

Middlesbrough Council Draft Statement of Accounts 2021/22



Contents

| <u>1. NARRATIVE REPORT AND WRITTEN STATEMENTS</u> | <u>2. CORE FINANCIAL STATEMENTS</u> | <u>3. NOTES TO THE ACCOUNTS</u> | <u>4. GROUP ACCOUNTS</u> | <u>5. COLLECTION FUND</u> | <u>6. TEESSIDE PENSION FUND</u> | <u>7. ANNUAL GOVERNANCE STATEMENT</u> | <u>8. GLOSSARY OF TERMS</u> |
|--|--|--|--|----------------------------------|--|--|------------------------------------|
| Narrative Report | Movement in Reserves Statement | Detailed Notes to the Accounts | Introduction | Income and Expenditure Account | Pension Fund Statement of Accounts | Annual Governance Statement | Glossary of Terms |
| Independent Auditors report – Middlesbrough Council | Comprehensive Income and Expenditure Statement | | Movement in Reserves Statement | Notes to the Collection Fund | Notes to the Pension Fund | | |
| Auditors report – Teesside Pension Fund | Balance Sheet | | Comprehensive Income and Expenditure Statement | | | | |
| Statement of Responsibilities Middlesbrough Council | Cash Flow Statement | | Balance Sheet | | | | |
| Statement of Responsibilities – Teesside Pension Fund | | | Cash Flow Statement | | | | |
| | | | Notes to the Group Accounts | | | | |
| 3 | 32 | 39 | 97 | 106 | 110 | 146 | 147 |

The Statement of Accounts for Middlesbrough Council provides an overview of the Council's financial position at 31 March 2022 and a summary of its income and expenditure during the 2021/22 financial year. The accounts are, in parts, technical and complex as they have been prepared to comply with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom, and International Financial Reporting Standards. The accounts are available on the Council's website: www.middlesbrough.gov.uk under [Open Data](#); [Annual Report and Statement of Accounts](#).

1. Narrative Report



Narrative Report

Review of the Year

Middlesbrough Council is a large and diverse public sector organisation, located in the North East of England. We are proud of our past and excited for the future. Middlesbrough is nestled away in a region that is the country's best kept secret; rivers, beaches, forests and moors are all on our doorstep.

We are the natural centre of the Tees Valley region, an area home to around 670,000 people, and our town centre is being transformed with modern urban living. The oldest part of town, close to the waterfront, is being brought back to life as we approach Middlesbrough's 200th birthday. The leisure and cultural possibilities in and around Middlesbrough are endless; from our beautiful parks to the town's arts and heritage venues, there is much to be proud of.

This Narrative Report is to provide both guidance and context to the accounts of Middlesbrough, presenting a summary of the Council's financial position, financial performance and non-financial activities for the year, its prospects for future years and briefly explaining the key accounting statements. A separate Summary of Accounts document is also available this financial year to ensure that the information in the Statement of Accounts is as accessible as possible, and this is available via the Council's website (www.middlesbrough.gov.uk).

At 31 March 2022, Covid-19 restrictions had been lifted across the country but the threat of some reappearance or a new variant cannot be ignored. Fortunately, it would appear that most of the severe effects of the virus have reduced and the United Kingdom is starting to recover from this unprecedented public health pandemic. This is due largely to the success of the UK vaccination programme and the lessons learned by Middlesbrough Council will make the Council and its staff stronger and more able to deal with any future emergencies.

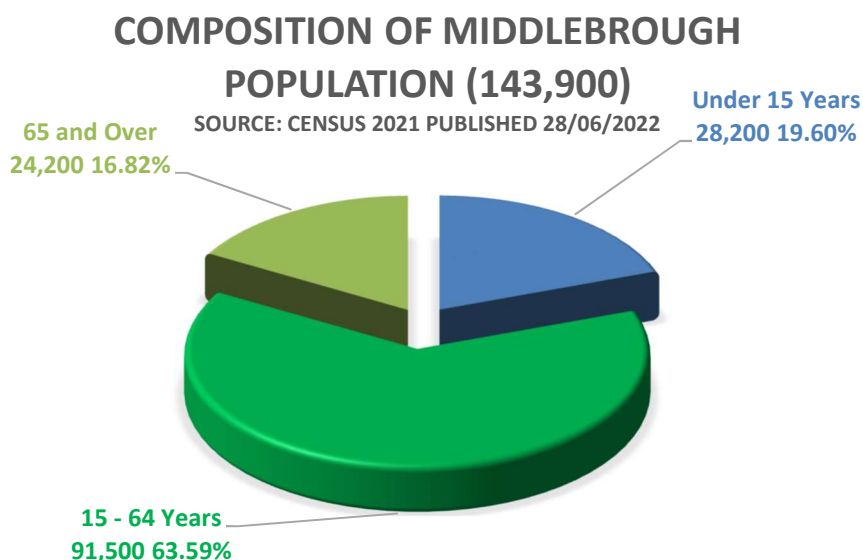
The Narrative Report and the Statement of Accounts will aim to give the appropriate context as to how the Council responded to the pandemic and what impact it has had on the Council's financial position and performance during the year. It will also consider its future prospects given the early stages of the recovery.

Background to the Council

Middlesbrough Council is an evolving town and came into existence following the abolition of Cleveland County Council in 1996. It is a unitary local authority providing a range of services to the people of Middlesbrough.

The Council works with local residents, 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 is one of the largest employers in the Tees Valley area, providing work for more than 3,000 people.





The composition of the local population drives the focus of the services provided by the Council most notably through increasing demand for Children's and Adult Social Care. In recent years, there has been a greater focus on economic growth, particularly in relation to the town centre, and housing.

Economic data from Nomis Official Labour Market Statistics (Latest data 2021) shows the following:

| | Middlesbrough | North East | Great Britain |
|---|---------------|------------|---------------|
| Gross Weekly Pay (Median) Full-Time Workers | £528.80 | £546.80 | £613.10 |
| Unemployment rate (16 – 64) (as proportion of economically active) | 7.3% | 6.0% | 4.4% |

The Council's various strategies are set around meeting the needs of its residents driven by the demographic profile of the town.

Political Structure in 2021/22

The local government elections of May 2019 created real change in the town as it was the first time since its creation in 1996 that the Labour Party has not held control at the Council. This financial year is the third under the leadership of the independent Mayor, Andy Preston, who has developed a new Strategic Plan and ambitions for the Town, supported by Executive Members.

The Executive is the Council's principal decision making body, considering significant issues in connection with, for example, community safety, leisure, education, social services, highways and the environment as well as making recommendations to Council on the annual revenue budget and investment strategy. The Council had an independent led administration during 2021/22 with an independent Councillor as Chair of the Overview and Scrutiny Board, which scrutinises the work of the Executive.



Meetings of the Executive took place every four weeks chaired by the Mayor with each member of the Executive having designated responsibilities (known as portfolios). Meetings returned to in person where required from mid-May 2021 onwards.

Middlesbrough Council consists of 20 wards with between one and three Councillors representing each ward. All councillors serve a maximum four-year term. The political make-up of the Council at 31 March 2022 was:

| | |
|---|-----------|
| Elected Members | 47 |
| Mayor Andy Preston (Independent) | 1 |
| Middlesbrough Independent Councillor's Association | 10 |
| Middlesbrough Independent Group | 9 |
| Labour | 20 |
| Conservative | 3 |
| Independent | 3 |
| Vacant | 1 |

The Financial year 2021/22 has been another challenging year for the Council, supporting the community through the Covid-19 roadmap to recovery, whilst delivering services as directed by the refreshed Strategic Plan and its priorities.

As the relaxing of the rules continued through the financial year, the Council continued to meet the needs of the local community but also had to deliver Government initiatives with the administration of Business Rate Reliefs and the payment of grants to businesses affected by Covid-19. Work was also on going to support the vulnerable in the community.

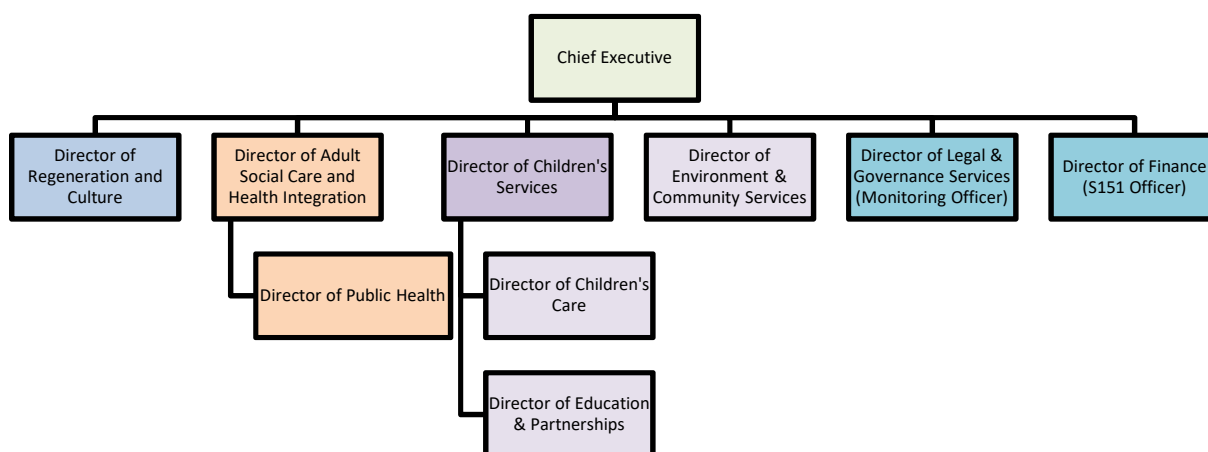
The Strategic Plan was not updated in February 2022 but the plan approved in February 2021 remained in place for 2021/22. The Strategic plan has since been updated and approved at the Executive meeting on 5 April 2022. The Council's Medium Term Financial Plan was continually revised as the financial impact was quantified and central government introduced new funding streams and initiatives.

The Executive members were relatively new to their respective roles, following the changes in May 2021 when five out of the six members of the Executive resigned therefore, 2021/22 was a learning year for the Council whilst still being influenced by the recovery out of the Covid-19 restrictions and the associated implications.

Management Structure

Leadership Team

The senior management structure of the Council at 31 March 2022 is set out below:



The Mayor's Ambitions for Middlesbrough and the Strategic Plan

Andy Preston is the Mayor and first citizen of Middlesbrough for the period 2019-2023. The Mayor's Strategic Plan, now in its second year, was refreshed in February 2021 to reflect the impact of Covid-19 and the UK's exit from the European Union on Middlesbrough and on the Council's strategic priorities.

Mayor's Priorities (2020-2023)

The current Strategic Plan is based around the following key themes, with specific Mayoral priorities within each theme:



- People – Working with communities and other public services to improve the lives of our residents
- Place – Securing improvements in Middlesbrough's housing, infrastructure and attractiveness, improving the town's reputation, creating opportunities for local people and improving our finances.
- Business – Promoting investment in Middlesbrough's economy and making sure we work as effectively as possible to support our ambitions for People and Place.

This Plan is the Council's overarching business framework, outlining the Council's contribution to the Mayor's priorities. There is a 'golden thread', which runs from this document through the rest of the Council's governance and policy frameworks. Progress against the plan is reviewed on a quarterly basis and reported to Executive and Overview and Scrutiny Board.

Investment Strategy for Middlesbrough

An update of the Medium Term Financial Plan (MTFP) was presented to Council on 24 February 2021; the report included the £149.1 million Investment Strategy for Middlesbrough for the period 2021/22 to 2023/24, supported by £83.7 million of the Council's own resources. The investment will support a number of major regeneration schemes plus supporting the town centre and growing affordable housing in the immediate vicinity.

- Middlesbrough Development Company projects;
- Affordable Housing and Housing Growth schemes;
- Town Centre development projects;
- School capital projects
- Disabled Facilities Grant scheme
- ICT related projects and;
- Environment & Community Services projects



Customer Strategy Programme

The vision of the Council's Customer Programme is to transform delivery of services to the community & customers, providing everyone with excellent service and access to self-serve through an extensive range of channels and platforms.

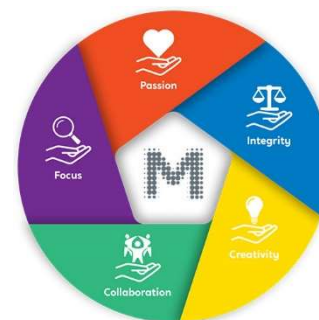
The Council's ambition is for a customer-owned culture, with self-serve facilities, improved payment facilities and transactional online services. This will be underpinned by a simple, service led and driven website and intranet, with straight-to-the-point e-forms, all underpinned by a knowledge-based customer relationship management system, reducing the need for face to face contact. Customers will experience an overall improvement and flexibility in their choice of how to access Council services and the drive for 'digital by default' will increase access to Council services as a result.

Our Values

Our Values are a critical element of the Council's strategy to create a brighter future for Middlesbrough. Our Values are at the heart of everything we do and form the foundation for how we operate, behave and make decisions.

Our Values:

- Passionate - We believe in Middlesbrough and are proud about the Town;
- Integrity – We are open and transparent and treat everyone with respect;
- Creativity – We have the courage to try new ideas and new ways of working;
- Collaboration – We work with others to make Middlesbrough better; and
- Focus – We are clear about what we will deliver to meet the needs of the Town.



Performance

The Council's Scheme of Delegation gives the Executive collective responsibility for corporate strategic performance, together with associated action and a quarterly reporting process gives them the necessary information to discharge these responsibilities.

As part of continuous improvement in performance and risk management, the Council's Leadership Management Team (LMT) has implemented monthly reviews of corporate performance utilising a Directorate Performance dashboard, drawing data from a range of performance systems. The output from these sessions is reflected through the quarterly updates to the Executive and Overview and Scrutiny Board.

The Council uses a narrative update approach to measure performance during each quarter of the financial year and any issues. Although most priorities are broadly on track in terms of the Mayor's initial ambitions, these have needed to be flexible and revised due to the pandemic and the changing levels of the virus in the Middlesbrough area. The recovery aspect of the Covid-19 response has now been integrated as part of the Council's strategic priorities going forward in the newly agreed 2021-24 plan.



The Strategic Plan for 2021-24, set out nine strategic priorities for this period, which are supported, by an associated set of outcome measures and a work plan, which will see delivery of sustained improvement, up to and beyond 2024.

Below are the main priorities that were monitored by the Executive during 2021/22. These were set in February 2021 and were part of the Strategic Plan for 2021-24.

Children and young people

The Council has completed four out of the seven initiatives with the remaining three all on track to be delivered to the approved deadlines. The Council have and continue to try to show Middlesbrough's children that they matter and work to make our town safe and welcoming and to improve outcomes for all children and young people.

Attainment and attendance levels have increased with a reduction in exclusions for all children across Middlesbrough.

By delivering the Youth Justice Plan, the Council has reduced re-offending, provided safe and effective use of custody and reduced the number of first time entrants.

The Council has also closed the gaps for the most vulnerable and focused on Key Stage 4 outcomes to ensure high achievement for all from the early years.

The Council has targeted young people who are NEET and provided support for them to progress into education, employment and training opportunities.

Work continues on the delivery of the Children's Services Improvement Plan and the Council has made progress to ensure the best start in life for Middlesbrough children by reducing early health inequalities, with a focus on the first 1001 days of life. The Council is also on track to develop a universal town-wide Children and Young People's strategy that will aim to improve the lives of all children.

Vulnerability

Delivery and extension of the 50 Futures programme to provide meaningful work experience opportunities for Middlesbrough residents who find it most difficult to gain employment has been completed.

The 'Dementia Friendly' Middlesbrough programme to improve the wellbeing of individuals with dementia and their carers has been delayed. This is mainly due to Covi-19 and the requirement for face-to-face session. Although delayed, this is still a strategic initiative that will be delivered as soon as possible.

The Council has another five initiatives that will work to address the causes of vulnerability and inequalities in Middlesbrough, and safeguard and support the vulnerable. These are all on track to be delivered as planned and progress has been made in the following areas:

- Locality Working pilots in Newport and North Ormesby wards to address key priorities and issues for residents.
- 'Age Friendly Communities' to reduce the prevalence and impact of loneliness and isolation in Middlesbrough.
- Integrated model of support for Middlesbrough, bringing together services for domestic abuse, homelessness and substance misuse and development of mental health partnership provision.
- Increase digital inclusion for children, young people and adults across Middlesbrough.
- Improved support for addiction recovery through employment, housing and social/community re-integration.

Crime and anti-social behaviour (ASB)

Three of the four initiatives to tackle crime and anti-social behaviour are on track and we are still working with our partners to ensure local people feel safer. We have made progress in the development of the Community Safety Strategy to reduce crime and anti-social behaviour across Middlesbrough and continued work to increase CCTV in public areas/Council facilities to prevent and detect crime and ASB.

Delivery of a targeted education and enforcement programme in conjunction with Police and Fire Safety Partners to reduce crime and ASB, is still on track to be delivered in 2023.



Year-end data reflects a worsening position on the number of street warden enforcement actions however, the introduction of a mobile incident management system now allows the service to record more accurately the level of activity undertaken which shows significant improvements as a result of improved ways of working, processes, systems and performance management, as demonstrated below:

| Street Warden Activity | 2020/21 | 2021/22 |
|-------------------------------|----------------|----------------|
| Interventions | 2,178 | 3,775 |
| Enforcement Actions | 1,444 | 2,232 |

Climate change

The Council is keen to ensure our town acts to tackle climate change, promoting sustainable lifestyles. We are on track to deliver a town-wide programme of education and increase recycling levels in Middlesbrough in 2022.

We are continuing work with partners to identify community growing sites, which will provide skills development to 'Grow Your Own Food' and are still on track to complete this initiative in 2023.

Work is underway to plant 20,000 trees across the town by 2023, improving air quality and we have achieved Tree City Status, demonstrating responsibility and management of town tree stock.

The development of an Urban Farm to improve the physical environment and provide additional training opportunities for vulnerable residents across Middlesbrough is almost complete.

There were two of the seven initiatives for climate change that were not on track and the Council needs to progress in the coming year. These were to deliver the Green Strategy to meet Government targets for greenhouse gas emissions and to explore the potential to designate sites across the town as a local wildlife/nature reserve.

Covid-19 recovery

The Council is committed to help local communities, businesses and the Council's operations to recover from the Covid-19 pandemic, taking opportunities to make improvements where possible.

Significant progress has been made in the delivery of the Council's Covid-19 Recovery Plan, enabling individuals, families, communities and businesses across Middlesbrough to make progress post pandemic.

Physical environment



The Council is working closely with local communities to protect our green spaces and make sure that our roads, streets and open spaces are well designed, clean and safe. To that end, we have planted 30,000 m2 of wildflowers across Middlesbrough to benefit local wildlife and improve the appearance of the town.

We have also implemented a community grant scheme, providing funding to improve the physical environments of residential alleyways to create a useable community space.

The Council is committed to implement an annual pothole maintenance programme across the town, consistently improving road conditions and is on track to be completed in the next 2 years.

Town centre

We have made a commitment to transform our town centre, improving accessibility, revitalising unused assets, developing iconic new spaces and building more town centre homes. We have started to repurpose Captain Cook Square and House of Fraser for leisure and commercial use and have installed a town-wide lighting scheme, highlighting key buildings and landmarks.

All other town centre initiatives are on course to be delivered in the next 2 years and include the development of central Middlehaven for 60,000 sq. ft. of commercial space, 400+ housing units, restoration of the Old Town Hall and Captain Cook Pub, commercial and residential development of west and south side Middlehaven sites and the development of new homes and apartments to expand the urban living offer in the town.

Culture

We are also investing in our existing cultural assets, creating new spaces and events and improving access to culture for all.

We have made improvements to Teesaurus Park, re-establishing its purpose as a visitor attraction and recreational facility and we continue to expand our programme of festivals and events to raise the cultural profile of Middlesbrough.

Quality of service

The Council places communities at the heart of what we do and we continue to endeavour to deliver value for money and enhance the reputation of Middlesbrough. To do this, we have several initiatives and three out of the eight are completed, with the remainder on track for delivery during the 2022.

We have delivered a ward-based cash collection strategy, supporting vulnerable groups with payment solutions to improve Council Tax collection levels and stimulated investment in our local economy through procurement opportunities and the promotion of our buy local initiative.

We have also provided the asset disposal policy framework, ensuring best value is achieved and the benefit of disposals are shared with local communities.

We continue to encourage community participation in the development of Council plans and initiatives, securing additional funding and improve the condition of the Council's operational estate and highways infrastructure and improve the corporate website into a 'digital platform', increasing online transactions where appropriate, and making the site even easier to use.

Regeneration and Culture

- ## Environment and Community Services

- ## Public Health

- [illegible]

youth work, probation, youth offending services, sexual health service, children's hubs, licensed premises and many more to build harm minimisation capacity and better connect vulnerable people to services

- The HeadStart team provided support for transition from year 6 to 7.
- The Headstart Team continue to build capacity and awareness of mental health issues across all Middlesbrough schools and have supported 1693 pupils and students with social and emotional learning group interventions and trained 300 HeadStarters (Peer Supporters) in emotional resilience;
- Delivered a 7 day week community Asymptomatic Test Site service across 3 locations and carried out 14,608 tests and identified 94 positive cases;
- Delivered an award winning community vaccine programme;
- Developed Restart Long Covid-19 Rehab and Prevention programme and made close links with the CCG for referrals, and other local authorities promoting best practice (nominated as a finalist in the MJ awards in June 2022)
- Developed and running a Work Well offer – to coordinate Council, Job Centre and educational work placements;
- The Live Well Centre is at maximum capacity supporting private, voluntary and Councils to deliver a variety of services, including an expansion to floor 5 for family and child addiction support services;
- Launched the Middlesbrough Alcohol Centre of Excellence in October;
- Provided free hot meals and activities to thousands of children and young people as part of the Holiday Activities and Food Programme;
- Best Start Pathway launched Middlesbrough wide in February 2022, the Pathway targets support at parents through the antenatal period until the child reaches two years;
- A monthly Sensory Drop in Clinic has been launched at the Live Well centre to support Adults who are Deaf, Hard of Hearing, Blind and Visually impaired;
- Successfully implemented MUST service in all elderly care homes across Middlesbrough to combat malnutrition;
- Developed and launched Eat Well Early Years award across South Tees in February 2022;
- Supported 892 people in Middlesbrough to lose weight through the Tier 2 Adult Weight management services from January – June 2022;
- The Sport England Local Delivery Pilot, You've Got This, continued to pursue the vision of "Active Lives As A Way Of Life", collaborating with over 50 partner organisations to embed physical activity within their practice.

Children's Services

- South Tees Youth Justice Service has been able to maintain service levels, offer new services concerning prevention and diversion, sustain continuous improvements in performance, and continued to achieve positive outcomes for the young people they work with.
- Nine school Ofsted inspections in academic year 2021/22; no downgrades.
- Robust support for families means that 92% of eligible 2 year olds now attend nursery provision.
- Continued delivery of school improvement support has meant schools have benefited from on-going professional development ensuring the successful roll out of the statutory Relationship Sexual Health Education curriculum, subject leader deep dive support in preparation for Ofsted inspection and statutory moderation.
- Improved the school attendance of vulnerable children via the VCAP attendance project.
- Launched the PROCLAIM initiative with 10 schools to help them develop their expertise in supporting children suffering from trauma.
- Successfully worked with schools to reduce the number of suspensions of looked after children.
- Ensured 98% of children received their first choice of primary school and 84% received their first choice of secondary school.
- Special Education Needs and Disability (SEND) has successfully implemented the new Inclusion and Outreach Model launched in Jan 22 to support greater inclusion and support across all schools and settings for children and young people.
- Development of additional provision across the local area for children and young people with SEND to support with increasing demands.
- Increase in the number of registered Alternative Provision providers across the local area to ensure greater choice and opportunities for children at risk of exclusion and require an alternative pathway.
- Community Learning service implemented remote delivery for teaching and learning across all programmes including Adult Learning, Study Programme and Apprenticeship Provision.
- Routes to Work team awarded a Civic Award for improving employment opportunities for Residents.

- Since April 2019, 50 Futures Work Experience programme has engaged 284 Middlesbrough residents, 23.5% of residents have moved into Employment/Apprenticeships and 63% of residents have made positive progress to support them to move closer to the labour market.
- Although not without significant challenges, staff across Children's Services have shown strong progress against the services' improvement plan. This is reported on a six weekly basis to the Multi-Agency Strategic Improvement Board and endorsed by Ofsted and the DfE. Colleagues in finance have been supportive in understanding these challenges and working with us to make the best use of our financial resources.
- Although there remains further work to be done the numbers of children in our care continued to reduce safely over the financial year including the number of external residential placement which has now reduced from 65 to 51 (21.5% reduction).
- Our finance business partners have played a vital part in this work in terms of modelling financial spend against the reductions taking into account the significant increased costs charged by independent providers.



Adult Social Care

- We continued the delivery of adult social care services throughout the Covid-19 pandemic. This has required resourcefulness and resilience from staff as they have had to work in flexible and evolving ways in the face of an unprecedented operational challenge.
- The service continues to score more highly than the England average on almost all included measures in the most recently published Adult Social Care Outcomes Framework survey, a statutory return submitted by service users.
- We established the Rekindle Digital Support service, which promotes and enables digital inclusion for residents of Middlesbrough.
- We further developed the Staying Included agency that supports some of our most vulnerable and lonely Middlesbrough residents to overcome barriers, helps people to achieve their goals and to reconnect with the things they value most.
- Our hospital social work team based at James Cook University Hospital has now established a seven-day service having piloted this during the acute phase of the pandemic.
- We developed a complex needs accommodation pilot working with safeguarding, housing and public health services.
- We continued to operate the Disabled Facilities Grant, which has supported vulnerable individuals to access a range of initiatives including the winter warmth scheme.



Legal and Governance Services

- Introduction of the Salary Sacrifice Electric Car Scheme in order to provide benefits to both staff and the organisation which also supports the Council's Green Agenda;
- Implement a new Council Website to provide residents & customers 24/7 access to services including the ability to self-serve.

Finance

- 2021/22 was a second consecutive year of strong asset growth. The value of the Pension Fund assets increased by 11% over the year, ending above £5 billion for the first time. Looking over the last three years this represents an increase in asset value of around £1 billion. During the year the Fund has also carried out a process of gradual partial de-risking, mainly by selling equities (shares in companies listed on stock markets across the world) and investing some of the proceeds in other asset classes. Over the year, the Fund's allocation to equities reduced from 76% to 60%, much closer to its current long-term strategic target of 55%.
- The Grants Team within Commissioning supported community and voluntary sector organisations through the award of 311 community grants totalling £534k. In addition a further 41 Covid-19 related grants were processed totalling £399k supporting initiatives such as Covid-19 Champions within communities.
- The Strategic Procurement Team have progressed 260 projects throughout the year resulting in the award of £58 million of contracts.
- The Valuation and Estates Team secured the purchase of the Cleveland Shopping Centre and have

supported the management of the retail sector ensuring the centre is stabilised, seeking to support existing retail and tenants and begin the process of bringing new tenants into the centre.

- Throughout the second year of the pandemic, the Commissioning Team have provided advice and guidance to Social Care providers concerning matters relating to Covid-19, in particular in regard to the application and interpretation of Government guidance, infection, prevention and control measures and have assisted in processing £3.1m of Covid-19 related grants to Adult Social Care providers throughout 21/22.
- Disbursement of government funded-grants to businesses continued up to the end of 2021-2022, with a further £9 million being administered by the Revenues and Benefits Service. Additionally, many thousands of separate payments were also made to vulnerable individuals and families in the town under the Covid-19 Local Support Grant and its successor the Household Support Fund. Despite the continuing pressures faced, the Service was independently accredited as providing Customer Service Excellence for the 26th year in a row – service was assessed as being over and above the required standard in 10 aspects of its activity. The Service has also been shortlisted for the LGA awards.
- The delivery of the Council's holistic Welfare Strategy to support Middlesbrough's most vulnerable residents who are in need of financial assistance, advice and support, which provides a menu of support mechanisms that are designed to respond to situations such as the recent cost of living crisis, consequences of the pandemic, and any other external factors that impact the financial pressures on residents and businesses. The strategy is designed to provide a single point of contact as a means to access this vital support giving residents better financial stability, which will also ultimately result in improved collection rates for council tax and sundry debts.
- Despite significant resource issues within the Accounts Payable team, the Council in partnership with Oxygen Finance has implemented the Supplier Incentive Programme, which provides immediate payment to small local suppliers and gives other suppliers the opportunity to be paid early provided the Council can secure a discounted price. This should not only generate savings but will assist small, vulnerable local suppliers with their cash flow.
- All necessary system updates to the Council's main financial Enterprise Resource Planning (ERP) system have been tested and implemented on time with minimal disruption to services.
- Improvements to accounts receivable system workflow and reporting to ensure more effective invoice creation and monitoring of debt.

Governance

The Council's governance arrangements that underpin the Council's processes and financial systems are set out in the Annual Governance Statement that follows the financial statements and notes to the accounts. (see Section 6).

Future Challenges/Uncertainties

Governance Arrangements

The draft audit results report for 2020/21 reported that there are significant weaknesses in governance arrangements and there was evidence, which led them to conclude that the culture and governance arrangements at the Council have not been operating as expected, and that this is undermining the effectiveness of the Council's governance framework.

During the year ended 31 March 2021, Ernst Young identified multiple instances where the Council took significant decisions without following the Authority's established policies and procedures and contrary to the boundaries of the respective roles and responsibilities of officers and members.

This presents an increased risk that the Council may take decisions, which do not deliver economy, efficiency and effectiveness in the Council's use of its resources that must be addressed in the coming months.

We must now start work on developing a comprehensive improvement plan to address the cultural and governance issues, which exist within the Council. All elected members and officers need to work together to address these serious matters and Ernst Young have recommended that this should include the involvement of external specialists.

We must also provide additional training to members and officers on the boundaries of respective responsibilities under the Council's Constitution. The Council must also seek to ensure that a culture of challenge, where these boundaries are not being adhered to, is understood by and expected from all parties as part of the wider improvement plan.

The Authority should also consider whether further assurance is required to establish whether the risks identified by the Council to date are complete and the actions taken to respond to those risks sufficient.

This poses a significant risk to the Council and action must be taken without delay. The development of a comprehensive improvement plan will be of the highest priority for Middlesbrough Council.

Children's Services

Following the disappointing Ofsted review in 2019, a comprehensive Ofsted Improvement Plan was developed and implemented to improve services and outcomes within Children's services. The outcomes from this have been successful however; the significant and continued transformation work taking place within Children's Services will deliver further improvements during the coming years.

Amongst the objectives for improvement, the Council committed funding to the following areas:

- Specialist agency teams in Referrals & Assessments to improve the "front door model" and to examine placements in order to reduce high cost placements;
- Workforce remodelling - experienced social worker recruitment and retention/agency worker reduction strategy;
- Transformation associated with increasing internal residential provision and improvements in practice to reduce future numbers of children looked after;

The Council is continuing to minimise the use of agency staff where it is appropriate, but the Ofsted Improvement Plan acknowledged there was a need to use agency staff. The use of agency staff is likely to continue in 2022/23, principally to support the continued ongoing transformation within Children's Services, however this will be minimised as far as possible.

The Council has created a specific earmarked reserve in 2021/22, the Social Care Transformation Reserve, to help support the on-going effects of the significant and continued transformation work taking place within Children's Services.

Cost of Living Crisis

The cost of living crisis is a significant issue for the UK and Middlesbrough residents alike. This refers to the fall in disposable income and is caused predominantly by high inflationary increases to fuel, food and energy costs beyond the increase in wages and benefits.

The cost of living crisis, including inflationary rises means that the Council will need to continually review service provision, having regard to the Middlesbrough residents' needs. The situation not only affects how the Council ensures we get value for money from scarce public funds but also needs to provide customer focussed support for residents who are struggling to manage their finances. As ever, it is important that we manage our Medium Term Financial Plan appropriately and monitor our financial performance, to carefully plan and respond to the ever-changing external environment.

Covid-19

During 2021/22, the pandemic continued to pose some challenges and uncertainties for local authorities going forwards. There is reference to Covid-19 and its impact throughout this narrative report and the draft Statement of Accounts. At the time of issue, the legal restrictions in the UK in relation to social distancing, mask wearing and opening up remaining business were relaxed, mainly attributable to the UK's vaccination programme.



In addition to the success of the vaccination programme, natural immunity and increased understanding about how to manage risk, the population now has much stronger protection against Covid-19 than at any

other point in the pandemic. This is enabling the UK to begin to manage the virus like any other respiratory infections.

Brexit

The principal impact on the Council will be the form of legislative changes moving from EU to UK statute but these will only become apparent once the UK government has introduced these updated laws. A small amount of funding has been allocated by the government to each local authority in recognition of the additional workload that will face Council's during the initial phase of the exit from the EU.

The Local Government Finance Settlement

Government funding for local government as a whole has fallen substantially since 2010. Since changes were made to the Local Government Finance System in 2013/14, Middlesbrough Council had suffered a significant reduction in Government funding, with a reduction of £41.7 million (51%) from £81.2 million received in 2013/2014 to £39.5 million in 2021/22.

The Spending Review announced additional funding for local government. These were subsequently included in both the provisional local government settlement of 17 December 2020 and in the final settlement published on 4 February 2021. Whilst the additional funding was welcomed, a large proportion of the funding announced was for 2021/22 only, and therefore does not assist with tackling recurring funding pressures going forward. This level of uncertainty means that future funding remains one of the most significant risks to the Council. A large proportion of the additional funding available to local government (over 85%) is expected to come from increases in council tax made by local authorities.

A new Local Government finance system was expected to be implemented commencing from the 2022/23 financial year following the outcome of the Fair Funding Review. The new system was intended to be based upon 75% retention of Business Rates by Local Government and an end to the Revenue Support Grant system. It is not yet clear what the detailed arrangements for Local Government Finance will look like going forwards. The timescale for implementation of these proposals has been delayed initially due to Brexit and then subsequently due to Covid-19.

Council officers will continue to work with the Government and take part in any consultations, providing information and opinions on the approach to funding for the next financial year and beyond.

Financial Review 2021/22

Revenue Budget

In preparing the 2021/22 revenue budget and Medium Term Financial Plan, the following principles, consistent with budget strategies in previous years and statements made by Executive have been adopted:

- to maximise the efficient, effective and economic use of resources, in conjunction with partners where appropriate;
- to minimise the effect of Council Tax increases on residents whilst maintaining service provision;
- to make services fully accountable for their own budgets and spending, including additional pressures. Calls on the Medium Term Financial Plan should only be made when local and directorate resources are exhausted and all requests are required to be approved by the Council's Corporate Management Team;
- 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 identified;
- services will receive, in full, the impact of contractual inflationary increases (including pay awards). No inflation will be provided for general supplies and services, which are expected to be met from efficiency savings;
- to support budgetary investment in economic growth to drive increase in income through Council Tax and Business Rates;
- on termination of a specific grant, a business case for any continued funding will be prepared, which will



- need to be assessed against other pressures on the Medium Term Financial Plan;
- all specific reserves require approval by the Director of Finance, where specific reserves exist these will be reviewed regularly by the Director of Finance as part of the Medium Term Financial Plan refresh to ensure that they are still required - uncommitted funds may need to be used to fund pressures elsewhere;
- any revenue budget where there has been a significant underspend for two or more years will be reviewed with a view to reallocating funds;
- the Investment Strategy will be reviewed regularly to ensure an ongoing need for allocated funding with a view to reallocating funds which are not required;
- any new schemes for approval within the Investment Strategy must be firstly approved by the Council's Corporate Management Team; and
- a consistent framework for budgeting for staff costs will be implemented.

In setting the revenue budget for 2021/22, service budget reductions totalling £3.5 million were approved by the Council on 24 February 2021 together with a 2.75% increase in Council Tax (1.99% increase in general council tax and an increase in the adult social care precept of 0.76%).

The revenue budget for 2021/22 was set at £116.492 million, funded as set out below:

| | £m |
|--|----------------|
| Revenue Support Grant | 12.221 |
| Business Rates Top Up Payment | 27.299 |
| Local Share of Business Rates | 17.593 |
| Council Tax | 60.611 |
| Collection Fund Balance | (1.232) |
| Total net revenue budget in 2021/22 | 116.492 |

Budget Outturn 2021/22

The Budget Outturn position was reported to Executive on 14th June 2022 and summarised the Council's financial outturn in respect of the revenue budget and capital programme. It also covered the impact of the pandemic on the Council's financial position.

Revenue

The Council's total net revenue expenditure for 2021/22 was £118.955 million, an initial net pressure of £2.463 million against the net budget of £116.492 million. The table below summarises the initial revenue position by Directorate.

| Directorate | Full Year Budget £'000 | Initial Final Outturn £'000 | Initial Over/(under) spend £'000 |
|---|---------------------------|--------------------------------|-------------------------------------|
| Regeneration and Culture | 3,569 | 3,522 | (47) |
| Environment and Community Services | 19,385 | 21,368 | 1,983 |
| Public Health | (2,820) | (3,870) | (1,050) |
| Education and Partnerships | 737 | 360 | (377) |
| Children's Care | 40,037 | 48,332 | 8,295 |
| Adult Social Care | 39,682 | 38,706 | (976) |
| Legal and Governance Services | 10,121 | 10,638 | 517 |
| Finance | 818 | (816) | (1,634) |
| Central Budgets | 4,963 | 715 | (4,248) |
| Revenue outturn | 116,492 | 118,955 | 2,463 |

It was agreed by the Council's Executive to transfer £1.363 million from the Central Pay and Prices Contingency budget within Central Services to fund the impact of hyper-inflationary increases affecting the Environment and Community Services Directorate. It was further agreed to transfer £0.230 million of the Public Health grant underspend to a Public Health Reserve to fund improvements in the sexual health

service in future years.

The Council has implemented the Flexible Use of Capital Receipts Strategy, agreed at Full Council on 20th October 2021 with due regard to the Local Authority Accounting Code of Practice. The Strategy has been monitored throughout the financial year as part of regular budget monitoring arrangements and has been reported accordingly as part of the current quarterly budget monitoring reports to Executive.

The flexible use of capital receipts has improved the Council's financial position across a number of Directorates (mainly Children's Services) by a total of £5.017 million. This will allow the Council to increase the level of reserves that the Council holds, at this time of high financial uncertainty with minimal impact on the Council Tax payer. This will help support the significant and continued transformation work taking place within the Council, principally within Children's Services, which will deliver improvement and efficiencies.

