

Middlesbrough Council Annual Statement of Accounts for the Year Ended 31st March 2015



Middlesbrough Sports Village

Annual Statement of Accounts 2014/2015

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Section 1: Explanatory Foreword

Foreword From The Chief Finance Officer Paul Slocombe

Middlesbrough Council's financial statements for 2014/2015, have been prepared in accordance with the standard format for local authority accounts, recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the Statement of Accounts in 2014/2015, as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/2015 (the Code), based on International Financial Reporting Standards. The Code is updated annually and specifies the accounting principles and practices required to prepare a Statement of Accounts, which present a true and fair view of the position of a local authority.

Middlesbrough Council is a large and diverse organisation and the information contained in these accounts is technical and complex. The aim of this foreword, therefore, is to provide narrative context to the accounts by briefly explaining the main sections and presenting a summary of the Council's financial position and performance for the year and its prospects for future years.

Background to the Council

Middlesbrough Council is a unitary local authority serving the people of Middlesbrough, and was created following the abolition of Cleveland County Council in 1996 alongside the three adjacent unitaries of Hartlepool, Redcar and Cleveland and Stockton on Tees. It is the ninth smallest unitary authority in England by area.

The Council acts as Middlesbrough's community leader, working with local residents and businesses, public sector partners and the voluntary and community sector to improve local social, economic and environmental wellbeing for all and to secure the long term sustainability of the town. It has an array of statutory responsibilities and powers, and commissions or delivers a wide range of public services, funded in the main by government grants, council tax and business rates. It is one of the largest employers in the Tees Valley area, providing work for more than 3,500 people.

For the period of these accounts, the Council had a Mayoral style of government, which comprised the Mayor with a mixed party Executive of six Members (including the Deputy Mayor) who each have responsibility for looking after an area of the Council's business. To support the work of the Executive and also to hold it to account there are a number of Scrutiny Committees.

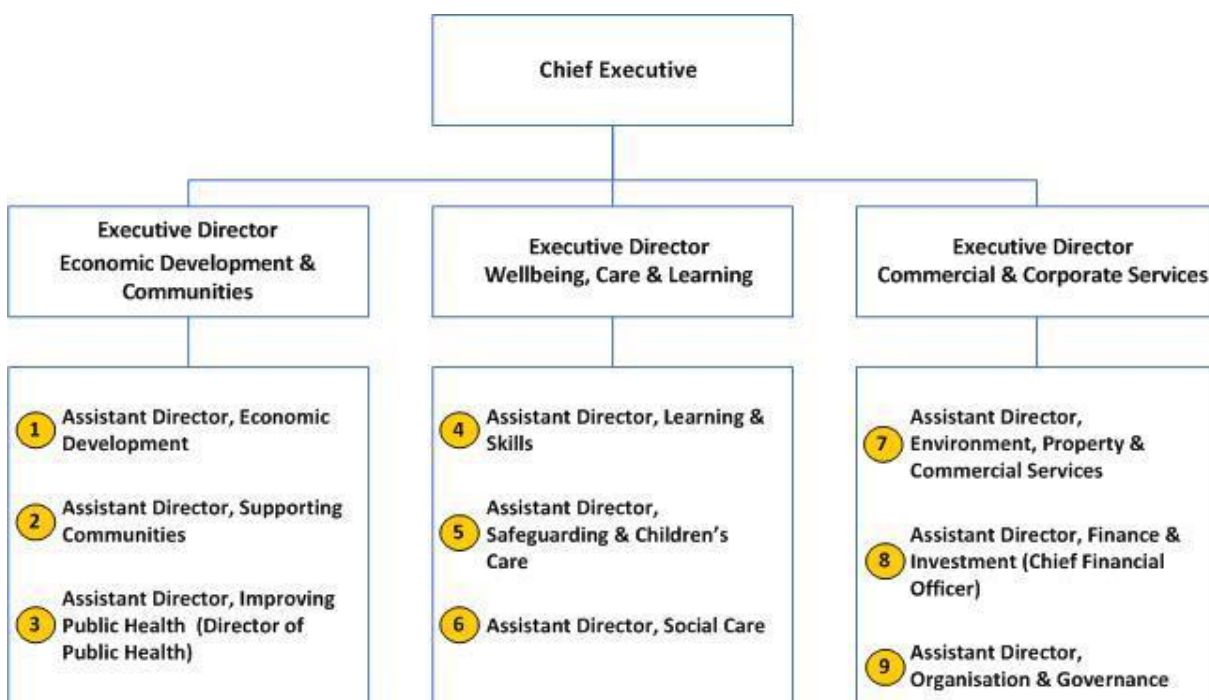
For operational purposes and to support the Executive, Committees and the elected Members, Council Services are split into a number of directorates, each headed by a Director with responsibility for a range of services, all reporting to the Chief Executive. During 2014/2015, Council Services were split into three Directorates as set out below:

- **Wellbeing, Care and Learning** (includes Youth Services, Children's Social Care, Corporate Parenting, Family Support, Adoption & Foster Care, and Looked after Children, Schools, Early Years provision including Children Centres, Adult Learning, Commissioned Services, Assessment & Care Management, Supporting People, Day Care, Domiciliary Care and Personalised Care).

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- **Neighbourhoods and Communities** - (includes, Housing Strategy, Economic Development, Employment Services, Planning & Building Control, Highways & Transport, Parking, Asset Management, Commercial Estates, Culture, Tourism Libraries, Sports, Parks & Outdoor Recreation, Community Safety, Environmental Health, Environmental Services, Licensing & Enforcement and Cemeteries & Crematoria)
- **Director of Commercial & Corporate Services** (includes Finance, Internal Audit, Strategic Procurement and Contract compliance, Insurance, Benefits, Council Tax/NNDR, Capital, Pensions, Loans & Investments, Legal Services, Human Resources, Policy Making, Risk Management and IT)

As part of the Council's ongoing Change Programme, with effect from 1st June 2014 the Council's senior management structure changed as set out in the table below



Progress on implementing the Change Programme is reviewed on a monthly basis by Change Programme Board, with updates provided to Executive as appropriate. The programme is reviewed on an annual basis, aligned with the Council's budget setting process.

Phase 1: Development (July 2013 – March 2014)

The development phase comprised options appraisals of all major Council services and functions, led in the main by independent reviewers, which provided for each service or function an objective assessment of:

- the comparative funding and performance levels against sector averages; and
- the current extent of modernisation and the capacity and readiness for change.

The aim of the development phase was to identify savings of 50% in support services, 30% in discretionary services and 15% in statutory services on the 2012/2013 baseline

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over the four years to 2016/2017. This was in line with the Mayor's stated objectives to protect the vulnerable and frontline services as far as practicable.

Once quality-assured, the information from options appraisals was used to identify a direction of travel for all service areas in the medium term, and an outline understanding of the level of investment required to implement preferred options.

During this phase the Council also commenced ongoing dialogue with all stakeholders on the Change Programme and town-wide priorities. This dialogue will enable the Council to better understand the level of support required for local communities and groups to fully collaborate in the delivery of the Mayor's Vision, and will continue throughout the period of the Change Programme.

The appraisal process enabled the Council to construct its budget reduction activity for 2014/2015, to meet the then budget gap of £22 million. A series of mitigating actions were agreed that reduced the gap by £7 million together with 40 savings initiatives that addressed the remaining £15 million.

In May 2014, the Council approved the first rolling medium-term Change Programme document, for 2014-2017. The document committed the Council to a number of key actions in 2014/2015:

- delivering £15m savings through a range of change projects overseen by the Change Programme Office;
- determining the future operating model for "big ticket" service areas to be implemented between 2015-2017, specifically sports and leisure, culture, streetscene and support services (the Mayor's Budget added highways to this list);
- revising the Council's medium-term Capital Investment Programme to ensure that it maximised its contribution to the Mayor's Vision and the local economy; and
- Commencing the implementation of organisational cultural change and enabling activity required to deliver the Council's future operating model.

Year 1: Progress to date (January 2014 – March 2015)

Significant progress has been made in the Change Programme's first year of implementation, as outlined below.

Cash-releasing projects

- Change projects have delivered £15m of savings in 2014/2015, which has been a key contributory factor to the Council meeting its budget gap.
- A best value appraisal model for future delivery models was agreed by Executive in November 2014 and informed consideration of future models for Sport and Leisure; Environment, Property and Commercial Services, and the support services currently delivered on behalf of the Council by Mouchel. The outcomes of these discussions (respectively established trust, established joint venture, and reduced externalisation and insourcing) reflect the Council's aim of selecting the best value option resulting in a mixed economy of service provision.

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Cultural-enabling projects

- The Council has restructured its management to senior management level, and delivered a development programme for this cohort to ensure managers' awareness of their responsibilities within the Middlesbrough Manager Competency Framework. Plans are in place to train frontline managers in this programme during 2015/2016.
- A Middlesbrough Employee Competency Framework has also been introduced, together with a new appraisal framework for all Council employees.
- A new Performance Management Framework has been introduced across the Council based on the Balanced Scorecards concept, supporting a focus on outcomes and a more rounded view of best value.
- A new Commercial Strategy for the Council has been developed, to change the culture of the organisation in relation to commercial practice, and set out how the Council will assess the viability of continuing to operate services currently considered to be economically viable and improve the net budget position for commercial services.
- A 'Service Promise' process was introduced to promote a more customer-focused approach to support services costs going forward. For the first time the customers of support services will rate the services they receive, and this will inform future planning for these services.

Investment

- The capital appraisal process was revised to fully take into account return on investment and in January 2015 Executive agreed a new capital programme, investing a total of £175.5m in the town in the medium-term.
- A new Estates Strategy for the Council has been developed, to ensure that the Council drives the maximum value from assets portfolio. The Estates Strategy is aligned with the ethos of the Commercial Strategy.

Years 2-4: Plans for the next year and beyond (April 2015 – March 2018)

The Change Programme has driven the development of three-year Outcome Delivery Plans, revenue budget allocations, and capital allocations resulting from the capital programme review outlined above.

A summary of the nine Outcome Delivery Plans is included in the following section, and set out the key measures of success for each outcome area over the next three years.

The approach previously deployed to identify budget reduction targets was based on saving 50% of baseline expenditure from support services, 30% from discretionary services and 15% from statutory services. These savings have been factored into the Medium Term Financial Plan. To meet the current financial gap of £56m in its entirety further savings were required. To enable this, an evidence-based unit cost methodology for assigning further budget reduction targets was devised.

Within this exercise, 18 high-level and 140 detailed unit cost indicators across the Council's nine outcomes were constructed and performance compared with the Council's family group, with each indicator traffic-lighted to reflect distance from the average cost across all benchmarked authorities. This process identified potential savings well in excess of the Council's net £15m medium-term budget gap.

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The Vision for Middlesbrough

The Council reviewed its strategic priorities for Middlesbrough in 2012 and published them in the Middlesbrough 2020, Our Vision document. This sets out a vision for Middlesbrough to be ‘the place to live, work and visit’ and is supported by three strategic aims:

- a town that is clean, safe and healthy;
- a learning town, in which families and communities thrive; and
- a town that continues to transform.

The vision has subsequently been adopted by the Council’s partners and in its role as a community leader the Council will work with communities and its partners to achieve the Vision. In addition, the Council will work with its partners in Tees Valley Unlimited to progress the Tees Valley City Deal, which will boost process industries on Teesside, support the creation of 3,500 jobs and unlock £28 million of private sector investment.

The Council’s Contribution to the Vision

The Council has identified **three** strategic objectives and **nine** supporting outcomes that together will demonstrate its contribution to the achievement of the Mayor’s Vision.

Improving Community and Economic Resilience by;

1. Securing economic development, physical regeneration and transport to create jobs and housing such that the mix of jobs, skills and quality of housing in the town is complementary.
2. Providing services and support to communities such that people have more fulfilling lives, feel safe and their need for support services reduces.
3. Achieving longer and healthier lives, reducing health inequalities and protecting the local population from environmental hazards and incidents.

Providing Community and Economic Support by;

4. Promoting effective learning for children and adults such that residents fulfil their potential, attainment improves and people have the requisite skills to secure employment.
5. Protecting and safeguarding vulnerable adults and children and, wherever possible, seek to enable a safe environment that reduces dependency on services.
6. Providing support to help families and adults in need and maximise their independence such that dependency on services reduces.

Providing Commercial Strength, Organisational Support and Development that helps deliver service objectives by;

7. Providing, managing, maintaining and enhancing highways, streets, parks, open spaces, leisure facilities, public buildings and commercial properties such that the quality of place supports the needs of residents, visitors and business.
8. Ensuring that the financial assets and services and the physical assets of the Council support services in meeting needs whilst ensuring corporate financial probity.

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9. Ensuring that the democratic and governance processes of the Council are robust and that our staff and organisational support meets the needs of the services.

In future the Council must focus its efforts on optimising its contribution to the Vision. This will involve:

- aligning its senior management structure and service portfolios to the above outcomes;
- implementing a new operating model focused on the commissioning of outcomes, whilst continuing to ensure the social, economic and environmental wellbeing of the town; and
- delivering a comprehensive, three-year Change Programme to ensure that the Council meets its financial challenges and optimizes its contribution to the Mayor's Vision.

The Council will continue to focus on delivering excellent financial management in order to ensure that the wider organisation is best placed to deliver the core strategic aims of the Council.

Annual Statement of Accounts

The Statement of Accounts comprises various sections and statements, which are briefly explained below:

Foreword - this provides information on the format of this Statement of Accounts as well as a review of the financial position of the Council for the financial year 2014/2015.

Statement of Responsibilities – this details the responsibilities of the Council and the Director of Strategic Resources, concerning the Council's financial affairs and the Statement of Accounts.

Independent Auditor's Report to the Council – the external auditor, Deloitte LLP, prepare this report on completion of the annual audit.

Annual Governance Statement – the Council is required to carry out an annual review of the effectiveness of the system of internal control and to include a status report with the Statement of Accounts. The Statement explains how the Council has complied with the Code of Corporate Governance during 2014/2015.

The **Main Accounting Statements** comprise:

- The **Comprehensive Income and Expenditure Statement** – this is fundamental to the understanding of a Council's activities. It brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year.
- The **Balance Sheet** – shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

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- The **Movement in Reserves Statement** – this statement shows the movement in the year on the different reserves held by the Council, split into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the provision of services is different from the statutory amounts required to be charged to the General Fund for council tax setting purposes.
- The **Cash Flow Statement** – this summarises the changes in cash and cash equivalents of the Council during the reporting period. Cash flows are split between operating, investing and financing activities.

Accounting Policies Note – this note explains the basis for the recognition, measurement, and disclosure of transactions in the Accounting Statements.

Notes to the Main Statements provide supporting and explanatory information and are fundamentally important in the presentation of a true and fair view.

Pension Fund Accounts – the Teesside Pension Fund is administered by the Council; however, the Pension Fund has to be completely separate from the Council’s own finances. This statement is an extract from the Teesside Pension Fund Annual Report and summarises the financial position of the Pension Fund, including all income and expenditure for 2014/2015, assets, and liabilities as at 31 March 2015.

A **Glossary** to the Statement of Accounts is also included to help to make the document more understandable to the reader.

Financial Report for 2014/2015

Setting the Revenue Budget for 2014/2015

In preparing the 2014/2015 revenue budget and medium term financial plan the Council adopted the following principles and statements:

- To ensure that resources are directed to Council priorities.
- To maximise the efficient, effective and economic use of resources, in conjunction with partners where appropriate.
- To keep Council Tax increases to a minimum.
- To maintain appropriate balances, central provisions and earmarked reserves.
- To make services fully accountable for their own budgets and spending, and enforce a policy of no unauthorised overspending within service areas.
- To maintain appropriate medium term budget planning and monitoring processes, ensuring known commitments are provided for and budgets are set in real terms with the effect on service delivery clearly explained.

A 1% provision for pay awards was provided for. Running costs and other inflation was provided for at an increase of 2% initially but was offset by efficiency and procurement savings. An additional inflationary provision was made for the assessed impact of increased prices for energy and fuel of £200,000, together with specific contract inflation. Income from fees and charges was assumed to increase on average by 1.5%. In setting the 2014/2015 budget, service budget reductions of approximately £14.8 million were identified.

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The Council approved additional service spending on:

- £3.400 million for care for children and young people
- £2.400 million for care for older people and vulnerable adults
- £1.165 million to cover income shortfalls

A Council Tax increase of 1.82% was approved by the Council.

On the 3rd of March 2014, the Council set its revenue budget for 2014/2015 at £130.600 million to be funded as follows:-

	£ million
Revenue Support Grant	49.10
Top Up Payment	21.22
Local Share of National Non Domestic Rates	19.14
Council Tax	41.14
Total net budget in 2014/2015	130.60

Section 2 : Review of the Year and Summary Financial Information

THE 2014/15 REVENUE BUDGET - OUTTURN REPORT

Service Area	Budget	Outturn	Variance
	£ ' 000s	£ ' 000s	£ ' 000s
Wellbeing, Care & Learning	65,603	62,545	(3,058)
Economic Development & Communities	20,242	16,758	(3,484)
Commercial & Corporate Services	38,804	39,147	343
Corporate Costs	5,951	6,345	394
Net Service Expenditure as reported in note 41	130,600	124,795	(5,805)

The Council achieved a net saving of £5.80 million against its revenue budget (4.4% of its budget). This included £2.4 million of accelerated savings against 2015/2016 savings targets as set out in the table on page 10:-

The major variances from budget for each service Directorate are set out in the table below:-

Wellbeing, Care & Learning	Variance
Learning & Skills	£ ' 000s
Non achievement of staffing savings targets	172
Freeze on non essential supplies & services expenditure	(140)
Safeguarding & Children's Care	
Cessation of two Youth Offending Contracts	(241)
Transfer back of two Children's Homes from the private sector to Council control	(163)
Staff vacancies in Safeguarding, Forensic & Mental Health	(232)
Funding mainstream expenditure from Community Support Fund and Troubled Families grant	(306)
High cost and complexity of Children's Agency Residential School placements	525
Increase in placements with Independent Fostering Agencies	1,197
Lower than expected number of In-House Carers and Adopters	(1,205)
Social Care	
Staffing cost savings	(580)
Freeze on non essential supplies & services expenditure	(515)
Funding mainstream expenditure from grant income	(167)
Additional contributions from the Clinical Commissioning Group	(515)
Legislative changes relating to deprivation of liberty safeguards	286
Demand led contingency budget savings	(205)
Independent Sector budget savings	(175)
Additional Health contributions	(162)
Supporting People contract savings	(324)
Return of unutilised Direct Payment allocations	(270)
Other	(38)
Total	(3,058)

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Economic Development & Communities	Variance
<i>Economic Development</i>	£ ' 000s
Local Plan savings	(155)
Savings following the transfer of mima to the University of Teesside	(150)
Additional car parking income	(391)
Additional demands on the Integrated Transport Unit	151
<i>Supporting Communities</i>	
Funding mainstream expenditure from grant income	(1,700)
Staffing cost savings	(1,171)
Freeze on non essential supplies & services expenditure	(300)
<i>Improving Public Health</i>	
Increase in demand for Adult Substance Misuse services	106
<i>Other</i>	126
Total	(3,484)

Commercial & Corporate Services	Variance
<i>Environment, Property & Corporate Services</i>	£ ' 000s
Staffing cost savings	(90)
Crematorium income budget surplus	(231)
Funding mainstream expenditure from grant income	(250)
Ayresome Industries income shortfall	268
<i>Finance & Investment</i>	
North East Purchasing Organisation (NEPO) rebate	(125)
Housing Benefits overpayment recovery	311
Lower than expected demands for funding from the Corporate Initiatives budget	(143)
<i>Organisation & Governance</i>	
Staffing cost savings	(53)
Legal Services barristers' fees	(253)
Additional contribution to the Elections' Reserves	250
Partnership budget savings target shortfall	457
Support services review savings target shortfall	568
Workforce development training budget savings	(96)
<i>Other</i>	(270)
Total	343

Corporate Costs	Variance
	£ ' 000s
Provision for the non achievement of support service review savings targets	500
Capital financing cost savings	(310)
Shortfall on capital direct revenue funding contributions from schools	583
Goods receipting account write backs	(599)
<i>Other</i>	220
Total	394

Summary of Accelerated Savings

Service Area	£ ' 000s
Wellbeing, Care & Learning	722
Economic Development & Communities	1,165
Commercial & Corporate Services	509
Total	2,396

Section 2 : Review of the Year and Summary Financial Information

The day to day budget monitoring arrangements of the Council are based around its own organisational structure and are different to both the statutory and Service Reporting Code of Practice (SeRCOP) requirements. The revenue outturn report was reworked to fit these formal requirements. The resulting changes however do not affect the overall net expenditure to be funded from central government grant and Council Tax, although the presentation of the figures in the Statement of Income and Expenditure account is very different. The main difference between the Council's management accounts and the published statutory accounts are as follows:

a. Service Headings:

The following service headings are used in preparation of the accounts in accordance with SeRCOP:

- Central Services to the Public;
- Cultural and Related Services;
- Environmental and Regulatory Services;
- Planning Services;
- Children's and Education Services;
- Highways, and Transport Services;
- Other Housing Services;
- Adult Social Care;
- Public Health;
- Corporate and Democratic Core and;
- Non-distributed costs.

b. Capital Depreciation Charges:

In the Statement of Accounts the Council is required to ensure that each service reflects a depreciation charge for the assets they use (buildings, plant and machinery etc.).

c. Transfers To and From Reserves:

Transfers into and out of expenditure funded from reserves are not considered part of the net cost of services and are therefore not reflected at all within the income and expenditure account.

d. Central Support Services:

Under SeRCOP, the costs of corporate services that are provided to front line services and an allocation of certain central expenses have to be included as service costs rather than central 'corporate' costs. Such services and costs include Finance, Legal, Human Resources, IT, Payroll, Creditors, Debtors, Performance & Policy, Audit etc.

e. Employer's Pension Fund Contributions:

Accounting for retirement benefits (IAS19) requires that employer's contributions to pension schemes, reflected in service accounts should only consist of 'current service' costs. As the actual contributions made to the Pension Fund by the Council include an element of back funding to recover any previous pension scheme deficit, the service expenditure figures reported in the Statement have to be adjusted to reflect the current service costs as calculated by the fund actuary.

In addition the income and expenditure account includes as part of operating expenditure the net impact of the notional return on the pension fund assets and the increase in accrued future pension liabilities, the Middlesbrough Council elements.

f. Other Differences:

Other transactions such as interest earned and paid, precept payments to Cleveland Police / Cleveland Fire Brigade / Parish Councils and trading units are not considered as part of the net cost of services and are required to be shown as separate items in the section below the service expenditure totals in the Comprehensive Income and Expenditure Statement.

Section 2 : Review of the Year and Summary Financial Information

Local Economic Climate 2014/2015

Confidence has continued to improve both locally and across the UK. The latest quarterly survey carried out by the Federation of Small Businesses stated “small business confidence remains robust and firmly in positive territory, lower business costs and current economic conditions are relieving pressure for firms, giving them the confidence to take on new staff, reward staff with pay increases, and successfully access finance from their banks to invest in and build their business”.

This confidence has been felt locally in Middlesbrough as the town has experienced an increase in business growth, inward investment and expansion enquiries via Economic Development. The larger companies in the engineering and manufacturing base have continued their drive forward. AV Dawson has invested significantly in their operations with the opening of a £6.5m (102,000 sq ft) facility - believed to be the only ‘rail-served, energy efficient automotive steel stores of its type in the UK’. It was the largest single investment in the company’s history clearly showing the confidence it has in the UK steel industry and manufacturing in the North.

Clinkards has secured planning to create new headquarters on Cannon Park to include 12,000 square feet of office space and 28,000 square feet of warehouse/distribution space.

Glanbia Nutritionals have made significant progress in overseas markets with the purchase of well-known brands in the USA to strengthen its position in the market place. Their ambition is to increase turnover by £300m and increase the workforce by 50%. The expansion will take place on their current site on Riverside Park.

Teesside University is well underway with its flagship £20m teaching facility on its Middlesbrough campus and Middlesbrough College’s STEM (Science, technology, engineering, maths) facility is due for completion this summer.

The Holiday Inn Express hotel is due to open in August 2015. On the back of this development national restaurant chains are being identified to take up the retail units underneath the Cleveland Centre (facing centre square) to further diversify the town centre offering. For business elsewhere in the town centre a rate discount scheme is in place to further support retail and business sector. Wage subsidies and apprenticeship support via the National Apprenticeship Schemes and Tees Valley Skills have been in operation to further encourage business growth and promote opportunities for young people to gain local employment.

Key indicators of the state of the local economy are as follows:

Indicator	2015		2014		Direction	
	Local	UK	Local	UK	Local	UK
Unemployment - (1.)	4.4%	2.0%	6.4%	2.9%	Better	Better
Youth unemployment - (1.)	5.4%	3.1%	8.9%	4.9%	Better	Better
Empty commercial properties - (2.)	610		627		Better	
Occupancy of Council commercial premises - (2.)	97.0%		95.0%		Better	

1. Government Office of National Statistics - NOMIS Official labour market statistics
2. Proportion of commercial units let compared to the number available.

Section 2 : Review of the Year and Summary Financial Information

Looking Ahead 2014/2015 and beyond

The economic outlook remains optimistic.

The Council recognises the importance of business growth and consumer confidence and will continue to support business through its Economic Development & Regeneration teams.

The Council will further support the business community by promoting local growth initiatives through its 'Middlesbrough Means Business' campaign, as well as linking with Tees Valley Skills and Tees Valley Unlimited to secure new rounds of ERDF funding to offer a range of free training, wage subsidies, workshops, investment support, initiatives and advice.

The Teesside Advanced Manufacturing Park will be completed this year with global company The Welding Institute (TWI) the first company to relocate here.

Middlehaven aims to attract further investment with the opening of the award winning state of the art neurological centre, the College STEM centre and an urban park.

In response to the regeneration and the subsequent recruitment drive, Economic Development and Community Regeneration teams are working together with partners to host a Recruitment Fair in the town. Several companies including Axa, First Source, Holiday Inn Express and On A Roll Sandwich Co will be involved to highlight the positions they have available.

The fair took place in the Town Hall on 11 June 2015 and showcased the hundreds of vacancies on offer to local residents.

FINANCIAL REPORT

This section details where the Council got its money from and what it spent it on as well as detailing what the Council owns, how much is owed by and is owed to other organisations.

WHERE THE MONEY COMES FROM

	%	2013/14	%	2014/15	More / (Less)
		£m		£m	£m
Top Up payment	9.4%	20.8	9.9%	21.2	0.4
Local share of Business Rates	8.5%	18.9	9.0%	19.1	0.2
Revenue Support Grant	26.9%	60.4	23.0%	49.1	(11.3)
Council Tax	17.9%	40.3	18.6%	39.7	(0.6)
Sales Fees and Charges	16.6%	37.3	16.7%	35.7	(1.6)
Specific Grants	12.5%	28.1	13.1%	28.0	(0.1)
Other Local Authority and Health	6.5%	14.5	7.8%	16.7	2.2
Rent Income	1.8%	4.0	1.7%	3.7	(0.3)
Other	0.2%	0.4	0.0%	0.0	(0.4)
Total	100.0%	224.7	100.0%	213.2	(11.5)

Council Tax - The Council's performance at collecting Council Tax in 2014/2015 was 93.55% collected in the year compared to 93.4% the previous year.

Section 2 : Review of the Year and Summary Financial Information

WHERE THE MONEY GOES

		2013/14 restated		2014/15	More / (Less)
	%	£m	%	£m	£m
Outcome 1 -Economic Development	10.2%	23.1	9.7%	20.8	(2.3)
Outcome 2 - Supporting Communities	4.3%	9.8	2.9%	6.5	(3.3)
Outcome 3 - Improving Public Health	7.6%	17.3	8.6%	18.5	1.2
Outcome 4 - Learning & Skills	2.8%	6.5	3.0%	6.7	0.2
Outcome 5 - Safeguarding & Children's Care	13.4%	30.4	13.9%	29.9	(0.5)
Outcome 6 - Social Care	27.6%	62.0	29.6%	63.1	1.1
Outcome 7 - Environment, Property & Commercial Services	14.4%	32.5	13.7%	29.5	(3.0)
Outcome 8 - Finance & Investment	15.2%	34.1	13.3%	28.3	(5.8)
Outcome 9 - Organisation & Governance	4.0%	9.0	4.6%	9.9	0.9
Total	100.0%	224.7	100.0%	213.2	(11.5)

During 2014/2015 the Council realigned its management structure into 9 outcome areas as part of the Council's ongoing Change Programme . The 2013/2014 figures have been restated in line with this new Council management structure in order to enable comparisons to be made between the years.

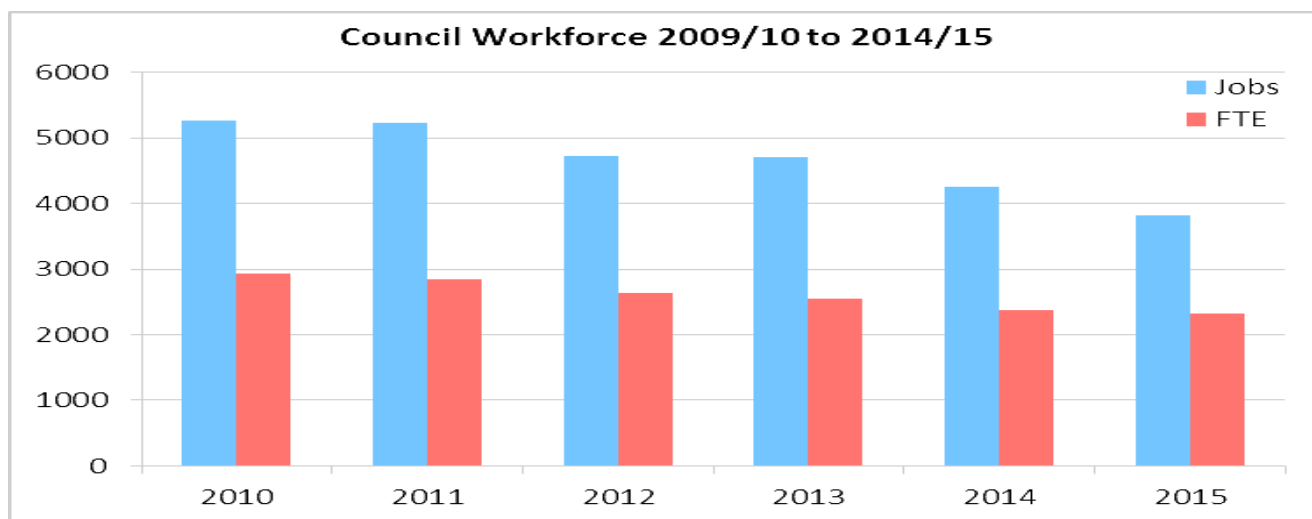
Section 2 : Review of the Year and Summary Financial Information

WHAT THE MONEY IS SPENT ON

		2013/14		2014/15	More / (Less)
	%	£m	%	£m	£m
Employee Costs	31.3%	70.4	28.9%	61.7	(8.7)
Premises	4.4%	9.9	3.8%	8.0	(1.9)
Transport	1.6%	3.6	1.4%	2.9	(0.7)
Supplies and Services	21.7%	48.7	21.3%	45.5	(3.2)
Third Party Payments	36.3%	81.7	38.8%	82.8	1.1
Capital Financing Costs	4.3%	9.7	4.7%	10.1	0.4
Contributions to Capital	0.0%	0.1	0.2%	0.5	0.4
Contribution to Reserves & Provisions	0.3%	0.6	0.8%	1.7	1.1
Total	100.0%	224.7	100.0%	213.2	(11.5)

Employee Costs - costs have continued to decrease because of the impact of the Change Programme review. A number of staff have left under the Early Retirement / Voluntary Redundancy (ER/VR) scheme. Note 42 provides details of the number and cost of exit packages agreed in 2013/2014 and 2014/2015.

