

# Middlesbrough Council Draft Statement of Accounts 2022-23



# Contents

Narrative Report .....	5
Statement of Responsibilities – Middlesbrough Council .....	33
Statement of Responsibilities – Teesside Pension Fund .....	34
Auditor’s Report – Middlesbrough Council.....	35
Auditor’s Report – Teesside Pension Fund .....	36
Financial Statements.....	37
Movement in Reserves Statement.....	38
Income and Expenditure Statement.....	40
Balance Sheet .....	41
Cash Flow Statement .....	42
Notes to the Accounts .....	43
Note 1 Accounting Policies.....	44
Note 2 Accounting Standards Issued but not yet adopted.....	55
Note 3 Critical Judgements in applying Accounting Policies .....	55
Note 4 Assumptions made about the future and other major sources of estimation uncertainty .....	56
Note 5 Events after the Balance Sheet Date .....	57
Notes Supporting the Movement in Reserves Statement .....	58
Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations.....	58
Note 7 Earmarked Reserves .....	60
Note 8 Expenditure and Funding Analysis.....	62
Note 9 Other Operating Income and Expenditure .....	64
Note 10 Financing and Investment Activities .....	65
Note 11 Taxation and Non-Specific Grant Income .....	65
Note 12 Grant Income.....	66
Note 13 Dedicated Schools Grant.....	68
Note 14 Officers’ Remuneration.....	69
Note 15 Members’ Allowances and Expenses.....	71
Note 16 Trading Operations.....	71
Note 17 Audit Fees .....	72
Note 18 Agency Services.....	72
Note 19 Related Parties.....	72
Note 20 Pooled Budgets .....	74
Notes Supporting the Balance Sheet.....	76
Note 21 Capital Expenditure and Capital Financing.....	76
Note 22 Capital Commitments .....	76
Note 23 Property, Plant and Equipment (PPE) .....	77
Note 24 Revaluations and Impairments of Property, Plant and Equipment (PPE) .....	83
Note 25 Heritage Assets .....	84
Note 26 Investment Properties.....	86
Note 27 Intangible Assets .....	87
Note 28 Assets Held for Sale .....	87
Note 29 Financial Instruments .....	88
Note 30 Financial Instruments: Fair Value and Risks .....	91
Note 31 Financial Instruments: Income and Expenditure.....	95

Note 32	Debtors .....	95
Note 33	Inventories .....	95
Note 34	Cash and Cash Equivalents .....	96
Note 35	Short Term Creditors .....	96
Note 36	Provisions .....	97
Note 37	Usable Reserves .....	98
Note 38	Unusable Reserves .....	98
Note 39	Pension Schemes Accounted for as Defined Benefit Scheme .....	102
Note 40	Pensions Schemes Accounted for as Defined Contribution Scheme .....	107
Note 41	Leases – Council as Lessor.....	108
Note 42	Leases – Council as Lessee.....	108
Note 43	Contingent Liabilities .....	110
Note 44	Contingent Assets .....	110
Note 45	Trust Funds .....	110
Notes Supporting the Cash Flow Statement.....		112
Note 46	Cash Flow Statement – Operating Activities .....	112
Note 47	Cash Flow Statement – Investing Activities.....	113
Note 48	Cash Flow Statement – Financing Activities.....	113
Group Accounts .....		114
Introduction.....		115
Group Movement in Reserves Statement.....		117
Group Comprehensive Income and Expenditure Statement.....		119
Group Balance Sheet .....		120
Group Cash Flow.....		121
Notes to the Group Accounts.....		122
Note G1	Accounting Policies .....	122
Note G2	Critical Judgements in Applying Accounting Policies.....	122
Note G3	Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty 122	
Note G4	Financing and Investment Income and Expenditure.....	122
Note G5	Property, Plant and Equipment.....	123
Note G6	Financial Instruments .....	123
Note G7	Debtors.....	124
Note G8	Cash & Cash Equivalents.....	125
Note G9	Creditors.....	125
Note G10	Long-Term Borrowing.....	125
Note G11	Other Long-Term Liabilities .....	125
Note 12	Usable Reserves .....	126
Note 13	Unusable Reserves .....	126
Note G14	Deferred Grant Income.....	126
Note G15	Share Capital & Ownership .....	127
Note G16	Audit of Accounts .....	127
Collection Fund Accounts and .....		128
Collection Fund Income and Expenditure Account .....		129
Notes to the Collection Fund.....		130
Note C1	Income from Council Tax.....	130

Note C2	Income from Business Rates .....	130
Note C3	Previous Years Council Tax Deficit / Surplus .....	131
Note C4	Council Tax and Business Rates Provisions .....	131
Teesside Pension Fund Accounts and Notes .....		132
Teesside Pension Fund Statement of Accounts .....		134
Introduction.....		134
Fund Accounts for the year ended 31 March 2023.....		136
Notes to Teesside Pension Fund Accounts .....		137
Note 1	Basis of Preparation.....	137
Note 2	Accounting standards issued but not yet been adopted.....	137
Note 3	Summary of Significant Accounting Policies .....	138
Note 4	Critical Judgements, Sensitivities and Accounting Estimates .....	141
Note 5	Assumptions made about the Future and Other Major Sources of Estimation Uncertainty..	142
Note 6	Contributions.....	143
Note 7	Benefits Payable.....	143
Note 8	Transfers in from Other Pension Funds.....	143
Note 9	Other Income .....	144
Note 10	Payments to and on account of leavers.....	144
Note 11	Management Expenses.....	144
Note 12	Investment Income .....	144
Note 13	Investment Assets .....	145
Note 14	Financial Instruments.....	151
Note 15	Actuarial Valuations.....	157
Note 16	Current Assets .....	158
Note 17	Current Liabilities .....	158
Note 18	Additional Voluntary Contributions (AVC's).....	158
Note 19	Related Party Transactions.....	159
Note 20	External Audit Costs .....	159
Note 21	Senior Employees' Remuneration.....	159
Note 22	Events after the Balance Sheet Date .....	159
The Compliance Statement.....		160
Statement of the Actuary for the year ended 31 March 2023 .....		162
Annual Governance Statement .....		168
Annual Governance Statement 2022-23.....		169
Glossary of Terms.....		170
Glossary of Terms .....		171

The Statement of Accounts for Middlesbrough Council provides an overview of the Council's financial position at 31 March 2023 and a summary of its income and expenditure during the 2022-23 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](http://www.middlesbrough.gov.uk) under [Open Data](#); [Annual Report and Statement of Accounts](#).



# Narrative Report





# Narrative Report

## Review of the Year

Middlesbrough Council is a large and diverse public sector organisation, located in the Northeast 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 or 'Middle' of the Tees Valley region, an area home to around 677,000 people, and our town centre is being transformed with modern urban living, leisure, and business facilities. 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.

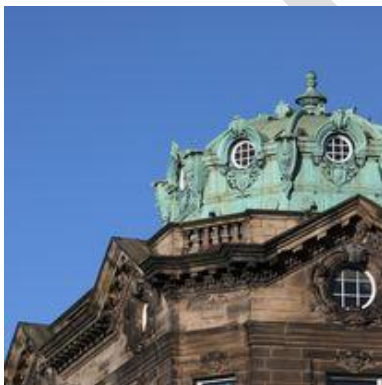
Our location gives us the best of all worlds; days out in stunning countryside, surfing at the coast, or hiking in the North Yorkshire Moors. On a weekend our independent bars and restaurants are lively and welcoming, and we are home to proud institutions including Middlesbrough Football Club and Teesside University.

Middlesbrough has seen an increase in population of around 4% from just over 138,000 in 2011 to approximately 144,000 in 2021 as reported in the previous census and a slight increase in employment figures. Middlesbrough has its challenges and was ranked as the fifth most deprived local authority area in England, and that it has become more deprived since 2015.

These are very challenging times for residents of Middlesbrough and the Council in terms of deprivation, recovery from the global pandemic, a national cost of living crisis driven by high inflation and resulting in increased demand from the most vulnerable in our community which are presenting significant budget pressures for the Council. In addition, the Council was also issued with a Best Value Notice in January 2023 and a letter was published on the Department for Levelling Up, Housing and Communities (DLUHC) website in relation to concerns about the Council's culture and effectiveness of its governance arrangements.

The Council is committed to improving its culture and governance and is fully engaged with the Chartered Institute of Public Finance and Accountancy (CIPFA) to progress this work as well as a commitment to improving financial performance and rebuilding its reserves to provide a more stable financial future for the Borough.

There has been significant economic instability in the 2022-23 financial year with a weaker economy, high interest rates and widespread unemployment. Inflation, as measured by the Consumer Price Index, peaked at 11.1% during the year and this had significant implications for the Council's budgets and the finances of our residents and local businesses. The government responded to high inflation with several packages of support for residents and businesses which the Council distributed along with local discretionary support.



Prolonged economic instability creates significant pressures on public sector finances, and it is important that the Council holds sufficient levels of general fund reserves to ensure that it remains financially resilient to cope with unforeseen challenges. This is particularly difficult for Middlesbrough given the need to use reserves recently to support overspends particularly in Children's Services. However, the Council is committed to delivering improved efficiency and transformation in the way that it meets the needs of service users to control its expenditure within the available income sources and is working to replenish its reserves in the medium term.

The Council has and continues to review its Medium-Term Financial Plan (MTFP) to respond to the changing financial environment and address the effect of high inflation and increased demand combined with a reserves strategy that pursues a more stable financial position and plan.

The Council continues to review and challenge the services it provides, how they are delivered and at what cost, reporting the outcomes achieved and working to secure better value for money for the town and its

residents. The council will continue to respond appropriately to residents, visitors, and business needs.

Middlesbrough Council delivers hundreds of services that residents, business and visitors to the town rely on and our workforce do a brilliant job, they are passionate about the area and committed to providing the best service possible within available resources.

This Narrative Report aims to provide both guidance and context to the accounts of Middlesbrough Council, 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 (<https://www.middlesbrough.gov.uk/open-data-and-foi/council-information-and-data/annual-report-and-statement-of-accounts>).

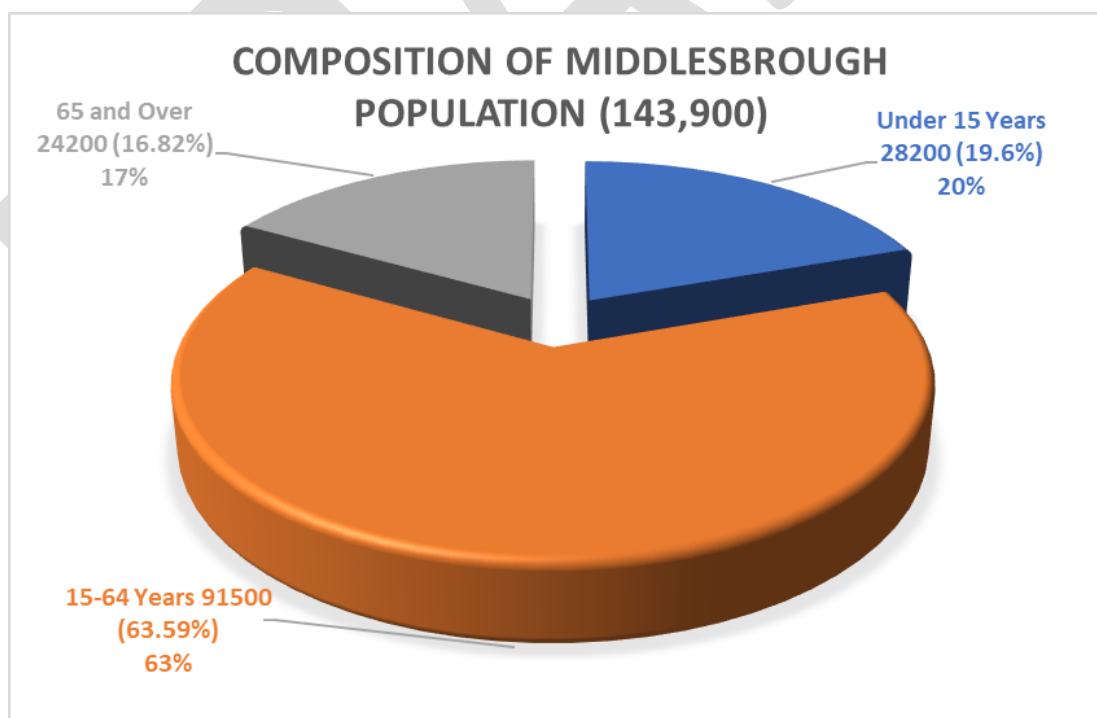
The Narrative Report and the Statement of Accounts will aim to give the appropriate context as to how the Council has performed both operationally and financially and the events that have impacted this performance.

## Background to the Council

Middlesbrough Council is an evolving town, and the Council came into existence following the abolition of Cleveland County Council in 1996. It is a small 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.

## Population and Related Economic Statistics



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 2022) shows that pay levels in Middlesbrough are lower than the middle range for the Northeast and nationally.

	<b>Middlesbrough</b>	<b>Northeast</b>	<b>Great Britain</b>
Gross Weekly Pay (Median) Full-Time workers	£567.30	£575.20	£642.00
Unemployment rate (16-64) as a proportion of economically active	5.9%	4.6%	3.6%

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 2022-23

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. The financial year 2022-23 was the fourth under the leadership of the independent Mayor, Andy Preston, who developed the 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 2022-23 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).

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 on 31 March 2023 was:

<b>Category</b>	<b>Number</b>
Mayor - Andy Preston (Independent)	1
Middlesbrough Independent Councillor's Association	10
Middlesbrough Independent Group	9
Labour	20
Conservative	3
Independent	3
Vacant	1
<b>Total</b>	<b>47</b>

Following the May 2023 local elections, the political structure changed and resulted in a Labour majority going forwards however, the Statement of Accounts 2022-23 provides a detailed overview of the Council's position under the previous administration to 31 March 2023.

The financial year 2022-23 has presented a number of significant financial challenges for the Council, its residents, and businesses within the Middlesbrough area. Providing statutory demand-led services combined with exceptionally high inflation and increasing needs of the most vulnerable in our community has placed significant pressure on budgets. Despite this, the Council aimed to deliver its objectives set out in the Strategic Plan and this Narrative Report will provide some context in relation to what we have achieved.

The Strategic Plan was not updated in February 2022, but the plan approved in February 2021 remained in place for 2022-23. At a meeting of the Executive on 5 April 2022, the refreshed Strategic Plan for the 2022-24 period and Directorate Priorities for 2022-23 was approved, which combined provided a cohesive approach to the delivery of key priority activities across Council services.



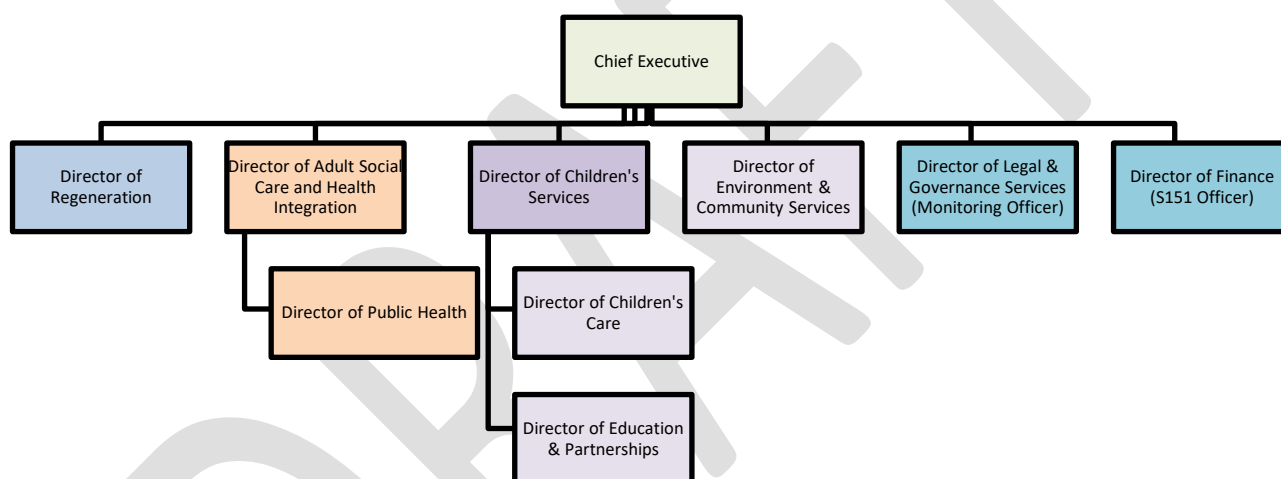
## Management Structure

# Middlesbrough

moving forward

## Leadership Team

The senior management structure of the Council on 31 March 2023 is set out below:



## The Mayor's Ambitions for Middlesbrough and the Strategic Plan

Andy Preston was the mayor and first citizen of Middlesbrough for the period 2019-2023. The Mayor's Strategic Plan was in its fourth year during 2022-23.

### Mayor's Priorities (2020-2023)

The Strategic Plan was 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 was 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 23 February 2022; the report included the £207.673m Capital Investment Strategy for Middlesbrough for the period 2021-22 to 2024-25, supported by £102.747m 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.

- 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

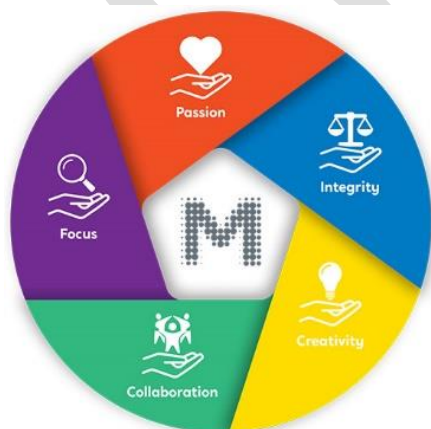
The vision of the Council's Customer Programme is to transform delivery of services to the community & customers, providing everyone with excellent service and access to self-serve through an extensive range of channels and platforms.

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) implemented monthly reviews of corporate performance utilising a Directorate Performance dashboard, drawing data from a range of performance systems. The output from these sessions was reflected through the quarterly updates to the Executive and Overview and Scrutiny Board.

The Council used a narrative update approach to measure performance during each quarter of the financial year and any issues. The Council's performance overall at year end, maintained the short-term trend for 2022-23 performance, with progress towards expected performance standards achieved two out of five performance disciplines.

Significant work took place to address the projected 2022-23 overspend position and to provide for a balanced budget in 2023-24; the outcome of which had some impact on agreed Executive actions and the Strategic Plan initiatives and impacting adversely upon performance outcomes for the last two quarters of 2022-23.

At 2022-23 year-end, 40 of 91 live actions (44%) were on target to be delivered by the agreed timescales, worsened from the reported position at quarter three of 62% and below the 90% standard of achievement of actions.



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

The main priorities that were monitored by the Executive during 2022-23 are summarised below. These were set in February 2022 and were part of the Strategic Plan for 2021-24.

#### Children and young people

The Council has completed two out of the six initiatives with the remaining three on track to be delivered to the approved deadlines, but one identified as unachievable. 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.

We successfully completed the creation and delivery of a strategy to increase digital inclusion for children, young people and adults across Middlesbrough and improved Ofsted by consolidating and building on the recent Children's Services progress.

Work continues towards every child playing a musical instrument by extending to one other school or year group and gathering evidence that Middlesbrough Council listens to children's voices.

Exploring potential for the establishment of an Eton Sixth Form in Middlesbrough is still on track to be delivered in the agreed timescales as is the expansion of the current model for youth provision in areas that suffer high levels of deprivation.

#### Vulnerability

The Council has further developed the Dementia Friendly Middlesbrough programme and achieved the 'Age Friendly Communities' status.

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 is continuing to be developed.

#### Crime and anti-social behaviour (ASB)

Four out of the seven initiatives to tackle crime and anti-social behaviour were completed and one still on track but two were deemed unachievable.

We supported the police and held them to account for each neighbourhood and increased CCTV across the whole town.

The Council took more environmental action and implemented punishment for fly tipping and increased enforcement against problem properties / streets / gardens in disrepair.

We continue and are on track to encourage more residents to report crime and Anti-Social Behaviour (ASB).



### Climate change

The Council is keen to ensure our town acts to tackle climate change, promoting sustainable lifestyles. We are on track to develop local wildlife / nature reserve in North Ormesby and one other site, we are demonstrating increased recycling rates and establishing six community growing areas.

We are also on track to double the size of our urban meadows / wildflower planting sites and providing 15 new EV charging points across town.

We have successfully organised big community tree planting.

### 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 works 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 established the requirement for potential Compulsory Purchase Order (CPO) of derelict buildings and problem sites.



We have made improvements to our Highways and 12 new back alleys have been reclaimed, improved, and showcased.

We continue to improve play parks and spaces in line with our Towns Fund Recommendation and have implemented neighbourhood and town wide front garden competitions.

Thorntree and Pallister Park have been vastly improved in line with Towns Fund Recommendation.

Creation of Tree Maintenance Squad and the creation of a subsidised Pest Control service was not achieved.

### 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 considered the potential for BOHO digital expansion and started the housing project at St Hilda's around Old Town Hall.

Through our marketing and communication strategies, we are on track to protect and celebrate our heritage and we are on track to complete planned works on Captain Cook pub and Old Town Hall.

We have commenced construction on the south side of the dock, and we have an action plan agreed and work commenced for the following:

- House of Fraser building
- Centre Northeast
- The Crown Pub building
- Gurney House

### Culture

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

We have completed the improvements to Teesaurus Park, re-establishing its purpose as a visitor attraction and recreational facility.

The Council continues to aim for all children to get an experience of live theatre and increase tickets sales at town hall performances.

However, we did not achieve the creation of three new annual events in 2022-23 or increase attendance at existing Council events like Orange Pip and we couldn't increase visitor numbers to museums and attractions.

### Quality of service

The Council places communities at the heart of what we do, and we continue to endeavour to deliver improved value for money and enhance the reputation of Middlesbrough. To do this, we have several initiatives and three out of the eleven are completed, with four on track for delivery but the remaining four are unachievable.

We have successfully introduced a marketing campaign and associated support to significantly grow Middlesbrough Lottery.

The Council has introduced Neighbourhood Action Weeks, driven by volunteers in the local community and we have successfully promoted Middlesbrough on the national stage.

We have several initiatives on track including:

- Working with the voluntary sector to create and promote volunteering opportunities and increase in the number of volunteers.
- Commencement of work on the new Southlands Centre.
- Commencement of work on Nunthorpe community centre.
- Improvement of user experience of the council website, increasing online transactions.

## Directorate Achievements

### Regeneration

- Major construction progress at Middlesbrough new 70,000 square foot Boho office space, which achieved practical completion in May 2023 with a new tenant agreeing a long-term lease for the whole of the building.
- Successful in a £4.8m bid to the Department for Levelling Up, Housing and Communities for major transport infrastructure improvements.
- Completion of the refurbishment of, and relocation to Fountain Court, as Middlesbrough Council's headquarters.
- Providing funding of £2m of Towns Fund grant which enabled the construction of Centre Square 6, with Axa relocating as the anchor tenant.
- Utilising £1m of Towns Fund grant for major improvements to Parks and Play areas across Middlesbrough.
- Provision of £1m of Towns Fund grant to Middlesbrough College to assist in the relocation of their TTE provision to Middlehaven.
- Continuing transformation of the Captain Cook Shopping precinct into a quality leisure destination, with Level X now open to visitors.
- Delivering an array of outdoor cultural and entertainment events, including Eid Al Fitr, Aud Ak Adha, Diwali, Middlesbrough, and Orange Pip Market, with audience numbers exceeding 150,000 and contributing over £3m to the local economy.
- "Education Award-Organisation" winner at the Tees Valley BME Achievements Awards.



## Public Health

- Secured £5.25m from the National Institute of Health and Care Research to establish a Health Determinants Research Collaboration to enhance the Council's use and creation of evidence to improve services and strategic decisions.
- Developed and implemented Eat Well Schools Award across South Tees from September 2022.
- Successfully implemented MUST service in all elderly care homes across Middlesbrough to address malnutrition. Since April 2022; 294 care home staff have been trained around nutrition and hydration awareness and MUST screening and 158 kitchen staff have been trained as part of the Eat Well, Cook Well course.
- 51 organisations delivered Holiday Activity and Food (HAF) programmes across South Tees during the Easter Holidays and Activities provision.
- Sexual health service successfully mobilised to deal with Mpox across Teesside.
- Re-established walk-in clinics in January 2023 which offer contraception, STI testing and opportunistic cervical screening.
- Completed the Health Needs Assessments to support the development of Family Hubs and commissioned insight work on parental experience in the first 1,001 days that will help to inform local service development and delivery.
- Developed a partnership with Oxford University that will support us to co-develop a local training offer around the importance of brain science in early years.
- Age Friendly Training has been rolled out to 185 staff from over 50 Organisations including Health and Social Care front line Staff, VCS Organisations, Police and Cleveland Fire Service.
- Sensory Drop-in Clinic has had 152 visits in, 41 referrals to Adult Social Care, 32 sensory equipment demonstrations, 8 referrals to lifestyle services and 80 participants involved in cooking demos and chair exercise.
- The Alzheimer's Society has announced Dementia Friendly South Tees as the best performing Dementia Friendly Community in England and Wales, by supporting the most businesses and organisations (38 new Businesses and working with over 60 Businesses in Middlesbrough).
- The HeadStart service continues to provide emotional well-being support to educational establishments across South Tees with 65 primary, 13 secondary, six post 16 and two special settings currently receiving services.
- The HeadStarters educational pathway upskilled 2385 children and young people to become emotional well-being champions and peer mentors.
- Suicide postvention support commissioned to provide timely and appropriate support to individuals or communities bereaved or affected by suicide.
- The Stop Smoking Service supported 179 individuals to quit smoking through the NHS staff offer which has been so successful funding has been extended for a further 6 months. In addition, the service is supporting NHS targeted Lung Health check programme ensuring a direct referral route to support access for identified high risk individuals.
- Successfully launched the Waiting Well programme across South Tees. This programme supports individuals in preparation for surgery to facilitate a range of interventions to promote the best possible outcomes for surgery success and recovery.
- Developed a Work Well offer to create positive progression routes for all staff within Public Health as well as opening doors to enter a career in Public Health through placements and work experience.
- Established quarterly Middlesbrough Diverse Communities events bringing together local ethnically diverse groups for health information and awareness, including creating focus groups for health checks research and raising awareness of the project through Radio Ramadan
- The Criminal Justice Test on Arrest team has seen a dramatic increase in new clients attending follow on appointments and seeking treatment for substance misuse in their local authorities.
- The Criminal Justice team have been supporting prison release service users with opening their first ever bank account.





## Children's Services

- Staff have worked incredibly hard and tangible improvements have been identified by Ofsted, across all areas of Children's Social Care and Early Help, following the Inspecting Local Authority Children's Services (ILACS) visit.
- Since January 2023, we have significantly improved the offer to our in-house foster carers, in terms of payments, support and training. This has encouraged more applications and assessments of potential carers in Middlesbrough, meaning children can remain more local with our own foster carers, within a model that offers best value for Children's Social Care.
- We have welcomed 14 newly qualified social workers from our Social Work Academy into the wider teams. In recognising the benefit of 'grow your own' in the climate of a national shortage of social workers, we are training and developing a sustainable and stable permanent workforce for Middlesbrough.



## Adult Social Care

- The Staying Put Agency won the Foundations National Healthy Homes Awards for 'Home Improvement Agency' and 'Handyperson Service' of the year in 2023. The agency was also shortlisted in the "Health and Social Care" category of the Local Government Chronicle's awards for 2023.
- The third phase of Selective Landlord Licensing in Middlesbrough was implemented by our Selective Landlord Licensing team as part of our work to improve housing standards in the town.
- A restructure was undertaken of our Accessing Change Together (ACT) service to improve our service offer to individuals who need support related to domestic abuse, homelessness, or substance use.
- A temporary Recruitment and Retention supplement was implemented to address the particular challenge of recruiting and retaining qualified Social Workers.



