Recognised Gains and Losses (STRGL)

£000's		£000's
(23,033)	Surplus/(Deficit) for the year on the Income & Expenditure Account	(8,070)
(17,748)	Gains/losses on the other Fixed Assets Movements	(4,011)
25,687	Surplus/(Deficit) for the year on the Revaluation of Fixed Assets	29,568
	Surplus/(Deficit) for the year on the Revaluation of Long Term	
(183)	Investment	(275)
7,247	Actuarial gains/losses on pension fund assets & Liabilities	(92,983)
(15)	Gains/losses on Group Companies	(12)
(8,045)		(75,783)
	Reconciliation with the Movement in Net Worth	
256,173	Net Worth at Start of Year	248,128
248,128	Net Worth at End of Year	172,345
(8,045)	Net Worth Change in year	(75,783)

Section 7: Group Accounts

Group Balance Sheet

Restated 31 March 2009 £000's		Notes	31 March 2010 £000's
	FIXED ASSETS		
584	Intangible Fixed Assets		803
	Tangible Fixed Assets		
	Operational Assets		
405,435	Other Land & Buildings		425,873
5,970	Vehicles/Plant & Equipment		8,424
75,078	Infrastructure Assets		85,201
27,668	Community Assets		27,519
	Non Operational Assets		
23,265	Investment Properties		43,207
13,892	Assets under construction		32,799
15,087	Surplus Assets held for Disposal		19,279
566,979	Total Fixed Assets		643,105
6,470	Long-term Investments		3,692
0	Share in Net Assets of Associates		0
537	Share in Gross Assets of Joint Ventures		679
(553)	Share in Gross Liabilities of Joint Ventures		(678)
1,072	Long-term Debtors		1,095
574,505	Total Long Term Assets		647,893
	Current Assets		
2,606	Stock & Work in Progress		2,355
1	Landfill Allowances		2
44,456	Debtors & Payment in Advance		38,299
43,818	Short-term Investments		38,421
139	Cash in Hand		149
4,453	Cash at Bank		4,681
669,978	Total Assets		731,800
	Current Liabilities		
0	Short Term Loans		0
45,690	Creditors & Income in Advance		53,805
0	Bank Overdraft		0
624,288	Total Assets less Current Liabilities		677,995

Section 7: Group Accounts

Group Balance Sheet

Restated 31 March 2009 £000's		31 March 2010 £000's
	Long Term Liabilities	
100,511	Long Term Borrowing	80,381
319	Other Long Term Liabilities	373
5,357	Provisions	4,222
156,705	Government Grants Deferred	203,966
16,104	Unapplied Capital Resources	23,751
97,164	Pensions Liability	192,957
248,128	Total Assets Less Liabilities	172,345
	Financed By:	
71,977	Revaluation Reserve	98,160
237,652	Capital Adjustment Account	235,489
11,462	Usable Capital Receipt Reserve	10,298
-84	Collection Fund Adjustment Account	(208)
69	Deferred Capital Receipts	54
-97,164	Pension Reserve	(192,957)
5,535	General Fund Balance	5,722
1,703	Charitable Trusts	1,621
16,978	Earmarked Reserves	14,166
248,128	Group Net Worth	172,345
0	Minority Interests	0
248,128	Total Net Worth	172,345

Section 7: Group Accounts

Group Cash flow Statement

2008/09 £000's		2009/10 £000's
(13,567)	Net Cash Inflow/Outflow from Revenue Activities	(11,640)
	Dividends from Joint Ventures and Associates	
0	Cash flows inflow/outflow from Revenue Activities	0
0	Dividends received	0
0		0
	Returns On Investments & Servicing Of Finance	
	Cash outflows	
10,148	Interest paid	4,111
	Cash inflows	
(6,113)	Interest received	(664)
0	Taxation	0
4,035		3,447
	Capital Expenditure & Financial Investment	
	Cash outflows	
42,425	Purchase of fixed assets	56,958
0	Purchase of long term investments	0
6,391	Other capital cash payments	7,298
48,816		64,256
	Cash inflows	
(2,402)	Sale of fixed assets	(48)
(31,252)	Capital grants received	(71,711)
(4,232)	Other capital cash receipts	(1,829)
0	Disposal of subsidiary undertakings	0
(37,886)		(73,588)
0	Equity dividends paid	0
1,398	Net Cash Inflow/Outflow Before Financing	(17,525)
	Management of liquid resources	
(1,300)	Net increase/decrease in cash term deposits	(7,800)
4,019	Net increase/decrease in other liquid resources	6,087
	Financing	
	Cash outflows	
0	Repayments of amounts borrowed	44,000
	Cash inflows	
0	Issue of share capital	(25,000)
0	New loans raised	0
4,117	Net increase/decrease in Cash	(238)

Section 7: Group Accounts

Notes to the Group Accounts

Note 1 - Subsidiary and Associate Companies

The Group Accounts include the Accounts of the Local Authority, together with the Local Authority's share of the results of the following Companies:-

Subsidiary Companies (and principal activities)

Dial A Ride Middlesbrough (100% of voting rights) - provision of Transport facilities for persons who have special needs for such facilities by reason of their age, infirmity, sickness, hardship or disability. Dial-A-Ride Middlesbrough ceased trading on 31st October 2008 and the Council is now carrying on these functions.

Subsidiary – Charitable Trust (and principal activity)

Hustler Playing Fields Trust (100% controlled Charitable Trust) - provision of playing fields and recreation grounds for juvenile population of Middlesbrough.

The Assets of the Charitable trust amount to £1,765,000

The Liabilities of the Charitable trust amount to £144,000

The Gross Income of the Charitable Trust amounts to £3,000 in the year

The Gross Expenditure of the Charitable Trust amounts to £85,000 in the year.

The Assets of the Charitable Trust include Land, Pitches and Changing facility (used in the provision of services) and Bank deposits. These assets are not the property of the Council and are subject to charitable trusts status.

As in previous years, it is considered that the substance of the council's relationship with the trust means there is an effective quasi-subsidiary relationship.

Joint Venture (and principal activities)

CADCAM (25% of voting rights) - provision of Training and support re Computer Aided Engineering, Computer Aided Draughting, Information technology and Networking.

Tees Valley Joint Strategy Unit (9.1% of voting rights). – provision of support to the 5 Local Authorities in the Tees Valley re formulating sub-regional strategies, lobbying on behalf of the sub-region and providing relevant information and forecasts.

In most of the above Subsidiaries and Joint Ventures, the Authority has obtained copies of the Latest Management Accounts to 31st March 2010. The only exception is Dial A Ride Middlesbrough, where the Audited accounts to 31st March 2009 are the latest information currently available.

None of the 2010 Accounts have yet been audited. Copies of Accounts can be obtained from the Authority. None of the Bodies were acquired during the year. All of the Companies are Limited by Guarantee.