The graph below provides details of the council's staff numbers from 2009/2010 to 2014/2015 set out both in terms of the numbers of staff employed and full-time equivalents (FTEs) in post. Over this period, staff numbers have fallen by 1,441 (27%) and FTEs by 613 (21%).



Third Party Payments - The majority of this expenditure relates to the provision of care provided by external organisations including children's fostering, children's residential, social care adults domiciliary and residential care.

The presentation of information is different between the Financial Report data and that reported in the Statement of Accounts. A reconciliation of the data is below.

Section 2 : Review of the Year and Summary Financial Information

Reconciliation of Income to Service Analysis	2013/14	2014/15	More / (Less)
	£m	£m	£m
Shown as 'where the money comes from' above	224.7	213.2	(11.5)
Income excluded from analysis			
Schools DSG Grant (note 30).	87.3	79.5	(7.8)
Other Schools Income	14.7	14.2	(0.5)
Benefits Grant Income (note 30)	81.0	81.5	0.5
Other minor amounts	14.4	7.4	(7.0)
Gross Income Value	422.1	395.8	(26.3)
Treated as 'Funding' in Services Reporting:			
Top up payment	(20.8)	(21.2)	(0.4)
Local share of Business Rates	(18.9)	(19.1)	(0.2)
Council Tax	(40.3)	(39.7)	0.6
Revenue Support Grant	(60.4)	(49.1)	11.3
Funding Value as noted in outturn figures above.	(140.4)	(129.1)	11.3
Income Reported by Services (note 41).	281.7	266.7	22.6

Section 2 : Review of the Year and Summary Financial Information

BALANCE SHEET

A summary of the Balance Sheet is shown in the next table. This is a snapshot at the end of the year and shows what the Council owns, is owed and owes to others and how these amounts are funded.

Balance Sheet	2014	2015	More / (Less)
	£m	£m	£m
What the Council Owns	506.6	533.8	27.2
What the Council is Owed	34.1	42.9	8.8
Total Assets of the Council	540.7	576.7	36.0
What the Council Owes	(267.2)	(309.8)	(42.6)
Council Reserves	273.5	266.9	(6.6)

What the Council Owns		2014	2015	More / (Less)
		£m	£m	£m
Operational Property Plant and Equipment	1	376.6	385.4	8.8
Community Assets	2	7.9	8.3	0.4
Assets under Construction	3	2.6	22.1	19.5
Assets Held for Sale	4	0.6	0.7	0.1
Heritage Assets	5	27.2	27.4	0.2
Investment Properties	6	60.7	73.4	12.7
Intangible Assets	7	1.2	3.7	2.5
Long and Short Term Investments	8	11.2	1.3	(9.9)
Cash and Cash Equivalents		14.0	9.8	(4.2)
Inventories		2.0	1.7	(0.3)
Other		2.6	0.0	(2.6)
Total		506.6	533.8	27.2

1 Operational Property, Plant and Equipment are assets owned by the authority which are used in the delivery of Council services. The value as at 31 March 2015 was £384.6 million an increase of £8.0 million from 31 March 2014. The land and buildings are revalued at least every five years as part of a rolling programme. There was a net increase of £3.4 million in the value of assets during 2014/2015. An increase in the location factor and the building cost index that are applied to assets valued on a Depreciated Replacement Cost (DRC) basis resulted in an increase of £38.8 million in the value of specialised assets which are valued on a DRC basis. Acquisitions and enhancements during the year totalled £16.8 million. This included capital investment on the Transporter Bridge (£2.3 million), ICT infrastructure, software and hardware (£5.1 million), schools (£3.8 million), roads/footways/lighting (£3.5 million) and vehicles (£1.9 million).

This was offset by a depreciation charge of £16.7 million and the reclassification of £8.0 million of assets from Property, Plant and Equipment to Investment Properties or Assets held for sale. Disposals of Property, Plant and Equipment during 2014/2015 totalled £27 million. This included the transfer of management and operation of MIMA to the University of Teesside (valued on the asset register at £13.9 million) and 3 Primary Schools transferred to Academy status (valued at £12.9 million), both under finance lease arrangements.

Section 2 : Review of the Year and Summary Financial Information

- 2 Community Assets** are assets that an authority intends to hold in perpetuity, that have no determinable useful life and which may, in addition, have restrictions on their disposal. e.g parks and allotments. Additions in year were £0.4 million.
- 3 Assets Under Construction** are assets being constructed by the authority which will be in the delivery of council services once completed. The authority spent £24.2 million on assets under construction during 2014/2015. This included the Middlesbrough Sports Village (£15 million), BOHO 5 (£3 million) and Teesside Advanced Manufacturing Park (£1.5 million). During the year, assets valued at £4.7 million were reclassified as Operational PPE as they became operational. This included £3 million relating to the running track based at the new Middlesbrough Sports Village which became operational in October 2014.
- 4 Assets held for sale** There was no change in the overall value during the year. Acklam Hall site was disposed of reducing the assets held for sale by £622,000. This was offset however by the reclassification of 1 Albert Terrace and the TAD Centre from PPE thus increasing the value of assets held for sale to £651,000.
- 5 Heritage Assets** are held by the authority principally for their contribution to knowledge or culture. The heritage assets held by the Authority include the art, books and artefacts collections either exhibited or stored in the local museums or MIMA art gallery. This category of assets increased in value during the year by £106,000 in respect of items donated.
- 6 Investment Properties** are primarily held to earn rentals or for capital appreciation. Disposals totalled £6.5 million and included the sale of the east side of the former Prissick Farm depot, part of the Nunthorpe Hall Farm site and the land adjacent to MTLC known as Beck View. During the year, there was a net upward revaluation of existing investment properties totalling £6.7 million. This included the upward revaluations of Newham Hall (£5 million) and Nunthorpe Grange Farm (£4.3 million). These sites had been identified for potential development which is now reflected in their valuations. The Hemlington Grange site also increased in value (£4 million) as the certainty of a sale for development increased. Sites which suffered a downward revaluation included the Council Car Parks (£2million). Assets valued at £8.1 million were reclassified as Investment Properties and subsequently reduced in value by £2.2 million once they were revalued on an Market Value Basis. The Council spent £3.6 million on Investment Properties including £2.3 million on the acquisition of properties in Inner Middlesbrough. The Gresham and St Hildas sites are valued as a clear site as these properties are in the process of being demolished as part of the Inner Middlesbrough regeneration project. This has resulted in a subsequent downward revaluation of £2 million.
- 7 Intangible Assets** are identifiable assets which lack physical substance, but which are controlled by the Authority and where the Authority benefits from the economic benefits and the service potential they provide. Movement in the year comprised of additions of £3.3 million (mainly IT systems and licences) less amortisation of £0.8 million.
- 8 Long and Short-term investments** (money invested in other local authorities, a variety of banks and building societies) has decreased by £9.9 million to £1.3 million. All investments, except one, matured during the year. The remaining investment matures in July 2015. The investments are made after evaluating cash flow and potential risks.

Section 2 : Review of the Year and Summary Financial Information

Capital

Details of the capital expenditure in the year is as follows

Types of Expenditure	Spending (£ m)	Percentage
Operational Property Plant and Equipment	17.2	27.5%
Community Assets	0.4	0.6%
Heritage Assets	0.0	0.0%
Assets under Construction	24.2	38.7%
Investment Properties	3.6	5.8%
Intangible Assets	3.3	5.3%
Capital Expenditure on Assets	48.7	77.9%
Long term loan funded under capital	6.0	9.6%
Revenue Expenditure funded under capital	7.8	12.5%
Total Capital Expenditure	62.5	100.0%

Operational Property Plant and Equipment. The Authority spent £6.8 million on infrastructure assets during 2014/2015 of which £2.8 million was on repairs to roads, footways and cycle routes and £2.3 million was on the Transporter Bridge and Gondolas. A further £3.8 million was spent on Schools, £1.2 million on new vehicles and £1.8 million on improvements to Libraries, Leisure Centres, Care Homes and Administrative Buildings. A further £1.7 million was spent on IT hardware.

Assets under Construction. The Council spent £24.2 million during 2014/2015 on Assets under Construction, with £17.5 million of the expenditure being on the Middlesbrough Sports Village, £3 million on BOHO 5 and £1.5 million on the new Teesside Advanced Manufacturing Park.

Investment Properties. The Council spent £3.6 million on its Investment Properties including £2.3 million on acquisitions and improvement of Inner Middlesbrough including Gresham and St Hildas . A further £600,000 was spent on the construction site at Middlehaven.

Intangible Assets are identifiable assets which lack physical substance, but which are controlled by the Authority and where the Authority benefits from the economic benefits and the service potential they provide. Expenditure in 2014/2015 totalled £3.3 million mainly on IT systems and licenses.

Revenue Expenditure funded from capital under statue is expenditure, which is classified as capital, but does not result in the creation of an asset owned by the Authority. Spending in 2014/2015 included £1.1 million on Schools that converted to Academy status and are no longer owned by the Authority, £2.4 million on the relocation of businesses from Middlehaven. £1.6million on the disabled facilities grants and adaptations.

Details of how the capital expenditure was funded are shown below.

Type of Funding	Spending (£ m)	Percentage
Grants	18.0	28.8%
Borrowing	7.6	12.2%
Other	36.9	59.0%
Total	62.5	100.0%

Section 2 : Review of the Year and Summary Financial Information

WHAT THE COUNCIL IS OWED

		2014	2015	More / (Less)
		£m	£m	£m
Short Term Debtors		33.5	36.2	2.7
Long Term Debtors		0.6	6.7	6.1
Total		34.1	42.9	8.8

Debtors (money owed to the council) tend to be higher at year end when a lot of external recharges are made. The year end balance has increased by £5.6 million between March 2014 and March 2015. The main reasons for this were that an annual payment of £3.5 million due from South Tees Clinical Commissioning Group was not received until after the year end, and there was a payment of £1 million due from Stockton Council in respect of the Tees Valley Bus Bid Grant allocation.

Long Term Debtors - relate to debtors with a maturity date in excess of 12 months, and includes £5.8 million relating to The Cleveland Mall (Holiday Inn)

WHAT THE COUNCIL OWES

		2014	2015	More / (Less)
		£m	£m	£m
Pension Liability	1	132.8	175.2	42.4
Loans to be repaid after next year	2	78.4	75.2	(3.2)
Creditors due next year	3	41.3	49.8	8.5
Provisions	4	5.8	5.2	(0.6)
Short Term Borrowing - Loans to be repaid next year	5	8.4	3.9	(4.5)
Other Long Term Liabilities	6	0.5	0.5	0.0
Total		267.2	309.8	42.6

1 The Pensions Liability figure within the annual accounts is prepared on an International Accounting Standard (IAS 19) basis. Under IAS 19, the Council is required to disclose the total value of all pension payments that have accumulated (including deferred pensions) at the 31 March each year. This value is made up of:

- a) The total cost of pensions that are being paid out to former employees who have retired.
- b) The total sum of the pension entitlements earned to date for current employees.

The accounting standard also requires all investments (assets) of the Pension Fund to be shown at their market value at 31 March each year. In reality, the value of such investments fluctuates in value on a day-to-day basis but this is ignored for the purpose of the accounting standard. Comparing the value of all future pension payments and the value of investments, as at 31 March, results in either an overall surplus or deficit for the Pension Fund. This is called the IAS 19 surplus or liability.

The Pension Liability increased by £42.4 million between 31st March 2014 and 31st March 2015, largely due to a lower discount rate of 3.2% (initially assumed to be 4.3%), which was partially offset by the reduction of 0.6% in the assumptions for pension and salary increases.

Section 2 : Review of the Year and Summary Financial Information

2 Long-term borrowing decreased by £3.2 million during 2014/2015.

3 Creditors is the amount of money owed by the Council to its suppliers and contractors, which totalled £49.8 million as at 31 March 2015 (£41.3 million as at 31 March 2014). Movements on creditor balances are principally due to timing differences in the processing of payments.

4 The Council has a number of **Provisions** set aside to cover the cost of known future liabilities. These include the Housing Pension Contribution Deficit, redundancy costs that have been approved in 2014/2015 but will be incurred in 2015/2016 and residual costs relating to the Mouchel ICT contract . Provisions held at 31 March 2015 totalled £5.2 million (see note 27 to the main statements).

5 Short term borrowing is the outstanding loans which will be repaid in the next twelve months.

6 Other Long Term Liabilities is deferred lease income under IAS 17.

COUNCIL RESERVES

Council Reserves	2014	2015	More / (Less)
	£m	£m	£m
Schools	6.2	6.6	0.4
Usable Reserves	64.5	70.4	5.9
Unusable Reserves	202.9	189.9	(13.0)
Total	273.6	266.9	(6.7)

Schools - There was a £500,000 drawdown from school reserves as a result of three schools converting to academy status during 2014/2015. However this was offset by a £900,000 saving on delegated schools revenue spending. Total Schools' balances stood at £6.6 million as at 31st March 2015.

Usable Reserves

The financial statements set out details of the Council's earmarked reserves, which are another essential tool to manage risk exposure and smooth the impact of major costs. Details of the Council's earmarked reserves can be found in Notes 32, 34 and 35 in the Accounting Statements. Current usable reserves total £77 million and the main usable reserves are:

Capital Grants Unapplied Reserve (£7.2 million);

Capital Receipts Reserve (£13.1 million);

Change Fund including Early Retirements and Voluntary Redundancies (£3.7 million);

Insurance Fund reserves to manage claims and other corporate risks (£1.3 million);

Demand led pressures in Adults and Children's Social Care (£2.0 million).

Revenue Grants Unapplied (£8.5million)

The Council has achieved a net revenue saving of £5.8m in 2014-15. This has resulted in an increase in General Balances from £9.6m as at 31st March 2014 to £15.4m as at 31st March 2015.

The level of the reserves is consistent with the overall financial environment and the key financial risks faced by the Council. There remain, however, significant pressure/risk issues, which reflect the routine reality of the complexity of the Council's financial operations – in particular in relation to Children's Services and Adult Social Care, which will continue to require close monitoring during the year. The Council is planning for further cuts in government revenue grants next year and beyond. In this context, the reserves are always looked at closely and no more is held in the medium term other than what is needed but equally the Council is prudent in setting aside money for new risks and major commitments.

Section 2 : Review of the Year and Summary Financial Information

Unusable Reserves

Unusable reserves are reserves that are not cash backed. They include the Asset Revaluation Reserve (£90.4 million) and the Capital Adjustment Account (£277.4 million). The Capital Adjustment Account reflects the difference between the cost of fixed assets consumed, and the capital financing set aside to pay for them.

Municipal Mutual Insurance (MMI)

The fund remains exposed under the terms of the Municipal Mutual Insurance Scheme of Arrangement to, providing a 15% contribution to all claim settlements made relating to losses failing to be covered by Municipal Mutual policies, which provided insurance until 1992.

TEESSIDE PENSION FUND ACCOUNTS

During the last twelve months, equity and bond markets performed strongly again, with some indices finishing the year at all-time highs. Equity markets were volatile again as investors dealt with the US ending their quantitative easing (QE) programme and market rumours abound of increasing interest rates, the European Central Bank embarking on a full programme of QE following Greek elections, the Swiss discontinuing their currency peg to the Euro, and Japan resuming their QE programme.

Strength in bond markets continued with some Governments, such as Switzerland, able to issue bonds with negative interest rate. In other words, you pay them for owning their bond. The divergence in monetary policies between the US, looking to tighten monetary policy and raise interest rates, and the Eurozone and Japan, loosening monetary policy through QE also caused the US Dollar to strengthen against other major currencies.

The other big financial story of the year was the rapid demise of the oil price. The price of Brent Crude fell from over \$100 a barrel to \$55 at 31 March 2015. The financial performance of the Fund for the year to 31 March 2015 was positive. The Fund's value rose to £3,244 million, an increase over the year of £195 million. The rise was due to strong equity and property markets.

The membership of the Fund continues to increase, with total membership at the year end now standing at 68,054, an increase of 1,528 over last year. The number of active members has decreased by 1,168 (4.9%) over the year, and decreased by 7.3% over the past five years. The number of pensioners increased by 411 (2.0%) over the year, and increased by 14.2% over the past five years. The number of deferred members increased last year by 2,285 (10.3%), and increased by 31.2% over the past five years. Where a member retires early there is a cost to the Fund arising from the fact that Contributions are no longer being received for the member, and a Pension is drawn earlier than the Actuary had assumed. It is the policy of the Fund to recharge the actuarial cost of these retirements to the employers. This policy has the advantage that the Fund recovers the cost of an early retirement at the outset. For the employer the advantages are twofold;

- 1 the impact of retirement decisions is transparent; and
- 2 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 received over £5.5 million from these early retirement recharges, up on last year figure of £4.8 million, an 14% increase on last year.

Section 2 : Review of the Year and Summary Financial Information

Every three years the Fund actuary, AON Hewitt, carries out a full actuarial valuation of the Fund. The purpose of this was to calculate how much employers in the scheme need to contribute going forward to ensure that the Fund's liabilities, the pensions due to current and future pensioners, will be covered. Unlike most other Public Sector schemes the Local Government Scheme is a funded scheme. That means there is a pool of investments producing income which meet a significant part of the liabilities. The actuary calculates to what extent the Fund's assets meet its liabilities. This is presented as a Funding Level. The aim of the Fund is to be 100% funded, and at the last valuation the actuary was able to declare a funding level of 100%. This allowed many of the employers in the Fund to decrease the amount of their contribution for the next three years, releasing money for front-line services. The next valuation is due to be carried out in March 2016.

Section 3: 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 Chief Finance Officer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the statement of accounts

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/ LASAAC Code of Practice on Local Authority Accounting (the Code).

In preparing the statement of accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also;

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

Certificate

I certify that the statement of accounts present a true and fair view of the financial position of the authority at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.



Paul Slocombe
Chief Finance Officer:
Date 26th June 2015

Councillor Peter Purvis
Chair, Corporate Affairs & Audit Committee:
Date **th September 2015

Independent Auditors' Report To The Members Of Middlesbrough Council

Opinion on the Authority Statement of Accounts

We have audited the accounting statements of Middlesbrough Council ("the Authority") for the year ended 31 March 2015 under the Audit Commission Act 1998. The accounting statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement and the related notes 1 to 51, and Collection Fund Income and Expenditure Accounts and the related notes 1 to 4. These 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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 Chief Finance Officer and auditors

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. Our responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. We read all the information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent Auditors' Report To The Members Of Middlesbrough Council

Opinion on accounting statements

In our opinion the accounting statements:

- give a true and fair view of the state of Middlesbrough Council's affairs as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which we report by exception

We have nothing to report in respect of the governance statement on which we report to you if, in our opinion, the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Opinion on the pension fund accounting statements

We have audited the pension fund accounting statements for the year ended 31 March 2015 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 27. These 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 Audited Bodies published by the Audit Commission in March 2010. 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 Chief Finance Officer and auditors

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the pension fund'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.

Independent Auditors' Report To The Members Of Middlesbrough Council

Our responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the fund; and the overall presentation of the accounting statements. We read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounting statements

In our opinion the pension fund's accounting statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2015 and the amount and disposition of the fund's assets and liabilities as at 31 March 2015; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Conclusion on Authority's 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 to review regularly the adequacy and effectiveness of these arrangements.

Independent Auditors' Report To The Members Of Middlesbrough Council

Auditors' responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, Middlesbrough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Independent Auditors' Report To The Members Of Middlesbrough Council

Delay in certification of completion of the audit

We are required to give an opinion on the financial statements of the pension fund included in the Pension Fund Annual Report of Teesside Pension Fund. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December 2015. As the authority has not yet prepared the Annual Report we have not yet been able to read the other information to be published with those financial statements and we have not issued our report on those financial statements. Until we have done so, we are unable to 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.

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Chis Powell
for and on behalf of Deloitte LLP
Appointed Auditor
Leeds, United Kingdom
** September 2015

Section 4 : Main Statement of Accounts

Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2015						
Prior Year			Current Year			
Gross Expenditure £000	Gross Income £000	Net Expenditure (Income) £000	Cost of Services by Service Area	Note	Gross Expenditure £000	Gross Income £000
Net Expenditure (Income) £000						
3,897	(3,278)	619	Central Services to the Public		3,955	(3,293)
18,638	(6,209)	12,429	Cultural and Related Services		18,713	(5,797)
19,409	(6,878)	12,531	Environmental & Regulatory Services		18,062	(5,222)
8,450	(2,650)	5,800	Planning Services		7,924	(6,271)
161,183	(113,272)	47,911	Education and Children's Services		142,565	(104,989)
19,849	(6,680)	13,169	Highways and Transport Services		20,961	(6,648)
86,177	(84,869)	1,308	Other Housing Services		86,612	(85,764)
71,904	(21,075)	50,829	Adult Social Care		70,303	(25,548)
16,063	(18,466)	(2,403)	Public Health		17,164	(17,031)
405,570	(263,377)	142,193	Total Cost of Direct Services		386,259	(260,563)
4,124	(20)	4,104	Corporate and Democratic Core		4,857	(35)
2,393	0	2,393	Non Distributed Costs	2	2,016	0
412,087	(263,397)	148,690	Total Cost of Services		393,132	(260,598)
		24,902	Other Operating Income & Expenditure	3		
		10,165	Financing and Investment Activities	4		1,656
		(150,586)	Taxation and Non - Specific Grants	5		(145,733)
		33,171	Deficit on the provision of services transferred to the General Fund			15,088
		(34,428)	Actuarial (Gains) / Losses on Pension Fund charged to Pensions Reserve.	28		
		(13,070)	Revaluation (increases) / decreases to Land & Buildings recognised in the Revaluation Reserve.	6		(45,570)
		1,601	Depreciation written out to the Revaluation Reserve.	6		1,235
		(771)	Revaluation (increases) to Heritage Assets recognised in the Revaluation Reserve.	9		0
		(46,668)	Total Other Comprehensive Income & Expenditure			(8,531)
		(13,497)	Total Comprehensive Income and Expenditure			6,557

None of the items included as Other Comprehensive Income and Expenditure are expected to be subsequently be reclassified to the surplus or deficit on the Provision of Services.

Section 4 : Main Statement of Accounts

The day to day budget monitoring arrangements of the Council are based around its own organisational structure and are different to both the statutory and Service Reporting Code of Practice (SeRCOP) requirements. The main difference between the Council's management accounts and the published statutory accounts are as follows:

Capital Depreciation Charges:

In the Comprehensive Income and Expenditure Statement the Council is required to ensure that each service reflects a depreciation charge for the assets they use (land, buildings, plant and machinery etc.).

Revenue Expenditure Funded by Capital Under Statute (REFCUS) Charges:

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the I&E in the year.

Transfers To and From Reserves:

Transfers into and out of expenditure funded from reserves, are not considered part of the net cost of services and are therefore not reflected at all within the income and expenditure account.

Central Support Services:

Under SeRCOP, the costs of corporate services that are provided to front line services and an allocation of certain central expenses have to be included as service costs rather than central 'corporate' costs. Such services and costs include Finance, Legal, Human Resources, IT, Payroll, Creditors, Debtors, Performance & Policy, Audit etc.

Employer's Pension Fund Contributions:

Accounting for retirement benefits (IAS19) requires that employer's contributions to pension schemes, reflected in service accounts should only consist of 'current service' costs. As the actual contributions made to the Pension fund by the Council include an element of back funding to recover any previous pension scheme deficit, the service expenditure figures reported in the Statement have to be adjusted to reflect the current service costs as calculated by the fund actuary.

In addition the income and expenditure account includes as part of operating expenditure the net impact of the notional return on the pension fund assets and the increase in accrued future pension liabilities, the Middlesbrough Council elements.

Other Differences:

Other transactions such as interest earned and paid, precept payments to Cleveland Police and Crime Commissioner/ Cleveland Fire Brigade / Parish Councils and trading units are not considered as part of the net cost of services and are required to be shown as separate items in the section below the service expenditure totals in the comprehensive income and expenditure statement.

A reconciliation between the management accounts and the Income & Expenditure statement is shown in note 41.

Section 4 : Main Statement of Accounts

Balance Sheet at 31 March 2015

At 31 March 2014 £000		Note	At 31 March 2015 £000
	Long Term Assets		
388,293	Property, Plant & Equipment	6	415,904
27,276	Heritage Assets	9	27,382
60,707	Investment Properties	11	73,467
1,219	Intangible Assets	16	3,726
1,323	Long Term Investments	18	309
617	Long Term Debtors	19	6,652
479,435	Total Long Term Assets		527,440
	Current Assets		
11,191	Short Term Investments	20	1,003
622	Assets held for sale	17	651
2,007	Inventories	23	1,667
33,526	Short Term Debtors	24	36,221
14,012	Cash and Cash Equivalents	25	9,790
61,358	Total Current Assets		49,332
	Current Liabilities		
(8,423)	Short Term Borrowing	20	(3,924)
(41,294)	Short Term Creditors	26	(49,816)
(2,619)	Provisions	27	(2,289)
(52,336)	Total Current Liabilities		(56,029)
	Long Term Liabilities		
(3,164)	Provisions	27	(2,909)
(78,424)	Long Term Borrowing	20	(75,187)
(132,817)	Pension Liability	28	(175,159)
(499)	Other Long Term Liabilities	20	(493)
(214,904)	Total Long Term Liabilities		(253,748)
273,553	Net Assets		266,995
	Reserves		
70,683	Usable Reserves	32	76,972
202,870	Unusable Reserves	35	190,023
273,553	Total Reserves		266,995

Section 4 : Main Statement of Accounts

Movement in Reserves Statement									
	General Fund £000	Earmarked General Fund Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total usable Reserves £000	Unusable Reserves £000	Total Reserves £000		
Movement in Reserves for the Year Ended 31 March 2015									
Balance at 1 April 2014	9,633	29,971	19,492	11,587	70,683	202,870	273,553		
Deficit on provision of services transferred to the General Fund (accounting basis).	(15,088)	0	0	0	(15,088)	0	(15,088)		
Other Comprehensive Income and Expenditure	0	0	0	0	0	8,531	8,531		
Total Comprehensive Income and Expenditure	(15,088)	0	0	0	(15,088)	8,531	(6,557)		
Adjustments between accounting basis & funding basis under regulations -note 40.	32,193	0	(6,430)	(4,387)	21,376	(21,376)	0		
Increase / (Decrease) before transfer to Earmarked Reserves	17,105	0	(6,430)	(4,387)	6,288	(12,845)	(6,558)		
Transfer (to) / from Earmarked Reserves - note 34	(11,300)	11,263		37	0	0	0		
Increase / (Decrease) in the year ended 31 March 2015	5,805	11,263	(6,430)	(4,350)	6,288	(12,845)	(6,558)		
Balance at 31 March 2015	15,438	41,234	13,062	7,237	76,972	190,024	266,995		

Section 4 : Main Statement of Accounts

Movement in Reserves Statement							
	General Fund	Earmarked	Capital	Capital	Total	Unusable	Total
	£000	£000	Receipts	Grants	usable	Reserves	Reserves
			Reserve	Unapplied	Reserves	Reserves	Reserves
			£000	Reserve	£000	£000	£000
Movement in Reserves for the Year Ended 31st March 2014							
Balance at 1 April 2013	6,035	25,119	16,348	16,430	63,932	196,124	260,056
Deficit on provision of services transferred to the General Fund (accounting basis).	(33,171)	0	0	0	(33,171)	0	(33,171)
Other Comprehensive Income and Expenditure	0	0	0	0	0	46,668	46,668
Total Comprehensive Income and Expenditure	(33,171)	0	0	0	(33,171)	46,668	13,497
Adjustments between accounting basis & funding basis under regulations -note 40.	41,426	0	3,144	(4,648)	39,922	(39,922)	0
Increase / (Decrease) before transfer to Earmarked Reserves	8,255	0	3,144	(4,648)	6,751	6,746	13,497
Transfer (to) / from Earmarked Reserves -note 34.	(4,657)	4,852	0	(195)	0	0	0
Increase / (Decrease) in the year ended 31 March 2014	3,598	4,852	3,144	(4,843)	6,751	6,746	13,497
Balance at 31 March 2014	9,633	29,971	19,492	11,587	70,683	202,870	273,553

Section 4 : Main Statement of Accounts

Cash Flow Statement for the Year ended 31 March 2015			
Year to 31 March 2014			Year to 31 March 2015
£000		Note	£000
(33,171)	Deficit on provision of services transferred to the General Fund		(15,088)
	Adjustment for items not affecting cash flow		
16,153	Depreciation of Property Plant and Equipment (PPE)	6	16,750
559	Amortisation of Intangible Assets	16	783
5,160	Impairments to PPE	6,9	1,952
912	Impairments to Assets held for sale	17	2,308
(2,025)	Fair Value gain on Investment Properties	11	(7,692)
(883)	Donated PPE and Heritage Assets	6,9	(492)
0	Donated Investment Properties	11	0
0	Impairment on Long Term Intangibles		0
0	Write down of Long Term Investments		0
29,386	NBV on Disposal of non current assets	6, 9,11,17	35,984
1,036	Difference between Current Service Cost and Contributions made to the Pension Scheme	28	(80)
7,854	Impact of Changes to Actuarial Assumptions applied to the Pension Scheme Deficit	28	6,618
-	Release of Revenue and Grants Received in Advance (net)		0
564	Movement in Provisions		(585)
25,545	Surplus on provision of services after non cash adjustments		40,458
	Adjustments for items that are Financing or Investing Activities		
(4,301)			(8,347)
	Other operating Cashflows		
(444)	Cash absorbed by the reduction in creditors		3,229
5,550	Cash absorbed by the increase in debtors		(8,730)
104	Cash absorbed by the increase in inventory		340
26,454	Net cash flow from operating activities		26,950
(11,644)	Investing Activities	36	(23,436)
(12,831)	Financing Activities	37	(7,736)
1,979	Net increase /(decrease) in cash and cash equivalents		(4,222)
12,033	Cash and Cash Equivalents at the start of the period	25	14,012
14,012	Cash and Cash Equivalents at the end of the period	25	9,790

Section 5: Notes to the Main Statements

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Section 5 : Notes to the Main Statements

Note 1. Basis of Accounting and Significant Accounting Policies, Judgements and Estimates

Basis of Accounting.