- Further expansion of the Rekindle Project, promoting digital inclusion; independence and the reduction of social isolation, was undertaken. This included, for example, Digital Walks (in the old St Hilda's area) that brought together residents; businesses (including AV Dawson n) and local photographers.
- We restructured our Assistive Technology and Connect team to deliver a more effective Hospital to Home service and increase the range of digital equipment that we use to support individuals in their own homes.
- Significant work has been undertaken in preparation for the commencement of Care Quality Commission inspections of Local Authority delivery of Care Act 2015 (Part 1) duties. This has included the establishment of a small service improvement unit and the undertaking of a mini "peer review". Preparatory work continues.
- Over the course of the year enforcement action by Trading Standards Officers has resulted in the seizure of more than 4,000 illegal vapes; 23,000 illicit cigarettes and 3kg of hand rolling tobacco. Joint enforcement work with HMRC has also resulted in the seizure of more than 116,000 illicit cigarettes and 4.5 kg of hand rolling tobacco.

## Environment & Community Services

- Implementation of a Live Streaming service at the crematorium
- Re-settlement and support to 63 adults and children fleeing the conflict in Ukraine.
- Creation of community gardens at North Ormesby, Easterside, Acklam, Grove Hill and Nunthorpe as part of the Towns Fund Ward Initiatives Programme
- Completion of a scheme to carry out significant improvements to the town's footways network.

## Legal & Governance Services

- Roll out of Microsoft 365 across the authority.

- Delivering Customer Programme to provide communities and customers access to self-serve through various channels and platforms.
- Introduction of the Vivup Benefits platform to enable employees to spread the cost of home and electronic items through salary deductions in addition to town centre discounts.
- Successful prosecution of several fly tippers through the court process.

## Finance

- 2022-23 was a challenging year for investments, nevertheless the Pension Fund managed to exceed its benchmark and its assets increased in value by 1.5% over the year, remaining above £5b for a second consecutive year. The Fund's actuary produced the latest three-yearly valuation report, which showed that the Pension Fund remained well funded, with an overall funding level of 116% (up from 115% three years ago). Overall scheme membership at the end of the year was at an all-time high at around 80,000, roughly evenly split between employees, pensioners, and deferred members (former employees who have not drawn their pension yet).
- The Grants Team within Commissioning supported community and voluntary sector organisations through the award of 112 community grants totalling £0.820m. In addition, a further 19 Covid-19 related grants were processed totalling £0.093m supporting initiatives such as Covid-19 Champions within communities and the winter crisis grant which looked to bridge the gap between what organisations had budgeted for based on previous years to what they actually paid.
- Revenues and Benefits have again been awarded the Customer Services Excellence Accreditation in recognition of demonstration of year-on-year improvement in delivering elite customer service.
- The introduction of a 3rd party debt collection solution is progressing well within Housing Benefit Overpayment. This is a brand-new approach to support maximising the amount of income received, with the solution designed in such a way that it can support other services areas with collection, and the pilot is showing some really positive results.
- A new approach to responding to telephony demand has now been introduced into the Adult Social Care Finance Team. The introduction of Cisco Finesse provides the service with the opportunity to monitor demands into the team, remove single points of failure and provide a better customer service for residents contacting the service.
- A telephony solution has been introduced into the Accounts Receivable Team, enabling automation of the way we make contact with businesses and customers when pursuing debt.
- After a significant delay around national technical accounting issues and the governance qualification on value for money, the audit of the 2020-21 accounts has now been finalised.
- A Supplier Incentive Programme in partnership with Oxygen Finance, was introduced from May 2022. This is a scheme where companies who provide goods and services to the Council, get paid early if they provide a rebate on the cost to the Council.
- The Business Development Officer post within Finance & Investment has now been recruited to, giving greater capacity for financial reporting and enhanced use of our finance system going forward.
- Development of the Council's invoice capture software has made improvements in the management of supplier invoices. This, together with additional communications to suppliers and internal services, emphasising the importance of the Procure to Pay (P2P) process has seen some benefits. Work is continuing but good progress has been made during 2022-23.



## 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 7).





managers to provide information to enable them to monitor and control costs relating to this.

The Executive approved a Financial Recovery Plan for 2022-23, which included Member led focus meetings on the challenges facing Children's Services with an objective to mitigate demand and workforce challenges, concurrently assisting both the financial position and improvement journey.

## Cost of Living Crisis



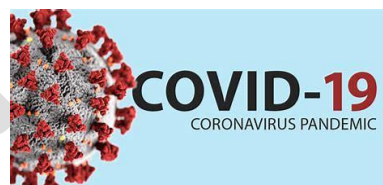
The cost-of-living crisis is a significant issue for the UK and Middlesbrough residents alike. This refers to the fall in disposable income and is caused predominantly by high inflationary increases to fuel, food, and energy costs beyond the increase in wages and benefits.

We were and are still facing a challenging financial and economic environment with inflation as measured by CPI at the financial year-end 2022-23 running at 10.1%, and it is forecast to remain high throughout 2023-24 and potentially into 2024-25.

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 2022-23, there were no restrictions in place in relation to the pandemic however, there still remained some challenges and uncertainties for local authorities, particularly in relation to increased demand for services and subsequent consequences of the pandemic of high inflationary increases.



Provision was made in the 2022-23 approved budget for the ongoing effects upon income in a number of the areas and an earmarked Car Parking Pressures Reserve was set up for the potential ongoing effects of Covid-19 on car parking income in future years.

No further general Government funding for local authorities was provided for 2022-23 for the further continuing effects for Covid-19. The effects of Covid-19 are therefore no longer shown separately in the Council's financial reports as they are incorporated within Directorate performance totals and will be reviewed as part of ongoing monitoring and updating of the MTFP.

## 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 general Government funding, with a reduction of £37.7m (46%) from £81.2m received in 2013-14 to £43.5m in relation to the Revenue Support Grant in 2022-23.

Whilst there was additional funding included in the financial settlement, a large proportion of the funding announced was for one year only (2022-23), and therefore does not assist with tackling recurring funding pressures. A large proportion of the additional funding available to local government (over 85 per cent) was expected to come from increases in council tax made by local authorities.

Local authority funding requirements were assessed as part of the outcomes of the Comprehensive Spending Review in October 2021, which formed part of the budget setting process for 2022-23. The assumptions within the Comprehensive Spending Review in relation to the rate of the Consumer Prices Index (CPI) was expected to be no higher than 4% in 2022. Inflation has been significantly higher than that and increased by over 10% in the 2022-23 financial year. It was the highest level it has been since 1981 in October 2022 at over 11%.

As this significant increase in inflation has not been reflected in the financial settlement, the impact to the

Council is considerable and is compounded as the Council's payments for goods and services have increased along with the demand for those services as residents and business also struggle during this period of high inflation and following the aftereffects of the pandemic.

Uncertainty for future funding and economic issues remain one of the most significant risks to the Council.

## Financial Review 2022-23

### Revenue Budget

In preparing the 2022-23 revenue budget and Medium-Term Financial Plan, the following principles, consistent with budget strategies in previous years and statements made by Executive were 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 service directors fully accountable for their own budgets and spending
- To maintain appropriate medium term budget planning and monitoring processes
- Provision has been made for contractual inflation increases only.
- To support budgetary investment in economic growth to drive increase in income through Council Tax and Business Rates



In setting the revenue budget for 2022-23, a 2.99% increase in Council Tax was approved. This comprised 0% increase in general Council Tax, and an additional precept of 2.99% for Adult Social Care (which included 1% relating to 2022-23, and 1.99% of unused remaining allowable allocation from 2021-22), which has been continued by the Government to contribute towards the shortfall of funding for adult social care.

The revenue budget for 2022-23 was set at £118.329m, funded as set out below:

	£m
Revenue Support Grant	(12.598)
Business Rates Top Up Payment	(27.299)
Local Share of Business Rates	(15.468)
Council Tax	(63.783)
Collection Fund Balance	0.819
<b>Total Net Revenue Budget in 2022-23</b>	<b>(118.329)</b>

### Budget Outturn 2022-23

The Budget Outturn position was reported to Executive on 20 June 2023 and summarised the Council's financial outturn in respect of the revenue budget and capital programme. It also covered the impact of high inflation and increased demand for services on the Council's financial position.

#### Revenue

The Council's total net revenue outturn was £121.084m against an approved budget of £118.329m, an overspend of £2.755m (2.3%).

This is an improvement of £0.656m from the forecast outturn at quarter three and reflects the successful implementation of elements of the Financial Recovery Plan approved by Executive on 18 October 2022. In addition, it incorporates the implementation of the Flexible Use of Capital Receipts Strategy for 2022-23 approved by Full Council on 7 September 2022.

The table below summarises the initial revenue position by Directorate.

Directorate	Revised Full Year Net Budget £'000	Outturn Including Use of Flexible Capital Receipts £'000	Over / (Under) spend £'000
Regeneration and Culture	(720)	(2,206)	(1,486)
Environment and Community Services	20,855	20,967	112
Public Health	(2,453)	(3,434)	(981)
Adult Social Care	46,370	46,448	78
Education and Partnerships	5,054	5,590	536
Children's Care	45,409	54,832	9,423
Legal and Governance Services	10,534	10,545	11
Finance	3,716	3,999	283
Central Budgets	(10,436)	(15,657)	(5,221)
<b>Revenue Outturn</b>	<b>118,329</b>	<b>121,084</b>	<b>2,755</b>

The overspend at year-end has been funded from a contribution of £3.312m from the Social Care Transformation Reserve. As any future transformation expenditure will be funded by the development of a further Flexible Use of Capital Receipts Strategy, the Social Care Transformation Reserve has been closed and the balance of £2.797m transferred to the new Financial Resilience Reserve.

In recognition of the wider financial risks that are faced by the Council, the new corporate Financial Resilience Reserve (FRR) was established. The purpose of the reserve will be for meeting unforeseen financial pressures that cannot ultimately be managed within directorate budgets and to meet exceptional one-off costs of delivering the Council's improvement work to satisfy DLUHC and the External Auditor's requirements.

The Flexible Use of Capital Receipts Strategy was part of the Financial Recovery Plan 2022-23 to fund transformation costs across the Council and it was projected that approximately £2.7m of capital receipts would be received in 2022-23, however at year-end only £0.755m of capital receipts were received and for which transformation expenditure qualified under the Government regulations. The above table includes the use of £0.755m to fund transformation of Children's Services as follows:

Project	Investment 2022-23 £'000
Workforce Development - set up costs for the creation of a Social Worker Academy to reduce the requirements for agency staff	451
Children's Services Ofsted Improvement Plan - Additional posts to improve and embed good practice	304
<b>Total</b>	<b>755</b>

The flexible use of capital receipts has improved the Council's financial position in Children's Services by £0.755m. This will help support the significant and continued transformation work taking place within the Council, principally within Children's Services, which will deliver service improvement and efficiencies.

The Council continues to operate in a challenging financial and economic environment with high inflation (CPI March 2023 10.1%) and this is forecast to remain high throughout 2023-24 and is expected to remain above the 2% target for the duration of 2024-25. The Council's financial resilience has been depleted by the reduction in earmarked reserves in recent years, with total earmarked usable reserves totalling £3.958m at 31 March 2023 of which £2.788m are un-ringfenced. Therefore, it is essential that actions are taken throughout 2023-24 financial year to rebuild the Council's financial





resilience over the medium term. The General Fund Reserve stands at £12.041m as planned in the Medium-Term Financial Plan (MTFP). This is equivalent to 9.5% of the 2023-24 net revenue budget and should only be used in exceptional circumstances as a last resort.

Children's Social Care expenditure levels remain the biggest single area of financial risk for the Council given the demand and price pressures facing the service. The Children's Social Care budget was increased during 2022-23 by £5.665m. Despite this the final overspend against budget was £9.423m. The 2023-24 base budget approved by Council in February 2023 recognised the ongoing financial pressures in the service, setting a 2023-24 budget of £54.649m, an increase of £16.4m (43%) compared with 2022-23. The Service has a Finance Improvement Plan requiring the delivery of savings totalling £2.9m in 2023-24 and a further £1.8m in 2024-25. It is essential that this Plan is delivered in full to avoid further weakening of the Council's financial position.

## **Directorate Variances**

### **Regeneration and Culture**

An underspend of £1.486m was achieved in 2022-23 mainly driven by additional income from the acquisition of Cleveland Shopping Centre (£1.098m) and increased occupancy and income from Centre Square buildings (£0.382m).

### **Environment and Community Services**

The Directorate's financial position at the end of the year resulted in an overspend of £0.112m. The contributing factors of this were an income shortfall in Bereavement Services (£0.429m) due to competition from the recently opened facility in Stockton offset by capitalisation of eligible internal staff recharges (-£0.245m).

### **Public Health**

The underspend within Public Health of £0.981m is made up as follows:

- Delayed recruitment/deletion of vacant posts and other pay related savings (£0.712m)
- Reduced demand, mainly prescribing costs (£0.260m)

### **Adult Social Care**

The overspend in Adult Social Care of £0.078m is made up of several over and underspends across the Directorate including staff savings with delayed recruitment due to retention issues (-£1.253m), overspend on care packages mainly in relation to long term residential pressures (£1.814m), contribution from earmarked reserve (-£0.364m), recovery of unused direct payments (-£0.284m) and an increased contribution to bad debt provision for client contributions to care packages (£0.156m).

### **Education & Partnerships**

Within Education & Partnerships Directorate, an overspend of £0.536m has been reported and is mainly attributable to an increase in the number of children eligible for home to school transport and increased costs of transport (£1.080m, schools contributions to capital schemes (-£0.609m).

### **Children's Care**

The Children's Care budget was increased by £5.665m during 2022-23. This budget revision exercise was subject to independent review and challenge by the Chartered Institute of Public Finance and Accountancy (CIPFA).

In addition, the Directorate has incurred significant inflationary pressures which were funded by Central inflation contingency budgets. These totalled £0.617m in 2022-23, comprising of £0.408m for external residential placements and £0.209m for Independent Fostering Agency (IFA) payments.

The outturn on the Children's Care budget after taking account of £0.755m of Flexible Use of Capital Receipts is £54.832m against an approved budget of £45.409m. This represents an overspend of £9.423m. This is an improvement of £0.285m compared to the forecast at quarter three excluding the effects of the Flexible Use of Capital Receipts.

The year-end outturn includes an overspend of £0.525m in relation to savings within the approved 2022-23 in-year recovery plan that have not been achievable.

The application of Flexible Use of Capital Receipts relates to qualifying transformation expenditure in accordance with the approved Flexible Use of Capital Receipts Strategy for 2022-23.

Directorate	Revised Budget £'000	Outturn £'000	Over / (Under) spend £'000
External Residential Agency Placements	8,802	15,188	6,385
Education Contributions to External Residential Agency Placements	(750)	(510)	240
Health Contributions to External Agency Placements	(1,129)	(1,472)	(343)
In-House Fostering	4,072	3,981	(91)
Independent Fostering Agency (IFA)	5,866	6,292	426
Adoption Services	1,282	1,389	106
Family & Friends Allowances	3,612	3,385	(228)
Safeguarding and Care Planning	3,621	5,719	2,099
Review and Development Unit	1,130	1,611	481
Referrals and Assessments	2,807	2,859	52
Children Looked After Teams	2,677	2,930	253
Internal Residential Service	4,093	3,644	(449)
Children with Disabilities Service	1,556	2,068	512
Management and Administration	1,864	2,321	457
Improvement	1,832	2,610	778
Prevention Services	1,920	1,534	(386)
Other Resource Services	2,154	2,041	(113)
<b>Total before Flexible Use of Capital Receipts</b>	<b>45,409</b>	<b>55,587</b>	<b>10,178</b>
Flexible Use of Capital Receipts	-	(755)	(755)
<b>Revenue Outturn</b>	<b>45,409</b>	<b>54,832</b>	<b>9,423</b>

The external residential agency placements budget is £6.385m overspent due to a number of placement increases within the final months of 2022-23. There have also been some delays in available placements which has led to placements initially being made at a higher cost whilst reduced cost long-term permanent placements were sought.

The average cost per placement has increased significantly over the past 24 months due to demand across the country and a national lack of suitable placements, however this appears to have reached a plateau.

The Directors within Children's Services have undertaken to review all the young people in Residential Agency Placements and ensure that appropriate levels of funding are received from both the Integrated Care Board (ICB) for Health contributions and from Dedicated Schools Grant (DSG) for Education contributions. Since the complexity of the Council's young people has increased along with the average placement costs, the Health and Education contributions should, therefore, also increase appropriately. However, the fewer placements Middlesbrough has, this subsequently lowers the Education and Health contributions. The outturn for the external residential placements budget includes increased Education contributions to placements, some paid direct to providers, of £0.510m 2022-23, which is £0.240m under the budgeted income on the £0.750m budget set for 2022-23. There is however a significant increase in requests for Education Health Care Assessments.

The Independent Fostering Agency (IFA) placements budget is £0.426m overspent due mainly to the transfer of in-house foster carers to agency due to the lack of availability of in house foster carers. The number of placements / cases has increased.



There is a significant overspend reported at year-end on the Safeguarding and Care Planning teams revised budget for 2022-23. Staff agency costs to cover sickness and vacant posts and transform the Service are a continuing major element of expenditure within the Safeguarding and Care Planning team's budget. It remains a challenge to recruit and retain social workers and this is a significant regional and national challenge as well. The recruitment of permanent social work staff is a major challenge to the Council, with the continued reliance on the use of significant levels of agency staff being a significant risk to the long-term finances of the Council. Agency staffing has been included as a

reduction in spend by Directorate for the MTFP alongside the recruitment and retention strategy, which includes the Council's own academy where newly qualified staff are now coming through and will replace agency staff over the coming next 12 to 24 months and onwards.

### **Legal and Governance Services**

The overspend of £0.011m for Legal and Governance Services is made up of the following:

- Higher than expected usage of the hybrid mail system and contractual price increases (£0.165m)
- Compensating one off savings across the Directorate (-£0.154m)

### **Finance**

Within the Finance Directorate, there has been a number of over and under spends resulting in a net overspend of £0.283m made up mainly as follows:

- Insufficient Housing Benefit subsidy to meet the cost of homeless household accommodation on Bed & Breakfast placements in Adult Services (£0.134m).
- Housing benefit scheme does not provide full subsidy for supported housing providers that are not registered social landlords or housing associations (£0.171m).
- Housing Benefit overpayments relating to prior years and other changes following audit, leading to reduction in subsidy payable upon audit of final subsidy claim (£0.381m).
- Council Tax & Business Rates court costs year-end assessment of debt collectability resulted in increase in the bad debt provision. Also, income shortfall due to the delay in planned mid-year uplift in court fees (£0.464m).
- Higher New Burdens grant than expected and increase in staff vacancies (-£0.745m)
- Higher than budgeted external audit fees for work undertaken up to current stage of ongoing 21-22 audit (£0.158m).
- Income in excess of budget, supplies and services savings, and staff vacancies (-£0.305m)

### **Central budgets**

Central budgets achieved an underspend of £4.664m mainly due to the review of the Minimum Revenue Provision (MRP) policy (£2.408m), delivery of recovery plan savings controlled centrally (£3.226m).

### **Revenue Budget Spending Controls**

A number of controls continued to operate during 2022-23, specifically:

- A vacancy control process overseen by the Leadership Management Team.
- Checks against proposed expenditure of over £5,000 by the procurement team.
- Strong controls over staff travel, the ordering of stationery and use of first-class post.

In 2022-23 the Council continued to minimise the use of agency staff where it was appropriate to do so, but there is still currently a need for the use of agency staff within Children's Care, principally to cover vacant posts due to recruitment issues and to support the continued transformation within Children's Services, however this will be minimised as far as possible. The Council is using additional recruitment and retention packages and market supplements to support the reduction of use of agency staff in future years. Monthly reports on agency costs will be provided to senior managers to provide information to enable them to monitor and control costs relating to this.

The Executive approved a Financial Recovery Plan for 2022-23. This included the following actions to recover the position in 2022-23:

- Each Directorate was requested to identify where discretionary expenditure could be curtailed,



stopping short of an in-year spending freeze.

- Additional controls around the recruitment to vacant posts and procurement of agency staff
- Member led focus meetings on the challenges facing Children's Services with an objective to mitigate demand and workforce challenges, concurrently assisting both the financial position and improvement journey.
- The subsequent approval of the adoption of a Flexible Use of Capital Receipts Strategy for 2022-23 at Full Council in September 2022 to support transformation.

The ongoing financial challenges will continue into 2023-24 and future years, and these were assessed and reported to Council on 27 February 2023, as part of the budget strategy for 2023-24 and the future. There is currently a great deal of uncertainty in forecasting created by the pay award, inflationary pressures, and the impact on demand for services.



### **Savings Delivery**

The Revenue Budget, Council Tax, MTFP and Capital Strategy 2022-23 Report approved by Council on 23 February 2022 included no new budget savings for 2022-23. However, due to the emergence of unforeseen financial pressures, in-year 2022-23 budget savings were proposed as part of the Financial Recovery Plan for 2022-23 approved by Executive on 18 October 2022. The following table provides the year-end outturn position of the achievement of the Financial Recovery Plan for each Directorate.

Directorate	Total In-Year Financial recovery Plan £'000	Total In-Year Savings Achieved £'000	Over delivery / (shortfall) in Savings Achieved £'000
Regeneration and Culture	777	777	-
Environment and Community Services	551	551	-
Public Health	165	165	-
Adult Social Care	1,282	1,282	-
Education and Partnerships	29	29	-
Children's Care	812	287	(525)
Legal and Governance Services	179	179	-
Finance	321	243	(78)
<b>Total Directorates</b>	<b>4,116</b>	<b>3,513</b>	<b>(603)</b>
Central Budgets	40	40	-
Vacancy and agency control	500	500	-
Flexible Use of Capital Receipts Strategy	2,700	755	(1,945)
<b>Total Central Budgets and Corporate Items</b>	<b>3,240</b>	<b>1,295</b>	<b>(1,945)</b>
<b>TOTAL</b>	<b>7,356</b>	<b>4,808</b>	<b>(2,548)</b>

The savings against the £0.500m vacancy and agency control savings target reported under Central Budgets as part of the Financial Recovery Plan report, are now reflected within individual Directorate year-end outturn figures.

The following approved savings have not been achieved and therefore contribute to the reported overspend in these service areas:

- Children's Care:
  - planned reduction in external residential placements of £0.300m.
  - planned savings on Section 17 expenditure of £0.100m.
  - planned reduction in the number of agency staff of £0.125m.
- Finance – the planned increase in council tax / business rates court costs income of £0.078m as part of the fees and charges increases from 1 November 2022 could not be implemented mid-year. This was implemented from 1 April 2023 so does not present an ongoing pressure as a result.

The non-achievement of the above savings is reflected in the final year-end outturn position.

## 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 the considerable effects of high inflation and high interest rates.

The transfers from/to reserves have been approved and these are summarised below:

- Social Care Transformation Reserve - £1.963m of this reserve was utilised in year and £3.312m was used to fund the final overspend of the Council. The remainder (£1.797m) has been transferred to the newly created Financial Resilience Reserve (FRR).
- The purpose of the FRR will be for meeting unforeseen financial pressures that cannot ultimately be



managed within directorate budgets and to meet exceptional one-off costs of meeting the Council's improvement work to satisfy DLUHC and the external auditor's requirements.

- Other ear marked reserves were utilised as planned in the year up to a further £9.583m with additional contributions of £0.696m and a transfer of £0.181m to the insurance reserve from the insurance provision.

The following table shows that the level of reserves the Council holds has reduced considerably during 2022-23 and it is critical that the Council takes action to replenish reserves to achieve a greater level of financial resilience for the Council over the medium term.

The table below sets out a summary of the balance of reserves and provisions at the 1 April 2022 and at year-end 31 March 2023:

<b>Reserves and Provisions 2022-23</b>	<b>Adjusted Opening Balance £'000</b>	<b>In Year Movement £000</b>	<b>Closing Balance £'000</b>
<b>General Fund Reserve</b>	<b>(11,183)</b>	<b>(858)</b>	<b>(12,041)</b>
<b>Usable Earmarked Reserves</b>			
Social Care Transformation Reserve	(7,072)	7,072	-
Financial Resilience Reserve (new)	-	(1,798)	<b>(1,798)</b>
Other Reserves	(10,844)	7,926	<b>(2,918)</b>
<b>Total Usable Earmarked Reserves</b>	<b>(17,916)</b>	<b>13,200</b>	<b>(4,716)</b>
<b>Unusable Earmarked Reserves</b>			
Earmarked Revenue Grants Unapplied	(11,657)	6,782	(4,875)
Dedicated Schools Grant (DSG)	3,756	2,808	6,565
<b>Total Unusable Earmarked Reserves</b>	<b>(7,901)</b>	<b>9,590</b>	<b>1,689</b>
<b>Schools Balances</b>	<b>(4,802)</b>	<b>1,161</b>	<b>(3,640)</b>
<b>Provisions</b>			
Business Rates Appeals and Other	(1,754)	(205)	(1,959)
Insurance	(3,417)	181	(3,236)
<b>Total Provisions</b>	<b>(5,171)</b>	<b>(23)</b>	<b>(5,194)</b>
<b>TOTAL RESERVES &amp; PROVISIONS</b>	<b>(46,973)</b>	<b>23,071</b>	<b>(23,902)</b>

## 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 2022-23 financial position, it is effectively a shortfall to be resolved in 2023-24 and will be reflected in an updated Budget and Medium-Term Financial Plan (MTFP).

The 2023-24 MTFP presented to Council in February 2023 included the estimated effect of Council Tax and Business Rates income during 2022-23, but it is clear that there are a number of issues, including the current economic climate, which may potentially result in adverse pressures continuing in relation to the collection of Council Tax and Business



Rates income over the medium term. The in-year collection rate for 2022-23 was 92.81% for Council Tax (however it should be noted this was at an increased level due to the Council Tax Energy Rebate Scheme) and 96.99% for Business Rates. This position will be closely reviewed and the MTFP will be updated for this as appropriate.

There is currently a growing uptake by residents of the Council Tax Reduction Scheme due to the cost-of-living crisis as a consequence of the current adverse economic climate. At the end of the first quarter 2022-23 there were 17,918 Localised Council Tax Support Claimants, however by the end of 2022-23 there were 18,130 claimants. It is likely that this will increase further in future years. This will be closely monitored and the MTFP will be updated for this as appropriate.

The budgeted Council Tax base includes assumptions on housing growth. If there is a variance in growth in housing numbers, this will impact upon Council tax income levels realised vs budget.

The Government provided support for businesses through increased business rates reliefs and grants in 2020-21. These largely remained in place during the first quarter of 2021-22 but reduced throughout the remainder of 2021-22 and the start of 2022-23. Following the reduction in the level of this support, there is a risk that Business Rates revenue reduces in the future if businesses fail or are unable to pay. This area will be reviewed in detail to inform budget forecasting for 2023-24 and the development of the 2024-25 budget and MTFP.

The Government has provided grant funding to the Council through the Council Tax Energy Rebate Scheme to support households with increasing energy costs for 2022-23. This helped to improve the level of Council Tax income collected in 2022-23, as where applications were not received from Council Taxpayers for the Council Tax Energy Rebate Scheme, the income can be allocated to individual council taxpayers accounts reducing any amounts of council tax owed.

The position relating to Council Tax and Business Rates income for future years and the effects on the Collection Fund will be closely monitored.

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

Funding	Total Deficit / (Surplus) £'000	Share with Preceptors %	Shar of Deficit / (Surplus) £'000	S31 Grant £'000	Final Deficit £'000
Council Tax	(10,243)	83.55%	(8,558)		
Business Rates receivable	(763)	49.00%	(374)	1281	907
<b>Total</b>	<b>(11,006)</b>		<b>(8,932)</b>	1281	907

## 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.

Following a review of the governance and operating arrangements of the company, against new CIPFA guidance, by the Council's Executive during January 2023, a decision was made to wind up MDC once its on-going projects were completed. There are specific disclosure notes within the Group Accounts section which outline this decision and the implications on this set of accounts.

At 31 March 2023, MDC had received funding of £13.2m to spend on approved projects and the day-to-day administration of the company. Of this, £11.4m had been spent on capital projects, principally Boho Village and Newbridge Court. £0.7m had been spent on operational costs leaving a cash balance of £1.1m. Of the total funding given to the company by the Council, just under £6.1m was in the form of a commercial loan and £5.3m was from S106 capital grant funding. The loan was originally to be 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.

Following the decision to wind up MDC during 2022-23, any loan repayment would be due to the Council when the assets are sold. In 2022-23, £2m was repaid (plus interest) to the Council following the sale of Boho Village leaving a balance of £6.1m.