Section 7: Group Accounts

Net Assets	£000's
Dial A Ride	0
CADCAM	(147)
Tees Valley JSU	416

Note 2 - Accounting Policies

All information, which would improve the understanding of the Group Accounts, is provided in the Notes to the Accounts. Notes are shown where there are material additional amounts/details in relation to Subsidiaries, Associates or Joint Ventures. The accounting policies of the group accounts are in line with those of the Council.

Note 3 - Exclusions within Group Accounts

No Subsidiaries, Associates or Joint Ventures were excluded from the Group Accounts. Intra Group transactions of £0 with Dial-A-Ride and £20,000 with Hustler Playing Fields Trust have been eliminated. (In 2008/9 intra group transactions with Dial-A-Ride for seven months amounted to £250,000).

Note 4 - Interest in Companies

An exercise to identify all Local Authority Companies in line with the Local Authorities (Companies) Order 1995 and the Local Government and Housing Act 1989 was undertaken during the year. The review identified that, apart from the companies included within the Group Accounts, the Council had interests in the following companies:

Authorised Unregulated

SITA Tees Valley, Tees Valley Regeneration, Business Link Tees Valley, Community Ventures (Middlesbrough), Groundwork South Tees, Hemlington Community Partnership, Middlesbrough Environment City Trust, Tees Valley Arts, Teesside Environment Trust, Botanic Centre Middlesbrough, Shopmobility, Age Concern Teesside, Safe in Tees Valley, North East Community Forest Development, Northern Grid for Learning, Tees Valley Tomorrow and National Community Safety Network.

Authorised Exempt

Durham Tees Valley Airport, Local Government Information Unit.

Section 7: Group Accounts

Note 5 - Reconciliation of net surplus/deficit on the Group Income and Expenditure Account to Net Revenue Cash Flow

Year ended 31 March 2010	MBC	Subsid.	Total	Associate & Joint Ventures	Net Surplus/ Deficit on Group I & E account
	£'000's	£'000's	£'000's	£'000's	£'000's
Net Cashflow from revenue activities	(11,689)	49	(11,640)		
Expenditure					
Revenue Account Outflow	444,780	65	444,845		
Cashflow Outflow	420,364	42	420,406		
	24,416	23	24,439		
Income					
Revenue Account Inflow	(436,775)	(17)	(436,792)		
Cashflow Inflow	(432,053)	(27)	(432,080)		
	(4,722)	10	(4,712)		
Net Revenue Outflow	19,694	33	19,727		
Minority Interest adjustment	0	0	0		
Revenue Deficit for Year	8,005	82	8,087	(17)	8,070

Note 6 Reconciliation of the Movement in Net Debt to Cash

	MBC	Subsid.	Total	Associates & Joint Ventures	Net Surplus/ Deficit on Group I & E account
	£'000's	£'000's	£'000's	£'000's	£'000's
Balance as at 31 March 2009					4,592
Balance as at 31 March 2010					4,830
Net Inflow of Cash					(238)
Movement in Fixed assets	76,131	(5)	76,126	0	76,126
Movement in long term assets	(2,755)	17	(2,738)	0	(2,738)
Movement in current assets (excluding bank)	(11,768)	(36)	(11,804)	0	(11,804)
Movement in current liabilities (excluding bank)	(8,129)	14	(8,115)	0	(8,115)
Movement in long term liabilities	(129,472)	(18)	(129,490)	0	(129,490)
Movement in Equity	75,706	77	75,783	0	75,783
Net outflow of cash	(287)	49	(238)	0	(238)

Section 8: Teesside Pension Fund Accounts.

Teesside Pension Fund Accounts

Introduction

Over the last 2 years the Fund has experienced something of a roller coaster ride, with a fall of 17% of the Fund value in 2008/9 followed by a positive rebound of 39% in 2009/10. The large increase this year followed from the strong returns on the world's equity markets from July onwards as fears of a global recession receded and expectations of recovery increased. The volatility in the Fund value results from the fact that the Fund is largely invested in the equity markets so any short term fluctuations are reflected in the Fund's Balance Sheet.

These short term swings in the Fund value look dramatic but we shouldn't overstate their significance. Pension provision is a long term commitment and it is with the long term in mind that the Fund's investment managers, advisers and actuaries set the investment strategy and contribution rates.

As a Local Government Pension Scheme we are required to carry out an actuarial valuation of the Fund every 3 years. The purpose of this valuation is to calculate the 'Funding Level' of the scheme – the extent to which the Fund's assets are able to meet its liabilities - and to set the contribution rates to be paid by the employers in the Scheme. Our Actuary, Barnett Waddingham, and our administration staff are currently working on the valuation but it is a complicated process and the results are not expected until the close of 2010. Despite the recent increases in the Fund's value it is anticipated that the overall funding level will have fallen since the last valuation in 2007 which produced a Funding Level of 98.3%.

The positive impact of the recent equity market rises has meant that the Fund value at the end of the Financial Year had risen to £2.37 billion, the highest level we have yet reached. The current volatility is neatly reflected in one line in the Financial Statements, the 'Change in Market Value of Investments'. For the year 2008/9 this figure was an unrealised loss of £429 million, In contrast, the figure for this year is an unrealised profit of £594 million, a 'swing' of over a billion pounds.

The membership of the Fund has once again shown a small rise over last year, with total membership now standing at just under 60 thousand. However the impact of the current depressed economic situation is shown by the fact that, for the first time in recent years, the number of active, contributing members has fallen. Contributing to this fall were a significant number of early retirements, particularly towards the year end, as some of our major employers engaged in voluntary redundancy exercises. Where a member retires early it is the policy of the Teesside Pension Fund to recharge the Actuarial cost of the retirement to the employer. This policy has the advantages that the Fund recovers the cost of an early retirement at the outset, and that, for the employer, the impact of retirement decisions is transparent and the cost is invoiced separately rather than being recovered in the employers Contribution Rate, which was once the case. In this financial year the Fund raised over £10 million from these early retirement recharges, up from £6 million in 2008/9.

I am sure that there will be further turbulent times ahead as the world's major economies struggle to recover from the current debt and budgetary crises. However I am confident

Section 8: Teesside Pension Fund Accounts.

that our Fund will continue to be well run and expertly managed, and that we will be able to ride whatever waves we encounter.

Nature of the Scheme

The Teesside Pension Fund (the Fund) is part of the Local Government Pension Scheme. From April 2008 the scheme was governed by new regulations, as follows:

- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
- The Local Government Pension Scheme (Administration) Regulations 2008, and
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008

These regulations replaced the Local Government Pension Scheme Regulations 1997 (as amended) and have made significant changes to the scheme. Full details of the changes to the Scheme, along with updated scheme guides, are on our website at www.teespen.org.uk.