The Statement of Accounts summarises the Authority's transactions for the 2014/2015 financial year and its position at the year end of 31st March 2015.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2014/2015 (the Code) and the Service Reporting Code of Practice 2014/2015 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounting conventions adopted are principally as follows :

- The Accounts have been prepared using the going concern concept, on the assumption that the Council, its functions and services will continue in operational existence for the foreseeable future.
- Values applied relate primarily to historical cost modified by the revaluation of land and buildings and investment properties.
- The accounts have been prepared using the accruals basis of accounting such that transactions are recorded on the basis of when they fall due and not when settled in cash.
- VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Section 5 : Notes to the Main Statements

Accounting Developments and Changes in the Year

Accounting for Schools - Balance Sheet Recognition of Schools

The Council recognises the land and buildings used by the schools in line with the provisions of The Code. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises the schools land and buildings on its Balance Sheet where it directly owns the assets, the school or school Governing Body own the assets, or rights to use the assets have been transferred from another entity.

Below is a table showing the different type of schools within the Borough:-

Type of School	No of Primary Schools	No of Secondary Schools	No of Special Schools	Total
Community	11	1	4	16
Voluntary Aided (VA)	11	1	0	12
Foundation Trust	7	0	0	7
Maintained Schools	29	2	4	35
Academies <small>(not under the control of the Council)</small>	12	5	0	17
Total	41	7	4	52

All Community schools are owned by the Council and the land and buildings used by the schools are included on the Council's Balance Sheet. For Foundation schools the Governing Body has control of the assets, and these are included in the Council's Balance Sheet. Legal ownership of the VA schools land and buildings rests with the relevant Dioceses, and have not transferred to the schools, and are not included in the Council's Balance Sheet.

Schools Transferring to Academy Status and Voluntary Controlled Schools

Due to the conversion of authority led community schools to independent Academy status, £12.9 million has been removed from the balance sheet during the year. In 2014/2015 3 schools converted to Academy status:- Easterside Primary, Green Lane Primary, and Kader Primary. The school reserves relating to these 3 schools totalling £535,552 has been written out of the authority's books and passed across to the newly formed academies. In 2015/2016 there are more authority controlled community schools expected to gain academy status. Foundation Schools are similar to Voluntary Controlled schools, in that they are a type of maintained school in that they are funded through Central Government via the Local Authority. All capital and running costs are met by the Government.

Section 5 : Notes to the Main Statements

Business Rates Retention Scheme

The administration of National Non-Domestic Rates (NNDR) changed in 2013/2014 following the introduction of the Business Rates Retention Scheme. Retained Business Rate and Top Up income will be treated as accrued income for the year in the Comprehensive Income & Expenditure Statement. Under the scheme local authorities retain a proportion of the total collectable rates due. The aim of the scheme is to give Council's an incentive to grow businesses but it also increases the financial risks due to the potential non-collection of rates due. Under the regulations of the scheme, Business Rates surpluses/deficits are apportioned to the relevant precepting bodies in the subsequent financial year. During the year the Council retained income totalling £41.6 million from the Rates Retention Scheme.

Content and Presentation of Financial Information

Following on from the changes in presentation introduced in the 2012/2013 Annual Report, the Council has continued to review the content of the Accounts in conjunction with its Auditors and the Financial Reporting Standards Board ('FRSB') agenda on cutting clutter in order to better present information relating to financial performance. The accounts remain fully compliant with all relevant reporting requirements.

Accounting Policies applied to Significant Activities or where significant judgement or estimate has been applied.

The Council is required to adopt accounting policies that are appropriate to the activities it engages in. The policies applied by the Council remain unchanged from year to year subject only to the introduction of new requirements in accounting practices or significant changes to activities undertaken. The accounting policies applied to significant activities or where significant judgement or estimate has been applied are as follows;

Recognition of Income and Expenditure

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the grant will be received and all conditions associated with the grant will be satisfied.

Amounts recognised as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors.

When all conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income (non- ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

All other income amounts are recognised on an accruals basis reflecting the date the service is provided.

Expenditure in relation to goods or services received (including services provided by employees) are recorded as expenditure when the goods or services are consumed.

Where income or expenditure has been recognised but cash has yet to transfer this is held on the balance sheet as a debtor or creditor respectively.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument.

Allocation of Income and Expenditure to Services

Where possible, income and expenditure is allocated to Services on a direct basis (e.g. employees working in that service or income generated from that service's activities.) Overheads and support services are shared between service areas in proportion to the benefits received using criteria considered to be the most appropriate to the cost (e.g. staff numbers are used to allocate Human Resource costs).

Section 5 : Notes to the Main Statements

Comprehensive Income and Expenditure Account and the General Fund

The surplus or deficit on provision of services reported in the Comprehensive Income and Expenditure Statement is transferred to the General Fund. Amounts are then transferred to and from the General Fund under statutory provisions or to set aside specific amounts for future policy purposes or to cover contingencies. These amounts are shown in the Movement in Reserves Statement.

Amounts appropriated under Statutory Provisions

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution (Minimum Revenue Provision) in the General Fund, by way of an adjusting transaction to the Capital Adjustment Account through the Movement in Reserves Statement.

The written-off value of asset disposals is appropriated to the Capital Adjustment Account.

Amounts received for an asset sale in excess of £10,000 (or £5,000 for Investment Properties and intangible assets) are categorised as capital receipts and credited to the Capital Receipts Reserve. Amounts in the Capital Receipts Reserve can then only be used to fund new capital investment (or be set aside to reduce the Authority's underlying need to borrow).

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year (REFCUS). Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer from the General Fund to the Capital Adjustment Account is made to reverse the amounts charged so there is no impact on the level of Council Tax.

Capital grant values included in the Comprehensive Income and Expenditure Statement for which capital expenditure has been incurred are transferred to the Capital Adjustment Account.

Capital grant values included in the Comprehensive Income and Expenditure Statement for which capital expenditure has not yet been incurred are transferred to the Capital Grants Unapplied Reserve until such time that capital expenditure is incurred at which time the expenditure is transferred to the Capital Adjustment Account.

Statutory provisions require the General Fund balance is only charged with the amount payable by the Authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. Accordingly, amounts charged and credited in determining the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement are replaced with amounts actually paid to the pension fund via an appropriation to the Pensions Reserve for the difference.

Section 5 : Notes to the Main Statements

Amounts set aside

The Authority sets aside specific amounts as reserves for future liabilities or to cover contingencies by transferring amounts out of the General Fund to Earmarked Reserves. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service and transferred back into the General Fund. Amounts set aside and transferred back are shown in the Movement in Reserves Statement.

Property, Plant and Equipment

Assets that have physical substance and are used in the production or supply of goods or services, or for administrative purposes and that are expected to be held for more than one financial year are classified as Property, Plant and Equipment.

Recognition and Componentisation

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised provided that it exceeds a de minimus level of £5,000. Expenditure that is below the de minimus or maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense.

Componentisation acknowledges that some assets are made up of different parts and that sometimes these parts have differing useful economic lives and should therefore be depreciated over different periods.

Depreciating assets are subject to componentisation provided their individual carrying value is above 0.25% of the total carrying value of its asset class (Land and Buildings) and any component part identified is at least 20% of the individual asset cost.

Measurement

Purchased assets are initially measured at cost (usually the purchase price). Borrowing costs incurred whilst assets are under construction are not included in cost.

Donated assets are initially measured at fair value with the difference between fair value and any consideration paid being credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Property plant and equipment is then carried using the following measurement bases:

- Land and Buildings are carried at fair value. Fair value is determined as the amount that would be paid for the asset in its existing use (existing use value - EUV) for assets for which there is an active market (e.g. offices) and Depreciated Replacement Cost (DRC) for assets for which there is not an active market (e.g. schools). They are revalued regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years.
- Infrastructure and Community Assets and Assets under Construction are valued at depreciated historical cost.
- All other assets are carried at depreciated historical cost as a proxy for fair value.

Where assets are carried at fair value the treatment of changes to the valuation are accounted for as follows:

- Increases in valuations are generally credited to the Comprehensive Income & Expenditure Statement as 'Other Comprehensive Income & Expenditure' and matched by an increase to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains will be credited to the Comprehensive Income and Expenditure Statement as a reduction in service cost if they arise from the reversal of a loss previously charged to a service.
- Decreases in valuations (up to the amount of any previously accumulated gains specific to that asset) are charged to the Comprehensive Income & Expenditure Statement as 'Other Comprehensive Income & Expenditure' and matched by a reduction to the Revaluation Reserve. Where the balance in the Revaluation Reserve is insufficient to absorb the decrease the remaining amount is charged against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Section 5 : Notes to the Main Statements

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Impairment losses are treated in the same way as downward revaluations for the purposes of allocating between the Revaluation Reserve and the Comprehensive Income and Expenditure Statement.

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

Discontinued Use

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Depreciation and Amortisation

Depreciation is provided on all assets identified as property, plant and equipment and amortisation on intangible assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land), community assets and assets that are not yet available for use.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Depreciation and amortisation is calculated on opening balances based on a straight line allocation over the estimated useful life of the underlying asset as follows:

- | | |
|--|---------------|
| • Buildings (as estimated by the Valuer) | 40 - 50 Years |
| • Vehicles, plant, furniture and equipment | 3 - 15 Years |
| • Infrastructure Assets | 5 - 40 Years |
| • Intangible Assets | 4 Years |

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

Section 5 : Notes to the Main Statements

Post Employment Benefits (Pensions)

Employees of the Authority are members of one of two separate pension schemes:

- The Local Government Pension Scheme, administered by Middlesbrough Council.
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department of Education (DfE)

Both Schemes provide defined benefits to members (retirement lump sums and pensions), on the basis of years of service and salaries earned as employees working for the Council.

However, the arrangements for the Teachers' Pension Scheme are such that the liabilities for the benefits cannot be identified specifically to the Council so the scheme is accounted for as a defined contribution scheme with the assets and liabilities of the scheme excluded from the Council's Balance Sheet and only the value of actual contributions made being charged to the Comprehensive I & E Statement.

The Local Government Pension Scheme is accounted for as a defined benefit scheme. Accordingly, the net liabilities of the Scheme attributable to the Council (as determined annually by the Scheme's actuary) are included in the Council's Balance Sheet.

Liabilities are determined using the projected unit method. This is an assessment of the likely future payments that will be made in relation to retirement benefits earned to date by employees. Estimates are based on assumptions including retirement profiles, mortality rates and projected earnings for current employees. Estimated liabilities are then discounted to their value at current prices, using a discount rate based on the rate of return on high quality corporate bonds. which has been chosen to meet the requirements of IAS19.

The assets of the Scheme attributable to the Council are included in the Balance Sheet at their fair value as follows:

- quoted securities - at current bid price
- property - at market value

The change in the scheme's net liability from the previous year is analysed as follows:

Charged in the Comprehensive Income and Expenditure Statement

- *Charged to Services*
current service cost - the increase in liabilities as a result of additional service earned in the year.
- *Charged as Non Distributed Costs*
past service cost - the increase in liabilities arising from current year decisions whose effect relates to the years of service earned in earlier years.
gains or 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.
- *Charged as Financing and Investment Income and Expenditure*
interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid.
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.
- *Charged as Other Comprehensive Income and Expenditure*
actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.
- *Charged to the Pension Reserve*
contributions paid - cash paid as employer's contributions to the pension fund in the year.

Section 5 : Notes to the Main Statements

Sensitivities, Accounting Estimates and Critical Judgements

Economic Climate

The Government's austerity measures continue to have a significant impact on the Council's finances. Fundamental change to the way the Council operates is required if it is to meet the challenges presented by unprecedented public spending cuts, increasing costs, and growing demand for services. The Council's "Change Programme" has now moved to the implementation phase, and a re-construction in budget activity for 2014/2015 was required to meet the then budget gap of £22 million. A series of mitigating actions were agreed that reduced the gap by £7 million together with 40 saving initiatives that addressed the remaining £15 million.

Employer's Pension Liability

The accounting disclosure requirements for Local Authorities pension obligations are set out in International Accounting Standard (IAS) 19. The Council uses a firm of actuaries to calculate these figures as they involve making a number of complex judgements with regard to future events including the rate of increase in salaries, mortality rates, changes in the discount rate and the expected return on equity investments. Results under IAS 19 can change dramatically depending upon the prevailing market conditions leading to volatility on the net pension asset on the Council's balance sheet and the pension expense in the Comprehensive Income & Expenditure Statement.

Teachers' Pension Scheme

The Teachers' Pension scheme is a defined benefit scheme but is accounted for as a defined contribution scheme with the assets and liabilities of the scheme excluded from the Council's Balance Sheet and only the value of actual contributions made being charged to the Comprehensive Income & Expenditure Statement. It is not possible to estimate the net asset value of the scheme that would be included in the accounts if the scheme was accounted for as a defined benefit scheme.

Investment Properties

Investment Properties are held in the Accounts at fair value which is based on an assessment of market values. Clearly the fair value can only be an estimate until a property is marketed for sale. Investment Properties are generally held for the long term so any testing of market values can only be done by comparison with similar properties that have recently been sold.

Depreciation

Depreciation and amortisation cost is dependent on an assessment of the useful lives of the individual elements that make up the asset portfolio. This ranges from properties used in the delivery of services to vehicles and IT equipment. However, given that the significant majority of the depreciated cost is vested in land and buildings with long estimated lives, the potential impact on the Accounts of an inaccurate estimate in any one year is significantly reduced.

Business Rates Retention Scheme

The Business Rates Retention Scheme was introduced with effect from 1st April 2013. The main aim of the scheme is to incentivise Councils to encourage business growth as Local Authorities can now retain a share of any NNDR account surplus. However if NNDR income declines, Local Authorities are liable to fund a share of any deficit. Middlesbrough's share of any deficit or surplus is 49%, Central Government has a 50% share and the Cleveland Fire Authority has a 1% share. The volatility of the NNDR tax base and collection rates means that the introduction of the scheme has significantly increased the financial risk to the Council.

Under the new regulations, Councils are now liable for a proportionate share of successful appeals against the level of rates chargeable to businesses. The Council has not made any further provision in the 2014/2015 Collection Fund accounts for the anticipated liability for successful appeals using the Valuation Office's rating list of appeals. At 31 March 2015 the provision for appeals made in the Collection Fund stands at £4.0 million - of which Middlesbrough's share is £1.960 million.

Section 5 : Notes to the Main Statements

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP).

The total absorption costing principle is used with the full cost of overheads and support services being shared

- Corporate and Democratic Core - costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs - the costs of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are charged with the following amounts to record the cost of holding non current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by services where there are no previously accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible fixed assets attributable to the service.

Employee Benefits

Benefits Payable During Employment

An accrual is made for the cost of benefits earned by employees during the period but carried forward to the next period (e.g. untaken holidays). The accrual is charged to the appropriate service but balanced with a credit to the Accumulated Compensated Absences Adjustment Account.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate a staff member's employment before the normal retirement date or a decision by a staff member to accept voluntary redundancy. Termination benefits are charged as Non Distributed Costs in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment or makes an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amount payable but unpaid at year end.

Heritage Assets

Heritage Assets are assets that are not used for the delivery of services but are instead assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Heritage Assets are included in the balance sheet at a valuation considered appropriate and relevant to the specific asset. They are recognised, measured and subject to impairment in accordance with the Council's accounting policies on property, plant and equipment.

Section 5 : Notes to the Main Statements

Investment Properties

Investment properties are those that are held solely to earn rentals and / or for capital gain. Investment properties are not depreciated, they are recorded in the balance sheet initially at cost. They are subsequently measured at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Changes in valuation are charges or credited to Financing and Investment Activities in the Comprehensive Income and Expenditure Statement.

Financial Instruments

Financial Instruments are any contract giving rise to a financial asset in one organisation and a financial liability in another organisation. This covers investments, cash, debtors, creditors, accruals, loans, derivatives and guarantees. For the Council these generally take the form of loans or similar borrowings and lendings. Gains and losses are separately identified on the Comprehensive Income and Expenditure Statement in accordance with IAS 32 Financial Instruments Presentation.

Financial Liabilities (Borrowing)

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

Interest payable is determined as the difference between the initial fair value and cash amounts to be repaid over the life of the instrument and is allocated to accounting periods in equal instalments.

Financial Assets (Cash balances and Investments)

The Council holds Financial assets that are classified as loans and receivables in that they have fixed or determinable payments but are not quoted in an active market.

Loans and receivables are recognised when the Council becomes party to the contractual provisions of a financial instrument. They are initially measured at fair value and are subsequently carried at their amortised cost.

Interest receivable is determined as the difference between the initial fair value and cash amounts to be recovered over the life of the instrument and is allocated to accounting periods in equal instalments.

Leases

IAS 17 - Leases identifies two classes of leases. Finance leases are where substantially all of the risks and rewards of ownership pass to the lessee. All other leases are classified as operating leases.

The Council as Lessee

Finance Leases

The Council no longer has Property, Plant and Equipment held under finance leases.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

The Council has granted long term leases of 125 years, in respect of MIMA, and Academy Schools under finance lease arrangements, where substantially all of the risks and rewards have passed to the lessees and rental is peppercorn. The CIPFA Code of Practice Guidance for 2014/15 states that where no premium is payable, as in the case of MIMA, a peppercorn rent is likely to be evidence of indifference on the part of the lessor to the risks and rewards of ownership, also indicating a finance lease if the term is for a major part of the economic life of the asset. As the lease is for 125 years, the Council is of the view that this amounts to the major part of the economic life of MIMA.

Section 5 : Notes to the Main Statements

Operating Leases

The Council has granted operating leases over certain properties which are retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement against the relevant service line heading on a straight line basis.

Cash and Cash Equivalents

Cash and Cash equivalents are represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours with insignificant risk of change in value. Overdrawn bank accounts are presented in the balance sheet net only where there is a right of offset.

Provisions and Contingent Liabilities

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year -where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent liabilities are not recognised in the Balance Sheet. They arise where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council or where a provision would otherwise be made but the amount of the obligation cannot be measured reliably.

Prior Period Adjustments

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

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

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

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

Section 5 : Notes to the Main Statements

Interests in Companies and Other Entities

The Council has interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities. However, these interests are immaterial and the Council is not required to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of March each year and the date when the Statement of Accounts is authorised. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date the accounts are signed are not reflected in the Statement of Accounts.

Accounting for the Costs of the Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme which involves the retrospective purchasing of allowances based on carbon dioxide produced as energy is used.

The requirement to purchase allowances was introduced with effect from 1 April 2011. Accordingly the Council recognises a cost with effect from that date based on the current market price of the allowances. The cost is apportioned to Services on the basis of energy consumption.

Accounting Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/2016 Code.

IFRS 13 Fair Value Measurement. This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.

Annual Improvements to IFRSs (2011 – 2013 Cycle). These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts. The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/2015 Statement of Accounts.

IFRIC 21 Levies. This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

Section 5 : Notes to the Main Statements

2	Non Distributed Costs	2013/14	2014/15
		£000	£000
	Pension Fund Curtailments and Settlements (note 28).	1,160	1,164
	Pension Fund IAS 19 Adjustment	(1,408)	(1,434)
	Unfunded Pension Charges	1,556	1,547
	Total	2,393	2,016
3	Other Operating Income & Expenditure	2013/14	2014/15
		£000	£000
	Expenditure		
	Parish Council Precepts	15	14
	Loss on disposal of non current assets	24,887	26,617
Total	24,902	26,631	
4	Financing and Investment Income & Expenditure	2013/14	2014/15
		£000	£000
	Expenditure		
	Trading Services Activity	18,166	17,803
	Interest Payable and similar charges	4,210	4,023
	Expenditure in relation to investment property and changes in their fair value	1,570	(5,560)
	Pension Interest Cost (note 28).	29,079	29,199
	Total Expenditure	53,025	45,465
	Income		
	Expected return on pensions assets	(22,385)	(23,745)
	Interest receivable and similar income	(233)	(398)
	Income from Investment Property Assets	(3,400)	(1,104)
	Trading Services Activity	(16,842)	(18,562)
	Total Income	(42,860)	(43,809)
	Total Net Expenditure	10,165	1,656
5	Taxation and Non Specific Income	2013/14	2014/15
		£000	£000
	Council tax income	(40,379)	(39,748)
	Non domestic rates	(39,716)	(19,137)
	Non ringfenced government grants (Note 30).	(61,202)	(72,394)
	Value of Donated Property Plant and Equipment Assets	(769)	(386)
	Value of Donated Heritage Assets (Note 9)	(114)	(106)
	Capital grants and contributions	(8,405)	(13,961)
	Total	(150,586)	(145,733)

Section 5 : Notes to the Main Statements

Property Plant and Equipment

Movement on Balances - 2014/15	Vehicles Plant					Total
	Land & Buildings	Furniture & Equipment	Infrastructure Assets	Community Assets	Assets under Construction	
Cost or Valuation :	£000	£000	£000	£000	£000	£000
At 1 April 2014	266,107	42,203	157,857	7,918	2,637	476,722
Additions	6,478	3,518	6,826	386	24,219	41,427
Donations	0	0	386			386
Revaluation increases / (decreases) recognised in the Revaluation Reserve.	45,570	0	0	0	0	45,570
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services.	(8,117)	0	0	0	0	(8,117)
Derecognition - Disposals	(28,398)	(1,662)	(58)	0	0	(30,118)
Assets reclassified (to) / from Assets Held for Sale	(4,634)	0	0	0	0	(4,634)
Assets reclassified (to) / from Assets other Categories	(3,673)	0	0	0	(4,725)	(8,398)
At 31 March 2015	273,333	44,059	165,011	8,304	22,131	512,838
Accumulated Depreciation and Impairment						
At 1 April 2014	(17,926)	(28,633)	(41,870)	0	0	(88,429)
Depreciation Charge	(6,665)	(4,431)	(5,654)	0	0	(16,750)
Depreciation written out to the Revaluation Reserve	(1,235)	0	0	0	0	(1,235)
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	174	0	0	0	0	174
Depreciation written out to Surplus/deficit on provision of services	5,991	0	0	0	0	5,991
Derecognition - Disposals	1,512	1,513	1	0	0	3,026
Assets reclassified (to) / from Assets Held for Sale	0	0	0	0	0	0
Assets reclassified (to) / from Assets other Categories	289	0	0	0	0	289
At 31 March 2015	(17,860)	(31,551)	(47,523)	0	0	(96,934)
Net Book Value at 31 March 2015	255,473	12,508	117,488	8,304	22,131	415,904

Section 5 : Notes to the Main Statements

Property Plant and Equipment

Movement on Balances - 2013/14	Vehicles Plant						Total
	Land & Buildings	Furniture & Equipment	Infrastructure Assets	Community Assets	Assets under Construction	£000	
Cost or Valuation :	£000	£000	£000	£000	£000	£000	£000
At 1 April 2012 Restated	286,047	37,874	151,817	7,556	453	483,747	
Additions	5,354	6,391	5,287	362	2,229	19,623	
Donations	0	0	769	0	0	769	
Revaluation increases / (decreases) recognised in the Revaluation Reserve.	13,390	0	0	0	0	13,390	
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services.	(10,426)	0	0	0	0	(10,426)	
Derecognition - Disposals	(26,155)	(1,710)	(16)	0	0	(27,881)	
Assets reclassified (to) / from Assets Held for Sale	(1,529)	0	0	0	0	(1,529)	
Assets reclassified (to) / from Assets other Categories	(574)	(352)	0	0	(45)	(971)	
At 31 March 2014	266,107	42,203	157,857	7,918	2,637	476,722	
Accumulated Depreciation and Impairment							
At 1 April 2012 Restated	(16,490)	(25,565)	(36,757)	0	0	(78,812)	
Depreciation Charge	(7,067)	(3,971)	(5,115)	0	0	(16,153)	
Depreciation written out to the Revaluation Reserve	(1,601)	0	0	0	0	(1,601)	
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	
Depreciation written out to Surplus/deficit on provision of services	5,311	0	0	0	0	5,311	
Derecognition - Disposals	1,882	901	2	0	0	2,785	
Assets reclassified (to) / from Assets Held for Sale	0	0	0	0	0	0	
Assets reclassified (to) / from Assets other Categories	39	2	0	0	0	41	
At 31 March 2014	(17,926)	(28,633)	(41,870)	0	0	(88,429)	
Net Book Value at 31 March 2014	248,181	13,570	115,987	7,918	2,637	388,293	

Section 5 : Notes to the Main Statements

7 Revaluations of Property Plant and Equipment

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out by Mouchel, the Council's strategic partner. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The effective date of the revaluation for all assets that were revalued during 2014/2015 is 1st April 2014

The significant assumptions applied in estimating the fair values are:

- The estimated amount for which a property should exchange on the date of valuation.
- The transaction is at arm's length between willing parties acting knowledgeably, prudently and without compulsion.

Revaluation Analysis

The table below shows the value of assets that have been revalued during 2014/2015 and the value of assets that have been revalued over the last four years. The table also identifies the value of assets held at historical cost and at fair value.

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Community Assets	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
Carried at historical cost		12,507	117,488	8,305	22,131	160,431
Carried at fair value and revalued as at 1 April						
2014	45,771	0	0	0	0	45,771
2013	46,058	0	0	0	0	46,058
2012	61,181	0	0	0	0	61,181
2011	84,250	0	0	0	0	84,250
2010	18,214	0	0	0	0	18,214
2009	0	0	0	0	0	0
Total	255,473	12,507	117,488	8,305	22,131	415,904

8 Impairment and Revaluation Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure.

These disclosures are consolidated in Notes 6, 11, 16, and 17 reconciling the movement over the year in the Property, Plant and Equipment, Investment Property and Intangible asset balances.

During 2014/15 the Council has recognised a net gain of £3.42 million mainly due to the following changes which have affected valuation calculations.

- Upward revaluation of investment land identified for potential housing development including Nunthorpe Grange, Newham Hall, De Brus Park and Hemlington Grange - £16.12 million
- Downward revaluation of Clairville Stadium due to reclassification as an Asset Held for Sale - £2.31 million
- Downward revaluation of the TAD Centre - £0.96 million. This asset was reclassified from PPE to an asset held for sale. It fell in value as its operational value to the Council no longer exist as the council have vacated the building and as an investment property there is not much demand.
- Downward revaluation of Orchard House - £0.49 million. The previous valuation included a building that has since been demolished and is now a car park. We had not been informed of any demolition to enable us to reduce the value of the asset at that time.
- Downward revaluation of Council owned car parks - £2.02 million. Market value of car parks has fallen in recent years as demand for them has declined.
- Downward revaluation due to the reclassification of assets previously held under PPE and valued at existing use or DRC, falling in value by £4.55 million after a revaluation at market value. These are no longer used or occupied by the Council, and included MTLG, Hemington Initiative Centre, Gilkes Street Craft Centre, Berwick Hills Library, and 120 Spencerfield Crescent.
- Cleared site valuations for Gresham and St Hildas are currently less than the anticipated future costs resulting in a in-year loss of £2.71 million

Section 5 : Notes to the Main Statements

9 Heritage Assets

Reconciliation of the value of Heritage Assets Held by the Authority

	Collections				Total £000
	Ceramic £000	Art £000	Natural World £000	Other Cultural Interests £000	
Cost or valuation					
Movements - 2014/15					
At 1 April 2014	2,075	8,504	9,012	7,685	27,276
Additions	0	0	0	0	0
Donated	7	33	0	66	106
Disposals	0	0	0	0	0
Revaluations effecting the Revaluation Reserve	0	0	0	0	0
Revaluations effecting the Provision of Services	0	0	0	0	0
Transfers	0	0	0	0	0
At 31 March 2015	2,082	8,537	9,012	7,751	27,382
Movements - 2013/14					
At 1 April 2013	1,323	7,521	16,560	969	26,373
Additions	23	60	0	0	83
Donated	0	114	0	0	114
Disposals	0	0	0	(20)	(20)
Revaluations effecting the Revaluation Reserve	0	771	0	0	771
Revaluations effecting the Provision of Services	0	0	(45)	0	(45)
Transfers	729	38	(7,503)	6,736	0
At 31 March 2014	2,075	8,504	9,012	7,685	27,276

Valuation Methods

The Council's Fine Art collection has been valued by Christies. Ceramics have been valued by MAAK and Jewellery by Galerie Ra (a Dutch gallery). The William Kelly book collection was valued by Sothebys. The remainder of the Heritage Asset collection has been valued using Insurance valuations on the advice of the Council's curators. Further information on Heritage Assets is included in Note 10.

10 Heritage Assets: Further Information on the Museums' Collections

Ceramics, Porcelains and Figurines

The British Ceramic Art Collection is a growing collection and contains around 250 items by upwards of ninety internationally recognised ceramists. In 2014/2015 the Council received a donation of thrown porcelain created by the artist Chun Liao, valued at £7,000.

Fine Art Collection

The Fine Art collection includes over 1,000 works drawn together from the Middlesbrough Art Gallery and Cleveland Gallery. In 2014/2015 the Council received two donated sculptures, both created by Elpida Hadzi-Vasileva, collectively valued at £32,500.

The Natural World Collection

The extensive natural science collections number approximately 250,000 specimens covering geology, vertebrate zoology, invertebrate zoology and botany.

Other Cultural Interests

In 2014/2015 the Council was donated two silent films by the artist Ana Mendieta, valued at £60,000. Also donated to the Council was a carved wooded Maori poupou by Wiremu Puke, valued at £6,000

Preservation and Management

The collections are managed by Museum curators in accordance with policies that are detailed in the Museums collection management plan, this is approved by the Executive Member for Economic Regeneration & Culture.