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 £4.5m, representing £5.2m as an unusable reserve to offset future depreciation charges minus a cumulative £0.7m for operating loss. The final financial position of the company will be managed and reported as part of the winding up process. Further details on this can be seen in the financial statements for 2020-21, 2021-22 and 2022-23 which are available from the Middlesbrough Council website. [www.middlesbrough.gov.uk](http://www.middlesbrough.gov.uk).

## Capital

The table below summarises the capital outturn position for 2022-23 for each directorate.

Directorate	Latest Budget £'000	Full Year Outturn £'000	Over / (under) spend £'000
Regeneration and Culture	38,829	36,371	(2,458)
Environment and Community Services	11,123	11,006	(117)
Public Health	285	219	(66)
Adult Social Care	4,141	4,050	(91)
Education and Partnerships	393	1,100	707
Children's Care	2,606	2,884	278
Legal and Governance Services	3,941	3,223	(718)
Finance	138	109	(29)
<b>Total Directorates</b>	<b>61,456</b>	<b>58,962</b>	<b>(2,494)</b>

Following a review of schemes, the Council approved a revised capital budget for 2022-23 of £61.456m as part of its medium-term investment strategy. The Council spent £58.962m (96%) of this revised budget at the year-end.

The underspend of £2.494m compared to the revised budget was a combination of contractor delays, inclement weather, and delays in Northern PowerGrid provision of infrastructure.

The Council's total under borrowed position i.e., external debt compared to the underlying need to borrow, was £36.5m at 31 March 2023.

The Council's Capital Expenditure outturn of £58.962m compared to the original approved budget of £124.825m at the beginning of the year, an underspend of £65.863m resulted in a lower level of debt funding and Capital Financing Requirement (CFR) than was anticipated at budget setting.

The Council's budgeted level of total external borrowing was £268.350m compared to an outturn of £245.899m, a variance of £22.461m. During the final quarter, external borrowing increased from £214.5m at 31 December 2022, to £245.9m at 31 March 2023. This increase of £31.4m reflects the need to borrow £20m for new capital expenditure plus additional short-term borrowing of £15m for cash flow purposes, less repayment of principal amounts on existing annuity loans held by the Council at £3.6m.

Cash balances have been under significant pressure during the fourth quarter of 2022-23 due to the depletion of the Council's reserves associated with in year revenue spending pressures and the delivery of capital schemes funded from borrowing being achieved. Consequently, new borrowing was required to maintain the cash flow position of the Council, which requires a minimum of £15m cash balance to be held. Although it is not uncommon for borrowing activity to increase during the final quarter, due to the relative income and spending profiles, the size of the increase is greater than in previous years.

## 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 2023 is set out below:

<b>31 March 2022</b> £'000		<b>31 March 2023</b> £'000
490,646	Long Term Assets	565,175
96,034	Current Assets	90,748
(94,033)	Current Liabilities	(99,090)
(400,295)	Long-Term Liabilities	(211,806)
<b>92,352</b>	<b>Net Assets</b>	<b>345,027</b>
(76,996)	Usable Reserves	(59,826)
(15,356)	Unusable Reserves	(285,201)
<b>(92,352)</b>	<b>Total Long-Term Assets</b>	<b>(345,027)</b>

The key headline messages to note in relation to the Balance Sheet at 31 March 2023 are as follows:

- Long-term assets have increased mainly due to the change in the actuarial valuation of the pension fund. With the increases in inflation and the volatility of the markets, the triennial valuation has seen a significant increase in the financial assumption resulting in a swing from a net pension deficit to a net pension asset however this has been limited to the asset ceiling calculation as per the CIPA code, IAS19 and IFRC 14
- Current liabilities have increased during the financial year, mainly due to short term borrowing.
- Long-term liabilities have decreased significantly mainly due to movement from a net pension liability to a net pension asset as described above.
- Usable reserves have decreased slightly with the use of earmarked reserves in year and the funding of the year end outturn overspend. Capital grants unapplied though remain high and have increased.
- 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 primary year-on-year change at 31 March 2023 reflects the movement in the net pension asset of £252.600m.



The Council's balance sheet is in a positive net worth position (i.e., the assets are greater than the liabilities). The significant increase of the balance sheets net worth in 2022-23 is predominantly due to the latest triennial actuarial valuation of the pension fund. This has improved the position due significant changes the financial assumptions used i.e., a higher corporate discount rate which reduces the net present value of the funds liabilities. This means that council assets now are greater than liabilities by £335.272m.

The pension fund is still in a surplus position and although the gain 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 rebuilds 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 high inflation. 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 Council is comfortable with these issues in the short term and until a greater degree of normality has returned. 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 2022-23.

**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.

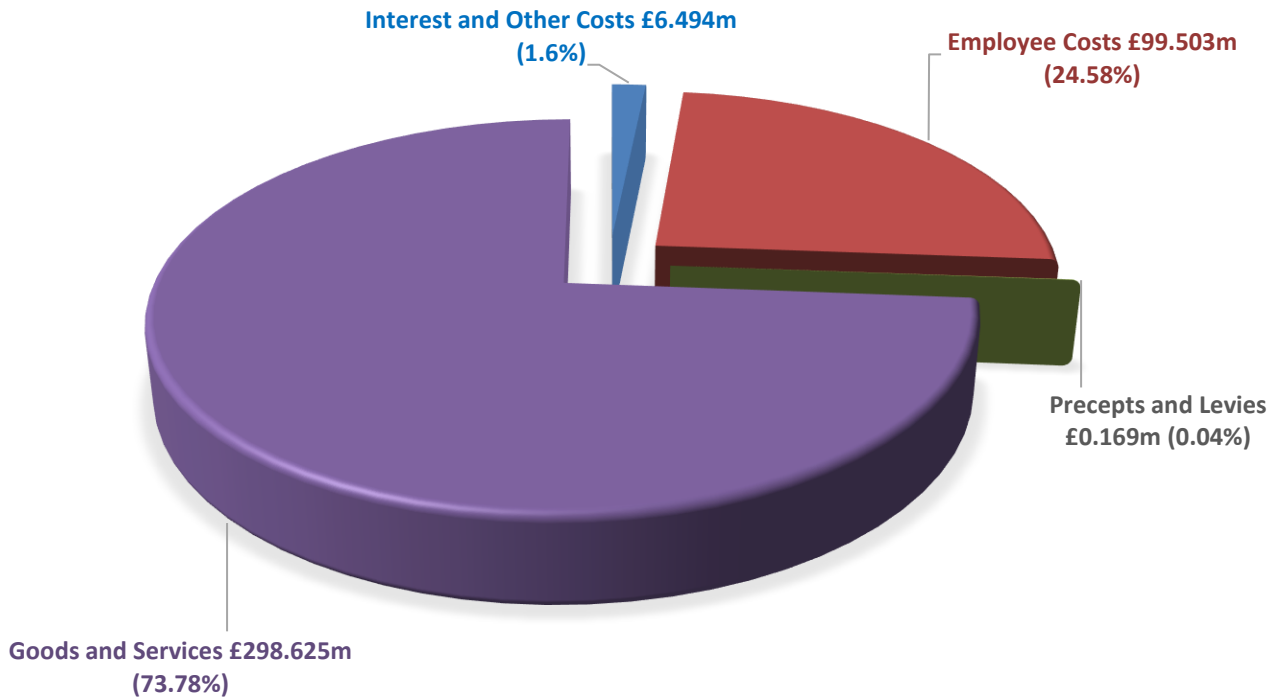
**Annual Governance Statement** - the Council is required to carry out an annual review of the effectiveness of the system of internal control and to include a status report with the Statement of Accounts. This Statement explains how the Council has complied with the Code of Corporate Governance during the 2022-23 financial year.

The **Core Financial Statements** comprise:

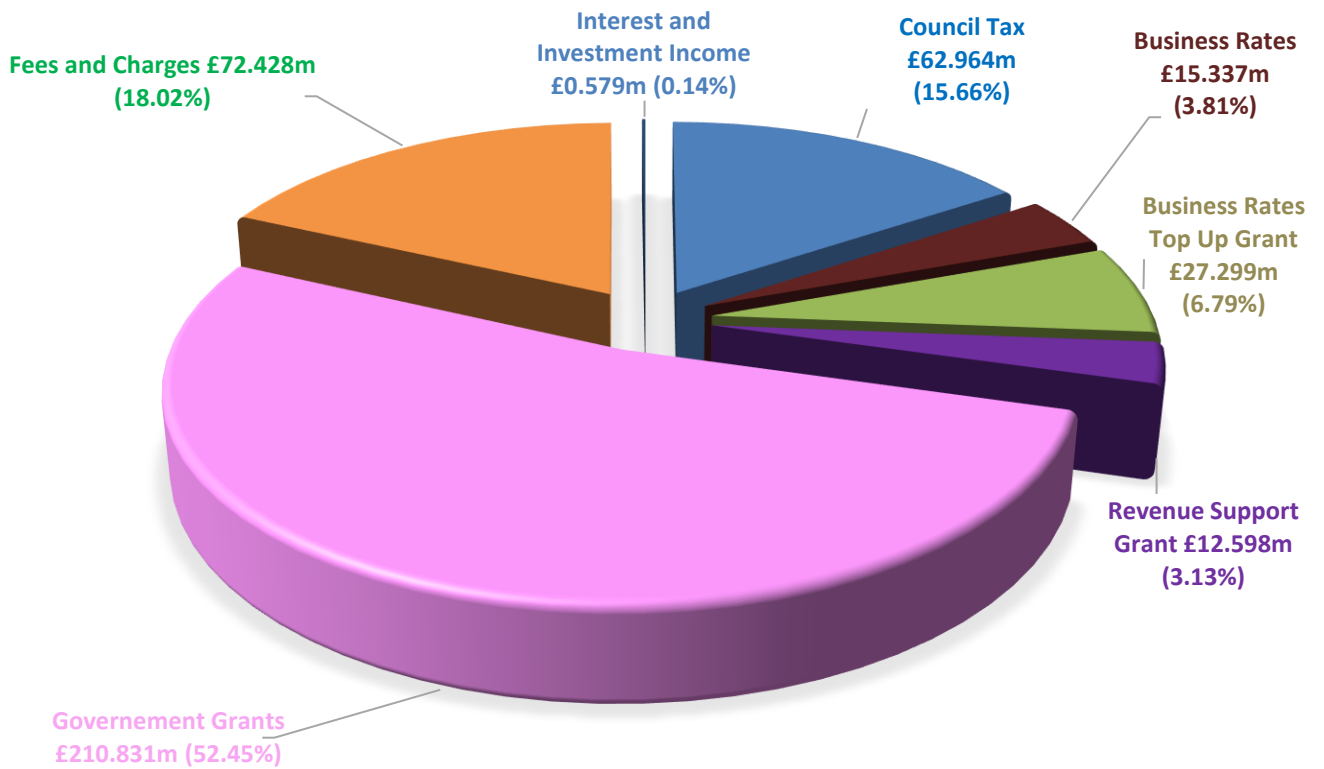
- The **Comprehensive Income and Expenditure Statement** – shows the income and expenditure of the Council in line with statutory regulations, international financial reporting standards and CIPFA Accounting Code of Practice requirements.
  - The charts below and overleaf illustrate where the money has come from and how it has been spent.
- The totals in the financial statement are higher/lower than those set out below due to technical adjustments to comply with proper accounting practice, but which are not funded by the taxpayer. More details on this are set out in the notes to the accounts.

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

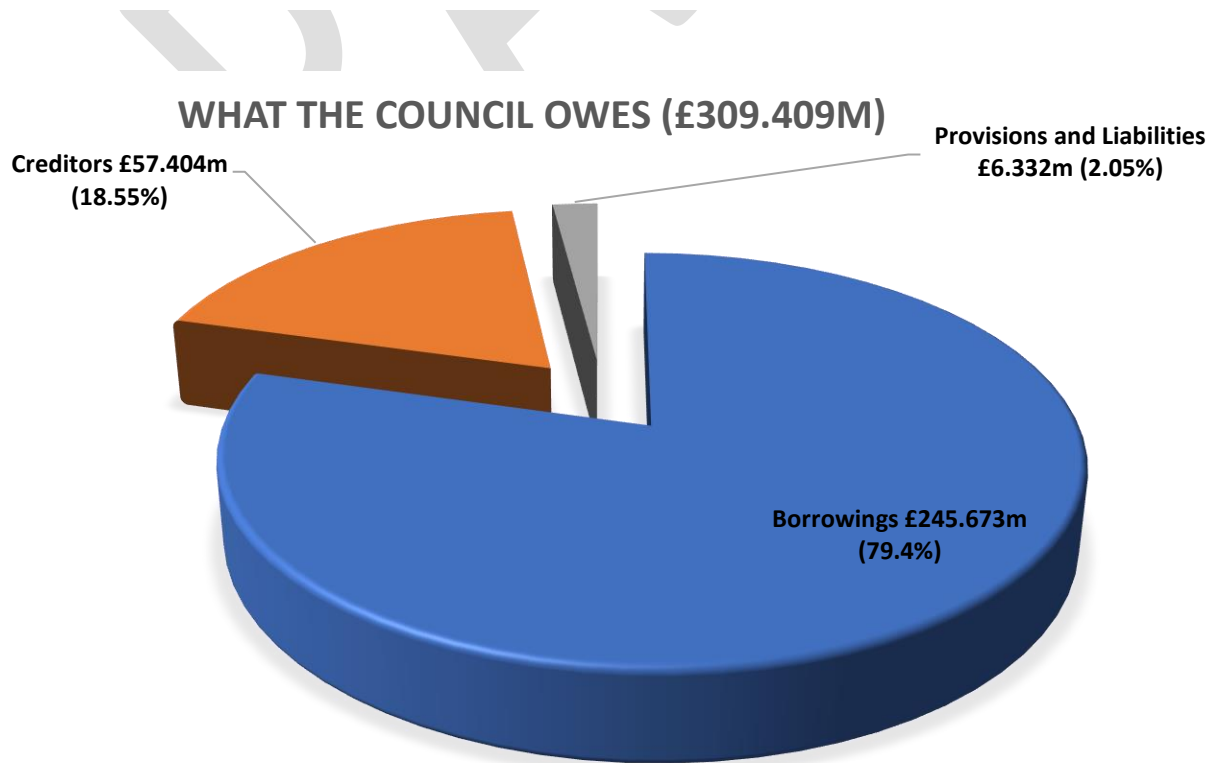
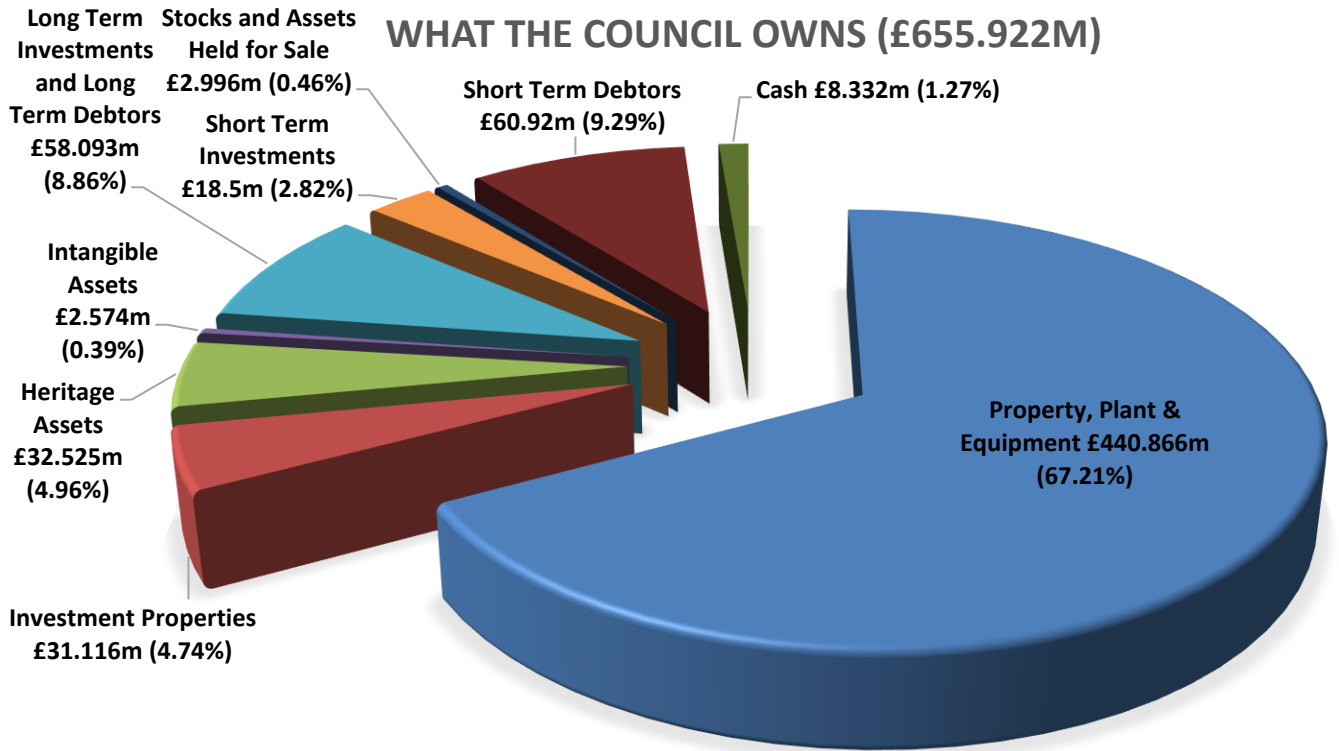
### WHERE THE MONEY WAS SPENT (£404.791M)



### WHERE THE MONEY CAME FROM (£402.036M)



- 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 2022-23, assets, and liabilities as at 31 March 2023.

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

DRAFT



# 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 2023 and its income and expenditure for that year.

**Deborah Middleton FCPFA, BA(Hons)**  
**Director of Finance**  
**Middlesbrough Council**

**28 December 2023**

# 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 2023 and of its income and expenditure for that year.

**Deborah Middleton FCPFA, BA(Hons)**  
**Director of Finance**  
**Middlesbrough Council**

**28 December 2023**

# Auditor’s Report – Middlesbrough Council

To follow once the external audit of the Council’s accounts is complete for 2022-23.

DRAFT

# Auditor's Report – Teesside Pension Fund

To follow once the external audit of the Pension Fund accounts is complete for 2022-23.

DRAFT



# Financial Statements



## Movement in Reserves Statement

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

2022-23	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
<b>Balance at 1 April 2022</b>	<b>(11,182)</b>	<b>(34,375)</b>	-	<b>(23)</b>	<b>(31,415)</b>	<b>(76,995)</b>	<b>(15,356)</b>	<b>(92,351)</b>
<b><i>Movement in reserves during 2022-23</i></b>								
Total Comprehensive Income and Expenditure	44,963	-	-	-	-	<b>44,963</b>	(297,639)	<b>(252,676)</b>
Adjustments between accounting basis & funding basis under regulation (Note 6)	(27,283)	-	-	23	(534)	<b>(27,794)</b>	27,794	-
Transfers to/(from) other reserves	(18,540)	21,144	-	-	(2,604)	-	-	-
<b>Net Decrease / (increase) in year</b>	<b>(860)</b>	<b>21,144</b>	-	<b>23</b>	<b>(3,138)</b>	<b>17,169</b>	<b>(269,845)</b>	<b>(252,676)</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>(12,042)</b>	<b>(13,231)</b>	-	-	<b>(34,553)</b>	<b>(59,826)</b>	<b>(285,201)</b>	<b>(345,027)</b>

<b>2021-22</b>	<b>General Fund Balance</b>	<b>Earmarked Revenue Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Direct Revenue Funding Unapplied</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Council Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April 2021</b>	<b>(10,500)</b>	<b>(35,044)</b>	<b>5</b>	<b>(51)</b>	<b>(7,930)</b>	<b>(53,519)</b>	<b>101,693</b>	<b>48,173</b>
<b><i>Movement in reserves during 2021-22</i></b>								
Total Comprehensive Income and Expenditure	(3,122)	-	-	-	-	<b>(3,122)</b>	(137,402)	<b>(140,524)</b>
Adjustments between accounting basis & funding basis under regulation (Note 6)	3,109	-	(5)	28	(23,485)	<b>(20,354)</b>	20,354	-
Transfers to/(from) other reserves	(669)	669	-	-	-	-	-	-
<b>Net Decrease / (increase) in year</b>	<b>(682)</b>	<b>669</b>	<b>(5)</b>	<b>28</b>	<b>(23,485)</b>	<b>(23,476)</b>	<b>(117,048)</b>	<b>(140,524)</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>(11,182)</b>	<b>(34,375)</b>	<b>0</b>	<b>(23)</b>	<b>(31,415)</b>	<b>(76,995)</b>	<b>(15,356)</b>	<b>(92,351)</b>

# 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.

2021-22			Cost of Services by Service Area	Note	2022-23		
Gross Expenditure	Gross Income	Net Expenditure / (Income)			Gross Expenditure	Gross Income	Net Expenditure / (Income)
£000	£000	£000			£000	£000	£000
20,623	(4,694)	15,929	Regeneration	37,578	(9,396)	28,182	
15,804	(25,582)	(9,778)	Public Health and Public Protection	18,545	(24,631)	(6,085)	
87,392	(80,797)	6,595	Education	96,830	(79,244)	17,586	
60,120	(6,463)	53,657	Children's Care	66,063	(4,362)	61,700	
101,155	(57,724)	43,431	Adult Social Care and Health Integration	106,792	(52,138)	54,655	
54,801	(6,039)	48,762	Environment and Commercial Services	45,245	(6,529)	38,717	
65,584	(59,494)	6,090	Finance	61,543	(52,329)	9,214	
17,538	(2,100)	15,439	Legal & Governance Services	17,192	(2,258)	14,934	
10,901	(12,572)	(1,671)	Central Costs	7,676	(16,305)	(8,629)	
5,700	(5,310)	390	Covid Support	-	-	-	
<b>439,619</b>	<b>(260,776)</b>	<b>178,843</b>	<b>Total Cost of Service</b>	<b>457,465</b>	<b>(247,192)</b>	<b>210,273</b>	
152	(5,162)	(5,010)	Other Operating Income and Expenditure	169	(226)	(58)	
22,583	(14,229)	8,354	Financing & Investment Activities	22,136	(18,220)	3,916	
-	(185,310)	(185,310)	Taxation and Non-Specific Grant Income	-	(169,169)	(169,169)	
<b>462,354</b>	<b>(465,477)</b>	<b>(3,122)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>479,770</b>	<b>(434,807)</b>	<b>44,963</b>	
			<i>Items that will not be re-classified to the Surplus or Deficit on the Provision of Service</i>				
		<b>(4,271)</b>	(Surplus) on revaluation of Property Plant and Equipment	23		<b>(10,095)</b>	
		<b>(129,886)</b>	Actuarial (Gains) on Pension Fund charged to the Pensions Reserve	39		<b>(284,111)</b>	
		<b>(3,245)</b>	Depreciation written out to the Revaluation reserve	23		<b>(3,433)</b>	
		<b>(137,402)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(297,639)</b>	
		<b>(140,524)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(252,676)</b>	



# 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 March 2022		Note	31 March 2023
£'000			£'000
416,783	Property, Plant & Equipment	23	440,866
32,525	Heritage Assets	25	32,526
26,806	Investment Properties	26	31,116
1,439	Intangible Assets	27	2,574
309	Long-Term Investments	29	42,963
12,783	Long-Term Debtors	32	15,130
<b>490,646</b>	<b>Total Long-Term Assets</b>		<b>565,175</b>
10,000	Short-Term Investments	29	18,500
125	Short-Term Assets Held for Sale	28	125
2,628	Inventories	33	2,871
58,659	Short-Term Debtors	32	60,920
24,622	Cash and Cash Equivalents	34	8,332
<b>96,034</b>	<b>Total Current Assets</b>		<b>90,748</b>
(22,648)	Short-Term Borrowing	29	(38,708)
(69,643)	Short-Term Creditors	35	(58,890)
(1,742)	Short-Term Provisions	36	(1,492)
<b>(94,033)</b>	<b>Total Current Liabilities</b>		<b>(99,090)</b>
<b>2,001</b>	<b>Net Current Assets / (Liabilities)</b>		<b>(8,342)</b>
(3,429)	Long-Term Provisions	36	(3,702)
(185,624)	Long-Term Borrowing	29	(206,965)
(1,297)	Other Long-Term Liabilities	29	(1,139)
(209,946)	Pension Liability	39	-
<b>(400,295)</b>	<b>Total Long-Term Liabilities</b>		<b>(211,806)</b>
<b>92,352</b>	<b>Net Assets/(Liabilities)</b>		<b>345,027</b>
(76,996)	Usable Reserves	37	(59,826)
(15,356)	Unusable Reserves	38	(285,201)
<b>(92,352)</b>	<b>Total Reserves</b>		<b>(345,027)</b>

## 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 March 2022 £000		31 March 2023 £000
3,122	Surplus / deficit on provision of services	(44,963)
58,105	Adjustment to net surplus or deficit on the provision of services for non-cash movements	55,135
(13,487)		(755)
(5,967)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
(31,322)	Net Cash Flows from Operating Activities (Note 46)	(16,698)
(10,638)	Investing Activities (Note 47)	(46,255)
(188)	Financing Activities (Note 48)	37,244
	<b>Net Increase or decrease in cash and cash equivalents</b>	<b>(16,291)</b>
<b>24,810</b>	<b>Cash and cash equivalents at the beginning at the reporting period (Note 34)</b>	<b>24,622</b>
<b>24,622</b>	<b>Cash and cash equivalents at the end at the reporting period (Note 34)</b>	<b>8,332</b>

# Notes to the Accounts





## Note 1 Accounting Policies

### General Principles

The Statement of Accounts summarises the Council's financial transactions for the 2022-23 financial year and its position at the 31 March 2023.

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 His 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	Current value based on Existing Use Value (EUV) for operational assets where there is an active market, or if there is no market-based evidence of current value because of the specialist nature of the asset and/or the asset is rarely sold, Depreciated Replacement Cost (DRC).
Property, Plant and Equipment – Infrastructure, Community Assets and Assets under Construction	Depreciated historical cost/Historical 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, the provision of exceptional financial support, or for assistance with the recovery of a budget 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 impact of the Covid-19 pandemic was significantly lower on 2022/23 than in the previous two financial years. Given that no specific new funding was received from central government in this respect, with mainly governance and reconciliations being undertaken, the Council's finances were able to return to being managed in a more traditional way. It is still important to note that the pandemic did have a continuing effect in some areas of the Council's budget such as council tax & business rates collection and income reductions were still volatile and difficult to predict. These have been incorporated into the normal financial management processes, including the medium-term financial plan.

Middlesbrough Council continues to operate in a volatile and challenging economic and financial environment. Like many local authorities, the Council is experiencing significant financial challenges because of continuing high inflation, increasing demand, and complexity of need for services for the most vulnerable in the community, primarily adult and children's social care, home to school transport, homelessness, and waste disposal, for which it is required to meet its statutory responsibilities.

In addition, the Council has a governance qualification in place in relation to its ability to achieve value for money from its operating arrangements. This was introduced by the external auditor in July 2022, as part of the audit of the 2020/21 statement of accounts, with formal statutory recommendations being introduced in August 2023. This is as well as the Best Value notice issued by DLUHC in January 2023.

On setting the 2023/24 budget, the previous chief finance officer indicated that the budget was robust, but had some serious risks attached if approved savings programmes were not delivered to plan and if actual demand pressures were above the assumptions made at budget setting. In addition, it was noted that the level of available revenue reserves was at a critical level and that the ability to raise additional council tax income was constrained by the demographics attached to Middlesbrough's council tax base.

Very early in the 2023-24 financial year, the Council's financial management and forecasting processes identified that demand for services particularly within adults and children's social care, home to school transport and homelessness were likely to exceed the levels previously forecast. This, combined with issues on delivering some projects within the savings programme were forecast to result in a significant overspend for 2023/24 financial year. At the end of May, this forecast was of the order of £11.527m. Against an available usable revenue reserves position of £14.829m, this would consume all the corporate earmarked reserves, plus most of the Councils' general reserves balance.

The s151 Officer implemented a number of measures to restrict expenditure to essential purposes only in July 2023 and has established monthly budget challenge sessions and the requirement for directors to develop financial recovery plans to control expenditure within the approved budget. Quarterly budget challenge sessions also take place which are led by the Executive Member for Finance and Governance and attended by all relevant Executive Members in relation to their portfolio.