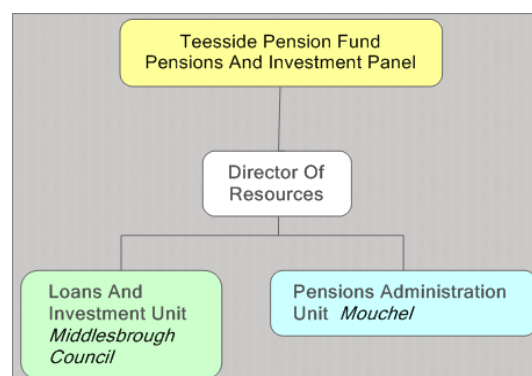
The Regulations specify the pensions and other benefits payable and fix the rates of member contributions. Employer contributions are set every three years by the Fund's Actuary. The purpose of the Fund is to provide retirement benefits for local authority employees in the Teesside area and other bodies admitted by agreement. The Fund is administered by Middlesbrough Council on behalf of all participating employers. A full list of participating organisations is given in the Membership section below.

The fund is financed by way of contributions from employers and employees, based upon a percentage of pensionable pay, and supplemented by earnings from fund investments. The surplus funds, after payment of benefits, are invested by an Investment Panel. The Panel comprises elected members of Middlesbrough Council, representatives of the other unitary authorities, the Trade Unions and the Fund's Investment Advisers.

Investments are regulated by the Trustees Act 1961, and the Local Government Act 1972, as amended by Local Government Pension Regulations.

Management of the Fund

The Fund is administered by **Middlesbrough Council** via **the Teesside Pension Fund Pensions and Investment Panel** which has plenary powers to make decisions without reference to the Council. This panel acts in a similar manner to the Board of Trustees of a private sector pension fund.



Section 8: Teesside Pension Fund Accounts.

The size and political make-up of the Panel is determined annually by Middlesbrough Council, and the Councillors are then nominated by each political party. Representatives of the other district Councils are nominated by them. The 'Other Employers' representative is chosen by election by the admitted bodies of the Fund.

The Teesside Pension Fund Panel	
Members who served on the Panel during the year were:	
Members	With voting rights
Chair	Councillor A Majid
Vice Chair	Councillor SE Bloundele
Middlesbrough Council	Councillor J Brunton
	Councillor S Carter
	Councillor JG Cole
	Councillor J Hobson
	Councillor BA Hubbard
	Councillor J Rostron
	Councillor P Thompson
	Councillor K Walker
	Councillor NJ Walker
	Redcar & Cleveland BC
Stockton BC	Councillor R Rix
Hartlepool BC	Councillor L Sutheran
	Without voting rights
Other Employers	Mr P Fleck
Trades Unions	Unison, GMB and ACTS
The current Panel consists of representatives from all the district councils in the former Cleveland County Council area as well as representatives from the Trades Unions. The Panel held 4 quarterly meetings during the year.	

Terms of Reference – Teesside Pension Fund & Investment Panel

Terms of Reference

1. For Members of the Council to act as Trustees of the Fund.
2. To have delegated powers to manage the investments of the Fund within the requirements of the Local Government Pension Scheme Regulation as amended from time to time.
3. To manage the Fund in accordance with the Management Agreement:

Section 8: Teesside Pension Fund Accounts.

- (i) To ensure that the Fund complies with the Local Government Pension Scheme Regulations 1997 (as amended), the Inland Revenue requirements for Pension Funds and any other relevant statutory provision.
- (ii) The selection, appointment and dismissal of investment managers, scheme administrators, independent advisors and ad hoc advisors.
- (iii) The formulation of investment strategy and risks strategy for the Fund under its stewardship, after receiving advice from its independent advisors and the Loans and Investment Manager.
- (iv) Setting investments targets and monitoring the investment performance and financial control of the Funds' assets and commissioning the preparation of actuarial valuations and accounts.
- (v) Ensuring that value for money is achieved from all the specialists supplying services to the Fund through a competitive and qualitative selection process and through budgetary control.
- (vi) Commissioning any actuarial valuation and taking appropriate action in the light thereof.
- (vii) Receiving and agreeing the annual report and accounts.
- (viii) Ensuring effective communication with scheme members and pensioners.
- (ix) Receiving and dealing with general complaints from scheme members and pensioners.
- (x) To determine the exercise of the discretions allowed to the administering authority, as laid down in the Local Government Pension Scheme Regulations 1997.
- (xi) Any other responsibilities delegated to it by the Authority.
- (xii) To submit an annual report to Council.

The day to day running of the Teesside Pension Fund is delegated to the Director of Resources of Middlesbrough Council who is responsible for implementing the strategies and policies set by the Pensions and Investment Panel. Supporting him is a team of staff split into two units. The Pensions Administration Unit is responsible for the calculation and payment of pension benefits and for looking after employer interests in the Fund. The Loans and Investment Unit manages the investment of the Fund in conjunction with the advice of the Funds external Investment Advisors.

Section 8: Teesside Pension Fund Accounts.

Administration

Director of Resources	Mr Paul Slocombe
Head of Investments	Mr Fred Green
Pensions Administration Manager	Mr Mike Hopwood
Solicitor to the Fund	Mr Richard Long

Advisors to the Fund

Actuary	Barnett Waddingham
Solicitors	Nabarro Nathanson
Auditors	Deloitte LLP*
Investment Advisors	Mr John Hemmingway Mr Peter Moon
Property Managers	Cushman & Wakefield Investors – to 31.03.2009 Liverpool Victoria – appointed 01.04.2009
Custodian	Northern Trust Company
AVC Providers	Prudential Assurance, Century Life
Banker	National Westminster Bank PLC

Property Management Services

The Myners Review of Institutional Investment, published in 2001, recommended as best practice that all external service provider contracts be reviewed periodically. Accordingly during the year a tender process for the provision of property management services was carried out. This resulted in the appointment of Liverpool Victoria for a period of 5 years from 1 April 2009; they replaced Cushman & Wakefield Investors, which had held the contract since 1992.

Actuarial Valuation of the Fund

Every three years the Fund is required to appoint a suitably qualified actuary to assess solvency and to measure the level of assets compared to liabilities. This process is known as a valuation and the most recent one, carried out by the actuarial firm Barnett Waddingham, valued the fund as at 31 March 2007. The principal conclusions of this valuation were:

- ◆ The ongoing funding level of the Fund on 31 March 2007 was 98.3% (2004 – 81%).
- ◆ The shortfall of assets compared to the past service liabilities was £34 million (2004 - £295m).
- ◆ The improvement in the funding level was due to the following factors:
 - the actual rate of investment return was higher than had been assumed in the 2004 valuation
 - the planned deficit funding via increased employers contributions
- ◆ These improvements were partly offset by an increase in the cost of ongoing accrual of benefits, due to the change in market conditions, allowance for mortality improvements and the introduction of the new scheme in 2008.

Section 8: Teesside Pension Fund Accounts.

- ◆ The contribution rates certified have been set to fund the deficiency in the Fund over 17 years (2004 - 20 years).
- ◆ The average cost of accruing benefits payable by the employers, including administration expenses and lump sum death in service benefits, is 14.7% of pensionable pay.
- ◆ The shortfall of assets over the past service liabilities requires a past service adjustment, to fund the deficit over a period of 17 years, of 0.5% of pensionable pay. The total rate of 15.2% of pay is the Common Contribution Rate.