Section 5 : Notes to the Main Statements

11 Investment Properties

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

	2013/14	2014/15
	£000	£000
Balance at the start of the year	57,959	60,707
Additions:		
Purchases	3,388	3,555
Donated Assets	0	0
Disposals	(3,595)	(6,595)
Net gains/(losses) from fair value adjustments	2,025	7,692
Transfers from Property, Plant and Equipment.	930	8,108
Balance at the end of the year	60,707	73,467

12 Income and Expenditure - Investment Properties

The following amounts have been included in the Comprehensive Income and Expenditure Statement as it relates to Investment property income and costs.

	2013/14	2014/15
	£000	£000
Rental income from investment property	2,074	1,500
Direct operating expenses arising from investment property	(80)	(151)
Net gain	1,994	1,349

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

13 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 other Unitary Authorities of the former County Council area, liabilities and benefits arising from the properties are shared between the four Unitary Authorities.

- Melrose House Freehold
- Exchange House Freehold
- Former County Depot, Cargo Fleet Lane Freehold
- Aurora Court Leasehold
- Former Cannon Street Trading, Tees Valley Measurement

51A Kings Road has been transferred to the Cleveland Police & Crime Commissioner on 1st May 2014. The Council will receive a share if the property is sold at any time in the future.

Section 5 : Notes to the Main Statements

14 Capital Expenditure and Capital Financing

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

	2013/14 £000	2014/15 £000
Opening Capital Financing Requirement	134,645	140,787
Capital investment		
Property, Plant and Equipment	20,392	41,813
Investment Properties	3,388	3,555
Intangible Assets	1,074	3,290
Heritage Assets	197	106
Revenue Expenditure Funded from Capital under Statute - Expenditure	8,267	7,825
Loans Funded from Capital	0	5,981
Sources of finance		
Capital receipts	(1,160)	(14,781)
Revenue Expenditure Funded from Capital under Statute - Grant Received	(5,416)	(3,818)
Government grants and other contributions applied in the year	(13,936)	(18,840)
Sums set aside from revenue:		
Direct revenue contributions	(1,130)	(345)
Reduction in Long Term Debtors	(32)	(37)
MRP/loans fund principal	(5,502)	(6,040)
Closing Capital Financing Requirement	140,787	159,497
Explanation of movements in year		
Increase in underlying need to borrowing :		
• Supported by government financial assistance	0	0
• Unsupported by government financial assistance	11,676	24,788
Reduction in Long Term Debtors	(32)	(37)
MRP / loans fund principal	(5,502)	(6,040)
Assets acquired under finance leases	0	0
Increase in Capital Financing Requirement	6,142	18,711

Section 5 : Notes to the Main Statements

15 Capital Commitments

At 31 March 2015, the Council had approved budgets for the construction or enhancement of Property, Plant and Equipment in 2015/2016 and future years at a totalling £83,952,000. Similar budgets at 31 March 2014 were £82,708,000

Directorate - Project	£000 Approved Budget
Commercial and Corporate Services	
Purchase of New Vehicles	2,003
Capitalisation of Highways Maintenance	550
Cargo Fleet Investment	371
Property Services Building Investment	580
Central Lodge Stewart Park	300
Captain Cook Statue	250
Middlesbrough Sports Village	2,349
Town Hall Registry Office	335
Worksmart - Accommodation	1,000
Energy Efficiency & Renewable Energy	1,359
IT Refresh - Disaster Recovery	1,000
IT Refresh - Agresso	753
IT Refresh - Information Portal	364
IT Refresh - ICS	404
ICT - Infrastructure	653
Tees Valley Broadband	297
Total Commercial and Corporate Services	12,568
Wellbeing, Care & Learning	
Devolved Formula Capital	659
Securing Services for Children with Complex Needs	425
EFA Early Years 2 years old Entitlement	370
Capital Maintenance and Basic Need	1,453
Linthorpe Primary- Early Yrs KS1 and KS2 New Build	281
Pallister Primary - Extension and Internal Alterations	1,076
Chronically Sick and Disabled Persons - Tops Ups	286
Chronically Sick and Disabled Persons - Adaptations	389
Chronically Sick and Disabled Persons - Equipment	306
Capital Investment in Community Capacity Grant	540
Disabled Facilities Grant	1,694
Total Wellbeing, Care & Learning	7,479
Economic Development and Communities	
Stepping Stones Section 106	293
St Hilda's	259
Gresham Phase 1	1,773
Gresham Phase 2a	3,910
Gresham Phase 2b	751
Gresham Environmental Improvements	306
House to Home	612
Housing Delivery Vehicle	800
LTP Local Safety Schemes	282
LTP Unallocated Grant	7,391
BOHO 5	733
BOHO Grow On Space	425
TWI Phase1	6,948
Baker Street Phase 2	250
Investing in Physical Regen to Drive Economic Growth	3,991
Middlehaven Dock Bridge	5,298
Site Assembly at Middlehaven	1,367
Middlehaven Urban Park	873
Urban Pioneers	311
Hemlington Grange Electrical Connection	2,179
Town Hall Venue Development	6,080
Town Hall HLF Project	811
Middlesbrough Theatre	1,502

Section 5 : Notes to the Main Statements

Capitalisation of Major Scheme Salaries	280
Affordable Housing via Section 106	4,686
Claireville Common	317
Transporter Bridge Development Stage 2	700
Highways Infrastructure Development Section 106	2,042
Highways Infrastructure	974
Highways Maintenance	1,800
Surface Water Management	254
Street Lighting (Invest to Save)	5,000
Southfield Road Paving	707
Total Economic Development and Communities	63,905
Total Capital Budgets at 31 March 2015	83,952

Capital budgets over £1 million were reviewed, and as at 31 March 2015, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years totalling £7,424,000

	£000
Purchase of New Vehicles	76
TWI Phase 1	6,948
Street Lighting (Invest to Save)	400
	7,424

16 Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets consist wholly of purchased licenses and software. Amortisation is charged to the relevant service.

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

	2013/14	2014/15
Balance at the start of the year:	£000	£000
Gross carrying amounts	9,360	10,434
Accumulated amortisation	(8,656)	(9,215)
Net carrying amount at start of year	704	1,219
Additions : Purchases	1,074	3,290
Amortisation for the period	(559)	(783)
Net carrying amount at end of year	1,219	3,726
Comprising:		
• Gross carrying amount	10,434	13,724
• Accumulated amortisation	(9,215)	(9,998)
Net carrying amount at end of year	1,219	3,726

17 Assets Held for Sale

	2013/14	2014/15
	£000	£000
Balance outstanding at the start of the year	1,000	622
Transfers from Property, Plant and Equipment	1,529	4,634
Revaluation losses		
• charged to Comprehensive Income and Expenditure	(912)	(2,308)
• charged to Revaluation Reserve	(320)	0
Revaluation Gain	0	0
Assets sold	(675)	(2,297)
Balance outstanding at the end of the year	622	651

18 Long Term Investments

	At 2014	At 2015
	£000	£000
Cash on Long Term Deposit	1,014	0
SITA Tees Valley Ltd	309	309
Total	1,323	309

Section 5 : Notes to the Main Statements

19 Long Term Debtors	At 2014	At 2015
	£000	£000
MBC Mortgages	37	29
Probation Capital	(7)	(14)
Insurance Fund	91	284
Magistrates	179	157
Equity Loans	0	182
Cleveland Mall - Holiday Inn	0	5,800
Car Loans	317	214
Total	617	6,652

20 Financial Instruments

Financial Instruments are any contract giving rise to a financial asset in one organisation and a financial liability of another organisation. This covers – investments, cash, debtors, creditors, accruals, loans, finance leases, derivatives, and guarantees.

Categories of Financial Instruments

The following categories of financial instrument are in the Balance Sheet:

	Long Term		Current	
	At 2014	At 2015	At 2014	At 2015
	£000	£000	£000	£000
Financial Assets - Loans and Receivables				
Held as Investments				
Long Term Investments	1,323	309	0	0
Short Term Investments	0	0	11,191	1,003
Cash and Cash Equivalents	0	0	14,012	9,790
Total Investments	1,323	309	25,203	10,793
Held as Debtors				
Long Term Debtors	617	6,652	0	0
Short Term Debtors	0	0	11,321	12,141
Total Debtors	617	6,652	11,321	12,141
Total Financial Assets - Loans and Receivables	1,940	6,961	36,524	22,934
Financial Liabilities - at amortised cost				
Held as Borrowings				
Long Term Borrowing	(78,424)	(75,187)	0	0
Short Term Borrowing	0	0	(8,422)	(3,924)
Total Borrowings	(78,424)	(75,187)	(8,422)	(3,924)
Held as Other Payables				
Short Term Creditors	0	0	(15,845)	(17,027)
Long Term Creditors *	(499)	(493)	0	
Total Held as Other Payables	(499)	(493)	(15,845)	(17,027)
Total Financial Liabilities - at amortised cost	(78,923)	(75,680)	(24,267)	(20,951)

* Long Term Creditors relates to deferred lease income under IAS 17

There were no gains or losses relating to financial instruments arising in either year.

Section 5 : Notes to the Main Statements

21 Financial Instruments - Fair Value and Risks

Fair Value of Assets and Liabilities

Financial Instruments are carried in the Balance Sheet at amortised cost. Their fair value has been 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:

- where the instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- the fair value of PWLB and market loans have been calculated by reference to the 'premature repayment' set of rates as at 31 March 2015
- the fair value of trade payables and other receivables is taken to be the invoiced or billed amount
- the carrying amounts of all other instruments are taken to be a reasonable approximation of fair value

The fair values calculated are as follows:

	At 2014		At 2015	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Assets - Loans and Receivables				
• Held as Investments	26,526	26,535	11,101	11,101
• Held as Debtors	11,938	11,938	18,794	18,794
Financial Assets - Loans & Receivables	38,464	38,473	29,895	29,895

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is different to the rates available for similar loans at the Balance Sheet date.

	At 2014		At 2015	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities - at amortised cost				
• Held as Borrowings	86,847	109,101	79,111	120,058
• Held as Creditors	16,343	16,343	17,520	17,520
Financial Liabilities - at amortised cost	103,190	125,444	96,631	137,578

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is different to prevailing rates at the Balance Sheet date.

Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

Credit risk

The possibility that other parties might fail to pay amounts due to the Council.

Liquidity risk

The possibility that the Council might not have funds available to meet its commitments to make payments.

Re-financing risk

The possibility that maturing amounts cannot be refinanced on interest terms that reflect the provisions made by the organisation.

Market risk

The possibility that financial loss might arise for the authority as a result of changes in measures such as interest rates and stock market movements.

Section 5 : Notes to the Main Statements

Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures to the maturity structure of its debt, and;
 - Its maximum annual exposures to investments maturing beyond a year.

These are required to be reported and approved at or before the Council's Annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by the Council on 18 February 2014 and is available on the Council's website. The key issues within the strategy were:

- The Authorised Limit for 2014/2015 was set at £191.5m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £162.5m. This is the expected maximum level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 30%, respectively, based on the Council's net debt.

These policies are implemented by the Council's Treasury Management Team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with banks and financial institutions unless they meet minimum credit criteria, as laid down by Fitch and Moody's Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. Details of the Investment Strategy can be found on the Council's website.

The Council's maximum exposure to credit risk in relation to its deposits with banks and building societies of £28.6m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution.

Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non recovery applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

Section 5 : Notes to the Main Statements

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default.

	Amount at 31 March 2015 (A)	Historical experience of default (B)	Maximum Exposure at 31 March 2015 (A x B)	Maximum Exposure at 31 March 2014
	£000	%	£000	£000
Bonds	0		0	0
Customers	279	9.76%	27	24
Total	279		27	24

No credit limits were exceeded during the period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers. However £5,449,000 of the £14,358,000 invoiced debtors balance is past its due date for payment relating principally to the Council's Public Health responsibilities. The past due amount can be analysed by age as follows:

	At 2014 £000	At 2015 £000
Less than 3 months	5,085	1,384
Between 3 to 6 months	1,037	1,432
Between 6 months to one year	1,186	838
More than 1 year	975	1,795
Total	8,283	5,449

Collateral - The Council initiates a legal charge on property where, for instance, clients require the assistance of social service but cannot afford to pay immediately. The total collateral at 31 March 2015 was £0.5m. (31 March 2014 - £0.5million)

Liquidity Risk

The Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowing at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods.

The maturity analysis of financial liabilities is as follows:

	At 2014 £000	At 2015 £000
Less than one year	8,423	3,924
Between 1-2 years	3,202	3,471
Between 2-5 years	3,666	763
Between 5-10 years	11,342	16,504
Between 10-15 years	17,197	11,956
Between 15-20 years	372	4,933
Between 20-25 years	5,000	4,903
Between 25-30 years	10,000	4,899
Between 30-35 years	0	407
Between 35-40 years	8,500	14,912
More than 40 years	19,145	12,439
Total	86,846	79,111

All trade and other payables are due to be paid in less than one year.

Section 5 : Notes to the Main Statements

Re-financing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments made for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters.

Market Risk

Market Risk - Interest Rate risk

In the current financial climate there is a negligible interest rate risk to the Council. All longer term borrowing is held at fixed rate and any risk of further reductions in rates receivable is insignificant given the current low base.

Borrowings and Investments are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The Council aims to keep a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

Market Risk - Price risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £308,987 in SITA Tees Valley Ltd. The Council is consequently exposed to losses arising from movements in the prices of the shares.

Market Risk - Foreign exchange risk

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

22 Financial Instruments: Income and Expenditure

Amounts recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2013/14		2014/15	
	Financial Assets £000	Financial Liabilities £000	Financial Assets £000	Financial Liabilities £000
Income				
Interest income	233	0	398	0
Expenditure				
Interest Expense	0	(4,210)	0	(4,021)
Fee expense	0	0	0	(2)
Total Expenditure	0	(4,210)	0	(4,023)
Net Expenditure for the Year		(3,977)		(3,625)

Section 5 : Notes to the Main Statements

23	Inventories	Consumable Stores	Maintenance Material	Items for Sale	Total
	Movements on Balances - 2014/15	£000	£000	£000	£000
	At 1 April 2014	499	1,460	48	2,007
	Purchases	2,762	3,633	0	6,395
	Amounts Expensed in Year	(2,921)	(3,621)	(48)	(6,590)
	Amounts written off in the Year	(75)	(70)	0	(145)
	At 31 March 2015	265	1,402	0	1,667
	Movements on Balances - 2013/14				
	At 1 April 2013	473	1,575	63	2,111
	Purchases	2,864	3,328	10	6,202
	Amounts Expensed in Year	(2,836)	(3,391)	(25)	(6,252)
	Amounts written off in Year	(2)	(52)	0	(54)
	At 31 March 2014	499	1,460	48	2,007

24	Short-Term Debtors	At 2014	At 2015
		£000	£000
	Central Government Bodies	8,634	4,986
	Other Local Authorities	4,389	6,107
	NHS Bodies	5,960	6,774
	Other entities and individuals	14,543	18,354
	Total	33,526	36,221

25	Cash and Cash Equivalents	At 2014	At 2015
		£000	£000
	Cash held by the Authority	251	289
	Bank current accounts	1,661	3,798
	Short-term deposits with building societies	12,100	5,703
	Total	14,012	9,790

26	Short-Term Creditors	At 2014	At 2015
		£000	£000
	Central government bodies	2,025	3,560
	Other local authorities	12,657	7,972
	NHS bodies	1,168	793
	Other entities and individuals	25,444	37,491
	Total	41,294	49,816

Section 5 : Notes to the Main Statements

27 Provisions

Current Provisions	Balance at 31 March 2014	Additional amount in year	Amounts used in year	Unused amounts reversed in year	Balance at 31 March 2015
	£000	£000	£000	£000	£000
Change Programme - Approved Early Retirements	414	134	(414)	0	134
NNDR Appeals	2,205	2,295	(2,540)	0	1,960
Land Search Fee Repayments	0	125	0	0	125
School Kitchen Replacement	0	70	0	0	70
Total	2,619	2,624	(2,954)	0	2,289

Significant Amounts are

Change Programme - Approved Early Retirements - Provision has been made to cover the cost of early retirements and voluntary redundancies approved in 2014/2015 for staff leaving in 2015/2016 as part of the Council's Change Programme to generate ongoing savings in future years.

NNDR Appeals - Following the introduction of the retained business rates scheme on 1st April 2013, the Council is now liable to fund 49% of any successful business rate appeals.

Land Search Fee Repayments - A settlement has been agreed whereby Local Authorities will repay a proportion of land search fee income received in prior years from Personal Search Companies. Payment will be made in June 2015.

Long Term Provisions	Balance at 31 March 2014	Additional amount in year	Amounts used in year	Unused amounts reversed in year	Balance at 31 March 2015
	£000	£000	£000	£000	£000
Housing Pension Contribution Deficit	2,000	0	(200)	0	1,800
Mouchel Contract	1,094	0	(55)	0	1,039
Business Loan Guarantees	70	0	0	0	70
Total	3,164	0	(255)	0	2,909

Significant Amounts are

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.

Mouchel ICT Contract Residual Value - The Council outsourced most of the back office functions including the ICT service to Mouchel in June 2001. The original contract was for 10 years with an option to extend for a further 5. An extension was agreed in 2011/2012. When the contract ends in 2016 the Council will be liable for residual costs of equipment and software transferring back to the Council.

Section 5 : Notes to the Main Statements

28 Pension Schemes Accounted for as Defined Benefit Schemes

The Local Government Pension Scheme is accounted for as a defined benefit scheme. As part of the terms and conditions of employment of its staff, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

Transactions relating to Post Employment Benefits

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year in relation to the Local Government Pension Scheme :

Comprehensive Income & Expenditure Statement	Funded 2013/14	Unfunded 2013/14	Funded 2014/15	Unfunded 2014/15
Charged to the Surplus or Deficit on the Provision of Services	£000	£000	£000	£000
As cost of services :				
Current service cost	13,635	0	11,982	0
Settlements and curtailments	1,160	0	1,164	0
As Financing and Investment Income and interest on net defined benefit	5,442	1,252	4,331	1,123
Total Charged to the Surplus or Deficit on the Provision of Services	20,237	1,252	17,477	1,123
Charged to Other Comprehensive Income & Expenditure				
Actuarial Gains and Losses	(33,042)	(1,386)	34,879	925
Total to the Comprehensive Income and Expenditure Statement	(12,805)	(134)	52,356	2,048

Movement in Reserves Statement (General Fund)	Funded 2013/14	Unfunded 2013/14	Funded 2014/15	Unfunded 2014/15
	£000	£000	£000	£000
Reversal of total charged to the Surplus or Deficit on the Provision of Services	(20,237)	(1,252)	(17,477)	(1,123)
Actual Amount charged for pensions in the year:				
Employers contributions payable to scheme	10,631	1,968	9,654	2,408
Total Amount included in the General Fund for the Year	(9,606)	716	(7,823)	1,285

Assets and Liabilities in Relation to Post employment Benefits

Reconciliation of liabilities	Funded 2013/14	Unfunded 2013/14	Funded 2014/15	Unfunded 2014/15
	£000	£000	£000	£000
Opening Balance at 1st April	(642,384)	(29,420)	(664,337)	(27,318)
Current Service Cost	(13,635)	0	(11,982)	0
Interest Cost	(27,827)	(1,252)	(28,076)	(1,123)
Contributions by scheme participants	(3,901)	0	(3,719)	0
Actuarial Gains /(Losses)	312	1,386	(62,475)	(925)
Benefits paid	24,258	1,968	27,025	2,408
Past Service cost including curtailments	(1,160)	0	(1,164)	0
Closing Balance at 31st March	(664,337)	(27,318)	(744,728)	(26,958)

Section 5 : Notes to the Main Statements

Reconciliation of fair value of scheme assets:

Reconciliation of fair value of scheme assets	Funded 2013/14	Unfunded 2013/14	Funded 2014/15	Unfunded 2014/15
			£000	£000
Opening Balance at 1st April	513,449	0	558,838	0
Expected return on plan assets	22,385	0	23,745	0
Actuarial Gains / (Losses)	32,730	0	27,596	0
Employer contributions	10,631	1,968	9,654	2,408
Contributions by scheme participants	3,901	0	3,719	0
Benefits paid	(24,258)	(1,968)	(27,025)	(2,408)
Closing Balance at 31st March	558,838	0	596,527	0

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £54.341 million (2013/2014 £55.115 million).

Scheme History	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000	£000
Present Value of Liabilities	(540,435)	(586,526)	(671,804)	(691,655)	(771,686)
Fair value of assets	461,339	452,261	513,449	558,838	596,527
Scheme Deficit	(79,096)	(134,265)	(158,355)	(132,817)	(175,159)

The scheme deficit shown above includes £26.958 million in respect of unfunded defined benefit obligations (2013/2014 £27.318 million).

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits.

The net liability has a sustained impact on the net worth of the Authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy because:

- the deficit on the scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the Scheme actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2016 is £8.795 million.

Section 5 : Notes to the Main Statements

Independent Actuary and Latest Valuation

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Hewitt, an independent firm of actuaries, estimates for the Teesside Pension Fund being based on latest full valuation of the scheme as at 31st March 2015.

The principal assumptions used by the actuary have been:

Mortality Assumptions:	2013/14	2014/15
Longevity at 65 for current pensioners:		
• Men	22.90	23.00
• Women	25.40	25.50
Longevity at 65 for future pensioners :		
• Men	25.10	25.20
• Women	27.70	27.80
Other Assumptions:		
Rate of inflation (RPI)	3.40%	2.90%
Rate of inflation (CPI)	2.40%	1.80%
Rate of increase in salaries	3.90%	3.30%
Rate of increase in pensions	2.40%	1.80%
Rate for discounting scheme liabilities	4.30%	3.20%
Take up of option to convert annual pension into retirement lump sum	80.00%	80.00%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2013/14	2014/15
Equity investments	81.0%	84.0%
Gilts	1.9%	1.7%
Other Bonds	4.6%	3.4%
Property	5.2%	6.4%
Cash/Liquidity	7.3%	4.5%
	100.0%	100.0%

History of Experience Gains and Losses

The actuarial losses identified as movements on the Pensions Reserve in the year can be analysed into the following categories, measured as a percentage of assets or liabilities at the year end :

	2010/11	2011/12	2012/13	2013/14	2014/15
	%	%	%	%	%
Difference between expected and actual return on assets	2.76	(8.30)	8.20	5.80	4.63
Experience gains and losses on liabilities	(1.90)	0.00	0.10	2.00	(0.60)

Section 5 : Notes to the Main Statements

Sensitivity Analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31st March 2015 and the projected service cost for the year ending 31 March 2016 is set out on the following page, sensitivity on unfunded benefits have not been included due to materiality grounds.

Disclosure rate assumption		
Adjustment to discount rate	0.1% p.a.	-0.1% p.a.
Present value of total obligation (£000's)	731,356	758,344
% change in present value of total obligation	-1.8%	1.8%
Projected service cost (£000's)	13,836	14,768
Approximate % change in projected service cost	-3.2%	3.3%

Rate of general increase in salaries		
Adjustment to salary increase rate	0.1% p.a.	-0.1% p.a.
Present value of total obligation (£000's)	747,803	741,687
% change in present value of total obligation	0.4%	-0.4%
Projected service cost (£000's)	14,296	14,296
Approximate % change in projected service cost	0	0

Rate of increase to pension in payment and deferred pensions assumption, and the rate of revaluation of pension accounts assumption		
Adjustment to salary increase rate	0.1% p.a.	-0.1% p.a.
Present value of total obligation (£000's)	755,718	733,912
% change in present value of total obligation	1.5%	-1.5%
Projected service cost (£000's)	14,768	13,836
Approximate % change in projected service cost	3.3%	-3.2%

Post retirement mortality assumption		
Adjustment to mortality age rating assumption*	-1year	+1year
Present value of total obligation (£000's)	764,408	725,049
% change in present value of total obligation	2.6%	-2.6%
Projected service cost (£000's)	14,779	13,813
Approximate % change in projected service cost	3.4%	-3.4%

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

29 Defined Benefit Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are members of the Teachers' Pension scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the cost by making contributions based on a percentage of members' pensionable salaries.

In 2014/2015 the authority paid £4.08 million (2013/2014 - £4.05 million) to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.10% (2013/2014 - 14.12%) of pensionable pay.

Section 5 : Notes to the Main Statements

30 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/2015.

Revenue Grants Credited to Taxation and Non Specific Grant Income	2013/14	2014/15
	£000	£000
Revenue Support Grant	60,427	49,105
New Homes Bonus Grant	341	55
Business Rates Initiative Grant	0	142
Business Rates Top Up	0	21,224
NNDR Section 31 Grant	0	1,776
Capitalisation Redlist Grant	319	0
Minor grants (less than £100k each)	20	11
Local Services Support Grants	95	81
Total (Note 5)	61,202	72,394

Revenue Grants Credited to Services	2013/14	2014/15
	£000	£000
Department for Education		
Dedicated Schools Grant	87,293	79,513
Pupil Premium	6,133	7,517
Education Funding Agency	4,593	441
Education Services Grant	0	1,969
Skills Funding Agency	1,670	1,997
SEN Reform Grant	0	195
SEND Implementation Grant	0	185
Universal Infant Free School Meals	0	580
Primary PE & Sport Grant	0	289
High Needs Sixth Form Funding	0	1,829
Adoption Grant	484	139
Academy Support Grant	100	0
Minor grants (less than £100k each)	101	229
Department for Communities and Local Government		
New Homes Bonus Grant	1,269	1,627
Homes and Communities Agency	0	3,558
Weekly Collection Support Grant	1,431	0
Troubled Families Grant	828	1,015
Council Tax Collection	179	0
Housing Benefit Administration Grant	0	311
Teesside Advanced Manufacturing Park	0	133
Minor grants (less than £100k each)	10	226
European Grants (DCLG)		
European Regional Development Fund	287	268
Home Office		
Youth Offender Services	1,166	1,141
Minor grants (less than £100k each)	93	212
Department for Business		
Inherited Liabilities	204	202
Department for Culture, Media and Sport		
Middlesbrough Institute of Modern Arts (MIMA)	743	0
Arts Council National Portfolio Organisations Grant	0	255
Youth Music Grant	62	0
Minor grants (less than £100k each)	166	232
Department for Work and Pensions		
Housing Benefit Subsidy Grant	81,035	81,524
Minor grants (less than £100k each)	5	8

Section 5 : Notes to the Main Statements

Department of Health		
Public Health Grant	15,932	16,378
Community Voices Grant	134	137
Care Act Implementation Grant	0	125
Drug & Alcohol Recovery	180	0
Minor grants (less than £100k each)	74	78
Department for Environment Food and Rural Affairs		
Minor grants (less than £100k each)	0	82
Department for Transport		
Highways Winter Maintenance Funding	141	179
Tees Valley Bus Network Improvements	66	20
Local Sustainable Transport Fund	360	369
Minor grants (less than £100k each)	65	42
Lottery Grants		
Headstart Grant	0	332
Minor grants (less than £100k each)	94	73
Other Grants	40	133
Other Contributions		
Redcar Borough Council	2,108	1,849
Stockton Borough Council	2,063	892
Hartlepool Borough Council	561	214
NHS Middlesbrough	52	0
North of England Commissioning Support Unit	0	105
NHS England	2,713	319
Tees, Esk and Wear Valleys NHS Trust	857	624
South Tees Hospitals NHS Foundation Trust	523	493
South Tees CCG	3,392	11,404
Shaw Trust	170	137
Teesside University	0	210
David Wilson Housing	200	0
Police & Crime Commissioner	395	0
Misc Other (less than £100k each)	1,276	620
Total Revenue Grants Credited to Services	219,248	220,410

Capital Grants	2013/14	2014/15
	£000	£000
Department for Education		
Capital Maintenance/Basic Need	1,359	1,075
Devolved Formula Grant	177	222
Education Funding Agency	0	261
Department for Communities and Local Government		
Bringing Empty Homes into use Grant	541	336
Homes and Communities Agency	0	1,997
Disabled Facility Grant	743	760
Boho ERDF Grant	126	1,400
TWI EDRF Grant	0	807
Boho Housing & Communities Grant	2,093	0
Minor grants (less than £100k each)	44	0
Department of Health		
Capital Investment in Community Capacity	408	416
Minor grants (less than £100k each)	0	19
Department for Transport		
Local Transport Plan	2,650	3,001
Tees Valley Bus Network Improvements	125	-611
Additional Highways Maintenance Funding	294	161
Local Sustainable Transport	135	147
Department for Environment Food and Rural Affairs		
Contribution to Grove Hill Park	100	0
Minor grants (less than £100k each)	91	105
Big Lottery Fund	34	-
Heritage Lottery Fund	722	1690
Other Grants	64	500
Hustler Trust	322	0

Section 5 : Notes to the Main Statements

Erimus Housing	1,367	0
Fabrick Housing	0	200
David Wilson Housing	100	0
Gentoo Housing	724	275
Bridge McPartland	0	130
Miller Homes	0	668
Bellway Homes	0	480
Barratt Homes	0	312
Catholic Diocese of Middlesbrough	0	652
Priory Woods	0	0
Hemlington Primary	0	123
Oakfields Community College / Academy	363	0
The Football Foundation	224	0
Outwood Academy	250	0
Taylor Wimpey	112	317
Stockton Borough Council	0	1,352
Teesside University	0	805
Misc Other	653	179
Total Capital Grants	13,821	17,779
Amount Applied Directly to Services.	5,416	3818
Amount recognised as Taxation and Non Specific Income note 5	8,405	13,961
Total	13,821	17,779

31 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the council's area. DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the The School and Early Years Finance (England) Regulations 2013. 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

Details of the deployment of the Dedicated Schools Grant receivable for 2014/2015 is as follows:

	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2014/2015 before Academy recoupment			106,029
Academy figure recouped for 2014/2015			26,591
Total DSG after Academy recoupment for 2014/2015			79,438
Plus: Brought forward from 2013/2014			2,769
Less: Carry-forward to 2015/2016 agreed in advance			0
Agreed initial budgeted distribution in 2014/2015	18,878	63,329	82,207
In year adjustments	0	0	0
Final budgeted distribution for 2014/2015	18,878	63,329	82,207
Less: Actual central expenditure	(14,727)	0	(14,727)
Less: Actual ISB deployed to schools	0	(62,526)	(62,526)
Balance Carried Forward	4,151	803	4,954

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

Section 5 : Notes to the Main Statements

32 Usable Reserves	At 2014	At 2015
	£000	£000
Capital Grants Unapplied Reserve	11,587	7,237
Capital Receipts Reserve	19,492	13,062
General Fund	9,633	15,438
Earmarked Reserves	29,971	41,234
Total	70,683	76,972

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Notes 40 and 34. The purpose of each Reserve is as follows.