Once these have been taken into account, the final year-end revenue outturn position for 2021/22 including Covid-19 support expenditure pressures of £0.390 million results in a £1,923,000 underspend. The details of this are shown below, including the split by Directorate:

| Directorate | Full Year Budget £'000 | Full Year Outturn £'000 | Over/(under) spend £'000 | Transfer to Pay & Prices Budget £'000 | Transfer to Reserves £'000 | Flexible Use of Capital Receipts £'000 | Final Over/(Under) Spend £'000 |
|------------------------------------|---------------------------|----------------------------|-----------------------------|---|-------------------------------|---|-----------------------------------|
| Regeneration and Culture | 3,569 | 3,522 | (47) | 0 | 0 | (11) | (58) |
| Environment and Community Services | 19,385 | 21,368 | 1,983 | (1,363) | 0 | (263) | 357 |
| Public Health | (2,820) | (3,870) | (1,050) | 0 | 230 | 0 | (820) |
| Education and Partnerships | 737 | 360 | (377) | 0 | 0 | 0 | (377) |
| Children's Care | 40,037 | 48,333 | 8,296 | 0 | 0 | (4,217) | 4,079 |
| Adult Social Care | 39,682 | 38,706 | (976) | 0 | 0 | 0 | (976) |
| Legal and Governance Services | 10,121 | 10,638 | 517 | 0 | 0 | (526) | (9) |
| Finance | 818 | (816) | (1,634) | 0 | 0 | 0 | (1,634) |
| Central Budgets | 4,963 | 1,115 | (3,848) | 1,363 | 0 | 0 | (2,485) |
| Revenue outturn | 116,492 | 119,355 | 2,863 | 0 | 230 | (5,017) | (1,923) |

As with previous financial years, the significant revenue budget pressure experienced during 2021/22 continues to be in relation to Children's Services where additional costs on Children's Care (mainly residential agency placements, safeguarding, in-house foster carers, independent fostering agency payments and family and friends' allowances) resulted in an initial overspend of £8.295 million over budget.

The number of external residential placements has reduced significantly compared to 2020/21 due to various initiatives the Council has introduced however, as the cost of these placements has increased this has resulted in an overspend of £3.130 million which is a significant proportion of the Children's Care overspend. This is due to price increases within the market and new placements initially being made at a higher cost whilst reduced cost, long-term permanent placements are sought.

Safeguarding, care planning and assessment costs have seen £1.743 million overspend at the end of 2021/22 due to significant spend on agency staffing, Section 17 payments and support packages for families to keep the young people out of care. These form part of a longer-term strategy to reduce/avoid higher Children Looked After costs.

Fostering placements have increased since last year and this has contributed to the Children's Care overspend by £1.823 million. Despite an overspend here, the higher foster placements should be seen as positive as the cost per child is less expensive than other demand budgets, and the service is working to further increase capacity over the next few years.

The Environment and Community Services Directorate has been affected significantly by the rising cost of fuel, utilities and food and drink supplies. These increased costs have affected services like street lighting, recycling, catering, waste collection and transport services and has resulted in an overspend of £1.983 million.

The over spend position corporately for the Council has been mitigated by using centrally held budgets, the use of flexible capital receipts strategy and planned savings. All directorates have applied stringent financial controls on expenditure budgets and have successfully made savings, including staff savings and a focus on income generation resulting in additional commercial rent income.

Following the use of capital receipts and transfers between the Central Pay and Prices Contingency budget within Central Services, the overall position was a net underspend of £2.324 million, which was initially transferred to the General Fund Reserve. Following the creation of specific ear marked reserves and the movement in reserves illustrated in the table below, the General Fund Reserve at the end of 2021/22 was £11.195 million, which is in line with the Director of Finance recommended minimum level of £11.0 million.

Reserves and Provisions

The Council has tried to maximise reserves to fund the potential pressures that will arise in future years due to the on-going effects of the significant and continued transformation work taking place within Children's Services, and that which will take place within Adult Social Care regarding the Fair Cost of Care and Social Care Reforms.

A number of transfers to reserves have been approved and these are summarised below:



- Public Health Directorate underspend relating to sexual health service to the Public Health Reserve (£230,000)
- Covid-19 expenditure incurred during 2021/22 to the Covid-19 Recovery Reserve (£390,000)
- The remaining balance on the Covid-19 Recovery Reserve to a new specific earmarked Car Parking Pressures Reserve (£782,000) and the General Fund Reserve (£3,340,000)
- Final year-end outturn underspend on non-Covid-19 elements (following Flexible Use of Capital Receipts and transfer to Public Health Reserve) to the General Fund Reserve (£2,324,000)
- General Fund Reserve to a new specific earmarked Social Care Transformation Reserve (£5,665,000)
- Transfer of the following Reserves into the new specific earmarked Social Care Transformation Reserve:
 - Children's Services Improvement Reserve (£175,000)
 - Children's Services Demand Reserve (£732,000)
 - Social Care Demand Reserve (£500,000)

The table below sets out a summary of the balance of reserves and provisions at the start of 2021/22 and as at year-end:

| Reserves and Provisions 2021/22 | Opening Balance £000's | Use in Year £000's | Additional Contributions £000's | Transfers Between Reserves £000's | Transfers to General Fund (2021/22 Underspend) £000's | Transfers from General Fund £000's | Closing Balance £000's |
|--------------------------------------|------------------------|--------------------|---------------------------------|-----------------------------------|---|------------------------------------|------------------------|
| General Fund | 10,500 | 0 | 695 | 3,340 | 2,313 | (5,665) | 11,183 |
| Covid-19 Recovery | 4,512 | (390) | 0 | (4,122) | 0 | 0 | 0 |
| Social Care Transformation | 0 | 0 | 0 | 1,407 | 0 | 5,665 | 7,072 |
| Other Earmarked Reserves | 28,970 | (45,806) | 45,337 | (2,748) | 0 | 0 | 25,753 |
| Dedicated Schools Grant (DSG) | (3,291) | (44) | 0 | 0 | 0 | 0 | (3,335) |
| School Balances | 4,864 | (4,864) | 4,802 | 0 | 0 | 0 | 4,802 |
| Provisions | 2,555 | (3,579) | 4,548 | 2,123 | 0 | 0 | 5,647 |
| TOTAL | 48,110 | (54,683) | 55,382 | 0 | 2,313 | 0 | 51,122 |

Covid-19 and the financial impact on 2021/22

The Covid-19 pandemic has had a significant impact on the Council's financial position during 2021/22 and will continue to do so in a number of areas in years to come. This has made the management of the

Council's finances more difficult due to the constantly evolving situation and the level of uncertainty regarding the financial effects of Covid-19 in future years. Despite this, the Council is well prepared for these risks as part of its financial planning over the medium term.

The Government recognised the impact of Covid-19 on local authorities and they made a number of announcements about supporting local authorities financially. The main funding provided during 2021/22 is summarised below:

- Covid-19 Expenditure Pressure Grant, which provided general support funding totalling £5.310 million for 2021/22.
- Sales, fees and charges (SFC) – the SFC compensation scheme for lost income was continued for the first three months of 2021/22, using 2020/21 budgeted income as the baseline. Middlesbrough received a total of £0.801 million funding in 2021/22 from the scheme.
- A further allocation of Contain Outbreak Management Fund (COMF) funding of £1.370 million was provided during 2021/22 to local authorities to support public health activities, such as local enforcement and contact tracing.
- Local Tax Income Guarantee – the Government also confirmed that Government funding would be provided to compensate councils for an element of the 2020/21 Collection Fund deficit.
- Local Council Tax Support Grant – The allocation for Middlesbrough was £2.592 million in 2021/22.
- The Government provided councils with Section 31 Grant Funding for the lost income caused by the Covid-19 Business Rates Reliefs provided by the Government to businesses.

Additional Expenditure

There were approximately £4.5 million of additional costs associated with Covid-19 in 2021/22 and these covered a wide range of areas and services. The table below shows the additional expenditure per Directorate:

| Directorate | Covid-19 Expenditure 2021/22 £000's |
|---|--|
| Regeneration and Culture | 998 |
| Environment and Community Services | 482 |
| Public Health | 0 |
| Education & Partnership | 390 |
| Children's Care | 1,838 |
| Adult Social Care | 230 |
| Legal and Governance Services | 274 |
| Finance | 261 |
| Total 2021/22 Covid-19 Expenditure | 4,473 |

Regeneration and Culture made payments SLM Leisure Trust, the Council's provider of leisure facilities. Following the reopening of leisure facilities SLM struggled to operate to their normal subsidy, which affected their income.

There were additional costs for a wide range of areas within Environment and Community Services, including £0.145 million relating to increased costs of waste collection and disposal, and £0.158 million relating to Fleet Services due to a Covid-19 outbreak in the workshop and additional vehicle hire required.

Additional education psychologist costs were the main additional costs for Education and Partnership directorates. This included providing additional capacity for mental health support to young people and various additional costs relating to early years support.

Additional children's social care costs were mainly due to delays in placements of children (£0.208 million) and increased staffing and agency staffing costs (approximately £1.5 million) to deal with an increased number of cases and case backlogs caused by Covid-19.

In Adult Social Care, there was additional staffing required to deal with the effects of the Covid-19 recovery. There were also costs related to rough sleepers and homelessness of £0.117 million. This was in addition to £0.247 million charged to the Covid-19 COMF grant in 2021/22.

There were several direct costs associated with Covid-19 including additional signage and leaflets providing necessary messages to the public (£0.055 million), and other costs of approximately £0.116 million relating to the storage of Personal Protective Equipment (PPE). There were increased payments to providers of Bed & Breakfast accommodation of approximately £0.043 million, due to the requirements to house people during the Covid-19 pandemic.

There were also additional staffing costs and IT equipment/licences in order to deal with backlogs and difficulty in recruiting staff of approximately £0.235 million in 2021/22.

Reduction in Income

The Council has experienced a loss in income totalling £1.973 million across a broad range of areas during 2021/22. The list below highlights the main reasons:

- Car Parking (£0.263 million)
- Cultural activities (Town Hall, Middlesbrough Theatre, Museums, Parks) (£0.198 million)
- Catering income from schools (£0.187 million)
- Adult Social Care - In house day centre care provision (£0.406 million)
- Libraries and Community Hubs – room hire, book sales, and fines (£0.085 million)
- Council run Nurseries and Children's Centres (£0.221 million)
- Bus station – departure charges and loss of income from toilets (£0.091 million)
- Capital Finance – Rent and Interest (£0.080 million)
- SLM – loss of profit share in 2021/22 (£0.172 million)

The overall financial impact of the Covid-19 pandemic on 2021/22 is summarised in the table below:

| | Grant Allocation 2021/22 | Actual 2021/22 | Cost to Council 2021/22 |
|---|---|---------------------------|--|
| | £m | £m | £m |
| Extraordinary costs incurred | 0 | 4.473 | 0 |
| Commercial income losses | 0 | 0.080 | 0 |
| Non-SFC income losses | 0 | 0.172 | 0 |
| Unachievable Change Programme savings | 0 | 0.055 | 0 |
| Total Covid-19 Main Grant (2021/22) | 5.310 | 4.780 | (0.530) |
| Sales, Feed and Charges (SFC) income loss grant (2021/22) | 0.801 | 1.721 | 0.920 |
| NET COST OF COVID-19 TO COUNCIL 2021/22 | | | 0.390 |
| | | | |
| | Grant Allocation 2021/22 | Actual 2021/22 | Cost to Council 2021/22 |
| | £m | £m | £m |
| OTHER COVID-19 GRANTS | | | |
| Clinically Extremely Vulnerable (CEV) | 0.198 | 0.198 | 0 |
| Test and Trace | 0.540 | 0.540 | 0 |
| Contain Outbreak Management Fund (COMF) | 1.059 | 1.059 | 0 |
| TOTAL OTHER COVID-19 GRANTS | 1.797 | 1.797 | 0 |
| Note that remaining grant not utilised in 2021/22 was carried forward to 2022/23 | | | |

Cash flows for the future will also be affected by borrowing and although the ratio of short-term to long-term borrowing has remained fairly stable during 2021/22, it is expected that this position will change somewhat during 2022/23. A large borrowing requirement will be required during 2022/23 and cash balances are expected to reduce as reserves containing residual Covid-19 monies are spent.

Council Tax and Business Rates Income



Income from Council Tax and Business Rates (NNDR) is accounted for within the Collection Fund. Because of the way that this works in relation to the General Fund, the financial impact of any reduction in income does not immediately affect 2021/22 financial position, it is effectively a shortfall to be resolved in 2022/23 and will be reflected in an updated Budget and Medium Term Financial Plan (MTFP).

In 2020/21, there were significant pressures on Council Tax and Business Rates income and the overall financial impact was approximately £2.496 million. It is normal practice that any arising deficit would need to be fully funded in 2021/22. However, the Government announced that this can be spread over the subsequent three years i.e. £0.832 million in each of the 2021/22, 2022/23, and 2023/24 financial years.

During the year, there were a number of issues caused by Covid-19 that resulted in significant losses in these areas. These are accounted for in the Collection Fund, a separate legal fund outside of the revenue budget:

- There was an increase in people claiming Local Council Tax Support due to the economic impact of the pandemic. This led to a reduction in the level of council tax collected as those on support only pay 20% of their regular bill. Although the government provided some support for this hardship issue, there was still an effect on the collection rate and income generated.
- Housing growth levels may have reduced due to the disruption caused by the pandemic and this will lead to lower income level if less than budgeted.
- The Government provided continuing support for businesses during the first quarter of 2021/22 but this reduced throughout the remainder of 2021/22. Following the reduction in the level of this support, businesses may struggle to pay their business rates, and therefore there is a risk that Business Rates revenue reduces in the future if businesses fail or are unable to pay.
- The level of outstanding council tax and business rates debt has increased and the Council had to review the potential to collect that debt and increase the levels of the bad debt provision where appropriate.
- Government agreed to pay 75% of income losses below an identified threshold due to the pandemic. The Council did not qualify for either of these due to improved collection rates later in the year.



The final outturn position after the various pressures on the Collection Fund was as follows:

| Funding | Total Deficit/ (Surplus) £000 | Share with preceptors % | Share of Deficit £000 | S31 Grant | Final Deficit £000 |
|----------------|-------------------------------------|-------------------------------|--------------------------|-----------|-----------------------|
| Council Tax | (326) | 83.55 | (272) | 0 | 0 |
| Business Rates | 14,803 | 49.00 | 7,254 | (5,833) | 1,421 |
| Total | 14,477 | | 6,982 | (5,833) | 1,421 |

Group Accounts

The Council has only one significant group relationship - a wholly owned subsidiary: Middlesbrough Development Company (MDC), formed in 2019 and which is involved in housing growth and resolving eyesore sites within the Borough. As the Council control both the operating and financial activities of the company it has been consolidated into the Council's Group Accounts on a line by line basis, after first realigning accounting policies with the Council where appropriate and then eliminating any intra-Group transactions.

The purpose of the group accounting information is to provide a comprehensive position for Middlesbrough Council incorporating the company. The Group Accounts show the full extent of the Council's assets and liabilities, providing transparency on the overall financial position. These cannot be fully appreciated from the Council's single entity accounts alone.

The Group Accounts (at Section 4) include the following information:

- Group Comprehensive Income and Expenditure Statement, which shows the income and expenditure of the Group in line with statutory regulations, international financial reporting standards and CIPFA Accounting Code of Practice requirements.
- Group Movement in Reserves - shows the movement in the year on reserves held by the Group.
- Group Balance Sheet - reports the Council Group financial position at the year-end.
- Group Cash Flow Statement - shows the changes in cash and cash equivalents of the Group during the year.
- Notes to the Group Accounts – information provided where the balances are materially different to those in the single entity accounts.

At 31 March 2022, MDC had received funding of £6.6 million to spend on approved projects and the day-to-day administration of the company. Of this, £5.9 million had been spent on capital projects, principally Boho Village and Newbridge Court. £0.3 million had been spent on operational costs leaving a cash balance of £0.4 million as a contingency amount for future capital spend. Of the total funding given to the company by the Council, just under £4 million was in the form of a commercial loan and £2.6 million was from S106 capital grant funding. The loan is repayable to the Council over a 35-year term and was approved by the Director of Finance in October 2020 following a due diligence exercise on the Boho Village project.

The above assets and liabilities, plus day to day expenditure, have been added to the Council's balance sheet and income and expenditure statement. The net effect on the Council's reserves is an increase of £2.3 million, representing £2.6 million as an unusable reserve to offset future depreciation charges minus £0.3 million for operating costs. The operating deficit will be offset by future income streams generated by MDC.

Capital

The table below summarises the capital outturn position for 2021/22 for each directorate.

| Directorate | Revised Budget £'000 | Full Year Outturn £'000 | Over/ (under) spend £'000 |
|--|-------------------------|----------------------------|------------------------------|
| Regeneration and Culture | 40,145 | 35,668 | (4,477) |
| Environment and Community Services | 10,090 | 10,140 | 50 |
| Public Health | 0 | 0 | 0 |
| Education and Partnerships | 3,035 | 1,363 | (1,672) |
| Children's Care | 4,945 | 4,745 | (200) |
| Adult Social Care and Health Integration | 3,033 | 2,501 | (532) |
| Legal and Governance Services | 2,823 | 2,238 | (585) |
| Finance | 312 | 244 | (68) |
| Total | 64,383 | 56,899 | (7,484) |

Following a review of schemes, the Council approved a revised capital budget for 2021/22 of £64.383 million as part of its medium-term investment strategy. The Council spent £56.899 million (88%) of this revised budget at the year-end.

The underspend is a combination of delays in commencement of contracts, supply chain issues, delays in receiving relevant documentation, changes in contractor appointments, and Covid-19 related issues (£3.514 million). Delays on Middlesbrough Development Company scheme (£0.317 million) due to delays in diversion of cabling, delays relating to the effects of Covid-19 (£0.423 million), transfer of funding into 2022/23 due to delays in commencement of works (£0.843 million) and delays in the rollout of information technology updates (£0.402 million).

The Council's total under borrowed position i.e. external debt compared to the underlying need to borrow, was £54.6 million at 31 March 2022. As cash balances reduce during the 2022/23 financial year to more normal levels with the level of reserves planned to be spent, plus the borrowing requirements within the Investment Strategy, around £30 million of this under-borrowing will be needed to maintain the Council's overall liquidity position.

Balance Sheet

The Balance Sheet shows the value of assets and liabilities of the Council and sets out the revenue and capital reserves available for future investment. It also allows for comparison with the previous financial year-end and can be used to make judgements around the organisation's financial position.

A summary of the Balance Sheet at the 31 March 2022 is set out below:

| 31-MAR-2021 (£000) | | 31-MAR-2022 (£000) |
|-------------------------------------|-----------------------|-------------------------------------|
| 466,872 | Long Term Assets | 490,646 |
| 77,391 | Current Assets | 87,320 |
| (91,922) | Current Liabilities | (94,212) |
| (497,263) | Long Term Liabilities | (419,269) |
| (44,922) | Net Assets | (64,486) |
| (56,770) | Usable Reserves | (80,246) |
| 101,693 | Unusable Reserves | 15,760 |
| 44,922 | Total Reserves | (64,486) |

The key headline messages to note in relation to the Balance Sheet at 31 March 2022 are as follows:

- Long-term assets continue to increase due to the Council's current ambitions on its investment strategy and the purchase of the Cleveland Centre.
- Current assets are higher than last financial year mainly due to the receipt of the Energy Rebate grant at the end of the financial year.
- Current liabilities have increased slightly during the financial year, mainly due to the Energy Rebate grant to be paid to residents in 2022/23 but off-set by a reduction in short term borrowing.
- Long-term liabilities have decreased mainly due to the current valuation of the pension fund, resulting in an improved position.
- Usable reserves have increased significantly mainly due to the receipt of capital grants in year, to be used to fund schemes within the Council's investment strategy.
- Unusable reserves reflect the technical accounting adjustments required to comply with proper accounting practice. Most of the movements are unrealised in nature and do not have an immediate impact on the Council's revenue budget or medium term financial plan. The year on year change at 31 March 2022 reflects unrealised pension and capital accounting losses, plus the transfer of any negative dedicated school grants for a 3-year period. Under regulation, these DSG losses cannot be charged to the General Fund account.

In previous years, the Council's balance sheet was in a negative net worth position (i.e. the liabilities were greater than the assets held). This has been reversed during 2021/22 mainly due to the latest actuarial

pension fund valuation which has improved due changes in assets held by the Fund, plus a higher corporate discount rate which has meant that liabilities are not growing as fast as in the past. This means that council assets now are greater than liabilities by £65m.

The deficit on the pension liabilities for current and former Middlesbrough employees has significantly reduced mainly due to the financial assumptions on the discount rate. This measures the present value of future liabilities and given the current inflation rates, the discount rate has increased. The pension fund is still in a deficit position and although the loss on the pension fund will not crystallise at any one point in time but will be made up of benefits over the next 20-30 years, it erodes the current financial position of the balance sheet in line with IAS19 principles on retirement benefits.

It is also worth reiterating that both long-term assets and liabilities, subject to specialist valuation and professional expert techniques, are less reliable in the current year than in the past, due to the inherent level of uncertainty created by Covid-19. Where professional judgement has been involved, regular discussions have been held with valuers and actuaries about the issues involved and prudent conclusions have been made by the Council when considering these results. The balance sheet values are slightly depressed as a result but should recover in the future. The Council is comfortable with these issues in the short term and until a greater degree of normality has returned where any negative net worth should unwind. No specific measures are being undertaken within the Medium Term Financial Plan to cater for this.

Annual Statement of Accounts

The Statement of Accounts is the main method of external financial reporting produced by the Council. It is a complex and technical document, which comprises a number of sections and financial statements following the CIPFA Code of Practice on local authority accounting. These are as follows:

Narrative Report - this introductory section provides information on the format of the Statement of Accounts as well as a review of the financial position, performance and cash flows of the Council for the financial year 2021/22.

Statement of Responsibilities - this details the responsibilities of the Council and the Director of Finance (Section 151 Officer), concerning the Council's financial affairs and the Statement of Accounts.

Independent Auditor's Report to the Council - the external auditor, Ernst & Young LLP have prepared this report, following their audit of the accounts for the financial year.

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. This Statement explains how the Council has complied with the Code of Corporate Governance during the 2021/22 financial year.

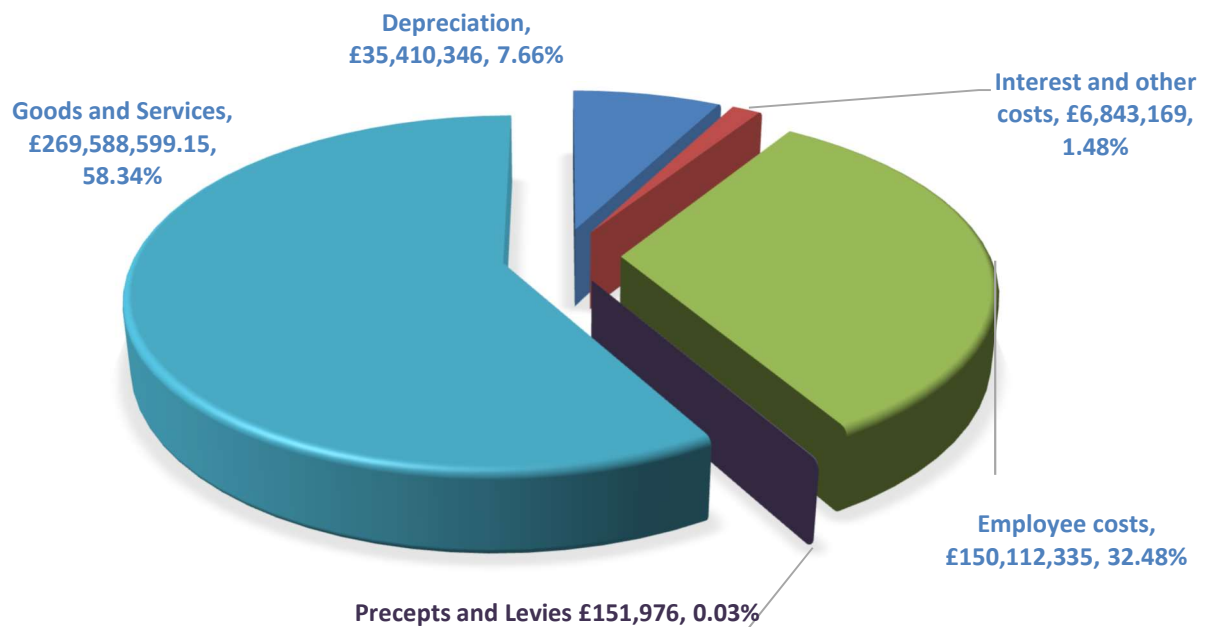
The **Core Financial Statements** comprise:

- The Comprehensive Income and Expenditure Statement (CIES) – shows the income and expenditure of the Council in line with statutory regulations, international financial reporting standards and CIPFA Accounting Code of Practice requirements. Included in the Notes to the CIES is the Expenditure and Funding Analysis (EFA), which links the financial statement to the Council's management accounts.

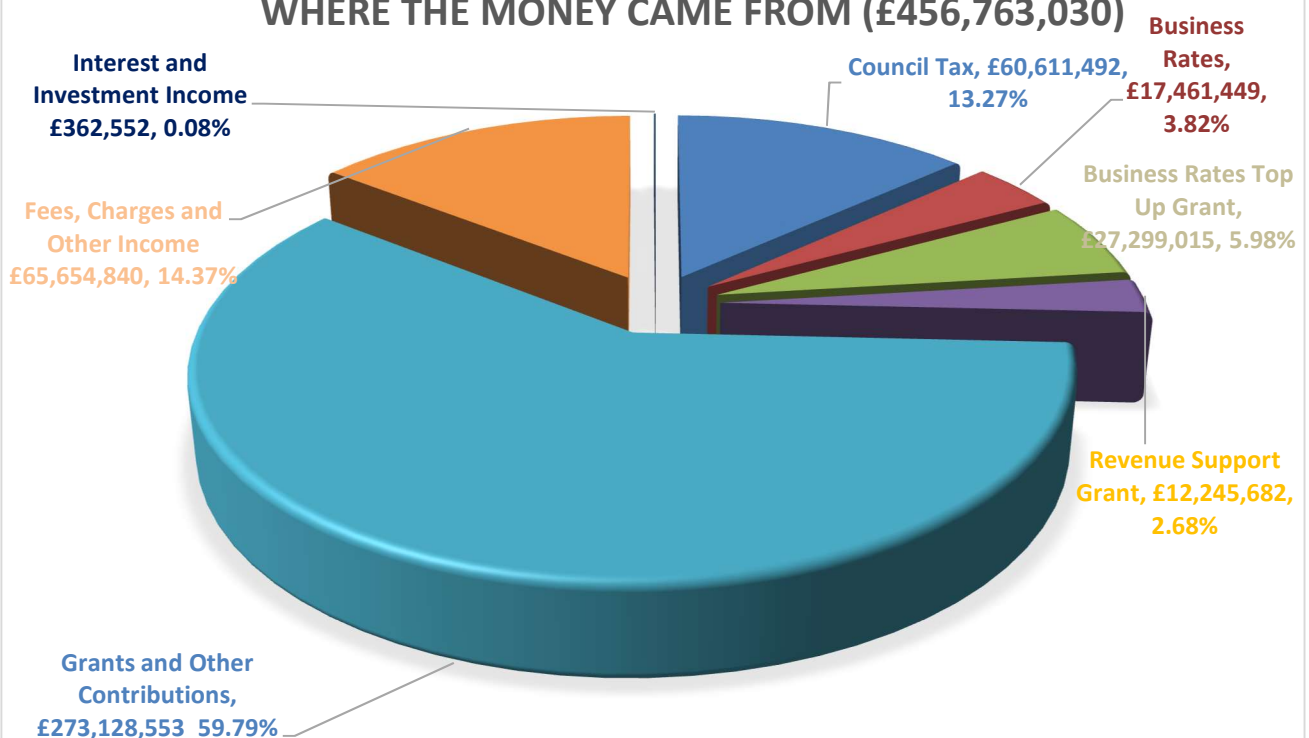


The following charts illustrate where the money has come from and how it has been spent:

WHERE THE MONEY WAS SPENT (£462,106,426)

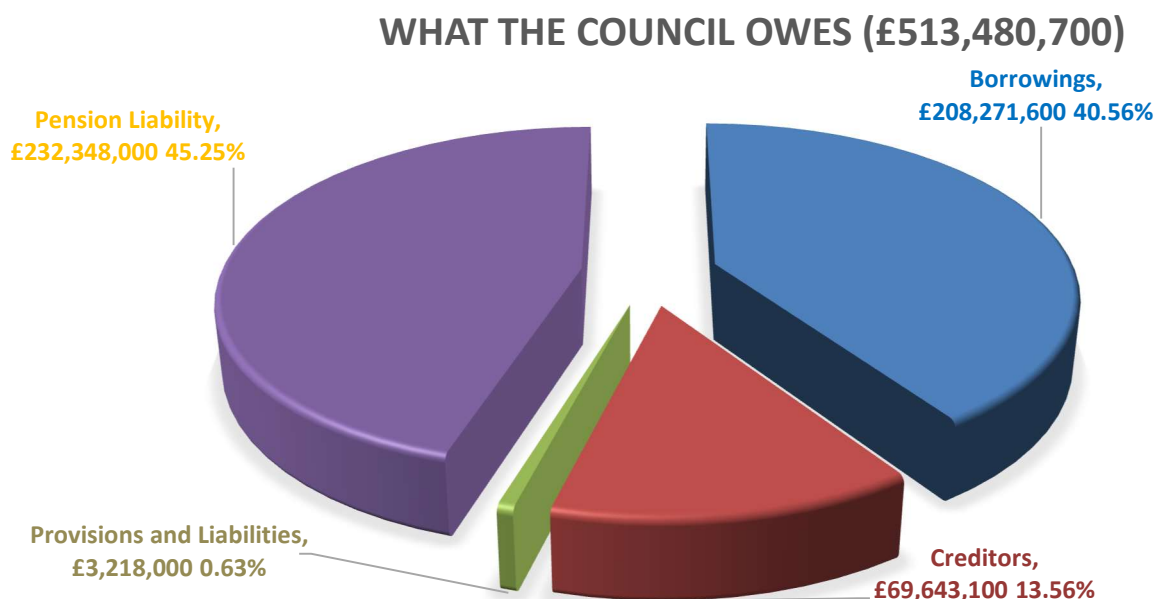
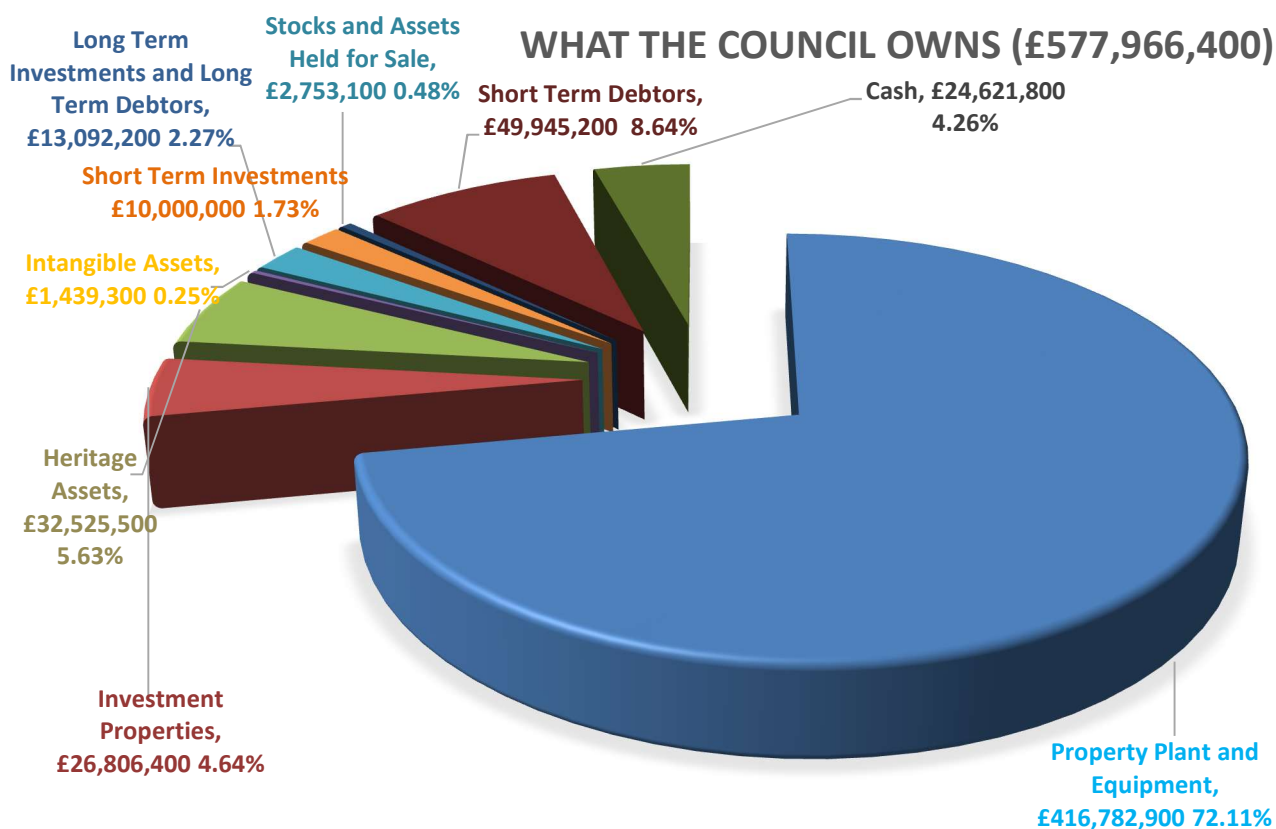


WHERE THE MONEY CAME FROM (£456,763,030)



- The **Balance Sheet** – shows the value as at the Balance Sheet date of the assets owned and liabilities incurred by the Council. The total net assets (assets less liabilities) are equivalent to the revenue and capital reserves held by the Council.

The following charts gives summary information on what the Council owns and owes:



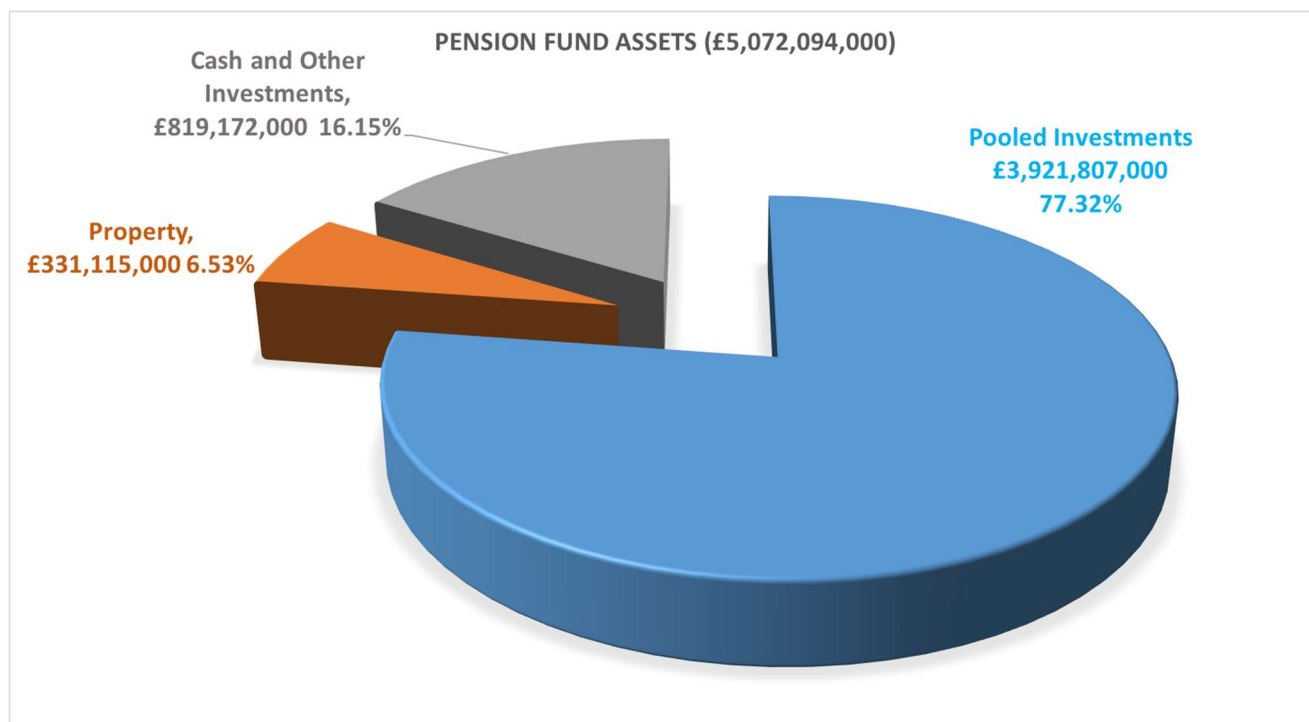
- The **Movement in Reserves Statement** - this statement shows the movement in the year on the different reserves held by the Council, split into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves (arising mainly as a result of technical and accounting adjustments).
- The **Cash Flow Statement** - this summarises the changes in cash and cash equivalents of the Council during the reporting period. Cash flows are analysed 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 Accounts - provides supporting and explanatory information as to how the accounts have been prepared and support the understanding of the accounting policies applied in the accounts to present a true and fair view of the financial position.

Pension Fund Accounts - the Teesside Pension Fund is administered by Middlesbrough Council, and is independently managed and completely separate from the Council's own finances. This statement forms an extract from the Teesside Pension Fund Annual Report and summarises the financial position of the Pension Fund, including all income and expenditure for 2021/22, assets, and liabilities as at 31 March 2022.

The following chart summarises the assets of the Fund at 31 March 2022:



A **Glossary** - to explain the technical jargon in the Statement of Accounts and help make the document more understandable to the reader.

Statement of Responsibilities – Middlesbrough Council

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to nominate that one of its Officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer (Director of Finance);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets, and;
- approve the statement of accounts.

The Chief Finance Officer's Responsibilities

The Director of Finance 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 Director of Finance has:

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

The Director of Finance has also:

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

Confirmation of the Statement of Accounts

I certify that the statement of accounts present a true and fair view of the financial position of the Authority at 31 March 2022 and its income and expenditure for that year.