In accordance with the provisions of the Regulations, the latest triennial valuation of the Fund is currently being carried out as at 31 March 2010; the results are expected towards the end of the year.

Membership

In the 2009/10 financial year the total membership of the Fund has increased by 1,091, and over the last 10 years has risen by 45% to the current total of 59,589.

The principal reason for the steady annual increase in membership of the fund was a change in the LGPS regulations which came into effect on 1st April 2004. This change restricted the number of members entitled to withdraw from the scheme and receive a refund of their contributions. From that point on refunds were only available to members who had less than 3 months scheme membership rather than the 2 year limit which had previously been in place.

The number of deferred members of the scheme has risen by 88% in the last 5 years and now forms 29% of the total membership.

Membership Numbers

	2006	2007	2008	2009	2010
Active	26,510	25,770	25,577	25,718	24,831
Deferred	10,649	12,810	14,911	16,044	17,320
Pensioner	14,886	15,462	16,101	16,736	17,438
Total	52,045	54,042	56,589	58,498	59,589

During the year 2 employers joined the scheme as admitted bodies, and 3 employers ceased to have active members in the scheme. At the year end we had 62 employers with active members.

A full list of participating employers and their membership numbers is shown below.

Section 8: Teesside Pension Fund Accounts.

	Active Members	Deferred Members	Pensioners Members	Dependants	Total
At 1/04/09	25,718	16,044	14,412	2,324	58,498
Adjustments	(340)	374	36	(2)	68
New Members	1,536	3	0	183	1,722
Change in Status	42	1,603	942	1	2,588
Leavers	(2,125)	(704)	(334)	(124)	(3,287)
At 31/03/10	24,831	17,320	15,056	2,382	59,589
% Of Total 1/04/09	44.0%	27.4%	24.6%	4.0%	100.0%
% Of Total 1/04/10	41.7%	29.0%	25.3%	4.0%	100.0%

Adjustments arise from the late notification of membership changes which occurred in the previous year.

Section 8: Teesside Pension Fund Accounts.

Members by Employer at 31 March 2010

Current Employers

	Active Members	Deferred Members	Pensioners		2009/10 Total	2008/9 Total
			Members	Dependants		
1 Stockton BC	6073	3834	2331	327	12565	12053
2 Middlesbrough BC	4328	3520	2169	356	10373	10090
3 Redcar & Cleveland BC	4539	2582	1989	268	9378	9214
4 Hartlepool BC	3227	2227	1264	222	6940	6746
5 CSCI	827	592	425	27	1871	2007
6 University of Teesside	1062	557	298	47	1964	1863
7 Cleveland Police Authority	881	291	186	12	1370	1341
8 Mouchel	451	94	122	10	677	673
9 Coast & Country Housing	361	145	100	3	609	599
10 Cleveland Probation	314	127	102	10	553	550
11 Erimus Housing	264	55	70	6	395	400
12 Tristar Homes	279	95	41	2	417	392
13 Housing Hartlepool	236	56	29	0	321	314
14 Middlesbrough College	218	239	91	8	556	550
15 Stockton Riverside College	171	95	47	7	320	310
16 Hartlepool College of FE	163	110	51	14	338	323
17 Cleveland Fire Authority	156	40	29	2	227	219
18 Tees Active Ltd	133	46	12	0	191	188
19 Tees Valley Leisure	111	67	15	2	195	200
20 Cleveland College of Art & Design	98	45	37	3	183	168
21 Redcar & Cleveland College	84	60	37	1	182	182
22 Beamish	74	113	69	7	263	265
23 Durham and Tees Valley Airport	70	72	77	31	250	251
24 MacMillan Academy	80	29	2	1	112	105
25 Unity City Academy	73	46	9	1	129	123
26 Kings Academy	69	14	12	1	96	88
27 Fabrick Housing	64	3	1	0	68	61
28 Business & Enterprise NE	51	52	18	2	123	124
29 Prior Pursglove College	61	15	12	1	89	78
30 Liberata	47	53	44	4	148	148
31 Carillion PLC	30	11	3	0	44	44
32 Transit Stagecoach	31	26	117	10	184	186
33 St Marys College	26	18	7	1	52	50
34 Hartlepool 6th Form	22	15	8	1	46	46
35 Stockton 6th Form	18	8	5	0	31	31
36 RSTM Custody Services	17	17	1	0	35	34
37 Open College Network	22	14	5	0	41	35
38 Carillion Government Services	17	0	1	0	18	18
39 Tees Valley Urban Regeneration	10	8	0	0	18	21
40 CIC	12	35	47	0	94	94
41 Five Rivers	11	8	2	0	21	21
42 Vale Contract Services	11	1	0	0	12	12
43 OCS	6	2	2	0	10	10
44 Ofsted	3	4	3	0	10	12
45 Swindon Urban Regeneration	4	4	0	2	10	10
46 Reliance Secure Task management	4	1	0	0	5	5
47 Guisborough Town Council	3	1	3	0	7	7
48 Loftus Town Council	3	1	0	0	4	4
49 Hartlepool Stagecoach	2	31	36	4	73	73
50 Future Reperation of Grangetown	1	4	0	0	5	6
51 Nextiraone (Mouchel)	1	1	1	0	3	4
52 Newtown Community Stockton On-line	1	1	0	0	2	2
53 Saltburn & Marske PC	2	2	1	0	5	5
54 Tees Forrest Development Co	1	18	6	0	25	26
55 Magistrates Court	1	146	41	2	190	192
56 Crime Reduction Initiative	1	2	0	0	3	3
57 Nextiraone (SBC)	1	1	0	0	2	2
58 Dimensions UK Ltd	1	0	0	0	1	1
59 Ingleby Barwick Town Council	1	0	0	0	1	1
60 Yarm Town Council	1	0	0	0	1	1
61 Care Quality Commission	1	0	1	0	2	
62 Cleveland Fire Support Network	1	0	0	0	1	
Employers with no Active members	0	1666	5077	987	7730	7907
Total	24831	17320	15056	2382	59589	58498

New Employers are shown in RED

Section 8: Teesside Pension Fund Accounts.

The Financial Statements

Fund Account for the year ended 31st March			
2008/09		Notes	2009/10
£000's			£000's
	Contributions and Benefits		
97,617	Contributions	3	100,277
7,169	Transfers in	4	11,964
6,687	Other income	5	10,663
<u>111,473</u>			<u>122,904</u>
81,175	Benefits	6	90,544
18,047	Leavers	7	14,126
1,641	Administrative expenses	8	1,523
<u>100,863</u>			<u>106,193</u>
10,610	Net additions from dealings with members		16,711
	Returns on investment		
72,546	Investment income	9	60,900
(429,340)	Change in market value of investments	10	594,706
(878)	Investment management expenses	11	(1,561)
<u>(357,672)</u>	Net returns on investments		654,045
(347,062)	Net increase /(decrease) in the Fund during the year		670,756
2,047,928	Net assets of the scheme as at 1st April		1,700,866
<u>1,700,866</u>	At 31st March		<u>2,371,622</u>

Net Assets Statement as at 31st March

2008/09		Notes	2009/10
£000's			£000's
1,687,451	Investments Assets	10	2,350,040
13,761	Current Assets	12	22,286
1,713	Debtors due over 1 year	13	1,653
(2,059)	Current liabilities	14	(2,357)
<u>1,700,866</u>	Net assets of the scheme at 31st March		<u>2,371,622</u>

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the Administering Authority. They do not take account of obligations to pay pensions and benefits that fall due after the end of the scheme year.