Capital Grants Unapplied Reserve

This reserve holds amounts from Capital Grants that have been recognised in the Comprehensive Income and Expenditure Statement but for which the capital expenditure has not yet been incurred.

Capital Receipts Reserve

This reserve holds amounts received from the disposal of assets and is only available to fund future capital projects.

General Fund

The accumulated credit balance on the general fund is the excess of income over expenditure in the revenue account after adjusting for movements to and from reserves and other non-cash items. This balance is needed as a cushion against unforeseen events.

Earmarked Reserves

These reserves represent funds set aside that can only be used for specific purposes. An explanation and analysis of earmarked reserves can be found in notes 33 and 34.

33 Earmarked Reserves

Details of movements between earmarked reserves and the general fund are shown in note 34.

School Balances

This reserve holds the accumulated balances and the differences between the school budget and actual expenditure incurred in the year 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

This reserve matches the council's investment in companies to cover for potential losses in the value of these investments.

Significant Revenue Reserves

Invest to Save/Change Programme

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, early retirements / voluntary redundancies and altering the way services are commissioned.

Revenue Grants unapplied

In accordance with IFRS the Council is required to recognise all grants and contributions as income when the grant conditions have been met. Unspent grants required for specific purposes are transferred to the Revenue Grants unapplied reserve and used to finance the schemes when the expenditure is incurred.

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 : Notes to the Main Statements

Insurance Fund (MBC)

Middlesbrough Council set up an Insurance Fund from 1st April 1996 covering nearly all the Council's insurable risks with a limited amount of external cover for 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 and money losses.

Public Health Reserves - Under the terms & conditions of the Public Health grant, any grant funding not used by the end of the financial year can be carried forward within a Public Health reserve. The public health investment reserve is to be used for prevention and early intervention programmes. Programmes will be investment in starting and developing well , living and aging well and enabling organisations , communities and individuals to take responsibility for health and well-being.

Business Rates Reserve - A reserve has been set up to cover the financial risks associated with the Business Rates Retention Scheme, due to volatility of the NNDR tax base and collection rates.

Savings Targets Reserve - The Council is in the process of implementing a number of budget reduction proposals over the next three years. A reserves has been set up to cover the cost of any potential non achievement of these budget reduction targets.

DSG Early Years/DSG High Needs - Due to changes in legislation during 2013/2014 stating that the DSG had to be spent on specific areas only these provisions have been created to hold the funds for this area.

Working Neighbourhood Fund (WNF) and Joint Improvement Programme (JIP) Grants - amounts set aside to cover any potential reclaim of grants for under-achievement of target outputs.

34 Transfers to / from Earmarked Reserves

Earmarked reserves are set aside from the General Fund on a voluntary basis to provide financing for future plans. When the expenditure is incurred the amount set aside is transferred back to the General Fund. A description of significant reserves is included in note 33.

	Amounts Transferred			
	Balance at 1 April 2014	From General Fund	To General Fund	Balance at 31 March 2015
	£000	£000	£000	£000
School Balances	6,205	9,776	(9,395)	6,586
Investment Reserves				
SITA Tees Valley Ltd	309	0	0	309
Significant Revenue Reserves				
Invest to Save/Change Programme	5,189	5,364	(6,804)	3,749
Revenue Grants Unapplied	5,724	9,852	(7,084)	8,492
Social Care & Vulnerable Children	2,020	0	(23)	1,997
Insurance Fund	1,086	323	(85)	1,324
Direct Revenue Funding Reserve	37	2,863	(2,753)	147
DSG Central Expenditure	344	187	0	531
DSG Early Years	994	1,410	0	2,404
DSG High Needs	1,431	588	0	2,019
Public Health Investment Reserve	1,668	0	0	1,668
Public Health Grant Reserve	1,355	157	0	1,512
Business Rates Reserve	-	2,917	0	2,917
Savings Targets Reserve	-	500	0	500
WNF and JIP Grants	82	0	0	82
Total Significant Reserves	19,930	24,161	(16,749)	27,342
Other Revenue Reserves	3,527	7,789	(4,319)	6,997
Total Earmarked Reserves	29,971	41,726	(30,463)	41,234

Section 5 : Notes to the Main Statements

35 Unusable reserves

Movements in the Authority's unusable reserves are detailed below.

	At 2014	At 2015
	£000	£000
Revaluation Reserve	53,218	90,382
Capital Adjustment Account	284,321	277,404
Deferred Capital Receipts Reserve	33	30
Pensions Reserve	(132,817)	(175,159)
Collection Fund Adjustment Account	479	(907)
Accumulating Compensated Absences Adjustment Account	(2,364)	(1,728)
Total Unusable Reserves	202,870	190,023

The purpose of each Reserve is as follows

Revaluation Reserve

The Revaluation Reserve contains the accumulated net gains made by the Authority arising from increases in the value of its Property, Plant and Equipment.

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

Capital Adjustment Account

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

The Account also contains accumulated gains and losses on Investment Property and gains recognised on donated assets as well as revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Pension Reserve

This reserve is used to reconcile the payments made for the year to various statutory pension schemes and the net change in the authority's recognised liability under IAS19 – Employee Benefits, for the same period.

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds amounts from the sale of assets which will be received in instalments over agreed periods of time.

Collection Fund Adjustment Account

The Collection Fund Adjustment Account holds the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Accumulated Compensated Absences Adjustment Account

The Accumulated Compensated Absences Adjustment Account reflects the value of compensated absences (employees time off with pay for holidays) earned but not taken in the year.

Section 5 : Notes to the Main Statements

Movement in Unusable Reserves Statement									
	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts Reserve	Pensions Reserve	Collection Fund Adjustment Account	Accumulated Compensated Absences Adjustment Account	Total Unusable Reserves		
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2014	53,218	284,321	33	(132,817)	479	(2,364)	202,870		
Allocated from Other Comprehensive Income and Expenditure	44,334	0	0	(35,804)	0	0	8,530		
Transfers from Usable Reserves (note 40).	0	(14,087)	(3)	(6,538)	(1,386)	636	(21,378)		
Other Movements and Transfers									
Difference between fair value and historical cost depreciation	(875)	875	0	0	0	0	0		
Accumulated Revalued Amount on assets sold or scrapped	(6,295)	6,295	0	0	0	0	0		
Balance at 31 March 2015	90,382	277,404	30	(175,159)	(907)	(1,728)	190,023		
Balance at 1 April 2013	48,294	308,273	36	(158,355)	357	(2,481)	196,124		
Allocated from Other Comprehensive Income and Expenditure	12,240	0	0	34,428	0	0	46,668		
Transfers from Usable Reserves (note 40).	0	(31,268)	(3)	(8,890)	122	117	(39,922)		
Other Movements and Transfers									
Difference between fair value and historical cost depreciation	(451)	451	0	0	0	0	0		
Accumulated Revalued Amount on assets sold or scrapped	(6,865)	6,865	0	0	0	0	0		
Balance at 31 March 2014	53,218	284,321	33	(132,817)	479	(2,364)	202,870		

Section 5 : Notes to the Main Statements

36	Cash Flow - Investing Activities	2013/14	2014/15
		£000	£000
	Purchase of PPE, investment property and intangible assets	(22,264)	(42,985)
	Net (payments) / proceeds on change in short term investments	6,319	10,188
	Cash returned / (placed) on long term deposit	0	1,014
	Proceeds from the sale of PPE, investment property and intangible assets	4,301	8,347
	Net cash flow from investing activities	(11,644)	(23,436)

37	Cash Flow Statement - Financing Activities	2013/14	2014/15
		£000	£000
	Amounts applied to Finance Lease Repayments (Capital Element)	(2)	0
	Receipts from / (Repayments of) short and long term borrowing	(12,829)	(7,736)
	Net cash flows from financing activities	(12,831)	(7,736)

38 Leases

Council as Lessor Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable leases in future years are:

	At 2014	At 2015
	£000	£000
No later than one year	2,107	2,190
Later than one year and not later than five years	4,221	4,446
Later than five years	27,323	26,671
Total	33,651	33,307

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. These amounts are not disclosed due to the inherent uncertainties surrounding them.

Section 5 : Notes to the Main Statements

39 Authority as Lessee

Finance Leases

The Authority no longer has Property, Plant and Equipment held under finance leases.

Operating Leases

The Authority has entered into operating leases for the use of land and buildings, with lives ranging from 10 to 35 years.

The future minimum lease payments due under non-cancellable leases in future years are:

	At 2014	At 2015
	£000	£000
No later than one year	125	125
Later than one year and not later than five years	309	161
Later than five years	34	20
Total	468	306

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2013/14	2014/15
	£000	£000
Minimum lease payments	125	125
Contingent rents*	0	0
Total	125	125

* The Authority does not hold information on Contingent Rents.

Section 5 : Notes to the Main Statements

Adjustment between accounting basis and funding basis under regulations

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

Adjustments for the year ended 31 March 2015

Amounts involving the Capital Adjustment Account

With the Comprehensive Income & Expenditure Statement.

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000
Impairment and depreciation to P E (note 6).	16,750	0	0	16,750
Revaluation Losses on Property Plant & Equipment (note 6).	1,952	0	0	1,952
Revaluation of investment Properties & Assets for Sale.	(5,384)	0	0	(5,384)
Amortisation of Intangible Assets (note 16).	783	0	0	783
Revaluation of Heritage assets.	0	0	0	0
Total Capital Grants and Contributions (note 5).	(13,961)	0	0	(13,961)
Capital Grants and Contributions unapplied credited to the Comprehensive I & E	0	0	4,994	4,994
Donated Assets (note 5)	(492)	0	0	(492)
Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Expenditure	7,825	0	0	7,825
Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Grant Receivable	(3,818)	0	0	(3,818)
Non current assets written off on disposal or sale.	35,984	0	0	35,984
Total with the Comprehensive I & E Statement	39,639	0	4,994	44,633
Amounts arising elsewhere				
Statutory provision for the financing of capital investment	(5,631)	0	0	(5,631)
Voluntary provision for the financing of capital investment	(409)	0	0	(409)
Capital Receipts Reserve used to finance new capital spend	0	(14,781)	0	(14,781)
Capital expenditure charged against the General Fund	(346)	0	0	(346)
Application of grants to capital financing transferred to the Capital Adjustment Account	0		(9,381)	(9,381)
Total Amounts arising elsewhere	(6,386)	(14,781)	(9,381)	(30,548)
Total Amounts involving the Capital Adjustment Account	33,253	(14,781)	(4,387)	14,085

Section 5 : Notes to the Main Statements

Adjustment between accounting basis and funding basis under regulations

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000
This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.				
Adjustments for the year ended 31 March 2015				
Amounts involving the Deferred Capital Receipts Reserve				
Transfer on receipt of cash	0	4	0	4
Total involving the Deferred Capital Receipts Reserve	0	4	0	4
Amounts involving the Pension Reserve				
Reversal of Pension items in the Comprehensive I & E	18,600	0	0	18,600
Employer's pension contributions payable in the year	(12,062)	0	0	(12,062)
Total involving the Pension Reserve	6,538	0	0	6,538
Amounts involving the Collection Fund Adjustment				
Difference in Council Tax income credited to the Comprehensive I & E and that under statutory requirements.	1,386	0	0	1,386
Total involving the Collection Fund Adjustment Account	1,386	0	0	1,386
Amounts with the Acc Compensated Absences Adj Acct				
Reversal of accrual made at the previous year end	(2,364)	0	0	(2,364)
Creation of accrual for the current year end	1,727	0	0	1,727
Total with the Acc Compensated Absences Adj Acct	(637)	0	0	(637)
Amounts between Usable Reserves				
Cash proceeds on disposal and grants unapplied	(8,347)	8,347	0	0
Total Amounts between Usable Reserves	(8,347)	8,347	0	0
Total Adjustments for the year ended 31 March 2015	32,193	(6,430)	(4,387)	21,376

Section 5 : Notes to the Main Statements

Adjustment between accounting basis and funding basis under regulations

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

Adjustments for the year ended 31 March 2014

Amounts involving the Capital Adjustment Account

With the Comprehensive Income & Expenditure

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000
Impairment and depreciation to P E (note 6).	16,153	0	0	16,153
Revaluation Losses on Property Plant & Equipment (note 6)	5,115	0	0	5,115
Revaluation of investment Properties & Assets for Sale.	(1,113)	0	0	(1,113)
Amortisation of Intangible Assets (note 16).	559	0	0	559
Revaluation of Heritage assets.	45	0	0	45
Total Capital Grants and Contributions (note 5).	(8,405)	0	0	(8,405)
Capital Grants and Contributions unapplied credited to the Comprehensive I & E	0	0	4,101	4,101
Donated Assets (notes 4 and 5).	(883)	0	0	(883)
Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Expenditure	8,267	0	0	8,267
Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Grant Receivable	(5,416)	0	0	(5,416)
Non current assets written off on disposal or sale.	29,386	0	0	29,386
Total with the Comprehensive I & E Statement	43,708	0	4,101	47,809
Statutory provision for the financing of capital investment	(5,386)	0	0	(5,386)
Voluntary provision for the financing of capital investment	(116)	0	0	(116)
Capital Receipts Reserve used to finance new capital	0	(1,160)	0	(1,160)
Capital expenditure charged against the General Fund	(1,130)	0	0	(1,130)
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(8,749)	(8,749)
Total Amounts arising elsewhere	(6,632)	(1,160)	(8,749)	(16,541)
Total Amounts involving the Capital Adjustment Account	37,076	(1,160)	(4,648)	31,268

Section 5 : Notes to the Main Statements

Adjustment between accounting basis and funding basis under regulations

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

Adjustments for the year ended 31 March 2014

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves
	£000	£000	£000	£000
Amounts involving the Deferred Capital Receipts Reserve				
Transfer on receipt of cash	0	3	0	3
Total involving the Deferred Capital Receipts Reserve	0	3	0	3
Amounts involving the Pension Reserve				
Reversal of Pension items in the Comprehensive I & E	21,489	0	0	21,489
Employer's pension contributions payable in the year	(12,599)	0	0	(12,599)
Total involving the Pension Reserve	8,890	0	0	8,890
Amounts involving the Collection Fund Adjustment				
Difference in Council Tax income credited to the Comprehensive I & E and that under statutory requirements.	(122)	0	0	(122)
Total involving the Collection Fund Adjustment Account	(122)	0	0	(122)
Amounts with the Acc Compensated Absences Adj Acc't				
Reversal of accrual made at the previous year end	(2,481)	0	0	(2,481)
Creation of accrual for the current year end	2,364	0	0	2,364
Total with the Acc Compensated Absences Adj Acc't	(117)	0	0	(117)
Amounts between Usable Reserves				
Cash proceeds on disposal of non current assets	(4,301)	4,301	0	0
Total Amounts between Usable Reserves	(4,301)	4,301	0	0
Total Adjustments for the year ended 31 March 2014	41,426	3,144	(4,648)	39,922

Section 5 : Notes to the Main Statements

41 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service in the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Executive on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular :

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than service cost of benefits accrued in the year, and benefits paid directly.
- expenditure on some support services is budgeted for centrally and not charged to services.

The income and expenditure of the Council's principal services recorded in the budget monitoring reports for the year and reported to Members is set out overleaf :

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This summary reconciliation shows how the amounts in the analysis of the service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2013/14	2014/15
	£000	£000
Net expenditure in the service analysis	136,804	124,795
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	29,733	26,173
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(17,847)	(18,434)
Cost of Services in the Comprehensive Income and Expenditure Statement	148,690	132,534

Section 5 : Notes to the Main Statements

Service Income and Expenditure					
Year ended 31 March 2015	Wellbeing Care & Learning	Neighbourhoods & Communities	Corporate Services	Other Services	Total
	£000	£000	£000	£000	£000
Fees Charges & other income	(24,267)	(12,756)	(28,195)	(638)	(65,856)
Government Grants	(99,412)	(19,405)	(79,970)	(2,066)	(200,853)
Total Income	(123,679)	(32,161)	(108,165)	(2,704)	(266,709)
Employee Expenses	79,913	16,081	38,575	0	134,569
Non Employee Expenses	106,311	32,838	108,737	9,049	256,935
Total Expenditure	186,224	48,919	147,312	9,049	391,504
Net Expenditure	62,545	16,758	39,147	6,345	124,795

Service Income and Expenditure					
Year ended 31 March 2014	Wellbeing Care & Learning	Neighbourhoods & Communities	Corporate Services	Other Services	Total
	£000	£000	£000	£000	£000
Fees Charges & other income	(39,156)	(31,437)	(4,430)	(542)	(75,565)
Government Grants	(118,164)	(3,738)	(83,426)	(774)	(206,102)
Total Income	(157,320)	(35,175)	(87,856)	(1,316)	(281,667)
Employee Expenses	100,255	32,067	14,048	1,558	147,928
Non Employee Expenses	133,377	35,980	93,334	7,852	270,543
Total Expenditure	233,632	68,047	107,382	9,410	418,471
Net Expenditure	76,312	32,872	19,526	8,094	136,804

Section 5 : Notes to the Main Statements

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement							
	Service Analysis		Amounts not reported	Amounts not included in I & E	Cost of Services	Corporate Amounts	Total
	£000	£000					
Year Ended 31 March 2015							
Fees Charges & Other service income	(65,458)	0	0	7,180	(58,278)	(7,180)	(65,458)
Interest and Investment Income	(398)	0	0	398	0	(398)	(398)
Income from Council Tax	0	0	0	0	0	0	0
Net Expenditure - Investment	0	0	0	0	0	0	0
Government grants and contributions	(200,853)	(3,818)		2,066	(202,605)	(145,733)	(348,338)
Total Income	(266,709)	(3,818)		9,644	(260,883)	(153,311)	(414,194)
Employee expenses	134,569	375		(5,539)	129,405	9,942	139,347
Other service expenses	246,859	0		(12,118)	234,741	1,942	236,683
Depreciation and other capital charges	0	29,616			29,616		29,616
Interest Payments	4,021	0		(4,021)	0	4,021	4,021
Precepts and Levies	14	0		(14)	0	14	14
MRP / VRP / DRF	6,041	0		(6,386)	(345)	0	(345)
Gain or Loss on disposal of fixed assets	0	0		0	0	26,617	26,617
Net Expenditure - Investment	0	0		0	0	(6,671)	(6,671)
Total expenditure	391,504	29,991		(28,078)	393,417	35,865	429,282
Deficit on the Provision of services transferred to the General Fund	124,795	26,173		(18,434)	132,534	(117,446)	15,088

Section 5 : Notes to the Main Statements

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement							
	Service Analysis		Amounts not reported	Amounts not included in I & E	Cost of Services	Corporate Amounts	Total
	£000	£000					
Year Ended 31 March 2014							
Fees Charges & Other service income	(75,332)	0	20,536	(54,796)	(42,921)	(97,717)	
Interest and Investment Income	(233)	0	233	0	(233)	(233)	
Income from Council Tax	0	0	0	0	0	0	
Net Expenditure - Investment	0	0	0	0	(1,830)	(1,830)	
Government grants and contributions	(206,102)	(3,274)	775	(208,601)	(150,586)	(359,187)	
Total Income	(281,667)	(3,274)	21,544	(263,397)	(195,570)	(458,967)	
Employee expenses	147,928	1,954	(6,259)	143,623	6,259	149,882	
Other service expenses	260,817	0	(22,275)	238,542	44,680	283,222	
Depreciation and other capital charges	0	31,053	0	31,053	0	31,053	
Interest Payments	4,210	0	(4,210)	0	4,210	4,210	
Precepts and Levies	15	0	(15)	0	15	15	
MRP / VRP / DRF	5,501	0	(6,632)	(1,131)	0	(1,131)	
Gain or Loss on disposal of fixed assets	0	0	0	0	24,887	24,887	
Total expenditure	418,471	33,007	(39,391)	412,087	80,051	492,138	
Deficit on the Provision of services transferred to the General Fund	136,804	29,733	(17,847)	148,690	(115,519)	33,171	

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Section 5 : Notes to the Main Statements

42 Officers' Remuneration

Senior Employees' Remuneration

Regulation 7(2)(c) of the Accounts and Audit (England) Regulations 2011 requires the separate disclosure and analysis of remuneration for **senior employees** (defined by the regulations as those employees forming part of the Council's senior management team).

	Salary (including fees & allowances)	Benefit in Kind (e.g. Car Allowances)	Total excluding pension contributions	Pension Contributions Paid by the Council	Employer's Contribution to Early Retirement Costs to the Pension Fund	Total including pension contributions
2014/2015	£	£	£	£	£	£
Chief Executive - Mike Robinson	140,000	149	140,149	20,160	0	160,309
Executive Director of Economic Development & Communities	113,484	0	113,484	16,341	0	129,825
Executive Director of Wellbeing Care & Learning - started August 2014*	98,906	397	99,303	14,242	0	113,545
Executive Director of Commercial & Corporate Services** - June 2014	109,675	229	109,904	13,860	0	123,764
Chief Finance Officer / Section 151 Officer	89,114	0	89,114	12,832	0	101,946
Assistant Director of Organisation & Governance / Monitoring Officer	83,012	94	83,106	11,954	0	95,060

* The Executive Director of Wellbeing Care and Learning was previously the Assistant Director of Integrated Working. In this role she received total remuneration of £19,613. The Basic Salary of the Executive Director post is £113,500 per annum.

** The Executive Director of Commercial and Corporate Services was previously the Director of Transformation. In this role he received total remuneration of £16,933. The basic salary of the Executive Director post is £113,500 per annum.

Section 5 : Notes to the Main Statements

	Salary (including fees & allowances)	Benefit in Kind (e.g. Car Allowances)	Total excluding pension contributions	Pension Contributions Paid by the Council	Employer's Contribution to Early Retirement Costs to the Pension Fund	Total including pension contributions
2013/2014	£	£	£	£	£	£
Chief Executive - Gill Rollings Left End of March 2014	142,006	760	142,766	17,272	48,469	208,507
Director of Neighbourhoods & Communities	113,608	18	113,626	17,476	0	131,103
Director of Wellbeing Care & Learning	113,491	596	114,087	17,476	0	131,563
Director of Strategic Resources	90,000	0	90,000	13,860	0	103,860
Legal & Democratic Services Left End of September 2013	72,500	0	72,500	6,545	120,435	199,480
Director of Transformation Started June 2013 *	77,274	284	77,558	11,900	0	89,459
Assistant Chief Executive	81,931	285	82,216	13,764	0	95,980

* The Director of Transformation was previously employed as Assistant Director for Social Care. In this role he received total remuneration of £17,875 in 2013/2014. The Basic Salary of the Director of Transformation post was £95,000 per annum.

Other Employees Remuneration

Employees excluding the Senior Officer above receiving more than £50,000 remuneration for the year were paid the following amounts (in bands of £5,000) :

From - to £	Number of Employees at 31 March 2014			Number of Employees at 31 March 2015		
	Total	MBC	Schools	Total	MBC	Schools
50,000 - 54,999	34	13	21	36	16	20
55,000 - 59,999	31	15	16	35	11	24
60,000 - 64,999	19	7	12	11	6	5
65,000 - 69,999	12	5	7	9	2	7
70,000 - 74,999	10	3	7	5	1	4
75,000 - 79,999	5	5	0	1	1	0
80,000 - 84,999	3	3	0	1	1	0
85,000 - 89,999	1	0	1	1	1	0
90,000 - 94,999	2	2	0	2	0	2
95,000 - 99,999	1	0	1	1	0	1
100,000 - 104,999	0	0	0	1	1	0
125,000 - 129,999	0	0	0	1	1	0
155,000 - 159,999	1	1	0	0	0	0
Total	119	54	65	104	41	63

Remuneration is all amounts receivable by an employee, including expenses and allowances chargeable to tax and the estimated money value of any other benefits received excluding pension contributions.

In 2014/2015 7 staff were included in the above table due to one-off redundancy payments taking their total remuneration above £50,000 (2013/2014 - 17 staff).

The 31 March 2014 figures for Number of Employees Remuneration have been restated to include employees working at the four schools who maintain their own bank accounts.

Section 5 : Notes to the Main Statements

Exit Packages

Details of *exit packages* are set out in the tables below in bands of £20,000 for amounts up to £100,000 and bands of £50,000 thereafter :

2014/15		Number exiting by				Total Cost of Exit Packages £'000
From £	To £	Compulsory Redundancy	Other	Total Number		
0	20,000	13	71	84	525	
20,001	40,000	0	16	16	451	
40,001	60,000	1	6	7	349	
60,001	80,000	0	4	4	282	
80,001	100,000	1	2	3	269	
100,001	150,000	0	1	1	104	
Total		15	100	115	1,980	

2013/14		Number exiting by				Total Cost of Exit Packages £'000
From £	To £	Compulsory Redundancy	Other	Total Number		
0	20,000	12	132	144	1,027	
20,001	40,000	2	37	39	1,082	
40,001	60,000	0	14	14	686	
60,001	80,000	1	11	12	816	
80,001	100,000	0	3	3	269	
100,001	150,000	0	4	4	528	
150,001	200,000	0	1	1	150	
Total		15	202	217	4,558	

43 Members' Allowances and Expenses

	2013/14	2014/15
	£000	£000
Basic Allowances Paid	300	298
Special Responsibility Allowances Paid	267	278
Expenses	10	7
Total	577	583

44 Agency Services

Having reviewed the services supplied the Council has concluded that it does not have significant income and expenditure due to agency arrangements.

45 Audit Fees

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	2013/14	2014/15
	£000	£000
Fees payable for external audit services	161	154
Rebate from Audit Commission	(21)	0
Fees payable for the certification of grant claims and returns	17	10
Fees payable in respect of other services	51	10
Objection fees		
Total	208	174

Section 5 : Notes to the Main Statements

46 Related Parties

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government

Central government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties.

Grants received from government departments are set out in note 30. Debtor and Creditor balances for Central Government bodies are shown in notes 24 and 26.

Senior Officers and Members

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 Local Government Act 2000 and The Local Authorities (Functions and Responsibilities) (England) Regulations provide for the discharge of the Council's functions through executive arrangements. The main arrangements are listed below together with a table summarising the transactions:

- The Chief Finance Officer is also the Treasurer of the Teesside Pension Fund.
- The Executive Director of Wellbeing, Care & Learning is also a Director of Northern Grid for Learning.
- Four members represent the Council on the Board of Erimus Housing.
- One member represents the Council on the Board of Tees Valley Housing
- Two members represent the Council on the Board of Fabrick Housing (Thirteen Group), and one member is an employee.
- Two members are on the Police and Crime Panel.
- Six members represent the Council on the Board of Cleveland Fire Authority. They receive remuneration from the Fire Authority for undertaking this role.
- Four members represent the Council on the Board of Middlesbrough Environment City.
- Two members are on the governing body of Kings Academy, and two members are on the governing body of Macmillan Academy. One member is employed by Nunthorpe Academy Ltd.
- Two members are on the Board of Middlesbrough Voluntary Development Agency.
- One member is a non executive director of Aapna Services Ltd
- One member represents the Council on the Board of South Tees Hospitals NHS Foundation Trust.
- One member represents the Council as a Governor of Cleveland College of Art and Design.
- Eight members represent the Council as a members of the Teesside Pension Fund and Investment Panel
- One member represents the Council as a Governor of Middlesbrough College.
- One member represents the Council on the Board of Community Ventures Limited
- One member represents the Council on the Board of Groundwork North East
- One member represents the Council on the Board of Durham Tees Valley Airport.
- Two members represented the Council on the River Tees Port Health Authority.
- One member is employed full time by Accent Group
- Two members are on the Board of Easterside Partnership
- One member is on the Board of Hope North East
- Two members are members of the Langdon Square Management Committee
- One member is a member of the Langridge Initiative Centre
- Two members are on the Board of Linx Youth Detached Project.
- Two members serve as members of the Marton Community Centre Group

Section 5 : Notes to the Main Statements

- One member is a member of Middlesbrough 1st
- Three members are members of Middlesbrough Little Theatre Club
- Two members are members of Middlesbrough Voluntary Development Agency
- Three members represent the Council on the North East Regional Employers Association
- Two members are members of the Marton and Nunthorpe Playing Fields Association
- The Mayor served on the Board of Tees Valley Unlimited
- One member is a member of Teesside Ability Support Centre
- One member is a member of Teesside Hospice organisation

An exercise to identify all Local Council Companies in line with the Local Authorities (Companies) Order 1995 and the Local Government and Housing Act 1989 established that the Council had a controlling interest in the Hustler Playing Fields Trust and Shopmobility.

Related Parties Year Ended 31st March 2015				
Organisation	Expenditure Transactions in Year	Income Transactions in Year	Year End Creditor Balances	Year End Debtor Balances
	£000	£000	£000	£000
Aapna Services Ltd	12	0	0	0
Accent Foundation	0	8	0	0
Cleveland College of Art & Design	0	2	0	0
Cleveland Fire Authority	2,528	489	0	251
Cleveland Police	6,185	235	0	0
Community Ventures Ltd	24	0	0	0
Easterside Partnership	14	23	0	2
Erimus	1,359	0	15	0
Groundwork North East	197	0	12	0
Hope North East	1	2	0	0
Kings Academy	141	0	0	0
Langdon Square Community Centre	26	18	9	1
Langridge Initiative Centre	19	0	0	0
Linx Detached Youth Work	67	213	0	19
Macmillan Academy	52	0	0	0
Marton Community Centre Group	0	1	0	3
Middlesbrough 1st	8	0	0	0
Middlesbrough College	420	93	0	52
Middlesbrough Environment City	677	8	34	0
Middlesbrough Little Theatre	0	3	0	0
Middlesbrough Voluntary Development Agency	235	0	15	0
North East Regional Employers Organisation	13	0	0	0
Northern Grid for Learning	382	0	0	0
Nunthorpe Academy	2	0	0	0
Nunthorpe and Marton Playing Fields Association	0	1	0	0
South Tees Hospitals NHS Foundation Trust	0	735	0	429
Tees Valley Housing	1,382	0	14	0
Tees Valley Unlimited	0	40	0	0
Teesside Ability Support Centre	301	0	0	0
Teesside Hospice	4	1	0	0
Teesside Pension Fund	11,665	0	977	0
Thirteen Group (formerly Fabrick Housing)	69	300	0	20

Section 5 : Notes to the Main Statements

Related Parties Year Ended 31st March 2014				
Organisation	Expenditure Transactions in Year	Income Transactions in Year	Year End Creditor Balances	Year End Debtor Balances
	£000	£000	£000	£000
Aapna Services Ltd	5	0	0	0
Cleveland Fire Authority	2,497	67	0	65
Cleveland Police	6,037	0	0	0
Community Ventures Ltd	24	0	0	0
Easterside Partnership	10	25	0	5
Erimus	1,543	269	6	16
Fabrick Housing	66	54	0	7
Link Detached Youth Work	0	3	0	0
Middlesbrough College	159	200	0	3
Middlesbrough Environment City	556	17	1	0
North East Regional Employers Organisation	13	0	0	-5
Northern Grid for Learning	437	0	0	0
Tees Valley Housing	867	19	0	-1
Tees Valley Unlimited		92	0	0
Teesside Pension Fund	12,892	0	1,038	0
Tennis World Limited	1	0	0	0

The Council also has an interest in the following companies:

Tees Valley Unlimited	Groundwork South Tees
Community Venture (Middlesbrough)	Middlesbrough Environment City Trust
Hemlington Community Partnership	Teesside Environment Trust
Tees Valley Arts	Business Link Tees Valley
Tees Valley Tomorrow	Levick Trust
Age Concern Teesside	National Community Safety Network
Northern Grid for Learning	SITA Tees Valley
Albert Park Trust	

The Council has considered its interests in these entities and concluded they are not material, and the Council is not therefore required to prepare group accounts.