With focused effort and initiative, the Council's corporate leadership team and the Executive have managed to reduce the forecast overspend to £7.438m by the end of October. Although the position is improved, and further work will continue to control expenditure throughout the remainder of the financial year, it is likely to lead to a large reduction in the level of reserves available at 31 March 2024.

The Council currently has a delay on the progress and completion of the external audit of its 2021-22 accounts, due to government proposals to address the national local government external audit backlog. Little progress has been made on this audit since the end of March 2023. However, following consideration of the impact of IAS37 upon the council's methodology for calculating the bad debt provision, the Chief Finance Officer has implemented a revised methodology to calculating the bad debt provision on the collection fund (council tax and business rates) and has requested specifically that this be reviewed by the external auditor during 2023 given that it has resulted in a material adjustment being required to the 2021-22 accounts. The methodology has been reviewed by the external auditor and has resulted in a material adjustment to the draft 2021-22 accounts. This adjustment has now been reflected in this draft financial statement for 2022-23 and increases the surplus on the Collection Fund to £8.932m at 31 March 2023. Further, after taking account of the forecast surplus or deficit on the Collection Fund at 31 March 2024, the s151 Officer intends to precept upon the Collection Fund cumulative surplus at 2024-25 budget setting and apply the forecast surplus to replenish the General Fund Balance and the Financial Resilience Reserve position at 1 April 2024.

The Executive published its budget proposals for the period 2024-25 to 2026-27 during December 2023 and these are subject to public consultation until mid-January 2024 before finalisation and consideration by Full Council on 28 February 2024. The proposals consult on a range of measures that will deliver expenditure savings and income growth over the period totalling £14.038m in 2024-25 rising to £21.088m in 2026-27, and an increase in council tax of 4.99%. After taking account of these measures, a budget gap of £6.279m remains in relation to 2024-25, with a further £1.596m in 2025-26, and a further £0.305m in 2026-27.

The Council is considering all available options to balance its budget, including the impact of the provisional local government finance settlement and the development and implementation of a large-scale Transformation Programme in order to redesign services, manage demand and deliver efficiencies to enable the Council to operate within a financially sustainable cost envelope over the medium to long term. However, these actions will not deliver sufficiently robust and implementable savings plans in the timescale required to set a balanced budget for 2024/25 by 11 March 2024. Therefore, an application to the Department for Levelling Up Housing and Communities (DLUHC) for Exceptional Financial Support will be necessary during January 2024 in order to secure sufficient measures to deliver a balanced budget for 2024/25 and provide more time for the Council to implement its Transformation Plans to achieve the required expenditure reductions.

In the event that the combination of approved budget proposals and approved Exceptional Financial Support via DLUHC is insufficient to achieve a balanced budget for 2024-25, the Chief Finance Officer will be required to issue the Council with a Section 114 notice in order to take further measures to achieve financial balance.

The Council has been in regular dialogue with DLUHC officials in relation to the potential need for Exceptional Financial Support since the early summer 2023. Exceptional Financial Support available from DLUHC is in the form of approval to capitalise expenditure that would otherwise be classed as revenue expenditure and for this to be funded by either Council borrowing or capital receipts. DLUHC and the Secretary of State have also indicated that local authorities seeking EFS should take every possible step to minimise the need for that support to be funded by national taxpayers, while also recognising the cost-of-living pressures on families. As part of that process, the Government will consider representations from councils, including on council tax provision.

It is expected that a combination of these measures will enable a balanced budget for 2024-25 to be set for the Council and for its level of revenue reserves to be protected. Through the implementation of a new Transformation Programme, the Council will be able to be returned to a financially sustainable position by 2026-27.

The Council considers that it has a robust approach to its capital financing, debt, and treasury management practices. This will continue to ensure that liquidity within the organisation remains healthy, that all suppliers and staff will be paid and that any debts outstanding will be pursued and collected where possible.

For the above 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 2025.

## **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 of 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 charged 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 15-65 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 variable 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 variable 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 the lower of fair value or the present value of minimum lease payments, 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
<b>Maintained</b>	<b>9</b>	<b>0</b>	<b>3</b>	<b>12</b>
Academies (not under the control of LA)	32	8	2	42
<b>Total</b>	<b>41</b>	<b>8</b>	<b>5</b>	<b>54</b>

### **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 His 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

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

At the balance sheet date, the following new standards and amendments to existing standards have been published and will be introduced by the 2024-25 Codes 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.

## Note 3 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 to 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 4 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 2023 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 or where there is evidence of a material change in value.	At 31 March 2023, the Council had land and buildings to the value of £217.124m, and investment properties to the value of £31.115m. A 1% change in the estimation of property values would lead to a £2.17m change in the value of the Council's land and buildings and £311,155 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. The Council has engaged Hymans Robertson as its actuary to provide expert advice about the assumptions to be applied.	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 £19.849m. <a href="#">Note 39</a> provides further details.
Bad Debt Provision	The Council has determined its bad debt provision of £27.8m (covering collection fund and general revenue activities) based on a range of factors including the age of the debt and the action that has been undertaken by the Council to liaise with the debtor to recover debt.	If collection rates were to deteriorate by 0.1%, the amount for the provision of doubtful debts would increase by £278k.

## **Note 5      Events after the Balance Sheet Date**

There are no significant events at the authorised for issue date (28 December 2023), that affect any of the values in either the Financial Statements for the Council for 2022-23 or in the Notes to the Accounts.

Two items to note that have occurred since the balance sheet date however are as follows:

- Three Lender Option Borrower Options (LOBO) loans totally £15m have been repaid. Two have been called in by the lending institutions due to increases in the UK bank interest rate and one has now matured and been repaid.
- The closure of Middlesbrough Development Company has continued during the 2023-24 year to date. The vast majority of the £6.1m councils lending to the company has now been repaid and all other activities, assets and liabilities are in the process of being transferred back to the Council which is anticipated to conclude by 31 March 2024.

DRAFT

# Notes Supporting the Movement in Reserves Statement

## 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.

2022-23	General Fund Balance	Capital Receipts Reserve	Revenue Unapplied	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments Affecting Capital Reserves</b>					
Impairment and depreciation to Property, Plant and Equipment (Note 23)	(15,978)	-	-	-	15,978
Revaluation Losses on Property, Plant and Equipment (Note 23)	(11,596)	-	-	-	11,596
Revaluation of Investment Properties and Assets for Sale (Note 26,28)	4,573	-	-	-	(4,573)
Amortisation of Intangible Assets (Note 27)	(427)	-	-	-	427
Transfer between Capital grants Unapplied and General Fund	-	-	-	-	-
Total Capital Grants (Note 11)	34,144	-	-	-	(34,144)
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure	-	-	-	(534)	534
Donated Assets (Note 23)	566	-	-	-	(566)
Revenue Expenditure Funded from Capital Under Statute (REFCUS) – Expenditure	(14,731)	-	-	-	14,731
Non-current assets written off on disposal or sale (Note 23,25,27,28)	(529)	-	-	-	529
Non-current Assets written off - Investment properties	(212)	-	-	-	212
Cost of Lease Surrender	-	-	-	-	-
Statutory provision for the financing of capital investment (Note 21)	3,383	-	-	-	(3,383)
Capital Receipts Reserve used to finance new capital spend (Note 21)	-	755	-	-	(755)
Capital expenditure charged against the General Fund (Note 21)	(23)	-	23	-	(0)
Transfer on receipt of cash	-	-	-	-	-
<b>Total Adjustments Affecting Capital reserves</b>	<b>(829)</b>	<b>755</b>	<b>23</b>	<b>(534)</b>	<b>585</b>
<b>Amounts Affecting the Pension Reserve</b>					
Reversal of Pension items in the Comprehensive Income and Expenditure Statement Note 39)	(43,258)	-	-	-	43,258
Employer's pension contribution payable in year (Note 39)	11,747	-	-	-	(11,747)
<b>Amounts Affecting the Collection Fund Adjustments Account</b>					
Difference in Collection Fund income credited to the Comprehensive Income and Expenditure Statement and that under statutory requirements (Note 38)	7,199	-	-	-	(7,199)
<b>Amounts Affecting the Compensated Absences Adjustment Account</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(88)	-	-	-	88
<b>Amounts Affecting the DSG Adjustment Account</b>					
Transfer schools deficit to the DSG adjustment account	(2,808)	-	-	-	2,808
<b>Amounts between Usable Reserves</b>					
Cash proceeds on disposal of Non-Current Assets	755	(755)	-	-	-
<b>Total Adjustments for the year ended 31 March 2023</b>	<b>(27,283)</b>	<b>-</b>	<b>23</b>	<b>(534)</b>	<b>27,794</b>



2021-22	General Fund Balance	Capital Receipts Reserve	Revenue Unapplied	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments Affecting Capital Reserves</b>					
<b>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Impairment and depreciation to Property, Plant and Equipment (Note 23)	(16,076)	-	-	-	16,076
Revaluation Losses on Property, Plant and Equipment (Note 23)	(3,539)	-	-	-	3,539
Movement in the fair value of Investment Properties and Assets for Sale (Note 26,28)	459	-	-	-	(459)
Amortisation of Intangible Assets (Note 27)	(1,272)	-	-	-	1,272
Transfer between Capital grants Unapplied and General Fund	-	-	-	-	-
Total Capital Grants (Note 11)	44,289	-	-	-	(44,289)
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure	-	-	-	(23,485)	23,485
Donated Assets (Note 23)	1,548	-	-	-	(1,548)
Revenue Expenditure Funded from Capital Under Statute (REFCUS) – Expenditure	(14,555)	-	-	-	14,555
Non-current assets written off on disposal or sale (Note 23,25,27,28)	(8,325)	-	-	-	8,325
Non-current Assets written off - Investment properties	(400)	-	-	-	400
Cost of Lease Surrender	-	-	-	-	-
Statutory provision for the financing of capital investment (Note 21)	5,036	-	-	-	(5,036)
Capital Receipts Reserve used to finance new capital spend (Note 21)	-	13,482	-	-	(13,482)
Capital expenditure charged against the General Fund (Note 21)	(8)	-	28	-	(20)
Transfer on receipt of cash	-	-	-	-	-
<b>Total Adjustments Affecting Capital reserves</b>	<b>7,157</b>	<b>13,482</b>	<b>28</b>	<b>(23,485)</b>	<b>2,818</b>
<b>Amounts Affecting the Pension Reserve</b>					
Reversal of Pension items in the Comprehensive Income and Expenditure Statement Note 39)	(42,795)	-	-	-	42,795
Employer's pension contribution payable in year (Note 39)	11,081	-	-	-	(11,081)
<b>Amounts Affecting the Collection Fund Adjustments Account</b>					
Difference in Collection Fund income credited to the Comprehensive Income and Expenditure Statement and that under statutory requirements (Note 38)	14,892	-	-	-	(14,892)
<b>Amounts Affecting the Compensated Absences Adjustment Account</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(248)	-	-	-	248
<b>Amounts Affecting the DSG Adjustment Account</b>					
Transfer schools deficit to the DSG adjustment account	(465)	-	-	-	465
<b>Amounts between Usable Reserves</b>					
Cash proceeds on disposal of Non-Current Assets	13,487	(13,487)	-	-	-
<b>Total Adjustments for the year ended 31 March 2022</b>	<b>3,109</b>	<b>(5)</b>	<b>28</b>	<b>(23,485)</b>	<b>20,353</b>

## Note 7 Earmarked Reserves

	Balance at 1 April 2021	Transfers Out	Transfers In	Balance at 1 April 2022	Transfers Out	Transfers In	Transfers between reserves	Balance at 31 March 2023
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Schools Balances</b>	<b>(4,863)</b>	(4,805)	4,866	<b>(4,802)</b>	<b>(4,232)</b>	<b>5,393</b>	-	<b>(3,641)</b>
<b>Significant Revenue Reserves</b>								
Invest to Save / Change Programme	<b>(445)</b>	(417)	688	<b>(174)</b>	(230)	404	(756)	<b>(756)</b>
Revenue Grants Unapplied	<b>(11,098)</b>	(11,710)	11,151	<b>(11,657)</b>	(10,591)	11,710	5,662	<b>(4,876)</b>
Insurance Fund	<b>(306)</b>	(312)	501	<b>(116)</b>	-	88	-	<b>(28)</b>
Capital Re-Financing Reserve	<b>(175)</b>	-	175	-	-	-	-	-
Public Health Reserve	<b>(438)</b>	(230)	-	<b>(668)</b>	-	539	-	<b>(129)</b>
Business Rates Reserve	<b>(10,555)</b>	(6,040)	9,751	<b>(6,844)</b>	-	6,617	227	-
Covid Recovery reserve	<b>(4,512)</b>	-	4,512	-	-	-	-	-
Social Care Transformation Reserve	-	(7,072)	-	<b>(7,072)</b>	-	5,274	1,798	-
Financial Resilience Reserve				-	-	-	(1,798)	<b>(1,798)</b>
Children's Care Demand Reserve	<b>(732)</b>	-	732	-	-	-	-	-
<b>Total Significant Reserves</b>	<b>(28,261)</b>	<b>(25,781)</b>	<b>27,510</b>	<b>(26,532)</b>	<b>(10,821)</b>	<b>24,632</b>	<b>5,133</b>	<b>(7,588)</b>
Other Revenue Reserves	<b>(1,920)</b>	(12,358)	11,237	<b>(3,041)</b>	-	1,265	(227)	<b>(2,003)</b>
<b>Total Earmarked Reserves</b>	<b>(35,044)</b>	<b>(42,944)</b>	<b>43,613</b>	<b>(34,375)</b>	<b>(15,053)</b>	<b>31,290</b>	<b>4,906</b>	<b>(13,231)</b>

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.





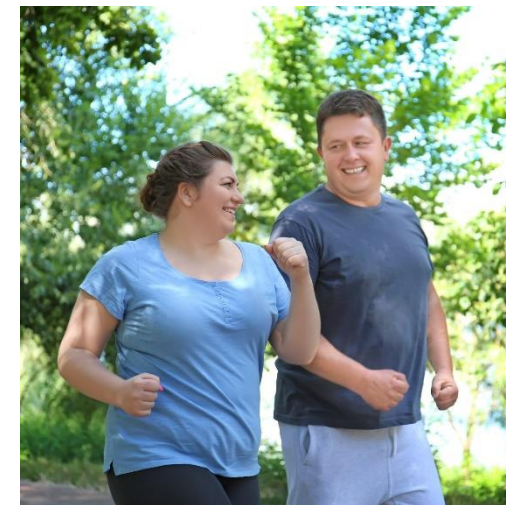
**Insurance Fund** - the internal Insurance Fund was set up to cover all the Council's insurable risks. Only a limited amount of external insurance cover is provided for catastrophe or special risk incidents. The nature of the risks covered by the insurance reserve include fidelity guarantee, personal 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 between 2020-21 and 2022-23 to offset losses on the collection fund account.

**Financial Resilience Reserve** – the reserve has been created during the 2022-23 financial year to accommodate any in-year financial pressure in the delivery of the 2023-24 budget due to increased demand for services and non-achievement of savings targets.

**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

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										
2021-22					Service Area	2022-23				
Net Expenditure at 31 March as reported to Council (Outturn)	Adjustment between Outturn report and chargeable to the General Fund	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 at 31 March as reported to Council (Outturn)	Adjustment between Outturn report and chargeable to the General Fund	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	£'000	£'000	£'000	£'000
3,522	(13)	3,509	12,419	15,928	Regeneration	(2,206)		(2,206)	30,388	<b>28,182</b>
(3,870)	-	(3,870)	(5,907)	(9,777)	Public Health and Public Protection	(3,434)	-	(3,434)	(2,651)	<b>(6,085)</b>
360	(2)	358	6,236	6,594	Education	5,590		5,590	11,996	<b>17,586</b>
48,332	(4,216)	44,116	9,540	53,656	Children's Care	54,832	-	54,832	6,868	<b>61,700</b>
38,706	-	38,706	4,725	43,431	Adult Social Care and Health Integration	46,448		46,448	8,207	<b>54,655</b>
21,368	(263)	21,105	27,657	48,762	Environment and Commercial Services	20,967		20,967	17,750	<b>38,717</b>
(816)	1	(815)	6,906	6,091	Finance	3,999		3,999	5,215	<b>9,214</b>
10,638	(526)	10,112	5,327	15,439	Legal & Governance Services	10,545	-	10,545	4,389	<b>14,934</b>
715	244	959	(2,630)	(1,671)	Central Costs	(15,100)	(557)	(15,657)	7,028	<b>(8,629)</b>
-	390	390	-	390	Covid Support		-	-	-	<b>-</b>
<b>118,955</b>	<b>(4,385)</b>	<b>114,570</b>	<b>64,273</b>	<b>178,843</b>	<b>Net Cost of Service</b>	<b>121,641</b>	<b>(557)</b>	<b>121,084</b>	<b>89,190</b>	<b>210,274</b>
	(116,493)	(116,493)	(57,007)	(173,500)	Other Income and Expenditure		(118,329)	(118,329)	(46,982)	<b>(165,311)</b>
<b>118,955</b>	<b>(120,878)</b>	<b>(1,923)</b>	<b>7,266</b>	<b>5,343</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>121,641</b>	<b>(118,886)</b>	<b>2,755</b>	<b>42,208</b>	<b>44,963</b>
		<b>(10,500)</b>			<b>Opening Uncommitted General Fund Balance</b>			<b>(11,183)</b>		
		<b>(1,923)</b>			Surplus or (Deficit) on General Fund Balance in year			<b>(2,755)</b>		
		<b>1,240</b>			Contribution/(use) in year			<b>1,896</b>		
		<b>(11,183)</b>			<b>Closing Uncommitted General Fund Balance</b>			<b>(12,042)</b>		

<b>Adjustments between Funding and Accounting Basis</b>				
<b>2022-23</b>				
<b>Adjustments from General Fund to Comprehensive Income and Expenditure Statement amounts:</b>	<b>Adjustments for Capital Purposes</b>	<b>Net Change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Regeneration and Culture	21,402	2,179	6,807	<b>30,388</b>
Public Health	-	1,260	(3,911)	<b>(2,651)</b>
Education & Partnerships	4,610	4,355	3,032	<b>11,997</b>
Children's Care	1,041	4,614	1,213	<b>6,868</b>
Adult Social Care and Health Integration	1,459	4,493	2,255	<b>8,207</b>
Environment & Community Services	12,396	5,407	(54)	<b>17,749</b>
Finance	-	2,111	3,104	<b>5,215</b>
Legal & Governance Services	1,746	2,289	354	<b>4,389</b>
Central Costs	(3,306)	(1,204)	11,538	<b>7,028</b>
Covid-19 Support	-	-	-	<b>-</b>
<b>Net Cost of Services</b>	<b>39,348</b>	<b>25,504</b>	<b>24,338</b>	<b>89,190</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(39,298)</b>	<b>6,006</b>	<b>(13,690)</b>	<b>(46,982)</b>
<b>Difference between General Fund Surplus/ Deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services</b>	<b>50</b>	<b>31,510</b>	<b>10,648</b>	<b>42,208</b>

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



The Council's income and expenditure is analysed as follows in term of type of expenditure:

	2021-22 £'000	2022-23 £'000
<b>Expenditure</b>		
Employees	150,112	159,764
Other Service Expenditure	269,836	275,092
Depreciation and other Capital Charges	35,410	38,251
Interest Payments	6,843	6,494
Precepts and Levies	152	169
<b>Total Expenditure</b>	<b>462,353</b>	<b>479,770</b>
<b>Income</b>		
Government Grants and Contributions	(318,556)	(282,784)
Income from Council Tax and Non-Domestic Rates	(81,964)	(85,500)
Interest and Investment Income	(363)	(583)
Fees, Charges and Other Service Income	(64,594)	(65,940)
<b>Total Income</b>	<b>(465,477)</b>	<b>(434,807)</b>
<b>Deficit on the Provision of Services</b>	<b>(3,124)</b>	<b>44,963</b>

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

	2021-22 £'000	2022-23 £'000
Rent Income	(5,491)	(10,142)
Capital	(7,952)	(7,658)
Parking	(1,598)	(1,846)
Support Services	(1,277)	(1,440)
Education Services	(14,394)	(16,551)
Licensing	(749)	(1,084)
Highways, Buildings and Streetlight Maintenance	(3,351)	(3,841)
Covid-19	(3,173)	(1,206)
Revenues and Benefits	(2,300)	(4,130)
Museums and Entertainment Venues	(1,812)	(2,667)
Catering	(4,743)	(4,801)
Other Income	(17,754)	(10,573)
<b>Total Fees, Charges and Other Service Income</b>	<b>(64,594)</b>	<b>(65,940)</b>

## Note 9 Other Operating Income and Expenditure

2021-22 £000		2022-23 £000
152	Town and Parish Council precepts	169
(5,162)	(Gains) / Losses on the disposal of net current assets	(226)
<b>(5,010)</b>	<b>Total</b>	<b>(58)</b>

There has been a decrease in the gains on the disposal of non-current assets due to the reduction in capital receipts in 2022-23.

## Note 10 Financing and Investment Activities

2021-22 £000	Financing & Investment Income	2022-23 £000
6,843	Interest payable and similar charges	6,494
8,823	Trading Activities (Note 16)	13,997
(59)	Charges in relation to Investment property and changes in their fair value (Note 26)	(4,361)
24,092	Pension Interest Costs (Note 39)	31,145
<b>39,698</b>	<b>Total Expenditure</b>	<b>47,275</b>
(17,115)	Expected return on Pensions Assets (Note 39)	(25,139)
(363)	Interest receivable and similar income	(583)
(13,867)	Trading Activities (Note 16)	(17,637)
<b>(31,344)</b>	<b>Total Income</b>	<b>(43,359)</b>
<b>8,354</b>	<b>Total</b>	<b>3,916</b>

## Note 11 Taxation and Non-Specific Grant Income

2021-22 £000	Taxation and Non-Specific Grant Income	2022-23 £000
(69,420)	Council Tax Income	(64,139)
(12,543)	Business rates Income	(21,361)
(57,508)	Non-Ring-fenced Government Grant (Note 12)	(48,958)
(1,549)	Value of Donated Property, Plant & Equipment Assets (Note 23)	(566)
(44,289)	Capital Grants / Contributions (Note 12)	(34,145)
<b>(185,309)</b>	<b>Total</b>	<b>(169,169)</b>

The amount for business rates and the non-ringed fenced government grants reflect the change from government support for business through Covid to a return to normal.

## Note 12 Grant Income

The following grants, contributions and donations were credited to the Comprehensive Income and Expenditure Statement in 2022-23.

31 March 2022 £000		31 March 2023 £000
(12,245)	Revenue Support	(12,598)
(27,299)	Business Rates Top-up	(27,299)
(250)	New Homes Bonus	(855)
(16,986)	Business Rates Section 31	(7,676)
(596)	Enterprise Zone Funding	(400)
(131)	Renewable Energy	(131)
<b>(57,507)</b>	<b>Total Taxation and Non-Specific Grant Income (Note 11)</b>	<b>(48,959)</b>
	<b>Department for Education (DfE)</b>	
(53,987)	Dedicated Schools Grant	(52,852)
(4,085)	Pupil Premium	(4,010)
-	Education Services	-
(767)	Education and Skills Funding Agency	(517)
-	Staying Put Agency	-
(330)	Universal Infant Free School Meals	(315)
-	High Needs Sixth Form Funding	-
-	Supporting & Strengthening Families	-
(250)	PE & Sport	(94)
(2,823)	Other DfE grants	(4,248)
	<b>Department for Levelling Up, Housing, Communities (DLUHC)</b>	
(1,828)	Independent Living	(1,828)
(6,339)	Adult Social Care Grant	(12,614)
(8,391)	Improved Better Care Fund	(5,086)
(846)	Troubled Families	(1,037)
-	Winter Pressures	-
-	Migration Fund	-
(12,607)	Covid19	-
(3,759)	Other DLUHC grants	(7,794)
	<b>Home Office</b>	
(894)	Youth Justice Good Practice Grant	(1,069)
(458)	Other Home Office	(950)
	<b>Department for Business, Energy and Industrial Strategy (BEIS)</b>	
(1,223)	BEIS grants	(44)
	<b>Department for Digital, Culture, Media and Sport (DCMS)</b>	
(1,149)	DCMS grants	(461)
	<b>Department for Work and Pensions (DWP)</b>	
(44,805)	Housing Benefit Subsidy	(42,495)
(726)	Housing Benefit Admin	(379)
(2,088)	Other DWP Grants	(4,575)
	<b>Department of Health and Social Care (DHSC)</b>	
(19,894)	Public Health	(17,731)
(8,535)	Covid 19	(89)
-	Project Adder	(1,350)
(312)	Other DHSC grants	(2,305)
	<b>Department for Environment, Food and Rural Affairs (DEFRA)</b>	
(6)	DEFRA grants	(28)
	<b>Department for Transport (DfT)</b>	
(53)	DfT grants	(58)
	<b>Lottery Grants</b>	
-	Other Lottery Grants	-
	<b>Cabinet Office</b>	
125	Elections	101
(445)	Other Grants	(569)
<b>(176,475)</b>	<b>Total Revenue Grants Credited to Services</b>	<b>(162,395)</b>

31 March 2022 £000		31 March 2023 £000
	<b>Other Contributions</b>	
(153)	South Tees Clinical Commissioning Group	-
(111)	Tees, Esk and Wear Valleys NHS Foundation Trust	(114)
(221)	South Tees Hospitals NHS Foundation Trust	(200)
(28,829)	Tees Valley Clinical Commissioning Group	(2,635)
(2,839)	Redcar and Cleveland Borough Council	(2,763)
(1,348)	Stockton-on-Tees Borough Council	(1,560)
(828)	Hartlepool Borough Council	(561)
(60)	Darlington Borough Council	(67)
(4,980)	Tees Valley Combined Authority	(3,602)
(377)	Police and Crime Commissioner	(326)
(539)	Other Contributions	(25,458)
<b>(40,285)</b>	<b>Total Revenue Contributions Credited to Services</b>	<b>(37,286)</b>
<b>(274,267)</b>	<b>TOTAL REVENUE GRANTS AND CONTRIBUTIONS</b>	<b>(248,640)</b>

2021-22 £000		2022-23 £000
	<b>Department for Education (DfE)</b>	
(1,651)	School Condition Allocation	(1,013)
(8,679)	Basic Need	(1,367)
(418)	Other DfE grants	(4,233)
	<b>Ministry of Housing, Communities and Local Government (MHCLG)</b>	
(2,268)	Disabled Facility	(2,268)
(8,170)	Future High Streets	(1,021)
(3,717)	Towns Fund	(3,450)
(1,283)	other MHCLG grants	(168)
	<b>Department of Health and Social Care (DHSC)</b>	
-	Other DHSC grants	-
	<b>Department for Transport (DfT)</b>	
(3,403)	Local transport Plan	(3,404)
-	Other DfT Grants	-
	<b>Tees Valley Combined Authority</b>	
(8,753)	Other TVCA Grants	(12,178)
(682)	<b>Other Grants</b>	(523)
-	<b>Other Contributions</b>	-
(4,579)	Housing Development	(12)
(686)	Other Contributions	(4,508)
<b>(44,289)</b>	<b>Total Capital Grants</b>	<b>(34,145)</b>
<b>(318,556)</b>	<b>TOTAL GRANTS 2022-23</b>	<b>(282,785)</b>

There has been a decrease in government grant funding 2022-23 due to less revenue grants being available to support the authority following a return to normal after the Covid-19 pandemic, and a year-on-year reduction in capital grants available to support the capital programme.

## Note 13 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring fenced and can only be applied to meet expenditure properly included in the schools Budget, as defined in The School and Early Years Finance (England) Regulations 2022. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school.