Ian Wright
Director of Finance
Middlesbrough Council

29 July 2022

Statement of Responsibilities – Teesside Pension Fund

Statement of Responsibilities

Middlesbrough Council Responsibilities

The Council is required to:

- Make arrangements for the proper administration of the financial affairs of the Teesside Pension Fund (the Fund) through a Pension Fund Committee;
- Secure that one of its officers has the responsibility for the administration of those affairs, namely the Chief Finance Officer of the Council (Director of Finance); and
- Manage the Fund to secure economic, efficient and effective use of resources and to safeguard its assets, and approve the Fund's Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Director of Finance is responsible for the preparation of the Fund's Statement of Accounts in accordance with proper practices set out in the Accounts and Audit Regulations (England) 2015.

In preparing the Statement of Accounts, the Director of Finance has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonably prudent;
- Complied with the Code;
- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Confirmation of the Statement of Accounts

I confirm that the Teesside Pension Fund Statement of Accounts gives a true and fair view of the financial position of the Fund at 31 March 2022 and of its income and expenditure for that year.

Ian Wright

Director of Finance

Middlesbrough Council

29 July 2022

Auditor's Report – Middlesbrough Council

To follow once the external audit of the Council's accounts is complete for 2021/22.

Auditor's Report – Teesside Pension Fund

To follow once the external audit of the Pension Fund accounts is complete for 2021/22.

2. Financial Statements



Core Statements - Movement in Reserves Statement

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

| 2021/22 | General Fund Balance | Earmarked Revenue Reserves | Capital Receipts Reserve | Direct Revenue Funding Unapplied | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Council Reserves |
|--|----------------------|----------------------------|--------------------------|----------------------------------|--------------------------|-----------------------|-------------------|------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 01-APR-2021 | (10,500) | (38,294) | 5 | (51) | (7,930) | (56,770) | 101,692 | 44,922 |
| <u>Movement in reserves during 2021/22</u> | | | | | | | | |
| Total Comprehensive Income and Expenditure | 5,343 | 0 | 0 | 0 | 0 | 5,343 | (114,751) | (109,408) |
| Adjustments between accounting basis & funding basis under regulation (note 6) | (5,357) | 0 | (5) | 28 | (23,485) | (28,819) | 28,819 | 0 |
| Transfers to/(from) other reserves | (669) | 669 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Decrease / (increase) in year | (683) | 669 | (5) | 28 | (23,485) | (23,476) | (85,932) | (109,408) |
| Balance at 31-MAR-2021 carried forward | (11,183) | (37,625) | 0 | (23) | (31,415) | (80,246) | 15,760 | (64,486) |

| 2020/21 | General Fund Balance | Earmarked Revenue Reserves | Capital Receipts Reserve | Direct Revenue Funding Unapplied | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Council Reserves |
|--|----------------------|----------------------------|--------------------------|----------------------------------|--------------------------|-----------------------|-------------------|------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 01-APR-2020 | (9,400) | (19,311) | (145) | 0 | (13,078) | (41,934) | 53,283 | 11,349 |
| Reporting of Schools budget deficit to new Adjustment Account at 1 April 2020 | 0 | (2,783) | 0 | 0 | 0 | (2,783) | 2,783 | 0 |
| Revised Opening Balance | (9,400) | (22,094) | (145) | 0 | (13,078) | (44,717) | 56,066 | 11,349 |
| <u>Movement in reserves during 2020/21</u> | | | | | | | | |
| Total Comprehensive Income and Expenditure | 34,063 | 0 | 0 | 0 | 0 | 34,063 | (490) | 33,573 |
| Adjustments between accounting basis & funding basis under regulation (note 6) | (51,363) | 0 | 150 | (51) | 5,148 | (46,116) | 46,116 | 0 |
| Transfers to/(from) other reserves | 16,200 | (16,200) | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Decrease / (increase) in year | (1,100) | (16,200) | 150 | (51) | 5,148 | (12,053) | 45,626 | 33,573 |
| Balance at 31-MAR-2021 carried forward | (10,500) | (38,294) | 5 | (51) | (7,930) | (56,770) | 101,692 | 44,922 |

Core Statements - Comprehensive Income and Expenditure Statement

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

| Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2022 | | | | | | | |
|---|------------------|----------------------------|--|------|-------------------|------------------|----------------------------|
| 2020/21 | | | Cost of Services by Service Area | Note | 2021/22 | | |
| Gross Expenditure | Gross Income | Net Expenditure / (Income) | | | Gross Expenditure | Gross Income | Net Expenditure / (Income) |
| £000 | £000 | £000 | | | £000 | £000 | £000 |
| 17,672 | (11,877) | 5,795 | Regeneration and Culture | | 20,622 | (4,694) | 15,928 |
| 18,313 | (26,097) | (7,784) | Public Health | | 15,805 | (25,582) | (9,777) |
| 83,717 | (79,831) | 3,886 | Education and Partnerships | | 87,391 | (80,797) | 6,594 |
| 50,682 | (5,022) | 45,660 | Children's Care | | 60,119 | (6,463) | 53,656 |
| 96,239 | (56,889) | 39,350 | Adult Social Care and Health Integration | | 101,155 | (57,724) | 43,431 |
| 52,019 | (8,564) | 43,455 | Environment and Community Services | | 54,801 | (6,039) | 48,762 |
| 81,920 | (69,630) | 12,290 | Finance | | 65,585 | (59,494) | 6,091 |
| 18,148 | (4,474) | 13,674 | Legal & Governance Services | | 17,539 | (2,100) | 15,439 |
| 473 | (5,989) | (5,516) | Central Costs | | 10,901 | (12,572) | (1,671) |
| 0 | 416 | 416 | Covid-19 Overspend | | 5,700 | (5,310) | 390 |
| 419,183 | (267,957) | 151,226 | Total Cost of Service | | 439,618 | (260,775) | 178,843 |
| 415 | 0 | 415 | Other Operating Income and Expenditure | 9 | 152 | (5,162) | (5,010) |
| 37,191 | (27,210) | 9,981 | Financing & Investment Activities | 10 | 22,335 | (14,229) | 8,106 |
| 0 | (127,559) | (127,559) | Taxation and Non Specific Grant Income | 11 | 0 | (176,596) | (176,596) |
| 456,789 | (422,726) | 34,063 | (Surplus) or Deficit on Provision of Services | | 462,105 | (456,762) | 5,343 |
| | | | <i>Items not re-classified to the Surplus or Deficit on the Provision of Service</i> | | | | |
| | | (641) | (Surplus) on revaluation of Property Plant and Equipment | | | | (4,271) |
| | | 4,317 | Actuarial (Gains)/Losses on Pension Fund | 39 | | | (107,235) |
| | | (4,166) | Depreciation written out to the Revaluation reserve | 23 | | | (3,245) |
| | | (490) | Other Comprehensive Income and Expenditure | | | | (114,751) |
| | | 33,573 | Total Comprehensive Income and Expenditure | | | | (109,408) |

Core Statements - Balance Sheet

The Balance Sheet shows the value of assets and liabilities held by the Council. The net assets are matched by the Council's revenue and capital reserves.

| 31-MAR-2021 | | Note | 31-MAR-2022 |
|------------------|---|-------|------------------|
| £000 | | | £000 |
| 396,851 | Property, Plant & Equipment | 23/24 | 416,783 |
| 32,443 | Heritage Assets | 25 | 32,526 |
| 25,536 | Investment Properties | 26 | 26,806 |
| 1,873 | Intangible Assets | 27 | 1,439 |
| 309 | Long Term Investments | 29 | 309 |
| 9,860 | Long Term Debtors | 32 | 12,783 |
| 466,872 | Total Long Term Assets | | 490,646 |
| 0 | Short Term Investments | 29 | 10,000 |
| 2,297 | Short Term Assets Held for Sale | 28 | 125 |
| 2,313 | Inventories | 33 | 2,628 |
| 47,971 | Short Term Debtors | 32 | 49,946 |
| 24,810 | Cash and Cash Equivalents | 34 | 24,622 |
| 77,391 | Total Current Assets | | 87,321 |
| (32,089) | Short Term Borrowing | 29 | (22,648) |
| (58,305) | Short Term Creditors | 35 | (69,643) |
| (1,528) | Short Term Provisions | 36 | (1,921) |
| (91,922) | Total Current Liabilities | | (94,212) |
| (14,531) | Net Current Assets / (Liabilities) | | (6,891) |
| (1,028) | Long Term Provisions | 36 | 0 |
| (186,667) | Long Term Borrowing | 29 | (185,624) |
| (1,450) | Other Long Term Liabilities | 29 | (1,297) |
| (308,118) | Pension Liability | 39 | (232,348) |
| (497,263) | Total Long Term Liabilities | | (419,269) |
| (44,922) | Net Assets/(Liabilities) | | 64,486 |
| (56,770) | Usable Reserves | 37 | (80,246) |
| 101,692 | Unusable Reserves | 38 | 15,760 |
| 44,922 | Total Reserves | | (64,486) |

Core Statements - Cash Flow Statement

This Statement shows the changes in cash and cash equivalents held by the Council during the financial year. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows into operating, investing and financing activities. It is an integral part of the Comprehensive Income and Expenditure Statement and the Balance Sheet for the Council.

| 31-MAR-2021 £000 | | Note | 31-MAR-2022 £000 |
|---------------------|--|----------|---------------------|
| (34,063) | (Deficit) on provision of services transferred to the General Fund | | (5,343) |
| | Adjustment for items not affecting cash flow | | |
| 15,487 | Depreciation of Property Plant and Equipment (PPE) | 23 | 15,553 |
| 2,159 | Amortisation of Intangible Assets | 27 | 1,272 |
| 8,526 | Impairments to PPE / Assets Held for Sale | 23,28 | 4,061 |
| (41) | Fair Value gain on Investment Properties | 26 | (459) |
| (1,076) | Donated PPE and Heritage Assets | 23,25 | (1,631) |
| 6,525 | Net Book Value on Disposal of Non-current Assets | 23,25,27 | 8,725 |
| 13,942 | Difference between Current Service Cost and Contributions made to the Pension Scheme | 39 | 24,737 |
| 6,298 | Net of Interest changes applied to the Pension Scheme Deficit | 39 | 6,729 |
| 49 | Movement in Provisions | 36 | (634) |
| 17,806 | Surplus on provision of services after non cash adjustments | | 53,010 |
| (6,224) | Adjustments for items that are Financing or Investing Activities | | (13,487) |
| | Other operating cash flows | | |
| 13,710 | Cash absorbed by the reduction in Creditors | 35 | 7,959 |
| (2,418) | Cash absorbed by the increase in Debtors | 32 | (4,897) |
| 112 | Cash absorbed by the increase in Inventories | 33 | (315) |
| 22,986 | Net cash flow from Operating Activities | | 42,270 |
| (4,368) | Investing Activities | 46 | (31,819) |
| (16,053) | Financing Activities | 46 | (10,639) |
| 2,565 | Net increase/(decrease) in Cash and Cash Equivalents | | (188) |
| 22,245 | Cash and Cash Equivalents at the start of the period | 34 | 24,810 |
| 24,810 | Cash and Cash Equivalents at the end of the period | 34 | 24,622 |

The cash flow for Operating Activities includes the following:-

| | | |
|-------|-------------------|-------|
| (273) | Interest received | (363) |
| 6,473 | Interest paid | 6,843 |

3. Notes to the Accounts



Notes to the Accounts

| Note | Description | Page |
|------|---|------|
| | Notes to the Accounts | |
| 1 | Accounting Policies | 40 |
| 2 | Accounting Standards Issued but not yet adopted | 51 |
| 3 | Assumptions made about the future and other major sources of estimation uncertainty | 51 |
| 4 | Critical Judgements in applying Accounting Policies | 52 |
| 5 | Events after the Balance Sheet Date | 52 |
| | Notes Supporting the Movement in Reserves Statement | |
| 6 | Adjustments Between Accounting Basis and Funding Basis under Regulations | 53 |
| 7 | Earmarked Reserves | 55 |
| | Notes Supporting the Comprehensive Income and Expenditure Statement | |
| 8 | Expenditure and Funding Analysis | 57 |
| 9 | Other Operating Income and Expenditure | 59 |
| 10 | Financing and Investment Activities | 59 |
| 11 | Taxation and Non-Specific Grant Income | 59 |
| 12 | Grant Income | 60 |
| 13 | Dedicated Schools Grant | 62 |
| 14 | Officers' Remuneration | 63 |
| 15 | Members' Allowances and Expenses | 65 |
| 16 | Trading Operations | 65 |
| 17 | Audit Fees | 66 |
| 18 | Agency Services | 66 |
| 19 | Related Parties | 66 |
| 20 | Pooled Budgets | 68 |
| | Notes Supporting the Balance Sheet | |
| 21 | Capital Expenditure and Capital Financing | 70 |
| 22 | Capital Commitments | 71 |
| 23 | Property, Plant and Equipment | 71 |
| 24 | Revaluations and Impairments of Property, Plant and Equipment | 74 |
| 25 | Heritage Assets | 76 |
| 26 | Investment Properties | 77 |
| 27 | Intangible Assets | 78 |
| 28 | Assets Held for Sale | 78 |
| 29 | Financial Instruments: Balances | 79 |
| 30 | Financial Instruments: Fair Value and Risks | 80 |
| 31 | Financial Instruments: Income and Expenditure | 84 |
| 32 | Debtors (Short and Long Term) | 85 |
| 33 | Inventories | 85 |
| 34 | Cash and Cash Equivalents | 85 |
| 35 | Short Term Creditors | 86 |
| 36 | Provisions | 86 |
| 37 | Usable Reserves | 86 |
| 38 | Unusable Reserves | 87 |
| 39 | Pension Schemes Accounted for as Defined Benefit Scheme | 89 |
| 40 | Pension Scheme Accounted for as a Defined Contribution Scheme | 93 |
| 41 | Leases - Council as Lessor | 93 |
| 42 | Leases - Council as Lessee | 94 |
| 43 | Contingent Liabilities | 95 |
| 44 | Contingent Assets | 95 |
| 45 | Trust Funds | 95 |
| | Notes Supporting the Cash Flow Statement | |
| 46 | Cash Flow Statement - Investing and Financing Activities | 96 |

Notes to the Accounts

Note 1 Accounting Policies

General Principles

The Statement of Accounts summarises the Council's financial transactions for the 2021/22 financial year and its position at the 31 March 2022.

The Council is required to prepare a Statement of Accounts for each financial year under the Accounts and Audit Regulations 2015 (updated for the Coronavirus Amendment Regulations 2021) and in accordance with proper accounting practices. These proper accounting practices under Section 21 of the Local Government Act 2003 principally comprise:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) supported by International Financial Reporting Standards (IFRS).
- Statutory guidance issued under Section 12 of the 2003 Act.

The Statement of Accounts has been prepared using the 'going concern' concept (see below) and using the accruals basis of accounting such that transactions are recorded on the basis of when they fall due and not necessarily 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 amounts.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. A summary of this is in the following table.

| Asset Class | Measurement Basis |
|--|--|
| Property, Plant and Equipment – Land & Buildings | Fair value. The amount that would be paid for the asset in its existing use, where there is an active market. Where there is no active market, depreciated replacement cost is used. |
| Property, Plant and Equipment – Infrastructure, Community Assets and Assets under Construction | Depreciated replacement cost. |
| Property, Plant and Equipment – Surplus Assets | Fair value. |
| Property, Plant and Equipment – All Other Assets | Depreciated historical cost. |
| Investment Properties | Fair value. |
| Pension Assets | Fair value. |
| Pension Liabilities | Actuarial Basis |

The Council's over-arching accounting policies are set out in more detail below. Further details on the accounting treatment adopted for specific transactions and balances is included in relevant disclosure notes.

Basis of Preparation - Going Concern

The concept of a going concern assumes that the Council's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which the Council operates. If the Council were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. These provisions confirm that, as Councils cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

The end of the financial year 2021/22 saw a continuing pandemic, which is likely to be with us in some form for years to come but with a lower level of restrictions that were in place than at the end of the previous financial year. The UK vaccinations programme continues to be a major success and life has returned to some type of normality during the latter part of the 2021/22. Most Council services are now operating at normal levels. However, services such as leisure (provided by SLM, the Council's external provider of leisure facilities) and culture are still affected by Covid-19 and it is emerging what demand led services within social care may look like in the future. Car parking income and the impact on the retail sector of the town continue to be a cause for concern. There is also ongoing concern regarding income to the Council in the form of Business Rates and Council Tax income.

The financial impact on the Council arising from additional costs and lost income continued to have a major impact during 2021/22. The Council has carried out a detailed assessment of the likely impact of the pandemic on its financial position and performance during the current year and is examining the potential ongoing effect in 2022/23 and future years. This is an essential part of the refresh of the Council's Medium Term Financial Plan.

This review includes consideration of the following:

- Loss of income on a service-by-service basis, due to a reduction in demand, and increased collection losses.
- Additional expenditure on a service-by-service basis with the provision of new and expanded services in response to the ongoing recovery (such as support to the social care market).
- Changes to government policy, e.g. support to the business rate sector, additional funding for local authorities, and additional responsibilities that sit alongside this.
- The impact on the Council's investment strategy, e.g. delays caused by supplier availability and/or resources.
- The impact of all of the above on the Council's cash flow and treasury management processes, including availability of liquid cash and timing of borrowing plans.
- Rises in interest rates given the response of the economy to increased central government levels of debt and other inflationary pressures.
- The estimated overall impact on the Council's General Fund and Medium Term Financial Plans and savings proposals.

There has been a range of interventions during 2021/22 by central government to continue to support individual local authorities' financial positions due to the pandemic:

- Covid-19 Expenditure Pressure Grant, which provided general support funding totalling £5.310 million.
- Sales, fees and charges (SFC) – the SFC compensation scheme for lost income continued for the first three months of 2021/22, using 2020/21 budgeted income as the baseline. Middlesbrough received a total of £0.801 million funding from the scheme.
- A further allocation of Contain Outbreak Management Fund (COMF) funding of £1.370 million was provided to support public health activities, such as local enforcement and contact tracing.
- Local Council Tax Support Grant – The allocation for Middlesbrough was £2.592 million in 2021/22 and was to support the pressure on collection rates.
- Section 31 Grant Funding for the lost income caused by the Covid-19 Business Rates Reliefs provided by the Government to businesses.

The total impact of Covid-19 on the General Fund (after all government funding and other offsets) was a cost pressure of £0.4m in 2021/22, which will be funded from earmarked reserves. By way of context the Council's General Fund Reserve balance as at 31 March 2022 was £11.2m, this is above the minimum level for 2022/22 advised by the Chief Finance Officer of £10.5m.

Although no specific funding is indicated from central government for 2022/23 for Covid-19, areas such as council tax & business rates collection and income reductions are still volatile and could become worse than forecast in the medium term financial plan. If this is the case, the Council has the ability to borrow from government or other local authorities to maintain liquidity and can use additional earmarked reserves still in place to manage any deteriorating financial position. We also expect that if infection rates do rise again and restrictions are re-introduced at a local level that funding will be provided by central government.

The level of usable revenue reserves at present of just under £50m still gives a reasonable buffer against any unexpected shocks and changes in demand or government funding over the period. The Council will maintain a minimum liquidity position of £15m at all times over the period to the end of March 2024 to ensure the cash position is not compromised. The current medium term financial plan has a current savings target because over the next three years due to the current cost of living crisis and the effect of the high level of inflation in the economy at present. Directorates have put forward savings plans to address this and these are being reviewed by the Chief Finance Officer and Leadership Management Team. A range of other savings measures are also being considered.

The Council has previously undertaken a review of the CIPFA Financial Resilience Index and compared its position against the other eleven North East local authorities plus against our CIPFA statistical family group. The conclusion continues to be that the financial position at present is stable and well managed. The areas to concentrate on going forwards are reducing demand on children's care, increasing the housing supply in the area to maximise council tax receipts, and to grow our level of reserves going forwards. These elements will be key facets of the Council's approach over the Medium Term Financial Planning period and reviews of the financial position against other local authorities will be undertaken on a regular basis to inform this

For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern until at least 31 March 2024.

Accruals of Income and Expenditure

The Accounts have been prepared using the accruals basis of accounting such that transactions are recorded based on when they fall due and not necessarily when settled in cash. In particular:

- 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 forward 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 and expenditure amounts are recognised on an accruals basis reflecting the date the service was provided.
- Expenditure in relation to services received by the Council (including services provided by employees) is recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for as income and expenditure respectively, based on the effective interest rate for the relevant financial instrument.
- Where income or expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.
- Accruals are generally recognised where the value exceeds £10,000.

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 Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined 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 only be used to fund new capital investment or be set aside to reduce the Council'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 Council 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 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 Council 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.

Amounts set aside

The Council 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 a review for componentisation where their individual carrying value is above 0.25% of the total carrying value of its asset class (Land and Buildings). On review, assets are componentised when by doing so would produce a depreciation charge of over £100,000 and more than double the difference

compared with the depreciation charge if the asset isn't componentised.

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 historical cost with the difference between historic cost 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 carried in the Balance Sheet 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. In addition and in relation to highways infrastructure assets specifically there is an assumption that these assets are fully depreciated before being replaced.
- Surplus assets are defined as those that are not being used to deliver services and do not fulfil the criteria to be classified as either Investment Properties or Assets Held for Sale. They are carried at fair value i.e. the price that would be received if an asset is sold or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. They are revalued regularly (every five years as a minimum) to ensure their carrying amount is not materially different from their fair value at the balance sheet date; and;
- All Other Assets are held 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 and Expenditure Statement as 'other comprehensive income and 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 and Expenditure Statement as 'other comprehensive income and 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; and
- The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date are a constituent part 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. Impairment relates to the reduction on a permanent basis of a non-current asset due to a specific event such as fire, flooding, accidental damage and an act of god and associated perils. Impairment does not relate to general decreases in property value or the use of an asset in a specific way where its value be less than its historic cost and these will be informed via revaluations.

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. Where there is a subsequent decrease to fair value less costs to sell, the loss is charged to other operating expenditure line in the Comprehensive Income and Expenditure Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account to offset this loss. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on provision of services. Depreciation is not charged on Assets Held for Sale.

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 other operating expenditure 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 part 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).

Depreciation and Amortisation

Depreciation is provided for on all assets identified as Property, Plant and Equipment and Amortisation is charges on Intangible Assets by the systematic allocation of their balance sheet 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 has major components whose cost is significant in relation to the total cost of the item, the components are recorded and depreciated separately.

Depreciation and Amortisation is charged over the useful life of the asset, using a method that reflects the pattern in which the asset's future economic benefits or service potential is expected to be consumed. The standard useful lives for new assets are as follows:

- Operational Buildings 30-60 Years
- Plant and Equipment 5-10 Years
- Vehicles 5-10 Years
- Infrastructure assets 30-40 Years
- Surplus Buildings 30-60 Years
- Intangible Assets 3-10 Years

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

Post Employment Benefits (Pensions)

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

- The Local Government Pension Scheme, administered by Middlesbrough Council; and
- 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), based on total years of service and salaries earned as employees working for the Council.

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. The assets and liabilities of the scheme are excluded from the Council's Balance Sheet and only the value of actual contributions made are charged to the Comprehensive Income and Expenditure 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 have 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 and
- 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.
- 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 Central 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 pension's 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.

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable because 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 chargeable 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 Council 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.

Financial Instruments

Financial Instruments are any contract that gives rise to a financial asset in one organisation's accounts and a financial liability in another's. These transactions can cover investments, cash, debtors, creditors, 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 in the Comprehensive Income and Expenditure Statement in accordance with IFRS9 on Financial Instruments

Financial Liabilities (Borrowing)

Financial liabilities are recognised when the Council becomes party to the contractual provisions of a financial instrument. These are usually as loans at amortised cost rather than fair value.

Interest payable on these financial instruments is determined as the difference between the initial fair value and the total of the cash amounts repayable over the life of the instrument. These are allocated to the Comprehensive Income and Expenditure Statement in equal instalments over the life of the financial instrument concerned

Financial Assets

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 the Comprehensive Income and Expenditure Statement in equal instalments over the life of the assets. For short-term assets, this is charged each month and for longer term by year.

Leases

IAS 17 – the current accounting standard in place for leasing identifies two classes of lease. Finance leases are contracts with the rights to use an asset, where substantially all of the risks and rewards of ownership pass to the lessee. All other leases under the standard are classified as operating leases.

The Council as Lessee

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 being made (e.g. there may be a rent-free period at the commencement of the lease).

Finance Leases

Where the Council has the balance of risks and rewards in its possession, it will recognise a lease of this nature (for any property or equipment) as an asset in the Council's balance sheet at fair value, with a corresponding long-term liability covering the associated rental payments. The liability will be written down over time as the rental arrangement is repaid, with any interest being charged to financing and investment expenditure in the Comprehensive Income and Expenditure Statement.

The Council as Lessor

Operating Leases

The Council has numerous operating (rental) leases over certain properties and equipment in its ownership where the balance of risks and rewards of the contract remain under its discretion. These assets are retained in the Balance Sheet following normal principles relating to property, plant and equipment. Rental income is credited to the Comprehensive Income and Expenditure Statement against the relevant service line heading on a straight-line basis.

Finance Leases

Where the Council has granted a finance lease on any properties which are retained in the Balance Sheet, the asset will be derecognised from its accounts. A finance lease receivable will then be established representing the proceeds to be received over the lease term. Any amounts in respect of the principal value will reduce the lease debtor outstanding, with any amounts representing interest being credited to the Comprehensive Income and Expenditure Statement.

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 Council'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.

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 for issue. Two types of events are possible:

- 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 authorised for issue by the Director of Finance are not reflected in the Statement of Accounts.

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. These deposits should not have a term of more than three months in total. Overdrawn bank accounts are presented in the balance sheet net only where there is a right of offset.

Changes in Accounting Policy

Changes in accounting policies are made when required by proper accounting practices or the change provides more reliable/relevant information to the user of the accounts. 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.

Interests in Companies and Other Entities

The Council has one wholly owned subsidiary; Middlesbrough Development Company, which is involved in housing growth and has been consolidated into the Council's Group Accounts on a line by line basis, after first realigning accounting policies with the Council where appropriate and eliminating intra-Group transactions.

Investment Property

Investment properties are those assets held by the Council solely to earn rental income and/or for capital appreciation. These are not depreciated within the accounts. Instead, they are recorded in the balance sheet initially at cost and then subsequently revalued each year at fair value. This is based on the amount at which the asset could be exchanged between knowledgeable parties in an arm's length transaction.

Changes in valuation are charged or credited to financing and investment activities in the Comprehensive Income and Expenditure Statement.

Support Services and Overheads

The costs of support services and overheads are charged to those that benefit from the supply or service in accordance with the basis of apportionment. The full cost of overheads and support services is shared between users in proportion to the benefits received.

Revenue Expenditure Funded by Capital Under Statute (REFCUS)

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. Where the Council 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 Council Tax.

Rounding

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

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

Schools

Local authority maintained schools are considered to be under the control of the Council. Consequently, the income, expenditure, assets and liabilities of maintained schools are accounted for in the single entity accounts of the Council.

The table below shows the different type of schools within the Borough but only the Community Schools are owned and included on the Council's balance sheet:

| Type of School | No of Primary Schools | No of Secondary Schools | No of Special Schools | Total |
|---|-----------------------|-------------------------|-----------------------|-----------|
| Community | 4 | 0 | 3 | 7 |
| Foundation | 5 | 0 | 0 | 5 |
| Maintained | 9 | 0 | 3 | 12 |
| Academies (not under the control of LA) | 32 | 8 | 2 | 42 |
| Total | 41 | 8 | 5 | 54 |

Value Added Tax (VAT)

The Comprehensive Income and Expenditure Account excludes amounts relating to VAT and will be included as an expense only if it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income within the Council's Income and Expenditure account.



Note 2 Accounting Standards Issued but not yet adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published, but not yet adopted, by the Code of Practice of Local Authority Accounting in the United Kingdom:

- **IFRS 16** has been deferred until the accounts relating to 2024/25 financial year. CIPFA has taken this decision in response to pressures facing councils in producing their Statement of Accounts.

In order to comply with the deadline on submitting the accounts it will be necessary to include the valuation of Highways Infrastructure Assets using the method used to close the 2020/21 accounts. There is an ongoing task and finish group established by CIPFA regarding the methodology for future valuation of such assets which has the potential to require the 2021/22 accounts to be restated. The outcome of this work will be evaluated once the recommendations of the groups work is published. As this is a national issue, it impacts on all local authorities with highways responsibilities.

Note 3 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts includes some estimated figures, which are based on assumptions about the future that are otherwise uncertain. Estimates are made using historical experience, current trends and other relevant and appropriate criteria. These estimations cannot be determined with certainty therefore, actual results could be materially different from the assumptions and estimates used. The items in the Council's Balance Sheet at 31 March 2022 where there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|--|--|--|
| Valuation, where required of Property, Plant and Equipment, Heritage assets and Investment properties. | Valuation of property involves assessment of a number of variables such as market conditions, useful life, cost of reconstruction, assessment of condition, etc. Qualified Chartered Surveyors, or experts in the relevant field undertake valuations however, these can be subject to market uncertainties. Revaluations, in accordance with the local authority accounting code of practice are carried out on a 5-year rolling cycle. | At 31 March 2022, the Council had land and buildings to the value of £213.040 million, and investment properties to the value of £28.806 million. A 1% change in the estimation of property values would lead to a £2.13 million change in the value of the Council's land and buildings and £288,064 change in the value of the Council's investment properties. These changes to valuations would not have a direct impact on the Council's general fund, since any effect charged to the CIES would be reversed to the Council's unusable reserves. |
| Pension Liability | Estimation of the net liability to pay pensions depends on several 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 investments. | The effects on the net pension liability of changes in individual assessments can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £19.849 million. Note 39 provides further details. |

| | | |
|-------------------------------------|---|---|
| | The Council has engaged Hymans Robertson as its actuary to provide expert advice about the assumptions to be applied. | |
| Provisions - Business Rates Appeals | The Council is liable for successful appeals under the Business Rates Retention Scheme. A provision has been recognised for £1.753 million based on an estimate using the Valuations Office Agency (VOA) ratings list of appeals and an analysis of successful appeals to date. | An increase over the forthcoming year of 10% in value of successful appeals would have the effect of adding £0.175 million to the provision needed. |

Note 4 Critical Judgements in applying Accounting Policies

In applying the accounting policies laid out in [Note 1](#), the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events. In the accounts, these are as follows:

- On the grounds of control and significant influence, the Middlesbrough Development Company falls within the group boundary of the Council and therefore has been consolidated within the Council's group accounts.
- All maintained schools are considered entities controlled by the Council but rather than produce group accounts, the income, expenditure, assets and liabilities are recognised in the Council's single entity accounts in line with accounting standards.
- The Council recognises school assets for community schools on its balance sheet because the Council has assessed that the rights and obligations associated with such schools rest with the Council.
- 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 and Expenditure Statement.
- Judgement is required as to whether the conditions of specific grants received have been met before recognising them as income in the Comprehensive Income and Expenditure Statement. Where the grant conditions require associated expenditure to be incurred, the grant monies will not be recognised as income in the financial year, until this expenditure is incurred. Grant income is not recognised until the conditions of the grant are met.

Note 5 Events after the Balance Sheet Date

There are no events at the authorised for issue date (29th July 2022), that affect any of the values in either the Financial Statements for the Council for 2021/22 or in the Notes to the Accounts.

Notes Supporting the Movement in Reserves

Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are required to be made to Income and Expenditure recognised by the Council within the year so they match to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure, in accordance with proper accounting practice.

| 2021/22 | General Fund Balance | Capital Receipts Reserve | Revenue Unapplied | Capital Grants Unapplied | Movement in Usable Reserves |
|---|----------------------|--------------------------|-------------------|--------------------------|-----------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Adjustments Affecting Capital Reserves | | | | | |
| Impairment and depreciation to Property, Plant and Equipment (Note 23) | (16,076) | 0 | 0 | 0 | (16,076) |
| Revaluation Losses on Property, Plant and Equipment (Note 23) | (3,539) | 0 | 0 | 0 | (3,539) |
| Revaluation of Investment Properties and Assets for Sale (Note 26,28) | 459 | 0 | 0 | 0 | 459 |
| Amortisation of Intangible Assets (Note 27) | (1,272) | 0 | 0 | 0 | (1,272) |
| Transfer between Capital grants Unapplied and General Fund | 0 | 0 | 0 | 0 | 0 |
| Total Capital Grants (Note 11) | 44,289 | 0 | 0 | 0 | 44,289 |
| Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure | 0 | 0 | 0 | (23,485) | (23,485) |
| Donated Assets (Note 23) | 1,548 | 0 | 0 | 0 | 1,548 |
| Revenue Expenditure Funded from Capital Under Statute (REFCUS) – Expenditure | (14,555) | 0 | 0 | 0 | (14,555) |
| Non-current assets written off on disposal or sale (Note 23,27) | (8,325) | 0 | 0 | 0 | (8,325) |
| Non-current Assets written off - Investment properties | (400) | 0 | 0 | 0 | (400) |
| Cost of Lease Surrender | 0 | 0 | 0 | 0 | 0 |
| Statutory provision for the financing of capital investment (Note 21) | 5,036 | 0 | 0 | 0 | 5,036 |
| Capital Receipts Reserve used to finance new capital spend (Note 21) | 0 | 13,482 | 0 | 0 | 13,482 |
| Capital expenditure charged against the General Fund (Note 21) | (8) | 0 | 28 | 0 | 20 |
| Transfer on receipt of cash | 0 | 0 | 0 | 0 | 0 |
| Total Adjustments Affecting Capital reserves | 7,157 | 13,482 | 28 | (23,485) | (2,818) |
| Amounts Affecting the Pension Reserve | | | | | |
| Reversal of Pension items in the Comprehensive Income and Expenditure Statement Note 39) | (42,547) | 0 | 0 | 0 | (42,547) |
| Employer's pension contribution payable in year (Note 39) | 11,081 | 0 | 0 | 0 | 11,081 |
| Amounts Affecting the Collection Fund Adjustments Account | 0 | 0 | 0 | 0 | 0 |
| Difference in Collection Fund income credited to the Comprehensive Income and Expenditure Statement and that under statutory requirements (Note 38) | 6,178 | 0 | 0 | 0 | 6,178 |
| Amounts Affecting the Compensated Absences Adjustment Account | 0 | 0 | 0 | 0 | 0 |
| Reversal of Accrual made at previous year end (Note 38) | 695 | 0 | 0 | 0 | 695 |
| Creation of accrual for current year end (Note 38) | (943) | 0 | 0 | 0 | (943) |
| Amounts Affecting the DSG Adjustment Account | 0 | 0 | 0 | 0 | 0 |
| Transfer schools deficit to the DSG adjustment account | (465) | 0 | 0 | 0 | (465) |
| Amounts between Usable Reserves | 0 | 0 | 0 | 0 | 0 |
| Cash proceeds on disposal of Non-Current Assets | 13,487 | (13,487) | 0 | 0 | 0 |
| Total Adjustments for the year ended 31-MAR-2022 | (5,357) | (5) | 28 | (23,485) | (28,819) |

| 2020/21 | General Fund Balance | Capital Receipts Reserve | Revenue Unapplied | Capital Grants Unapplied | Movement in Usable Reserves |
|---|----------------------|--------------------------|-------------------|--------------------------|-----------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Adjustments involving the Capital Adjustment Account: | | | | | |
| With the Comprehensive Income and Expenditure Statement | | | | | |
| Impairment and depreciation to Property, Plant and Equipment (Note 23) | (19,369) | 0 | 0 | 0 | (19,369) |
| Revaluation Losses on Property, Plant and Equipment (Note 24,23) | (4,644) | 0 | 0 | 0 | (4,644) |
| Revaluation of Investment Properties and Assets for Sale (Note 26,28) | 41 | 0 | 0 | 0 | 41 |
| Amortisation of Intangible Assets (Note 27) | (2,159) | 0 | 0 | 0 | (2,159) |
| Transfer between Capital grants Unapplied and General Fund | 0 | 0 | 0 | 0 | 0 |
| Total Capital Grants (Note 11) | 7,392 | 0 | 0 | 0 | 7,392 |
| Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure | 0 | 0 | 0 | 5,148 | 5,148 |
| Donated Assets (Note 23,25) | 1,075 | 0 | 0 | 0 | 1,075 |
| Revenue Expenditure Funded from Capital Under Statute (REFCUS) – Expenditure | (7,888) | 0 | 0 | 0 | (7,888) |
| Revenue Expenditure Funded from Capital Under Statute (REFCUS) – Grant Receivable | 4,931 | 0 | 0 | 0 | 4,931 |
| Non-current assets written off on disposal or sale (Note 23,27) | (6,525) | 0 | 0 | 0 | (6,525) |
| Cost of Lease Surrender | (1,055) | 0 | 0 | 0 | (1,055) |
| Total within the Comprehensive Income and Expenditure Statement | (28,201) | 0 | 0 | 5,148 | (23,053) |
| Amounts arising elsewhere | | | | | |
| Statutory provision for the financing of capital investment (Note 21) | 4,743 | 0 | 0 | 0 | 4,743 |
| Capital Receipts Reserve used to finance new capital spend (Note 21) | 0 | 6,374 | 0 | 0 | 6,374 |
| Capital expenditure charged against the General Fund (Note 21) | 58 | 0 | (51) | 0 | 7 |
| Total Amounts arising elsewhere | 4,801 | 6,374 | (51) | 0 | 11,124 |
| Total Amounts involving the Capital Adjustment Account | (23,400) | 6,374 | (51) | 5,148 | (11,929) |
| Amounts involving Deferred Capital Receipt Reserve | | | | | |
| Transfer on receipt of cash | 0 | 0 | 0 | 0 | 0 |
| Amounts involving the Pension Reserve | | | | | |
| Reversal of Pension items in the Comprehensive Income and Expenditure Statement (Note 39) | (30,908) | 0 | 0 | 0 | (30,908) |
| Employer's pension contribution payable in year (Note 39) | 10,669 | 0 | 0 | 0 | 10,669 |
| Amounts involving the Collection Fund Adjustments Account | | | | | |
| Difference in Collection Fund income credited to the Comprehensive Income and Expenditure Statement and that under statutory requirements (Note 38) | (13,640) | 0 | 0 | 0 | (13,640) |
| Amounts with the Compensated Absences Adjustment Account | | | | | |
| Reversal of Accrual made at previous year end (Note 38) | 896 | 0 | 0 | 0 | 896 |
| Creation of accrual for current year end (Note 38) | (695) | 0 | 0 | 0 | (695) |
| Amounts within the DSG Adjustment Account | | | | | |
| Transfer schools deficit to the DSG adjustment account | (509) | 0 | 0 | 0 | (509) |
| Amounts between Usable Reserves | | | | | |
| | 6,224 | (6,224) | 0 | 0 | 0 |
| Total Adjustments for the year ended 31-MAR-2021 | (51,363) | 150 | (51) | 5,148 | (46,116) |

Note 7 Earmarked Reserves

| 2021/22 | Amounts Transferred | | | |
|-------------------------------------|------------------------|-------------------|-----------------|------------------------|
| | Balance at 01-APR-2021 | From General Fund | To General Fund | Balance at 31-MAR-2022 |
| | £000 | £000 | £000 | £000 |
| Schools Balances | (4,863) | (4,805) | 4,866 | (4,802) |
| Significant Revenue Reserves | 0 | | | |
| Invest to Save / Change Programme | (445) | (417) | 688 | (174) |
| Revenue Grants Unapplied | (11,098) | (11,710) | 11,151 | (11,657) |
| Insurance Fund | (306) | (312) | 501 | (117) |
| Capital Re-Financing Reserve | (175) | 0 | 175 | 0 |
| Public Health Reserve | (438) | (230) | 0 | (668) |
| Business Rates Reserve | (12,226) | (6,040) | 9,772 | (8,494) |
| Covid-19 Recovery Reserve | (4,512) | 0 | 4,512 | 0 |
| Social Care Transformation Reserve | 0 | (7,072) | 0 | (7,072) |
| Children's Care Demand Reserve | (732) | 0 | 732 | 0 |
| Total Specific Reserves | (29,932) | (25,781) | 27,531 | (28,182) |
| Other Revenue Reserves | (3,499) | (12,358) | 11,216 | (4,641) |
| Total Earmarked Reserves | (38,294) | (42,944) | 43,613 | (37,625) |

| 2020/21 | Amounts Transferred | | | | | |
|-------------------------------------|------------------------|----------------------|----------------------------|-------------------|-----------------|------------------------|
| | Balance at 01-APR-2020 | To Unusable Reserves | Revised Balance at 1 April | From General Fund | To General Fund | Balance at 31-MAR-2021 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Schools Balances | (3,240) | | (3,240) | (4,864) | 3,241 | (4,863) |
| Significant Revenue Reserves | | | 0 | | | |
| Invest to Save / Change Programme | (415) | | (415) | (1,321) | 1,291 | (445) |
| Revenue Grants Unapplied | (9,936) | | (9,936) | (11,151) | 9,989 | (11,098) |
| Insurance Fund | (360) | | (360) | (276) | 330 | (306) |
| Schools Reserves | 2,066 | (2,783) | (717) | (774) | 1,491 | 0 |
| Capital Re-Financing Reserve | (175) | | (175) | 0 | 0 | (175) |
| Public Health Reserve | 0 | | 0 | (438) | 0 | (438) |
| Business Rates Reserve | (1,671) | | (1,671) | (10,555) | 0 | (12,226) |
| Investment Fund Reserve | (4,928) | | (4,928) | 0 | 4,928 | 0 |
| Covid-19 Recovery Reserve | 0 | | 0 | (4,928) | 416 | (4,512) |
| Children's Care Demand Reserve | 0 | | 0 | (732) | 0 | (732) |
| Total Specific Reserves | (15,419) | (2,783) | (18,202) | (30,175) | 18,445 | (29,932) |
| Other Revenue Reserves | (652) | | (652) | (2,935) | 88 | (3,499) |
| Total Earmarked Reserves | (19,311) | (2,783) | (22,094) | (37,974) | 21,774 | (38,294) |

Details of some of the more significant earmarked reserves are set out below:-

Schools 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 Council 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.