Teesside Pension Fund

Details of all transactions with the Pension Fund are shown in the Teesside Pension Fund section of the Statement of Accounts. Specifically, the Council made contribution payments as an employer of £8.6 million (2013/2014 - £9.4 million) and made charges to the Fund for Support Services of £315,000 (2013/2014 - £322,000).

Section 5 : Notes to the Main Statements

47 Trading Operations

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:

	2013/14			2014/15		
	Income	Costs	(Surplus) /Deficit	Income	Costs	(Surplus) /Deficit
	£000	£000	£000	£000	£000	£000
Building Control	(211)	236	25	(212)	197	(15)
Commercial and Industrial Properties	(3,065)	2,296	(769)	(3,039)	1,737	(1,302)
Highways and Sewers	(1,704)	1,905	201	(1,582)	1,422	(160)
Building maintenance, cleaning & security	(5,525)	6,722	1,197	(6,740)	6,998	258
Parking	(967)	1,614	647	(1,141)	1,772	631
Schools Catering	(5,370)	5,393	23	(5,848)	5,677	(171)
Total	(16,842)	18,166	1,324	(18,562)	17,803	(759)

48 Pooled Budgets

Tees Community Equipment Service

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:

- 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 was made between eight partners as set out in the memorandum of account. The original eight partners in the Tees Community Equipment Service were Middlesbrough Council, Stockton Council, Redcar & Cleveland Borough Council, Hartlepool Council, Middlesbrough PCT, North Tees PCT, Redcar & Cleveland PCT and Hartlepool PCT. Following NHS reorganisation in 2013/2014, the Primary Care Trusts (PCTs) were abolished and replaced by Clinical Commissioning Groups (CCGs). Middlesbrough Council is the lead authority for the service. The outturn position for the year is set out on the next page:

Section 5 : Notes to the Main Statements

	2013/14	2014/15
	£000	£000
Balance brought forward	(347)	(434)
Gross Expenditure	1,168	1,147
Gross Income	(1,255)	(1,255)
Balance carried forward	(434)	(542)
Contributions from partners:		
Middlesbrough Council	111	107
Stockton Council	125	92
Redcar & Cleveland Borough Council	91	119
Hartlepool Council	79	86
South Tees Clinical Commissioning Group	178	177
NHS Hartlepool and Stockton-on-Tees Clinical Commissioning Group	179	0
North Tees and Hartlepool NHS Foundation Trust	0	173
Other income	492	501
Total	1,255	1,255

49 Contingent Liabilities

At 31 March 2015, the Council held the following contingent liabilities:

Home Housing Guarantee

An agreement was entered into with Home Housing, which guaranteed an initial liability of £2.4 million. This was increased to £4.01 million in 1996/1997 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.

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.

Family Kinship Payments

During 2011/2012 the High Court ruled that Local Authorities cannot discriminate against kinship carers, who should receive the full range of payments and benefits which foster carers receive. The existence of any liability in this regard can only be determined based on claims made against the authority.

Deprivation of Liberty Safeguards

A recent Supreme Court case has resulted in the Council potentially facing more applications to the Court of Protection regarding Deprivation of Liberty cases. Liabilities may exist which will not be confirmed until claims are made or cases are settled. £100,000 has now been set aside to cover future liabilities against this.

50 Contingent Assets

At 31 March 2015, the Council held the following contingent assets:

Public Private Partnership Bonds

As part of the Public Private Partnership with Mouchel Business Services Ltd there is a performance bond of £2.1 million. With effect from 6th January 2014 the value of the performance bond was reduced to £1.6m.

Section 5 : Notes to the Main Statements

51 Trust Funds

The Council administers a number of Trust Funds, which are varied in nature and relate principally to legacies left by local inhabitants of the area over a number of years. Assets of the 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.

A summary of the Trust Funds administered by the Council is as follows

	Reg'd Charity Number if applicable	Fund Balance at 1 April 2014	Surplus / (Deficit) in 2015	Fund Balance at 31 March 2015
		£	£	£
Teesside Education Endowment	514301	7,300	27	7,327
Sanderson Prize - Acklam Grange School	516308	1,517	5	1,522
Haines Prize - Brackenhoe School	516305	4,931	20	4,951
Capt. J.V. Nancarrow Trust - Educational support	506937	108,773	383	109,156
Middlesbrough Educational Trust	532293	63,539	1,476	65,015
Hustler Playing Fields Trust - Sport	523381	1,562,620	(26,709)	1,535,911
Miss Olive Scarr Trust - Schools Music	508539	16,333	(1,082)	15,251
W.M. Anderton Trust - Kings Manor School and Acklam 6th Form College	509198	1,353	5	1,358
Rev. J.W. Dales Trust - University Scholarship	512215	2,006	6	2,012
Teesside Relief in Sickness	229137	3,641	12	3,653
Settlement Hall Trust - social and religious accommodation	226877	100,740	1,540	102,280
Lady Crossthwaite Bequest - support for the older people	234932	481,833	(5,951)	475,882
King Edward VII & Sister Purvis Convalescent Fund	226433	42,768	14,711	57,479
Wilson & Marwood Trust - support for disadvantaged people	221291	15,210	40	15,250
Stewart Park Trust - Recreation	507075	8,563	31	8,594
Middlesbrough Little Theatre Trust - drama and Arts	503828	0	0	0
Levick Trust - accommodation for over 60's	255056	335,625	28	335,653
Captain Cook Birthplace Trust	507317	8,821	11	8,832
Dorman Museum and Art Gallery Appeal Trust	n/a	3,253	(9)	3,244
Total		2,768,826	(15,456)	2,753,370

Section 6 : The Supplementary Financial Statements

Collection Fund Income and Expenditure Account

2013/14 £000		2014/15 £000 Council Tax	2014/15 £000 NDR	2014/15 £000 Total	Note
Income					
(50,165)	Council Tax	(52,463)	0	(52,463)	
(41,699)	Income from Business Rate Payers	0	(40,844)	(40,844)	
(91,864)	Total Income	(52,463)	(40,844)	(93,307)	
Expenditure					
Precepts and Demands:					
40,163	Middlesbrough Council	41,000	0	41,000	
5,982	Cleveland Police & Crime Commissioner	6,117	0	6,117	
2,044	Cleveland Fire Authority	2,089	0	2,089	
Business Rates					
19,282	Payments to Central Government	0	19,385	19,385	
396	Payments to Cleveland Fire Authority	0	378	378	
18,897	Payments to Middlesbrough Council	0	18,997	18,997	
179	Costs of collection	0	178	178	
Bad & Doubtful Debts					
742	Write Offs	999	2,462	3,461	2
1,756	Provisions for bad debts	2,050	594	2,644	4
4,500	Provision for appeals	0	(500)	(500)	4
93,941	Total Expenditure	52,255	41,494	93,749	
Contributions towards previous year's estimate					
115	Collection fund (Surplus) / Deficit	160	(78)	82	3
2,192	Deficit / (Surplus) for the year	(48)	572	524	
COLLECTION FUND BALANCE					
(428)	Balance brought fwd at 1st April	(573)	2,337	1,764	
2,192	Deficit / (Surplus) for the year (as above)	(48)	572	524	
1,764	Balance carried forward at 31st March	(621)	2,909	2,288	
Allocated to :					
662	Middlesbrough Council	(518)	1,425	907	
(71)	Cleveland Police & Crime Commissioner	(77)	0	(77)	
9	Cleveland Fire Authority	(26)	29	3	
1,164	Central Government	0	1,455	1,455	
1,764		(621)	2,909	2,288	

Section 6: The Supplementary Financial Statements

Notes to the Collection Fund Income and Expenditure Account

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*	45	+5/9	41	25
A	15,616	+6/9	16,931	10,411
B	7,234	+7/9	9,150	5,626
C	8,480	+8/9	12,259	7,538
D	4,230	+9/9	6,879	4,230
E	1,642	+11/9	3,264	2,007
F	588	+13/9	1,381	849
G	397	+15/9	1,076	662
H	31	+18/9	101	62
Less : Adjustments for assumed non-collection based on budgets assumption of 96.3 % collection rate			(1,890)	(1,162)
Total			49,192	30,248

A* - Band A Properties receiving Disabled Relief

The average Council Tax for Band D dwellings for the Council and major Precepting Authorities was £1,626.32

2 Income from Business Ratepayers

In 2013/2014, the administration of National Non Domestic Rates (NNDR) changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectible rates due. In Middlesbrough's case the local share is 49%. The remainder is distributed to the preceptors, which for Middlesbrough are Central Government (50%) and Cleveland Fire Authority (1%).

NDR income for 2013-2014 was overstated by £2,462,084. This has been corrected in the 2014-2015 Collection Fund Income and Expenditure Account by writing-off the overstatement.

The total non-domestic rateable value at 31st March 2015 was £108,946,214 (£110,492,879 at 31st March 2014) and the national non-domestic multiplier for the year was 48.2p (47.1p in 2013/2014).

Section 6: The Supplementary Financial Statements

3 Previous Year's Council Tax (Surplus)/Deficit

The Council has a statutory requirement to prepare an estimate each January of the surplus or deficit expected to arise at the end of the financial year. 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.

	2013/14	2014/15
	£000	£000
Middlesbrough Borough Council	(96)	(133)
Cleveland Police & Crime Commissioner	(14)	(20)
Cleveland Fire Authority	(5)	(7)
Total (Surplus) Deficit	(115)	(160)

4 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 100% is made for all debt over three years old. Following a further review 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 35% 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 and pending write offs a provision of 100% is provided.

The Collection Fund account also provides for provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31st March 2015. This is the second year of this provision.

	£000
Opening Balance as at 1st April 2014	4,500
Charges against the provision for appeals	(500)
Changes in the provision for appeals	0
Closing Balance as at 31st March 2015	4,000

Section 7 : Teesside Pension Fund Statements of Account

Chairman's Introduction

During the last twelve months, equity and bond markets performed strongly again, with some indices finishing the year at all-time highs. Equity markets were volatile again as investors dealt with the US ending their quantitative easing (QE) programme and market rumours abound of increasing interest rates, the European Central Bank embarking on a full programme of QE following Greek elections, the Swiss discontinuing their currency peg to the Euro, and Japan resuming their QE programme.

Strength in bond markets continued with some Governments, such as Switzerland, able to issue bonds with negative interest rate. In other words, you pay them for owning their bond. The divergence in monetary policies between the US, looking to tighten monetary policy and raise interest rates, and the Eurozone and Japan, loosening monetary policy through QE also caused the US Dollar to strengthen against other major currencies.

The other big financial story of the year was the rapid demise of the oil price. The price of Brent Crude fell from over \$100 a barrel to \$55 at 31 March 2015.

The financial performance of the Fund for the year to 31 March 2015 was positive. The Fund's value rose to £3,244 million, an increase over the year of £195 million. The rise was due to strong equity and property markets.

The membership of the Fund continues to increase, with total membership at the year end now standing at 68,054, an increase of 1,528 over last year. The number of active members has decreased by 1,168 (4.9%) over the year, and decreased by 7.3% over the past five years. The number of pensioners increased by 411 (2.0%) over the year, and increased by 14.2% over the past five years. The number of deferred members increased last year by 2,285 (10.3%), and increased by 31.2% over the past five years.

Where a member retires early there is a cost to the Fund arising from the fact that Contributions are no longer being received for the member, and a Pension is drawn earlier than the Actuary had assumed. It is the policy of the Fund to recharge the actuarial cost of these retirements to the employers. This policy has the advantage that the Fund recovers the cost of an early retirement at the outset. For the employer the advantages are twofold;

- 1 the impact of retirement decisions is transparent; and
- 2 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 received over £5.5 million from these early retirement recharges, up on last year figure of £4.8 million, an 14% increase on last year.

Every three years the Fund actuary, AON Hewitt, carries out a full actuarial valuation of the Fund. The purpose of this was to calculate how much employers in the scheme need to contribute going forward to ensure that the Fund's liabilities, the pensions due to current and future pensioners, will be covered. Unlike most other Public Sector schemes the Local Government Scheme is a funded scheme. That means there is a pool of investments producing income which meet a significant part of the liabilities. The actuary calculates to what extent the Fund's assets meet its liabilities. This is presented as a Funding Level. The aim of the Fund is to be 100% funded, and at the last valuation the actuary was able to declare a funding level of 100%. This allowed many of the employers in the Fund to decrease the amount of their contribution for the next three years, releasing money for front-line services. The next valuation is due to be carried out in March 2016.

Nature of the Scheme

The Teesside Pension Fund (the Fund) is part of the Local Government Pension Scheme. From April 2014 the scheme was governed by new regulations, as follows;

- The Local Government Pension Scheme Regulations 2013 (as amended); and,
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014

These regulations replaced the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008.

Full details of the changes to the Scheme, along with updated scheme guides, are on our website at www.teespen.org.uk.

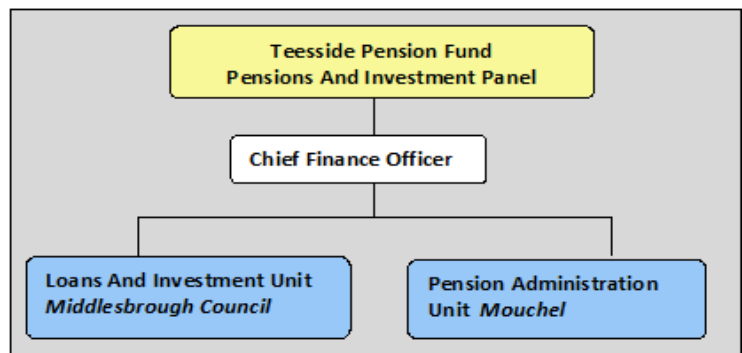
Section 7 : Teesside Pension Fund Statements of Account

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.

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.



The day to day running of the Teesside Pension Fund is delegated to the Chief Finance Officer 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 Fund's external Investment Advisers.

The Teesside Pension Fund Pensions and Investment Panel

Panel membership during the year;

Members

Chair

Vice Chair

Middlesbrough Council

Redcar & Cleveland BC

Stockton BC

Hartlepool BC

Other Employers

Trades Unions

With voting rights

Councillor SE Bloundele

Councillor J Rostron

Councillor R Brady

Councillor JG Cole

Councillor J Hobson

Councillor N Hussain

Councillor G Purvis

Councillor P Sharrocks

Councillor V Jefferies

Councillor J Beall

Councillor P Jackson

Mr P Fleck

Without voting rights

Unison, GMB and ACTS

The current Panel consists of representatives from all the district councils in the former Cleveland County area as well as representatives from the Trade Unions. The Panel held 4 quarterly meetings during the year.

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.

Section 7 : Teesside Pension Fund Statements of Account

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:
 - (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 adhoc 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.

Fund Administrators and Advisors

Administration

Chief Finance Officer	Mr Paul Slocombe
Head of Investments	Mr Paul Campbell
Pensions Administration Manager	Mr Mike Hopwood
Solicitor to the Fund	Mr Bryn Roberts

Advisors to the Fund

Actuary	Aon Hewitt Ltd
Solicitors	Nabarro LLP & Freeth Cartright LLP
Auditors	Deloitte LLP
Investment Advisors	Mr Peter Moon Mr Fred Green
Property Managers	CBRE
Custodian	BNP Paribas Securities Services
AVC Providers	Prudential Assurance, Phoenix Life
Bankers	The Co-operative Bank plc

Section 7 : Teesside Pension Fund Statements of Account

The Pensions Landscape

All of the major public sector schemes will face change from April 2015, with the new public sector schemes established and operated in accordance with the Public Service Pensions Act 2013. However, due to its unique 'funded' status amongst these schemes, the LGPS changed a year earlier, avoiding increases to contribution rates ahead of April 2015 which the other schemes imposed. More detail on the changes to the scheme is contained in the "Scheme specific changes" section below.

Government changes to the wider pensions landscape are also introduced from April 2015, promoting "Freedom and choice" whereby people will have greater flexibility in how and when they access their pension savings. These changes announced will largely impact upon defined contribution schemes and, due to the nature of the LGPS, should not have a major impact upon the scheme or its operation.

The overall limits on tax relief available for pension saving have reduced further, with the annual allowance figure now set at £40,000 and the lifetime allowance reducing to £1 million in 2016. The lifetime allowance limit is only breached by a very small proportion of LGPS membership, but the reduction to the annual allowance will mean that more members could face a potential tax charge in the future.

Scheme specific changes

On 1st April 2014, the new look LGPS came into force, reflecting the changes required to public sector schemes derived from the Public Service Pension Commission recommendations.

From 1st April 2014;

The LGPS became a Career Average Revalued Earnings (CARE) scheme using the CPI as the revaluation factor (the previous scheme was a final salary scheme).

The scheme accrual rate is 1/49th, where the previous scheme was 1/60th.

There is no fixed scheme pension age, instead each member's Normal Pension Age (NPA) is their State Pension Age, with a minimum of 65 (the former scheme had a fixed pension age of 65).

Average member contributions to the scheme remain at 6.5% with the rate determined on actual pay (previously, part-time contributions were based on full time equivalent pay). While there is no change to average member contributions, the lowest paid pays the same or less and the highest paid pays higher contributions on a more progressive scale after tax relief.

There is a facility for members considering opting out of the scheme to instead elect to pay half contributions for half the pension. This is known as 50/50 option (earlier schemes had no such option).

Members' benefits for service prior to 1st April are protected, including remaining "Rule of 85 protection". Protected past service continues to be based on final salary and age 65 NPA.

Membership

In the 2014/2015 financial year the total membership of the Fund has increased by 1,528 to 68,054

The number of deferred members of the scheme has risen by 31% in the last 5 years and now forms 36% of the total membership.

Membership Numbers					
	2011	2012	2013	2014	2015
Active	24,341	23,856	23,908	23,734	22,566
Deferred	18,609	19,717	20,738	22,144	24,429
Pensioner	18,438	19,389	19,850	20,648	21,059
Total	61,388	62,962	64,496	66,526	68,054

Section 7 : Teesside Pension Fund Statements of Account

Summary of Membership Changes

	Active Members	Deferred Members	Pensioners Members	Dependants	Total
At 1st April 2014	23,734	22,144	18,028	2,620	66,526
Adjustments	(1,525)	1,574	214	79	342
New Members	2,279	10	0	210	2,499
Change in Status	(1,696)	838	853	(1)	(6)
Leavers	(226)	(137)	(719)	(225)	(1,307)
At 31st March 2014	22,566	24,429	18,376	2,683	68,054
% Of Total at 1 April 2014	35.7%	33.3%	27.1%	3.9%	100.0%
% Of Total at 31 March 2015	33.2%	35.9%	27.0%	3.9%	100.0%

During the year, 22 employers joined the scheme as scheduled bodies, and 5 employers joined as admitted bodies. Also, 2 admitted employers ceased to have active members in the scheme. At the year end the Fund had 133 employers with active members.

A full list of participating employers and their membership numbers is as follows

Membership by Employer at 31 March 2015

	Current Employers	Active Members	Deferred Members	Pensioners - Members	Pensioners - Dependants	2014/15 Total	2013/14 Total
1	Stockton BC	4,951	5,843	3,215	440	14,449	13,988
2	Middlesbrough BC	3,649	4,835	2,969	421	11,874	11,721
3	Redcar & Cleveland BC	2,909	4,198	2,643	329	10,079	10,445
4	Hartlepool BC	2,919	3,106	1,716	260	8,001	7,693
5	Cleveland CC	3	846	3,801	777	5,427	5,660
6	University of Teesside	1,025	858	432	64	2,379	2,273
7	CSCI	1	504	492	28	1,025	1,031
8	Cleveland Police Authority	3	286	218	12	519	522
9	Care Quality Commission	551	120	153	2	826	818
10	Durham Tees Valley Probation Trust	511	106	0	0	617	731
11	Coast & Country Housing	407	208	154	9	778	789
12	Mouchel	219	156	241	13	629	632
13	Middlesbrough College	422	362	126	13	923	837
14	Steria	364	48	66	2	480	467
15	Tristar Homes	249	120	95	10	474	471
16	Erimus Housing	183	87	140	8	418	418
17	Stockton Riverside College	147	188	71	6	412	395
18	Hartlepool College of FE	184	208	78	14	484	441
19	Housing Hartlepool	211	86	81	4	382	378
20	Beamish	94	125	83	13	315	315
21	Cleveland Probation	2	112	0	0	114	236

Section 7 :Teesside Pension Fund Statements of Account

22	Durham and Tees Valley Airport	32	76	95	26	229	236
23	Cleveland Fire Authority	120	82	59	5	266	260
24	Cleveland College of Art & Design	99	84	50	6	239	226
25	Tees Active Ltd	121	85	25	2	233	232
26	Tees Valley Leisure	16	93	19	4	132	139
27	Redcar & Cleveland College	98	113	57	3	271	245
28	Transit Stagecoach	14	19	138	12	183	184
29	Unity City Academy	62	78	15	2	157	151
30	Liberata	33	54	48	6	141	142
31	MacMillan Academy	93	59	22	1	175	173
32	Business & Enterprise NE	2	52	28	1	83	83
33	Kings Academy	80	49	16	1	146	122
34	Prior Pursglove College	50	32	25	0	107	108
35	CIC	5	35	54	0	94	94
36	North Shore Academy	51	52	4	0	107	91
37	Oakfield Community College	17	35	7	0	59	60
38	Fabrick Housing	38	10	14	3	65	66
39	Hartlepool 6th Form	39	21	10	1	71	63
40	Freebrough Academy	42	14	4	0	60	59
41	Thornaby Academy	40	27	10	1	78	76
42	Carillion Integrated Solutions	21	15	8	1	45	45
43	One Awards Ltd (formerly OCN)	20	15	8	4	47	44
44	Stockton 6th Form	21	16	13	0	50	46
45	RSTM Custody Services	0	17	2	1	20	20
46	Five Rivers	1	10	2	0	13	19
47	Carillion Government Services	12	3	3	0	18	18
48	Learning and Skills Council	6	5	4	0	15	15
49	OCS	1	3	6	0	10	10
50	Guisborough Town Council	4	2	5	0	11	9
51	Ofsted	1	1	7	1	10	43
52	RM Education Ltd	0	10	1	0	11	11
53	Taylor Shaw Ltd	0	3	0	0	3	4
54	Forward Swindon	4	0	0	0	4	4
55	Saltburn & Marske PC	3	2	1	0	6	5
56	Reliance Secure Task management	0	1	1	0	2	2
57	Future Reperation of Grangetown	1	4	1	0	6	6
58	Loftus Town Council	3	0	1	0	4	4
59	Billingham Town Council	4	0	0	0	4	3

Section 7 : Teesside Pension Fund Statements of Account

60	Skelton & Brotton Parish Council	3	1	0	0	4	4
61	Yarm Town Council	1	0	0	0	1	1
62	Ingleby Barwick Town Council	1	0	0	0	1	1
63	Cleveland Fire Support Network	1	0	0	0	1	1
64	Dimensions UK	0	0	1	0	1	1
65	Fleet Factors	1	0	0	0	1	1
66	CMSL RyeHills Catering	4	2	1	0	7	5
67	Northgate Managed Services Ltd	6	0	0	0	6	6
68	Wolseley UK Ltd	2	2	0	0	4	4
69	The Big Life Company Ltd	6	2	1	0	9	9
70	4Children	3	0	0	0	3	3
71	Eston Park Academy	27	6	6	0	39	32
72	Brambles Academy	15	4	0	0	19	18
73	Pennyman Primary Academy	38	6	2	0	46	39
74	Chandlers Ridge Academy	21	2	0	0	23	17
75	Nunthorpe Academy	68	17	2	0	87	78
76	Ormesby School	45	9	8	0	62	55
77	KTS Academy	45	7	2	0	54	52
78	Gillbrook Academy	17	4	1	0	22	22
79	North Ormesby Primary Academy	16	4	0	0	20	18
80	Redcar Academy	29	8	4	0	41	35
81	Crime Commissioner for Cleveland	25	21	21	4	71	378
82	Conyers School	82	20	7	0	109	90
83	All Saints Academy	29	4	0	0	33	29
84	St Gregory's Catholic Academy	29	12	2	6	49	37
85	KGB Cleaning & Supp Servs Ltd	5	2	0	0	7	7
86	SLM Community Leis Char Trust	49	2	2	0	53	52
87	SLM Food & Beverage Ltd	2	0	0	0	2	2
88	SLM Fitness & Health Limited	4	3	0	0	7	5
89	Dyke House Academy	92	6	2	0	100	54
90	Caldicotes Primary Academy	15	1	0	0	16	16
91	Tascor Services Ltd – PFI	3	0	0	0	3	3
92	Tascor Services Ltd – Custody	12	1	1	0	14	14
93	Hardwick Green Primary Academy	16	2	0	0	18	16

Section 7 : Teesside Pension Fund Statements of Account

94	Ecocleen Services Ltd	1	0	0	0	1	1
95	Extol Ac Trust (Eldon Grove)	29	2	0	0	31	25
96	Stranton Ac Trust (Stranton)	32	10	0	0	42	28
97	Stranton Academy Trust (Owton)	13	0	0	0	13	11
98	Catcote Academy	113	15	3	0	131	99
99	Horizons Specialist Academy	157	10	2	0	169	148
100	St Michael's Catholic Academy	27	8	1	0	36	35
101	Fredrick Natrass Primary Academy	29	2	0	0	31	25
102	Oak Tree Primary Academy	56	3	1	0	60	54
103	Outwood Academy Acklam	36	5	1	0	42	39
104	Dormanstown Primary Academy	30	0	1	0	31	27
105	St Bede's Catholic Academy	28	5	0	0	33	25
106	Mellors Catering Services Ltd	75	1	0	0	76	5
107	Sunnyside Academy	60	8	1	0	69	6
108	Viewley Hill Academy Trust	20	2	0	0	22	1
109	Norton Primary Academy	42	4	1	0	47	1
110	Grangefield Academy	60	4	0	0	64	3
112	Know How North East	1	7	8	1	17	1
113	Fleet Factors RCBC	2	0	0	0	2	2
114	Chief Constable for Cleveland	296	21	6	0	323	0
115	One IT Solutions Ltd	18	0	0	0	18	0
116	Skleton Primary School	51	12	0	0	63	0
117	Rose Wood Academy	41	3	0	0	44	0
118	Hemlington Hall Academy	24	3	0	0	27	0
119	Yarm Primary School	44	4	0	0	48	0
120	Lockwood Parish Council	2	0	0	0	2	0
121	Diocese of Middlesbrough Trust	1	0	0	0	1	0
122	English Martyrs Ed Trust	98	2	3	0	103	0
123	Easterside Academy	33	1	0	0	34	0
124	St Margarets Clitherows CVPA	22	1	0	0	23	0
125	St Gabriels Catholic Academy	25	1	2	0	28	0

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126	St Marys Catholic Academy	15	0	0	0	15	0
127	St Peters Academy M and C	35	0	1	0	36	0
128	Green Lane Primary Academy	44	1	0	0	45	0
129	Kader Academy	20	1	0	0	21	0
130	Normanby Primary School	41	1	0	0	42	0
131	Nunthorpe Primary Academy	24	2	0	0	26	0
132	Creative Management Services Ltd	30	1	0	0	31	0
133	Harrow Gate Primary Academy	5	1	0	0	6	0
134	Ian Ramsey CoE Academy	2	0	0	0	2	0
135	Ash Trees Academy	1	1	0	0	2	0
136	St Joseph's Primary Academy	1	0	0	0	1	0
137	West View Academy	3	0	0	0	3	0
138	Outwood Academy Bydales	8	0	0	0	8	0
139	Lincolnshire County Council	1	1	0	0	2	0
	Inactive Employers	0	559	745	166	1,470	1,506
		22,566	24,429	18,376	2,683	68,054	66,526

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Fund Accounts for the year ended 31st March 2015

2013 / 2014 £000		Note	2014 / 2015 £000
	Contributions and Benefits		
88,850	Contributions	6	84,520
31,070	Transfers in	7	5,243
6,086	Other income	8	6,756
126,006			96,519
111,117	Benefits	9	120,746
5,698	Leavers	10	80,755
116,815			201,501
4,543	Management expenses	11	4,608
4,648	Net additions/(withdrawals) from dealings with members, employers and others directly involved in the fund		(109,590)
	Returns on investment		
84,045	Investment income	12	89,553
30,933	Change in market value of investments	13	214,604
114,978	Net returns on investments		304,157
119,626	Net increase in the Fund during the year		194,567
2,929,601	Net assets of the scheme as at 1st April		3,049,227
3,049,227	Net assets of the scheme as at 31st March		3,243,794
2014	Net Assets Statement as at 31st March		2015
3,010,484	Investments Assets	13	3,232,586
40,629	Current Assets	14	15,817
935	Receivables due over 1 year	15	299
(2,821)	Current liabilities	16	(4,908)
3,049,227	Net assets of the scheme at 31st March		3,243,794

Section 7: Teesside Pension Fund Statements of Account

Notes to the Financial Statements

1 Basis of Preparation

The financial statements have been prepared in accordance with the Local Government Pension Scheme Regulations 2014 (as amended) and with the guidelines set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2014/2015 having regard to the Statement of Recommended Practice: Financial Reports on Pensions Schemes (revised May 2007).