Details of DSG funded expenditure for 2022-23 is set out below:

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2022-23 before Academy recoupmnt			168,621
Academy figure recouped for 2022-23			110,104
<b>Total DSG after Academy recoupmnt for 2022-23</b>			<b>58,518</b>
Plus: Brought forward from 2021-22			-
Less: Carry Forward to 2022-23 agreed in advance			-
<b>Agreed initial budgeted distribution for 2022-23</b>	<b>20,438</b>	<b>38,080</b>	<b>58,518</b>
In year adjustments	-	529	529
<b>Final budgeted distribution for 2022-23</b>	<b>20,438</b>	<b>38,609</b>	<b>59,047</b>
Less: Actual central expenditure	17,942		17,942
Less: Actual ISB deployed to schools		43,914	43,914
Plus: Local Authority contributions for 2022-23	-	-	-
<b>Balance Carried Forward</b>	<b>38,380</b>	<b>82,523</b>	<b>120,903</b>
Plus: Carry-forward to 2023-24 agreed in advance			-
Carry-forward to 2023-24			-
DSG unusable reserve at the end of 2021-22			(3,756)
Addition to DSG unusable reserve at the end of 2022-23			(2,809)
Total of DSG unusable reserve at the end of 2022-23			<b>(6,565)</b>
Net DSG position at the end of 2022-23			<b>(6,565)</b>

The total level of reserves and balances held by the schools can be found in Note 38 (Unusable Reserves)





## 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).

<b>2022-23</b>	<b>Salary (including fees and allowances)</b> £	<b>Pension contributions paid for by the Council</b> £	<b>payment for loss of office</b>	<b>Total including pensions contribution</b> £
Chief Executive – Tony Parkinson Left March 2023	156,885	18,042	98,366	<b>273,293</b>
Director of Finance Left July 2022 *	31,689	3,644	-	<b>35,333</b>
Director of Adult Social Care and Health Integration	109,323	12,572	-	<b>121,895</b>
Director of Environment and Community Services	96,478	10,916	-	<b>107,394</b>
Director of Regeneration and Culture	97,890	11,257	-	<b>109,147</b>
Executive Director of Children's Services Left December 2022 **	95,652	11,000	-	<b>106,652</b>
Head of Legal and Governance Services – Monitoring Officer	102,900	11,834	-	<b>114,734</b>
Director of Education and Partnerships	96,478	11,095	-	<b>107,573</b>
Director of Public Health	97,890	11,257	-	<b>109,147</b>

\* Director of Finance paid via Agency from August 2022 – Penna PLC £114,000

\*\*Executive Director of Childrens Services paid via agency from December 2022 £87,847

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

## 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.

2021-22 Number of Employees at 31 March			Remuneration	2022-23 Number of Employees at 31 March		
MBC	Schools	Total		MBC	Schools	Total
38	14	52	£50,000 - £54,999	53	17	70
21	7	28	£55,000 - £59,999	19	10	29
11	3	14	£60,000 - £64,999	13	6	19
5	1	6	£65,000 - £69,999	8	2	10
7	5	12	£70,000 - £74,999	7	5	12
1	5	6	£75,000 - £79,999	4	3	7
2	2	4	£80,000 - £84,999	2	2	4
-	-	-	£85,000 - £89,999	-	3	3
-	-	-	£90,000 - £94,999	-	-	-
1	-	1	£95,000 - £99,999	-	-	-
-	-	-	£100,000 - £104,999	-	-	-
-	-	-	£105,000 - £109,999	-	-	-
-	-	-	£110,000 - £114,999	-	-	-
-	-	-	£115,000 - £119,999	-	-	-
-	-	-	£120,000 - £124,999	-	-	-
-	-	-	£125,000 - £129,999	-	-	-
-	-	-	£130,000 - £134,999	-	-	-
1	-	1	£135,000 - £139,999	1	-	1
-	-	-	£140,000 - £144,999	-	-	-
-	-	-	£145,000 - £149,999	-	-	-
-	-	-	£150,000 - £154,999	-	-	-
-	-	-	£155,000 - £159,999	-	-	-
-	-	-	£160,000 - £164,999	-	-	-
-	-	-	£165,000 - £169,999	-	-	-
-	-	-	£170,000 - £174,999	-	-	-
<b>87</b>	<b>37</b>	<b>124</b>	<b>Total</b>	<b>107</b>	<b>48</b>	<b>155</b>

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 [(b) + (c)]		Total cost of exit packages in each band	
	2021- 22	2022- 23	2021- 22	2022- 23	2021- 22	2022- 23	2021- 22 £'000	2022- 23 £'000
£0 – £20,000	1	-	41	81	42	81	196	197
£20,001 – £40,000	-	-	5	3	5	3	146	82
£40,001 – £60,000	-	-	-	1	-	1	-	51
£60,001 – £80,000	-	-	2	-	2	-	138	-
£80,001 – £100,000	-	-	3	1	3	1	207	98
£100,000 – £150,000	-	-	-	-	-	-	-	-
Over £150,001	-	1	-	-	-	1	-	176
<b>Total</b>	<b>1</b>	<b>1</b>	<b>51</b>	<b>86</b>	<b>52</b>	<b>87</b>	<b>687</b>	<b>604</b>

## Note 15 Members' Allowances and Expenses

2021-22 £000		2022-23 £000
341	Basic Allowance Paid	340
174	Special Responsibility Allowances Paid	185
5	Expenses	6
<b>520</b>	<b>Total</b>	<b>531</b>

## 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:

2021-22				2022-23		
Income £'000	Expenditure £'000	(Surplus) / Deficit £'000		Income £'000	Expenditure £'000	(Surplus) / Deficit £'000
(4,963)	1,376	(3,587)	Commercial and Industrial Properties	(8,639)	5,457	(3,181)
(2,537)	2,165	(372)	Building Maintenance, Cleaning and Security	(2,548)	2,736	188
(1,624)	856	(768)	Parking	(1,701)	812	(889)
(4,743)	4,425	(317)	Schools Catering	(4,749)	4,992	243
<b>(13,867)</b>	<b>8,822</b>	<b>(5,044)</b>	<b>Total</b>	<b>(17,637)</b>	<b>13,997</b>	<b>(3,640)</b>

## 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:

2021-22 £000		2022-23 £000
178	Fees payable to our current External Auditors, EY, with regard to their services carried out as appointed Auditor	290
19	Fees Payable to the Auditor, EY for the certification of Grant Claims and Returns	21
75	Additional charges due to our current External Auditors, EY for an overrun in respect of 2019-20	-
-	Additional charges due to our current External Auditors, EY for an overrun in respect of 2020-21	86
<b>272</b>	<b>Total</b>	<b>397</b>

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. The above total of £0.397m 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 only significant agency arrangement in place in 2022-23 was relating to the government package of support known as the Energy Bills Rebate to help households with rising energy bills. As part of this the Council was instructed to use Council Tax account records to make a £150 non-repayable rebate for households in England in council tax bands A – D, known as the Council Tax Rebate. For those eligible residents that paid their Council Tax by direct debit, a one-off payment was made directly to their bank account. An option was given to those remaining eligible residents to either provide appropriate bank details to receive the payment directly into their bank account or to have the £150 credited to their Council Tax account.

In addition to this there were residual Covid-19 Grants where Government instructed the Council to issue grants to qualifying third party businesses or individuals in need.

The total value of agency payments issued by the Council was £9m, which has not been recognised in the Income & Expenditure Statement as follows:

Agency Services	£
Support for Energy Bills - Council Tax Rebate	8,736
COVID_19 - Omicron Hospitality & Leisure Grants	315
Other Covid-19 Support	5
<b>Total</b>	<b>9,056</b>

## 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 Head of Finance & Investments for the council was a Director for Middlesbrough Development Company and for Veritau Tees Valley Ltd during the 2022-23 financial year. Both engagements have ended during the 2023-24 financial year under the new Council policy for wholly and partially own local authority companies.

### 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 £14.787m (2021-22 - £8.6m) and made charges to the Fund for Support Services of £0.765m (2021-22 - £1.147m).

### 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 £5.257m of Section 106 funding previously received by the Council and has received a commercial loan for the remaining £6.063m. It has spent £12.238m of the allocated funding (including general running costs). This spending was on capital works for the Boho Village Bright Ideas project and Newbridge Court project following the demolition of the old Tollesby 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 2022-23				
Organisation	Expenditure transactions in year £'000	Income Transactions in year £'000	Year End Creditor Balances £'000	Year End Debtor Balances £'000
Cleveland Combined Fire Authority	2,474	0	-	-
Cleveland Police and Crime Panel	249	-	66	-
Community Ventures (Middlesbrough) Ltd	39	-	-	-
Groundwork North East Tees Valley Advisory Board	29	7	-	3
Local Government Association	33	-	-	-
Middlesbrough Citizens Advice Bureau - Management Committee	400	33	-	-
Middlesbrough Environment City Trust Limited	250	16	-	-
Middlesbrough Voluntary Development Agency	86	-	-	-
North East Regional Employers' Organisation (NEREO)	80	-	56	-
South Tees Hospitals NHS Foundation Trust Council of Governors	327	67	102	94
Tees Valley Combined Authority Board	5,345	-	-	-
Teesside Ability Support Centre (TASC)	519	1	-	-
Veritau	176	-	-	-
<b>TOTAL</b>	<b>10,010</b>	<b>124</b>	<b>224</b>	<b>98</b>



## 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 a pooled budget arrangement with NHS Tees Valley Clinical Commissioning Group (TVCCG) 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 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 into 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.

2021-22		2022-23		
		BCF £'000	Discharge Fund £'000	Total Pool £'000
(621)	<b>Balance Brought Forward</b>	(1,912)	-	(1,912)
	<b>Funding Provided to the Pooled Budget</b>			-
(3,567)	The Authority	(4,509)	(632)	(5,141)
(8,392)	IBCF	(8,646)	-	(8,646)
(13,393)	Tees Valley CCG	(13,448)	(663)	(14,111)
(25,352)		(26,603)	(1,295)	(27,898)
	<b>Expenditure Met from the Pooled Budget</b>			
11,217	The Authority	31,695	891	32,586
8,392	IBCF	(8,646)	-	(8,646)
2,769	Tees Valley CCG	3,393	230	3,623
22,378		26,442	1,121	27,563
1,683	Capital Amounts slipped into 2023-24	1,177	-	1,177
(1,912)	<b>Net surplus arising on the pooled budget to be carried forward</b>	(896)	(174)	(1,070)

### 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 2013-14, 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:

<b>The outturn position for the year is:</b>	<b>2021-22</b>	<b>2022-23</b>
<b>Balance Brought Forward</b>	(380)	(804)
Gross Expenditure	1,949	2,302
Gross Income	(2,373)	(2,050)
<b>Balance Carried Forward</b>	<b>(804)</b>	<b>(552)</b>
<b>Contributions from partners</b>		
Middlesbrough Council	(191)	(222)
Redcar & Cleveland Borough Council	(178)	(198)
Stockton Council	(203)	(247)
Hartlepool Council	(109)	(123)
NHS NE & NC ICB	(1,580)	(1,123)
	<b>(2,261)</b>	<b>(1,913)</b>
Other Income	(111)	(137)
	<b>(2,372)</b>	<b>(2,050)</b>

# 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.

2021-22 £'000		2022-23 £000
<b>245,965</b>	<b>Opening Capital Financing requirement</b>	<b>263,531</b>
	<b>Capital investment</b>	
37,648	Property, Plant and Equipment (Note 23)	38,573
83	Heritage (Note 25)	-
0	Assets Held for Sale (Note 28)	-
1,374	Intangible Assets (Note 27)	1,561
1,211	Investment Properties (Note 26)	34
3,585	Long Term Debtors	4,633
14,555	Revenue Expenditure Funded from Capital Under Statute - Expenditure	14,731
	<b>Sources of finance</b>	
(13,482)	Capital Receipts	(755)
(22,352)	Government Grants and other contributions applied in the year	(34,177)
	<b>Sums set aside from revenue</b>	
(21)	Direct revenue contributions	-
0	Reduction in Long Term Debtors	-
(5,036)	MRP/loans fund principal	(3,383)
<b>263,530</b>	<b>Closing Capital Financing Requirement</b>	<b>284,748</b>
	<b>Explanation of movements in year</b>	
22,600	Increase in underlying need to borrowing	24,600
0	Unsupported by government financial assistance	-
0	Reduction in Long Term Debtors	-
(5,036)	MRP / loans fund principal	(3,383)
<b>17,564</b>	<b>Increase in Capital Financing Requirement</b>	<b>21,217</b>

## Note 22 Capital Commitments

The Council spend in 2022-23 was £58,96m with a further £181.19m planned for 2023-24, 2024-25 and 2025-26. Contracts for material capital spend already in place over £0.250m in 2023-24 are shown below. This does not include works contracted prior to 2023-24.

Project	2022-23 Approved Budget £'000
Future High Streets Fund	575
<b>Total</b>	<b>575</b>

## 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.

2022-23	Other Land and Buildings £000	Surplus Assets £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000	Assets Under Construction £000	Total £000
<i>Cost of valuation</i>						
<b>Balance at 1 April 2022</b>	<b>217,141</b>	<b>40,369</b>	<b>30,052</b>	<b>8,408</b>	<b>13,798</b>	<b>309,769</b>
Additions	13,120	161	3,071	147	11,296	<b>27,795</b>
Donations	13	212	0	0	0	<b>225</b>
Revaluation increases/(decreases) to Revaluation Reserve	8,728	1,366	0	0	0	<b>10,095</b>
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	(12,970)	(608)	0	0	0	<b>-13,578</b>
Derecognition - Disposals	(271)	(135)	(1,466)	0	0	<b>-1,872</b>
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	<b>0</b>
Assets reclassified (to)/from Assets - other categories	(2,532)	2,616	203	3	(203)	<b>88</b>
<b>Balance at 31 March 2023</b>	<b>223,229</b>	<b>43,982</b>	<b>31,860</b>	<b>8,558</b>	<b>24,891</b>	<b>332,520</b>

2022-23	Other Land and Buildings £000	Surplus Assets £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000	Assets Under Construction £000	Total £000
<i>Accumulated Depreciation and Impairment</i>						
<b>Balance at 1 April 2022</b>	<b>(3,301)</b>	<b>(42)</b>	<b>(23,833)</b>	<b>0</b>	<b>0</b>	<b>(27,175)</b>
Depreciation charge	(5,895)	(66)	(1,714)	0	0	(7,676)
Revaluation depreciation written out to Revaluation Reserve	3,416	17	0	0	0	3,433
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services.	0	0	0	0	0	0
Impairment (losses)/reversals written out to the Revaluation Reserve	0	0	0	0	0	0
Revaluation depreciation written out to Provision of Services	1,876	107	0	0	0	1,982
Derecognition - Disposals	4	6	1,333	0	0	1,344
Assets reclassified (to)/from Assets Held for Sale	0	0	0	0	0	0
Assets reclassified (to)/from other categories	93	(93)	0	0	0	0
<b>Balance at 31 March 2023</b>	<b>(3,808)</b>	<b>(71)</b>	<b>(24,214)</b>	<b>0</b>	<b>0</b>	<b>(28,093)</b>
<b>Net Book Value at 31 March 2023</b>	<b>219,422</b>	<b>43,911</b>	<b>7,647</b>	<b>8,558</b>	<b>24,891</b>	<b>304,428</b>





## Highways Infrastructure Assets

In accordance with the temporary relief offered by the update to the Code on Infrastructure Assets and the statutory over-ride from central government, this note does not include disclosure of gross cost and accumulated depreciation for Infrastructure Assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The council has chosen not to disclose this information as the previously reported practices and resultant information deficits means that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets. The aim is to have these in place or the 2024-25 statement of accounts process.

	<b>2021-22</b>	<b>2022-23</b>
	<b>£000</b>	<b>£000</b>
Net book Value At 1 April	133,343	134,189
Additions	8,164	10,211
Donated Assets	994	341
Derecognition	-	-
Depreciation	(8,246)	(8,303)
Impairment	(523)	-
Other Movements in Cost	457	
<b>Net Book Value 31 March</b>	<b>134,189</b>	<b>136,438</b>

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

	<b>2021-22</b>	<b>2022-23</b>
	<b>£000</b>	<b>£000</b>
Other PPE Assets	282,593	304,428
Infrastructure Assets	134,189	136,438
<b>Net Book Value 31 March</b>	<b>416,782</b>	<b>440,866</b>

2021-22	Other Land and Buildings £000	Surplus Assets £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000	Assets Under Construction £000	Total £000
Cost of valuation						
<b>Balance at 1 April 2021</b>	<b>195,804</b>	<b>47,374</b>	<b>38,849</b>	<b>8,283</b>	<b>8,266</b>	<b>298,576</b>
Additions	17,586	785	1,367	125	8,074	27,937
Donations	499	55	0	0	0	554
Revaluation increases/(decreases) to Revaluation Reserve	5,529	(1,472)	213	0	0	4,270
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	(3,437)	(1,440)	0	0	0	(4,877)
Derecognition - Disposals	(935)	(4,933)	(11,616)	0	0	(17,484)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0
Assets reclassified (to)/from Assets - other categories	2,095	0	1,239	0	(2,542)	792
<b>Balance at 31 March 2022</b>	<b>217,141</b>	<b>40,369</b>	<b>30,052</b>	<b>8,408</b>	<b>13,798</b>	<b>309,768</b>

2021-22	Other Land and Buildings £000	Surplus Assets £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000	Assets Under Construction £000	Total £000
<i>Accumulated Depreciation and Impairment</i>						
<b>Balance at 1 April 2021</b>	<b>(2,277)</b>	<b>(119)</b>	<b>(32,672)</b>	<b>0</b>	<b>0</b>	<b>(35,068)</b>
Depreciation charge	(5,423)	(87)	(1,772)	0	0	(7,282)
Revaluation depreciation written out to Revaluation Reserve	3,189	55	1	0	0	3,245
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services.	0	0	0	0	0	0
Impairment (losses)/reversals written out to the Revaluation Reserve	0	0	0	0	0	0
Revaluation depreciation written out to Provision of Services	1,242	96	0	0	0	1,338
Derecognition - Disposals	4	13	11,313	0	0	11,330
Assets reclassified (to)/from Assets Held for Sale	0	0	0	0	0	0
Assets reclassified (to)/from other categories	(36)	0	(703)	0	0	(739)
<b>Balance at 31 March 2022</b>	<b>(3,301)</b>	<b>(42)</b>	<b>(23,833)</b>	<b>0</b>	<b>0</b>	<b>(27,175)</b>
<b>Net Book Value at 31 March 2022</b>	<b>213,840</b>	<b>40,327</b>	<b>6,220</b>	<b>8,408</b>	<b>13,798</b>	<b>282,593</b>

	<b>2020-21</b>	<b>2021-22</b>
	<b>£000</b>	<b>£000</b>
Net book Value At 1 April	134,639	133,343
Additions	9,814	8,164
Donated Assets	823	994
Derecognition	(11)	-
Depreciation	(8,042)	(8,246)
Other Movements in Cost	(3,880)	457
<b>Net Book Value 31 March</b>	<b>133,343</b>	<b>134,712</b>

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

	<b>2020-21</b>	<b>2021-22</b>
	<b>£000</b>	<b>£000</b>
Other PPE Assets	263,508	309,769
Infrastructure Assets	133,343	134,712
<b>Net Book Value 31 March</b>	<b>396,851</b>	<b>444,481</b>

### 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 is additional work needed to be done by the Council 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. At present, the governments statutory over-ride is being used to allow a true and fair view to be presented.

Also included in the land and buildings totals are a number of leisure properties, which from 1 April 2016 were 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 land and building assets as at 31 March 2023 are included in the table below. All properties were revalued in 2021-22.

<b>Leisure Assets</b>	<b>Net Book Value at 31 March 2023 £'000</b>
The Manor Youth and Community Centre	1,597
Neptune Centre	8,180
Rainbow Centre	8,819
Middlesbrough Sports Village	15,430
Golf Course	849
<b>Total</b>	<b>34,872</b>

DRAFT

## 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 2022-23 is 1 April 2022. 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 2023. 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.

	Other land and Buildings £000	Surplus land and buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total PPE
Carried at historical cost at 31 March 2022 (see note *)	23,100	207	7,647	136,439	8,558	24,891	200,842
Valued at current value as at:							-
31 March 2023	49,296	37,657	-	-	-	-	86,953
31 March 2022	57,482	5,775	-	-	-	-	63,257
31 March 2021	27,504	210	-	-	-	-	27,713
31 March 2020	23,735	62	-	-	-	-	23,797
31 March 2019	38,305	-	-	-	-	-	38,305
<b>Total Cost or Valuation</b>	<b>219,421</b>	<b>43,911</b>	<b>7,647</b>	<b>136,439</b>	<b>8,558</b>	<b>24,891</b>	<b>440,867</b>

\*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 2019 and will be revalued after the 31 March 2023.



Larger assets which are carried at Historical Cost and have yet to be revalued include.

<b>Asset</b>	<b>£000</b>
BOHO 8 Modular Buildings	2,555
Land at Dockside Road	361
Middlehaven Land	5,024
Gresham Phase 2b	183

#### 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 2022-23 the main increases/decreases following revaluation were:

- Cleveland Centre – a decrease of £1.228m due to the reduction in term of individual leases within the Centre.
- Captain Cook Square – A decrease of £1.595m due to terms reducing on individual leases.
- Beverley School – An increase of £0.732m due to a change in Building Cost Information Service (BCIS) rates.
- Newham Hall Farm – An increase of £0.786m due to an increase in rate per acre to residential land and a small reduction in infrastructure costs
- An increase in values for Leisure and Sports assets due to a change in BCIS rates of £1.965m

## **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, noting that there were no transactions in 2022-23.

	Ceramic	Art	Natural World	Other Cultural Interests	Total
	£000	£000	£000	£000	Total
<b>Balance at 1 April 2021</b>	<b>3,363</b>	<b>12,302</b>	<b>9,012</b>	<b>7,766</b>	<b>32,443</b>
<b>Additions:</b>					
Purchases	-	83	-	-	83
Donated	-	-	-	-	-
Disposals	-	-	-	-	-
Net gains/(losses) from fair value adjustments	-	-	-	-	-
<b>Transfers:</b>					
(To)/From Other asset classes	-	-	-	-	-
Other Changes	-	-	-	-	-
<b>Balance at 31 March 2022</b>	<b>3,363</b>	<b>12,385</b>	<b>9,012</b>	<b>7,766</b>	<b>32,526</b>
<b>Balance at 1 April 2022</b>	<b>3,363</b>	<b>12,385</b>	<b>9,012</b>	<b>7,766</b>	<b>32,526</b>
<b>Additions:</b>					
Purchases	-	-	-	-	-
Donated	-	-	-	-	-
Disposals	-	-	-	-	-
Net gains/(losses) from fair value adjustments	-	-	-	-	-
<b>Transfers</b>					
(To)/From Other asset classes	-	-	-	-	-
Other Changes	-	-	-	-	-
<b>Balance at 31 March 2023</b>	<b>3,363</b>	<b>12,385</b>	<b>9,012</b>	<b>7,766</b>	<b>32,526</b>

## Valuation Methods

The Councils Fine Art collection held at Mima has been valued by Christies in 2021. Ceramics held at Mima were 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 Sotherbys. The remainder of the Heritage Asset collection has been valued using Insurance valuation on the advice of the Councils curators.

### 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 into the town, the properties concerned should be accounted for as Property, Plant and Equipment.

2021-22	£000		2022-23	£000
25,536		<b>Balance at start of year</b>		26,806
		<b>Additions</b>		
1,211		Purchases		35
-		Donated		-
(400)		Disposals		(212)
459		Net gains/(losses) from fair value adjustments		4,574
		<b>Transfers</b>		
-		(To)/From Property, Plant and Equipment		(87)
<b>26,806</b>		<b>Balance at end of year</b>		<b>31,116</b>

There are currently 16 assets in total under this classification, which have all been revalued during the 2022-23 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.

2021-22	£000		2022-23	£000
(2,752)		Rental income from Investment Property		(2,567)
535		Direct operating expenses arising from Investment Property		915
<b>(2,217)</b>		<b>Net Gain</b>		<b>(1,652)</b>

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:

2021-22 £000		2022-23 £000
<b>14,022</b>	<b>Balance at start of year</b>	<b>12,058</b>
1,374	Additions	1,561
(2,089)	Disposals	-
(1,249)	Regroup or Transfers	-
<b>12,058</b>	<b>Gross Book Value @ 31 March</b>	<b>13,619</b>
(12,148)	Accumulated Amortisation at 31 March	(10,618)
(1,272)	Amortisation in Year	(427)
2,089	Amortisation Written Out on Disposal	-
713	Amortisation Written Out on Regroups or Transfers	-
<b>(10,618)</b>	<b>Accumulated Amortisation at 31 March</b>	<b>(11,045)</b>
<b>1,440</b>	<b>Net Book Value at 31 March</b>	<b>2,574</b>

## 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 were no disposals in 22-23.

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

2021-22 £000		2021-22 £000
<b>2,297</b>	<b>Balance outstanding at start of year</b>	<b>125</b>
	<i>Assets declassified as held for sale:</i>	
(2,172)	Assets sold	-
<b>125</b>	<b>Balance outstanding at year end</b>	<b>125</b>

## 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. These cover – 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 2023, 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 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 Assets:**

	Non-Current				Current						Total	
	Investments		Debtors		Investments		Debtors		Cash and Cash Equivalents			
	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023
Financial Assets	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through Profit or Loss	-	-	-	-	-	-	-	-	-	-	-	-
Amortised Cost	309	309	12,783	15,130	10,000	18,500	3,357	8,707	24,622	8,332	51,071	50,978
Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>309</b>	<b>309</b>	<b>12,783</b>	<b>15,130</b>	<b>10,000</b>	<b>18,500</b>	<b>3,357</b>	<b>8,707</b>	<b>24,622</b>	<b>8,332</b>	<b>51,071</b>	<b>50,978</b>
Non-Financial Assets	-	42,654	-	-	-	-	55,302	52,214	-	-	55,302	94,868
<b>Total</b>	<b>309</b>	<b>42,963</b>	<b>12,783</b>	<b>15,130</b>	<b>10,000</b>	<b>18,500</b>	<b>58,659</b>	<b>60,921</b>	<b>24,622</b>	<b>8,332</b>	<b>106,373</b>	<b>145,846</b>

**Financial Liabilities:**

	Non-Current				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors			
	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial Liabilities</b>										
Fair Value through Profit or Loss	-	-	-	-	-	-	-	-	-	-
Amortised Cost - Other	(185,624)	(206,965)	(1,297)	(1,139)	(22,648)	(38,708)	(9,244)	(16,195)	(218,813)	(263,007)
<b>Total Financial Liabilities</b>	<b>(185,624)</b>	<b>(206,965)</b>	<b>(1,297)</b>	<b>(1,139)</b>	<b>(22,648)</b>	<b>(38,708)</b>	<b>(9,244)</b>	<b>(16,195)</b>	<b>(218,813)</b>	<b>(263,007)</b>
Non-Financial Liabilities	-	-	-	-	-	-	(60,399)	(42,694)	(60,399)	(42,694)
<b>Total</b>	<b>(185,624)</b>	<b>(206,965)</b>	<b>(1,297)</b>	<b>(1,139)</b>	<b>(22,648)</b>	<b>(38,708)</b>	<b>(69,643)</b>	<b>(58,889)</b>	<b>(279,212)</b>	<b>(305,701)</b>

## 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 2023.
- 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 at 31 March 2023:

2021-22			2022-23	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
		<b>Financial Assets – Loans and Receivables</b>		
34,931	34,931	Held as Investments	27,141	27,141
16,140	16,140	Held as Debtors	23,837	23,837
<b>51,071</b>	<b>51,071</b>	<b>Financial Assets – Loans and Receivables</b>	<b>50,978</b>	<b>50,978</b>
		<b>Financial Liabilities – as Amortised Cost</b>		
(208,272)	(241,002)	Held as Borrowings	(245,673)	(227,964)
(10,541)	(10,541)	Held as Creditors	(15,853)	(15,853)
<b>(218,813)</b>	<b>(251,543)</b>	<b>Financial Liabilities – at Amortised Cost</b>	<b>(261,527)</b>	<b>(243,817)</b>

### 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 includes 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:

- (a) 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.
- (b) Liquidity risk - the possibility that the Council might not have the cash available to make contracted payments to lenders, suppliers, and staff on time.
- (c) Market risk - the possibility that an unplanned financial loss will materialise due to changes in market variables such as interest rates on equity prices.
- (d) 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 2022 and is available on the Council's website. The key issues within the strategy were:

- The Authorised Limit for 2022-23 was set at £356m. This is the maximum legal limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £326m. 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 2022-23 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 24 February 2022. 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 £25.20m 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:

Credit Rating	2021-22		2022-23	
	Long Term £'000	Short Term £'000	Long Term £'000	Short Term £'000
AA	-	5,000	-	1,000
AA-	-	10,000	-	18,500
AA+	-	17,500	-	5,700
<b>Total</b>	-	<b>32,500</b>	-	<b>25,200</b>
Credit Risk not applicable	309	-	309	-
<b>Total Investments</b>	<b>309</b>	<b>32,500</b>	<b>309</b>	<b>25,200</b>

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 2023, 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, £6.528m 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:

2021-22 £'000		2022-23 £'000
4,053	Less than 3 months	2,327
464	Between 3 to 6 months	911
688	Between 6 months to 1 year	1,026
1,846	More than 1 year	2,264
<b>7,051</b>	<b>TOTAL</b>	<b>6,528</b>

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 £1.26m (31 March 2022 - £0.76m).