Invest to Save / Change Programme - the 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 situations where there are no grant conditions or that conditions have already been met, any unspent grants/contributions are transferred to the Revenue Grants Unapplied at year-end. These have been recognised as income in prior years in the Comprehensive Income & Expenditure Statement.

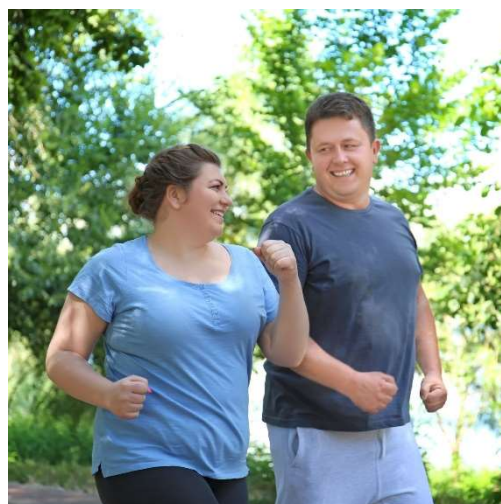


Insurance Fund - the internal Insurance Fund was set up to cover all the Council's insurable risks. Only a limited amount of external insurance cover is provided for catastrophe or special risk incidents. The nature of the risks covered by the insurance reserve include fidelity guarantee, personal accident, employers liability, fire, motor, marine, engineers, public liability and money losses.

Public Health – savings achieved in 2020/21 due to the pandemic. Mainly due to less demand on core services. The transfer to reserves will give greater capacity in managing unexpected costs in future years.

Business Rates - the reserve has been set up to cover the financial risks associated with the Business Rates Retention Scheme, due to volatility of the Business Rates tax base and collection rates. It also includes Section 31 grant, which is payable in advance and offsets losses incurred in 2020/21 due to the pandemic on NNDR. This will be spread over the next three years to offset losses on the collection fund account.

Social Care Transformation Reserve - This reserve is to fund potential pressures in Children's Services due to the ongoing effects of the continued transformation work and that which will take place within Adult Social Care in relation to Fair Cost of Care and Social Care Reforms.



Note 8 Expenditure and Funding Analysis

Expenditure and Funding Statement

The Expenditure and Funding Statement shows how revenue expenditure is used and funded from resources raised (government grants, rents, council tax and business rates) by local authorities, in comparison with those resources consumed by authorities in accordance with generally accepted accounting practice. It also shows how this expenditure is allocated for decision-making purposes between the Council's directorates.

Expenditure and Funding Analysis

| 2020/21 | | | Service Area | 2021/22 | | |
|--|--|---|--|--|--|---|
| Net Expenditure Chargeable to the General Fund Balance | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement | | Net Expenditure Chargeable to the General Fund Balance | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 2,416 | 3,379 | 5,795 | Regeneration and Culture | 3,509 | 12,419 | 15,928 |
| (3,067) | (4,717) | (7,784) | Public Health | (3,870) | (5,907) | (9,777) |
| 1,784 | 2,102 | 3,886 | Education & Partnerships | 358 | 6,236 | 6,594 |
| 42,480 | 3,180 | 45,660 | Children's Care | 44,116 | 9,540 | 53,656 |
| 37,425 | 1,925 | 39,350 | Adult Social Care & Health Integration | 38,706 | 4,725 | 43,431 |
| 18,329 | 25,126 | 43,455 | Environment & Community Services | 21,105 | 27,657 | 48,762 |
| 1,109 | 11,181 | 12,290 | Finance | (815) | 6,906 | 6,091 |
| 8,631 | 5,043 | 13,674 | Legal & Governance Services | 10,112 | 5,327 | 15,439 |
| 6,938 | (12,454) | (5,516) | Central Costs | 959 | (2,630) | (1,671) |
| 416 | 0 | 416 | Covid-19 Support | 390 | 0 | 390 |
| 116,461 | 34,765 | 151,225 | Net Cost of Service | 114,570 | 64,273 | 178,843 |
| (116,397) | (765) | (117,162) | Other Income and Expenditure | (116,493) | (57,007) | (173,500) |
| 63 | 34,000 | 34,063 | Surplus or Deficit on Provision of Services | (1,923) | 7,266 | 5,343 |
| | | 9,400 | Opening Uncommitted General Fund Balance | 10,500 | | |
| | | (63) | Surplus or (Deficit) on General Fund Balance in year | 1,923 | | |
| | | 1,163 | Contribution/(use) in year | (1,240) | | |
| | | 10,500 | Closing Uncommitted General Fund Balance | 11,183 | | |

| Adjustments between Funding and Accounting Basis | | | | |
|--|----------------------------------|---|-------------------|-------------------|
| 2021/22 | | | | |
| Adjustments from General Fund to Comprehensive Income and Expenditure Statement amounts: | Adjustments for Capital Purposes | Net Change for the Pensions Adjustments | Other Differences | Total Adjustments |
| | £000 | £000 | £000 | £000 |
| Regeneration and Culture | 6,519 | 1,419 | 4,481 | 12,419 |
| Public Health | 0 | 1,055 | (6,962) | (5,907) |
| Education & Partnerships | 2,345 | 4,128 | (237) | 6,236 |
| Children's Care | 4,553 | 4,475 | 512 | 9,540 |
| Adult Social Care and Health Integration | 1,235 | 4,312 | (822) | 4,725 |
| Environment & Community Services | 18,025 | 5,889 | 3,743 | 27,657 |
| Finance | 152 | 2,493 | 4,261 | 6,906 |
| Legal & Governance Services | 2,541 | 2,207 | 579 | 5,327 |
| Central Costs | 72 | (1,241) | (1,461) | (2,630) |
| Covid-19 Support | 0 | 0 | 0 | 0 |
| Net Cost of Services | 35,442 | 24,737 | 4,094 | 64,273 |
| Other Income and Expenditure from the Expenditure and Funding Analysis | (51,059) | 6,729 | (12,677) | (57,007) |
| Difference between General Fund Surplus/ Deficit | (15,617) | 31,466 | (8,583) | 7,266 |

| | | | | |
|--|---|--|--------------------------|--------------------------|
| and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services | | | | |
| Adjustments between Funding and Accounting Basis | | | | |
| Restated 2020/21 | | | | |
| Adjustments from General Fund to Comprehensive Income and Expenditure Statement amounts: | Adjustments for Capital Purposes | Net Change for the Pensions Adjustments | Other Differences | Total Adjustments |
| | £000 | £000 | £000 | £000 |
| Regeneration and Culture | 5,498 | 842 | (2,961) | 3,379 |
| Public Health | 36 | 763 | (5,516) | (4,717) |
| Education & Partnerships | 704 | 2,668 | (1,270) | 2,102 |
| Children's Care | 190 | 2,594 | 396 | 3,180 |
| Adult Social Care and Health Integration | (467) | 2,245 | 147 | 1,925 |
| Environment & Community Services | 18,882 | 3,108 | 3,136 | 25,126 |
| Finance | 904 | 1,688 | 8,589 | 11,181 |
| Legal & Governance Services | 3,414 | 1,328 | 301 | 5,043 |
| Central Costs | 0 | (1,293) | (11,161) | (12,454) |
| Covid-19 Overspend | 0 | 0 | 0 | 0 |
| Net Cost of Services | 29,162 | 13,943 | (8,339) | 34,765 |
| Other Income and Expenditure from the Expenditure and Funding Analysis | (7,185) | 6,298 | 122 | (765) |
| Difference between General Fund Surplus/Deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services | 21,976 | 20,241 | (8,217) | 34,000 |

Expenditure and Funding – Analysis by Nature

| | 2020/21 £000 | 2021/22 £000 |
|--|-------------------------|-------------------------|
| Expenditure | | |
| Employees | 148,517 | 123,920 |
| Other Service Expenditure | 261,026 | 296,391 |
| Depreciation and other Capital Charges | 41,488 | 34,800 |
| Interest Payments | 6,473 | 6,843 |
| Precepts and Levies | 146 | 152 |
| Total Expenditure | 457,650 | 462,106 |
| Income | | |
| Government Grants and Contributions | (284,285) | (318,556) |
| Income from Council Tax and Non Domestic Rates | (63,172) | (73,250) |
| Interest and Investment Income | (274) | (363) |
| Fees, Charges and Other Service Income | (75,856) | (64,594) |
| Total Income | (423,587) | (456,763) |
| Deficit on the Provision of Services | 34,063 | 5,343 |

The Council's Fees, Charges and Other Services Income is analysed by type in the table below:

| | 2020/21 £000 | 2021/22 £000 |
|---|-------------------------|-------------------------|
| Rent Income | (3,878) | (4,740) |
| Parking | (2,494) | (1,598) |
| School Income | (34,430) | (37,204) |
| Licensing | (857) | (749) |
| Highways, Buildings and Streetlight Maintenance | (6,857) | (7,207) |
| Covid-19 | 1,316 | (3,173) |
| Revenues and Benefits | (3,554) | (2,300) |
| Museums and Entertainment Venues | (502) | (1,812) |
| Other Income | (18,382) | (5,856) |
| Total Fees, Charges and Other Service Income | (69,638) | (64,640) |

Note 9 Other Operating Income and Expenditure

| 2020/21 | | 2021/22 |
|------------|--|----------------|
| £000 | | £000 |
| 146 | Levies & Parish Council Precepts | 152 |
| 269 | (Gains) / Losses on the disposal of non-current assets | (5,162) |
| 415 | Total | (5,010) |

There has been an increase in 2021/22 on gains on the disposal of non-current assets. This figure relates to the amount of capital receipts received in year less disposal of both PPE assets and Assets held for sale.

Note 10 Financing and Investment Activities

| 2020/21 | | 2021/22 |
|-----------------|--|-----------------|
| £000 | | £000 |
| 6,473 | Interest payable and similar charges | 6,843 |
| 8,369 | Trading Services Activities (Note 16) | 8,823 |
| 1,013 | Charges in relation to Investment Property and changes in their fair value (Note 26) | (59) |
| 21,336 | Pension Interest Cost (Note 39) | 23,856 |
| 37,191 | Total Expenditure | 39,462 |
| (15,038) | Expected return on Pensions Assets (Note 39) | (17,127) |
| (274) | Interest receivable and similar income | (363) |
| (11,898) | Trading Services Activity (Note 16) | (13,867) |
| (27,210) | Total Income | (31,356) |
| 9,981 | Total | 8,106 |

Note 11 Taxation and Non-Specific Grant Income

| 2020/21 | | 2021/22 |
|------------------|---|------------------|
| £000 | | £000 |
| (56,419) | Council Tax Income | (62,304) |
| (6,751) | Business Rates Income | (10,946) |
| (55,919) | Non ring-fenced government grant (Note 12) | (57,507) |
| (1,074) | Value of Donated Property, Plant and Equipment Assets (Note 21, 23) | (1,548) |
| (7,396) | Capital Grants/Contributions (Note 12) | (44,289) |
| (127,559) | Total | (176,596) |

The amount for capital grants/contributions increased in 2021/22 due to additional funding through the Basic Needs Grant, Future High Streets Fund and Towns Fund. There was also an increase in the funding through Tees Valley Combined Authority and Housing Developments (S106).

Note 12 Grant Income

The following grants, contributions and donations were credited to the Comprehensive Income and Expenditure Statement in 2021/22.

Revenue Grants Credited to Taxation and Non Specific Grant Income

| 2020/21 | | 2021/22 |
|-----------------|---|-----------------|
| £000 | | £000 |
| (12,153) | Revenue Support | (12,245) |
| (27,299) | Business Rates Top-up | (27,299) |
| (1,332) | New Homes Bonus | (250) |
| (14,847) | Business Rates Section 31 | (16,986) |
| (157) | Enterprise Zone Funding | (596) |
| (131) | Renewable Energy | (131) |
| (55,919) | Total (note 11) | (57,507) |
| | Department for Education (DfE) | |
| (50,646) | Dedicated Schools Grant | (53,987) |
| (3,712) | Pupil Premium | (4,085) |
| (661) | Education and Skills Funding Agency | (767) |
| (748) | Staying Put Agency | 0 |
| (384) | Universal Infant Free School Meals | (330) |
| (739) | Supporting & Strengthening Families | 0 |
| (89) | PE & Sport | (250) |
| (1,189) | Other DfE grants | (2,823) |
| | Department for Levelling Up, Housing, Communities (DLUHC) | |
| (1,828) | Independent Living | (1,828) |
| (4,817) | Adult Social Care Grant | (6,339) |
| (8,392) | Improved Better Care Fund | (8,391) |
| (802) | Troubled Families | (846) |
| (60) | Migration Fund | 0 |
| (21,010) | Covid-19 | (12,607) |
| (2,046) | Other DLUHC grants | (3,759) |
| | Home Office | |
| (823) | Youth Justice Good Practice Grant | (894) |
| (276) | Other Home Office | (458) |
| | Department for Business, Energy and Industrial Strategy (BEIS) | |
| (1,364) | BEIS grants | (1,223) |
| | Department for Digital, Culture, Media and Sport (DCMS) | |
| (645) | DCMS grants | (1,149) |
| | Department for Work and Pensions (DWP) | |
| (53,153) | Housing Benefit Subsidy | (44,805) |
| (633) | Housing Benefit Admin | (726) |
| (2,049) | Other DWP Grants | (2,088) |
| | Department of Health and Social Care (DHSC) | |
| (17,629) | Public Health | (19,894) |
| (10,526) | Covid-19 | (8,535) |
| (313) | Other DHSC grants | (312) |
| | Department for Environment, Food and Rural Affairs (DEFRA) | |
| (8) | DEFRA grants | (6) |
| | Department for Transport (DfT) | |
| (44) | DfT grants | (53) |
| | Cabinet Office | |
| 17 | Elections | 125 |

| | | |
|------------------|--|------------------|
| (416) | Other Grants | (445) |
| | | |
| | Other Contributions | |
| 0 | South Tees Clinical Commissioning Group | (153) |
| (106) | Tees, Esk and Wear Valleys NHS Foundation Trust | (111) |
| (273) | South Tees Hospitals NHS Foundation Trust | (221) |
| (27,571) | Tees Valley Clinical Commissioning Group | (28,829) |
| (1,744) | Redcar and Cleveland Borough Council | (2,839) |
| (1,320) | Stockton-on-Tees Borough Council | (1,348) |
| (986) | Hartlepool Borough Council | (828) |
| (59) | Darlington Borough Council | (60) |
| (3,480) | Tees Valley Combined Authority | (4,980) |
| (202) | Police and Crime Commissioner | (377) |
| (610) | Other Contributions | (539) |
| (221,402) | Total Revenue Grants Credited to Services | (216,760) |
| (277,321) | TOTAL REVENUE GRANTS | (274,267) |
| | | |
| | Capital Grants | |
| | Department for Education (DfE) | |
| (712) | School Condition Allocation | (1,651) |
| 0 | Basic Need | (8,679) |
| (1,193) | Other DfE grants | (418) |
| | Department for Levelling Up, Housing, Communities (DLUHC) | |
| (2,268) | Disabled Facility | (2,268) |
| 0 | Future High Streets | (8,170) |
| 0 | Towns Fund | (3,717) |
| 0 | Other DLUHC grants | (1,283) |
| | Department of Health and Social Care (DHSC) | |
| 0 | Other DHSC grants | 0 |
| | Department for Transport (DfT) | |
| (4,241) | Local transport Plan | (3,403) |
| 0 | Other DfT Grants | 0 |
| | Tees Valley Combined Authority | |
| (3,042) | Other TVCA Grants | (8,753) |
| (78) | Other Grants | (682) |
| | Other Contributions | |
| (60) | Housing Development | (4,579) |
| (729) | Other Contributions | (686) |
| (12,323) | Total Capital Grants (Note 11) | (44,289) |
| (289,644) | TOTAL GRANTS 2021/22 | (318,556) |

An increase in funding was received in 2021/22 through the Department for Business, Energy and Industrial Strategy relating to Covid-19 Support which was previously provided through the Department of Levelling Up, Housing, Communities (DLUHC). There has also been an increase in the grant amount from DLUHC due to grant received for the energy rebate of £9m.



Note 13 Dedicated Schools Grant

Council Schools' expenditure is funded primarily from the Dedicated Schools Grant (DSG) distributed by the Department for Education (DfE), an element of which is recouped by the DfE to fund academy schools in the Council's area. DSG is ring fenced and can only be used to fund approved expenditure, as defined in The School and Early Years Finance (England) Regulations 2018. DSG is split between an element to fund a range of educational services provided on a council-wide basis and the Individual Schools Budget (ISB) element that is allocated directly to each School.

Details of DSG funded expenditure for 2021/22 is set out below:

| | Central Expenditure | Individual Schools Budget | Total |
|---|------------------------|---------------------------------|-----------------|
| | £000 | £000 | £000 |
| Final DSG for 2021/22 before Academy recoupment | | | (160,073) |
| Academy figure recouped for 2021/22 | | | (105,979) |
| Total DSG after Academy recoupment for 2021/22 | | | (54,094) |
| Plus : Brought forward from 2020/21 | | | 3,291 |
| Less : Carry Forward to 2021/22 agreed in advance | | | |
| Agreed initial budgeted distribution for 2021/22 | (17,232) | (33,571) | (50,803) |
| In year adjustments | 0 | 0 | 0 |
| Final budgeted distribution for 2021/22 | (17,232) | (33,571) | (50,803) |
| Less : Actual central expenditure | 16,562 | 0 | 16,561 |
| Less : Actual ISB deployed to schools | 0 | 37,998 | 37,998 |
| Balance Carried Forward | (670) | 4,427 | 3,756 |

It should be noted that any negative DSG balances are classified as unusable reserves from 2020/21 for a 3-year period due to a statutory over-ride currently being in place.



Note 14 Officers' Remuneration

Senior Employees' Remuneration

The Accounts and Audit Regulations (England) 2015 requires the separate disclosure and analysis of remuneration for **senior employees** (defined by the regulations as those employees, who report into the Head of Paid Service – the Chief Executive, or are deemed under regulations as statutory officers of the Council).

| 2021/22 | Salary (including fees and allowances) | Pension contributions paid for by the Council | Total including pensions contribution |
|--|--|---|---------------------------------------|
| | £ | £ | £ |
| Chief Executive – Tony Parkinson | 154,960 | 17,820 | 172,780 |
| Director of Finance | 91,731 | 10,549 | 102,280 |
| Director of Adult Social Care and Health Integration | 107,398 | 12,351 | 119,748 |
| Director of Environment and Community Services | 94,405 | 10,857 | 105,262 |
| Director of Regeneration and Culture | 97,356 | 11,196 | 108,551 |
| Executive Director of Children's Services | 125,610 | 14,445 | 140,055 |
| Head of Legal and Governance Services – Monitoring Officer | 93,141 | 10,711 | 103,853 |
| Director of Education and Partnerships | 93,141 | 10,711 | 103,853 |
| Director of Public Health | 95,965 | 11,036 | 107,001 |
| Head of Marketing and Communications | 54,024 | 6,288 | 60,311 |

| 2020/21 | Salary (including fees and allowances) | Pension contributions paid for by the Council | Payment for loss of Office | Strain to the Pension Fund | Total including pensions contribution |
|--|--|---|----------------------------|----------------------------|---------------------------------------|
| | £ | £ | £ | £ | £ |
| Chief Executive – Tony Parkinson | 152,670 | 17,557 | | | 170,227 |
| Strategic Director of Finance, Governance and Support/Section 151 Officer (left June 2020) | 22,632 | 2,603 | | | 25,235 |
| Director of Finance and Section 151 Officer (started June 2020) | 65,788 | 7,543 | | | 73,331 |
| Director of Adult Social Care and Health Integration | 105,958 | 12,168 | | | 118,126 |
| Executive Director Growth and Places (Left Oct 2020) | 72,190 | 8,302 | 66,454 | 226,101 | 373,047 |
| Director of Environment and Community Services | 88,984 | 10,233 | | | 99,217 |
| Director of Regeneration and Culture | 97,356 | 11,196 | | | 108,551 |
| Executive Director of Children's Services | 82,502 | 9,488 | | | 91,990 |
| Head of Legal and Governance Services – Monitoring Officer | 90,182 | 10,348 | | | 100,530 |
| Director of Education and Partnerships | 90,093 | 10,361 | | | 100,454 |
| Director of Public Health | 96,076 | 11,132 | | | 107,208 |
| Head of Marketing and Communications | 49,975 | 5,748 | | | 55,723 |

Other Employees' Remuneration

The number of employees (including teaching staff) whose gross remuneration, including benefits, expense allowances, redundancy and other severance payments, exceeding £50,000 is shown below in bands of £5,000.

| 2020/21 | | | | 2021/22 | | |
|---------|--------|-------|-----------------------|---------|--------|-------|
| MBC | School | Total | Remuneration Band (£) | MBC | School | Total |
| 28 | 10 | 38 | 50,000 to 54,999 | 38 | 14 | 52 |
| 16 | 6 | 22 | 55,000 to 59,999 | 21 | 7 | 28 |
| 12 | 2 | 14 | 60,000 to 64,999 | 11 | 3 | 14 |
| 2 | 1 | 3 | 65,000 to 69,999 | 5 | 1 | 6 |
| 3 | 3 | 6 | 70,000 to 74,999 | 7 | 5 | 12 |
| 5 | 3 | 8 | 75,000 to 79,999 | 1 | 5 | 6 |
| 0 | 1 | 1 | 80,000 to 84,999 | 2 | 2 | 4 |
| 1 | 0 | 1 | 85,000 to 89,999 | 0 | 0 | 0 |
| 1 | 0 | 1 | 90,000 to 94,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | 95,000 to 99,999 | 1 | 0 | 1 |
| 0 | 0 | 0 | 100,000 to 104,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | 105,000 to 109,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | 110,000 to 114,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | 115,000 to 119,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | 120,000 to 124,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | 125,000 to 129,999 | 0 | 0 | 0 |
| 1 | 0 | 1 | 130,000 to 134,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | £135,000 - £139,999 | 1 | 0 | 1 |
| 0 | 0 | 0 | £140,000 - £144,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | £145,000 - £149,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | £150,000 - £154,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | £155,000 - £159,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | £160,000 - £164,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | £165,000 - £169,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | £170,000 - £174,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | £135,000 - £139,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | £140,000 - £144,999 | 0 | 0 | 0 |
| 69 | 26 | 95 | Total | 87 | 37 | 124 |

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.

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:

| Exit Package Cost Band (Including Special Payments) £ | Number of Compulsory Redundancies | | Number of Other Departures Agreed | | Total Number of Exit Packages by Cost Band | | Total Cost of Exit Packages in Each Band | |
|--|-----------------------------------|----------|-----------------------------------|-----------|--|-----------|--|------------|
| | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 |
| | | | | | | | £000 | £000 |
| 0 to 20,000 | 2 | 1 | 33 | 41 | 35 | 42 | 242 | 196 |
| 20,001 to 40,000 | 2 | 0 | 4 | 5 | 6 | 5 | 154 | 146 |
| 40,001 to 60,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 60,001 to 80,000 | 0 | 0 | 1 | 2 | 1 | 2 | 72 | 138 |
| 80,001 to 100,000 | 0 | 0 | 1 | 3 | 1 | 3 | 92 | 207 |
| 100,001 to 150,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Over 150,001 | 1 | 0 | 0 | 0 | 1 | 0 | 293 | 0 |
| Total | 5 | 1 | 39 | 51 | 44 | 52 | 853 | 687 |

Note 15 Members' Allowances and Expenses

| 2020/21 | | 2021/22 |
|------------|--|------------|
| £000 | | £000 |
| 344 | Basic Allowance Paid | 341 |
| 183 | Special Responsibility Allowances Paid | 174 |
| 5 | Expenses | 5 |
| 532 | Total | 520 |

Note 16 Trading Operations

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

| 2020/21 | | | | 2021/22 | | |
|-----------------|--------------|---------------------|---|-----------------|--------------|---------------------|
| Income | Expenditure | (Surplus) / Deficit | | Income | Expenditure | (Surplus) / Deficit |
| £0 | £0 | £0 | | £0 | £0 | £0 |
| (3,457) | 987 | (2,470) | Commercial and Industrial Properties | (4,963) | 1,376 | (3,587) |
| (2,518) | 2,227 | (291) | Building Maintenance, Cleaning and Security | (2,537) | 2,165 | (372) |
| (1,354) | 1,043 | (311) | Parking | (1,624) | 856 | (768) |
| (4,569) | 4,112 | (457) | Schools Catering | (4,743) | 4,426 | (317) |
| (11,898) | 8,369 | (3,529) | Total | (13,867) | 8,823 | (5,044) |

Note 17 Audit Fees

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

| 2020/21 | | 2021/22 |
|------------|---|------------|
| £000 | | £000 |
| 115 | Fees payable to our current External Auditors, EY, with regard to their services carried out as appointed Auditor (Section 5 Audit Commission Act 1998) | 178 |
| 18 | Fees payable to the Auditor, EY for the certification of Grant Claims and Returns (Section 28 Audit Commission Act 1998) | 19 |
| 0 | Additional charges due to our current External Auditors, EY for an overrun in respect of 2020-21 | 75 |
| 0 | Fees payable in respect of other services provided by Veritau | 0 |
| 133 | Total | 272 |

The increase in the level of fees from Ernst & Young relates to the developing complexity of local authority audits, the requirements of the Audit Code of Practice and the value for money assessment. Additional work is also expected to be undertaken in relation to Covid-19 and its impact on the financial statements plus an assessment of the Council as a going concern. The above total of £272k is the Council's estimate of the costs involved but this will only be known fully once the external audit process is completed.

Note 18 Agency Services

The Council had no significant agency arrangements in place, apart from Covid-19 Grants that Government were pass porting direct (via the Council) to third party businesses or individuals in need. The total cash spend allocated by the Council was £7.8 million (this is not included in the Comprehensive Income & Expenditure Statement) was as follows:

| | £ |
|---|------------------|
| Covid-19 Isolation Payments Mandatory | 803,000 |
| Covid-19 Restart Grants | 5,750,725 |
| Covid-19 Omicron Hospitality & Leisure Grants | 656,705 |
| Other Covid-19 Support | 171,749 |
| Total | 7,382,179 |

Note 19 Related Parties

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

Central Government

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from Government Departments are set out in [note 12](#). Debtor and Creditor balances for Central Government bodies are shown in notes [32](#) and [35](#).

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 Director of Finance is a Director of Veritau Tees Valley Ltd. The Head of Finance & Investments is a Director for Middlesbrough Development Company.

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 £12.8 million (2020/21 - £11.9 million) and made charges to the Fund for Support Services of £1.147 million (2020/21 - £1.120 million).

Middlesbrough Development Company

As set out in the narrative report, the Council set up a wholly owned subsidiary company in February 2019 to develop the housing supply and underused sites in the local area. Middlesbrough Development Company has been given £2.610m of Section 106 funding previously received by the Council and has made a commercial loan for the remaining £3.980m. It has spent £6.177m of the allocated funding (including general running costs). It is now on site for the Boho Village Bright Ideas project and the Tollesby project following the demolition of the old shopping precinct in early 2020.

A number of elected members and senior officers sit on the management committees or boards of local organisations. The significant transactions that the Council had with these organisations are listed below:

| Related Parties Year ended 31-MAR-2022 | | | | |
|--|----------------------------------|-----------------------------|----------------------------|--------------------------|
| Organisation | Expenditure transactions in year | Income Transactions in year | Year End Creditor Balances | Year End Debtor Balances |
| | £000 | £000 | £000 | £000 |
| Cleveland Combined Fire Authority | 2,777 | 0 | 1 | 0 |
| Cleveland Police and Crime Panel | 370 | (37) | 141 | 0 |
| Community Ventures (Middlesbrough Ltd) | 27 | 0 | 0 | 0 |
| Groundwork North East Tees Valley Advisory Board | 51 | 5 | 18 | 1 |
| Local Government Association | 32 | 0 | 0 | 0 |
| Middlesbrough Citizens Advice Bureau - Management Committee | 416 | 0 | 0 | 0 |
| Middlesbrough Environment City Trust Limited | 209 | 4 | (250) | 0 |
| Middlesbrough Voluntary Development Agency | 171 | 0 | 0 | 0 |
| North East Regional Employers' Organisation (NEREO) | 73 | 0 | 0 | 0 |
| South Tees Hospitals NHS Foundation Trust Council of Governors | 641 | 208 | 107 | 8 |
| Tees Valley Combined Authority Board | 4,055 | 15 | 0 | 0 |
| Teesside Ability Support Centre (TASC) | 583 | 1 | 0 | 0 |
| Veritau | 225 | 0 | 0 | 0 |
| Total | 9,630 | 196 | 17 | 9 |

| Related Parties Year ended 31-MAR-2021 | | | | |
|--|----------------------------------|-----------------------------|----------------------------|--------------------------|
| Organisation | Expenditure transactions in year | Income Transactions in year | Year End Creditor Balances | Year End Debtor Balances |
| | £000 | £000 | £000 | £000 |
| Tees Valley Combined Authority | 4,063 | 16 | 0 | 15 |
| Middlesbrough Citizens Advice Bureau | 415 | 18 | 0 | 0 |
| Middlesbrough College | 415 | 42 | 0 | 1 |
| South Tees Hospitals NHS Foundation Trust Council of Governors | 965 | 276 | 0 | 66 |
| Middlesbrough Voluntary Development Agency | 51 | 0 | 0 | 0 |
| Cleveland Fire Authority | 3,183 | 273 | 0 | 0 |
| Middlesbrough Environment City | 0 | 19 | 0 | 18 |
| Veritau Tees Valley | 185 | 0 | 0 | 0 |
| Groundwork North East | 45 | 1 | 0 | 0 |
| Teesside Ability Support Centre (TASC) | 515 | 1 | 0 | 0 |

Note 20 Pooled Budgets

A pooled budget (or fund) is an arrangement where two or more partners make financial contributions to a single fund to achieve specified and mutually agreed aims. It is a single budget, managed by a single host with a formal partnership or joint funding agreement that sets out aims, accountabilities and responsibilities. Middlesbrough Council has two Pooled Budgets, the Better Care Fund and Tees Community Equipment Service.

As host to the Better Care Fund and the Tees Community Equipment Service, the Council is required to include a memorandum account for both pooled budgets in its accounts. Only Middlesbrough's share of the pooled budget's expenditure and income is included in the Comprehensive Income and Expenditure Statement.

Better Care Fund

The Better Care Fund (BCF) has been established by the Government to provide funds to local areas to support the introduction of a fully integrated health and social care system. It is a requirement of the BCF that the Clinical Commissioning Group (CCG) and the Council establish a pooled fund for this purpose.

Section 75 of the National Health Service Act 2006 gives powers to local authorities and CCGs to establish and maintain pooled funds to support the outcomes of the BCF.

The Council has entered into a pooled budget arrangement with NHS Tees Valley Clinical Commissioning Group for the provision of health and social care services to meet the needs of the population of Middlesbrough. The services being commissioned or provided by the Council or Tees Valley Clinical Commissioning Group (TVCCG) depend upon the needs of the service recipient. The Council and TVCCG have an ongoing section 75 agreement in place for funding these services and this is reviewed annually. The Council is the host for this pooled budget and each partner's contribution is set out in the Better Care Fund section 75 agreement.