Section 8: Teesside Pension Fund Accounts.

Notes to the Financial Statements

Note 1 - Basis of Preparation

The financial statements have been prepared in accordance with the Occupational Pension Scheme (Administration and Audited Accounts) (Amendment) Regulations 2005, and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (revised May 2007).

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take account of obligations to pay pensions and benefits that fall due after the end of the scheme year.

Note 2 - Accounting Policies

Introduction

The accounts of the Pension Fund have been prepared in accordance with the Statement of Recommended Practice (SORP) 'Financial Reports of Pension Schemes' (revised May 2007) and the 2007 SORP 'A Code of Practice on Local Authority Accounting in Great Britain'.

Basis on which Debtors and Creditors are included in the Accounts

The accruals concept has been observed in the preparation of the accounts with the following exception. Transfer values payable and receivable are accounted for on a cash basis rather than when they are agreed. The difference when compared with the accruals basis is not material.

Valuation of Investments

Investments have been included in the Net Assets Statement at their market value as at 31st March 2010 as provided by the Fund's custodians. Quoted UK securities are valued at the bid point of the quotations in the Stock Exchange Daily Official List. Overseas quoted securities are similarly valued at bid prices from overseas stock exchanges, translated at closing rates of exchange. Unquoted investments are valued by the trustees, based on the cost of those investments unless other evidence exists.

The acquisition costs of investments are accounted for as part of the cost of investments. Property is valued annually by a qualified valuer in accordance with the Royal Institute of Chartered Surveyors valuation standard.

Property Investments

The change in Property manager to Liverpool Victoria from 01/04/2009 brought a change in the way Property Management Fees and property expenses are paid and accounted for. The previous manager's practice was for fees and property expenses to be deducted from rent before it was paid to the Fund. Under the new manager fees and expenses are paid, and shown, separately in the accounts.

Section 8: Teesside Pension Fund Accounts.

Foreign Exchange

Assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the Scheme year end date.

Custody and Security of Investment

Most investments are held in a nominee name by the Fund's Global Custodian, the Northern Trust Company. Exceptions to this are directly owned properties; money markets cash deposits and specified unquoted investments, which would be registered in the name of the administering authority.

Where the Custodian does not provide a custody service in their own right, they utilise third party Sub-Custodians, who are appointed by the Custodian.

In verifying the security of investments held, reliance is placed, in part, upon assurances provided by the Custodian's external auditor. Additionally, the Custodian is subject to regulatory oversight by the Financial Services Authority. As a truly global business the level of control, oversight and protection is subject to relevant legislation in each country.

The agreement between the Fund and the Custodian provides for certain indemnities where there has been a loss as a result of action or inaction by the Custodian or its Sub-Custodians. This is supported by limited insurance cover procured by the Custodian.

Disposal of Investments

Profits and losses on the disposal of investments are realised when the transactions are legally complete.

Dividends

Dividends from quoted securities are accounted for when they become ex-dividend.

Interest on Cash Balances

All surplus cash balances of the Fund are invested externally, interest being credited to the Fund.

Pension Liabilities

The accounts summarise the transactions and net assets of the fund. They do not take account of liabilities to pay pensions and other benefits in the future. The actuarial position of the fund, which does take account of such liabilities, is dealt with in the notes relating to the most recent actuarial valuation.

Contingent Liabilities

The Pension Fund has no contingent liabilities.

Section 8: Teesside Pension Fund Accounts.

Note 3 - Contributions

		2008/09 £000's	2009/10 £000's
Employers	Normal	68,708	70,437
	Deficit Funding	249	830
Members	Normal	28,660	29,010
		97,617	100,277

Analysis of Total Contributions Receivable

	2008/09 £000's	2009/10 £000's
Administering Authority	17,320	17,852
Scheduled bodies	60,543	69,804
Admitted Bodies	19,754	12,621
	97,617	100,277

Note 4 - Transfers In

	2008/09 £000's	2009/10 £000's
Individual transfers in from other schemes	7,169	11,964

Note 5 - Other Income

	2008/09 £000's	2009/10 £000's
Capital Costs of Early Retirements	6,624	10,601
Other Income	63	62
	6,687	10,663

Note 6 - Benefits

	2008/09 £000's	2009/10 £000's
Pensions	59,397	65,268
Commutations and lump sum retirement benefits	19,546	22,378
Lump sum death benefits	2,232	2,898
	81,175	90,544

Analysis of Total Benefits

	2008/09 £000's	2009/10 £000's
Administering Authority	18,863	20,694
Scheduled Bodies	46,613	52,928
Admitted Bodies	15,699	16,922
	81,175	90,544

Section 8: Teesside Pension Fund Accounts.

Note 7 - Leavers

	2008/09 £000's	2009/10 £000's
Refunds to members leaving service	59	7
Payments for members joining state scheme	7	(2)
Individual transfers to other schemes	17,981	14,121
	18,047	14,126

Note 8 - Administrative Expenses

	2008/09 £000's	2009/10 £000's
Administration and processing	1,329	1,454
Actuarial Fees	101	21
Audit Fee	25	43
Legal Fees	46	0
Provision for Bad Debts	140	5
	1,641	1,523

Note 9 - Investment Income

	2008/09 £000's	2009/10 £000's
Income from fixed interest securities	8,769	5,617
Dividends from equities	41,724	40,847
Income from index linked securities	1,219	1,143
Income from pooled investment vehicles	5,012	5,593
Net rents from properties	5,950	6,295
Interest on cash deposits	9,872	1,405
	72,546	60,900

Note 10 - Investments / Assets

	Value at 31 st March 2009 £000's	Purchases at cost £000's	Sale Proceeds £000's	Change in Market Value £000's	Value at 31 st March 2010 £000's
Fixed interest securities	156,512	39,768	(47,619)	543	149,204
Equities	949,104	151,698	(72,949)	453,810	1,481,663
Index-linked securities	58,239	8,997	(17,044)	4,592	54,784
Pooled Investment Vehicles	312,841	23,796	(12,862)	131,863	455,638
Properties	62,350	27,015	(4,893)	3,898	88,370
	1,539,046	251,274	(155,367)	594,706	2,229,659
Cash Deposits	127,500				99,800
Other Balances	20,905				20,581
	1,687,451				2,350,040

Section 8: Teesside Pension Fund Accounts.

Change in Market Value

The change in the market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £795,627 (2009 – estimated at £997,000). In addition to the transaction costs disclosed here, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.