## **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:

<b>2021-22 £'000</b>		<b>2022-23 £'000</b>
(22,648)	Less than 1 Year	(39,206)
(21,802)	Between 1 – 2 Years	(22,801)
(29,638)	Between 2 – 5 Years	(37,116)
(37,227)	Between 5 – 10 Years	(39,749)
(14,244)	Between 10 – 15 Years	(20,549)
(16,973)	Between 15 – 20 Years	(19,659)
(3,984)	Between 20 – 25 Years	(5,354)
(3,845)	Between 25 – 30 Years	(11,487)
(17,936)	Between 30 – 35 Years	(9,762)
(24,974)	Between 35 – 40 Years	(29,991)
(15,000)	More than 40 Years	(10,000)
<b>(208,271)</b>	<b>TOTAL</b>	<b>(245,674)</b>

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 war in Ukraine will develop for the Country, 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:

2021-22				2022-23		
Financial Assets	Financial Liabilities	Net Expenditure for the year		Financial Assets	Financial Liabilities	Net Expenditure for the year
£'000	£'000	£'000		£'000	£'000	£'000
(363)	-	(363)	<b>Income</b>	(583)	-	(583)
			Interest Income			
			<b>Expenditure</b>			
-	6,843	6,843	Interest Expense	-	6,494	6,494
-	3	3	Fee Expense	-	20	20
<b>(363)</b>	<b>6,846</b>	<b>6,483</b>	<b>Total Net for the year</b>	<b>(583)</b>	<b>6,514</b>	<b>5,932</b>

## Note 32 Debtors

31 March 2022 £000		31 March 2023 £000
	<b>Short-Term Debtors</b>	
3,540	Trade Receivables	1,852
2,142	Prepayments	2,236
39,300	Other Receivables	44,257
33,310	Council Tax Receivables	34,667
5,787	Business Rates Receivables	5,755
(25,419)	Bad Debt Provision	(27,847)
<b>58,660</b>	<b>Total</b>	<b>60,920</b>

31 March 2022 £000		31 March 2023 £000
	<b>Long-Term Debtors</b>	
5,515	Cleveland Mall – Holiday Inn	5,329
169	Other Long-Term Debtors	1,056
3,119	The Welding Institute	2,682
3,980	Middlesbrough Development Company	6,063
<b>12,783</b>	<b>Total</b>	<b>15,130</b>

## Note 33 Inventories

	Consumables		Maintenance Materials		Total	
	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000
<b>Balance at 1 April</b>	<b>190</b>	<b>114</b>	<b>2,120</b>	<b>2,514</b>	<b>2,310</b>	<b>2,628</b>
Purchases	2,470	2,888	4,914	5,191	7,384	8,079
Expenses in the year	(2,547)	(2,693)	(4,520)	(5,143)	(7,067)	(7,836)
Written off in the year					-	-
Reversal of previous years write offs					-	-
<b>Balance at 31 March</b>	<b>114</b>	<b>309</b>	<b>2,514</b>	<b>2,562</b>	<b>2,628</b>	<b>2,871</b>

## Note 34 Cash and Cash Equivalents

31 March 2022 £000	Cash and Cash Equivalents	31 March 2023 £000
45	Cash held by the Council	53
2,077	Bank current accounts	1,579
22,500	Short-term deposits with building societies	6,700
<b>24,622</b>	<b>Total</b>	<b>8,332</b>

## Note 35 Short Term Creditors

31 March 2022 £000	Short Term Creditors	31 March 2023 £000
(2,593)	Trade Payables	(7,056)
(59,575)	Other Payables	(43,842)
(7,475)	Receipts in Advance	(7,992)
<b>(69,643)</b>	<b>Total</b>	<b>(58,890)</b>

The decrease in short-term creditors mainly relates to the receipt of COVID-19 and Section 31 grants at the end of the previous year, with no equivalent receipt of these grants at the end of 2022-23.

## 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.

	<b>Business Rates Appeals</b>	<b>Captain Cook Precinct / Cleveland Centre Service Charge Provision</b>	<b>Insurance Claims</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Short Term Provisions</b>				
<b>Balance at 1 April 2022</b>	<b>(575)</b>	<b>(167)</b>	<b>(1,000)</b>	<b>(1,742)</b>
Additional provisions	(14,602)	-	-	<b>(14,602)</b>
Amounts used	14,676	-	176	<b>14,852</b>
Unused amounts reversed	-	-	-	-
Unwinding of discounting	-	-	-	-
<b>Balance at 31 March 2023</b>	<b>(501)</b>	<b>(167)</b>	<b>(824)</b>	<b>(1,492)</b>
<b>Long Term Provisions</b>				
<b>Balance at 1 April 2022</b>	<b>(1,179)</b>	<b>-</b>	<b>(2,250)</b>	<b>(3,429)</b>
Additional provisions	(279)	-	-	<b>(279)</b>
Amounts used	-	-	6	<b>6</b>
Unused amounts reversed	-	-	-	-
Unwinding of discounting	-	-	-	-
<b>Balance at 31 March 2023</b>	<b>(1,458)</b>	<b>-</b>	<b>(2,244)</b>	<b>(3,702)</b>
<b>Total Provisions</b>				
<b>Balance at 1 April 2022</b>	<b>(1,754)</b>	<b>(167)</b>	<b>(3,250)</b>	<b>(5,171)</b>
Additional provisions	(14,881)	-	-	<b>(14,881)</b>
Amounts used	14,676	-	182	<b>14,858</b>
Unused amounts reversed	-	-	-	-
Unwinding of discounting	-	-	-	-
<b>Balance at 31 March 2023</b>	<b>(1,959)</b>	<b>(167)</b>	<b>(3,068)</b>	<b>(5,194)</b>

**Business Rates Appeals** – The Council's share of the Business Rates Appeals Provision of £1,959k is split between £501k short term (less than 12 months) and £1,458 long term as projected using the Council's Business Rate Appeals tool. These are based on the Council's 49% share of business rates retention scheme.

**Insurance Fund** - The Council's Insurance Fund Provision of £3,068k is split between £824k Short Term (less than 12 months) and £2,244 long term.

## 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 March 2022 £000		31 March 2023 £000
(25,112)	Capital Grants Unapplied Reserve	(27,376)
(6,303)	Capital Contributions Unapplied Reserve	(7,177)
(11,183)	Uncommitted General Fund	(12,042)
(23)	Direct Revenue Funding Unapplied	0
(34,375)	Earmarked Reserves	(13,231)
<b>(76,996)</b>	<b>Total</b>	<b>(59,826)</b>

The decrease in usable reserves is mainly due to the use of revenue reserves to support the 2022-23 revenue budget position.

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 Revenue Reserves

Funding received in previous financial years and classified as income regarding the terms and conditions of the grant awarded. This income is rolled forward in reserves to meet the future revenue 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 March 2022 £000		31 March 2023 £000
(86,405)	Revaluation Reserve	(98,151)
(141,863)	Capital Adjustment Account	(143,060)
209,946	Pensions Reserve	(42,654)
(1,733)	Collection Fund Adjustment Account	(8,932)
943	Accumulating Absences Adjustment Account	1,032
3,756	Dedicated Schools Grant Adjustment Account	6,565
<b>(15,356)</b>	<b>Total</b>	<b>(285,201)</b>

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.

31 March 2022 £000	31 March 2022 £000		31 March 2023 £000	31 March 2023 £000
	<b>(84,938)</b>	<b>Balance at 1 April</b>		<b>(86,405)</b>
17,651		Upward revaluation of assets	6,532	
(25,033)		Downwards revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(20,060)	
	<b>(7,382)</b>	<b>Surplus or Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Services</b>		<b>(13,528)</b>
1,486		Difference between fair value depreciation and historical cost depreciation	1,633	
4,428		Accumulated (gains) / losses on assets sold or scrapped	148	
-		Adjustment between Revaluation Reserve and Capital Adjustment Account	-	
	<b>5,914</b>	<b>Amount written off to Capital Adjustment Account</b>		<b>1,781</b>
	<b>(86,405)</b>	<b>Balance at 31 March</b>		<b>(98,151)</b>

### 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.

31 March 2022 £000	31 March 2022 £000		31 March 2023 £000	31 March 2023 £000
	(138,633)	<b>Balance at 1 April</b>		(141,863)
		<b>Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
14,589		Charges for depreciation and impairment of non-current assets	15,978	
1,272		Amortisation of intangible assets	427	
-		Movement in fair value of investment properties	-	
14,554		Revenue Expenditure Funded from Capital Under Statute	14,731	
-		Accumulated (gains) / losses on assets sold or scrapped	-	
4,164		Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Account	741	
	<b>34,579</b>			<b>31,876</b>
-		Historic Cost depreciation transfer from Revaluation Reserve	(1,633)	
-		Revaluation Reserve balances written off on disposed assets	(148)	
-		Adjustment between Revaluation Reserve and Capital Adjustment Account	-	
3,539		Movement in Non-current assets recognised in year	11,596	
	<b>3,539</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>9,815</b>
		<b>Capital Financing applied in the year:</b>		
(13,482)		Use of the Capital Receipts Reserve to finance new capital expenditure	(755)	
(20,825)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(33,611)	
(5,035)		Statutory provision for the financing of capital investment charged against the General Fund and HRA Balance	(3,383)	
-		Capital expenditure charged against General Fund and HRA Balances	-	
	<b>(39,341)</b>			<b>(37,749)</b>
	(459)	Movement in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		(4,573)
	(1,549)	Movement in the donated assets account credited to the Comprehensive Income and Expenditure Statement		(566)
	<b>(141,863)</b>	<b>Balance at 31 March</b>		<b>(143,060)</b>



## 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.

31 March 2022 £000		31 March 2023 £000
<b>308,118</b>	<b>Balance at 1 April</b>	<b>209,946</b>
42,795	Remeasurement of net defined liability	43,258
(129,886)	Reversal of items relating to the retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(284,111)
(11,081)	Employer's pension contributions payable in the year	(11,747)
<b>209,946</b>	<b>Balance at 31 March</b>	<b>(42,654)</b>

## 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 taxpayers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31 March 2022 £000		31 March 2023 £000
<b>13,159</b>	<b>Balance at 1 April</b>	<b>(1,733)</b>
(9,873)	Amount by which Council Tax income credited to the Comprehensive Income and expenditure Statement is different from the council tax income calculated for the year in accordance with statutory arrangements	(1,169)
(5,019)	Amount by which Business Rates income credited to the Comprehensive Income and expenditure Statement is different from the council tax income calculated for the year in accordance with statutory arrangements	(6,029)
<b>(1,733)</b>	<b>Balance at 31 March</b>	<b>(8,932)</b>

## 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.

31 March 2022 £000		31 March 2023	
		£000	£000
<b>695</b>	<b>Balance at 1 April</b>		<b>943</b>
(695)	Settlement or cancellation of accrual made at the end of the preceding year	(943)	
943	Amounts accrued at the end of the current year	-	1,032
<b>248</b>	Amounts by which officer remuneration charged to the Comprehensive income and expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	<b>(943)</b>	<b>1,032</b>
<b>943</b>	<b>Balance at 31 March</b>		<b>1,031</b>

### 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.

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
<b>3,291</b>	<b>Balance at 1 April</b>	<b>3,756</b>
465	School budget deficit transferred from General Fund in accordance with statutory requirements	2,808
<b>3,756</b>	<b>Balance at 31 March</b>	<b>6,564</b>

### **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 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 2022. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year in relation to the Local Government Pension Scheme:

## Comprehensive Income and Expenditure Statement

Funded 2021-22	Unfunded 2021-22	Comprehensive Income and Expenditure Statement	Funded 2022-23	Unfunded 2022-23
£'000	£'000	Charged to the Surplus or Deficit on the Provision of Services	£'000	£'000
		As cost of Service:		
35,542	-	Current Service cost	37,162	-
276	-	Settlements and Curtailments	90	-
7,018	(41)	As Financing and Investment Income and Interest on net defined benefit	3,536	2,470
<b>42,836</b>	<b>(41)</b>	<b>Total charged to the Deficit on the Provision of Services</b>	<b>40,788</b>	<b>2,470</b>
		<b>Charged to Other Comprehensive Income and Expenditure</b>		
(79,142)	-	Return on plan assets (excluding the amount included in the net interest expense)	11,476	-
(9,595)	-	Actuarial (gains) and losses arising on changes from financial assumptions	(416,502)	-
		Asset Ceiling Adjustment to financial assumptions	64,736	
(32,794)	-	Actuarial (gains) and losses arising on changes from demographic assumptions	(7,313)	-
(8,355)	-	Other actuarial (gains) and losses	63,492	-
<b>(129,886)</b>	<b>-</b>	<b>Total to the Comprehensive Income and Expenditure Statement</b>	<b>(284,111)</b>	<b>-</b>
		<b>Movement in reserves Statement</b>		
(42,836)	41	Reversal of total charged to the Deficit on the Provision of Service	(43,258)	(2,470)
		<b>Actual Amount charged for pensions in the year:</b>		
9,054	-	Employer contributions payable to scheme	9,641	-
<b>(33,782)</b>	<b>41</b>	<b>Total amount included in the General Fund for the year</b>	<b>(33,617)</b>	<b>(2,470)</b>

## Assets and Liabilities in Relation to Post-Employment Benefits

Funded 2021-22 £'000	Unfunded 2021-22 £'000	Reconciliation of Liabilities	Funded 2022-23 £'000	Unfunded 2022-23 £'000
<b>(1,106,855)</b>	<b>(24,608)</b>	<b>Opening Balance at 1 April</b>	<b>(1,126,211)</b>	<b>(22,622)</b>
(35,542)	-	Current service cost	(37,162)	-
(24,051)	(41)	Interest cost	(33,615)	2,470
(4,850)	-	Contributions by scheme participants	(5,382)	-
9,595	-	Actuarial gains (losses) for changes in financial assumptions	416,502	-
32,794	-	Actuarial gains (losses) for changes in Demographic assumptions	7,313	-
(26,576)	-	Actuarial gains (losses) Other Experience	(63,492)	-
29,550	2,027	Benefits paid	29,455	2,106
(276)	-	Past service curtailments	(90)	-
<b>(1,126,211)</b>	<b>(22,622)</b>	<b>Closing Balance at 31 March</b>	<b>(812,682)</b>	<b>(18,046)</b>

## Reconciliation of Fair Value of Scheme Assets

Funded 2021-22 £'000	Unfunded 2021-22 £'000	Reconciliation of Fair Value of Scheme Assets	Funded 2022-23 £'000	Unfunded 2022-23 £'000
<b>823,345</b>	-	<b>Opening Balance at 1 April</b>	<b>938,887</b>	-
17,115	-	Expected return on plan assets	25,139	-
114,073	-	Actuarial Gains	(11,476)	-
9,054	2,027	Employer contributions	9,641	2,106
4,850	-	Contributions by scheme participants	5,382	-
(29,550)	(2,027)	Benefits paid	(29,455)	(2,106)
<b>938,887</b>	-	<b>Closing Balance at 31 March</b>	<b>938,118</b>	-

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

The actual return on scheme assets in the year was £13.663m gain (2021-22 £96.257m gain).

2021-22 £'000		2022-23 £'000
(1,148,833)	Present value of liabilities	(830,728)
938,887	Fair value of assets	938,118
<b>(209,946)</b>	<b>Scheme (Deficit) / Surplus</b>	<b>107,390</b>

The scheme surplus shown above includes £18.046m in respect of unfunded defined benefit obligations (2021-22 £22.622m).

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The net surplus has a beneficial impact on the net worth of the Council as recorded in the balance sheet however, this is a direct result of changes in financial assumptions and may revert back to a net liability in future years depending on the inflation and corporate bond yields. The main reasons for the movement from a net pension liability to a net pension asset compared to the previous year are as follows:

Change in financial assumptions - £416.500m gain on the balance sheet)

The financial assumptions adopted for preparing the latest accounting disclosures are summarised below:

Period ended	31 March 2022	31 March 2022
Rate of Inflation (CPI)	3.20%	3.20%
Rate of increase in salaries	4.20%	4.20%
Rate of discounting scheme liabilities	2.70%	2.70%

The change in financial assumptions adopted for the period ending 31 March 2023 can be approximately broken down as follows:

**Pension Increase Rate** – Market derived CPI inflation has fallen over the period, which has led to a 0.25% reduction in this assumption. The change in the CPI inflation assumption is a result of underlying changes in market implied RPI (after allowance for the inflation risk premium adjustment), coupled with any changes in the RPI-CPI gap from the previous year and the adjustment to CPI to reflect the high inflationary environment in year 1. This has served to reduce the obligations and led to a gain of around £45.160m.

**Salary Increase Rate** – the salary increase assumption has fallen over the period by 0.25%. This has served to reduce the obligations and led to a gain of around £5.330m on the balance sheet.

**Discount rate** – The corporate bond yield (upon which the discount rate is derived) has risen over the period, which has led to a 2.05% increase in this assumption. This has served to reduce the obligations and led to a gain of around £366.010m on the balance sheet.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2024 is £9.497m.

### Asset Ceiling

Given the move from a net pension liability to a net pension asset, regulations dictates that we must review the prudence of disclosing the full asset in the balance sheet. The net pension asset should be included in long-term investments at the lower of:

- the surplus in the defined benefit plan and:
- the asset ceiling calculation

The asset ceiling calculation should be the present value of either refunds from the plan or reductions in future contributions to the plan as a result of the net pension asset. The Council's appointed pension fund actuary has calculated the asset ceiling on the basis of reductions in contributions.

Under IFRC 14 in the absence of a Minimum Funding Requirement, reduction in contributions is calculated as:

- the present value of the future service cost to the entity less present value of contributions over the shorter of:
  - the expected life of the plan and;
  - the expected life of the entity and;
- using the assumptions consistent with the conditions that existed at the balance sheet date.

Therefore, the asset ceiling calculation is as follows:

Asset Ceiling Calculation:	£'000
Net present value of (employer) future service costs over the future working lifetime	103,806
Less net present value of (employer) future contributions over the future working lifetime	(61,161)
<b>Asset Ceiling</b>	<b>42,645</b>

Based on the actuary's calculation the net pension asset has been limited to £42.645m and the adjustment taken through the CIES and movement in reserves to reflect the asset ceiling adjustment in the pension reserve of £64.736m.

### 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 Roberts an independent firm of actuaries, estimates for the Teesside Pension Fund being based on latest full valuation of the scheme as at 31 March 2022.

The calculations have also been done over the duration of the Scheme - which has been forecast at 17 years. The principal assumptions used by the actuary have been:

2021-22	Mortality Assumptions	2022-23
	Longevity at 65 for current pensioners	
20.9	Men	20.6
23.9	Women	23.7
	Longevity at 65 for future pensioners	
21.9	Men	21.5
25.5	Women	25.2
3.20%	Pension Rate Increase (CPI)	2.95%
4.20%	Salary Rate Increase	3.95%
2.70%	Discount Rate	4.75%
80.00%	Take up of option to convert annual pension into retirement lump sum	80.00%

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

### Sensitivity Analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2023 and the projected service cost is set out below, sensitivity on unfunded benefits have not been included on materiality grounds:

2021-22	Asset Category	2022-23
%		%
68	Equity	71
5	Infrastructure	8
16	Cash	7
8	Real Estate	9
3	Other	6
<b>100</b>		<b>100</b>



	2021-22 £'000	2022-23 £'000
Cash and Cash Equivalents	151,438	62,440
<b>Equity Securities</b>		
Consumer	-	-
Manufacturing	-	-
Energy and Utilities	-	-
Financial Institutions	-	-
Health and Care	-	-
Information Technology	-	-
<b>Debt Securities Bonds</b>		
Government	-	-
<b>Property</b>		
UK	65,230	75,919
Overseas	8,581	6,460
<b>Private Equity</b>		
All	71,153	89,458
<b>Investment Funds and Trust Units</b>		
Equities	562,454	574,057
Bonds	-	-
Infrastructure	48,620	74,551
Other	31,410	55,233
<b>Total Assets</b>	<b>938,887</b>	<b>938,118</b>

Change in assumptions at 31 March 2023	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2.00%	13,894
1 year increase in member life expectancy	4.00%	33,229
0.1% increase in the Salary Increase Rate	0.00%	1,489
0.1% increase in the Pension Increase Rate	2.00%	12,605

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).

To quantify the impact of a change in the financial assumptions used Hymans Robertson 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 2022-23 the Council paid £3.200m (2021-22 £3.017m) to Teachers Pensions in respect of teacher's retirement benefits, representing an average of 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. In 2022-23 the Council paid £23,652 (2021/-22 £24,342) to NHS Pensions in respect of the Public Health employees retirement benefits, representing 15.47% (2021-22 13.24%) 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 March 2022 £000		31 March 2023 £000
6,573	No Later than 1 year	5,202
14,069	Later than 1 year and not later than 5 years	10,669
29,815	Later than 5 years	41,482
<b>50,457</b>	<b>Total</b>	<b>57,353</b>

The amount as at 31 March 2023 has increased slightly overall due to the additional income received from Captain Cook Square, Cleveland Centre and Tees Advanced Manufacturing Park.

### 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 March 2022 £000		31 March 2023 £000
464	No Later than 1 year	464
1,832	Later than 1 year and not later than 5 years	1,650
1,411	Later than 5 years	1,129
<b>3,707</b>	<b>Total</b>	<b>3,243</b>

## 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 March 2022 £'000		31 March 2023 £'000
616	No Later than 1 year	519
1,832	Later than 1 year and not later than 5 years	1,291
715	Later than 5 years	585
<b>3,163</b>	<b>Total</b>	<b>2,395</b>

## 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 March 2022 £'000	Total future minimum lease payments	31 March 2023 £'000
711	Amounts due within one year	711
2,844	Amounts due between 1 to 5 years	2,844
19,553	Amounts due after 5 years	18,842
<b>23,108</b>	<b>Total payments due</b>	<b>22,397</b>
(11,366)	Less: Future finance charges	(11,311)
<b>11,742</b>	<b>Present Value of Lease Obligations</b>	<b>11,086</b>

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 £19.703m 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 2023, the Council had the following contingent liabilities:

### Home House Guarantee

An agreement was entered into with Home House, which guaranteed an initial liability of £2.4m. This was increased to £4.01m 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

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:

2022-23	Income £	Expenditure £	Short- Term Assets £	Long- Term Assets £	Total Assets £	Liabilities £
Teesside Education Endowment	(6)	-	7,480	-	7,480	-
Capt. J.V.Nancarrow Trust – Educational support	(87)	-	111,236	-	111,236	-
Middlesbrough Educational Trust	(51)	-	65,595	2,326	67,921	-
Hustler Playing Fields Trust – Sport	(39)	-	49,758	1,474,496	1,524,254	-
W.M.Anderton Trust – Kings Manor School and Acklam 6th Form College	(1)	-	1,387	-	1,387	-
Teesside Relief in Sickness	(3)	-	3,962	-	3,962	-
Lady Crosswaite Bequest – support for the older people	(373)	9,877	468,491	-	468,491	-
Home Independence Trust	(377)	-	84,660	19,240	103,900	-
Wilson & Marwood Trust – support for disadvantaged people	(12)	-	15,133	428	15,561	-
Stewart Park Trust – Recreation	(7)	-	8,774	-	8,774	-
Levick Trust – accommodation for over 60's	(5)	-	6,159	332,535	338,694	-
Dorman Museum and Art Gallery Appeal Trust	(3)	-	3,313	-	3,313	-
<b>Total</b>	<b>(964)</b>	<b>9,877</b>	<b>825,948</b>	<b>1,829,025</b>	<b>2,654,973</b>	<b>-</b>

King Edward VII and Sister Purvis now included in Home Independence Trust

2021-22	Income	Expenditure	Short-Term Assets	Long-Term Assets	Assets	Liabilities
	£	£			£	£
Teesside Education Endowment	(6)	-	7,474	-	7,474	-
Capt. J.V.Nancarrow Trust – Educational support	(87)	-	111,149	-	111,149	-
Middlesbrough Educational Trust	(51)	-	65,544	2,326	67,870	-
Hustler Playing Fields Trust – Sport	(39)	-	49,719	1,474,496	1,524,215	-
W.M.Anderton Trust – Kings Manor School and Acklam 6th Form College	(1)	-	1,386	-	1,386	-
Teesside Relief in Sickness	(3)	-	3,959	-	3,959	-
Lady Crosswaite Bequest – support for the older people	(374)	4,010	477,995	-	477,995	-
Home Independence Trust	(560)	4,605	84,283	19,240	103,523	-
Wilson & Marwood Trust – support for disadvantaged people	(12)	-	15,121	428	15,549	-
Stewart Park Trust – Recreation	(7)	-	8,767	-	8,767	-
Levick Trust – accommodation for over 60's	(5)	-	6,154	332,535	338,689	-
Dorman Museum and Art Gallery Appeal Trust	(3)	-	3,310	-	3,310	-
<b>Total</b>	<b>(1,148)</b>	<b>8,615</b>	<b>834,861</b>	<b>1,829,025</b>	<b>2,663,886</b>	<b>-</b>

## Notes Supporting the Cash Flow Statement

### Note 46 Cash Flow Statement – Operating Activities

2021-22 £'000		2022-23 £'000
(363)	Interest Received	(583)
6,843	Interest Paid	6,494
-	Dividends Received	-

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2021-22 £'000		2022-23 £'000
16,050	Depreciation	15,977
3,539	Impairment and downward valuations	11,597
1,272	Amortisation	427
2,616	Increase / (decrease) in impairment for bad debts	23
7,959	Increase / decrease in creditors	(11,846)
(13,611)	Increase / decrease in debtors	(4,609)
(315)	Increase / decrease in inventories	(243)
28,464	Movement in Pension Liability	31,511
(4,762)	Carrying amount of non-current assets and non-current assets held for sale, sold and de-recognised	(15)
(2,561)	Other non-cash items charged to the net surplus or deficit on the provision of services	(5,140)
<b>38,651</b>	<b>Net cash flows from operating activities</b>	<b>37,683</b>

The surplus or deficit on the provision of services had been adjusted for the following items that are investing and financing activities:

2021-22 £'000		2022-23 £'000
	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	
8,725	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	740
(13,487)	Any other items for which the cash effects are investing or financing cash flows	(755)
<b>(4,762)</b>		<b>(15)</b>



## Note 47 Cash Flow Statement – Investing Activities

The table below shows detail of Investing Activities

2021-22 £'000		2022-23 £'000
(34,809)	Purchase of property, plant and equipment, investment property and intangible assets	(38,510)
(10,000)	Purchase of short-term and long-term investments	(8,500)
13,487	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	755
<b>(31,322)</b>	<b>Net cash flows from investing activities</b>	<b>(46,255)</b>

## Note 48 Cash Flow Statement – Financing Activities

The table below shows detail of Financing Activities

2021-22 £'000		2022-23 £'000
(154)	Amounts applied to Finance Lease Repayments (Capital Element)	(158)
(10,484)	Repayments of short- and long-term borrowing	37,402
<b>(10,638)</b>	<b>Net cash flows from financing activities</b>	<b>37,244</b>



# 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. This is the second year of producing Group Accounts, and therefore prior period comparatives are presented as 'unaudited' as the 2021-22 audit process for the Council is still open.

Beyond MDC, the Council had interests in two other companies; a capital investment in a joint internal audit company Veritau Ltd (Tees Valley); and Digital City Trading Ltd which was dissolved in July 2023 but given their small financial input and influence, these need no further disclosure under the local authority accounting code of practice.

Before considering the financial information and group accounts involving MDC, it should be noted that following the consideration of a report to the Executive in January 2023, the MDC board of directors took a decision to close down the company. This was based on the operational and financial risks posed following the issue of CIPFA guidance in relation to local authority trading companies. The risks could be better managed within the Council, rather than via a company delivery vehicle, and as at the authorised for issue date (December 2023) the MDC closure plan is well advanced. Any residual activity will be transferred to and managed by the Council. The aim is to finalise its closure by the end of March 2024.