The aims and benefits for the partners entering in to this agreement are to:

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

| 2020/21 BCF £'000 | | 2021/22 BCF £'000 | 2021/22 ICBF £'000 | 2021/22 Total Pool £'000 |
|-------------------------|---|-------------------------|--------------------------|--------------------------------|
| (182) | Balance Brought Forward | (621) | | (621) |
| | <u>Funding Provided to the Pooled Budget</u> | | | |
| (2,568) | The Authority | (3,567) | | (3,567) |
| (8,392) | IBCF | | (8,392) | (8,392) |
| (12,109) | Tees Valley CCG | (13,393) | | (13,393) |
| (23,069) | | (16,960) | (8,392) | (25,352) |
| | <u>Expenditure Met from the Pooled Budget</u> | | | |
| 10,725 | The Authority | 11,217 | | 11,217 |
| 8,392 | IBCF | | 8,392 | 8,392 |
| 2,514 | Tees Valley CCG | 2,769 | | 2,769 |
| 21,631 | | 13,986 | 8,392 | 22,378 |
| 999 | Capital Amounts slipped into 2021/22 | 1,683 | | 1,683 |
| (621) | Net surplus arising on the pooled budget to be carried forward | (1,912) | | (1,912) |

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; and
- 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-on-Tees Borough Council, Redcar & Cleveland Borough Council, Hartlepool Borough 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 below:

| The outturn position for the year is | 2020/21 | 2021/22 |
|--------------------------------------|----------------|----------------|
| | 000 | 000 |
| Balance Brought Forward | (236) | (380) |
| Gross Expenditure | 1,817 | 1,949 |
| Gross Income | (1,961) | (2,373) |
| Balance Carried Forward | (380) | (804) |
| Contributions from Partners | | |
| Middlesbrough Council | (183) | (191) |
| Redcar and Cleveland Borough Council | (171) | (178) |
| Stockton Council | (195) | (203) |
| Hartlepool Council | (104) | (109) |
| NHS Tees Valley CCG | (1,199) | (1,086) |
| Other income | (109) | (111) |
| | (1,961) | (1,878) |

Notes Supporting the Balance Sheet

Note 21 Capital Expenditure and Capital Financing

The total amount of capital expenditure in the year is shown in the table below, 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.

| 2020/21 | | 2021/22 |
|----------------|--|----------------|
| £000 | | £000 |
| 232,480 | Opening Capital Financing Requirement | 245,965 |
| | Capital Investment | |
| 33,072 | Property, Plant and Equipment | 37,648 |
| 292 | Heritage | 83 |
| 0 | Assets Held for Sale | 0 |
| 1,050 | Intangible Assets | 1,374 |
| 456 | Investment Property | 1,211 |
| 395 | Long Term Debtors | 3,585 |
| 7,888 | Revenue Expenditure Funded from Capital under Statute | 14,555 |
| | Sources of Finance | |
| (6,374) | Capital Receipts | (13,482) |
| (18,545) | Government Grants and other contributions applied in year | (22,352) |
| | Sums Set Aside from Revenue | |
| (6) | Direct revenue contributions | (21) |
| (4,743) | MRP/Loans Fund Principal | (5,036) |
| 245,965 | Closing Capital Financing Requirement | 263,530 |
| | Explanation of Movement in Year | |
| 18,228 | Increase in underlying need to borrow (unsupported by government assistance) | 22,600 |
| (4,743) | MRP/loans fund Principal | (5,036) |
| 13,485 | Increase in Capital Financing Requirement | 17,564 |



Note 22 Capital Commitments

The Council has an approved 2021/22 budget for Capital works of £93.7 million, and a further £66.6 million planned until 2023/24. Contracts for material capital spend are already in place for the following schemes:

| Project | 2022/23 |
|--|-----------------|
| | Approved Budget |
| | £000 |
| Middlesbrough Development Company | 13,300 |
| Cleveland Centre | 1,970 |
| Contact Centre, Bus Station Unit 1 | 278 |
| BOHO X | 19,982 |
| Towns Fund | 2,000 |
| Future High Streets Fund | 4,483 |
| New Civic Centre Campus | 3,878 |
| Local Authority Delivery 2 – Green Homes Grant | 1,056 |
| Linthorpe Road Cycleway | 786 |
| Total | 47,733 |

Note 23 Property, Plant and Equipment (PPE)

The definition of property, plant and equipment covers all assets with physical substance that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period. Service potential is of primary interest when managing public sector assets because the purpose of acquiring and holding assets within the public sector is to enable the delivery of services.

| 2021/22 | Land and Buildings | Surplus Assets | Vehicles, Plant, Furniture and Equipment | Infrastructure Assets | Community Assets | Assets Under Construction | TOTAL |
|---|--------------------|----------------|--|-----------------------|------------------|---------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | | | |
| At 01APR-2021 | 195,804 | 47,374 | 38,849 | 227,342 | 8,284 | 8,266 | 525,918 |
| Additions | 17,586 | 785 | 1,367 | 8,164 | 125 | 8,074 | 36,100 |
| Donations | 499 | 55 | 0 | 994 | 0 | 0 | 1,548 |
| Revaluation increases/decreases to Revaluation Reserve | 5,529 | (1,472) | 213 | 0 | 0 | 0 | 4,271 |
| Revaluation increases/decreases to Deficit on Provision of Services | (3,437) | (1,440) | 0 | 0 | 0 | 0 | (4,877) |
| Derecognition - Disposals | (935) | (4,933) | (11,616) | 0 | 0 | 0 | (17,483) |
| Assets reclassified (to) Held for Sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Assets reclassified (to)/from Assets – other categories | 2,095 | 0 | 1,239 | 457 | 0 | (2,542) | 1,249 |
| At 31-MAR-2022 | 217,141 | 40,369 | 30,052 | 236,957 | 8,409 | 13,798 | 546,726 |

| 2021/22 | Land and Buildings | Surplus Assets | Vehicles, Plant, Furniture and Equipment | Infrastructure Assets | Community Assets | Assets Under Construction | Total |
|---|--------------------|----------------|--|-----------------------|------------------|---------------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Accumulated Depreciation and Impairment | | | | | | | |
| At 01-APR-2021 | (2,277) | (119) | (32,672) | (94,000) | 0 | 0 | (129,067) |
| Depreciation charge for the year | (5,448) | (87) | (1,772) | (8,245) | 0 | 0 | (15,527) |
| Revaluation depreciation written out to Revaluation Reserve | 3,189 | 55 | 1 | 0 | 0 | 0 | 3,245 |
| Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services. | 0 | 0 | 0 | (522) | 0 | 0 | (522) |
| Impairment (losses)/reversals written out to the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation depreciation written out to Provision of Services | 1,242 | 96 | 0 | 0 | 0 | 0 | 1,338 |
| Derecognition – Disposals | 4 | 13 | 11,313 | 0 | 0 | 0 | 11,330 |
| Assets reclassified (to)/from Assets Held for Sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Assets reclassified (to)/from other categories | 0 | 0 | (703) | 0 | 0 | 0 | (739) |
| At 31-MAR-2022 | (3,290) | (42) | (23,833) | (102,767) | 0 | 0 | (129,943) |
| Net Book Value At 31-MAR-2022 | 213,851 | 40,327 | 6,219 | 134,189 | 8,409 | 13,798 | 416,793 |



| 2020/21 | Land and Buildings | Surplus Assets | Vehicles, Plant, Furniture and Equipment | Infrastructure Assets | Community Assets | Assets Under Construction | TOTAL |
|---|--------------------|----------------|--|-----------------------|------------------|---------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | | | |
| At 01-APR-2020 | 187,342 | 53,775 | 38,900 | 216,732 | 8,282 | 11,592 | 516,623 |
| Additions | 15,266 | 803 | 596 | 9,814 | 1 | 5,769 | 32,249 |
| Donations | 0 | 0 | 0 | 823 | 0 | 0 | 823 |
| Revaluation decreases to Revaluation Reserve | (642) | (3,132) | 0 | 0 | 0 | 0 | (3,774) |
| Revaluation decreases to Deficit on Provision of Services | (5,041) | (1,316) | 0 | 0 | 0 | 0 | (6,357) |
| Derecognition - Disposals | (621) | (2,468) | (647) | (27) | 0 | 0 | (3,763) |
| Assets reclassified (to) Held for Sale | (462) | (288) | 0 | 0 | 0 | 0 | (750) |
| Assets reclassified (to)/from Assets – other categories | (38) | 0 | 0 | 0 | 0 | (9,095) | (9,133) |
| At 31-MAR-2021 | 195,804 | 47,374 | 38,849 | 227,342 | 8,283 | 8,266 | 525,918 |

| 2020/21 | Land and Buildings | Surplus Assets | Vehicles, Plant, Furniture and Equipment | Infrastructure Assets | Community Assets | Assets Under Construction | Total |
|---|--------------------|----------------|--|-----------------------|------------------|---------------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Accumulated Depreciation and Impairment | | | | | | | |
| At 01-APR-2020 | (2,971) | (395) | (31,112) | (82,093) | 0 | 0 | (116,571) |
| Depreciation charge for the year | (5,178) | (70) | (2,197) | (8,042) | 0 | 0 | (15,487) |
| Depreciation written out to the Revaluation Reserve | 4,032 | 48 | 0 | 0 | 0 | 0 | 4,080 |
| Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services. | 0 | 0 | 0 | (3,880) | 0 | 0 | (3,880) |
| Impairment (losses)/reversals written out to the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation written out to the Deficit on Provision of Services | 1,840 | 10 | 0 | 0 | 0 | 0 | 1,850 |
| Derecognition – Disposals | 0 | 0 | 637 | 16 | 0 | 0 | 653 |
| Assets reclassified (to)/from Assets Held for Sale | 0 | 288 | 0 | 0 | 0 | 0 | 288 |
| Assets reclassified (to)/from other categories | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31-MAR-2021 | (2,277) | (119) | (32,672) | (93,999) | 0 | 0 | (129,067) |

| | | | | | | | |
|--------------------------------------|----------------|---------------|--------------|----------------|--------------|--------------|----------------|
| Net Book Value At 31-MAR-2021 | 193,527 | 47,255 | 6,177 | 133,343 | 8,283 | 8,266 | 396,851 |
|--------------------------------------|----------------|---------------|--------------|----------------|--------------|--------------|----------------|

Fair Value Hierarchy

All the Council's Surplus Assets have been assessed as level 3 for valuation purposes.

Valuation Techniques Used to Determine Level 3 Fair Values for Surplus Assets

The Council's Surplus Assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements and there is no reasonably available information that indicates that market participants would use different assumptions.

Highest and Best Use of Surplus Assets

In estimating the fair value of the Council's surplus assets the highest and best use of the assets are considered.

Infrastructure Assets

There are currently negotiations at a national level between CIPFA, external audit firms and local authorities regarding highways assets and the reliability of totals relating to gross historical cost and accumulated depreciation due to these assets not being fully depreciated at the point of replacement. This brings some uncertainty in relation to the accuracy of the figures being reported in the tables above. Until a way forward is agreed, the figures will continue to be included in the PPE information.

Also included in the land and buildings totals are a number of leisure properties, which from 1 April 2016 were these transferred to Sport & Leisure Management (SLM) under a Service Concession Arrangement. Under this arrangement, vehicles, plant and furniture and equipment transferred to SLM and were removed from the Council's balance sheet. Land and buildings remain on the balance sheet at their current value. Details of the value of these land and building assets as at 31 March 2022 are included in the table below. All properties were revalued at the date of transfer on 1 April 2016.

| | Net Book Value at 31-MAR-2022 |
|--------------------------------------|--|
| | £000 |
| The Manor Youth and Community Centre | 1,521 |
| Neptune Centre | 7,843 |
| Rainbow Centre | 8,465 |
| Middlesbrough Sports Village | 14,881 |
| Golf Course | 800 |
| Total | 33,510 |

Note 24 Revaluations and Impairments of Property, Plant and Equipment (PPE)

The Council maintains a revaluation rolling programme which ensures that all Property, Plant and Equipment required to be measured at fair value are revalued at least every five years. All valuations were carried out by Align Property Partners, 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 revaluation for most of the assets revalued during 2021/22 is 1 April 2021. The Council confirms, via discussion with its external valuers, that this valuation basis remains reasonable given the uncertainty around asset values as a result of Covid-19 and that these values are appropriate for use as at 31 March 2022. The significant assumptions applied in estimating fair values at this date are:

- The estimated amount for which a property should exchange on the date of valuation and
- The transaction is at arm's length via willing parties acting knowledgeably and prudently.

Revaluation Analysis

The table below shows the value of assets that have been revalued during 2021/22 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 | Surplus Assets | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Assets under Construction | Total PPE |
|---|--------------------|----------------|--|-----------------------|------------------|---------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Carried at historical cost at 31-MAR-2022 | 41,036 | 743 | 6,219 | 134,189 | 8,409 | 13,798 | 204,394 |
| Valued at current value as at: | | | | | | | |
| 31-MAR-2022 | 57,721 | 38,159 | 0 | 0 | 0 | 0 | 95,880 |
| 31-MAR-2021 | 27,136 | 668 | 0 | 0 | 0 | 0 | 27,804 |
| 31-MAR-2020 | 28,019 | 67 | 0 | 0 | 0 | 0 | 28,086 |
| 31-MAR-2019 | 38,191 | 689 | 0 | 0 | 0 | 0 | 38,880 |
| 31-MAR-2018 | 21,738 | 1 | 0 | 0 | 0 | 0 | 21,739 |
| Total Cost or Valuation | 213,841 | 40,327 | 6,219 | 134,189 | 8,409 | 13,798 | 416,783 |

*The historical cost for Other Land and Buildings represents acquisitions in year that have yet to be revalued and other assets that were revalued earlier than 31 March 2018 and will be revalued after the 31 March 2022.

Impairment and Revaluation Losses

The Code requires disclosure by class of assets of the amounts for impairment and Revaluation losses and 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 23 reconciling the movement over the year in Property, Plant and Equipment balances.

During 2021/22 the Council has recognised a net downward revaluation of £146,938. The higher value downward revaluations are:

- Downward revaluation of Middlesbrough Sports Village of £4.220 million due to a change in BCIS rates and the level of depreciation passed since the previous revaluation
- Downward revaluation of the Neptune Centre of £1.081 million due to a change in BCIS rates
- Downward revaluation of Beech Grove Primary School of £0.764 million due to the level of depreciation and a change of BCIS rates
- Downward revaluation of Priory Woods School of £1.420 million due to a change of BCIS rates
- Downward revaluation of Nunthorpe Grange Farm Land of £5.774 million due to a change in the number of properties proposed to be built at the location
- Downward revaluation of Former Natures World of £0.524 million due to a change in the area of land on the site
- Downward revaluation of Land at Stainsby North of £1.939 million due to residential development potential being removed from the site

The Transporter Bridge was classed as non-operational at the start of 2020/21. Work is ongoing regarding the future purpose of the asset, as to whether it will remain non-operational or repairs will be carried out over a period of time to bring it back into operation. Due to this and the future programme of works, the asset was reclassified to Infrastructure assets and any assets relating to the Bridge were impaired down to nil in 2020/21 and 2021/22

Note 25 Heritage Assets

Heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

The collections are managed by Museum curators in accordance with policies as detailed in the Museum's Collection Management Plan.

An analysis of the current Heritage Asset valuation held by the Council is set out below:

| | Ceramic | Art | Natural World | Other Cultural Interests | Total |
|---|--------------|---------------|---------------|--------------------------|---------------|
| | £000 | £000 | £000 | £000 | Total |
| Balance at start of the year | 3,363 | 12,302 | 9,012 | 7,766 | 32,443 |
| Additions: | | | | | |
| Purchases | 0 | 83 | 0 | 0 | 83 |
| Donated | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| Net gains/(losses) from fair value adjustments | 0 | 0 | 0 | 0 | 0 |
| transfers: | | | | | 0 |
| (To)/From Other asset classes | 0 | 0 | 0 | 0 | 0 |
| Other Changes | 0 | 0 | 0 | 0 | 0 |
| Balance at the end of the year | 3,363 | 12,385 | 9,012 | 7,766 | 32,526 |

Valuation Methods

The Council's Fine Art collection held at Mima has been valued by Christies in 2021. Ceramics held at Mima have been valued by MAAK in 2021 and Jewellery by Galerie Ra (a Dutch gallery) were revalued in 2019. The William Kelly book collection was valued by Sothebys. The remainder of the Heritage Asset collection has been valued using Insurance valuation on the advice of the Council's curators.

Work has commenced on a proposed revaluation programme for the Dorman Museum which will be completed by individual Collection type held within the Museum. It is anticipated that the first revaluation will be received in 2022/23.

The additional spend of £0.083 million in 2021-22 relates to Art works commissioned in year.

Museums' Collections

Ceramics, Porcelains and Figurines

The Council's British Ceramic Art collection is a growing collection and currently contains around 250 items.

Fine Art Collection

The Fine Art collection includes over 1,000 works drawn together from the Middlesbrough Art Gallery and Cleveland Gallery.

The Natural World Collection

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

Other Heritage Assets

Other Cultural Interests

Items classified under this heading include the Bottle of Notes, statues and memorials including the Brian Clough statue, the William Kelly book collection and various medals and memorabilia at the Captain Cook Museum.

Note 26 Investment Properties

Investment Properties are properties (land, buildings or part thereof) held solely to earn rentals or for capital appreciation or both. If earning rental income was an outcome of a regeneration policy or to fund facilities to attract public and businesses in to the town, the properties concerned should be accounted for as Property, Plant and Equipment.

| 2020/21 | | 2021/22 |
|---------|--|---------|
| £000 | | £000 |
| | | |
| 15,904 | Balance at start of the year | 25,536 |
| | Additions | |
| 456 | Purchases | 1,211 |
| 1 | Donated | 0 |
| 0 | Disposals | (400) |
| 41 | Net gains/(losses) from fair value adjustments | 459 |
| | Transfers | |
| 9,134 | (To)/From Property, Plant and Equipment | 0 |
| 25,536 | Balance at end of the year | 26,806 |

There are currently 18 assets in total under this classification, which have all been revalued during the 2021/22 financial year due to them being held at fair/market value.

Fair Value Hierarchy

All the Council's investment portfolio has been assessed as level 3 for valuation purposes.

Valuation Techniques Used to Determine Level 3 Fair Values for Investment Properties

The Council's Investment assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements and there is no reasonably available information that indicates that market participants would use different assumptions.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is considered.

Rental income from Investment Properties and any associated operating expenses are included in the Financing and Investment Activities line in the Comprehensive Income and Expenditure Statement. Details are set out below.

| 2020/21 | | 2021/22 |
|---------|--|----------------|
| £000 | | £000 |
| (1,284) | Rental Income from Investment Property | (2,752) |
| | Direct operating expenses arising from Investment Property | 535 |
| (1,284) | Net Gain | (2,217) |

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

Note 27 Intangible Assets

The Council's Intangible Assets consist wholly of purchased IT licenses and software. A breakdown of The movement on Intangible Asset balances during the year is as follows:

| 31-MAR-2021 | | 31-MAR-2022 |
|-----------------|---|-----------------|
| £000 | | £000 |
| | Balance at Start of Year | |
| 12,971 | Gross Book Value at 31 March | 14,022 |
| 1,050 | Additions | 1,374 |
| 0 | Disposals | (2,089) |
| 0 | Regroups or Transfers | (1,249) |
| 14,022 | Gross Book Value at 31 March | 12,058 |
| | | |
| (9,989) | Accumulated Amortisation at 31 March | (12,148) |
| (2,159) | Amortisation in Year | (1,272) |
| 0 | Amortisation Written Out on Disposal | 2,089 |
| 0 | Amortisation Written Out on Regroups or Transfers | 713 |
| (12,148) | Accumulated Amortisation at 31 March | (10,618) |
| | | |
| 1,873 | Net Book Value at 31 March | 1,439 |

Note 28 Assets Held for Sale

If an asset is 'held for sale', the economic benefits of that asset are obtained through its sale rather than through its continuous use by the Council. Such assets cease to be depreciated in financial value, as they are no longer consumed through service provision.

There was one disposal in 2021-22, Land at Former Brackenhoe which was the remaining 50% payment due following the initial 50% payment made in 2020-21

The Council currently has one Asset Held for Sale, Land to the rear of the Gables Public House.

| 31-MAR-2021 | | 31-MAR-2022 |
|--------------|--|--------------|
| £000 | | £000 |
| | Short Term Assets Held for Sale | |
| 5,476 | Balance outstanding at start of year | 2,297 |
| | | |
| 0 | Transferred between Long-Term and Current Assets Held for Sale | 0 |
| | | |
| | Assets newly classified as held for sale | |
| 462 | Transferred from Property, Plant and Equipment | 0 |
| 0 | Additions | 0 |
| (226) | Revaluation losses | 0 |
| | | |
| | Assets declassified as held for sale: | |
| (3,415) | Assets sold | (2,172) |
| 0 | Transferred to Property, Plant and Equipment | 0 |
| 2,297 | Balance outstanding at year end | 125 |

Note 29 Financial Instruments

Financial Instruments are any contract that gives rise to a financial asset in one organisation and a financial liability of another. This covers – investments, cash, debtors, creditors, loans, finance leases, derivatives and guarantees. These are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of the financial instrument. They are classified based on the business model for holding the instrument and its expected cash flow characteristics.

Financial instruments classified at amortised cost are carried in the Balance Sheet at their amortised cost. Their fair values disclosed below have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- Discount rates for “Lender’s Option Borrower’s Option” (LOBO) loans have been reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of financial guarantees have been estimated based on the likelihood of the guarantees being called and the likely payments to be made.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low interest rate environment.

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arms'-length transaction. Where liabilities are held as an asset by another party, such as the council's borrowing, the fair value is estimated from the holder's perspective.

Financial Liabilities: These are initially measured at fair value and are then subsequently valued at amortised cost. For the Council's borrowing (Public Works Loan Board, Lender Option Borrower Option and market loans), this means the amounts held in the accounts are based on the outstanding principal plus any accrued interest.

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

Financial Assets: These again are initially measured at fair value and represent loans and loan type amounts where payments of principal and interest take place on set dates and to particular amounts.

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

Two categories of financial asset recently introduced under IFRS9 are fair value through other comprehensive income and expenditure (FVOCI) and fair value through profit and loss (FVPL). These assets are carried at fair value in the balance sheet. FVOCI has a specific restriction meaning that any gains or losses can be reversed through statute, whereas FVPL gains and losses are true charges to the Council's general fund.

All the Council's financial assets, except the long-term investments in Teesside Airport and Suez recycling and recovery, are held at amortised cost. The Council has elected to hold the two long-term investments at FVOCI given the risk of losses on these holdings having a negative effect on the Council's financial position.

Financial Instruments: Balances

The investments and borrowings disclosed in the Balance Sheet consist of the following categories:

| Long Term | | | Short Term | |
|--------------------------|--------------------------|--|----------------------|--------------------------|
| As at 31-MAR- 2021 | As at 31-MAR- 2022 | | As at 31-MAR-2021 | As at 31-MAR- 2022 |
| £000 | £000 | | £000 | £000 |
| | | Financial Assets – Loans and Receivables | | |
| | | Held at amortised cost (unless indicated) | | |
| 309 | 309 | Long Term Investments (FVOCI) | 0 | 0 |
| 0 | 0 | Short Term Investments | 0 | 10,000 |
| 0 | 0 | Cash and Cash Equivalents | 24,810 | 24,622 |
| 309 | 309 | Total Investments | 24,810 | 34,622 |
| | | Held as Debtors – amortised cost | | |
| 9,860 | 12,783 | Long Term Debtors | 0 | 0 |
| 0 | 0 | Short Term Debtors | 7,254 | 3,357 |
| 9,860 | 12,783 | Total Debtors | 7,254 | 3,357 |
| 10,169 | 13,092 | Total Financial Assets | 32,064 | 37,979 |
| | | | | |
| | | Financial Liabilities – at Amortised Cost | | |
| | | Held as Borrowings | | |
| (186,667) | (185,624) | Long Term Borrowing | 0 | 0 |
| 0 | 0 | Short Term Borrowing | (32,089) | (22,648) |
| (186,667) | (185,624) | Total Borrowings | (32,089) | (22,648) |
| | | Held as Other Payables | | |
| 0 | 0 | Short Term Creditors | (10,549) | (9,244) |
| (1,450) | (1,297) | Long Term Creditors | 0 | 0 |
| (1,450) | (1,297) | Total Held as Other Payables | (10,549) | (9,244) |
| (188,117) | (186,921) | Total Financial Liabilities – at Amortised Cost | (42,638) | (31,892) |

Note 30 Financial Instruments: Fair Value and Risks

Fair Value of Assets and Liabilities

Financial Instruments are carried in the Balance Sheet at amortised cost except for Long Term Investments. 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 contractual life using the following assumptions:

- Where the instrument will mature in the next 12 months, the carrying amounts are assumed to be a good reflection of 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 2022;
- The fair value of trade payables and other receivables is taken to be the invoiced or billed amount; and
- The carrying amounts of all other instruments are taken to be a reasonable approximation of fair value.

Fair values can be analysed by their level in the fair value hierarchy or how reliable their basis of calculation is:

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

All Middlesbrough financial instruments; assets and liabilities are rated as level two in the fair value hierarchy. The fair value of borrowings is calculated by ascertaining a fair value from the market price. The calculation applies a discounted cash flow using the rate of the asset and applies it over its life. For investments, debtors and creditors their transaction price is the best proxy for their fair value.

The fair values of the Council's financial instruments are as follows. These are higher than their carrying amounts due to the low value of the bank base rate currently:

| 2020/21 | | | 2021/22 | |
|-----------------|---------------|---|-----------------|---------------|
| Carrying Amount | Fair Value | | Carrying Amount | Fair Value |
| £000 | £000 | | £000 | £000 |
| | | Financial Assets – Loans and Receivables | | |
| 25,119 | 25,119 | Held as Investments | 34,930 | 34,931 |
| 17,114 | 17,114 | Held as Debtors | 16,141 | 16,141 |
| 42,233 | 42,233 | Financial Assets – Loans and Receivables | 51,072 | 51,072 |

| | | | | |
|------------------|------------------|--|------------------|------------------|
| | | Financial Liabilities – at Amortised Cost | | |
| (218,756) | (266,812) | Held as Borrowings | (208,272) | (241,002) |
| (11,999) | (11,999) | Held as Creditors | (9,244) | (9,244) |
| (229,305) | (277,361) | Financial Liabilities – at Amortised Cost | (217,516) | (250,246) |

Financial Instruments: Risks

The fair value of the financial liabilities held at amortised cost above is higher than their balance sheet carrying amount because the Council's portfolio of loans include a number of loans where the interest rate payable is higher than the current rates available for similar loans 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 by holding these instruments:

- Credit risk - the possibility that the counterparty to a financial instrument will fail to meet its contractual obligations, causing a monetary loss to the Council.
- Liquidity risk - the possibility that the Council might not have the cash available to make contracted payments to lenders, suppliers and staff on time.
- Market risk - the possibility that an unplanned financial loss will materialise due to changes in market variables such as interest rates on equity prices.
- Re-Financing Risk – The possibility that maturing amounts cannot be refinanced in interest terms that reflect the provisions made by the organisation.

Overall Procedures for Managing Risk

The Council's overall risk management process focuses on the unpredictability of financial markets, and is 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 on Capital Finance, 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 levels and a legal limit.
 - Its maximum and minimum exposures to fixed and variable rates.

- Its maximum and minimum exposures to the maturity structure of its debt.
- Its maximum annual exposures to investments maturing beyond a year.

These are required to be reported and approved at the Council's annual budget setting report or before the start of the year to which they relate. The items above reported with the Capital Strategy Report 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 Capital Strategy Report, which incorporates the prudential indicator amounts was approved by the Council on 24 February 2021 and is available on the Council's website. The key issues within the strategy were:

- The Authorised Limit for 2021/22 was set at £315 million. This is the maximum legal limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £285 million. 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 25%, respectively, based on the Council's net debt.

These policies were implemented by the Council's accountancy team and at no point during the 2021/22 financial year were any of these key indicators breached. The Council also 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 Treasury Management Code of Practice and were also updated on 4 March 2019. No changes have been made since.

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 Capital Strategy Report, 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 Capital Strategy Report 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. Details of the Treasury Management 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 £17.50 million 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.

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 table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

| | 2020/21 | | 2021/22 | |
|----------------------------|------------|---------------|------------|---------------|
| | Long Term | Short Term | Long Term | Short Term |
| Credit Rating | £000 | £000 | £000 | £000 |
| AA | 0 | 5,000 | | 5,000 |
| AA- | 0 | 0 | | 10,000 |
| A+ | 0 | 17,000 | 0 | 17,500 |
| Total | 0 | 22,000 | 0 | 32,500 |
| Credit Risk not applicable | 309 | 0 | 309 | 0 |
| Total Investments | 309 | 22,000 | 309 | 32,500 |

Loss allowances on treasury investments are normally calculated by reference to historic default data published by credit rating agencies and adjusted for current economic conditions. A two-year delay in cash flows is assumed to arise in the event of a default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating grades or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit impaired when awarded a "D" credit rating or below. At 31 March 2022, none of the Council's investments are captured by this and therefore it is felt that the most likely loss allowances applicable is nil.

In addition, the Council does not generally allow credit for customers. However, £7.051 million invoiced debtors balance is past its due date for payment relating principally to the Council's Public Health responsibilities. The Council maintains a bad debt provision to offset any collection losses. The past due amount can be analysed by age as follows:

| 2020/21 | | 2021/22 |
|----------------|----------------------------|----------------|
| £000 | | £000 |
| 9,040 | Less than 3 months | 4,053 |
| 1,486 | Between 3 to 6 months | 464 |
| 884 | Between 6 months to 1 year | 688 |
| 1,826 | More than 1 year | 1,846 |
| 13,236 | TOTAL | 7,051 |

Collateral - The Council initiates a legal charge on property where, for instance, Adult Social Care service users require residential care but cannot afford to pay immediately. The total collateral as at 31 March 2022 was £0.76 million. (31 March 2021 - £0.5 million).

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:

| 2020/21 | | 2021/22 |
|------------------|-----------------------|------------------|
| £000 | | £000 |
| (32,245) | Less than 1 Year | (22,648) |
| (17,222) | Between 1 – 2 Years | (21,802) |
| (27,548) | Between 2 – 5 Years | (29,638) |
| (43,296) | Between 5 – 10 Years | (37,226) |
| (16,398) | Between 10 – 15 Years | (14,244) |
| (16,122) | Between 15 – 20 Years | (16,973) |
| (3,684) | Between 20 – 25 Years | (3,984) |
| (3,707) | Between 25 – 30 Years | (3,845) |
| (18,578) | Between 30 – 35 Years | (17,936) |
| (19,956) | Between 35 – 40 Years | (24,974) |
| (20,000) | More than 40 Years | (15,000) |
| (218,756) | TOTAL | (208,271) |

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

Re-financing Risk

The Council maintains a significant debt 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 Finance team address the operational risks within the approved parameters.

Market Risk

Market Risk - Interest Rate Risk

In the current financial climate there is a low 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 in the financial statements, 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 Statement.

The Council aims to keep a maximum of 25% 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. Although there is continued uncertainty in relation to how the Brexit deal will develop for the Country, and this may influence interest rates in both a positive and negative way, the low exposure to variable rate financial instruments means that the financial impact of any future decisions in this area are likely to have minimal impact on both the debt and investment portfolios.

Market Risk - Price Risk

The Council does not invest in equity shares and therefore has no exposure to losses arising from movements in share prices.

Market Risk - Foreign Exchange Risk

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

Note 31 Financial Instruments: Income and Expenditure

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

| 2020/21 | | | 2021/22 | |
|-------------------------|------------------------------|-------------------------------------|-------------------------|------------------------------|
| Financial Assets | Financial Liabilities | | Financial Assets | Financial Liabilities |
| £000 | £000 | | £000 | £000 |
| | | Income | | |
| (273) | 0 | Interest Income | (363) | 0 |
| | | Expenditure | | |
| | 6,473 | Interest Expense | | 6,843 |
| | 18 | Fee Expense | | 3 |
| | 6,491 | Total Expenditure | | 6,846 |
| | 6,218 | Net Expenditure for the year | | 6,483 |

Note 32 Debtors

| 31-MAR-2021 | | 31-MAR-2022 |
|---------------|-----------------------------------|---------------|
| £000 | | £000 |
| | Short Term Debtors | |
| 13,909 | Central Government Bodies | 7,818 |
| 7,301 | Other Local Authorities | 9,182 |
| 1,198 | NHS Bodies | 2,267 |
| 59,043 | Other entities and individuals | 64,811 |
| (33,480) | Bad Debt Provision | (34,133) |
| 47,971 | Total | 49,945 |
| | | |
| | Long Term Debtors | |
| 5,608 | Cleveland Mall – Holiday Inn | 5,515 |
| 305 | Other Long Term Debtors | 169 |
| 3,552 | The Welding Institute | 3,119 |
| 395 | Middlesbrough Development Company | 3,980 |
| 9,860 | Total | 12,783 |

Note 33 Inventories

| 2021/22 Financial Year | 1 April 2021 | Purchases | Expense in the year | Written off | 31-MAR-2022 |
|------------------------|--------------|-----------|---------------------|-------------|-------------|
| | £000 | £000 | £000 | £000 | £000 |
| Stocks | 2,313 | 7,384 | (7,069) | 0 | 2,628 |

| 2020/21 Financial Year | 1 April 2020 | Purchases | Expense in the year | Written off | 31-MAR-2021 |
|------------------------|--------------|-----------|---------------------|-------------|-------------|
| | £000 | £000 | £000 | £000 | £000 |
| Stocks | 2,425 | 3,947 | (4,059) | 0 | 2,313 |

Note 34 Cash and Cash Equivalents

| 31-MAR-2021 | | 31-MAR-2022 |
|---------------|--------------------------|---------------|
| £000 | | £000 |
| 53 | Cash held by the Council | 45 |
| 2,257 | Bank current accounts | 2,077 |
| 22,500 | Short-term cash deposits | 22,500 |
| 24,810 | Total | 24,622 |

Note 35 Short Term Creditors

| 31-MAR-2021 | | 31-MAR-2022 |
|-----------------|--------------------------------|-----------------|
| £000 | | £000 |
| (22,284) | Central Government Bodies | (29,797) |
| (2,636) | Other Local Authorities | (650) |
| (1,709) | NHS Bodies | (226) |
| (31,676) | Other Entities and individuals | (38,970) |
| (58,305) | Total | (69,643) |

The increase in short-term creditors relates to amounts owed to central government, mainly in relation to a significant sum of £10m repayable in relation to Covid-19 business support schemes that ended during October 2021. Ongoing reconciliations and data is being provided by the Council to finalise the amounts owed based on the original grants provided.

Note 36 Provisions

A provision is recognised in the accounts where the Council has a legal or constructive obligation arising from a past event and a reliable estimate can be made of the amount of the obligation if not the timing of when the Council will have to settle the obligation.

| Current Provisions | Balance at 01-APR-2021 | Additional Amount in year | Amounts used in year | Balance at 31-MAR-2022 |
|--|------------------------|---------------------------|----------------------|------------------------|
| | £000 | £000 | £000 | £000 |
| Business Rates Appeals | (2,219) | (6,917) | 7,382 | (1,754) |
| Early Retirement / Voluntary Redundancy | (187) | 0 | 187 | 0 |
| Captain Cook Precinct Service Charge Provision | (149) | (18) | 0 | (167) |
| Total | (2,556) | (6,935) | 7,569 | (1,921) |

Note 37 Usable Reserves

Usable Reserves are those reserves that can be used to fund future expenditure or reduce local taxation. Further details on the use of the reserves below can be found in the Movement in Reserves Statement.

| 31-MAR-2021 | | 31-MAR-2022 |
|-----------------|---|-----------------|
| £000 | | £000 |
| (4,805) | Capital Grants Unapplied Reserve | (25,112) |
| (3,125) | Capital Contributions Unapplied Reserve | (6,303) |
| 5 | Capital Receipts Reserve | 0 |
| (10,500) | Uncommitted General Fund | (11,183) |
| (51) | Direct Revenue Funding Unapplied | (23) |
| (38,294) | Earmarked Reserves | (37,625) |
| (56,770) | Total | (80,246) |

The increase in usable reserves is predominantly due to the increase in Capital Grant Funding disclosed in Note 12, which has met all conditions and will be carried forward to finance capital expenditure in 2022-23.

The purpose of each Reserve is as follows:

Capital Grants and Contributions Unapplied Reserves

These reserves hold amounts from Capital Grants and Contributions that have been recognised in the Comprehensive Income and Expenditure Statement in line with the accounting code of practice, but for which the associated 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 held as a cushion against future unforeseen and unbudgeted expenditure.

Earmarked Reserves

Funding received in previous financial years and classified as income in regard to the terms and conditions of the grant awarded. This income is rolled forward in reserves to meet the future commitments under the grant. Details of the balances on individual earmarked reserves is contained in [note 7](#).

Note 38 Unusable Reserves

Unusable Reserves are those reserves held by the Council that cannot be utilised to provide services. This includes reserves that hold unrealised gains and losses and adjustment accounts which deal with situations where income and expenditure are recognised statutorily against the General Fund balance on a different basis from that expected by accounting standards as adopted by the Code.

| 31-MAR-2021 | | 31-MAR-2022 |
|--------------------|--|--------------------|
| £000 | | £000 |
| (84,938) | Revaluation Reserve | (86,405) |
| (138,633) | Capital Adjustment Account | (141,863) |
| 308,117 | Pensions Reserve (See Note 39) | 232,348 |
| 13,159 | Collection Fund Adjustment Account | 6,981 |
| 695 | Accumulating Compensated Absences Adjustment Account | 943 |
| 3,292 | Dedicated Schools Grants Adjustment Account | 3,756 |
| 101,692 | Total Unusable Reserves | 15,760 |

A description of each type of reserve is set out below:

Revaluation Reserve

The Revaluation Reserve contains the accumulated net gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The reserve only contains revaluation gains accumulated since 1 April 2007, the date when the Revaluation Reserve was constituted. Accumulated gains and losses accumulated before that date are consolidated into the Capital Adjustment Account. Amounts contained within this reserve will only become available to provide services (or limit resources in the case of losses) once the gains/losses are realised as the assets are disposed of.

Capital Adjustment Account

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

to convert fair value figures to a historical cost basis). The account is credited with amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Pensions Reserve

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

Collection Fund Adjustment Account

The Collection Fund Adjustment Account holds the differences arising from the recognition of council tax and business rates income, in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rate 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.

Dedicated Schools Grants Adjustment Account

From November 2020 The Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations) established new accounting practices in relation to the treatment of local authorities' schools budget deficits such that, where a local authority has a deficit on its schools budget relating to its accounts for a financial year beginning on 1 April 2020, 1 April 2021 or 1 April 2022, it must not charge the amount of that deficit to a revenue account. The local authority must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its school's budget. The CIPFA local authority accounting code has determined this as the 'Dedicated Schools Grant Adjustment Account'. The new accounting practice has the effect of separating schools budget deficits for a period of three financial years.

Movement in Unusable Reserves Statement 2021/22

| Movement in Reserves Statement | Revaluation Reserve | Capital Adj Account | Deferred Capital Receipts Reserve | Dedicated Schools Grants Adj Account | Pensions Reserve | Collection Fund Adjustment Account | Accumulated Compensation Absences Adjustment Account | Total Unusable Reserves |
|--|---------------------|---------------------|-----------------------------------|--------------------------------------|------------------|------------------------------------|--|-------------------------|
| | £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| Balance at 01-APR-2021 | (84,938) | (138,633) | 0 | 3,292 | 308,118 | 13,159 | 695 | 101,694 |
| Allocated from Other Comprehensive Income and Expenditure | (7,516) | 0 | 0 | 0 | (107,236) | 0 | 0 | (114,752) |
| Transfers to/(from) Usable Reserves (Note 6) | 6,048 | (3,230) | 0 | 464 | 31,466 | (6,178) | 248 | 28,818 |
| Difference between fair value and historical cost depreciation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accumulated Revalued Amount on assets sold or scrapped | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31-MAR-2022 | (86,405) | (141,863) | 0 | 3,756 | 232,348 | 6,981 | 943 | 15,760 |

Movement in Unusable Reserves Statement 2020/21

| Movement in Reserves Statement | Revaluation Reserve | Capital Adj Account | Deferred Capital Receipts Reserve | Dedicated Schools Grants Adj Account | Pensions Reserve | Collection Fund Adjustment Account | Accumulated Compensation Absences Adjustment Account | Total Unusable Reserves |
|--|---------------------|---------------------|-----------------------------------|--------------------------------------|------------------|------------------------------------|--|-------------------------|
| | £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| Balance at 01-APR-2020 | (85,357) | (145,334) | 0 | 0 | 283,561 | (483) | 896 | 53,283 |
| Transfer to unusable reserves | | | | 2,783 | | | | 2,783 |
| Allocated from Other Comprehensive Income and Expenditure | (4,807) | 0 | 0 | 0 | 4,317 | 0 | 0 | (490) |
| Transfers to/(from) Usable Reserves (Note 6) | 0 | 11,927 | 0 | 509 | 20,239 | 13,642 | (201) | 46,116 |
| Difference between fair value and historical cost depreciation | 1,314 | (1,314) | 0 | 0 | 0 | 0 | 0 | 0 |
| Accumulated Revalued Amount on assets sold or scrapped | 3,912 | (3,912) | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31-MAR-2021 | (84,938) | (138,633) | 0 | 3,292 | 308,117 | 13,159 | 695 | 101,692 |

Note 39 Pension Schemes Accounted for as Defined Benefit Scheme

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 Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

Funded Benefits

The funded benefits are those payable by the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulation 2014.

Unfunded Benefits

The unfunded benefits are pensions arising from additional service awarded on a discretionary basis e.g. Compensatory Added Years ("CAY") pensions that have not previously been 'converted' to funded benefits under Regulation 13A of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007. Such benefits are usually charged to the Employer as they are paid. Other unfunded benefits include gratuities and enhanced teachers' pensions recharged to the Employer, and pensions in respect of some other public sector pension schemes. This is in contrast to funded pensions, which are paid for out of the assets of the Fund, and which the Employer has responsibility for funding by paying contributions to the Fund.