Geographical Analysis of Investments

	2009		2010	
	£'000	%	£'000	%
United Kingdom	929,632	60%	1,285,805	58%
United States	100,212	7%	153,921	7%
Japan	72,740	5%	106,814	5%
Australia	31,765	2%	63,170	3%
Pacific Region	36,271	2%	61,208	3%
China	35,310	2%	60,871	3%
France	44,598	3%	59,749	3%
Germany	41,105	3%	54,468	2%
Hong Kong	24,047	2%	44,820	2%
Switzerland	24,721	2%	39,821	2%
Others	223,366	13%	338,833	14%
Total	1,539,046	100%	2,229,659	100%

	2008/09	2009/10
	£000's	£000's
Fixed interest securities		
UK public sector quoted	60,216	50,671
Overseas public sector quoted	96,296	98,533
	156,512	149,204
Equities		
UK quoted	556,097	833,628
Overseas quoted	393,007	648,035
	949,104	1,481,663

Section 8: Teesside Pension Fund Accounts.

	2008/09	2009/10
	£000's	£000's
Index-linked securities		
UK quoted	42,487	42,171
Overseas quoted	15,752	12,613
	58,239	54,784

	2008/09	2009/10
	£000's	£000's
Pooled Investment Vehicles		
Unit and Investment trusts		
UK	136,577	180,153
Overseas	176,264	275,485
	312,841	455,638

	2008/09	2009/10
	£000's	£000's
UK Properties		
Freehold	48,300	55,595
Leasehold	14,050	32,775
	62,350	88,370

The properties were subject to independent valuation, as at 31st March 2010, by Mr D.V. Title BSc FRICS in April 2010.

	2008/09	2009/10
	£000's	£000's
Cash Deposits		
Sterling Cash Deposits	127,500	99,800

	2008/09	2009/10
	£000's	£000's
Other Investment Balances		
Cash deposits with Custodian	6,878	6,739
Outstanding dividend entitlements	13,436	13,640
Interest due on cash deposits	591	202
	20,905	20,581

Note 11 - Investment Management Expenses

	2008/09	2009/10
	£000's	£000's
Administration, management and custody	878	1,561

The investments of the Fund are wholly managed by the Loans and Investments Unit of Middlesbrough Council, in accordance with the Statement of Investment Principles.

Section 8: Teesside Pension Fund Accounts.

Note 12 - Current Assets

	2008/09	2009/10
	£000's	£000's
Other Debtors	2,983	1,537
System Debtors	629	1,444
Contributions Due in respect of Employers	5,462	6,882
Members	2,271	2,835
Cash Balances	2,416	9,588
	13,761	22,286

Note 13 - Debtors due over 1 year

	2008/09	2009/10
	£000's	£000's
Capital cost of early retirements	1,712	1,653
Other Long-Term Debtors	1	0
	1,713	1,653

Note 14 - Current Liabilities

	2008/09	2009/10
	£000's	£000's
Other Creditors	927	864
Accrued expenses	1,132	1,493
	2,059	2,357

Note 15 - Related Party Transactions

The Fund is administered by Middlesbrough Council, which is a related party as defined by Financial Reporting Standard 8 (FRS 8) 'Related Party Disclosures'. FRS 8 requires disclosure of information on related party transactions. In its position as Administering Authority, Middlesbrough Council has recharged scheme administration services to the Fund as follows: -

	2008/09	2009/10
	£000's	£000's
Support Service Recharges	60	100

In addition, Middlesbrough Council has a £260 million, 10 year partnership with Mouchel Business Services (formerly HBS Service Middlesbrough) for the provision of business, finance, IT, HR and other support services which commenced 1st June 2001.

Note 16 - Actuarial Valuation

Contributions are paid to the Fund by the employers to provide for the benefits which will become payable to Scheme members when they fall due. The funding objectives are to meet the cost of Scheme members' benefits whilst they are working and to build up assets to provide adequate security for the benefits as they accrue.

Section 8: Teesside Pension Fund Accounts.

In order to check that the funding objectives are being met the Fund is required to carry out an Actuarial Valuation every 3 years, *The Triennial Valuation*.

An Actuarial Valuation was carried out as at 31st March 2007 using the 'Projected Unit Method' which produced the following results: -

	£million
Net Liabilities	2,059
Assets	2,025
Surplus (Deficit)	(34)
Funding Level	98%

A triennial valuation as at 31st March 2010 is currently being carried out by Barnett Waddingham, the Fund Actuary. The results are expected towards the end of 2010.

Note 17 - Additional Voluntary Contributions

Scheme members may make Additional Voluntary Contributions that are invested with the Fund's nominated AVC providers, the Prudential Assurance Co Limited and Phoenix Life PLC. These contributions are not part of the Pension Fund and are not reflected in the Fund's accounts. The value of the AVC investments are as follows:

Prudential AVC Balances	2008/09	2009/10
	£000's	£000's
With Profits and Deposit Accounts	3,063	3,338
Unit Linked Accounts	791	1,252
	<u>3,854</u>	<u>4,590</u>

The total value of AVC contributions paid to Prudential during the year was £1,269,521.

The value of investments at, and contributions paid to, Phoenix Life were not available from the provider at the time this document was prepared.

Note 18 - The Compliance Statement

Changes to the Local Government Pension Scheme Regulations

From April 2008 the Fund was governed by the following regulations:

The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007

The Local Government Pension Scheme (Administration) Regulations 2008, and

The Local Government Pension Scheme (Transitional Provisions) Regulations 2008

The new regulations have made significant changes to the scheme. Full details of the changes to the scheme, along with updated scheme guides, are on our website at www.teespen.org.uk.

Section 8: Teesside Pension Fund Accounts.

Statement of Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds)(Amendment) Regulations 1999 require that Local Government Pension Scheme's administering authorities prepare, publish and maintain Statements of Investment Principles (SIP). The current version of the Teesside Pension Fund SIP was approved in December 2009 and contains statements on:

1. Investment responsibilities
2. The Myners Principles
3. Types of investments to be held
4. The balance between different types of investment
5. Risk
6. Investment Objective
7. The realisation of investments
8. Fund Investment Strategy: Ethical, Social and Environmental Perspective
9. Shareholder Governance
10. Performance Measurement
11. Compliance and Monitoring

The statement is maintained and published by Middlesbrough Council, copies of which are available on application, or it can be seen at the Fund's website at http://www.teespen.org.uk/documents/content/2009/Statement_of_Investment_Principals_2010.pdf

Note 19 - The Funding Strategy Statement

The Local Government Pension Scheme (Amendment) Regulations 2004 established the requirement for each Administering Authority to produce a Funding Strategy Statement setting out a long term view on funding liabilities. The main areas covered by the statement are;

1. The purpose of the Statement
2. The aim and purpose of the Fund
3. The responsibilities of the key parties
4. The solvency of the Fund
5. The identification of risks to the Fund
6. The links to the Statement of Investment Principles
7. Future Monitoring

The latest Funding Strategy Statement was approved by the Pensions Panel and was effective from 01 April 2008, and can be seen at <http://www.teespen.org.uk/documents/content/pdf/2008/FSSv4.pdf>

Section 8: Teesside Pension Fund Accounts.