2 Accounting Policies

Basis on which Receivables, Payables, Income and Expenditure are included in the

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 an accruals basis once liability is accepted.

Valuation of Investments

Investments have been included in the Net Assets Statement at their market value as at 31st March 2015 as provided by the Fund's custodians. Quoted UK securities are valued at the bid price based on the quotations in the Stock Exchange Daily Official List. Overseas quoted securities are similarly valued at bid price from overseas stock exchanges, translated at closing rates of exchange.

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published, otherwise at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.

Other unlisted securities, including partnerships, are valued with regard to latest dealings and other appropriate financial information as provided by their respective managers or those controlling the partnerships.

The acquisition costs of investments are accounted for as part of the cost of investments.

Property is valued annually by an independent qualified valuer in accordance with the "Royal Institute of Chartered Surveyors" valuation standards

Financial Instruments

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

IFRS 13 Fair value Measurement

This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The fund complies currently complies with this standard.

Property expenses

Property expenses have been recorded gross and shown as a deduction from the Gross Rental income received in determining net rents from Properties.

Foreign exchange

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

Section 7: Teesside Pension Fund Statements of Account

Custody and Security of Investments

Most investments are held in nominee name by the Fund's Global Custodian, the BNP Paribas Securities Services. 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.

The agreement between the Fund and the Custodian provides for certain indemnities where there has been loss as a result or 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.

Rental Income

Rental income is accounted for on an accruals basis.

Contributions

Contributions are accounted for in the period in which they fall due. Normal contributions received during the year have been paid in accordance with the rates and adjustments certificate.

Benefits

Benefits are accounted for in the period in which they fall due. All benefits are calculated in accordance with the statutory regulations in force at the relevant benefit date.

Administrative Expenses

The administrative expenses of the Fund are incurred by the Administering Authority and are recharged to the Pension Fund periodically during the year. Expenses for Actuarial, Audit and Legal fees are paid directly by the Fund.

Contingent Liabilities

The Pension Fund has no contingent liabilities.

Cash and cash equivalents

Cash comprises of cash in hand and demand deposits.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Value Added

Expenses and property purchase costs are charged net to the Pension fund. The VAT is reclaimed via Middlesbrough Council's VAT regime.

Section 7: Teesside Pension Fund Statements of Account

3 Accounting standards that have been issued but not yet been adopted.

There are no accounting standards that have been issued but not yet adopted.

4 Critical Judgements, Sensitivities and Accounting Estimates

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using the International Private and Venture Capital Association guidelines or European Venture Capital Association definition of conservative value. The value of unquoted private equities at 31 March 2015 was £79,610 (£144,050 at 31 March 2014).

Pension Fund Liabilities

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

Section 7: Teesside Pension Fund Statements of Account

5 Assumptions made about the Future and other Major Sources of Estimation Uncertainty.

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured e.g 0.1% pa increase in the discount factor assumption could decrease liability by c £74.89 million.
Debtors	At 31 March 2015, the fund had a balance of sundry debtors of £8.4 million.	There is no history of uncollectable debtors
Private Equity	Private Equity investments are valued at fair value in accordance with the International Private and Venture Capital Association guidelines or European Venture Capital Association definition of conservative value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £79,610. There is a risk that this investment may be under or overstated in the accounts. The remaining items with unobservable market values amount to £91,595,390 and are relating to infrastructure, real estate, and pooled equity vehicles.

6 Contributions

		2013 / 14	2014 / 15
		£000	£000
Employers	Normal	60,506	57,125
	Additional Contributions	550	48
	Deficit Recovery Contributions	2,376	1,859
Members	Normal	25,418	25,488
Total		88,850	84,520

The actuarial valuation at 31st March 2013 calculated that the Fund was 101% funded.

Section 7: Teesside Pension Fund Statements of Account

Analysis of Total Contributions

	2013 / 14	2014 / 15
	£000	£000
Administering Authority	13,254	12,345
Scheduled Bodies	57,819	54,037
Admitted Bodies	17,777	18,138
Total	88,850	84,520

7 Transfers in

	2013 / 14	2014 / 15
	£000	£000
Individual transfers in from other schemes	31,070	5,243

In 2013/14 a Transfer in amount of £27.8 million was accrued in respect of a group transfer in for Durham Probation Trust. The actual cash amount was received in August 2014.

8 Other income

	2013 / 14	2014 / 15
	£000	£000
Capital Costs of Early Retirements	4,864	5,528
Other income	1,222	1,228
Total	6,086	6,756

9 Benefits

	2013 / 14	2014 / 15
	£000	£000
Pensions	89,648	94,860
Commutations and lump sum retirement benefits	18,683	23,701
Lump sum death benefits	2,786	2,185
Total	111,117	120,746

Analysis of Total Benefits

	2013 / 14	2014 / 15
	£000	£000
Administering Authority	26,025	27,884
Scheduled Bodies	66,836	68,540
Admitted Bodies	18,256	24,322
Total	111,117	120,746

10 Leavers

	2013 / 14	2014 / 15
	£000	£000
Refunds to members leaving service	13	101
Payments for members joining state scheme	2	19
Individual transfers to other schemes	5,683	80,635
Total	5,698	80,755

In 2014/15 a Transfer out amount of £75.1 million was paid to Tameside Pension Fund (part of the Greater Manchester Pension Fund) in respect of a group transfer out for Durham Probation Trust £27.8 million, and Tees Valley Probation £47.3 million.

Section 7: Teesside Pension Fund Statements of Account

11 Management Expenses

	2013 / 14	2014 / 15
	£000	£000
Administrative costs	1,579	1,599
Investment management expenses	2,717	2,779
Oversight and governance costs	247	230
Total	4,543	4,608

This analysis of costs of managing the Teesside Pension Fund has been prepared in accordance with CIPFA guidance. Both 2014/15 and 2013/14 figures show a re-allocation of management expenses. The main adjustments are for management costs previously allocated to investment assets in 2014/15 £1,730k (2013/14 £1,695k).

12 Investment Income

	2013 / 14	2014 / 15
	£000	£000
Income from fixed interest securities	4,784	3,718
Dividends from equities	65,943	71,323
Income from Index-Linked Securities	1,590	1,388
Income from pooled investment vehicles	3,829	3,053
Other Investment Income	0	219
Net rents from properties (see note below)	7,035	9,317
Interest on cash deposits	864	535
Total	84,045	89,553

Rental Income and Property Expenses

	2013 / 14	2014 / 15
	£000	£000
Gross Rental income	7,590	9,652
Property Expenses	(555)	(335)
Net Rents from Properties	7,035	9,317

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Investment Assets

	Re-stated value at 31 March 2014	Purchases at Cost	Sale Proceeds	Change in Market Value	Value at 31 March 2015
	£000	£000	£000	£000	£000
Fixed interest securities	108,005	22,027	(43,389)	2,723	89,366
Equities	2,164,694	283,471	(197,207)	179,986	2,430,944
Index-linked securities	84,345	0	(18,439)	7,558	73,464
Pooled Investment Vehicles	376,476	11,791	(33,312)	13,827	368,782
Properties	122,985	41,335	(5,200)	10,510	169,630
	2,856,505	358,624	(297,547)	214,604	3,132,186
Cash Deposits	132,200				73,803
Other Investment Balances	21,779				26,597
	3,010,484				3,232,586

Re-allocation of market value brought forward

The investment asset categories for the market value at 31 March 2014 have been re-allocated to their correctly identified asset groups following a comprehensive investment reconciliation of assets brought forward. The re-allocations were primarily between equities and pooled investment vehicles (£21.5 million) and fixed interest and index linked securities (£12.6 million).

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. Realised profit was £62,087,798 and unrealised gain was £152,516,202.

Transaction Costs

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 £1,730,084 (2014 – £1,694,520). 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 Fund. For accounting purposes the transaction costs have been re-allocated to expenses.

Section 7: Teesside Pension Fund Statements of Account

Investments analysed by fund manager

The fund is mainly in-house managed with the only exception being the direct property portfolio managed by CBRE Limited.

For 2014/15 the value at 31 March 2015 of the direct property portfolio was: £169,630,000

For 2013/14 the value at 31 March 2014 of the direct property portfolio was: £122,985,000

The remainder of the Fund is all managed in-house.

The Fund does not have any single investment over 5% of the net assets of the scheme. The following investments represent more than 5% of any class or type of security. The asset classes used for this note are not the CIPFA classifications, but those represented in the Fund's valuation by its Custodian and reported to the Teesside Pension Fund and Investment Panel.

Asset Class / Security	Market Value 31 March 2014	% of asset class	Market Value 31 March 2015	% of asset class
	£'000		£'000	
UK Fixed Interest				
BAT INTL FINANCE 7.25% MTN 12/03/24 GBP	3,301	6.94%	3,541	7.00%
HSBC BANK FRN 16/05/2016	3,007	6.32%	3,009	5.94%
NATIONAL GRID 6.125% 15/04/2014	3,062	6.43%	-	-
NEXT PLC 5.875%-06-12/10/2016	-	-	3,211	6.34%
TREASURY 1.75% 07/09/22 GBP0.01	3,006	6.32%	3,285	6.49%
TREASURY 4.25% 07/09/39 GBP0.01	-	-	2,745	5.42%
TREASURY 5% 07/03/2025 GBP100	-	-	2,535	5.01%
UK Index-Linked			-	-
NATL GRID GAS PLC 4.1875%/IDX LKD BDS 14/12/2022	3,008	5.23%	3,046	5.52%
NETWORK RAIL INFRA 1.375% IDX/LKD 22/11/37 GBP	4,799	8.34%	-	-
TREASURY 0.125% I/L 22/03/44 GBP	-	-	3,499	6.34%
TREASURY 1.125% I/L 22/11/37 GBP	3,190	5.55%	3,817	6.91%
TREASURY 1.25% I/L 22/11/2032	6,190	10.76%	3,345	6.06%
TREASURY 1.25% I/L 22/11/27 GBP	4,837	8.41%	5,347	9.69%
TREASURY 2% I/L 26/01/35 GBP0.01	5,938	10.33%	6,872	12.45%
TREASURY 4.125% I/L 22/07/30 GBP	6,251	10.87%	6,838	12.39%

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Overseas Bonds				
ALTRIA GROUP INC 4.25% DUE 08-09-2042	2,388	2.74%	3,039	5.33%
AUSTRALIA (CMNWLTH) 4% IDX LKD 20/08/20 AUD 1000	3,086	3.54%	3,026	5.31%
US TREASURY TIPS 3.375 04/15/2032	2,733	3.13%	3,263	5.72%
UK Equities			-	-
HSBC HLDGS ORD USD0.50(UK REG)	60,740	5.18%	56,816	4.79%
Property			-	-
Direct - Stow-on-the-Wold (Fosse Way)	13,525	8.39%	13,850	6.64%
Direct - Birmingham (Bromford Central)	9,900	6.14%	13,500	6.47%
Direct - Cirencester (Retail Park)	-	-		
Royal London Property Investment	8,899	5.52%	9,779	4.69%
Standard Life Investments European Property Growth Fund	13,656	8.47%	12,017	5.76%
Alternatives			-	-
AXA FRAMLINGTON BIOTECH FUND R AC	4,116	5.85%	-	-
Darwin Leisure Prop Units FDS Cls 'C'	13,145	18.68%	14,481	24.28%
ETFS Metal Security Physical Gold	6,766	9.62%	6,979	11.70%
F&C WATER & AGRICULTURE EQUITY LONG/SHORT FUND	6,335	9.00%	-	-
Innisfree PFI Continuation Fund	9,526	13.54%	9,506	15.94%
INNISFREE PFI SECONDARY FUND 2	5,930	8.43%	6,784	11.37%
NIMROD SEA ASSETS LTD	4,544	6.46%	5,204	8.72%
POWERSHARES DB MULTI SECTOR COMMODITY AGRICULTURE FUND	8,496	12.08%	7,453	12.50%
UNITED STATES OIL FUND LP UNITS	8,224	11.69%	7,534	12.63%

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Geographical Analysis of Investments

	2013 / 14		2014 / 15	
	£000	%	£000	%
United Kingdom	1,600,010	56%	1,639,198	52%
United States	263,364	9%	366,891	12%
Hong Kong	105,667	4%	150,108	5%
Japan	153,666	5%	193,728	6%
Australia	129,782	5%	129,416	4%
Germany	86,979	3%	85,222	3%
Switzerland	68,248	2%	80,222	3%
Republic of Korea	83,807	3%	97,670	3%
Singapore	52,586	2%	50,863	2%
France	71,403	3%	68,414	2%
Taiwan	63,649	2%	79,098	3%
Others	177,344	6%	191,356	5%
Total	2,856,505	100.00%	3,132,186	100.00%

Fixed Interest Securities

	Restated 2013 / 14	2014 / 15
	£000	£000
UK public sector quoted	47,590	50,616
Overseas public sector quoted	60,415	38,750
Total	108,005	89,366

Equities

	Restated 2013 / 14	2014 / 15
	£000	£000
UK quoted	1,055,230	1,069,296
Overseas quoted	1,109,464	1,361,648
Total	2,164,694	2,430,944

Index-linked securities

	Restated 2013 / 14	2014 / 15
	£000	£000
UK quoted	57,509	55,204
Overseas quoted	26,836	18,260
Total	84,345	73,464

There has been a re-classification of investment assets for the brought valuation at 31 March 2014, for the above investments due to a comprehensive reconciliation identifying the correct assets groups.

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Pooled Investment Vehicles

		Restated 2013 / 14	2014 / 15
		£000	£000
Unit and Investment trusts	UK	209,315	201,691
	Overseas	167,161	167,091
Total		376,476	368,782

UK Properties

		2013 / 14	2014 / 15
		£000	£000
Freehold		87,385	134,555
Leasehold		35,600	35,075
Total		122,985	169,630

The properties were valued on the basis of Market Value as at 31 March 2015 by Cushman and Wakefield LLP acting as an External Valuer, in accordance with the RICS Valuation - Professional Standards. The valuer's opinion of the Market Value of the Fund's interests in the properties was primarily derived from analysis of recent market transactions concluded at arm's-length.

Cash Deposits

		2013 / 14	2014 / 15
		£000	£000
Sterling Cash deposits		132,200	73,803

Other investment balances

		2013 / 14	2014 / 15
		£000	£000
Cash deposits with custodian		3,497	7,355
Outstanding dividend entitlements		18,239	19,189
Interest due on cash deposits		43	53
Total		21,779	26,597

Outstanding Commitments

As at 31 March 2015, the Fund had outstanding commitments to five investments.

	Vintage Year	Initial commitment	Capital payments made	Outstanding commitment as at 31 March 2015
		£000	£000	£000
Capital North East No. 1 Limited Partnership	2002	750,000	750,000	0
Granville Northern Private Equity	1998	3,000,000	2,499,201	500,799
Innisfree PFI Continuation Fund	2006	10,000,000	9,708,498	291,502
Innisfree PFI Secondary Fund 2	2012	10,000,000	8,816,613	1,183,387
Teesside Private Equity Fund	1998	1,960,000	1,415,462	544,538
Total		25,710,000	23,189,774	2,520,226

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14 Current assets

	2013 / 14	2014 / 15
Receivables	£000	£000
Other receivables	4,565	7,844
Other receivables - Group transfer debtor	27,800	0
Sundry debtors	921	685
Contributions due in respect of		
Employers	5,067	4,851
Members	2,038	2,079
Cash balances	238	358
Total	40,629	15,817

	2013 / 14	2014 / 15
Analysis of Receivables	£000	£000
Central government bodies	-	
Other local authorities	8,351	7,385
NHS bodies	-	
Public corporations and trading funds	-	
Other entities and individuals	32,040	8,074
Sub-total	40,391	15,459
Add cash balances	238	358
Total	40,629	15,817

15 Receivables due over 1 year

	2013 / 14	2014 / 15
	£000	£000
Capital cost of early retirements	935	299

	2013 / 14	2014 / 15
Analysis of receivables due over 1 year	£000	£000
Central government bodies	-	-
Other local authorities	935	299
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	-	-
Total	935	299

Scheduled Bodies have the option to pay the capital cost of Early Retirements over five years.

16 Current liabilities

	2013 / 14	2014 / 15
	£000	£000
Rents received in advance	1,047	700
Accrued expenses	941	3,509
Other payables	833	699
Total	2,821	4,908

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	2013 / 14	2014 / 15
Analysis of Creditors	£000	£000
Central government bodies	-	-
Other local authorities	941	2,451
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	1,880	2,457
Total	2,821	4,908

17 **Related Party Transactions**

The Fund is administered by Middlesbrough Council which is a related party as defined by International Accounting Standard 24 (IAS 24) 'Related Party Disclosures'. IAS 24 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;

	2013 / 14	2014 / 15
	£000	£000
Support Service Recharges payable for the year and outstanding at the year end	322	315

In addition Middlesbrough Council had 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. The partnership was subsequently extended for a further 5 years to 31 May 2016.

Mr Fred Green is an investment adviser to the Teesside Pension Fund. His costs to the fund in 2014/15 were £9,392. He is also a member of the Teesside Pension Fund, and in receipt of benefits.

18 **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.

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 2013 using the 'Projected Unit Method' which produced the following results;

	£ million
Net Liabilities	2,919
Assets	2,956
Surplus	37
Funding Level	101.27%

Section 7: Teesside Pension Fund Statements of Account

IAS19/26 Disclosure

Following the introduction of International Financial Reporting Standards (IFRS) the Fund is now required, under International Accounting Standard (IAS)26 “Accounting and Reporting by Retirement Benefit Plans” (January 1987), to disclose the actuarial present value of promised retirement benefits. The calculation of this disclosed amount must be determined in accordance with IAS19 “Employee Benefits” (February 1998).

An IAS26/19 valuation was carried out for the Fund as at 31st March 2015 by Aon Hewitt with the following results;

	£ million
Net Liabilities	4,100
Assets	3,239
Deficit	(861)

These figures are presented for the purposes of IAS19 only. They are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

The actuarial assumptions used to calculate the promised value of benefits at 31/03/2015	
RPI increases	2.9% per annum
CPI increases	1.8% per annum
Salary increases	3.3% per annum
Pension increases	1.8% per annum
Discount rate	3.2% per annum
The assumed life expectancy from age of 65 (years)	
Mortality Assumptions:	
Longevity at 65 for current pensioners:	
Men	23.00
Women	25.50
Longevity at 65 for future pensioners :	
Men	25.20
Women	27.80

Section 7: Teesside Pension Fund Statements of Account

19 Additional Voluntary Contributions (AVC's)

Scheme members may make Additional Voluntary Contributions that are invested with the Fund's nominated AVC providers, the Prudential Assurance Co Ltd and Phoenix Life PLC. These contributions are not part of the Pension Fund and are not reflected in the Fund's accounts in accordance with regulation 5c of the Pension Scheme (Management and Investment of Funds) Regulations 1998. The value of AVC investments are as follows:

Prudential AVC balances

	2013 / 14	2014 / 15
	£000	£000
With Profits and Deposit Accounts	3,894	3,649
Unit Linked Accounts	1,685	2,153
Total	5,579	5,802

The total value of AVC contributions paid to Prudential during the year, was £1,399,143

20 Financial Instruments

Net Gains and Losses on Financial Instruments

Financial	2013 / 14	2014 / 15
	£000	£000
Fair Value through profit and loss account	30,933	214,604
Total	30,933	214,604

Management expenses have been re-categorised according to CIPFA guidance and now includes transaction costs which were previously assigned to investment assets.

Fair Value of Financial Instruments

The investment asset categories for the market value at 31 March 2014 have been re-allocated to their correctly identified asset groups following a comprehensive investment reconciliation of assets brought forward. The re-allocations were primarily between equities and pooled investment vehicles (£21.5 million) and fixed interest and index linked securities (£12.6 million).

Fair Value through profit and loss	Carrying Value		Carrying Value	
	Fair Value	Value	Fair Value	Value
	Restated 31 March 2014		31 March 2015	
	£000	£000	£000	£000
Fixed Interest	108,005	108,005	89,366	89,366
Equities	2,164,694	2,164,694	2,430,945	2,430,944
Index-linked securities	84,345	84,345	73,464	73,464
Pooled	376,476	376,476	368,781	368,782
Properties	122,985	122,985	169,630	169,630
	2,856,505	2,856,505	3,132,186	3,132,186
Loans and receivables	154,149	153,979	100,732	100,400
	3,010,654	3,010,484	3,232,918	3,232,586

Section 7: Teesside Pension Fund Statements of Account

Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Teesside Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken as at 31st March annually. Cashflow adjustments are used to roll forward the valuations to 31 March as appropriate.

Teesside Pension Fund has no investments in hedge funds.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Valuation of financial instrument carried at fair value

Value as at 31st March 2015	Quoted Market Price Level 1	Using observable inputs Level 2	with significant unobservable inputs Level 3
	£000	£000	£000
Financial assets at fair value through profit and loss account	2,870,881	169,630	91,675
Loans and receivables	100,732	-	-
Total Financial	2,971,613	169,630	91,675

Section 7: Teesside Pension Fund Statements of Account

Valuation of financial instrument carried at fair value

Value as at 31st March 2014	Quoted Market Price Level 1	Using observable inputs Level 2	with significant unobservable inputs Level 3
	£000	£000	£000
Financial assets at fair value through profit and loss account	2,647,501	122,985	86,019
Loans and receivables	154,149	-	-
Total Financial	2,801,650	122,985	86,019

Nature and extent of exposure to risk arising from financial instruments

Risk and risk Management

The fund's primary long term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cashflows.

Responsibility for the fund's risk management strategy rests with the Teesside Pension Fund and Investment Panel. The Funding Strategy Statement and the Statement of Investment Principles identify and analyse the risks faced by the pensions operations. These policies are reviewed regularly to reflect changes in activity and market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The Fund identifies, manages and controls market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The fund manages these risks in three ways:

1. The actuarial valuation of the Fund which is carried out every three years and resets the employer contribution rates;
2. The asset liability study which is carried out every three years or more frequently if required considers alternative asset allocations for the Fund and the long term impact on employer contribution rates;
3. Quarterly monitoring of the performance of the Fund against selected benchmarks, and annual performance reports to the Investment Panel.

Section 7: Teesside Pension Fund Statements of Account

Other Price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in the market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the Fund Strategy Statement and Statement of Investment Principles.

Other Price risk - sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the W M Company (performance monitoring company), the Fund has determined that the following movements in market price risk are reasonably possible for the 2014/15 reporting period.

2014 / 15 Price Risk		Value	Change	Value on Increase	Value on Decrease
Asset Type	Region	£000	%	£000	£000
Equities	UK	1,069,296	10.20%	1,178,364	960,228
	OVERSEAS	1,361,648	9.49%	1,490,868	1,232,428
Equities Total		2,430,944		2,669,232	2,192,655
Fixed Interest Securities	UK	50,616	6.17%	53,739	47,493
	OVERSEAS	38,750	7.49%	41,652	35,848
Fixed Interest Securities Total		89,366		95,391	83,341
Index Linked	UK	55,205	8.30%	59,787	50,623
	OVERSEAS	18,259	7.49%	19,627	16,891
Index Linked Total		73,464		79,414	67,514
Managed and Unitised Funds	UK	201,690	10.20%	222,262	181,118
	OVERSEAS	167,092	9.49%	182,949	151,235
Managed and Unitised Funds Total		368,782		405,211	332,353
Property	UK	169,630	1.53%	172,225	167,035
Property Total		169,630		172,225	167,035
Grand Total		3,132,186		3,421,474	2,842,898

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2013 / 14 Price Risk		Restated Value	Change	Value on Increase	Value on Decrease
Asset Type	Region	£000	%	£000	£000
Equities	UK	1,055,230	12.07%	1,182,596	927,864
	OVERSEAS	1,109,464	12.38%	1,246,816	972,112
Equities Total		2,164,694		2,429,412	1,899,976
Fixed Interest Securities	UK	47,590	5.00%	49,970	45,211
	OVERSEAS	60,415	7.14%	64,729	56,101
Fixed Interest Securities Total		108,005		114,698	101,312
Index Linked	UK	57,509	7.59%	61,874	53,144
	OVERSEAS	26,836	7.14%	28,752	24,920
Index Linked Total		84,345		90,626	78,064
Managed and Unitised Funds	UK	209,315	12.07%	234,579	184,051
	OVERSEAS	167,161	12.38%	187,856	146,466
Managed and Unitised Funds Total		376,476		422,435	330,517
Property	UK	122,985	1.25%	124,522	121,448
Property Total		122,985		124,522	121,448
Grand Total		2,856,505		3,181,693	2,531,317

Interest rate risk

Interest rate risk is the risk to which the Fund is exposed to changes in interest rates and relates to its holdings in bonds and cash. The Fund's direct exposure to interest rate movements as at 31 March 2015 and 31 March 2014 is set out below.

Asset Type	Restated as at 31 March 2014	As at 31 March 2015
	£000s	£000s
Cash and cash	132,200	73,803
Cash balances	21,779	26,597
Fixed interest	108,005	89,366
Total	261,984	189,766

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Interest rate risk

Sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 25 BPS change in interest rates.

Asset Type	Carrying amount as at 31 March 2015	Change in year in the net assets available to pay benefits	
		+ 25 BPS	- 25 BPS
	£000s	£000s	£000s
Cash and cash	73,803	185	(185)
Cash balances	26,597	66	(66)
Fixed interest	89,366	223	(223)
Total	189,766	474	(474)

Asset Type	Restated carrying amount as at 31 March 2014	Change in year in the net assets available to pay benefits	
		+ 25 BPS	- 25 BPS
	£000s	£000s	£000s
Cash and cash	132,200	331	(331)
Cash balances	21,779	54	(54)
Fixed interest	108,005	270	(270)
Total	261,984	655	(655)

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Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK).

The fund's currency rate risk is considered by the Fund's Investment Advisors and Investment Managers. The Investment Panel are informed quarterly of the Fund's currency exposure.

The following tables summarise the fund's currency exposure as at 31 March 2015 and as at 31 March 2014, showing the sensitivity analysis of foreign exchange movements.

Currency Risk (by currency)	2014 / 15			
Currency	Value	Change	Value on Increase	Value on Decrease
	£000s	%	£000s	£000s
Australian Dollar	129,416	8.87%	140,895	117,936
Canadian Dollar	6,910	6.65%	7,370	6,451
Chinese Yuan	1,082	7.91%	1,167	996
Danish Krone	22,074	6.19%	23,440	20,708
EURO	212,437	6.15%	225,502	199,372
Dollar	150,108	7.74%	161,726	138,490
Indian Rupee	6,918	10.78%	7,664	6,172
Japanese Yen	193,729	11.02%	215,077	172,380
Won	97,670	6.62%	104,136	91,204
Malaysian Ringet	2,046	7.31%	2,196	1,897
Krone	22,065	8.64%	23,971	20,159
Dollar	6,671	9.20%	7,285	6,058
Swedish Krona	34,472	7.30%	36,989	31,956
Singapore Dollar	50,863	5.89%	53,859	47,867
Swiss Franc	80,222	9.34%	87,714	72,729
Thailand Baht	69	8.08%	74	63
Taiwan Dollar	79,098	6.62%	84,335	73,862
US Dollar	379,288	7.78%	408,797	349,780
Asia Pacific ex	38,944	6.44%	41,452	36,436
Emerging Basket	26,454	6.80%	28,252	24,655
Europe Basket	53,817	3.78%	55,851	51,783
Basket	12,017	5.66%	12,697	11,337
Total	1,606,370	7.7%	1,730,449	1,482,291

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Currency Risk (by currency)				
2013 / 14				
Currency	Value	Change	Value on Increase	Value on Decrease
	£000s	%	£000s	£000s
Australian Dollar	128,564	9.80%	141,163	115,965
Canadian Dollar	10,045	6.04%	10,652	9,438
Chinese Yuan	6,182	5.21%	6,504	5,859
Danish Krone	17,635	6.26%	18,739	16,531
EURO	197,768	6.31%	210,247	185,289
Dollar	105,667	7.98%	114,099	97,234
Indian Rupee	4,907	10.84%	5,438	4,375
Japanese Yen	153,666	11.54%	171,399	135,933
Won	83,807	6.56%	89,305	78,309
Malaysian Ringet	2,345	7.02%	2,510	2,181
Krone	30,725	8.79%	33,426	28,024
Dollar	3,570	10.04%	3,928	3,211
Swedish Krona	34,059	7.03%	36,453	31,665
Singapore Dollar	52,586	5.71%	55,589	49,583
Swiss Franc	69,277	7.42%	74,417	64,136
Thailand Baht	60	7.41%	64	55
Taiwan Dollar	63,649	5.63%	67,232	60,065
US Dollar	289,436	8.07%	312,793	266,078
Asia Pacific ex	35,226	6.11%	37,379	33,074
Emerging Basket	34,074	6.37%	36,245	31,904
Europe Basket	49,116	4.08%	51,120	47,112
Basket	13,656	6.01%	14,477	12,836
Global Basket	11,869	5.21%	12,487	11,251
Total	1,397,887	7.7%	1,505,666	1,290,108

Following analysis of historical data in consultation with the WM Company (performance monitoring company), the council considers the likely volatility associated with foreign exchange rate movements to be as shown above.

A % strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as highlighted above.

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Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss.

The Fund is exposed to credit risk on its investment portfolio, including its cash deposits, and on the contributions receivable from the Fund's participating employers.

The market values on investments usually reflect an assessment of credit risk in their pricing and as a result the risk of the loss is implicitly provided for in the fair value of the Fund's investments. Credit risk is considered as part of the investment decisions made by the Investment Managers as part of their portfolio construction.

Credit risk on cash deposits is managed by Middlesbrough Council's in-house Treasury Management Team, following the Council's Treasury Management Policy. This policy is described in detail in Middlesbrough Council's Annual Report.

Credit risk on contributions receivable from employers is minimised by regular monitoring of monthly receipt of payments from employees. There is no provision for doubtful debts against the amounts due from employers as at 31 March 2015. The LGPS Regulations require that a risk assessment of any new transferee admitted body is carried out, and that a bond or guarantee is obtained where necessary. The Teesside Pension Fund and Investment Panel must approve the admission of any new body. Bonds or guarantees have been obtained for the Fund's admitted employers, where possible. The Fund is potentially exposed to credit risk from certain scheduled employers that have neither tax-raising powers nor a guarantee from central government.

Collateral and other credit enhancement

The pension fund does not use collateral and other credit enhancement

Liquidity Risk

Liquidity risk is the risk that the fund will not be able to meet its financial obligations as they fall due.

The Fund holds in-house cash resources to meet the day to day needs and to pay pensions. If there is insufficient cash available to meet immediate needs, there are sufficient other assets available which can be realised at short notice and at minimal cost.