Transactions relating to Post-Employment Benefits

The following transactions have been reflected 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. The income, expenditure, assets and liabilities set out below includes the actuaries' assessment of the court of appeal decision to include guaranteed minimum pension and the McCloud and Sargeant judgements within the local government scheme benefits going forwards. It also includes the impact of the triennial valuation of the Teesside Pension Fund from 1 April 2019.

Comprehensive Income and Expenditure Statement

| Funded 2020/21 | Unfunded 2020/21 | Comprehensive Income and Expenditure Statement | Funded 2021/22 | Unfunded 2021/22 |
|-------------------|---------------------|---|-------------------|---------------------|
| £000 | £000 | Charged to the Surplus or Deficit on the Provision of Services | £000 | £000 |
| | | As cost of Service: | | |
| 24,035 | 0 | Current Service cost | 35,542 | 0 |
| 576 | 0 | Settlements and Curtailments | 276 | 0 |
| 5,693 | 605 | As Financing and Investment Income and Interest on net defined benefit | 6,462 | 267 |
| 30,304 | 605 | Total charged to the Deficit on the Provision of Services | 42,280 | 267 |
| | | Charged to Other Comprehensive Income and Expenditure | | |
| 5,603 | (1,286) | Actuarial (Gains) / Losses | (107,235) | 0 |
| 35,907 | (681) | Total to the Comprehensive Income and Expenditure Statement | (64,955) | 267 |

Movement in Reserves Statement (General Fund)

| Funded 2020/21 | Unfunded 2020/21 | Movement in Reserves Statement (General Fund) | Funded 2021/22 | Unfunded 2021/22 |
|-------------------|---------------------|---|-------------------|---------------------|
| £000 | £000 | | £000 | £000 |
| (30,304) | (605) | Reversal of total charged to the Deficit on the Provision of Service | (42,280) | (267) |
| | | Actual Amount charged for pensions in the year: | | |
| 8,652 | 2,017 | Employers contributions payable to scheme | 9,054 | 2,027 |
| (21,652) | 1,412 | Total amount included in the General Fund for the year | (33,226) | 1,760 |

Assets and Liabilities in Relation to Post-Employment Benefits

| Funded 2020/21 | Unfunded 2020/21 | Reconciliation of Liabilities | Funded 2021/22 | Unfunded 2021/22 |
|--------------------|---------------------|--|--------------------|---------------------|
| £000 | £000 | | £000 | £000 |
| (912,552) | (27,305) | Opening Balance at 1 April | (1,106,855) | (24,608) |
| (24,035) | 0 | Current service cost | (35,542) | 0 |
| (20,731) | (606) | Interest cost | (23,589) | (267) |
| (4,485) | 0 | Contributions by scheme participants | (4,850) | 0 |
| (183,167) | (1,670) | Actuarial Gains/(Losses) for changes in financial assumptions | 20,880 | 0 |
| 0 | 0 | Actuarial Gains/(Losses) for changes in Demographic assumptions | 6,454 | 0 |
| 10,799 | 2,964 | Actuarial Gains/(Losses) Other Experience | (4,666) | 0 |
| 27,892 | 2,017 | Benefits paid | 29,550 | 2,027 |
| (576) | 0 | Past service curtailments | (276) | 0 |
| (1,106,855) | (24,608) | Closing Balance at 31 March | (1,118,894) | (22,848) |

Reconciliation of Fair Value of Scheme Assets

| Funded 2020/21 | Unfunded 2020/21 | Reconciliation of Fair Value of Scheme Assets | Funded 2021/22 | Unfunded 2021/22 |
|---------------------------|-----------------------------|--|---------------------------|-----------------------------|
| £000 | £000 | | £000 | £000 |
| 656,297 | 0 | Opening Balance at 1 April | 823,345 | 0 |
| 15,038 | 0 | Expected return on plan assets | 17,127 | 0 |
| 166,765 | 0 | Actuarial Gains/(Losses) | 84,568 | 0 |
| 8,652 | 2,017 | Employer contributions | 9,054 | 2,027 |
| 4,485 | 0 | Contributions by scheme participants | 4,850 | 0 |
| (27,892) | (2,017) | Benefits paid | (29,550) | (2,027) |
| 823,345 | 0 | Closing Balance at 31 March | 909,394 | 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.

| Scheme History | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 |
|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Present value of liabilities | (895,644) | (918,758) | (964,345) | (939,858) | (1,131,463) | (1,141,742) |
| Fair value of assets | 704,295 | 718,360 | 764,970 | 656,297 | 823,345 | 909,394 |
| Scheme Deficit | (191,349) | (200,398) | (199,375) | (283,561) | (308,118) | (232,348) |

The scheme deficit shown above includes £22.848 million in respect of unfunded defined benefit obligations (2020/21 £24.608 million).

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The net liability has a sustained impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council 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 Council in the year to 31 March 2023 is £8.375 million.

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 Hymans Robertson, an independent firm of actuaries, estimates for the Teesside Pension Fund being based on latest full valuation of the scheme as at 31 March 2019 with these values rolled forward to 31 March 2021. The calculations have also been done over the duration of the Scheme - which has been forecast at 19.8 years.

The principal assumptions used by the actuary have been:

| | 2020/21 | 2021/22 |
|---|---------------|---------------|
| Mortality Assumptions | | |
| Longevity at 65 for current pensioners | | |
| • Men | 21.90 | 21.7 |
| • Women | 23.60 | 23.5 |
| Longevity at 65 for future pensioners | | |
| * Men | 23.30 | 22.9 |
| * Women | 25.40 | 25.3 |
| Other Assumptions | | |
| Medium Weighted Average | | |
| Rate of Inflation (RPI) | N/A | 3.65% |
| Rate of Inflation (CPI) | 2.70% | 3.20% |
| Rate of increase in salaries | 3.70% | 4.20% |
| Rate of increase in pensions | 2.70% | 3.20% |
| Rate of discounting scheme liabilities | 2.10% | 2.70% |
| Take up of option to convert annual pension into retirement lump sum | 80.00% | 80.00% |

The LGPS's assets consist of the following categories, by proportion of the total assets held:

| | 2020/21 | 2021/22 |
|--------------------|---------------|---------------|
| Equity Investments | 79.80% | 68.0% |
| Gilts | 0.0% | 5.00% |
| Other Bonds | 0.0% | 3.00% |
| Property | 7.50% | 8.00% |
| Cash / Liquidity | 12.70% | 16.00% |
| | 100.0% | 100.0% |

Sensitivity Analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2022 and the projected service cost is set out below, sensitivity on unfunded benefits have not been included on materiality grounds:

| Change in assumptions at 31-MAR-2022 | Approximate % increase to Employer Liability | Approximate monetary amount (£000) |
|--|--|------------------------------------|
| 0.1% decrease in Real Discount Rate | 2.00% | 19,849 |
| 1 year increase in member life expectancy | 4.00% | 45,670 |
| 0.1% increase in Salary Increase Rate | 0.00% | 2,186 |
| 0.1% increase in the Pension Increase Rate | 2.00% | 17,498 |

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, Hymans Robertson estimate that a one-year increase in life expectancy would approximately increase the Employers Defined Benefit Obligation by around 3-5%. In practice, the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rate predominantly apply to younger or older ages).

In order to quantify the impact of a change in the financial assumptions used they have calculated and compared the value of the scheme liabilities at the accounting date on varying bases. The approach taken is consistent with that adopted to derive the accounting figures provided in this report, based on the profile (average member ages, retirement ages, etc.) of the Employer as at the date of the most recent valuation.

Note 40 Pensions Schemes Accounted for as Defined Contribution Scheme

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

In 2021/22 the Council paid £3.017 million (2020/21 – £2.88 million) to Teachers' Pensions in respect of teachers' retirement benefits, representing an average of 23.68% (2020/21 – 23.68%) of pensionable pay.

A number of Public Health staff transferred to the Council from the NHS and as part of the conditions of their transfer have remained in the NHS pension scheme. The Council's contributions to the scheme in 2021/22 was £24,342 (2020/21 £32,518), this represents 13.24% (2020/21 14.39%) of pensionable pay.

Note 41 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 aims to provide suitable affordable accommodation for local businesses.

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

| 31-MAR-2021 | | 31-MAR-2022 |
|---------------|--|---------------|
| £000 | | £000 |
| 1,408 | No Later than 1 year | 6,573 |
| 3,798 | Later than 1 year and not later than 5 years | 14,069 |
| 20,343 | Later than 5 years | 29,815 |
| 25,550 | Total | 50,457 |
| | | |

The amount at 31 March 2022 has increased significantly due to the additional income received from Captain Cook Square, Cleveland Centre and Tees Advanced Manufacturing Park which were not included in 20/21.

Finance Leases

The Council acted as a facilitator for the relocation of The Welding Institute (TWI) to the Tees Advanced Manufacturing Park in 2017. This was consistent with the Council's priority in economic growth. The lease between the Council and TWI allows the lessee to purchase the property for a nominal amount after 13 years. Also the lease rental payments cover the net council investment in the site & building over the lease period.

As the risks and rewards of the lease reside with TWI, the asset is not included within the Council's Property, Plant and Equipment valuation. A long-term debtor has instead been included in the balance sheet to reflect the investment by the Council and this will be repaid over the life of the remaining lease.

The future minimum lease payments receivable through the finance lease are detailed below:

| 31-MAR-2021 | | 31-MAR-2021 |
|--------------|----------------------------|--------------|
| £000 | | £000 |
| 464 | No later the 1 year | 464 |
| 1,856 | Between 1 year and 5 years | 1,832 |
| 1,660 | Later than 5 years | 1,411 |
| 3,980 | Total | 3,707 |

Note 42 Leases – Council as Lessee

Operating Leases

The Council 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:

| 31-MAR-2021 | | 31-MAR-2022 |
|--------------|--|--------------|
| £000 | | £000 |
| 407 | No Later than 1 year | 616 |
| 1,325 | Later than 1 year and not later than 5 years | 1,832 |
| 454 | Later than 5 years | 715 |
| 2,186 | Total | 3,163 |

Finance Leases

Centre Square Buildings

The Council as part of its regeneration and town centre growth plans has entered into two finance lease contracts for the provision of high quality office accommodation. Buildings 1 & 2 Centre Square, adjacent to the Council's municipal buildings, were completed during September 2020. The properties were built with third-party finance and the leases entered into on the buildings are for a 35-year term with rentals paid on a quarterly basis to CBRE Property Management UK. The total repayment schedule for the two leases over the contract are included in the table below. Due to the interest rate implicit in the lease, most of the early year's rental payments are heavily weighted towards interest rather than principal with this position reversing in the latter years of the contract.

The total future minimum lease payments under these finance leases are given in the table below:

| 31-MAR-2021 | Total future minimum lease payments | 31-MAR-2022 |
|---------------|---|---------------|
| £000 | | £000 |
| 711 | Amounts due within one year | 711 |
| 2,844 | Amounts due between 1 to 5 years | 3,555 |
| 20,239 | Amounts due after 5 years | 18,842 |
| 23,794 | Total payments due | 23,108 |
| (11,902) | Less: Future finance charges | (11,743) |
| 11,892 | Present Value of Lease Obligations | 11,365 |

Given that the risks and rewards of the contract sit predominantly with the Council (length of contract, option to purchase for a nominal sum at the end of the lease term etc.) the properties are held on the long-term assets side of the Balance Sheet.

As the aim of Council is to rent these premises out to tenants on shorter-term leases, the assets have been categorised as investment properties in the accounts. They have been valued at fair/market value with their valuation of £13.877 million being determined from future rentals generated. The council has now achieved the letting of all accommodation within both buildings, with the exception of the 'kiosk' unit that exists within the ground floor of Centre Square 2.



Note 43 Contingent Liabilities

At 31 March 2022, the Council had the following contingent liabilities:

Home House Guarantee

An agreement was entered into with Home House, 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.

Deprivation of Liberty Safeguards - Confirmed

A Supreme Court case judgement 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 settled. The Deprivation of Liberty Safeguards are due to be replaced by the Liberty Protection Safeguards; the financial ramifications remain unclear at this time.

Note 44 Contingent Assets

There were no contingent assets held by the Council at the Balance Sheet date.

Note 45 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 follow:

| | Cash Balance at 01-APR-2021 | Income | Expenditure | Cash Balance at 31-MAR-2022 | Net Worth |
|---|--------------------------------|--------------|----------------|--------------------------------|------------------|
| | £ | £ | £ | £ | £ |
| Teesside Education Endowment | 7,468 | 6 | 0 | 7,474 | 7,474 |
| Capt J.V.Nancarrow Trust – Educational support | 111,062 | 87 | 0 | 111,149 | 111,149 |
| Middlesbrough Educational Trust | 65,493 | 51 | 0 | 65,544 | 67,870 |
| Hustler Playing Fields Trust – Sport | 49,680 | 39 | 0 | 49,719 | 1,524,215 |
| W.M.Anderton Trust – Kings Manor School and Acklam 6 th Form College | 1,385 | 1 | 0 | 1,386 | 1,386 |
| Teesside Relief in Sickness | 3,956 | 3 | 0 | 3,959 | 3,959 |
| Lady Crosswaite Bequest – support for the older people | 481,631 | 374 | (4,010) | 477,995 | 478,000 |
| Home Independent Trust | 88,303 | 496 | (4,605) | 84,194 | 103,434 |
| Wilson & Marwood Trust – support for disadvantaged people | 15,109 | 12 | 0 | 15,121 | 15,549 |
| Stewart Park Trust – Recreation | 8,760 | 7 | 0 | 8,767 | 8,767 |
| Levick Trust – accommodation for over 60's | 6,149 | 5 | 0 | 6,154 | 338,689 |
| Captain Cook Birthplace Trust | 0 | 0 | 0 | 0 | 0 |
| Dorman Museum and Art Gallery Appeal Trust | 3,307 | 3 | 0 | 3,310 | 3,310 |
| King Edward VII & Sister Purvis | 25 | 64 | 0 | 89 | 89 |
| Total | 842,328 | 1,148 | (8,615) | 834,861 | 2,663,891 |

Notes Supporting the Cash Flow Statement

Note 46 Cash Flow Statement – Investing and Financing Activities

The table below shows detail of Investing Activities

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|--|-----------------|
| (32,592) | Purchase of property, plant and equipment, investment property and intangible assets | (35,280) |
| 22,000 | Purchase of short-term and long-term investments | (10,000) |
| 6,224 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 13,487 |
| (4,368) | Net cash flows from investing activities | (31,793) |

The table below shows detail of Financing Activities

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|---|-----------------|
| (138) | Amounts applied to Finance Lease Repayments (Capital Element) | (154) |
| (15,915) | Repayments of short- and long-term borrowing | (10,485) |
| (16,053) | Net cash flows from financing activities | (10,639) |



4. Group Accounts



Group Accounts – Introduction

The Council has only one material interest in terms of group relationships: a wholly owned subsidiary; Middlesbrough Development Company (MDC), which was formed in 2019 by the Council and is involved in housing growth within the Borough based on the Council's strategic plan.

Beyond MDC, the Council has a number of small interests in other companies (including a capital investment in a joint internal audit company – Veritau Ltd (Tees Valley) and a couple of joint ventures but given their extremely small financial input and influence, these need no further disclosure under the local authority accounting code of practice.

The Council is the only shareholder for MDC and has complete operational and financial control over the company and its activities. Board meetings of the company directors are held once a month and are supported by relevant council staff from the Regeneration and Finance directorates. Updates are taken to the Council's Executive when any significant decisions or resources are required by the company.

MDC has two large-scale housing projects underway and which are in the construction phase with the aim of being complete in late 2022 and early 2023 respectively. These two projects in total are for a combined value of £13.3 million and are being funded by a combination of both council grants and prudential borrowing. The developments will either be sold to interested parties once complete, or held for rental income purposes for a period of up to 35 years, which will repay any borrowing costs incurred by the company. MDC is also in the early stages of a project to bring derelict housing back into use in the TS1 and TS3 postcodes plus specific initiatives to resolve a number of eyesore sites within the Borough.

As at 31 March 2022, the company had been allocated £6.6m of funding with £4m issued as a commercial loan and £2.6m as Section 106 capital grant funding. The company had spent £5.9m of this on capital projects with £0.3m on general administration and was holding the remaining £0.4m in the bank as cash.

The company's financial activities have been consolidated into the Council's Group Accounts on a line-by-line basis, after first realigning accounting policies with the Council where appropriate and eliminating any relevant intra-Group transactions.

The purpose of these Group Accounts is to provide a comprehensive position for Middlesbrough Council incorporating the company, which the Council owns and has significant influence over. The Group Accounts show the full extent of the Council's assets and liabilities, providing transparency on these additional arrangements and that these are beyond the totals given in the Council's own financial statements.

The Group Accounts include the following:

- Group Comprehensive Income and Expenditure Statement, which shows the income and expenditure of the Council in line with statutory regulations, international financial reporting standards and CIPFA Accounting Code of Practice requirements.
- Group Movement in Reserves - shows the movement in the year on reserves held by the Council.
- Group Balance Sheet - reports the Council Group financial position at the year-end.
- Group Cash Flow Statement - shows the changes in cash and cash equivalents of the Group during the year.
- Notes to the Group Accounts – information provided where the balances are materially different to those in the single entity accounts or additional information is required for users of the accounts to understand the financial relationship.

The capital spend set out above plus the commercial loan have been incorporated into the group balance sheet, plus the creation of an unusable reserve for the capital grant funding which will be offset against future depreciation charges. The accumulated deficit on MDC's profit and loss account plus the grant funding reserve have been recognised as adjustments to the income and expenditure totals for the year. The group reserves have increased by £2.3m above the Councils' single entity accounts total by the incorporation of these amounts.

Group Accounts – Movement in Reserves Statement

This statement is a combination of the Council's comprehensive income and expenditure position plus the accumulated deficit on Middlesbrough Development Company's accounts as at 31 March 2022. It also incorporates an unusable reserve for capital grant funding due to difference in accounting policy between the company accounts under UK GAAP and the Council's under IFRS.

| 2021/22 | General Fund Balance | Earmarked Revenue Reserves | Capital Receipts Reserve | Direct Revenue Funding Unapplied | Capital Grants Unapplied | Council Usable Reserves (a) | Council Unusable Reserves (b) | Share of Company Reserves (c) | Total Group Reserves (a+b+c) |
|---|----------------------|----------------------------|--------------------------|----------------------------------|--------------------------|-----------------------------|-------------------------------|-------------------------------|------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 01-APR-2021 | (10,500) | (38,294) | 5 | (51) | (7,930) | (56,770) | 101,692 | (1,036) | 43,886 |
| <u>Movement in reserves during 2021/22</u> | | | | | | | | | |
| Total Comprehensive Income and Expenditure | 5,343 | 0 | 0 | 0 | 0 | 5,343 | (114,751) | (1,231) | (110,639) |
| Adjustments between accounting basis & funding basis under regulation | (5,357) | 0 | (5) | 28 | (23,485) | (28,819) | 28,819 | 0 | 0 |
| Transfers to/(from) other reserves | (669) | 669 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Decrease / (increase) in year | (683) | 669 | (5) | (28) | (23,485) | (23,476) | (85,932) | (1,231) | (110,639) |
| Balance at 31-MAR-2022 | (11,183) | (37,625) | 0 | (23) | (31,415) | (80,246) | 15,760 | (2,267) | (66,753) |



| 2020/21 | General Fund Balance | Earmarked Revenue Reserves | Capital Receipts Reserve | Direct Revenue Funding Unapplied | Capital Grants Unapplied | Council Usable Reserves (a) | Council Unusable Reserves (b) | Share of Company Reserves (c) | Total Group Reserves (a+b+c) |
|---|----------------------|----------------------------|--------------------------|----------------------------------|--------------------------|-----------------------------|-------------------------------|-------------------------------|------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 01-APR-2020 | (9,400) | (19,311) | (145) | 0 | (13,078) | (41,934) | 53,283 | 48 | 11,397 |
| Reporting of Schools budget deficit to new Adjustment Account at 1 April 2020 | 0 | (2,783) | 0 | 0 | 0 | (2,783) | 2,783 | 0 | 0 |
| Revised Opening Balance | (9,400) | (22,094) | (145) | 0 | (13,078) | (44,717) | 56,066 | 48 | 11,397 |
| Movement in reserves during 2020/21 | | | | | | | | | |
| Total Comprehensive Income and Expenditure | 34,063 | 0 | 0 | 0 | 0 | 34,063 | (490) | (1,084) | 32,489 |
| Adjustments between accounting basis & funding basis under regulation | (51,363) | 0 | 150 | (51) | 5,148 | (46,116) | 46,116 | 0 | 0 |
| Transfers to/(from) other reserves | 16,200 | (16,200) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Decrease / (increase) in year | (1,100) | (16,200) | 150 | (51) | 5,148 | (12,053) | 45,626 | (1,084) | 32,489 |
| Balance at 31-MAR-2021 carried forward | (10,500) | (38,294) | 5 | (51) | (7,930) | (56,770) | 101,692 | (1,036) | 43,886 |



Group Accounts – Comprehensive Income and Expenditure Statement

This statement represents the income and expenditure of both the Council and Middlesbrough Development Company with intra-group transactions being removed and accounting policies being aligned as appropriate.

| Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2022 | | | | | | | |
|---|------------------|----------------------------|--|------|-------------------|------------------|----------------------------|
| 2020/21 | | | | | 2021/22 | | |
| Gross Expenditure | Gross Income | Net Expenditure / (Income) | Cost of Services by Service Area | Note | Gross Expenditure | Gross Income | Net Expenditure / (Income) |
| £000 | £000 | £000 | | | £000 | £000 | £000 |
| 16,502 | (11,877) | 4,625 | Regeneration and Culture | | 19,182 | (4,694) | 14,488 |
| 18,313 | (26,097) | (7,784) | Public Health | | 15,805 | (25,582) | (9,777) |
| 83,717 | (79,831) | 3,886 | Education and Partnerships | | 87,391 | (80,797) | 6,594 |
| 50,682 | (5,022) | 45,660 | Children's Care | | 60,119 | (6,463) | 53,656 |
| 96,239 | (56,889) | 39,350 | Adult Social Care and Health Integration | | 101,155 | (57,724) | 43,431 |
| 52,019 | (8,564) | 43,455 | Environment and Community Services | | 54,801 | (6,039) | 48,762 |
| 81,920 | (69,630) | 12,290 | Finance | | 65,585 | (59,494) | 6,091 |
| 18,148 | (4,474) | 13,674 | Legal & Governance Services | | 17,539 | (2,100) | 15,439 |
| 473 | (5,989) | (5,516) | Central Costs | | 10,901 | (12,572) | (1,671) |
| 0 | 416 | 416 | Covid-19 Overspend | | 5,700 | (5,310) | 390 |
| 418,013 | (267,957) | 150,056 | Total Cost of Service | | 438,178 | (260,775) | 177,403 |
| 415 | 0 | 415 | Other Operating Income and Expenditure | | 152 | (5,162) | (5,010) |
| 37,277 | (27,210) | 10,067 | Financing & Investment Activities | | 22,647 | (14,332) | 8,315 |
| 0 | (127,559) | (127,559) | Taxation and Non Specific Grant Income | | 0 | (176,596) | (176,596) |
| 455,705 | (422,726) | 32,979 | (Surplus) or Deficit on Provision of Services | | 460,977 | (456,865) | 4,112 |
| | | | <i>Items not re-classified to the Surplus or Deficit on the Provision of Service</i> | | | | |
| | | (641) | (Surplus) on revaluation of Property Plant and Equipment | | | | (4,271) |
| | | 4,317 | Actuarial (Gains)/Losses on Pension Fund | | | | (107,235) |
| | | (4,166) | Depreciation written out to the Revaluation reserve | | | | (3,245) |
| | | (490) | Other Comprehensive Income and Expenditure | | | | (114,751) |
| | | 32,489 | Total Comprehensive Income and Expenditure | | | | (110,639) |

Group Accounts – Balance Sheet

This statement represents the combined assets, liabilities and reserves for the Council and Middlesbrough Development Company, with intra-group transactions being removed and accounting policies being aligned where appropriate

| 31-MAR-2021 | | Note | 31-MAR-2022 |
|------------------|---|------|------------------|
| £000 | | | £000 |
| 397,950 | Property, Plant & Equipment | | 422,680 |
| 32,443 | Heritage Assets | | 32,526 |
| 25,536 | Investment Properties | | 26,806 |
| 1,873 | Intangible Assets | | 1,439 |
| 309 | Long Term Investments | | 309 |
| 9,465 | Long Term Debtors | | 8,803 |
| 467,576 | Total Long Term Assets | | 492,563 |
| 0 | Short Term Investments | | 10,000 |
| 2,297 | Short Term Assets Held for Sale | | 125 |
| 2,313 | Inventories | | 2,628 |
| 48,058 | Short Term Debtors | | 49,884 |
| 25,064 | Cash and Cash Equivalents | | 25,035 |
| 77,732 | Total Current Assets | | 87,672 |
| (32,089) | Short Term Borrowing | | (22,648) |
| (58,314) | Short Term Creditors | | (69,644) |
| (1,528) | Short Term Provisions | | (1,921) |
| (91,931) | Total Current Liabilities | | (94,213) |
| (14,199) | Net Current Assets / (Liabilities) | | (6,541) |
| (1,028) | Long Term Provisions | | 0 |
| (186,667) | Long Term Borrowing | | (185,624) |
| (1,450) | Other Long Term Liabilities | | (1,297) |
| (308,118) | Pension Liability | | (232,348) |
| (497,263) | Total Long Term Liabilities | | (419,269) |
| (43,886) | Net Assets/(Liabilities) | | 66,753 |
| (56,636) | Usable Reserves | | (79,903) |
| 100,522 | Unusable Reserves | | 13,150 |
| 43,886 | Total Reserves | | (66,753) |

Group Accounts – Cash Flow

This statement reconciles the operating positions of the Council and Middlesbrough Development Company to their changes in cash balances during the financial year.

| 31-MAR-2021 £000 | | Note | 31-MAR-2022 £000 |
|---------------------|--|------|---------------------|
| (32,979) | (Deficit) on provision of services transferred to the General Fund | | (4,112) |
| | Adjustment for items not affecting cash flow | | |
| 15,487 | Depreciation of Property Plant and Equipment (PPE) | | 15,553 |
| 2,159 | Amortisation of Intangible Assets | | 1,272 |
| 8,526 | Impairments to PPE / Assets Held for Sale | | 4,061 |
| (41) | Fair Value gain on Investment Properties | | (459) |
| (1,076) | Donated PPE and Heritage Assets | | (1,631) |
| 6,525 | Net Book Value on Disposal of Non-current Assets | | 8,725 |
| 13,942 | Difference between Current Service Cost and Contributions made to the Pension Scheme | | 24,737 |
| 6,298 | Net of Interest changes applied to the Pension Scheme Deficit | | 6,729 |
| 49 | Movement in Provisions | | (634) |
| | | | |
| 18,890 | Surplus on provision of services after non cash adjustments | | 54,241 |
| | | | |
| (7,394) | Adjustments for items that are Financing or Investing Activities | | (14,927) |
| | | | |
| | Other operating cash flows | | |
| 13,708 | Cash absorbed by the reduction in Creditors | | 8,055 |
| (2,505) | Cash absorbed by the increase in Debtors | | (4,851) |
| 112 | Cash absorbed by the increase in Inventories | | (315) |
| | | | |
| 22,811 | Net cash flow from Operating Activities | | 42,203 |
| | | | |
| (5,412) | Investing Activities | | (36,618) |
| (15,188) | Financing Activities | | (5,614) |
| 2,211 | Net increase/(decrease) in Cash and Cash Equivalents | | (29) |
| | | | |
| 22,853 | Cash and Cash Equivalents at the start of the period | | 25,064 |
| 25,064 | Cash and Cash Equivalents at the end of the period | | 25,035 |

Group Accounts – Notes to the Accounts

The group notes are largely the same as those specific within the Council only Statement due to the alignment of accounting policies between the two organisations. However, there are some areas to highlight as detailed below:

Group Accounts – Note 1 Debtors

The table below sets out both short and long-term debtors of the group. These have been consolidated and adjusted for intra-group transactions.

| 31-MAR-2021 | | 31-MAR-2022 |
|---------------|--------------------------------|---------------|
| £000 | | £000 |
| | Short Term Debtors | |
| 13,996 | Central Government Bodies | 7,859 |
| 7,301 | Other Local Authorities | 9,080 |
| 1,198 | NHS Bodies | 2,267 |
| 59,043 | Other entities and individuals | 64,811 |
| (33,480) | Bad Debt Provision | (34,133) |
| 48,058 | Total | 49,884 |
| | Long Term Debtors | |
| 5,608 | Cleveland Mall – Holiday Inn | 5,515 |
| 305 | Other Long Term Debtors | 169 |
| 3,552 | The Welding Institute | 3,119 |
| 9,465 | Total | 8,803 |

Group Accounts – Note 2 Creditors

The table below sets out the short-term creditors of the group. These have been consolidated and adjusted for intra-group transactions.

| 31-MAR-2021 | | 31-MAR-2022 |
|-----------------|--------------------------------|-----------------|
| £000 | | £000 |
| (22,293) | Central Government Bodies | (29,798) |
| (2,636) | Other Local Authorities | (650) |
| (1,709) | NHS Bodies | (226) |
| (31,676) | Other Entities and individuals | (38,970) |
| (58,314) | Total | (69,644) |

Group Accounts – Note 3 Cash & Cash Equivalents

The table below sets out the cash & cash equivalent position of the group for the two entities combined.

| 31-MAR-2021 | | 31-MAR-2022 |
|---------------|--------------------------|---------------|
| £000 | | £000 |
| 53 | Cash held by the Council | 45 |
| 2,511 | Bank current accounts | 2,490 |
| 22,500 | Short-term cash deposits | 22,500 |
| 25,064 | Total | 25,035 |

Group Accounts – Note 4 Property, Plant & Equipment (PPE)

The value of PPE shown in the group accounts differs from that of the single entity as follows:
For group accounting purposes MDC capital spend on PPE is classed as assets under construction.

| 31-MAR-2021 | | 31-MAR-2022 |
|----------------|--|----------------|
| £000 | | £000 |
| 396,851 | Property Plant & Equipment – Middlesbrough Council | 416,783 |
| 1,099 | Plus: Middlesbrough Development Company | 5,897 |
| 397,950 | Total | 422,680 |

Group Accounts – Note 5 Financial Instruments

Although the company has an agreement to borrow up to £7m from the Council for the Boho Village scheme (Oct 2020) and the balance was £3.980 million at 31 March 2022, this amount is eliminated on consolidation of the two sets of accounts. The amount of borrowing for MDC is already factored into the Council's investment strategy to date and for the future and is shown within the Council's own notes to the accounts.

Group Accounts – Note 6 Share Capital & Ownership

Middlesbrough Development Company has total share capital of £1. The Mayor of Middlesbrough Council acts as the only shareholder for the company and in this regard, the Council has complete ownership of the entity. If MDC was wound up all assets and liabilities would transfer to the Council upon dissolution. As such, the Council guarantees all financial transactions whilst the company is operational.

Group Accounts – Note 7 Deferred Grant Income

The major accounting policy difference between the Council and MDC relates to the treatment of capital grant funding. Part of the resources available to MDC is £5 million of Section 106 monies received previously from developers and which the Council can use on affordable housing and housing growth. This has been allocated to the scheme at Newbridge Court (formerly Tollesby Shops) and other operational costs.

The Council follows international financial reporting standards where, grant income (whether revenue or capital based) is recognised as income when all conditions or performance obligations in respect of the funding have been met. MDC follows UK GAAP accounting where the grant funding is held in the balance sheet as a deferred liability until it is released to match future depreciation charges once the assets are operational. As a result, it has been necessary to align this accounting policy with the Council's for the purposes of producing the group accounts on a consistent basis.

As the additional income is not available to the Council for revenue purposes, it has been allocated to an unusable reserve before it is matched to the future capital charges. The movement on this account is as follows over the last two financial years:

| 2020/21 FY | | 2021/22 FY |
|--------------|--|--------------|
| £000 | | £000 |
| 0 | Opening balance – grant funding allocated | 1,170 |
| 1,170 | Additions in year | 1,440 |
| 1,170 | Closing balance – grant funding allocated | 2,610 |

Group Accounts – Note 8 Audit of Accounts

Under Section 477 of the Companies Act 2006 (in respect of the current annual turnover of the company which is a deficit and the number of employees at 1) MDC is exempt from the requirement of the Act for the audit of its accounts for the financial year. However due to the need to consolidate the accounts into the Council's group arrangements, the company directors have decided to appoint an external auditor and undertake an audit process. Further details on this can be seen in the financial statements for 2020/21 and 2021/22 which are available from the MDC website. www.middlesbroughdevelopmentcompany.co.uk.

5. Collection Fund Accounts



Collection Fund Income and Expenditure Account

The Collection Fund summarises the transactions of the billing authority in relation to the collection from taxpayers and the redistribution to Local Authorities and the Government of Council Tax and Business Rates.

| 2020/21 | | 2021/22 | | |
|----------|---|-----------------|-----------------|-----------------|
| £000 | | £000 | £000 | £000 |
| Total | | Council Tax | Business Rates | Total |
| | Income | | | |
| (73,013) | Council Tax receivable | (75,894) | 0 | (75,894) |
| (15,314) | Business Rates receivable | 0 | (21,773) | (21,773) |
| (88,327) | Total Income | (75,894) | (21,773) | (97,667) |
| | Expenditure | | | |
| | Precepts and Demands: | | | |
| 58,707 | Middlesbrough Council | 60,611 | 0 | 60,611 |
| 8,941 | Cleveland Police and Crime Commissioner | 9,163 | 0 | 9,163 |
| 2,705 | Cleveland Fire Authority | 2,770 | 0 | 2,770 |
| | Business Rates | | | |
| 17,886 | Payments to Central Government | 0 | 17,818 | 17,818 |
| 358 | Payments to Cleveland Fire Authority | 0 | 356 | 356 |
| 17,528 | Payments to Middlesbrough Council | 0 | 17,461 | 17,461 |
| 170 | Costs of Collection | 0 | 170 | 170 |
| | Bad & Doubtful Debts | | | |
| (1) | Write Offs | (5) | 13 | 8 |
| 7,197 | Provision for Bad Debts | 1,327 | 202 | 1,529 |
| (431) | Provision for Appeals | 0 | (950) | (950) |
| 113,060 | Total Expenditure | 73,866 | 35,070 | 108,936 |
| | Contributions towards previous year's estimate | | | |
| 784 | Collection Fund Deficit / (Surplus) | (1,276) | (20,278) | (21,554) |
| 25,517 | Deficit / (Surplus) for the Year | (3,304) | (6,981) | (10,285) |
| | COLLECTION FUND BALANCE | | | |
| (755) | Balance brought forward at 1 April | 2,978 | 21,784 | 24,762 |
| 25,517 | Deficit / (Surplus) for the year (as above) | (3,304) | (6,981) | (10,285) |
| 24,762 | Balance carried forward at 31 March | (326) | 14,803 | 14,477 |
| | Allocated to: | | | |
| 13,158 | Middlesbrough Council | (273) | 7,254 | 6,981 |
| 379 | Cleveland Police and Crime Commissioner | (41) | 0 | (41) |
| 333 | Cleveland Fire Authority | (12) | 148 | 136 |
| 10,892 | Central Government | 0 | 7,401 | 7,401 |
| 24,762 | Balance carried forward at 31 March | (326) | 14,803 | 14,477 |

Notes to the Collection Fund

Note 1 Income from Council Tax

Calculation of the Council Tax base

The Council Tax replaced the Community Charge on the 1 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 | Band D Equivalent Dwellings |
|---|---|-------|-------------------------------|-----------------------------|
| | | | £000 | |
| A* | 31 | +5/9 | 30,554 | 17 |
| A | 18,025 | +6/9 | 21,114,957 | 12,017 |
| B | 7,880 | +7/9 | 10,769,542 | 6,129 |
| C | 8,973 | +8/9 | 14,013,928 | 7,976 |
| D | 4,678 | +9/9 | 8,219,936 | 4,678 |
| E | 2,310 | +11/9 | 4,960,692 | 2,823 |
| F | 827 | +13/9 | 2,099,473 | 1,195 |
| G | 484 | +15/9 | 1,416,816 | 806 |
| H | 28 | +18/9 | 99,452 | 57 |
| | 43,237 | | 62,725,350 | 35,698 |
| Less: Adjustments for assumed non-collection based on budgets assumption of 96.6% collection rate | | | (2,132,662) | (1,214) |
| Total | | | 60,592,688 | 34,484 |

A* - Band A properties receiving Disabled Relief

The average Council Tax for band D dwellings for Middlesbrough Council was £1,757.11

Note 2 Income from Business Rates

In 2013/2014, the administration of Non Domestic Rates (NDR) 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 NDR 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%).

The total non-domestic rateable value at 31 March 2022 was £101,659,272 (£103,369,078 at 31 March 2021) and the national non-domestic multiplier for the year was 51.2p (51.2p in 2020/21).

Note 3 Previous Years Council Tax Deficit / Surplus

The Council has a statutory requirement to provide details each January of the projected Council Tax deficit or surplus at the end of the financial year. The estimated previous year's Council Tax deficit or surplus is payable to / from the Collection Fund by the Billing Authority and Precepting Authorities in proportion to amounts raised or owing:

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|---|-----------------|
| 1,064 | Middlesbrough Council | 818 |
| 162 | Cleveland Police and Crime Commissioner | 125 |
| 49 | Cleveland Fire Authority | 38 |
| 1,275 | Total Deficit / (Surplus) | 981 |

Note that for 2021/22 the £0.981 million is after the deduction of 1/3rds of the Exceptional Balance of £1.039 million, which is to be financed in 2023/24.

Note 4 Council Tax and Business Rates Provisions

Following a review of the provision, the model has been updated to reflect changes in the collection rates, profiled over the debt lifecycle. This moves away from providing 100% for debt over 5 years old, to a scaled model, providing zero for the current year and then incrementally increasing by 10% each year, until over 10 years old.

The methodology for the provision for appeals is the same as previous years as this is based on live data from the Analyse Local system.