Note 20 - Governance Policy

Under the Local Government Pension Scheme (amendment) (No.2) Regulations 2005 Middlesbrough Council, the Administering Authority to the Teesside Pension Fund, has drawn up a Governance Policy which sets out the procedures for the governance of the Fund, with the main areas covered being:

1. Frequency of meetings
2. Structure of the meetings
3. Membership
4. Principles of governance

The current policy document can be viewed at

<http://www.teespen.org.uk/documents/content/2009/Governance%20Compliance%20Statement%20May%2009.pdf>

Note 21 - Communications Policy

The Teesside Pension Fund actively seeks to communicate with all of its stakeholders, including the members, the employers and other external organisations. For example we have been providing every active member of the scheme with a statement of accrued benefits since 2001, well before it became compulsory to do so. The statement of accrued benefits also includes the member's State Pension Forecast to aid in their financial planning.

We also provide newsletters twice a year to all of our active and pensioner members, this allows us to inform you of any scheme changes which may be made.

A Communications Policy Statement has been drawn up in order to ensure that the Fund offers clear communication to stakeholders of the Local Government Pension Scheme.

The latest policy statement can be seen at

http://www.teespen.org.uk/documents/content/pdf/Communications_Policy_Statement_2009.pdf

Note 22 - Actuarial

Statement Introduction

The last full triennial valuation of the Teesside Pension Fund was carried out by Barnett Waddingham as at 31st March 2007. The results were published in their report dated February 2008.

2007 Valuation

The 2007 valuation certified a common contribution rate of 15.2% of pensionable pay to be paid by each employing body participating in the Teesside Pension Fund. In addition to this, each employing body has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the rates and Adjustment Certificate in the triennial valuation report.

Section 8: Teesside Pension Fund Accounts.

Contribution Rates

The contribution rates, in addition to those paid by the members of the scheme, are set to be sufficient to meet:

- 100% of the liabilities in respect of each employer that have built up within the Fund in respect of service to the valuation date, allowing for future pay increases and increases to pension in payment when these fall due.
- plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund.

Asset Value and Funding Level

The market value of the Fund's assets as at 31st March 2007 was £2.025 million which represented 98% of the Fund's accrued liabilities at that date allowing for future increases in pay and pensions in payment.

The contribution rates were calculated using the Projected Unit Method taking account of the market value of assets at that date.

To be consistent with the market value of assets the liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date and were as follows: -

- | | | |
|--|------|-----------|
| • Rate of return on investments | 6.6% | per annum |
| • Rate of increases in pay | 5.4% | per annum |
| • Rate of increases to pensions in payment | 3.4% | per annum |

Post Valuation Events – Changes in market conditions

Since March 2007 investment returns have been less than assumed at the 2007 valuation.

Overall, we estimate that the current financial position of the Fund will be less favourable than as at the 2007 valuation.

The next actuarial valuation is due as at 31 March 2010 and results will be reported during 2010/11.

Section 8: Teesside Pension Fund Accounts.

Note 23 - Schedule of Contribution Rates

Net rate of contribution payable by each employing organisation for the period 1st April 2008 to 31st March 2010 under Regulation 79 of the LGPS Regulations 1997.

Employer	Total Contribution Rate %	Additional Cash Sum
Administering Authority		
Middlesbrough Council	17.4	
Scheduled Bodies		
Bede College	13.8	
Cleveland College of Art & Design	13.8	
Cleveland Fire Authority	15.7	
Cleveland Police Authority	14.7	
Cleveland Probation Service	14.6	
Guisborough Town Council	18.2	
Hartlepool 6 th Form College	13.8	
Hartlepool Borough Council	14.6	£980,000
Hartlepool College of Further Education	13.8	
Ingleby Barwick Town Council	18.2	
Kings Academy	14.5	
Loftus Town Council	18.2	
Macmillan Academy	14.5	
Middlesbrough College	13.8	
Prior Pursglove College	13.8	
Redcar & Cleveland Borough Council	14.7	£1,520,000
Redcar and Cleveland College	13.8	
Saltburn & Marske Parish Council	18.2	
St Mary's College	13.8	
Stockton 6 th Form College	13.8	
Stockton Borough Council	14.8	£765,000
Stockton Riverside College	13.8	
Unity City Academy	14.5	
University of Teesside	14.0	
Yarm Town Council	18.2	
Admitted Bodies		
Beamish Museum	14.8	
Business Link North East	15.1	
Care Quality Commission (CSCI)	13.7	
Carillion Govt. Services (formerly McAlpine)	20.0	
Carillion PLC (formerly Mowlem)	16.1	
Cleveland Fire Support Network	15.7	

Section 8: Teesside Pension Fund Accounts.

	Total Contribution Rate %	Additional Cash Sum
Coast and Country Housing	13.6	
Community Integrated Care	20.0	
Crime Reduction Initiative	11.0	
Dial a Ride	13.8	
Dimensions (UK) Ltd	20.2	
Durham Tees Valley Airport	21.2	
Erimus Housing	18.5	
Fabrick Housing Group Ltd	16.7	
Five Rivers	16.0	
Future Regeneration of Grangetown	16.3	
Housing Hartlepool	14.1	
Liberata	0.0	
Mouchel Business Services	15.4	
Newtown Community Stockton Online	13.9	
NextiraOne UK Ltd (HBS)	10.0	
NextiraOne UK Ltd (SBC)	19.5	
North East Community Forest	15.7	
OCS	23.2	
Ofsted	21.6	
Open College Network (TROCN)	15.7	
Reliance Secure Task Management	15.0	
RSTM Custody Services	15.0	
Stagecoach Hartlepool	22.1	
Stagecoach Transit	21.1	£262,000
Tees Active	13.4	
Tees Valley Leisure	13.3	
Tees Valley Urban Regeneration Co	15.7	
The New Swindon Co Ltd	15.7	
Tristar Homes	13.8	
Vale Contract Services Ltd	18.2	

Section 9: Glossary of Terms

Accounting Period

The period of time covered by the accounts; normally a period of 12 months commencing on 1st April and ending as at the balance sheet date of 31st March.

Accrual

A sum included in the accounts to cover income or expenditure attributable to the accounting period covered by the accounts but for which payment had not been received/made at the balance sheet date.

Accrued Benefits

The benefits for service up to a given point in time, whether vested rights or not.

Actuarial Gains and Losses

For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.

Actuarial Valuation

A valuation of assets held, an estimate of the present value of benefits to be paid and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

Assets Under Construction

At any time some projects will be incomplete and will need to be classified as 'fixed assets under construction'. The term can include assets which are complete but not yet operational as well as items that are not complete. It is usual for assets under construction to be recognised but recorded as non-operational until they are brought into use, at which point they are recognised as operational assets.