## Company: Context and Projects

Middlesbrough 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 have been taken to the Council's Executive when any significant decisions or resources are required by the company.

MDC has completed two large-scale housing projects underway, Boho Village and Newbridge Court with just retention and project completion issues remaining. These two projects in total are for a combined value of around £15mm and are being funded by a combination of both council capital grants and prudential borrowing. Boho Village is in the process of being sold to registered social landlords, whilst Newbridge Court is primarily for rental income purposes via a mix of residential and commercial units. This will be for a period of up to 35 years, which will repay any borrowing costs. MDC was 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, but this has now been stopped.

As at 31 March 2023, the company had been allocated £13.3m of funding with £8m issued as a commercial loan and £5.3m as Section 106 and brown field capital grant funding. The company had spent £11.5m of this on capital projects with £0.7m on general administration and was holding the remaining £1.1m in the bank as cash for future payments.

## Group Accounts

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. This is the relevant accounting practice when consolidation a subsidiary company.

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 expenditure 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.

DRAFT



## Group 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.

2022-23	General Fund Balance	Earmarked Revenue Reserves	Capital Receipts Reserve	Direct Revenue Funding Unapplied	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Reserves of Subsidiaries	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2022</b>	(11,182)	(34,375)	-	(23)	(31,415)	(76,995)	(15,356)	(92,351)	(2,267)	(94,618)
<u>Movement in reserves during 2022-23</u>						-	-	-	-	-
Total Comprehensive Income and Expenditure	44,963	-	-	-	-	44,963	(297,639)	(252,676)	(2,257)	(254,932)
Adjustments between accounting basis & funding basis under regulation (Note 6)	(27,283)	-	-	23	(534)	(27,794)	27,794	-	(1)	(1)
Transfers to/(from) other reserves	(18,540)	21,144	-	-	(2,604)	-	-	-	-	-
<b>Net Decrease / (increase) in year</b>	<b>(860)</b>	<b>21,144</b>	<b>-</b>	<b>23</b>	<b>(3,138)</b>	<b>17,169</b>	<b>(269,845)</b>	<b>(252,676)</b>	<b>(2,257)</b>	<b>(254,933)</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>(12,042)</b>	<b>(13,231)</b>	<b>-</b>	<b>-</b>	<b>(34,553)</b>	<b>(59,826)</b>	<b>(285,201)</b>	<b>(345,027)</b>	<b>(4,524)</b>	<b>(349,551)</b>

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	Council's Share of Reserves of Subsidiaries	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2021</b>	<b>(10,500)</b>	<b>(35,044)</b>	<b>5</b>	<b>(51)</b>	<b>(7,930)</b>	<b>(53,519)</b>	<b>101,693</b>	<b>48,173</b>	<b>(1,036)</b>	<b>47,137</b>
<u>Movement in reserves during 2021-22</u>						-	-	-	-	-
Total Comprehensive Income and Expenditure	(3,122)	-	-	-	-	<b>(3,122)</b>	(137,402)	<b>(140,524)</b>	(1,231)	<b>(141,755)</b>
Adjustments between accounting basis & funding basis under regulation (Note 6)	3,109	-	(5)	28	(23,485)	<b>(20,354)</b>	20,354	-	-	-
Transfers to/(from) other reserves	(669)	669	-	-	-	-	-	-	-	-
<b>Net Decrease / (increase) in year</b>	<b>(682)</b>	<b>669</b>	<b>(5)</b>	<b>28</b>	<b>(23,485)</b>	<b>(23,476)</b>	<b>(117,048)</b>	<b>(140,524)</b>	<b>(1,231)</b>	<b>(141,755)</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>(11,182)</b>	<b>(34,375)</b>	<b>0</b>	<b>(23)</b>	<b>(31,415)</b>	<b>(76,995)</b>	<b>(15,356)</b>	<b>(92,351)</b>	<b>(2,267)</b>	<b>(94,618)</b>



## Group 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.

31 March 2022			Cost of Services by Service Area	Note	31 March 2023		
Gross Expenditure	Gross Income	Net Expenditure / (Income)			Gross Expenditure	Gross Income	Net Expenditure / (Income)
£000	£000	£000			£000	£000	£000
19,183	(4,694)	14,489	Regeneration	34,932	(9,396)	25,536	
15,804	(25,582)	(9,778)	Public Health and Public Protection	18,545	(24,631)	(6,085)	
87,392	(80,797)	6,595	Education	96,830	(79,244)	17,586	
60,120	(6,463)	53,657	Children's Care	66,063	(4,362)	61,700	
101,155	(57,724)	43,431	Adult Social Care and Health Integration	106,792	(52,138)	54,655	
54,801	(6,039)	48,762	Environment and Commercial Services	45,245	(6,529)	38,717	
65,584	(59,494)	6,090	Finance	61,543	(52,329)	9,214	
17,538	(2,100)	15,439	Legal & Governance Services	17,192	(2,258)	14,934	
10,901	(12,572)	(1,671)	Central Costs	7,676	(16,305)	(8,629)	
5,700	(5,310)	390	Covid Support	-	-	-	
<b>438,179</b>	<b>(260,776)</b>	<b>177,403</b>	<b>Total Cost of Service</b>	<b>454,819</b>	<b>(247,192)</b>	<b>207,627</b>	
265	(5,162)	(4,897)	Other Operating Income and Expenditure	308	(226)	81	
22,680	(14,229)	8,450	Financing & Investment Activities	22,386	(18,220)	4,166	
-	(185,310)	(185,310)	Taxation and Non-Specific Grant Income	-	(169,169)	(169,169)	
<b>461,123</b>	<b>(465,477)</b>	<b>(4,354)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>477,512</b>	<b>(434,807)</b>	<b>42,705</b>	
			<i>Items that will not be re-classified to the Surplus or Deficit on the Provision of Service</i>				
		(4,271)	(Surplus) on revaluation of Property Plant and Equipment			(10,095)	
		(129,886)	Actuarial (Gains) on Pension Fund charged to the Pensions Reserve			(284,111)	
		(3,245)	Depreciation written out to the Revaluation reserve			(3,433)	
		<b>(137,402)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(297,639)</b>	
		<b>(141,755)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(254,934)</b>	

# Group 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 March 2022		31 March 2023
£000		£000
422,680	Property, Plant & Equipment	450,350
32,525	Heritage Assets	32,526
26,806	Investment Properties	31,116
1,439	Intangible Assets	2,574
309	Long-Term Investments	42,963
8,803	Long-Term Debtors G7	9,067
<b>492,563</b>	<b>Total Long-Term Assets</b>	<b>568,596</b>
10,000	Short-Term Investments	18,500
125	Short-Term Assets Held for Sale	125
2,628	Inventories	2,871
58,597	Short-Term Debtors G7	60,943
25,035	Cash and Cash Equivalents G8	9,414
<b>96,385</b>	<b>Total Current Assets</b>	<b>91,853</b>
(22,648)	Short-Term Borrowing	(38,708)
(69,644)	Short-Term Creditors G9	(58,891)
(1,742)	Short-Term Provisions	(1,492)
<b>(94,034)</b>	<b>Total Current Liabilities</b>	<b>(99,091)</b>
<b>2,351</b>	<b>Net Current Assets / (Liabilities)</b>	<b>(7,238)</b>
(3,429)	Long-Term Provisions	(3,702)
(185,624)	Long-Term Borrowing G10	(206,965)
(1,297)	Other Long-Term Liabilities G11	(1,139)
(209,946)	Pension Liability	-
<b>(400,295)</b>	<b>Total Long-Term Liabilities</b>	<b>(211,806)</b>
<b>94,619</b>	<b>Net Assets/(Liabilities)</b>	<b>349,552</b>
(76,653)	Usable Reserves G12	(59,094)
(17,966)	Unusable Reserves G13	(290,458)
<b>(94,619)</b>	<b>Total Reserves</b>	<b>(349,552)</b>

## Group 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 March 2022 £'000		31 March 2023 £'000
4,353	Surplus / deficit on provision of services	(42,705)
58,105	Adjustment to net surplus or deficit on the provision of services for non-cash movements	55,135
(14,927)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(3,401)
(5,826)	Net Cash Flows from Operating Activities (Note 46)	(16,783)
(36,120)	Investing Activities (Note 47)	(49,842)
(5,613)	Financing Activities (Note 48)	41,974
<b>(28)</b>	<b>Net Increase or decrease in cash and cash equivalents</b>	<b>(15,621)</b>
-		-
<b>25,064</b>	<b>Cash and cash equivalents at the beginning at the reporting period (Note 34)</b>	<b>25,036</b>
<b>25,036</b>	<b>Cash and cash equivalents at the end at the reporting period (Note 34)</b>	<b>9,414</b>

DRAFT

# Notes to the Group 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:

## Note G1 Accounting Policies

The Group Financial Statements summarise the Council's and its Group's transactions for the 2022-23 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23, supported by International Financial Reporting Standards (IFRS).

Middlesbrough Development Company is a subsidiary and has therefore been consolidated into the Group Financial Statements on a line-by-line basis.

Investments in subsidiaries and associates in the Council's entity accounts are carried at cost rather than fair value less any provision for losses unless there is evidence of impairment. Notes to the Group Financial Statements have been presented where the figures are materially different from those of the Council entity accounts. Where there are no material differences, the Notes to the Council entity accounts provide the required disclosures. Accounting policies of the individual members of the Group have been aligned to the Council's accounting policies. The accounting policies applied to the Group Financial Statements are consistent with those set out in Note 1 to the Council entity accounts, with additional policies specific to the Group set out below.

As the Company follows UK generally accepted accounting practice rather than internal financial reporting standards, there is a difference in how capital grants are treated in both the income and expenditure statement and the balance sheet. The company treats these as deferred and these are amortised over the life of the asset, to offset depreciation charges. The local authority, under IFRS, writes off capital grants in the year of application and does not defer. MDC's accounts have been aligned with the local authority practice before the balance sheet amounts have been consolidated. Further details are given in Note G14 below.

## Note G2 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:

See amortisation of assets referred to in Note G1.

The treatment of costs incurred as either capital or revenue follows the accounting policies set out by the Council as there is no difference between UK GAAP and IFRS in this area. Capital referring to the expenditure having an economic or service benefit over a period more than one financial year. Revenue expenditure being consumed within the financial year it is incurred.

## Note G3 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

As noted earlier in this section, the company is in the process of being wound up with the expected closure date being 31 March 2024. A set of group accounts will be produced for 2023-24 to report on the final position of the company prior to transfer of the financial activities, assets, and liabilities over to the Council to manage.

## Note G4 Financing and Investment Income and Expenditure

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:

2021-22 £000	<b>Financing and Investment Income</b>	2022-23 £000
6,939	Interest payable and similar charges	6,744
8,823	Trading Activities	13,997
(59)	Charges in relation to Investment property and changes in their fair value	(4,361)
24,092	Pension Interest Costs	31,145
<b>39,794</b>	<b>Total Expenditure</b>	<b>47,525</b>
(17,115)	Expected return on Pensions Assets	(25,139)
(363)	Interest receivable and similar income	(583)
(13,867)	Trading Activities	(17,637)
<b>(31,344)</b>	<b>Total Income</b>	<b>(43,359)</b>
<b>8,450</b>	<b>TOTAL</b>	<b>4,166</b>

The figures for 2022/23 incorporate a £389k cost relating to the trading activities of MDC during the financial year.

## Note G5 Property, Plant and Equipment

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 currently for assets under construction.

31 March 2022 £'000		31 March 2022 £'000
416,782	Property Plant & Equipment – Middlesbrough Council	440,866
5,897	Plus: Middlesbrough Development Company	9,484
<b>422,679</b>	<b>Total</b>	<b>450,350</b>

The total value spent on the two main capital schemes are as follows:

Boho Village - £6.945m  
Newbridge Court £4.624m

In addition, part of Boho Village has been sold as at 31<sup>st</sup> March 2023 for £2.085m. The above PPE value has been adjusted for this sale as the housing units are no longer owned by MDC.

## Note G6 Financial Instruments

Although the company has an agreement to borrow up to £8.5m from the Council for the Boho Village scheme and the balance owing from the company was £6.063m at 31 March 2023, 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.

This note sets out the differences from the information contained in Notes 29-31 of the Council entity accounts to enable the reader to determine, more clearly, the impact of group company transactions.

### Debtors and Cash

Debtors and cash consolidated as part of the Group Financial Statements are classified as loans and receivables. Further information on Group debtors is provided in Note G7.

## Creditors

Short term creditors consolidated as part of the Group Financial Statements are classified as financial liabilities at amortised cost. Further information on Group creditors is provided in Note G9.

## Long Term Borrowing

The impact on long-term borrowing at 31 March 2023 is £6.063m at 31 March 2023. These transactions are eliminated on consolidation.

## Income, Expense, Gains and Losses

These amounts in the Group Financial Statements are not considered materially different from those in the Council entity accounts.

## Fair Values of Assets and Liabilities

The amounts consolidated as part of the Group Financial Statements are not considered significantly different from the carrying amounts.

## Nature and extent of risks arising from financial instruments

The nature and extent of risks from financial instruments arising in the Group Financial Statements are not considered materially different from those in the Council entity accounts.

## Note G7 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.

2021-22 £000	Long-Term Debtors	2022-23 £000
5,515	Cleveland Mall – Holiday Inn	5,329
169	Other Long-Term Debtors	1,056
3,119	The Welding Institute	2,682
-	Middlesbrough Development Company	-
<b>8,803</b>	<b>Total</b>	<b>9,066</b>

2021-22 £000	Short-Term Debtors	2022-23 £000
3,540	Trade Receivables	1,852
2,142	Prepayments	2,236
39,238	Other Receivables	44,280
33,310	Council Tax Receivables	34,667
5,787	Business Rates Receivables	5,755
(25,419)	Bad Debt Provision	(27,847)
<b>58,597</b>	<b>Total</b>	<b>60,943</b>

The long-term debtor in the Council's accounts for £6.063m is eliminated when the Council and Company's accounts are consolidated.

A short-term debtor of £23k for MDC is included in the table above under other receivables.



## Note G8 Cash & Cash Equivalents

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

2021-22 £000	Cash and Cash Equivalents	2022-23 £000
45	Cash held by the Council	53
2,490	Bank current accounts	2,661
22,500	Short-Term deposits with building societies	6,700
<b>25,035</b>	<b>Total</b>	<b>9,414</b>

The above table include £1.082m relating to cash held by MDC as at 31<sup>st</sup> March 2023. This is funding allocated by the Council that is yet to be spent by the company on capital projects or running costs.

## Note G9 Creditors

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

2021-22 £000	Short Term Creditors	2022-23 £000
(2,593)	Trade Payables	(7,056)
(59,576)	Other Payables	(43,843)
(7,475)	Receipts in Advance	(7,992)
<b>(69,644)</b>	<b>Total</b>	<b>(58,891)</b>

There is a £1k short term creditor amount relating to MDC in other payables within the table above.

## Note G10 Long-Term Borrowing

2021-22 £000	Long-Term Borrowing	2022-23 £000
(186,232)	Long-Term Borrowing	(207,570)
780	Deferred Premiums	753
(172)	Deferred Discounts	(149)
<b>(185,624)</b>	<b>Total</b>	<b>(206,965)</b>

Any long-term borrowing undertaken by the Council is done on a corporate basis so the amounts relating to MDC are part of the total sums shown above.

## Note G11 Other Long-Term Liabilities

2021-22 £000	Other Long-Term Liabilities	2022-23 £000
(1,297)	Deferred Revenue Income	(1,139)
<b>(1,297)</b>	<b>Total</b>	<b>(1,139)</b>

There are no amounts relating to MDC in the table above as they have been eliminated upon consolidation.

## Note 12 Usable Reserves

2021-22 £000	Usable Reserves	2022-23 £000
(25,112)	Capital Grants Unapplied Reserve	(27,376)
(6,303)	Capital Contributions Unapplied Reserve	(7,177)
(10,840)	Uncommitted General Fund	(11,310)
(23)	Direct Revenue Funding Unapplied	-
(34,375)	Earmarked Reserves	(13,230)
<b>(76,653)</b>	<b>Total</b>	<b>(59,092)</b>

The reserves above have been reduced by £732k for the MDC accumulated profit and loss position as at 31 March 2023.

## Note 13 Unusable Reserves

2021-22 £000	Unusable Reserves	2022-23 £000
(86,405)	Revaluation Reserve	(98,151)
(144,473)	Capital Adjustment Account	(148,317)
209,946	Pensions Reserve	(42,654)
(1,733)	Collection Fund Adjustment Account	(8,932)
943	Accumulating Absences Adjustment Account	1,032
3,756	Dedicated Schools Grant Adjustment Account	6,565
<b>(17,966)</b>	<b>Total</b>	<b>(290,458)</b>

The unusable reserves above have been increased by £5.257m as this holds the capital grant funding entries that still need to be recognised in MDC's accounts but will be eliminated when MDC is wound-up. See note G14 below.

## Note G14 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 £5m of Section 106 monies received previously from developers and central government funding, 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 from the running of the development company.

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:

2021-22 £000	Deferred Grant Income	2022-23 £000
(1,170)	Opening Balance - grant funding allocated	(2,610)
(1,440)	Additions in year	(2,647)
<b>(2,610)</b>	<b>Closing Balance - grant funding allocated</b>	<b>(5,257)</b>

## **Note G15 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. Following the decision to wind up MDC all assets and liabilities will transfer to the Council upon dissolution. As such, the Council guarantees all financial transactions whilst the company is operational.

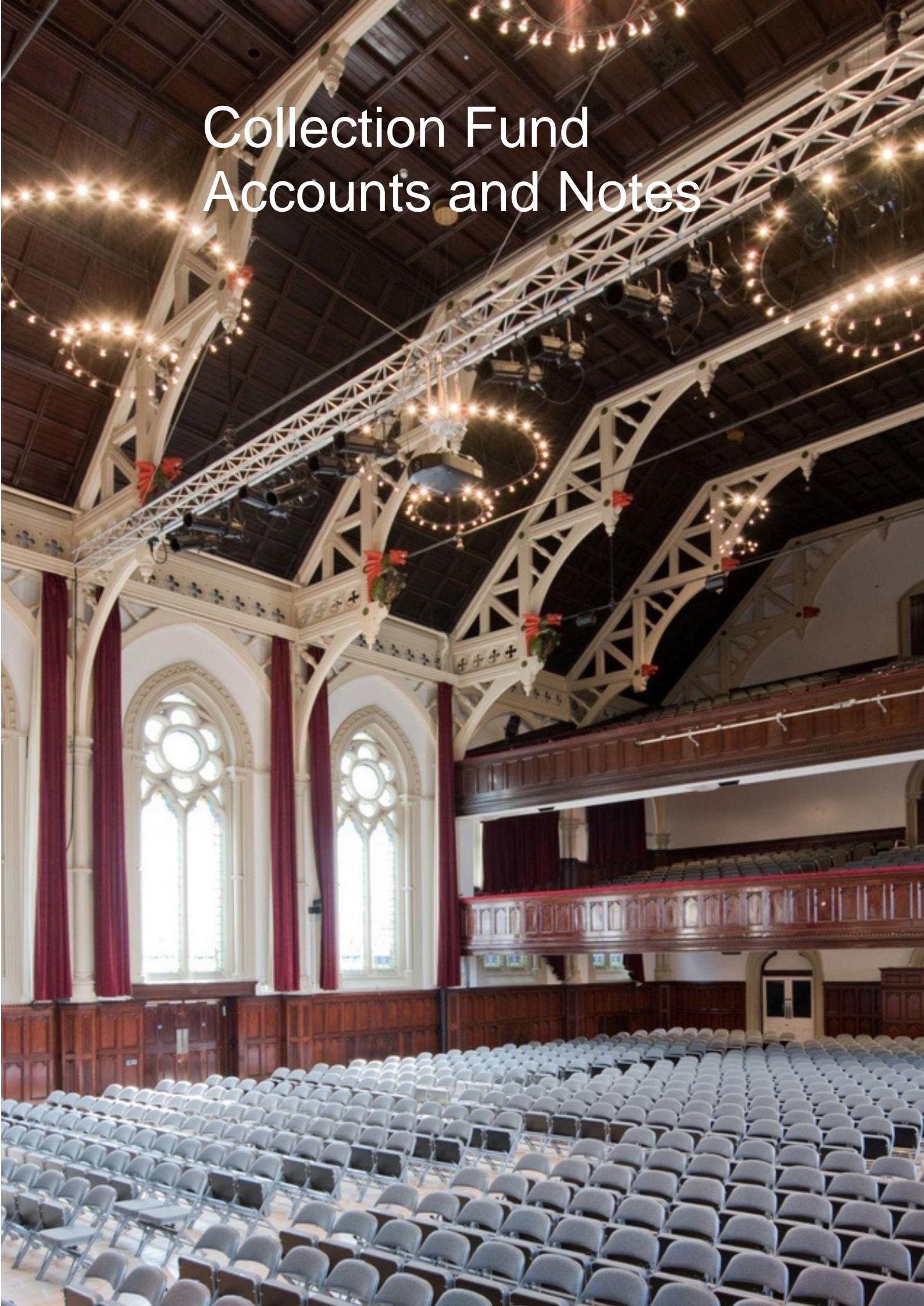
## **Note G16 Audit of Accounts**

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, 2021-22 and 2022-23 which are available from the Middlesbrough Council website. [www.middlesbrough.gov.uk](http://www.middlesbrough.gov.uk)

DRAFT



# Collection Fund Accounts and Notes





# 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.

2021-22 Total £'000		2022-23		
		Council Tax £'000	Business Rates £'000	Total £'000
	<b>Income</b>			
(75,895)	Council Tax receivable	(78,190)	-	(78,190)
(21,774)	Business Rates receivable	-	(32,992)	(32,992)
(97,669)	<b>Total Income</b>	(78,190)	(32,992)	(111,182)
	<b>Expenditure</b>			
	<b>Precepts and Demands:</b>			
60,611	Middlesbrough Council	63,789	-	63,789
9,163	Cleveland Police and Crime Commissioner	9,644	-	9,644
2,770	Cleveland Fire Authority	2,915	-	2,915
	<b>Business Rates</b>			
17,818	Payments to Central Government	-	15,650	15,650
356	Payments to Cleveland Fire Authority	-	313	313
17,461	Payments to Middlesbrough Council	-	15,337	15,337
170	Costs of Collection	-	172	172
	<b>Bad &amp; Doubtful Debts</b>			
8	Write Offs	9	71	79
(10,253)	Provision for Bad Debts	1,420	764	2,183
(950)	Provision for Appeals	-	418	418
97,155	<b>Total Expenditure</b>	77,776	32,723	110,498
	<b>Contributions towards previous year's estimate</b>			
(21,554)	Collection Fund Deficit / (Surplus)	(981)	(12,036)	(13,017)
(22,067)	<b>Deficit / (Surplus) for the Year</b>	(1,396)	(12,305)	(13,701)
	<b>COLLECTION FUND BALANCE</b>			
24,762	Balance brought forward at 1 April	(8,847)	11,541	2,695
(22,067)	Deficit / (Surplus) for the year (as above)	(1,396)	(12,305)	(13,701)
2,695	<b>Balance carried forward at 31 March</b>	(10,243)	(763)	(11,006)
	<b>Allocated to:</b>			
(1,733)	Middlesbrough Council	(8,558)	(374)	(8,932)
(1,125)	Cleveland Police and Crime Commissioner	(1,294)	-	(1,294)
(218)	Cleveland Fire Authority	(391)	(8)	(399)
5,771	Central Government	-	(382)	(382)
2,695	<b>Balance carried forward at 31 March</b>	(10,243)	(763)	(11,006)

# Notes to the Collection Fund

## Note C1 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*	29	5/9	29,156	16
A	18473	6/9	22,286,689	12,315
B	8011	7/10	11,275,652	6,231
C	9093	8/9	14,626,959	8,083
D	4770	9/9	8,632,126	4,770
E	2375	11/9	5,253,070	2,903
F	876	13/9	2,289,836	1,265
G	496	15/9	1,495,994	827
H	29	18/9	104,961	58
<b>44,152</b>			<b>65,994,443</b>	<b>36,468</b>
Less: Adjustments for assumed non-collection based on budgets assumption of 96.6% collection rate			(2,243,811)	(1,240)
<b>Total</b>			<b>63,750,632</b>	<b>35,228</b>

A\* - Band A properties receiving Disabled Relief

The average Council Tax for band D dwellings for Middlesbrough Council was £1,809.67.

## Note C2 Income from Business Rates

In 2013-14, 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 2023 was £103,873,487 (£101,659,272 at 31 March 2022) and the national non-domestic multiplier for the year was 51.2p (51.2p in 2021-22).



## Note C3 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:

2021-22 £'000		2022-23 £'000
818	Middlesbrough Council	1,186
125	Cleveland Police and Crime Commissioner	-
38	Cleveland Fire Authority	54
<b>981</b>	<b>Total Deficit / (Surplus)</b>	<b>1,240</b>

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

## Note C4 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 2023 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 2022	(16,484)	(5,725)	(3,579)	<b>(25,788)</b>
Reductions in the provision in year	-	-	-	-
Increase in the provision in year	(1,420)	(764)	(418)	<b>(2,601)</b>
<b>Closing balance as at 31 March 2023</b>	<b>(17,904)</b>	<b>(6,489)</b>	<b>(3,997)</b>	<b>(28,389)</b>

# Teesside Pension Fund Accounts and Notes





Note	Description	Page
	Description of Teesside Pension Fund	134
	Teesside Pension Fund Accounts and Net Asset Statement	<b>Error! Bookma rk not defined.</b>
1	Basis of Preparation	137
2	Accounting Standards issued not yet Adopted	137
3	Summary of Significant Accounting Policies	138
4	Critical Judgements, Sensitivities and Accounting Estimates	<b>Error! Bookma rk not defined.</b>
5	Assumptions made about the Future and other Major Sources of Estimation Uncertainty	<b>Error! Bookma rk not defined.</b>
6	Contributions	143
7	Benefits Payable	<b>Error! Bookma rk not defined.</b>
8	Transfers in from Other Pensions Funds	143
9	Other Income	<b>Error! Bookma rk not defined.</b>
10	Payments to and on account of leavers	<b>Error! Bookma rk not defined.</b>
11	Management Expenses	144
12	Investment Income	<b>Error! Bookma rk not defined.</b>
13	Investment Assets	145
14	Financial Instruments	151
15	Actuarial Valuations	<b>Error! Bookma rk not defined.</b>
16	Current Assets	<b>Error! Bookma rk not defined.</b>
17	Current Liabilities	<b>Error! Bookma rk not defined.</b>
18	Related Party Transactions	159
19	External Audit Costs	159
20	Senior Employees' Remuneration	159
21	Events after the Balance Sheet Date	159
	The Compliance Statement	160

DRAFT

# 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 £5.06b. 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 £78.5m (2021 £64.2m). During the year, the overall value of the Fund increased by £26m to £5.06b.

## 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.

<b>Membership of the Fund</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Active	23,295	22,724	23,438	24,238	25,434	<b>26,198</b>
Deferred	23,243	23,361	23,488	23,322	26,249	<b>27,225</b>
Pensioner	22,757	23,983	24,651	25,366	26,212	<b>26,915</b>
<b>Total</b>	<b>69,295</b>	<b>70,068</b>	<b>71,577</b>	<b>72,926</b>	<b>77,895</b>	<b>80,338</b>

<b>Summary of Changes in Membership</b>	<b>Active Members</b>	<b>Deferred Members</b>	<b>Pensioner Members</b>	<b>Dependents</b>	<b>Total</b>
At 01-APR-2022	<b>25,434</b>	<b>26,249</b>	<b>22,907</b>	<b>3,305</b>	<b>77,895</b>
Adjustments	(945)	26	(640)	8	<b>(1,551)</b>
New Members	4,873	1,986	1,460	272	<b>8,591</b>
Change in Status	(1,399)	(47)	(181)	0	<b>(1,627)</b>
Leavers	(1,765)	(989)	(6)	(210)	<b>(2,970)</b>
At 31-MAR-2023	<b>26,198</b>	<b>27,225</b>	<b>23,540</b>	<b>3,375</b>	<b>80,338</b>
% of Total Membership	<b>32.6%</b>	<b>33.9%</b>	<b>29.3%</b>	<b>4.2%</b>	<b>100.0%</b>

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 outsourcing to the private sector.