The total provisions held for the Collection Fund at 31 March 2022 are set out in the table below:

| | Council Tax BDP £000 | Business Rates BDP £000 | Provision for Appeals £000 | Total £000 |
|--|-------------------------------|----------------------------------|-------------------------------------|---------------|
| Opening Balance as at 1 April 2021 | 23,678 | 8,784 | 4,529 | 36,991 |
| Reductions in the provision in year | | 0 | (950) | (950) |
| Increase in the provision in year | 1,327 | 203 | 0 | 1530 |
| Closing balance as at 31 March 2022 | 25,005 | 8,987 | 3,579 | 37,571 |

6. Teesside Pension Fund Accounts and Notes



Notes to the Pension Fund Accounts

| Note | Description | Page |
|-----------|---|------|
| | Description of Teesside Pension Fund | 112 |
| | Teesside Pension Fund Accounts and Net Asset Statement | 114 |
| 1 | Basis of Preparation | 115 |
| 2 | Accounting Standards issued not yet Adopted | 115 |
| 3 | Summary of Significant Accounting Policies | 116 |
| 4 | Critical Judgements, Sensitivities and Accounting Estimates | 119 |
| 5 | Assumptions made about the Future and other Major Sources of Estimation Uncertainty | 120 |
| 6 | Contributions | 121 |
| 7 | Benefits Payable | 121 |
| 8 | Transfers in from Other Pensions Funds | 121 |
| 9 | Other Income | 122 |
| 10 | Payments to and on account of leavers | 122 |
| 11 | Management Expenses | 122 |
| 12 | Investment Income | 122 |
| 13 | Investment Assets | 123 |
| 14 | Financial Instruments | 128 |
| 15 | Actuarial Valuations | 134 |
| 16 | Current Assets | 135 |
| 17 | Current Liabilities | 136 |
| 18 | Related Party Transactions | 136 |
| 19 | External Audit Costs | 136 |
| 20 | Senior Employees' Remuneration | 136 |
| 21 | Events after the Balance Sheet Date | 136 |
| | The Compliance Statement | 137 |

Teesside Pension Fund Statement of Accounts

Introduction

The Teesside Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS). The Fund is administered by Middlesbrough Council and the Council is the reporting entity for the Fund.

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016.

The Council has delegated decision making in relation to the Fund to the Pension Fund Committee. The day to day administration of the Fund and the operation of the management arrangements and investment portfolio is the responsibility of the Director of Finance (Section 151 Officer) of the Council.

The Pension Fund Committee consists of representatives of the employers of the Fund (specifically Councillors of the Local Authority employers together with one representative chosen from the other scheme employers), and employee representatives (from relevant Trade Unions) and makes decisions without reference to the Council. The Pension Fund Committee sets investment strategy and recommends investment decisions. An independent Pensions Board exists and operates as a scrutiny panel to ensure the Pension Fund Committee acts within the statutory and regulatory framework.

Operation

The Fund is operated as a funded, defined benefit occupational pension scheme which provides for the payment of benefits to employees and former employees of the Teesside local authorities and of those bodies admitted to the Fund, and in some circumstances payment of benefits to those individual's dependants; collectively referred to as members. The benefits paid to members include retirement pensions, dependant's pensions, death grants and lump sums.

The Fund is financed by contributions from members, employers and the income from the Fund's investment portfolio of some £56 billion. The funding policy aims to ensure that the assets held by the scheme are adequate to meet the future liabilities (members' pensions and lump sums) of the Fund allowing for future changes to pensions and pay.

Financial Statements

The Fund's accounts provide information on the financial position, membership, investment performance and risks associated with the Fund. They show the results of the Fund's stewardship in managing the resources entrusted to it and provide information on the income and expenditure of the Fund and the investments it controls.

While membership rose in 2022, the Fund continued to pay more in benefits than it received in contributions as more members are drawing pensions. Net withdrawal of funds were £64.2 million (2021 £61.4 million). During the year, the overall value of the Fund increased by £514 million to £5.07 billion.

Membership

Membership of the LGPS is voluntary and employees, including non-teaching staff, are free to choose whether to join the scheme, remain in the scheme or make their own arrangements. Teaching staff have access to their own defined benefit scheme the details of which are provided in the Councils financial statements.

The tables overleaf summarises the membership of the scheme over recent years showing an overall increase in all categories of members: active members, members who have deferred rights and those who are drawing pensions.

| Membership of the Fund | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Active | 23,295 | 22,724 | 23,438 | 24,238 | 25,434 |
| Deferred | 23,243 | 23,361 | 23,488 | 23,322 | 26,249 |
| Pensioner | 22,757 | 23,983 | 24,651 | 25,366 | 26,212 |
| Total | 69,295 | 70,068 | 71,577 | 72,926 | 77,895 |

| Summary of Changes in Membership | Active Members | Deferred Members | Pensioner Members | Dependants | Total |
|---|-----------------------|-------------------------|--------------------------|-------------------|----------------|
| At 01-APR-2021 | 24,238 | 23,322 | 22,156 | 3,210 | 72,926 |
| Adjustments | (85) | 3,055 | 105 | 16 | 3,091 |
| New Members | 3,347 | 719 | 1,316 | 261 | 5,643 |
| Change in Status | (539) | (708) | (175) | 0 | (1,422) |
| Leavers | (1,527) | (139) | (495) | (182) | (2,343) |
| At 31-MAR-2022 | 25,434 | 26,249 | 22,907 | 3,305 | 77,895 |
| % of Total Membership | 32.7% | 33.7% | 29.4% | 4.2% | 100.0% |

Employers participating in the Teesside Pension Fund Accounts include:

- Scheduled bodies - local authorities or similar bodies whose staff are automatically entitled to be members of the Fund.
- Admission bodies - organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admission bodies include voluntary and charitable organisations and private contractors that are undertaking a local authority function following out sourcing to the private sector.



Teesside Pension Fund Statement of Accounts

Fund Accounts for the year ended 31 March 2022

| 2020/21 | | | 2021/22 |
|-----------|--|--------|-----------|
| £000 | | Note | £000 |
| | Dealings with members, employers and others directly involved in the Fund | | |
| (95,393) | Contributions | 6 | (97,666) |
| (3,061) | Transfers in from other pension funds | 8 | (2,371) |
| (5,577) | Other income | 9 | (3,626) |
| (104,031) | Total Income from Members | | (103,663) |
| | | | |
| 149,785 | Benefits payable | 7 | 153,758 |
| 8,158 | Payments to and on account of leavers | 10 | 5,974 |
| 157,943 | Total Expenditure to Members | | 159,732 |
| | | | |
| 53,912 | Net / withdrawals from dealings with members | | 56,069 |
| | | | |
| 7,484 | Management expenses | 11 ,20 | 8,128 |
| | | | |
| 61,396 | Net withdrawals including fund management expenses | | 64,197 |
| | | | |
| | Returns on investment | | |
| (13,741) | Investment income | 12 | (176,365) |
| (901,667) | Profits and losses on disposal of investments and changes in the market value of investments | 13 | (401,744) |
| (915,408) | Net returns on investment | | (578,109) |
| | | | |
| (854,012) | Net (increase)/decrease in the net assets available for benefits during the year | | (513,912) |
| | | | |
| 3,705,473 | Net assets of the scheme as at 1 April | | 4,559,485 |
| | | | |
| 4,559,485 | Net assets of the scheme as at 31 March | | 5,073,397 |
| | | | |
| 2020/21 | Net Assets Statement as at 31 March | | 2021/22 |
| | | | |
| 4,553,817 | Investments Assets | 13 | 5,072,094 |
| 20,969 | Current Assets | 16 | 12,806 |
| (15,301) | Current liabilities | 17 | (11,503) |
| 4,559,485 | Net assets of the Fund at 31 March | | 5,073,397 |

Notes to Teesside Pension Fund Accounts

Note 1 Basis of Preparation

The accounts are prepared on a going concern basis; that is, on the assumption that the Council will continue to operate as the administering authority for the Pension Fund and the Pension Fund will continue to meet its financial obligations for the foreseeable future from the date that the audited accounts are issued, this period being at least twelve months from the approval of these financial statements.

The financial statements are prepared in line with the requirements of the CIPFA Code of Practice on Local Authority Accounting, which states that as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. The Council is established under the Local Government Regulations 2013 as an Administering Authority of the Local Government Pensions Scheme and is therefore a statutory body expected to be a going concern until notification is given that the body will be dissolved, and its functions transferred.

The Pension Fund has carried out an assessment on its financial position and performance during 2021/22 and beyond as part of its going concern assessment. This included consideration of the following:

- The Fund had assets of c. £5.07 billion as at 31 March 2022. £3.92 billion (77%) of this is held in assets which are considered to be liquid and which could be converted to cash if required (including £0.82 billion actually held as cash).
- The Fund has estimated that in 2021/22 it will pay out approximately £175 million in benefits and other outgoings in the coming twelve months and is forecasting contribution income in the region of £85 million. This shortfall in contribution income verses benefits and other expenditure of £90 million will be met partly from other regular investment income, which is estimated to be £20 million in 2021/22 with the remaining £70 million being taken from the Fund's cash balance, which was £817 million at the 31 March 2022.

On this basis, management believes it is appropriate to continue to prepare the financial statements on a going concern basis, and that there are no material uncertainties in relation to this basis of preparation.

The statement of accounts summarises the Funds's transactions for the 2021/22 financial year and its position at year end as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which is based upon international Financial Reporting Standards (IFRS), as amended for the UK local government sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits, which fall due after the end of the financial year.

Note 2 Accounting standards issued but not yet been adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is no recognition for low-value and short-term leases). CIPFA/LASAAC have however deferred implementation of IFRS16 for local government to 1 April 2024 due to the impact of Covid-19.

Note 3 Summary of Significant Accounting Policies

Accruals

The accounts have been prepared on an accruals basis, and the accruals threshold set by management is £100,000. The exception to this accruals basis is individual transfer values, which are recognised on a cash transfer basis.

Fund Account – Revenue Recognition

Contributions Income

Normal contributions, from both the members and the employers, are accounted for on an accruals basis in the payroll period to which they relate. The employers' percentage rate is set by the Actuary, whilst the employees' rate is determined by the Local Government Pension Scheme (LGPS) Regulations. Employer deficit funding contributions are accounted for on the due dates set by the actuary, or on receipt if earlier.

Employer strain on the fund and any augmentation contributions are accounted for in the period in which the liability arises. Amounts due in the year but still outstanding at the year-end are accrued, according to the accruals threshold.

Transfer Values

Transfer values represent the sums receivable in respect of members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations.

Individual transfer values in and out have been accounted for in the period in which they were paid or received.

Transfers in from members wishing to use the proceeds from their additional voluntary contributions to purchase scheme benefits, are accounted for on a receipts basis within transfers in.

Bulk transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Investment Income

Investment income has been recognised as due on the ex-dividend date and is credited to the Fund on the date of the dividend, if received. The investment income is not grossed up for tax, as it is reported as net cash received.

Interest Income

Interest income is recognised in the Fund account when it is received and is accrued at the year end, using the effective interest rate of the financial instrument as at the date of acquisition.

Dividend Income

Dividend income is recognised on the date the shares are quoted as ex-dividend. Any amount not received at the year-end is disclosed in the net assets statement as a current financial asset.

Distributions from Pooled Funds

Distributions from Pooled Funds are recognised on the date of issue. Any amount not received at the year-end is disclosed in the net assets statement as a current financial asset.

Property Related Income

Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the Fund is accounted for on an accruals basis.

Movement in the Net Market Value of Investments

Changes in the net market value of investments (including investment properties) are recognised as income or expense and comprise all realised and unrealised profits/losses during the year.

Fund Account – Expense Items

Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Taxation

The Fund is a registered public service scheme under section 1 (1) of schedule 36 of the Finance Act 2004 and, as such, is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Any withholding tax recovered is credited on receipt. We account for dividends and recoverable tax on a cash basis but do not account for non-recoverable tax

Management Expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with CIPFA's guidance, "Accounting for Local Government Pension Scheme Management Expenses (2016)".

Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. Expenses for actuarial, audit and legal fees are paid directly by the Fund.

Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment Management Expenses

All investment management expenses are accounted for on an accruals basis. Fees of external investment managers and the Fund's custodians are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. The costs of the Council's in house fund management team are charged direct to the Fund and a proportion of the Council's costs representing management time spent by officers on investment management is also charged to the Fund.

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.

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

The 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 currently complies with this standard.

Foreign Currency Transactions

Foreign income and sales and purchase of investments in foreign currencies received during the year have been converted into Sterling at the exchange rate at the date of transaction. Amounts outstanding at the year-end have been valued at the closing exchange rates on 31 March 2022.

Net Assets Statement

Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at 31 March 2022. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of an asset. From this date, any gains and losses arising from changes in the fair value of assets are recognised in the Fund account. The value of investments as shown in the net assets statement have been determined as follows;

Market Quoted Investments

Investments are valued at fair value as at 31 March 2022, as provided by the Fund's custodian. Quoted UK securities are valued at the bid price based on quotations in the Stock Exchange Daily Official List. Overseas quoted securities are, similarly, valued at the bid price from overseas stock exchanges, translated at closing rates of exchange.

Pooled Investment Vehicles

Pooled investment vehicles are valued at closing bid prices 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.

Fixed Interest Securities

The value of fixed income investments excludes interest earned but not paid over at the year end. The interest earned is accrued within the investment income receivable.

Unquoted Investments

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.

Freehold and Leasehold Properties

Properties are shown as valued at 31 March 2022. Properties are valued annually by an independent external valuer on a fair value basis, and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).

Custody and Security of Investments

Most investments are held in nominee name by the Fund's Global Custodian, Northern Trust. Exceptions to this are directly owned properties, money market 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.

Outstanding Commitments

The Fund has made commitments to investments, which are not included in the accounts of the Fund until the monies have been drawn down by the relative manager. These are shown in [Note 13](#).

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.

Disposal of Investments

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

Interest on Cash Balances

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

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS26 (Accounting and Reporting by Retirement Benefit Plans) and relevant actuarial standards. As permitted under the Code, the Fund has adopted to disclose the actuarial present value of promised retirement benefits by way of a note, refer to [Note 15](#).

Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed the Prudential Assurance Co Ltd as the current provider. AVCs are paid to the AVC provider by the employers and are specifically for providing additional benefits for the individual contributors. Each AVC contributor receives an annual statement showing the value of their account and any movements in the year. AVCs are not included in the accounts in accordance with Regulation 4 (1) b of the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016, but are disclosed as a note only ([Note 18](#)).

Value Added Tax

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

Note 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 2022 was £384,298,548 (£149,793,736 at 31 March 2021).

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 IAS26 (Accounting and Reporting by Retirement Benefit Plans). Assumptions underpinning the valuations are agreed with the actuary and are summarised in [Note 15](#). This estimate is subject to significant variances based on changes to the underlying assumptions.

Freehold and Leasehold Property

Independent external valuers, Cushman & Wakefield use techniques to determine the fair value of directly held freehold and leasehold property in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th edition).

Note 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 Fund about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other 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 for example, a 0.1% per annum decrease in the discount factor assumption could increase liability by around £19.856 million. |
| Pooled Investment Vehicles | Infrastructure and global property 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. | Unobservable market values amount to £4,253 billion and are relating to infrastructure, real estate, and pooled equity vehicles |
| Freehold and leasehold property | Independent external valuers, Cushman & Wakefield use techniques to determine the fair value of directly held freehold and leasehold property in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th edition). | The effect of variations in the factors supporting the valuation would be an increase or decrease 19.5% in the value of directly held property £53.9 million, on a fair basis of £331.1 million. |

Note 6 Contributions

Contributions from both members and employers are accounted for on an accrual basis in the payroll period. The employers' percentage rate is set by the actuary, whilst the employees' rate is determined by the Local Government Pension Scheme (LGPS) Regulations.

| | | 2020/21 | 2021/22 |
|--------------|--------------------------------|-----------------|-----------------|
| | | £000 | £000 |
| Employers | Normal | (63,910) | (67,214) |
| | Additional Contributions | (13) | (12) |
| | Deficit Recovery Contributions | (1,055) | (506) |
| Members | Normal | (30,415) | (29,934) |
| Total | | (95,393) | (97,666) |

Analysis of Total Contributions

| | | 2020/21 | 2021/22 |
|---|--|-----------------|-----------------|
| | | £000 | £000 |
| Administering Authority – Middlesbrough Council | | (13,451) | (12,629) |
| Scheduled Bodies | | (68,071) | (72,217) |
| Admission Bodies | | (13,871) | (12,820) |
| Total | | (95,393) | (97,666) |

Note 7 Benefits Payable

Pensions/lump sum benefits payable include all amounts known to be due at the end of the financial year.

| | | 2020/21 | 2021/22 |
|---|--|----------------|----------------|
| | | £000 | £000 |
| Pensions | | 123,640 | 127,421 |
| Commutations and lump sum retirement benefits | | 22,947 | 22,750 |
| Lump sum death benefits | | 3,198 | 3,587 |
| Total | | 149,785 | 153,758 |

Analysis of Total Benefits

| | | 2020/21 | 2021/22 |
|---|--|----------------|----------------|
| | | £000 | £000 |
| Administering Authority – Middlesbrough Council | | 24,159 | 24,119 |
| Scheduled Bodies | | 91,839 | 95,869 |
| Admission Bodies | | 33,787 | 33,770 |
| Total | | 149,785 | 153,758 |

Note 8 Transfers in from Other Pension Funds

Transfer values represent the sums receivable in respect of members who have joined the Fund during the financial year.

| | | 2020/21 | 2021/22 |
|--|--|----------------|----------------|
| | | £000 | £000 |
| Individual transfers in from other schemes | | (3,061) | (2,371) |
| Total | | (3,061) | (2,371) |

Note 9 Other Income

| | 2020/21 | 2021/22 |
|------------------------------------|----------------|----------------|
| | £000 | £000 |
| Capital Costs of Early Retirements | (4,311) | (2,748) |
| Other income | (1,266) | (878) |
| Total | (5,577) | (3,626) |

Note 10 Payments to and on account of leavers

| | 2020/21 | 2021/22 |
|---|--------------|--------------|
| | £000 | £000 |
| Refunds to members leaving scheme | 205 | 199 |
| Payments for members joining state scheme | 159 | 483 |
| Individual transfers to other schemes | 7,794 | 5,292 |
| Total | 8,158 | 5,974 |

Note 11 Management Expenses

The Fund discloses its pension fund management expenses in accordance with CIPFA's guidance 'Accounting for Local Government Pension Scheme Management Expenses (2016)'. This includes administrative expenses, investment management expenses and oversight and governance costs.

| | 2020/21 | 2021/22 |
|--------------------------------|--------------|--------------|
| | £000 | £000 |
| Administrative costs | 1,938 | 2,238 |
| Investment management expenses | 4,955 | 5,474 |
| Oversight and governance costs | 553 | 397 |
| Total | 7,446 | 8,109 |

All investment management expenses are accounted for on an accruals basis. Fees of external managers and custodian are agreed in respective mandates governing their appointments.

| | 2020/21 | 2021/22 |
|--|--------------|--------------|
| | £000 | £000 |
| Management fees | 3,662 | 3,959 |
| Custody fees | 23 | 25 |
| Transaction costs | 719 | 939 |
| Loans & investment support service charges | 551 | 551 |
| Total | 4,955 | 5,474 |

Note 12 Investment Income

Investment income has been recognised as due on the ex-dividend date and is credited to the fund on the date of dividend.

| | 2020/21 | 2021/22 |
|--|-----------------|------------------|
| | £000 | £000 |
| Income from pooled investment vehicles | 511 | (159,957) |
| Net rents from properties (see note below) | (12,584) | (15,554) |
| Interest on cash deposits | (1,668) | (854) |
| Total | (13,741) | (176,365) |

Rental Income and Property Expenses

| | 2020/21 | 2021/22 |
|----------------------------------|-----------------|-----------------|
| | £000 | £000 |
| Gross Rental income | (13,563) | (16,172) |
| Property Expense / (Income) | 979 | 618 |
| Net Rents from Properties | (12,584) | (15,554) |

Note 13 Investment Assets

The Pension Fund invest in several types of assets in order to maximise the return on the investment for the Fund.

| 2021/22 | Value at 01-APR-2021 £000 | Purchases at Cost £000 | Sale Proceeds £000 | Change in Market Value £000 | Value at 31-MAR-2022 £000 |
|------------------------------|------------------------------|---------------------------|-----------------------|--------------------------------|------------------------------|
| Equities | 90 | 0 | 0 | (1) | 89 |
| Pooled Investment Vehicles | 3,869,990 | 1,320,339 | (1,672,195) | 336,132 | 3,854,266 |
| Pooled Property Investments | 64,040 | 0 | (8,197) | 11,698 | 67,541 |
| Properties | 277,200 | 0 | 0 | 53,915 | 331,115 |
| | 4,211,320 | 1,320,339 | (1,680,392) | 401,744 | 4,253,011 |
| Cash Deposits | 340,650 | | | | 817,250 |
| Other Investment Balances | 1,847 | | | | 1,833 |
| Net Investment assets | 4,553,817 | | | | 5,072,094 |

| 2020/21 | Value at 01-APR-2020 £000 | Purchases at Cost £000 | Sale Proceeds £000 | Change in Market Value £000 | Value at 31-MAR-2021 £000 |
|------------------------------|------------------------------|---------------------------|-----------------------|--------------------------------|------------------------------|
| Equities | 89 | 0 | 0 | 1 | 90 |
| Pooled Investment Vehicles | 2,868,327 | 876,896 | (765,047) | 889,814 | 3,869,990 |
| Pooled Property Investments | 51,134 | 190 | (386) | 13,102 | 64,040 |
| Properties | 278,450 | 0 | 0 | (1,250) | 277,200 |
| | 3,198,000 | 877,086 | (765,433) | 901,667 | 4,211,320 |
| Cash Deposits | 501,295 | | | | 340,650 |
| Other Investment Balances | 13,933 | | | | 1,847 |
| Net Investment assets | 3,713,228 | | | | 4,553,817 |

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 £228,314,613 and unrealised gain was £173,429,159. Prior year realised profit was £136,402,035 and unrealised gain was £765,265,080.

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 £938,946 (2020/2021 £719,226). 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.

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 2021/2022 the value at 31 March 2022 of the direct property portfolio was: £331,115,000
- For 2020/2021 the value at 31 March 2021 of the direct property portfolio was: £277,200,000

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

The following investments represent more than 5% of the net assets of the scheme.

| Security | Market Value 31-MAR-2021 | % of net assets of the scheme | Market Value 31-MAR-2022 | % of net assets of the scheme |
|---------------------------------------|-----------------------------|----------------------------------|-----------------------------|----------------------------------|
| | £000 | | £000 | |
| Border to Coast PE Overseas Dev Mkts | 953,478 | 22.64% | 1,608,520 | 37.82% |
| Border to Coast PE UK Listed Equity | 1,292,616 | 30.69% | 615,588 | 14.47% |
| SSGA MPF Pacific Basin Ex-Japan Index | 451,648 | 10.72% | 334,706 | 7.87% |

In addition, 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 Committee.

| Asset Class / Security | Market Value 31-MAR-2021 | % of asset class | Market Value 31-MAR-2022 | % of asset class |
|--|-----------------------------|---------------------|-----------------------------|------------------------|
| | £000 | | £000 | |
| UK Equities | | | | |
| Border to Coast UK L E-AA GBP | 1,129,616 | 99.99% | 615,588 | 99.99% |
| Overseas Equities | | | | |
| Border to Coast OS DEV M-AA GBP | 953,478 | 43.56% | 1,608,520 | 66.41% |
| SSGA MPF Pacific Basin ex-Japan Index | 451,648 | 20.63% | 334,706 | 13.82% |
| SSGA MPF Euro Ex UK Equity Index Sub Fund | 207,819 | 9.49% | 122,869 | 5.07% |
| Border to Coast Emerging Market Hybrid Fund | 0 | 0.00% | 210,824 | 8.70% |
| Private Equities | | | | |
| Crown Co Investment Opp II PLC | 17,658 | 11.79% | 36,950 | 9.61% |
| Crown Secondaries Special Opportunities II | 0 | 0.00% | 19,718 | 5.13% |
| Unigestion SA | 0 | 0.00% | 28,130 | 7.32% |
| Pantheon Global Co-Investment Opportunities IV | 12,276 | 8.20% | 26,412 | 6.87% |
| Crown Growth Global Opportunities III | 11,278 | 7.53% | 36,711 | 9.55% |
| Blackrock Private Opportunities Fund IV | 9,229 | 6.16% | 22,974 | 5.98% |
| Border to Coast Private Equity Series 1A | 24,546 | 16.39% | 64,718 | 16.84% |
| Capital Dynamics Global Secondaries V | 10,402 | 6.94% | 19,497 | 5.07% |
| The Model T Finance Company | 20,000 | 13.35% | 26,500 | 6.90% |
| Infrastructure | | | | |

| | | | | |
|---|--------|--------|--------|--------|
| ACIF Infrastructure | 18,647 | 12.71% | 22,632 | 8.62% |
| Border to Coast Infrastructure Series 1A | 17,918 | 12.21% | 34,667 | 13.20% |
| Border to Coast Infrastructure Series 1C | 0 | 0.00% | 24,528 | 9.34% |
| JP Morgan IIF UK I LP | 36,719 | 25.03% | 47,209 | 17.98% |
| Ancala Infrastructure Fund II | 9,946 | 6.78% | 18,922 | 7.21% |
| Gresham House BSI Infrastructure LP | 12,525 | 8.54% | 21,167 | 8.06% |
| Other Alternatives | | | | |
| Darwin Leisure Development Fund – Class D | 17,400 | 18.93% | 18,656 | 15.48% |
| Darwin Leisure Prop Units - Class C | 22,769 | 24.77% | 23,488 | 19.49% |
| Darwin Bereavement Services Fund - Class B | 16,070 | 17.48% | 17,042 | 14.14% |
| Darwin Bereavement Services Fund - Income Units | 0 | 0.00% | 10,264 | 8.52% |
| Darwin Leisure Property Fund K - Income Units | 15,290 | 16.63% | 15,449 | 12.82% |
| Hearthstone Residential Fund 1 | 8,498 | 9.24% | 9,566 | 7.94% |
| Gresham House BSI Housing Fund LP | 5,806 | 6.32% | 13,285 | 11.03% |
| Pantheon Senior Debt Secondaries II | 0 | 0.00% | 7,638 | 6.34% |
| Other Debt | | | | |
| Insight IIFIG Secured Finance II Fund | 0 | 0.00% | 24,755 | 50.35% |
| Graftongate Investments Ltd (Leonardo) | 0 | 0.00% | 4,406 | 8.97% |
| Greyhound Retail Park Chester | 0 | 0.00% | 20,000 | 40.68% |
| Direct Property | | | | |
| Doncaster (Omega Boulevard) | 30,350 | 10.95% | 37,800 | 11.42% |
| Birmingham (Bromford Central) | 18,150 | 6.55% | 23,950 | 7.23% |
| Gateshead (Team Valley Trading Estate) | 20,500 | 7.40% | 23,600 | 7.13% |
| Rugby (Valley Park) | 17,250 | 6.22% | 18,200 | 5.50% |
| London (Park Royal, Minerva Road) | 0 | 0.00% | 21,600 | 6.52% |
| London (Park Royal, Coronation Road) | 0 | 0.00% | 18,000 | 5.44% |
| Lutterworth (Magna Park) | 15,700 | 5.66% | 19,700 | 5.95% |
| Property Unit Trusts | | | | |
| Standard Life Investments European Property Growth Fund | 36,403 | 56.84% | 46,347 | 68.62% |
| LAMIT - Local Authorities Property Fund | 4,017 | 6.27% | 4,722 | 6.99% |
| Hermes Property | 4,330 | 6.76% | 5,064 | 7.50% |
| Threadneedle Property | 3,520 | 5.50% | 4,114 | 6.09% |
| Legal and General Managed Property Fund | 5,937 | 9.28% | 7,294 | 10.80% |

Geographical Analysis of Investments

| | As at 31 March 2021 | | As at 31 March 2022 | |
|----------------|---------------------|-------------|---------------------|----------------|
| | £000 | % | £000 | % |
| United Kingdom | 1,755,016 | 42% | 1,243,738 | 30% |
| United States | 1,029,673 | 24% | 1,123,077 | 26% |
| Asia Pacific | 737,691 | 17% | 817,262 | 19% |
| Europe | 485,317 | 12% | 591,638 | 14% |
| Japan | 203,614 | 5% | 266,463 | 6% |
| Others | 9 | 0% | 210,833 | 5% |
| Total | 4,211,320 | 100% | 4,253,011 | 100.00% |

Equities

| | As at 31-MAR-2021 | As at 31-MAR-2022 |
|-----------------|-------------------|-------------------|
| | £000 | £000 |
| UK quoted | 81 | 80 |
| Overseas quoted | 8 | 9 |
| Total | 89 | 89 |

Pooled Investment Vehicles and Properties

| | As at 31-MAR-2021 | As at 31-MAR-2022 |
|--|-------------------|-------------------|
| | £000 | £000 |
| UK Equity | 1,292,616 | 615,668 |
| Pooled Property investment Vehicle | 64,040 | 67,541 |
| Private Equity | 149,794 | 384,299 |
| Infrastructure | 146,725 | 262,599 |
| Other Alternative Investments | 91,928 | 120,486 |
| Other Debt | 0 | 49,161 |
| UK Unit and Investment Trusts Total | 1,745,103 | 1,499,754 |
| Overseas Equities | 2,188,927 | 2,422,142 |
| Overseas Unit and Investment Trusts Total | 2,188,927 | 2,422,142 |
| Total | 3,934,030 | 3,921,896 |

UK Properties

| | As at 31-MAR-2021 | As at 31-MAR-2022 |
|--------------|-------------------|-------------------|
| | £000 | £000 |
| Freehold | 215,275 | 264,115 |
| Leasehold | 61,475 | 67,000 |
| Total | 277,200 | 331,115 |

The properties were valued on the basis of Material Valuation Uncertainty at 31 March 2021 by Cushman and Wakefield LLP acting as an External Valuer. The valuer's opinion of the Market Value of the Fund's interests in the properties has been reported (as per VPS 3 and VPGA 10 of the RICS Red Book Global). The current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Cash Deposits

| | As at 31-MAR-2021 | As at 31-MAR-2022 |
|------------------------|-------------------|-------------------|
| | £000 | £000 |
| Sterling Cash deposits | 340,650 | 817,250 |

Other Investment Balances

| | As at 31-MAR-2021 | As at 31-MAR-2022 |
|-------------------------------|-------------------|-------------------|
| | £000 | £000 |
| Cash deposits with custodian | 1,470 | 1,470 |
| Interest due on cash deposits | 377 | 363 |
| Total | 1,847 | 1,833 |

Outstanding Commitments

As at 31 March 2022, the Fund had the following outstanding commitments.

| | Initial Commitment | Capital Payments made | Outstanding commitments at 31 March 2022 |
|--|-----------------------|-----------------------------|---|
| Infrastructure | | | |
| | GBP | GBP | GBP |
| Border to Coast Infrastructure Series 1A | 100,000,000 | 39,831,082 | 60,168,918 |
| Border to Coast Infrastructure Series 1B | 50,000,000 | 12,017,540 | 37,982,460 |
| Border to Coast Infrastructure Series 1C | 50,000,000 | 24,417,319 | 25,582,681 |
| Capital Dynamics Clean Energy Infrastructure Fund VIII | 20,000,000 | 9,100,754 | 10,899,246 |
| Capital Dynamics Clean Energy Infrastructure Fund VIII - Co Investment | 10,000,000 | 4,550,377 | 5,449,623 |
| Gresham House, British Strategic Investment Infrastructure Fund | 20,000,000 | 17,971,505 | 2,028,495 |
| Innisfree PFI Continuation Fund | 10,000,000 | 9,708,498 | 291,502 |
| Innisfree PFI Secondary Fund 2 | 10,000,000 | 8,360,796 | 1,639,204 |
| TPF Co-Investment BSI LP - Waste Knot | 10,000,000 | 10,000,000 | 0 |
| Total GBP | 280,000,000 | 135,957,871 | 144,042,129 |
| | EUR | EUR | EUR |
| Access Capital Infrastructure Fund | 23,000,000 | 21,436,000 | 1,564,000 |
| Access Capital Infrastructure Fund II | 20,000,000 | 12,478,000 | 7,522,000 |
| Access Capital Infrastructure Fund II (Fund 2) | 22,000,000 | 5,205,000 | 16,795,000 |
| Ancala Infrastructure Fund II | 23,000,000 | 17,868,481 | 5,131,519 |
| Foresight Energy Infrastructure | 17,000,000 | 3,697,048 | 13,302,952 |
| Total EUR | 105,000,000 | 60,684,529 | 44,315,471 |
| | USD | USD | USD |
| Blackrock Global Energy & Power Infrastructure Fund III | 25,000,000 | 13,103,679 | 11,896,321 |
| Blackrock Global Renewable Power III | 25,000,000 | 5,037,160 | 19,962,840 |
| JP Morgan Infrastructure Investments Fund (IIF) | 50,000,000 | 50,000,000 | 0 |
| Total USD | 100,000,000 | 68,140,839 | 31,859,161 |
| | | | |
| Other Alternatives | | | |
| | GBP | GBP | GBP |
| Bridges Evergreen TPF Housing Co-Investment LP | 5,000,000 | 765,180 | 4,234,820 |
| Darwin Bereavement Services Fund - Income Units | 10,000,000 | 10,000,000 | 0 |
| Gresham House Housing Fund | 20,000,000 | 13,096,625 | 6,903,375 |
| Hearthstone Residential Fund 1 LP | 10,000,000 | 10,000,000 | 0 |
| Hearthstone Residential Fund 2 LP | 20,000,000 | 3,090,030 | 16,909,970 |
| Total GBP | 65,000,000 | 36,951,835 | 28,048,165 |
| | EUR | EUR | EUR |
| La Salle Real Estate Debt Strategies IV | 25,000,000 | 3,461,358 | 21,538,642 |

| | | | |
|---|--------------------|--------------------|--------------------|
| Total EUR | 25,000,000 | 3,461,358 | 21,538,642 |
| | USD | USD | USD |
| Pantheon Senior Debt Secondaries II | 25,000,000 | 9,292,937 | 15,707,063 |
| Total USD | 25,000,000 | 9,292,937 | 15,707,063 |
| | | | |
| Other Debt | | | |
| | GBP | GBP | GBP |
| Greyhound Retail Park, Chester | 20,000,000 | 20,000,000 | 0 |
| Insight, IIFIG Secured Finance II Fund | 25,000,000 | 25,000,000 | 0 |
| Leonardo Warehouse Unit, Yeovil | 30,030,934 | 4,405,529 | 25,625,405 |
| Total GBP | 75,030,934 | 49,405,529 | 25,625,405 |
| | | | |
| Private Equity | | | |
| | GBP | GBP | GBP |
| Border to Coast Private Equity Series 1A | 100,000,000 | 44,011,329 | 55,988,671 |
| Border to Coast Private Equity Series 1B | 50,000,000 | 14,904,335 | 35,095,665 |
| Border to Coast Private Equity Series 1C | 50,000,000 | 6,888,867 | 43,111,133 |
| Capital Dynamics LGPS Collective for Pools | 10,000,000 | 5,100,000 | 4,900,000 |
| The Model T Finance Company | 49,999,950 | 26,499,975 | 23,499,975 |
| Hermes Innovation Fund | 20,000,000 | 9,631,283 | 10,368,717 |
| Total GBP | 279,999,950 | 107,035,789 | 172,964,161 |
| | EUR | EUR | EUR |
| Access Capital Fund VIII Growth Buy-Out Europe | 30,000,000 | 14,760,000 | 15,240,000 |
| Access Capital Co-Investment Fund Buy-Out Europe II | 22,000,000 | 8,825,000 | 13,175,000 |
| Capital Dynamics Mid-Market Direct V | 20,000,000 | 9,661,359 | 10,338,641 |
| Crown Growth Global Opportunities III | 30,000,000 | 21,000,000 | 9,000,000 |
| Unigestion Direct II | 25,000,000 | 11,775,306 | 13,224,694 |
| Unigestion Secondary V | 50,000,000 | 24,500,000 | 25,500,000 |
| Total EUR | 177,000,000 | 90,521,665 | 86,478,335 |
| | USD | USD | USD |
| Blackrock Private Opportunities Fund IV | 25,000,000 | 17,998,407 | 7,001,593 |
| Capital Dynamics Global Secondaries V | 22,000,000 | 14,300,000 | 7,700,000 |
| Crown Co-Investment Opportunities II | 30,000,000 | 25,655,000 | 3,345,000 |
| Crown Co-Investment Opportunities III | 30,000,000 | 5,340,000 | 24,660,000 |
| Crown Global Opportunities VII | 40,000,000 | 13,480,000 | 26,520,000 |
| Crown Secondaries Special Opportunities II | 25,000,000 | 14,287,500 | 10,712,500 |
| Pantheon Global Co Investment Opportunities IV | 30,000,000 | 26,020,000 | 3,980,000 |
| Total USD | 202,000,000 | 118,080,907 | 83,919,093 |

Note 14 Financial Instruments

Net Gains and Losses on Financial Instruments

| Financial Assets | 2020/21 | 2021/22 |
|--|-----------|-----------|
| | £000 | £000 |
| Fair Value through profit and loss account | (901,667) | (401,744) |

Fair Value of Financial Instruments

| | Fair Value through profit and loss | Assets at amortised cost | Liabilities at amortised cost | Fair Value through profit and loss | Assets at amortised cost | Liabilities at amortised cost |
|--------------------------------|------------------------------------|--------------------------|-------------------------------|------------------------------------|--------------------------|-------------------------------|
| | As at 31-MAR-2021 | | | As at 31-MAR-2022 | | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Financial Assets | | | | | | |
| Equities | 90 | | | 89 | | |
| Pooled Investments | 3,869,990 | | | 3,854,266 | | |
| Pooled Property Investments | 64,040 | | | 67,541 | | |
| Cash | | 349,550 | | | 817,250 | |
| Other investment balances | | 1,847 | | | 1,833 | |
| Sundry debtors and prepayments | | 20,969 | | | 12,806 | |
| | 3,934,120 | 372,366 | 0 | 3,921,896 | 831,889 | 0 |
| Financial Liabilities | | | | | | |
| Sundry creditors | | | (15,301) | | | (11,503) |
| | 0 | 0 | (15,301) | 0 | 0 | (11,503) |
| Net Financial Assets | 3,934,120 | 363,429 | (15,301) | 3,921,896 | 831,889 | (11,503) |

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.