With the exception of investments in private equity and infrastructure partnerships, there are no commitments to contribute further capital to any of the existing Fund investments. When private equity and infrastructure partnership capital calls are received, payments are made from cash or, if there are insufficient cash funds available, other assets are realised.

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21 Events after the Balance Sheet Date

There were no events after the end of the reporting period.

22 The Compliance Statement

Changes to the Local Government Pension Scheme Regulations

From April 2014 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 Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014

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.

Statement of Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2009 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 March 2015 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/index.php?name=SIP>

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23 The Funding Strategy Statement

The Local Government Pension Scheme (Amendment) Regulations 2013 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 March 2015, and can be seen at

<http://www.teespen.org.uk/documents/index.php?name=FSS>

24 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/index.php?name=GOVERNANCE>

25 Communications Policy

The Teesside Pension Fund actively seeks to communicate with all of it's 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 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/index.php?name=COMMUNICATION_FORM

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26

Actuary's Statement

Introduction

The last full triennial valuation of the Teesside Pension Fund was carried out by ourselves as at 31st March 2013. The results were published in our report dated March 2014.

2013 Valuation

The 2013 valuation certified a common contribution rate of 14.4% 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.

Employer Contribution rates

Employers' contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The ongoing annual accrual of benefits for active members in respect of each employer that build up each year within The Fund, 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 value of the Fund's assets as at 31st March 2013 for valuation purposes was £2,956.3m which represented 100% 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.

The liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date as follows;

- | | |
|--|----------------|
| • Rate of return on investments | 5.4% per annum |
| • Rate of increases in pay | 3.9% per annum |
| • Rate of Increases to pensions in payment | 2.4% per annum |

Post Valuation Events – Changes affecting the Scheme Valuation

It is not possible to assess the accuracy of the estimated liability as at 31 March 2015 without completing a full valuation. However the Scheme actuary has reported that they are satisfied that the approach of rolling forward the previous valuation results to 31 March 2015 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. They confirmed that from the information they have received there appears no evidence that this approach is inappropriate.

The next actuarial valuation is due as at 31st March 2016 and results will be reported during 2016/17.

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27 Schedule of Contribution Rates

Net rate of contribution payable by each employing Organisation for the period 1st April 2014 to 31st March 2015 under regulation 79 of the LGPS Regulations 1997.

	Employers Rate %	Employees £000	Employers £000
All Saints Academy	14.60	21	52
Ashtree Academy	14.60	21	53
Beamish Museum Ltd	13.30	139	296
Billingham Town Council	14.10	5	11
Brambles Academy	14.60	14	33
Business And Enterprise Ne	9.70	10	66
Caldicotes Primary Academy	14.60	8	21
Capita managed It Solutions	13.00	10	22
Care Quality Commission	17.00	1,704	3,842
Carillion AM Ltd	19.10	22	71
Carillion JM Ltd	16.60	14	41
Catcote Academy	14.60	72	179
Chandlers Ridge Academy	14.60	10	26
Cleveland College Of Art & Design	13.60	96	210
Cleveland Fire Brigade	14.00	208	469
Cleveland Fire Support Network	14.00	3	5
Cleveland Police	12.60	99	185
Coast And Country Housing	16.40	711	1,759
Community Integrated Care	21.00	3	10
Conyers School	14.60	67	153
Creative Management Services	15.10	7	19
Diocese of Middlesbrough Trustee	25.60	6	16
Dormanstown Primary Academy	14.60	22	55
Durham Tees Valley Airport Limited	21.20	82	238
Durham Tees Valley Probation Trust	19.20	150	438
Dyke House Academy	14.60	76	179
Easterside Academy	14.60	20	52
Ecoclean Services Ltd	15.00	0	0
English Martyrs Educational Trust	14.60	56	138
Erimus Housing	17.90	273	759
Eskdale Academy	14.60	15	38
Eston Park Academy	14.60	15	36
Extol Academy (Eldon)	14.60	19	49
Fabrick Housing Group Ltd	15.30	93	192
Fleet Factors Ltd	20.40	1	4
Fleet Factors RCBC	20.50	2	5
Forward Swindon Ltd 1	19.20	18	44
Four Children	13.40	4	9
Frederick Nattrass Primary Academy	14.60	16	41
Freebrough Academy	14.60	49	117

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Future Regeneration Of Grangetown	18.30	2	5
Gillbrook Academy	14.60	7	18
Grangefield Academy	14.60	49	119
Green Lane Primary Academy	14.60	27	70
Guisborough Town Council	14.10	4	10
Hardwick Green Primary Academy	14.60	12	30
Harrowgate Primary Academy	14.60	18	46
Hartlepool BC	14.20	2,982	6,581
Hartlepool College Of FE	13.60	163	361
Hartlepool 6Th Form College	13.60	61	84
Hemlington Hall Academy	14.60	16	41
Hillsview Academy	14.60	24	59
Horizons Specialist Academy Trust	14.60	132	323
Housing Hartlepool	14.80	440	959
Ian Ramsey Church of England Academy	14.60	16	38
Ingleby Barwick Town Council	14.10	2	5
Ingleby Manor Free School & Sixth Form	14.60	4	10
Kader Academy	14.60	11	28
KGB Cleaning & Support Services Ltd	15.00	1	3
Kings Academy	14.60	74	177
KTS Academy	14.60	45	112
Liberata Uk Ltd	0.00	47	0
Lockwood Parish Council	14.10	1	2
Loftus Town Council	14.10	1	3
Macmillan Academy	14.60	75	177
Manor Community Academy	14.60	7	16
Mellors Catering Ltd - Dormanstown	15.10	1	3
Mellors Catering Ltd - Eston	15.10	15	20
Mellors Catering Services Ltd (Central)	15.10	14	37
Mellors Catering Services Ltd (Normanby)	15.00	2	7
Middlesbrough College	13.60	407	865
Middlesbrough Council	14.40	3,733	8,612
Mouchel	14.40	327	714
Normanby Primary School	14.60	17	44
North Ormesby Primary Academy	14.60	12	30
North Shore Academy	14.60	39	92
Norton Primary Academy	14.60	24	63
Nunthorpe Academy	14.60	79	181
Nunthorpe Primary Academy	14.60	9	22
Oak Tree Primary Acedemy	14.60	26	65
OCS Ltd	14.90	1	2
Ofsted	26.70	2	309
One Awards Ltd	13.60	43	90
One IT Services and Solutions Ltd	14.20	34	73
Ormesby School	14.60	55	133
Our Lady & St Bede Catholic Academy	14.60	10	24
Outwood Academy Acklam	14.60	46	114

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Outwood Academy Bydales	14.60	5	11
Pennyman Primary Academy	14.60	30	74
Police & Crime Commissioner for Cleveland	12.60	48	74
Prior Pursglove College	13.60	68	151
Redcar Academy	14.60	35	83
Redcar And Cleveland BC	15.10	3,047	7,862
Redcar & Cleveland College	13.60	88	193
Rose Wood Academy	14.60	18	47
Saltburn Marske & New Marske Parish Council	14.10	3	6
Skelton and Brotton Parish Council	14.10	3	6
Skelton Primary School	14.60	29	71
SLM Community Leisure Charitable Trust	16.60	48	133
SLM Fitness & Health Ltd	16.60	6	16
SLM Food & Beverage Ltd	16.60	2	6
St Bede's Catholic Academy	14.60	15	37
St Bede's Primary Catholic Voluntary Academy	14.60	6	14
St Gabriel's Catholic Voluntary Primary Academy	14.60	9	22
St Gregory's RC Academy	14.60	16	41
St Joseph's Primary Catholic Voluntary Academy	14.60	5	13
St Margaret Clitherow's Catholic Voluntary Primary Academy	14.60	14	36
St Mary's Catholic Voluntary Primary Academy	14.60	11	27
St Michael's Catholic Academy	14.60	25	64
St Paulinus Primary Catholic Voluntary Academy	14.60	6	14
St Peter's Catholic Voluntary Academy of Maths and Computing	14.60	30	71
Stagecoach Transit	23.20	21	241
Steria Ltd	12.60	578	1,123
Stockton BC	14.30	4,863	10,826
Stockton Riverside College	13.60	163	348
Stockton 6Th Form College	13.60	21	47
Stranton Academy Trust (Stranton)	14.60	23	56
Sunnyside Academy	14.60	38	97
Tascor Services Ltd - Custody	16.40	18	47
Tascor Services Ltd - PFI	16.40	2	7
Taylor Shaw - Holy Rosary	15.00	1	3
Taylor Shaw - Riverdale	15.00	1	3
Taylor Shaw - St Peters	15.00	2	6
Tees Active Ltd	13.10	140	290
Teesside University	13.30	1,714	3,650
The Big Life Company Ltd	14.50	3	10
The Chief Constable for Cleveland	12.60	452	850

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Thornaby Academy	14.60	40	93
Tristar Homes Ltd	14.80	448	1,264
Unity City Academy	14.60	53	128
Viewley Hill Academy Trust	14.60	13	34
West Park Primary School	14.60	1	3
West View Primary School and Sports Academy	14.60	9	22
Wolseley UK Ltd	22.00	3	62
Yarm Primary School	14.60	20	50
Yarm Town Council	14.10	2	4

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CORPORATE ASSURANCE STATEMENT 2014/2015

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 and 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 a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Middlesbrough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Middlesbrough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the SOLACE (Society of Local Authority Chief Executives) / CIPFA (Chartered Institute of Public Finance and Accountancy) Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.middlesbrough.gov.uk or can be obtained from Legal Services, Middlesbrough Council, Town Hall, Middlesbrough TS1 9FX. This statement explains how Middlesbrough Council has complied with the code and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

During 2014/2015, corporate governance issues are addressed through the following group of officers: The Assistant Director Organisation & Governance, The Deputy Chief Finance Officer, The Head of Performance and Partnerships, Audit and Assurance Manager and Insurance Manager. This group is responsible for managing the process by which the annual review of corporate governance is conducted. The Corporate Affairs and 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.

The purpose of the governance framework

The governance framework comprises the systems and processes, and 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. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an

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ongoing process designed to identify and prioritise the risks to the achievement of Middlesbrough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage these risks efficiently, effectively and economically.

The governance framework has been in place at Middlesbrough Council for the year ended 31 March 2015 and up to the date of approval of the annual statement of accounts.

The Governance Framework

The Council operates in a well-established, open and documented Governance Framework. Specific documents referred to in this section are available for review on the Council's website at www.middlesbrough.gov.uk

The key elements of the systems and processes that comprise the Authority's governance arrangements as they relate to the principles of the CIPFA / SOLACE Framework are as follows;

Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users

The Council reviewed its strategic priorities for Middlesbrough in 2012 and published them in the Middlesbrough 2020 Our Vision document. This sets out a vision for Middlesbrough to be 'the place to live, work and visit' and is supported by three strategic aims:

- a town that is clean, safe and healthy;
- a learning town, in which families and communities thrive; and
- a town that continues to transform.

The vision has subsequently been adopted by the Council's partners and in its role as a community leader the Council is working with communities and its partners to achieve the Vision. In addition, the Council is working with its partners in Tees Valley Unlimited to develop a Combined Authority and progress the Tees Valley City Deal.

Building on this, the Council has identified three strategic objectives and nine supporting outcomes that together comprise its specific contribution to the achievement of the Vision.

These are set out in the Change Programme 2014-2017 document approved by Council on 14 May 2014. The outcomes are being supported by detailed Outcome Delivery Plans that provide a clear direction for all Council services to 2017.

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Measuring the quality of services for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources

From May 2014, the Change Programme 2014-2017 document superseded the Strategic Plan as the Council's overarching business plan. Significant progress has been made in the Change Programme's first year of implementation, as outlined below.

- The preferred future delivery models for Sport and Leisure; Environment, Property and Commercial Services, and the support services currently delivered on behalf of the Council by Mouchel have been determined.
- A senior management development programme for the Middlesbrough Manager Competency Framework has been delivered and the Middlesbrough Employee Framework has been launched. A new appraisal system has been implemented to embed both frameworks into working practice.
- A new Performance Management Framework has been introduced across the Council based on the Balanced Scorecards concept, supporting a focus on outcomes and a more rounded view of best value.
- New Commercial Strategy and Estates Strategies for the Council have been developed, to change the culture of the organisation in relation to commercial practice, and ensure the Council drives maximum value from income-generating services and its land and property portfolios.
- A 'Service Promise' process has been introduced to promote a more customer-focused approach to support services going forward.
- The capital appraisal process was revised to fully take into account return on investment and in January 2015 Executive agreed a new capital programme, investing a total of £175.5m in the town in the medium-term.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

Elected Members are collectively responsible for the governance of the Council.

During 2014/2015 the Council operated a directly elected mayoral model with the Mayor being re-elected for a third term in May 2011. The Mayor had a mixed party Executive of nine Executive Members (including the Deputy Mayor), which are focused on the delivery of the Council's priorities.

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The Chief Executive, Section 151 Officer, Monitoring Officer and other senior managers are responsible for advising the Executive on legal, financial and other policy considerations.

The Council has formal, procedural and financial regulations to govern the conduct of the Council's business which are detailed in a number of documents including

- The Constitution
- Scheme of Delegation to Individual Members of the Executive
- Scheme of Delegation to Officers
- Financial Procedure Rules
- Terms of Reference for the Independent Teesside Pension Fund Panel

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The standards of conduct expected of members and officers are clearly set out in the relevant codes of conduct documents. A specific responsibility in these codes is to cascade these expectations across the entire organisation.

The Council has an established Standards Committee, which gives the Council advice on adopting a local code of conduct, monitoring the effectiveness of the code and promoting and maintaining high standards of conduct for members. It also responds to national reviews and consultations on standards related issues. The committee also has power to conduct formal hearings to hear complaints that members have breached the Members Code of Conduct.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.

The Council operates a process whereby the requirements to update standing orders and instructions is vested in the Chief Finance Officer and is achieved through appropriate consultation with the relevant Directorates.

Updated orders and instructions are communicated to all Directorates in writing.

During 2014/2015 a phased review of the whole of the Council's constitution took place. The complete constitution was agreed by Full Council on the 1 April 2015.

The updated constitution can be found at the following link

<http://democracy.middlesbrough.gov.uk/aksmiddlesbrough/images/att1005591.pdf>

The Council's risk appetite and business continuity arrangements were reviewed in 2014/2015. A revised Risk Management Strategy will be implemented in 2015/2016, supported by a managers' toolkit and classroom training for Middlesbrough Managers.

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Ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Finance Officer in Local Government (2010)

Compliance with this statement is agreed as 'proper governance arrangements' by the Society of Local Authority Chief Executives and the Chartered Institute of Public Finance and Accountancy. The authority's approach is to apply the principles of the statement.

The authority's financial management arrangements should conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) which are set out as follows ;

1. The Chief Finance Officer is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the Authority's strategic objectives sustainably and in the public interest.
2. The Chief Finance Officer is actively involved in, and able to bring influence to bear on, most material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Authority's overall financial strategy achieved.
3. The Chief Finance Officer leads the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
4. The Chief Finance Officer leads and directs a finance function that is resourced to be fit for purpose.
5. The Chief Finance Officer is professionally qualified and suitably experienced.

During 2013/2014 and 2014/2015 the arrangements did not strictly conform to the statement in relation to points one and two above. Arrangements were in place however to provide a similar level of governance to that as set out in the SOLACE/CIPFA statement, principally through regular engagement with members of the Corporate Management Team and in particular the Executive Director of Commercial and Corporate Services.

Following, the end of the financial year, a decision was made to cease the Corporate Management Team level of meetings. The Leadership Management Team now fulfils the role set out in the SOLACE/CIPFA statement and the Chief Finance Officer is a key member of the Leadership Team. This strengthens governance arrangements bringing them into compliance with the SOLACE/CIPFA Statement.

The Chief Finance Officer reports directly to the Chief Executive where appropriate.

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Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities

Part of the role of the Corporate Affairs and Audit Committee is to provide independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process. During the period since the last Governance Statement the Committee has held 6 meetings.

Specifically, the Committee undertake the core functions identified in CIPFA's *Audit Committee – Practical Guidance for Local Authorities* by;

1. Reviewing the financial statements, external auditor's opinion and reports to members, and monitoring management action in response to the issues raised by external audit.
2. Approving (but not directing) internal audit's strategy and plan and monitoring performance.
3. Considering significant findings of internal audit reviews and investigations and monitoring implementation of agreed recommendations.
4. Supporting and monitoring the implementation and ongoing processes for identifying and managing key risks of the authority.
5. Ensuring that effective and proper processes and procedures are in place to ensure business continuity of the Council.
6. Reviewing and approving the Annual Governance Statement.
7. Monitoring the Council's compliance with its published standards and controls and recommending any necessary changes to Financial Regulations and Standing Orders.
8. Keeping under review the Council's arrangements for Corporate Governance and Policies and ensuring that effective systems are in place that will underpin the processes of the Council and ensure the highest standards in respect of audit and governance matters.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The following officers have specific duty to ensure that the Council acts in compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful;

1. Chief Executive (Head of Paid Service)
2. Assistant Director Organisation & Governance (Monitoring Officer)
3. Chief Finance Officer (Section 151 Officer)

The Council has in place a range of policies, processes and procedures for managers and employees that establish a legal and ethical framework for action. During 2014/2015 the Council has reviewed all such documents to ensure their continued relevance and fitness-for-purpose in the light of the Middlesbrough Manager Competency Framework.

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The specific policies and procedures are incorporated into a series of documents including:

1. Corporate Procurement Strategy
2. Financial Procedure Rules
3. Health and Safety Policy
4. Equality and Diversity Policy

Whistle blowing and the receipt and investigating complaints from the public

The Council has a documented Whistle blowing policy primarily for concerns where the interest of others or of the organisation itself, are at risk. The policy aims to encourage and enable staff to raise serious concerns of 'blowing the whistle' within the Council rather than overlooking the problem or raising the issue outside.

No matters were brought to the Council's attention during the period under review.

The Council also has a Corporate Complaints Procedure, which aims to ensure complaints, compliments and comments are dealt with speedily, fairly and consistently.

The Council defines a complaint as an expression of dissatisfaction by one or more members of the public about:

- The standard of a service
- The behaviour and/or attitude of staff
- A refusal, failure, delay or lack of a service by the Council or its staff
- The failure to follow Council policies and procedures

The Complaints procedure establishes timescales for dealing with complaints as well as identifying escalation procedures in the event that the complainant is dissatisfied with the response.

The complaints process has been reviewed as part of the development of the Council's Customer Strategy, with changes to be implemented in 2015/2016.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

Elected Members require an understanding of the on-going and emerging issues facing the community as well as the knowledge and skills to instill confidence through open and intelligent discussions and debates resulting in informed decision making. Members are also required to undertake training in respect of certain roles and in order to serve on certain committees.

An annual Development Programme for Elected Members is provided, which contains a range of different opportunities for attendance at learning events. These

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will include conferences, seminars, training courses, briefings, workshops and forums. The programme of planned activities is published by the Members resources team and the Member Development Working Group.

The development needs of senior officers are identified through appraisal, or through corporate review, as appropriate. In 2013/14 the Council outlined a new competency framework for managers – ‘The Middlesbrough Manager’. The development programme for the Middlesbrough Manager Competency Framework has been delivered during 2014/2015 and evaluated, receiving a high level of satisfaction with the training and the associated tools provided.

A new appraisal system has been developed and implemented and all managers within the Council are now being assessed against this framework to ensure that managers are well-supported to deliver required outcomes and the cultural and service transformation outlined in the Change Programme.

A follow-up training programme for frontline managers will be implemented in 2015/2016 and the Council will also launch a Learning Management System, supporting Middlesbrough Managers with appropriate e-learning.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The consultation and engagement mechanisms adopted by the Council are outlined in the Consultation Policy : a Framework for Effective Consultation.

The Council has a range of well-established consultation and engagement mechanisms to identify local peoples views and priorities including:

1. Community Councils, and;
2. Surveys (Voiceover citizens panel).

The consultation and engagement mechanisms are outlined in a number of documents including:

1. Framework for Effective Consultation
2. The Community Engagement Framework and Consultation Toolkit
3. Budget Consultation
4. Involving Children and Young People in Decision Making

The Council has a well-developed on-line consultation portal that provides access to live consultations, information on the outcomes of previous consultations and the option to register an interest in future consultations.

The Council also has an established citizens’ panel (Voiceover) of around 1,200 local residents, recruited to be representative of the wider population. Panel members

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participate in up to three surveys a year, and are also invited to attend group discussions on particular issues. The panel supports the Council in clarifying local priorities and in evaluating and improving services.

During 2014/2015 the Council launched its new Love Middlesbrough Magazine which is distributed to every household in the town.

The magazine highlights positive news in the town and also acts as a source of information for local people, ranging from advice on health and welfare to a guide on the best in arts and culture.

During 2014/2015, three editions of the magazine were published.

The Council's approach to consultation and engagement has been reviewed as part of the development of the Council's Customer Strategy, with changes to be implemented in 2015/2016.

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

Middlesbrough Council operates in conjunction with more than 100 partners in a range of contractual, strategic, project and delivery arrangements. As a comparatively small town, relationships with partners are generally close and there is a well-established and understood common agenda enshrined in key documents, particularly the Joint Health & Wellbeing Strategy

At a local level, the Middlesbrough Health & Wellbeing Board, is the key partnership bringing together parts of the public sector, private business, community and voluntary organisations so that different initiatives and schemes support each other and work together. In addition, the Council works with the other four Councils of the Tees Valley in a number of partnerships designed to improve quality of life in the area, in particular through Tees Valley Unlimited, which secured Local Enterprise Partnership (LEP) status during 2011. Council is currently working with its partners in Tees Valley Unlimited to develop a Combined Authority and progress the Tees Valley City Deal.

The Council has a successful record in partnering with the private and 'third' sectors. The governance arrangements are considered robust for all partnerships.

The Health and Wellbeing Partnership has been reviewed in 2014/2015 and revised arrangements to streamline partnership working will be implemented in 2015/2016.

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Review of Effectiveness

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:

- Statutory officers
- The Overview and Scrutiny Board
- Internal Audit
- External audit
- Other inspection and review agents
- The Executive
- Corporate Affairs and Audit Committee
- The Standards committee
- Executive Directors and Assistant Directors

For the year under consideration, the key internal assurance work has been provided through Internal Audit. A number of areas of improvement have been identified and will be implemented on an agreed and phased basis subject to the assessed level of risk.

The overall opinion of the Audit and Assurance Manager on the controls operating in the Council is that they provide **Good Assurance**. This opinion is based on the work performed by the internal audit team during the year 2014/2015 and no reliance was placed on the work of other assurance bodies in reaching this opinion.

The Council was subject to reviews by a number of outside bodies. There were no governance issues raised.

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Significant governance issues

The Internal Control environment had highlighted, at the end of 2013/2014, the following area of concern requiring improvement and / or careful monitoring.

2013/2014 Areas Requiring Improvements	Action Taken 2014 / 2015
<p>Coroners</p> <p>Internal Audit identified overall weaknesses in the control environment within the financial systems currently being used by the Coroners Service.</p>	<p>Appropriate Coroners staff have now attended SAP refresher courses and are now using the financial management system. During a follow up of the audit recommendations made in the 2013/14, the Auditor found that there had been a marked improvement in the areas tested during the audit with twelve recommendations having being implemented including the P1 recommendation), five superseded and two still on-going. Based on the audit work undertaken, an improved system of internal control is now in operation.</p> <p>The Coroner’s Service annual report for 2014 shows excellent progress made following the redesign of the service in April 2014 and the introduction of modern and more customer focused ways of working.</p> <p>In 2014, 713 inquests were completed, almost twice as many as in any other year, with the average time take to complete being 8.15 months, which was lower than any other year since 2008. For deaths reported on or after the 1st January 2014, 296 inquests were completed, taking an average of 1.95 months.</p>

The Internal Control environment has highlighted, at the end of 2014/2015, the following 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.

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2014 / 2015 Areas requiring Improvements	Action Taken 2014 / 2015 and Planned 2015 / 2016
<p>Project Management</p> <p>The existing project management governance arrangements do not currently help support the Council's vision and objectives as there is no effective overall programme management of the Council's portfolio of capital projects. The Council needs to establish a project management framework together with associated procedures to be used by all officers engaged in project management or related assignments. The recommendations of the draft audit report are being addressed by the Executive Director of Corporate and Commercial Services. Connected to the need for an effective project management framework, a number of specific developments and/or projects are currently also being reviewed by the internal auditors, this audit work is still in progress but initial findings suggest the need for greater clarity as to roles and responsibility to ensure clear ownership and the need for close monitoring and supervision of the processes involved.</p>	<p>Project Management</p> <p>The need for improvements to the way projects are monitored for progress and achievement of outcomes is acknowledged.</p> <p>A review of the processes for delivering major projects, from both an expenditure and asset sale perspective, is underway to ensure that processes are clear and that best practice is followed.</p> <p>1) Disposal of Property</p> <p>The power for an officer to make key decisions in relation to asset sales was removed from the Mayors Executive scheme of delegation during the review of the Council's constitution in 2014/2015. Key decisions in relation to land sales are now made by Members. In March 2015 the Executive approved new arrangements for the sale of Council land and property below key decision level delegated, to officers, with thresholds of delegation and management portfolios and a reconfiguration of the valuation and estates service. The arrangements ensure the disposal process is responsive, fit for purpose, accords with the Middlesbrough Manager principles and the Estates Strategy.</p> <p>2) Project Management</p> <p>The Leadership Management Team have considered a report of the Assistant Director for Organisation and Governance which sets out how the Council intends to improve both programme and project management practices. This will involve the creation of a new framework and associated processes and a staff development programme. This will then apply to all projects including Change Programme projects, service reviews and</p>

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<p>Middlesbrough Manager</p> <p>The successful roll out and adoption of Middlesbrough Manager is key to ensuring that Middlesbrough Council has an effective governance structure. Whilst the programme was at too early a stage to carry out a compliance audit during 2014/15, this will be an area requiring internal audit input during 2015/16 to confirm that the programme is operating as intended.</p>	<p>budget reduction savings as well as capital projects. This new framework will ensure that all projects are properly planned and resourced and managed and that consolidating reporting takes place. The framework is scheduled for roll out in March 2016.</p> <p>3) Single Capital Pot</p> <p>There are currently different approaches adopted to the capital programme. This applies to section 106 contributions and affordable homes investments. The Council intends to look at consolidating these areas into a cohesive approach across the Council – a Single Capital Pot. Options in relation to this will be considered during 2015/2016 and will be completed by March 2016.</p> <p>An action plan in relation to programme management is set out below.</p> <p>Middlesbrough Manager</p> <p>The development of the Middlesbrough Manager framework has progressed significantly during 2014/2015 with the completion of training for senior managers in a comprehensive set of competencies. In addition the managers appraisal system has been updated and developed to measure managers against these competencies with a significant number complete within 2014/2015. These will continue to be fully complete in 2015/2016.</p> <p>Agresso will be a key tool to supporting the Middlesbrough Manager. The system went live in April with the finance and procurement modules going live in July. A phased implementation of further modules will be completed in 2015/2016.</p> <p>The managers toolkit will support all aspects of Middlesbrough manager competencies and will be complete in 2015/2016.</p>
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Section 8: Annual Governance Statement

Programme Management - Action Plan			
Action	Responsibility	Date	Update
Establish a programme monitoring system to enable reporting of outcomes and milestones across all capital projects.	Assistant Director of Organisation and Governance / Head of ICT and Capital Programmes	January 2016	
Establish a Corporate Project Management Framework and training programme for managers responsible for capital projects.	Assistant Director of Organisation and Governance / Head of ICT and Capital Programmes	March 2016	
Consider a single capital pot approach to managing capital resources.	Chief Finance Officer/Deputy Chief Finance Officer.	March 2016	

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 and confirmation on the management arrangements, 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:

David Budd
Elected Mayor

.....

Mike Robinson
Chief Executive

.....

Paul Slocombe
Chief Finance Officer

.....

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.

Accumulated Absences Account

A new requirement under IFRS is that the Council must make an accrual in its accounts at year end for any annual leave earned but not taken by employees at the end of the financial year.

Annual Governance Statement

The Annual Governance Statement is compiled following the review by the Council of the effectiveness of the systems of internal control and governance arrangements.

Section 9: Glossary of Terms

Assets Held For Sale

Assets held for sale are those where the value of the asset will be recovered by selling the asset rather than through usage. To be classed as held for sale the asset must meet the following criteria:

- Be available for immediate sale in its present condition.
- Its sale must be highly probable.
- Management expects the sale to take place within twelve months.

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.

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 reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

Section 9: Glossary of Terms

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, i.e. 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".

Cash and Cash equivalents

Cash equivalents are - "short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value". They are shown in the Balance Sheet along with cash under the heading "Cash and Cash equivalents". Previously, cash equivalents were held as Investments on the Balance Sheet.

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.

Component Accounting

Where components of an asset are significant in value in relation to the total value of the asset as a whole, and they have substantially different economic lives, they should be recognised separately. For example, certain assets such as the Council's crematorium are made up of separate elements that have different useful lives

Section 9: Glossary of Terms

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.

Council Tax

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

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.

Section 9: Glossary of Terms

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.

Curtailement

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.

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.

Deminimus

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

Section 9: Glossary of Terms

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.

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 on the notes if there are any material departures from those Standards.

Section 9: Glossary of Terms

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.

Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture.

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 assets market value.

International Financial Reporting Standards - IFRS

International Financial Reporting Standards is 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.

Investment Property

An investment property is defined as a property, which is held exclusively for revenue generation or for the capital gains that the asset is, expected to generate. The asset is not used directly to deliver the Council's services. Investment properties are initially measured at cost and thereafter at market value.

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 Comprehensive Income and Expenditure statement. 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.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, split into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves

Non-Domestic Rates (NDR) (also known as Business Rates)

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.

Section 9: Glossary of Terms

Operating Leases

A lease other than a finance lease.

Operating Segments

The Council is required to identify and disclose information in its financial statements in respect of operating segments i.e. by Directorate. These are components of the Council about which separate financial information is provided to the Corporate Management Team and Members and is used in deciding how to allocate resources and in assessing performance.

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, e.g. 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.

Section 9: Glossary of Terms

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.

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.

Service Reporting Code of Practice

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

Section 9: Glossary of Terms

Specific Grants

Government grants given to local authorities and earmarked for specific services, e.g. Standards Fund Grant paid to Children Families & Children service.

SORP

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

Stocks (Inventories)

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. 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

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.