Audit

An independent examination of the Council's activities, either by internal audit or the Council's external auditor.

Balance Sheet

A statement of the balances and reserves at the Local Authority's disposal, the net current assets employed in its operation and the value of fixed assets held.

Section 9: Glossary of Terms

Best Value Accounting Code of Practice

A Chartered Institute of Public Finance (CIPFA) guide to accounting for best value which provides a consistent and comparable calculation of the total costs of services.

Budget

A statement reflecting the Council's spending plans for a specific period. The annual revenue budget is normally finalised and approved in February prior to the commencement of the new financial year.

Capital Charges

A charge of service revenue accounts to reflect the cost of utilising fixed assets in the provision of services.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or which adds to the value of an existing fixed asset.

Capital Adjustment Account

The Capital Adjustment account was introduced as part of the changes included within the 2006 SORP. The capital adjustment account reflects the difference between the cost of fixed assets consumed and the capital financing set a side to pay for them.

Capital Financing

The methods of financing capital expenditure. This includes borrowing, direct revenue financing, leasing, the use of capital receipts, capital grants and external contributions.

Capital Grant

Grant from Central Government used to finance specific schemes in the capital programme. Where capital grants are receivable these are used, as far as possible, to finance capital expenditure to which they relate in the year that the grant is received.

Capital Receipts

Proceeds from the sale of capital assets. Such income may only be used for capital purposes, ie to repay outstanding borrowing or to finance new capital expenditure. Any receipts which have not yet been utilised are referred to as "capital receipts unapplied".

Section 9: Glossary of Terms

Collection Fund Account

This account records the income received by the Council in relation to local taxation and non-domestic rates. It also shows how the income has been distributed to the preceptors and to the general fund.

Community Assets

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

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 events not wholly within the Local Authority's control.

Contingent Liability

A contingent liability is either:-

- 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 authority's control; or
- 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 in which local authorities engage specifically because they are elected, multi-purpose authorities. The cost of these activities are 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.

Section 9: Glossary of Terms

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 provided by the end of the financial year for which payment has not yet been made.

Current Assets

An asset which will be consumed or cease to have material value within the next financial year (e.g. stocks and debtors).

Current Liabilities

These are amounts owing by the Council, which fall due for payment within a year, for example creditors or cash overdrawn.

Current Service Costs (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from the 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 of employees the accrual of defined benefits for some or all of their future service.

Debtors

Income due to the Council for services performed in the financial year for which payment has not been received by the end of the year.

Deferred Credits

Capital income due to be received in the future when disposals have taken place, e.g. the principal outstanding from the sale of Council houses.

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 of time.

Deferred Pensions

Individuals who have ceased to be active members but are entitled to benefits payable at a later date.

Section 9: Glossary of Terms

Defined Benefit Scheme

A pension scheme which defines the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme.

De minimus

A de minimus level is adopted to only reflect material transactions in the capital accounts.

The Authority's policy on de minimus levels are outlined in the statement of accounting policies.

Depreciation

The measurement of the cost of re-valued amount of the benefit of the fixed assets that have been consumed during the accounting period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Direct Revenue Financing

Resources provided from the authority'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 which are awarded under the authority's discretionary powers.

Earmarked Reserves

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

Equity

The net value of the Council's assets represented by reserves and balances.

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.

Section 9: Glossary of Terms

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events of transactions that fall outside the ordinary activities of the authority and are not expected to recur.

Financial Reporting Standard (FRS)

These standards are developed by the 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.

Fixed Assets

Fixed assets that yield benefits to the Local Authority and the services it provides for a period of more than one year.

General Fund

The Local Authority's main revenue fund from which the cost of providing Council services is met. The main sources of income paid into the fund are the precept on the collection fund and specific government grants.

Impairment

Where there is a clear consumption of economic benefits to a fixed asset, such as physical damage or deterioration in the quality of service provided by the asset. Also, it can include a significant decline in a fixed asset's market value.

IFRS

International Financial Reporting Standards will be the basis on which the Council's accounts are to be prepared from 1st April 2010.

Intangible Assets

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. Examples of this type of expenditure are software and other licences, patents and trademarks and artistic originals.

Local Management of Schools

This refers to the statutory delegation of management and budget responsibility to individual schools. Individual schools' spending is not included in the Income and Expenditure Account. Surpluses or deficits are carried forward into the next financial year.

Section 9: Glossary of Terms

Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted or misstated could be expected to lead to distortion of the financial statements.

Minimum Revenue Provision (MRP)

The minimum annual charge to the revenue account for the repayment of outstanding long-term debt.

National Non-Domestic Rates (NNDR)

The business rate in the pound is the same for all non-domestic ratepayers and is set annually by the government. Income from business rates goes into a central government pool that is then distributed to authorities according to resident population.

Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost of current value less the cumulative amounts provided for depreciation.

Non-Distributed Costs

These are costs for which no user directly benefits and should not be apportioned to services.

Non-Operational Assets

Non-operational assets are fixed assets held by the authority but not directly occupied or used in the delivery of services. They include surplus properties awaiting disposal, investment properties and assets that are under construction.

Operational Assets

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

Operating Leases

A lease other than a finance lease.

Section 9: Glossary of Terms

Past Service Cost

For a defined benefit scheme, the increase in the present value of the scheme liabilities relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Post Balance Sheet Events

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

Precept

The levy made on billing authorities by other bodies requiring them to collect income from Council taxpayers on their behalf, eg Police Authority.

Provisions

Funds set aside to cover potential liabilities which are likely or certain to be incurred at a future date but where the exact amount and timing of the liability 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 of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Related Parties

Two or more parties are related parties when at any time during the financial period:-

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same sources; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interest; or the parties in entering a transaction are subject to influence from the same source to such an extent that one of the parties to the transactions has subordinated its own separate interests.

Related Party Transactions

A related party transaction is the transfer of assets or liabilities or the performance of services by, or for, a related party irrespective of whether a charge is made.

Section 9: Glossary of Terms

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 yet been realised through the disposal of the asset. The balance on the reserve represents the revaluation gains accumulated since the 1st April 2007.

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 authority. Some reserves are earmarked for specific purposes.

Revenue Expenditure

The day-to-day costs incurred in providing Council services. This comprises of staff costs, other operating costs and capital charges.

Revenue Support Grant

The main source of funding for local authorities provided by Central Government.

Specific Grants

Government grants given to local authorities and earmarked for specific services, e.g. Standards Fund Grant paid to Education Services.

SORP

Statement of Recommended Practice issued by CIPFA for accounting for transactions in the Financial Statements

Stocks

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. Stocks comprise the following categories:-

- goods or other assets purchased for resale
- consumable stores
- raw materials and components purchased for incorporation into products for sale
- products and services in intermediate stages of completion
- long-term contract balances, and
- finished goods

Section 9: Glossary of Terms

Useful Life

The period over which the Local Authority will derive benefits from the use of a fixed asset.

Work in Progress

The cost of work undertaken on an uncompleted project as at the end of the financial year.