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 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 31 March annually. Cash flow 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 Instruments carried at fair value

| | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|------------------|------------------|------------------|
| Value as at 31-MAR-2022 | £000 | £000 | £000 | £000 |
| Financial assets at fair value through profit and loss account | 89 | 2,745,971 | 1,175,836 | 3,921,896 |
| Non-financial assets through profit and loss account | 0 | 0 | 331,115 | 331,115 |
| Loans and receivables | 831,889 | 0 | 0 | 831,889 |
| Financial Liabilities at amortised cost | (11,503) | 0 | 0 | (11,503) |
| Total Financial Assets | 820,475 | 2,745,971 | 1,506,951 | 5,073,397 |

Valuation of Financial Instruments carried at fair value

| | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|------------------|------------------|------------------|
| Value as at 31-MAR-2021 | £000 | £000 | £000 | £000 |
| Financial assets at fair value through profit and loss account | 90 | 2,465,168 | 1,468,862 | 3,934,120 |
| Non-financial assets through profit and loss account | 0 | 0 | 277,200 | 277,200 |
| Financial Assets at amortised cost | 372,366 | 0 | 0 | 372,366 |
| Financial Liabilities at amortised cost | (15,301) | 0 | 0 | (15,301) |
| Total Financial Assets | 357,155 | 2,465,168 | 1,746,062 | 4,568,385 |

Sensitivity of Assets at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation classification described above are likely to be accurate to within, the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

Valuation of Financial Instruments carried at fair value – 31 March 2022

| | Assessed valuation range (+/-) | Value at 31-MAR-2022 | Value on increase | Value on decrease |
|---|--------------------------------|----------------------|-------------------|-------------------|
| | | £000 | £000 | £000 |
| Pooled Investments - Overseas Equity | 12.96% | 602,790 | 680,912 | 524,669 |
| Pooled Investments - Private Equity | 18.75% | 384,299 | 456,355 | 312,243 |
| Pooled Investments - Infrastructure | 18.75% | 79,234 | 94,091 | 64,378 |
| Pooled Investments - Other Alternatives | 18.75% | 14,005 | 16,631 | 11,379 |
| Pooled Investments - Other Debt | 18.75% | 49,161 | 58,379 | 39,944 |
| Pooled Investments - Property | 7.05% | 46,347 | 49,615 | 43,080 |
| Total | | 1,175,836 | 1,355,982 | 995,692 |

Valuation of Financial Instruments carried at fair value – 31 March 2021

| | Assessed valuation range (+/-) | Value at 31-MAR-2021 | Value on increase | Value on decrease |
|---|--------------------------------|----------------------|-------------------|-------------------|
| | | £000 | £000 | £000 |
| Pooled Investments - Overseas Equity | 13.46% | 1,235,449 | 1,401,741 | 1,069,158 |
| Pooled Investments - Private Equity | 17.27% | 149,794 | 175,664 | 123,925 |
| Pooled Investments - Infrastructure | 17.27% | 35,473 | 41,599 | 29,347 |
| Pooled Investments - Other Alternatives | 17.27% | 5,806 | 6,809 | 4,803 |
| Pooled Investments - Property | 8.69% | 42,340 | 46,019 | 38,661 |
| Total | | 1,468,862 | 1,671,832 | 1,265,894 |

Reconciliation of Fair Value Measurements within level 3 during 2021/22

| | Market Value 01-APR-2021 | Transfer between levels | Purchases | Sales | Unrealised Gains/ Losses | Realised Gains/ Losses | Market Value 31-MAR-2022 |
|---|--------------------------|-------------------------|----------------|------------------|--------------------------|------------------------|--------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Pooled Investments – Overseas Equity | 1,235,989 | 0 | 0 | (660,000) | (151,499) | 178,300 | 602,790 |
| Pooled Investments – Private Equity | 149,794 | 0 | 131,825 | (17,391) | 120,071 | 0 | 384,299 |
| Pooled Investments – Infrastructure | 35,473 | 0 | 62,103 | (6,803) | (11,539) | 0 | 79,234 |
| Pooled Investments – Other Alternatives | 5,806 | 0 | 6,760 | 0 | 1,439 | 0 | 14,005 |
| Pooled Investments - Other Debt | 0 | 0 | 49,406 | 0 | (245) | 0 | 49,161 |
| Pooled Investments – Property | 42,340 | 0 | 0 | 0 | 4,007 | 0 | 46,347 |
| Total | 1,469,402 | 0 | 250,094 | (684,194) | (37,766) | 178,300 | 1,175,836 |

Reconciliation of Fair Value Measurements within level 3 during 2020/21

| | Market Value 01-APR-2020 | Transfer between levels | Purchases | Sales | Unrealised Gains/ Losses | Realised Gains/ Losses | Market Value 31-MAR-2021 |
|---|--------------------------|-------------------------|----------------|------------------|--------------------------|------------------------|--------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Pooled Investments – Overseas Equity | 1,433,862 | 0 | 0 | (745,023) | 405,904 | 141,246 | 1,235,989 |
| Pooled Investments – Private Equity | 33,836 | 0 | 108,082 | (6,850) | 14,726 | 0 | 149,794 |
| Pooled Investments – Infrastructure | 59,565 | (59,322) | 22,195 | (3,554) | 16,589 | 0 | 35,473 |
| Pooled Investments – Other Alternatives | 7,221 | 0 | 1,686 | (2,166) | (935) | 0 | 5,806 |
| Pooled Investments | 28,246 | 0 | 13,534 | (386) | 946 | 0 | 42,340 |
| Total | 1,562,730 | (59,322) | 145,497 | (757,979) | 437,230 | 141,246 | 1,469,402 |

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 cash flows. Responsibility for the Fund's risk management strategy rests with the Teesside Pension Fund Committee. 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 Fund 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 Pension Fund Committee.

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 the Investment Strategy Statement.

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with Portfolio Evaluation Ltd, the Fund has determined that the following movements in market price risk are reasonably possible for the 2021/22 reporting period.

| 2021/22 Price Risk | | Value as at 31-MAR-2022 | Change | Value on Increase | Value on Decrease |
|----------------------------|--------|----------------------------|--------|----------------------|----------------------|
| Asset Type | Region | £000 | % | £000 | £000 |
| Equities | UK | 80 | 14.98% | 92 | 68 |
| | Non UK | 9 | 12.96% | 10 | 8 |
| | Total | 89 | | 102 | 76 |
| Managed and Unitised Funds | UK | 912,542 | 14.98% | 1,049,241 | 775,843 |
| | Non UK | 3,009,265 | 12.96% | 3,399,266 | 2,619,264 |
| | Total | 3,921,807 | | 4,448,507 | 3,395,107 |
| Total | | 3,921,896 | | 4,448,609 | 3,395,183 |

| 2020/21 Price Risk | | Value as at 31-MAR-2021 | Change | Value on Increase | Value on Decrease |
|----------------------------|--------|----------------------------|--------------|----------------------|----------------------|
| Asset Type | Region | £000 | % | £000 | Asset Type |
| Equities | UK | 81 | 16.07% | 94 | 68 |
| | Non UK | 90 | 13.46% | 10 | 8 |
| | Total | 90 | | 104 | 76 |
| Managed and Unitised Funds | UK | 1,477,735 | 16.07% | 1,715,207 | 1,240,263 |
| | Non UK | 2,456,295 | 13.46% | 2,786,912 | 2,125,678 |
| | Total | 3,934,030 | | 4,502,119 | 3,365,941 |
| Total | | 3,934,120 | Total | 4,502,223 | 3,366,017 |

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 cash. The Fund's direct exposure to interest rate movements as at 31 March 2021 and 31 March 2022 is set out below:

| Asset Type at 31 March | 2020/21 | 2021/22 |
|---------------------------|----------------|----------------|
| | £000 | £000 |
| Cash and cash equivalents | 340,650 | 817,250 |
| Other Investment balances | 1,847 | 1,833 |
| Total | 342,497 | 819,083 |

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 basis points (BPS) change in interest rates.

| Asset Type | | + 25 BPS | - 25 BPS |
|-------------------------------|----------------|--------------|----------------|
| Carrying value at 31-MAR-2022 | £000 | £000 | £000 |
| Cash and cash equivalents | 817,250 | 2,043 | (2,043) |
| Cash balances | 1,833 | 5 | (5) |
| Total | 819,083 | 2,048 | (2,048) |

| Asset Type | | + 25 BPS | - 25 BPS |
|-------------------------------|----------------|------------|--------------|
| Carrying value at 31-MAR-2021 | £000 | £000 | £000 |
| Cash and cash equivalents | 340,650 | 851 | (851) |
| Cash balances | 1,847 | 5 | (5) |
| Total | 342,497 | 856 | (856) |

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 Pension Fund Committee is informed quarterly of the Fund's currency exposure.

The following tables summarise the Fund's currency exposure as at 31 March 2021 and as at 31 March 2022, showing the sensitivity analysis of foreign exchange movements.

| Currency Risk 31-MAR-2022 | Value £000 | Change % | Value on Increase £000 | Value on Decrease £000 |
|------------------------------|------------------|----------|------------------------|------------------------|
| Australian Dollar | 9 | 8.10% | 10 | 8 |
| Euro | 591,638 | 5.20% | 622,403 | 560,873 |
| Japanese Yen | 266,463 | 9.20% | 290,978 | 241,948 |
| US Dollar | 1,123,077 | 8.30% | 1,216,292 | 1,029,862 |
| Asia Pacific ex Japan basket | 817,262 | 8.10% | 883,460 | 751,064 |
| Total | 2,798,449 | | 3,013,143 | 2,583,755 |

| Currency Risk 31-MAR-2021 | Value £000 | Change % | Value on Increase £000 | Value on Decrease £000 |
|------------------------------|------------------|----------|------------------------|------------------------|
| Australian Dollar | 9 | 8.60% | 10 | 8 |
| Euro | 485,317 | 5.80% | 513,465 | 457,169 |
| Japanese Yen | 203,613 | 9.30% | 222,549 | 184,677 |
| US Dollar | 1,029,673 | 8.60% | 1,118,225 | 941,121 |
| Asia Pacific ex Japan basket | 737,691 | 8.60% | 801,132 | 674,250 |
| Total | 2,456,303 | | 2,655,381 | 2,257,225 |

Following analysis of historical data in consultation with Portfolio Evaluation Ltd, the Fund considers the likely volatility associated with foreign exchange rate movements to be as shown above. A percentage strengthening/weakening of the pound against the various currencies in which the fund holds investments would decrease/increase the net assets available to pay benefits as highlighted above.

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 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 2022. The LGPS Regulations require that a risk assessment of any new transferee admission body is carried out, and that a bond or guarantee is obtained where necessary. The Teesside Pension Fund Committee must approve the admission of any new body. Bonds or guarantees have been obtained for the Fund's admission body 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, infrastructure partnerships and other alternatives there are no commitments to contribute further capital to any of the existing fund investments. When private equity, infrastructure partnership and other alternatives capital calls are received, payments are made from cash or, if there are insufficient cash funds available, other assets are realised.

Note 15 Actuarial Valuations

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 31 March 2019 using the 'Projected Unit Method', which produced the following results:

| | 31-MAR-2016 | 31-MAR-2019 |
|----------------------|-------------|-------------|
| | £ million | £ million |
| Net Liabilities | 3,122 | 3,561 |
| Assets | 3,133 | 4,088 |
| Surplus | 11 | 527 |
| Funding Level | 100% | 115% |

The actuarial assumptions used to calculate the promised value of benefits at 31 March 2022 were:

Funding Assumptions

| | |
|---|------|
| Pre-retirement discount rate (ongoing funding target) | 4.5% |
| Pre-retirement discount rate (orphan body funding target) | 4.5% |
| Post-retirement discount rate (ongoing funding target) | 4.5% |
| Post-retirement discount rate (orphan body funding target) | 3.0% |
| Pre and Post-retirement discount rate (low risk funding target) | 1.3% |
| Salary increase assumption | 3.1% |
| Benefit increase assumption (CPI) | 2.1% |

The assumed life expectancy from age 65 (years) assumptions

| Mortality Assumptions: | Years |
|---|-------|
| Longevity at 65 for current pensioners: | |
| • Men | 21.80 |
| • Women | 23.40 |
| Longevity at 65 for future pensioners : | |
| • Men | 23.10 |
| • Women | 25.20 |

Note 16 Current Assets

Current assets are cash and any other asset that will be turning into cash within one financial year.

| Debtors | | 31-MAR-2021 | 31-MAR-2022 |
|---------------------------------|-----------|---------------|---------------|
| | | £000 | £000 |
| Other Debtors | | 2,740 | 2,723 |
| Sundry Debtors | | 1,183 | 615 |
| Contributions due in respect of | Employers | 4,161 | 5,965 |
| | Members | 3,180 | 2,755 |
| Cash balances | | 9,706 | 748 |
| Total | | 20,969 | 12,806 |

| Analysis of Debtors | 31-MAR-2021 | 31-MAR-2022 |
|--------------------------------|---------------|---------------|
| | £000 | £000 |
| Other local authorities | 3,918 | 4,736 |
| Other entities and individuals | 7,346 | 7,322 |
| Add cash balances | 9,706 | 748 |
| Total | 20,969 | 12,806 |

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

Note 17 Current Liabilities

Current Liabilities are the amounts owing within the next financial year.

| Amounts due within one year | 31-MAR-2021 | 31-MAR-2022 |
|-----------------------------|-----------------|-----------------|
| | £000 | £000 |
| Rents received in advance | (2,042) | (2,774) |
| Accrued expenses | (12,361) | (7,715) |
| Other payables | (898) | (1,014) |
| Total | (15,301) | (11,503) |

| Analysed by | 31-MAR-2021 | 31-MAR-2022 |
|--------------------------------|-----------------|-----------------|
| | £000 | £000 |
| Other local authorities | (1,120) | (1,121) |
| Public Corp & Trading Funds | (1,058) | (5,499) |
| Other entities and individuals | (13,123) | (4,883) |
| Total | (15,301) | (11,503) |

Note 18 Related Party Transactions

The Fund is administered by Middlesbrough Council. During the reporting period, the council incurred costs of £1,147,000 (2020/21: £1,120,000) in relation to the administration and management of the fund and was reimbursed by the fund for these expenses. Middlesbrough Council is one of the largest members of the pension fund and made employer contribution payments of £8.6 million over the period (2020/21 - £8.1 million).

Note 19 External Audit Costs

The external fees payable to the Fund's external auditors Ernst & Young LLP.

| | 2020/21 | 2021/22 |
|---|-----------|-----------|
| | £000 | £000 |
| Fees payable to our current external auditors, EY, with regard to their services carried out as appointed auditor (Section 5 Audit Commission Act 1998) | 49 | 48 |
| Total Fees | 49 | 48 |

The amounts above are one year behind the relevant financial year quoted due to the work being done in arrears after the end of each relevant year i.e. 2020/21 relates to the audit of 2019/20 FY and 2021/22 relates to the 2020/21 FY.

It should be noted that the Fees for 2019/20 went to PSAA arbitration for dispute and were reduced from £76k to £49k as part of that process. The audit fee for 2020/21 has yet to be finalised but the small reduction relates to marginally less work to complete in relation to Covid-19 procedures and a similar resolution of any PSAA dispute for that year.

Note 20 Senior Employees' Remuneration

| | 2020/21 | 2021/22 |
|--------------------------|-----------|-----------|
| | £000 | £000 |
| Key Management Personnel | | |
| Short Term Benefits | 66 | 66 |
| Post-Employment Benefits | 10 | 15 |
| Total | 76 | 81 |

Note 21 Events after the Balance Sheet Date

There are no events to report in this category at the authorised for issue date 29th July 2022.

The Compliance Statement

The Compliance Statement Local Government Pension Scheme Regulations

Middlesbrough Council administers the Teesside Pension Fund in accordance with:

The Local Government Pension Scheme Regulations 2013 (as amended)

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

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

Full details of the Governance Policy and Compliance Statement can be seen at

http://www.teespen.org.uk/documents/index.php?name=GOVERNANCE_2

[Full details of the changes to the scheme, along with updated scheme guides, are on our website at www.teespen.org.uk](http://www.teespen.org.uk)

Investment Strategy Statement

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require that Local Government Pension Scheme's administering authorities prepare, publish and maintain an Investment Strategy Statement (ISS). The current version of the Teesside Pension Fund ISS was approved by the Pension Fund Committee in March 2021 and contains statements on:

- Investment responsibilities, setting out the key responsibilities of the Teesside Pension Fund Committee, key officers of the Fund, the Fund's Custodian and the Independent Investment Advisors.
- The investment strategy and the type of investments held, e.g. equities, bonds, property etc.
- The maximum and minimum amount allowable in each asset class and any discretion by the administering authority to increase the limits on various types of investment.
- Risk, including the ways in which risks are to be measured and managed.
- The existing investment management arrangements, including details of the Fund's commitment to investment pooling through its jointly owned pooling company Border to Coast.
- The Fund's position as a responsible investor and its promotion of ethical, social and corporate governance best practice.
- The exercise of the rights (including voting rights) attaching to investments, and the Fund's statement of commitment to the Stewardship Code.
- The Fund's commitment to measure and report investment performance.
- The level of compliance with the Myners Principles.

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:

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

The Funding Strategy Statement

The Local Government Pension Scheme Regulations 2013, require 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:

- The purpose of the statement:
 - Establishes a clear and transparent strategy which identifies how employers' pension liabilities are best met going forward;
 - Supports the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
 - Take a prudent longer term view of funding liabilities.
- The purpose of the Fund, i.e. receive contributions and make pensioner payments.
- The solvency and target funding levels of the Fund, i.e. 100% of the liabilities of the Fund can be met over the long term.
- The identification of key risks to the Fund, and the control mechanisms in place to mitigate these risks.
- Links to the Fund's investment strategy.
- The key responsibilities of the administering authority, scheme employers and the Fund's Actuary are also set out.

The latest Funding Strategy Statement was approved by the Pensions Fund Committee and was effective from March 2020, and can be seen at

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

Governance Policy

Under the Local Government Pension Scheme Regulations 2013 Middlesbrough Council, the Administering Authority to the Teesside Pension Fund, is required to draw up a Governance Policy which sets out the procedures for the governance of the Fund. In summary, the policy sets out that the administering authority delegates its functions under the above Regulations to the XPS group (previously Kier Business Services Ltd) as administrator and the Pension Fund Committee to act in a similar manner to a Board of Trustees

The Policy also sets out the:

- Terms of reference of the Pension Fund Committee;
- Structure of meetings;
- Membership; and
- Principles of governance.

The latest policy document can be viewed at:

<https://www.teespen.org.uk/about-us/pensions-panel/>

Communications Policy

Under the Local Government Pension Scheme Regulations 2013 Middlesbrough Council, the Administering Authority to the Teesside Pension Fund, is required to draw up a statement(s) of policy concerning communications with members and Scheme employers.

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

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

A Communications Policy Statement has been drawn up in order to ensure that the Fund offers clear communication to stakeholders of the Local Government Pension Scheme. The latest policy statement can be seen at:

<https://www.teespen.org.uk/about-us/communications-policy/>

Teesside Pension Fund

Statement of the Actuary for the year ended 31 March 2022

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated June 2021. In summary, the key funding principles are as follows:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due.
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, and scheduled, resolution and admitted bodies, while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk exposure policies of the Administering Authority and employers alike.
- Seek returns on investments within reasonable risk parameters.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £4,088 million, were sufficient to meet 115% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2019 valuation was £527 million.

Individual employers' contribution requirements for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report and FSS.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund's assets. The key financial assumptions adopted for the 2019 valuation were as follows:

| Financial assumptions | 31 March 2019 |
|---|---------------|
| Pre-retirement discount rate (ongoing funding target) | 4.45% |
| Pre-retirement discount rate (orphan body funding target) | 4.45% |
| Post-retirement discount rate (ongoing funding target) | 4.45% |
| Post-retirement discount rate (orphan body funding target) | 3.00% |
| Pre and Post-retirement discount rate (low risk funding target) | 1.30% |
| Salary increase assumption | 3.10% |
| Benefit increase assumption (CPI) | 2.10% |

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the S2N tables with improvements in line with the CMI 2018 model, with smoothing (Sk) of 7.5, initial adjustment of 0% and a long term rate of 1.5% p.a. for males and females. Based on these assumptions, the average future life expectancies at age 65 are as follows:

| | Males | Females |
|---------------------------|-------------------|-------------------|
| Current Pensioners | 21.8 years | 23.4 years |
| Future Pensioners* | 23.1 years | 25.2 years |

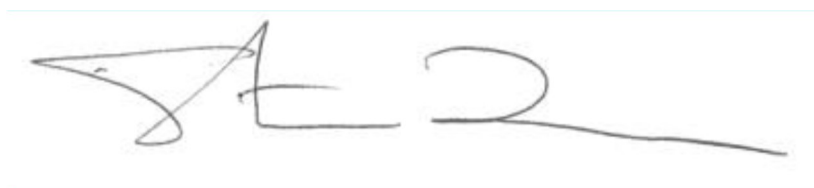
*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be marginally better than that reported at the previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation as at 31 March 2022 may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation.



Steven Law FFA

19 May 2022

For and on behalf of Hymans Robertson LLP

Schedule of Contribution Rates

Net rate of contribution payable by each employing organisation for the period 1 April 2021 to 31 March 2022 under regulation 62 of the Local Government Pension Scheme Regulations 2013.

| | Employers Rates % | Employees £000 | Employers £000 |
|---|-------------------------|-------------------|-------------------|
| Ad_Astra Academy Trust | 17.5% | 204 | 613 |
| All Saints Academy | 17.5% | 34 | 97 |
| Ash Trees Academy | 17.5% | 81 | 133 |
| Badger Hill Academy | 17.5% | 11 | 31 |
| Beamish Museum Ltd | 23.3% | 126 | 520 |
| Beyond Housing | 23.4% | 442 | 1,426 |
| Billingham Town Council | 17.7% | 7 | 19 |
| Bulloughs Cleaning Services | 17.9% | 3 | 11 |
| Business and Enterprise North East | 24.5% | 3 | 100 |
| Caldicotes Primary Academy | 17.5% | 8 | 24 |
| Care and Custody Health Ltd | 15.9% | 6 | 15 |
| Care Quality Commission | 17.9% | 964 | 2,239 |
| Carmel Education Trust | 17.5% | 362 | 1,097 |
| Catcote Academy | 17.5% | 109 | 325 |
| Caterlink - RCBC | 21.5% | 7 | 25 |
| Caterlink - St_Oswalds | 22.3% | 3 | 13 |
| Churchill's (Collaborative Trust) | 17.5% | 0 | 1 |
| Churchill's Outwood Grange | 17.5% | 4 | 13 |
| Cleveland College of Art and Design | 15.2% | 130 | 309 |
| Cleveland Fire Brigade | 14.8% | 241 | 541 |
| Community Integrated Care | 23.0% | 1 | 4 |
| Compass Badger / Freebrough / Whitecliffe | 18.9% | 5 | 13 |
| Compass Contract Services Ltd | 17.9% | 10 | 31 |
| Compass Group - Manor | 18.9% | 18 | 68 |
| Conyers School | 17.5% | 154 | 460 |
| Creative Management Services Ltd | 29.4% | 2 | 10 |
| Diocese of Middlesbrough Trustee | 22.3% | 9 | 20 |
| Dyke House Academy | 17.5% | 82 | 238 |
| Easterside Academy | 17.5% | 28 | 86 |
| Eden Academy Trust Limited | 17.5% | 68 | 199 |
| Egglescliffe Primary School | 17.5% | 8 | 25 |
| Emmanuel School Foundation | 17.5% | 75 | 224 |
| Endeavour Academies Trust | 17.5% | 124 | 362 |
| Enquire Learning Trust (Central) | 17.5% | 83 | 164 |
| Extol Academy Trust (Eldon Grove) | 17.5% | 51 | 150 |
| Fabrick Housing Group | 20.1% | 925 | 2,465 |
| Falcon Education Academies Trust | 17.5% | 31 | 94 |
| Frederick Nattrass Primary Academy | 17.5% | 21 | 62 |
| Freebrough Academy | 17.5% | 46 | 134 |

| | | | |
|--|-------|-------|-------|
| Future Regeneration of Grangetown | 30.9% | 3 | 12 |
| Galileo Multi Academy Trust | 17.5% | 217 | 635 |
| Grangefield Academy | 17.5% | 50 | 148 |
| Green Lane Primary Academy | 17.5% | 32 | 99 |
| Guisborough Town Council | 17.7% | 6 | 19 |
| Hardwick Green Primary Academy | 17.5% | 24 | 71 |
| Harrow Gate Primary Academy | 17.5% | 32 | 95 |
| Hartlepool Borough Council | 12.4% | 3,345 | 6,444 |
| Hartlepool Care Services Ltd | 27.9% | 1 | 7 |
| Hartlepool College of Further Education | 15.2% | 172 | 438 |
| Hartlepool Sixth Form College | 15.2% | 19 | 50 |
| Holy Trinity Primary School | 17.5% | 15 | 44 |
| Horizons Specialist Academy Trust | 17.5% | 234 | 688 |
| Hutchinson's Catering | 17.9% | 4 | 13 |
| Ian Ramsey Church of England Academy | 17.5% | 51 | 150 |
| Ingleby Barwick Town Council | 17.7% | 2 | 6 |
| Ingleby Manor Free School & Sixth Form | 17.5% | 38 | 110 |
| Ironstone Academy Trust - Ormesby Primary School | 17.5% | 15 | 49 |
| Ironstone Academy Trust - Zetland Primary School | 17.5% | 18 | 57 |
| James Cook Learning Trust | 17.5% | 62 | 185 |
| Kader Academy | 17.5% | 20 | 61 |
| KGB Cleaning Ltd - LJS | 14.8% | 1 | 3 |
| KTS Academy | 17.5% | 82 | 253 |
| Legacy Learning Trust | 17.5% | 156 | 462 |
| Liberata UK Ltd | 0.0% | 60 | 0 |
| Lingfield Academy Trust | 17.5% | 47 | 145 |
| Lockwood Parish Council | 17.7% | 1 | 2 |
| Loftus Town Council | 17.7% | 2 | 8 |
| Manor Community Academy | 17.5% | 58 | 169 |
| Mbro and Stockton Mind | 17.9% | 3 | 9 |
| Mellors Catering Ltd - Dormanstown | 21.2% | 1 | 5 |
| Mellors Catering Services Ltd (Central) | 17.9% | 22 | 10 |
| Mellors Catering Services Ltd (Normanby) | 17.9% | 3 | 8 |
| Mellors Ironstone | 17.9% | 3 | 9 |
| Mellors NPCAT | 17.9% | 6 | 19 |
| Mellors Riverside | 18.9% | 0 | 1 |
| Mellors Skelton | 18.9% | 0 | 0 |
| Middlesbrough College | 15.2% | 421 | 991 |
| Middlesbrough Council | 11.5% | 3,978 | 8,651 |
| Mitie Cleveland Fire | 17.5% | 1 | 2 |
| NEAT Academy Trust | 17.5% | 53 | 150 |
| Nicholas Postgate Catholic Academy Trust | 17.5% | 537 | 1,578 |
| NMRN Trading | 15.8% | 3 | 8 |
| Normanby Primary School | 17.5% | 31 | 95 |
| North East Learning Trust | 17.5% | 47 | 140 |
| North Ormesby Primary Academy | 17.5% | 14 | 42 |

| | | | |
|---|-------|-------|--------|
| North Shore Academy | 17.5% | 45 | 130 |
| Northern Lights Learning Trust | 17.5% | 17 | 22 |
| Norton Primary Academy | 17.5% | 25 | 74 |
| Nunthorpe Academy | 17.5% | 84 | 245 |
| Nunthorpe Primary Academy | 17.5% | 14 | 43 |
| Oak Tree Academy | 17.5% | 26 | 79 |
| One Awards Limited | 22.2% | 34 | 126 |
| One IT Services and Solutions Ltd | 15.6% | 51 | 100 |
| One IT Services Ltd - Porter | 15.9% | 2 | 5 |
| ONsite Building Trust | 19.3% | 3 | 10 |
| Our Children 1 Academy Trust | 17.5% | 40 | 124 |
| Outwood Academy Acklam | 17.5% | 74 | 223 |
| Outwood Academy Bishopsgarth | 17.5% | 47 | 142 |
| Outwood Academy Bydales | 17.5% | 29 | 85 |
| Outwood Academy Normanby | 17.5% | 42 | 122 |
| Outwood Academy Ormesby | 17.5% | 52 | 153 |
| Outwood Academy Redcar | 17.5% | 32 | 96 |
| Outwood Riverside | 17.5% | 9 | 51 |
| Overfields Primary School | 17.5% | 14 | 42 |
| Pentland Academy | 17.5% | 29 | 89 |
| Police & Crime Commissioner for Cleveland | 14.5% | 88 | 161 |
| Prince Regent Street Trust | 17.5% | 53 | 160 |
| Redcar & Eston CIC | 17.9% | 13 | 27 |
| Redcar and Cleveland Borough Council | 10.2% | 3,352 | 5,282 |
| River Tees Multi Academy Trust | 17.5% | 63 | 174 |
| Riverdale Primary School | 17.5% | 8 | 26 |
| RM Education | 18.9% | 6 | 17 |
| Rose Wood Academy | 17.5% | 27 | 59 |
| Rye Hills Academy | 17.5% | 9 | 23 |
| Saltburn Marske and New Mask Parish Council | 17.7% | 4 | 11 |
| Skelton and Brotton Parish Council | 17.7% | 3 | 10 |
| Skelton Primary School | 17.5% | 32 | 94 |
| SLM Charitable Trust MBC | 11.5% | 54 | 93 |
| SLM Community Leisure Charitable Trust | 19.2% | 34 | 102 |
| SLM Fitness & Health Ltd (MBC) | 11.5% | 5 | 9 |
| SLM Fitness and Health Ltd | 19.2% | 2 | 7 |
| SLM Food & Beverage Ltd (MBC) | 11.5% | 2 | 4 |
| SLM Food and Beverage Ltd | 19.2% | 1 | 4 |
| South Tees Development Corporation | 20.2% | 151 | 340 |
| St_Aidans Primary School | 17.5% | 17 | 54 |
| St_Francis of Assisi | 17.5% | 21 | 63 |
| St_Mark's Academy | 17.5% | 37 | 109 |
| St_Mary's CE Primary School | 17.5% | 7 | 22 |
| Stagecoach Transit | 43.5% | 1 | 349 |
| Steel River Academy Trust | 17.5% | 80 | 242 |
| Stockton Borough Council | 13.1% | 5,296 | 10,890 |

| | | | |
|--|-------|---------------|---------------|
| Stockton Riverside College | 15.2% | 415 | 1,010 |
| Sunnyside Academy | 17.5% | 43 | 131 |
| Tascor Services Ltd - PFI | 18.0% | 1 | 3 |
| Tees Active Limited | 18.2% | 94 | 256 |
| Tees Valley Collaborative Trust | 17.5% | 117 | 337 |
| Tees Valley Combined Authority | 15.3% | 400 | 808 |
| Tees Valley Community Asset Preservation Trust | 17.0% | 2 | 5 |
| Tees Valley Education Trust | 17.5% | 117 | 337 |
| Teesside Learning Trust | 17.5% | 3 | 5 |
| Teesside University | 15.8% | 2,172 | 4,952 |
| Teesville Primary School | 10.2% | 16 | 59 |
| The Chief Constable for Cleveland | 14.5% | 1,669 | 3,648 |
| Thornaby C of E Primary | 17.5% | 20 | 63 |
| Thornaby Town Council | 17.7% | 0 | 3 |
| Unity City Academy | 17.5% | 58 | 170 |
| Veritau Tees Valley | 10.2% | 8 | 13 |
| Viewley Hill Academy Trust | 17.5% | 19 | 57 |
| Vision Academy Learning Trust | 17.5% | 294 | 875 |
| Whitecliffe Academy | 17.5% | 8 | 24 |
| Wynyard Church of England Primary School | 17.5% | 23 | 69 |
| XPS Administration Ltd | 15.3% | 24 | 55 |
| Yarm Primary School | 17.5% | 19 | 57 |
| Total Contributions 2021/22 | | 29,934 | 67,732 |

7. Annual Governance Statement



Annual Governance Statement 2021/22

To follow once approved by Corporate Affairs and Audit Committee for the 2021/22 financial year.

8. Glossary of Terms



OPENING TIMES
TUE-WED 10:00
THU 10:00

Glossary of Terms

Accounting Period

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

Admitted Bodies

Organisations that participate in the Teesside Pension Fund under an admission agreement between the Fund, and the relevant organisation.

Admitted bodies include voluntary and charitable organisations and private contractors that are undertaking a local authority function following an outsourcing to the private sector.

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.

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. It is usual for assets under construction to be recognised but recorded as non-operational until they are available for 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 to 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.

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.

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".

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 Asset Transfer

A change in management and/or ownership of land or buildings from public bodies (most commonly local authorities) to communities (community and voluntary sector groups, community enterprises, social enterprises, etc.)

Component Accounting

Where assets can be broken down into different components which have a material value and substantially different economic lives, then each component should be separately valued.

Contingency

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

Contingent Asset

A contingent asset arises in a situation where a potential inflow or economic benefit to the authority will only be confirmed by the occurrence or otherwise of some future event but where the value of the benefit cannot be measured reliably.

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.

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 following financial year (e.g. stocks and debtors).

Current Liabilities

These are amounts owed by the Council due for payment within the following financial year (e.g. creditors or cash overdrawn).

Current Service Costs (Pensions)

The increase in the present value of a defined benefit pension scheme's liabilities arising from an employee's service in the current financial year.

Curtailement (Pensions)

An event that reduces the expected years of future service of present employees in a defined benefit pension scheme or reduces the defined benefits for some or all of their future service.

Debtors

Income due to the Council for services carried out or grants/contributions due in the financial year for which payment has not been received by the end of that year.

Deferred Pensions

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

Defined Benefit Scheme

A pension scheme which calculates benefits due from the scheme independently to the contributions payable and the return on the investments made by the scheme.

De-minimis

For capital accounting, a de-minimis value is set below which any items of expenditure are excluded from the capital accounts and instead treated as revenue expenditure. The Council's de-minimis levels are outlined in the statement of accounting policies.

Depreciation

The allocation of the cost of consuming a tangible asset over its useful life. 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

The financing of capital projects from revenue resources.

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

Funding set-aside to be used for a specific purpose at some point in the future.

Expected Rate of Return on Pension Assets

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

Transactions that fall outside of the ordinary activities of the council and are not expected to reoccur.

Non-Current Assets

Assets that have a useful life and yield benefits to the Council and the services it provides for a period of more than one year.

General Fund

The main revenue account used to fund the cost of providing Council services. The main sources of income

credited to the fund are the council tax and business rates precepts and the revenue support grant (RSG) from central government.

Heritage Assets

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Impairment

The diminishing in quality, strength, amount, or value of an asset.

IFRS - International Financial Reporting Standards

International Financial Reporting Standards (IFRS) are a set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board and specify exactly how organisations must maintain and report their accounts.

Local Authorities have had to prepare their accounts in accordance with IFRS requirements since April 2010.

Intangible Assets

An asset that is not physical in nature. Examples of this type of asset include IT software and other licences and patents and trademarks.

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.

Leases

A lease is a contract between a lessor and leasee for the hire of a specific asset with the ownership of the asset being retained by the lessor. There are two main types of lease, operating and finance leases.

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee and the minimum lease payments amount to substantially all (90% or more) of the fair value of the leased asset. An operating lease is a lease other than a finance lease.

Local Management of Schools

Under the Local Management of Schools Funding arrangements, the Council is required to pass on the calculated share of each funding stream budget directly to all its schools. Individual schools have direct responsibility for managing their budgets and any surplus or deficit incurred in the financial year is carried forward to the following financial year as part of the schools balances earmarked reserve.

Materiality

A figure is classified as material if its omission or misstatement could influence decisions users take on the basis of the financial statements.

Minimum Revenue Provision (MRP)

The minimum amount Local Authorities are required to set aside each year for the repayment of outstanding long-term debt.

Movement in Reserves Statement

This statement highlights the movement in the year for the earmarked reserves held by the Council. This is split between 'usable reserves' (those held to fund future expenditure) and unusable reserves (technical accounting adjustments).

Non-Domestic Rates (also known as Business Rates)

Charges paid by occupiers of non-domestic properties for council services. The charge is calculated by multiplying the rateable value of a property by a multiplier set by Central Government.

Net Book Value

The current value of a fixed asset after taking account of depreciation.

Non-Operational Assets

Fixed assets owned by the Council but not currently being used in the delivery of services. They include surplus properties awaiting disposal, investment properties and assets under construction.

Operational Assets

Fixed assets owned by the Council and used in the delivery of Council services.

Operating Segments

The breakdown of the Council's activities into distinct service divisions/ outcome areas.

Past Service Cost

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

Post Balance Sheet Events

There are two types of post balance sheet events. Adjusting events are those events that provide additional evidence of conditions that existed at the balance sheet date and require adjustments to be made to the accounts. Non adjusting events are those events after the balance sheet date which provide evidence of conditions not existing at the balance sheet date. These may require disclosure in the accounts stating the nature of the event and an estimate of the financial impact.

Precept

The levy made on the council by other bodies for income collected from Council taxpayers on their behalf e.g. Fire or Police Authority.

Provisions

Funds set aside to cover 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 **accounting** principle that requires liabilities and expenses to be recorded as soon as they occur, but revenues only when they are assured or realised.

Related Parties

Two or more parties are considered to be 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 balance sheet reserve that records increases in the valuation of fixed assets that have not yet been realised through the disposal of the asset. Decreases in asset valuations are also taken to the revaluation reserve if an asset has previously had an increase in valuation.

Revenue Expenditure

The day-to-day costs incurred in providing Council services. This includes staffing, supplies & services, transport and utility costs etc.

Revenue Support Grant

The main source of Central Government grant funding for Local Authorities.

Scheduled Bodies

Local authorities or similar organisations whose staff are automatically entitled to become members of the Teesside Pension Fund.

Specific Grants

Government grants awarded to Local Authorities and earmarked for specific services, e.g. Standards Fund

Grant for Children's Services.

Stocks (Inventories)

Goods or merchandise available for sale or distribution held at the balance sheet date. This can include the following:

- 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.

Unusable Reserves

Reserves that are held by the Council for accounting purposes. The gains or losses in these reserves are unrealised and as a result are not available for future use by the Council.

Usable Reserves

Unutilised resources set aside to allow planning for future Revenue & Capital expenditure.

Useful Life

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

Work in Progress

The total value of the materials and labour costs incurred to date on unfinished projects