## Fund Accounts for the year ended 31 March 2023

2021-22			2022-23
£000		Note	£000
	<b>Dealings with members, employers and others directly involved in the Fund</b>		
(97,666)	Contributions	6	(106,953)
(2,371)	Transfers in from other pension funds	8	(4,896)
(3,626)	Other income	9	(2,561)
(103,663)	<b>Total Income from Members</b>		(114,410)
153,758	Benefits payable	7	162,355
5,974	Payments to and on account of leavers	10	20,435
159,732	<b>Total Expenditure to Members</b>		182,790
56,069	<b>Net / withdrawals from dealings with members</b>		68,380
8,128	Management expenses	11, 20	10,085
64,197	<b>Net withdrawals including fund management expenses</b>		78,465
	<b>Returns on investment</b>		
(49,933)	Investment income	12	(50,230)
(492,353)	Profits and losses on disposal of investments and changes in the market value of investments	13	(54,947)
(542,286)	<b>Net returns on investment</b>		(105,177)
(478,089)	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		(26,712)
4,559,485	<b>Net assets of the scheme as at 1 April</b>		5,037,574
5,037,574	<b>Net assets of the scheme as at 31 March</b>		5,064,286
2021-22	<b>Net Assets Statement as at 31 March</b>		2022-23
5,036,271	Investments Assets	13	5,060,738
12,806	Current Assets	16	14,102
(11,503)	Current liabilities	17	(10,554)
5,037,574	<b>Net assets of the Fund at 31 March</b>		5,064,286

# 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 2022-23 and beyond as part of its going concern assessment. This included consideration of the following:

- The Fund had assets of c. £5.06b as at 31 March 2023. £4.32b (85%) of this is held in assets which are considered to be liquid, and which could be converted to cash if required (including £0.33b actually held as cash).
- The Fund has estimated that in 2023-24 it will pay out approximately £195m in benefits and other outgoings in the coming twelve months and is forecasting contribution income in the region of £125m. This shortfall in contribution income versus benefits and other expenditure of £70m will be met partly from other regular investment income, which is estimated to be £64m in 2023-24 with the remaining £6m being taken from the Fund's cash balance, which was £334m at the 31 March 2023.

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' transactions for the 2022-23 financial year and its position at year end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22, 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 2023.

## **Net Assets Statement**

### **Financial Assets**

Financial assets are included in the net assets statement on a fair value basis as at 31 March 2023. 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 2023, 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 2023. 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, Infrastructure and Other Alternative investments**

It is important to recognise the highly subjective nature of determining the fair value of private equity, infrastructure, and other alternative investments. They are inherently based on forward-looking estimates and judgements involving many factors. These 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 these investments at 31 March 2023 was £1,155,773,631 (£737,329,876 at 31 March 2022).

### **Pension Fund Liabilities**

The pension fund liability is calculated every three years by the appointed actuary. 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 £113m.
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 £4,320b 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 relevant parts of the current RICS Red Book.	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 £73.9m, on a fair basis of £378.9m.

## 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.

		2021-22	2022-23
		£000	£000
Employers	Normal	(67,214)	(73,562)
	Additional Contributions	(12)	(12)
	Deficit Recovery Contributions	(506)	(158)
Members	Normal	(29,934)	(33,221)
<b>Total</b>		<b>(97,666)</b>	<b>(106,953)</b>

### Analysis of Total Contributions

		2021-22	2022-23
		£000	£000
Administering Authority – Middlesbrough Council		(12,629)	(14,788)
Scheduled Bodies		(72,217)	(79,669)
Admission Bodies		(12,820)	(12,496)
<b>Total</b>		<b>(97,666)</b>	<b>(106,953)</b>

## Note 7 Benefits Payable

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

		2021-22	2022-23
		£000	£000
Pensions		127,421	134,792
Commutations and lump sum retirement benefits		22,750	24,684
Lump sum death benefits		3,587	2,879
<b>Total</b>		<b>153,758</b>	<b>162,355</b>

### Analysis of Total Benefits

		2021-22	2022-23
		£000	£000
Administering Authority – Middlesbrough Council		24,119	26,174
Scheduled Bodies		95,869	100,137
Admission Bodies		33,770	36,044
<b>Total</b>		<b>153,758</b>	<b>162,355</b>

## 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.

		2021-22	2022-23
		£000	£000
Individual transfers in from other schemes		(2,371)	(4,896)
<b>Total</b>		<b>(2,371)</b>	<b>(4,896)</b>

## Note 9 Other Income

	2021-22	2022-23
	£000	£000
Capital Costs of Early Retirements	(2,748)	(1,578)
Other income	(878)	(983)
<b>Total</b>	<b>(3,626)</b>	<b>(2,561)</b>

## Note 10 Payments to and on account of leavers

	2021-22	2022-23
	£000	£000
Refunds to members leaving scheme	199	11,761
Payments for members joining state scheme	483	211
Individual transfers to other schemes	5,292	8,463
<b>Total</b>	<b>5,974</b>	<b>20,435</b>

## 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.

	2021-22	2022-23
	£000	£000
Administrative costs	2,238	2,087
Investment management expenses	5,474	7,331
Oversight and governance costs	397	637
<b>Total</b>	<b>8,109</b>	<b>10,055</b>

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.

	2021-22	2022-23
	£000	£000
Management fees	3,959	6,793
Custody fees	25	21
Transaction costs	939	0
Loans & investment support service charges	551	517
<b>Total</b>	<b>5,474</b>	<b>7,331</b>

## 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.

	2021-22	2022-23
	£000	£000
Income from pooled investment vehicles	(33,525)	(24,838)
Net rents from properties (see note below)	(15,554)	(16,627)
Interest on cash deposits	(854)	(8,765)
<b>Total</b>	<b>(49,933)</b>	<b>(50,230)</b>

## Rental Income and Property Expenses

	2021-22	2022-23
	£000	£000
Gross Rental income	(16,172)	(18,460)
Property Expense / (Income)	618	1,833
<b>Net Rents from Properties</b>	<b>(15,554)</b>	<b>(16,627)</b>

## 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.

2022-23	Value at 01-APR-2022	Reclassified Assets	Purchases at Cost	Sale Proceeds	Change in Market Value	Value at 31-MAR-2023
	£000	£000	£000	£000	£000	£000
Equities	1,710	0	0	1,129	(720)	2,119
Pooled Investment Vehicles	3,773,227	0	385,196	(55,828)	84,781)	4,187,376
Pooled Property Investments	60,230	0	15,000	0	(9,792)	65,438
Properties	335,521	0	87,416	0	(19,322)	403,615
Loans	20,000	0	4,534	0	0	24,534
Directly Held – Private Equity	26,500	0	13,580	0	0	40,080
	<b>4,217,188</b>	<b>0</b>	<b>505,726</b>	<b>(54,699)</b>	<b>54,947</b>	<b>4,723,162</b>
Cash Deposits	817,250					334,350
Other Investment Balances	1,833					3,226
<b>Net Investment assets</b>	<b>5,036,271</b>					<b>5,060,738</b>

2021-22	Value at 01-APR-2021	Reclassified Assets	Purchases at Cost	Sale Proceeds	Change in Market Value	Value at 31-MAR-2022
	£000	£000	£000	£000	£000	£000
Equities	90	1,621	0	0	1,620	1,710
Pooled Investment Vehicles	3,869,990	(21,621)	1,163,001	(1,672,195)	432,431	3,773,227
Pooled Property Investments	64,040	0	0	(8,197)	4,387	60,230
Properties	277,200	0	4,406	0	53,915	335,521
Loans	0	0	20,000	0	0	20,000
Directly Held – Private Equity	0	20,000	6,500	0	0	26,500
	<b>4,211,320</b>	<b>0</b>	<b>1,193,907</b>	<b>(1,680,392)</b>	<b>492,353</b>	<b>4,217,188</b>
Cash Deposits	340,650					817,250
Other Investment Balances	1,847					1,833
<b>Net Investment assets</b>	<b>4,553,817</b>					<b>5,036,271</b>

## Valuation Methods

There are four funds that have been valued at Cost rather than Market Value in 22-23 as the investments are at an early stage and an open Market Value is yet to be determined. These include Leonardo (£24.7M), Greyhound Retail Park (£20M), St Arthur Homes (£4.5M) and GB Bank Ltd (40M).

## 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 loss was £1,128,891 and unrealised gain was £56,076,232. Prior year realised profit was £228,314,613 and unrealised gain was £264,038,252.

## 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. There are no transaction costs during the year. (21-22 £938,946). 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 funds equities are mainly managed externally by Border to Coast. Private equities, infrastructure, other alternatives, and other debt are all managed in-house with the only exception being the direct property portfolio managed by CBRE Limited.

- for 2022-23 the value at 31 March 2023 of the direct property portfolio was: £403,615,188
  - for 2021-22 the value at 31 March 2022 of the direct property portfolio was: £335,520,529
- 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-2022 £000	% of net assets of the scheme	Market Value 31-MAR-2023 £000	% of net assets of the scheme
Border to Coast PE Overseas Dev Mkts	1,608,520	31.95%	1,647,397	32.56%
Border to Coast PE UK Listed Equity	615,588	12.23%	646,205	12.77%
SSGA MPF Pacific Basin Ex-Japan Index	334,706	6.65%	320,026	6.32%

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 and Investment Panel.

Asset Class / Security	Market Value 31-MAR-2022 £000	% of asset class	Market Value 31-MAR-2023 £000	% of asset class
<b>UK Equities</b>				
Border to Coast UK Listed Equity	615,588	99.72%	646,205	99.67%
<b>Overseas Equities</b>				
Border to Coast Overseas Developed Markets	1,608,520	66.41%	1,647,397	67.24%
SSGA MPF Pacific Basin ex-Japan Index	334,706	13.82%	320,026	13.06%
SSGA MPF Euro Ex UK Equity Index Sub Fund	122,869	5.07%	132,964	5.43%

Border to Coast Emerging Market Hybrid Fund	210,824	8.70%	203,394	8.30%
<b>Private Equities</b>				
Crown Co Investment Opp II PLC	25,331	6.90%	27,528	5.71%
Unigestion SA	25,421	6.92%	27,546	5.71%
Pantheon Global Co-Investment Opportunities IV	26,412	7.19%	32,568	6.75%
Crown Growth Global Opportunities III	34,019	9.26%	37,392	7.75%
Border to Coast Private Equity Series 1A	72,562	19.76%	92,098	19.09%
Border to Coast Private Equity Series 1B	0	0.00%	26,727	5.54%
GB Bank Limited	26,500	7.22%	40,080	8.31%
<b>Infrastructure</b>				
Border to Coast Infrastructure Series 1A	45,996	18.57%	72,911	18.13%
Border to Coast Infrastructure Series 1B	12,421	5.01%	21,321	5.30%
Border to Coast Infrastructure Series 1C	22,408	9.05%	36,987	9.20%
JP Morgan IIF UK I LP	36,125	14.58%	80,512	20.02%
Gresham House BSI Infrastructure LP	21,166	8.54%	22,759	5.66%
<b>Other Alternatives</b>				
Border to Coast Climate Opportunities Series 2A	0	0.00%	10,244	5.70%
Darwin Leisure Prop Units - Class C	23,488	20.48%	23,447	13.06%
Darwin Bereavement Services Fund - Class B	17,042	14.86%	18,087	10.07%
Darwin Bereavement Services Fund - Income Units	10,264	8.95%	30,309	16.88%
Darwin Leisure Development Fund – Class D	18,656	16.26%	19,865	11.06%
Darwin Leisure Property Fund K - Income Units	15,449	13.47%	34,420	19.17%
Hearthstone Residential Fund 1	9,675	8.43%	9,605	5.35%
Hearthstone Residential Fund 2	0	0.00%	9,836	5.48%
Gresham House BSI Housing Fund LP	13,588	11.85%	15,406	8.58%
<b>Other Debt</b>				
Insight IIFIG Secured Finance II Fund	24,676	47.20%	47,966	53.48%
Greyhound Retail Park Chester	20,000	38.25%	20,000	21.84%
Pantheon Senior Debt Secondaries II	7,609	14.55%	18,057	19.72%
<b>Direct Property</b>				
Doncaster (Omega Boulevard)	37,800	11.27%	31,200	7.73%
Birmingham (Bromford Central)	23,950	7.14%	20,200	5.00%
London (51/54 Long Acre)	0	0.00%	31,000	7.68%
London (Park Royal, Minerva Road)	21,600	6.44%	31,150	7.72%
Graftongate Investments Ltd (Leonardo)	0	0.00%	24,725	6.13%
<b>Property Unit Trusts</b>				
Standard Life Investments European Property Growth Fund	39,036	64.81%	34,842	53.24%
LAMIT - Local Authorities Property Fund	4,723	7.84%	3,944	6.03%
Hermes Property	5,064	8.41%	16,608	25.38%
Threadneedle Property	4,114	6.83%	3,399	5.19%
Legal and General Managed Property Fund	7,294	12.11%	6,646	10.16%



## Geographical Analysis of Investments

	As at 31 March 2022		As at 31 March 2023	
	£000	%	£000	%
United Kingdom	1,240,930	30%	1,470,021	31%
United States	1,101,132	26%	1,284,003	27%
Asia Pacific	817,262	19%	666,391	14%
Europe	580,568	14%	823,204	17%
Japan	266,463	6%	276,140	6%
Others	210,833	5%	203,403	5%
<b>Total</b>	<b>4,217,188</b>	<b>100%</b>	<b>4,723,162</b>	<b>100%</b>

## Equities

	As at 31-MAR-2022	As at 31-MAR-2023
	£000	£000
UK quoted	1,701	2,110
Overseas quoted	9	9
<b>Total</b>	<b>1,710</b>	<b>2,119</b>

## Pooled Investment Vehicles and Properties

	As at 31-MAR-2022	As at 31-MAR-2023
	£000	£000
UK Equity	615,588	648,315
Pooled Property investment Vehicle	60,230	65,438
Private Equity	340,778	482,511
Infrastructure	247,734	402,107
Other Alternative Investments	114,709	179,599
Other Debt	32,284	91,557
<b>UK Unit and Investment Trusts Total</b>	<b>1,411,323</b>	<b>1,869,527</b>
Overseas Equities	2,422,134	2,450,020
<b>Overseas Unit and Investment Trusts Total</b>	<b>2,422,134</b>	<b>2,450,020</b>
<b>Total</b>	<b>3,833,457</b>	<b>4,319,547</b>

## UK Properties

	As at 31-MAR-2022	As at 31-MAR-2023
	£000	£000
Freehold	268,521	345,415
Leasehold	67,000	58,200
<b>Total</b>	<b>355,521</b>	<b>403,615</b>

The properties were valued on the basis of Fair Value at 31 March 2023 by Cushman and Wakefield LLP acting as an External Valuer. The valuer's opinion of the Fair Value of the Fund's interests in the properties has been reported (as per VPS4 item 7 of the RICS Red Book). Under these provisions, the term "Fair Value" mean the definition adopted by the International Accounting Standards Board (IASB) in IFRS 13, namely "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

## Cash Deposits

	As at 31-MAR-2022	As at 31-MAR-2023
	£000	£000
Sterling Cash deposits	817,250	334,350

## Other Investment Balances

	As at 31-MAR-2022	As at 31-MAR-2023
	£000	£000
Cash deposits with custodian	1,470	1,470
Interest due on cash deposits	363	1,756
<b>Total</b>	<b>1,833</b>	<b>3,226</b>

## Outstanding Commitments

As at 31 March 2023, the Fund had the following outstanding commitments.

	Initial Commitment	Capital Payments made	Outstanding commitments at 31 March 2023
<b>Infrastructure</b>			
	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>
Border to Coast Infrastructure Series 1A	100,000,000	59,821,475	40,178,525
Border to Coast Infrastructure Series 1B	50,000,000	21,970,573	28,029,427
Border to Coast Infrastructure Series 1C	50,000,000	32,201,193	17,798,807
Border to Coast Infrastructure Series 2A	150,000,000	16,059,102	133,940,898
Capital Dynamics Clean Energy Infrastructure Fund VIII	20,000,000	14,100,754	5,899,246
Capital Dynamics Clean Energy Infrastructure Fund VIII - Co Investment	10,000,000	7,050,377	2,949,623
Gresham House, British Strategic Investment Infrastructure Fund	20,000,000	19,070,660	929,340
Gresham House, British Strategic Investment Infrastructure Fund II	25,000,000	12,383,298	12,616,702
Innisfree PFI Continuation Fund	10,000,000	9,708,498	291,502
Innisfree PFI Secondary Fund 2	10,000,000	8,352,712	1,647,288
<b>Total GBP</b>	<b>445,000,000</b>	<b>200,718,642</b>	<b>244,281,358</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Access Capital Infrastructure Fund	23,000,000	15,622,040	7,377,960
Access Capital Infrastructure Fund II	20,000,000	14,476,403	5,523,597
Access Capital Infrastructure Fund II (Fund 2)	15,000,000	7,961,781	7,038,219
Ancala Infrastructure Fund II	23,000,000	16,925,167	6,074,833
Foresight Energy Infrastructure	17,000,000	9,931,380	7,068,260
<b>Total EUR</b>	<b>98,000,000</b>	<b>64,916,771</b>	<b>33,083,229</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
Blackrock Global Energy & Power Infrastructure Fund III	25,000,000	20,195,569	4,804,431
Blackrock Global Renewable Power III	25,000,000	12,377,208	12,622,792
<b>Total USD</b>	<b>50,000,000</b>	<b>32,572,777</b>	<b>17,427,223</b>

<b>Other Alternatives</b>			
	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>
Bridges Evergreen TPF Housing Co-Investment LP	5,000,000	765,180	4,234,820
Gresham House Housing Fund	20,000,000	13,944,083	6,055,917
Hearthstone Residential Fund 2 LP	20,000,000	10,453,507	9,546,493
<b>Total GBP</b>	<b>45,000,000</b>	<b>25,162,769</b>	<b>19,837,231</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
La Salle Real Estate Debt Strategies IV	25,000,000	8,782,275	16,217,725
<b>Total EUR</b>	<b>25,000,000</b>	<b>8,782,275</b>	<b>16,217,725</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
Border to Coast Climate Opportunities Series 2A	80,000,000	10,243,486	69,756,514
<b>Total USD</b>	<b>80,000,000</b>	<b>10,243,486</b>	<b>69,756,514</b>
<b>Other Debt</b>			
	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>
St Arthur Homes	16,000,000	4,534,442	11,465,558
<b>Total GBP</b>	<b>16,000,000</b>	<b>4,534,442</b>	<b>11,465,558</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
Pantheon Senior Debt Secondaries II	25,000,000	16,367,215	8,632,785
<b>Total USD</b>	<b>25,000,000</b>	<b>16,367,215</b>	<b>8,632,785</b>
<b>Private Equity</b>			
	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>
Border to Coast Private Equity Series 1A	100,000,000	60,369,403	39,630,597
Border to Coast Private Equity Series 1B	50,000,000	25,378,167	24,621,833
Border to Coast Private Equity Series 1C	50,000,000	17,282,757	32,717,243
Border to Coast Private Equity Series 2A	100,000,000	3,126,918	96,873,082
Capital Dynamics LGPS Collective for Pools 18-19	10,000,000	6,429,550	3,570,450
GB Bank Limited	28,000,000	20,080,050	7,919,950
Hermes Innovation Fund	20,000,000	13,019,125	6,980,875
Foresight Regional Investments IV	5,000,000	747,988	4,252,012
<b>Total GBP</b>	<b>363,000,000</b>	<b>146,433,957</b>	<b>216,566,043</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Access Capital Fund VIII Growth Buy-Out Europe	30,000,000	16,792,109	13,207,891
Access Capital Co-Investment Fund Buy-Out Europe II	22,000,000	9,050,000	12,950,000
Capital Dynamics Mid-Market Direct V	20,000,000	13,803,038	6,196,962
Crown Growth Global Opportunities III	30,000,000	22,950,000	7,050,000
Unigestion Direct II	25,000,000	17,819,008	7,180,992
Unigestion Secondary V	50,000,000	23,000,000	27,000,000
Unigestion Direct III	37,500,000	5,426,563	32,073,437
<b>Total EUR</b>	<b>214,500,000</b>	<b>108,840,718</b>	<b>105,659,282</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
Blackrock Private Opportunities Fund IV	25,000,000	21,171,123	3,828,877
Capital Dynamics Global Secondaries V	22,000,000	14,373,458	7,626,542
Crown Co-Investment Opportunities II	30,000,000	19,785,000	10,215,000

Crown Co-Investment Opportunities III	30,000,000	10,350,000	19,650,000
Crown Global Opportunities VII	40,000,000	18,920,000	21,080,000
Crown Secondaries Special Opportunities II	25,000,000	15,487,500	9,512,500
Pantheon Global Co Investment Opportunities IV	30,000,000	23,268,429	6,731,571
<b>Total USD</b>	<b>202,000,000</b>	<b>123,355,510</b>	<b>78,644,490</b>

## Note 14 Financial Instruments

### Net Gains and Losses on Financial Instruments

	<b>2021-22</b>	<b>2022-23</b>
<b>Financial Assets</b>	<b>£000</b>	<b>£000</b>
Fair Value through profit and loss account	<b>(492,353)</b>	<b>(54,947)</b>

### 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-2022			As at 31-MAR-2023		
	£000	£000	£000	£000	£000	£000
<b>Financial Assets</b>						
Equities	1,710			2,119		
Pooled Investments	3,819,727			4,251,990		
Pooled Property Investments	60,230			65,438		
Cash		817,250			334,350	
Other investment balances		1,833			3,226	
Sundry debtors and prepayments		12,806			14,102	
	<b>3,881,667</b>	<b>831,889</b>	<b>0</b>	<b>4,319,547</b>	<b>351,678</b>	<b>0</b>
<b>Financial Liabilities</b>						
Sundry creditors			(11,503)			(10,340)
	<b>0</b>	<b>0</b>	<b>(11,503)</b>	<b>0</b>	<b>0</b>	<b>(10,340)</b>
<b>Net Financial Assets</b>	<b>3,881,667</b>	<b>831,889</b>	<b>(11,503)</b>	<b>4,319,547</b>	<b>351,678</b>	<b>(10,340)</b>

### 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 can be used where valuations at 31 March could not be obtained.

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-2023	£000	£000	£000	£000
Financial assets at fair value through profit and loss account	26,653	3,096,216	1,196,678	4,319,547
Loans and receivables	351,828	0	0	351,828
Financial Liabilities at amortised cost	(10,340)	0	0	(10,340)
<b>Total Financial Assets</b>	<b>368,141</b>	<b>3,096,216</b>	<b>1,196,678</b>	<b>4,661,035</b>

### 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	21,710	3,037,721	822,236	3,881,667
Loans and Receivables	831,889	0	0	831,889
Financial Liabilities at amortised cost	(11,503)	0	0	(11,503)
<b>Total Financial Assets</b>	<b>842,096</b>	<b>3,037,721</b>	<b>822,236</b>	<b>4,702,053</b>

### 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 2023.

### Valuation of Financial Instruments carried at fair value – 31 March 2023

	Assessed valuation range (+/-)	Value at 31-MAR-2023	Value on increase	Value on decrease
		£000	£000	£000
Pooled Investments - Private Equity	19.12%	482,511	574,767	390,255
Pooled Investments - Infrastructure	19.12%	402,107	478,990	325,224
Pooled Investments - Other Alternatives	19.12%	179,599	213,939	145,260
Pooled Investments - Other Debt	19.12%	67,023	79,838	54,208
Pooled Investments - Property	14.90%	65,438	75,188	55,688
<b>Total</b>		<b>1,196,678</b>	<b>1,422,722</b>	<b>970,636</b>

### 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 - Private Equity	18.75%	367,278	436,143	298,414
Pooled Investments - Infrastructure	18.75%	247,734	294,184	201,284
Pooled Investments - Other Alternatives	18.75%	114,710	136,218	93,202
Pooled Investments - Other Debt	18.75%	32,284	38,337	26,231
Pooled Investments - Property	7.05%	60,230	64,476	55,984
<b>Total</b>		<b>822,236</b>	<b>969,359</b>	<b>675,114</b>

### Reconciliation of Fair Value Measurements within level 3 during 2022-23

	Market Value 01-APR-2022	Transfer between levels	Purchases	Sales	Unrealised Gains/Losses	Realised Gains/Losses	Market Value 31-MAR-2023
	£000	£000	£000	£000	£000	£000	£000
Pooled Investments - Private Equity	367,278	0	112,012	(17,487)	20,708	0	482,511
Pooled Investments - Infrastructure	247,734	0	165,302	(28,866)	17,937	0	402,107
Pooled Investments - Other Alternatives	114,709	0	68,252	(2,424)	(938)	0	179,599
Pooled Investments - Other Debt	32,285	(20,000)	40,737	(5,485)	19,486	0	67,023
Pooled Investments - Property	60,230	0	15,000	0	(9,792)	0	65,438
<b>Total</b>	<b>822,236</b>	<b>(20,000)</b>	<b>401,303</b>	<b>(54,262)</b>	<b>47,401</b>	<b>0</b>	<b>1,196,678</b>

### 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	(1,235,989)	0	0	0	0	0
Pooled Investments - Private Equity	149,794	0	129,033	(17,569)	106,020	0	367,278
Pooled Investments - Infrastructure	35,473	156,909	81,335	(13,256)	(12,727)	0	247,734
Pooled Investments - Other Alternatives	5,806	100,401	9,931	(641)	(788)	0	114,709
Pooled Investments - Other Debt	0	7,609	27,296	(2,253)	(367)	0	32,285
Pooled Investments - Property	42,340	21,194	0	(8,197)	2,838	2,055	60,230



<b>Total</b>	<b>1,469,402</b>	<b>(949,876)</b>	<b>247,595</b>	<b>(41,916)</b>	<b>94,976</b>	<b>2,055</b>	<b>822,236</b>
--------------	------------------	------------------	----------------	-----------------	---------------	--------------	----------------

## 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 pension's 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 2022-23 reporting period.

2022-23 Price Risk		Value as at 31-MAR-2023	Change	Value on Increase	Value on Decrease
Asset Type	Region	£000	%	£000	£000
Equities	UK	2,110	12.30%	2,370	1,850
	Non-UK	9	12.89%	10	8
	Total	2,119		2,380	1,858
Managed and Unitised Funds	UK	1,064,296	12.30%	1,195,204	933,388
	Non-UK	3,253,132	12.89%	3,672,461	2,833,803
	Total	4,317,428		4,867,665	3,767,191
<b>Total</b>		<b>4,319,547</b>		<b>4,870,045</b>	<b>3,769,049</b>

2021-22 Price Risk		Value as at 31-MAR-2022	Change	Value on Increase	Value on Decrease
Asset Type	Region	£000	%	£000	Asset Type
Equities	UK	1,701	14.98%	1,956	1,446
	Non-UK	9	12.96%	10	8
	Total	1,710		1,966	1,454
Managed and Unitised Funds	UK	903,699	14.98%	1,039,073	768,325
	Non-UK	2,976,258	12.96%	3,361,981	2,590,535
	Total	3,879,957		4,401,054	3,358,860
<b>Total</b>		<b>3,881,667</b>		<b>4,403,020</b>	<b>3,360,314</b>

### 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 2022 and 31 March 2023 is set out below:

Asset Type at 31 March	2021-22 £000	2022-23 £000
Cash and cash equivalents	817,250	334,350
Other Investment balances	1,833	3,226
<b>Total</b>	<b>819,083</b>	<b>337,576</b>

### 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-2023	£000	£000	£000
Cash and cash equivalents	334,500	836	(836)
Other Investment balances	3,226	8	(8)

<b>Total</b>	<b>337,726</b>	<b>844</b>	<b>(844)</b>
<b>Asset Type</b>		<b>+ 25 BPS</b>	<b>- 25 BPS</b>
Carrying value at 31-MAR-2022	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash and cash equivalents	817,250	2,043	(2,043)
Other Investment balances	1,833	5	(5)
<b>Total</b>	<b>819,083</b>	<b>2,048</b>	<b>(2,048)</b>

## 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 2022 and as at 31 March 2023, showing the sensitivity analysis of foreign exchange movements.

<b>Currency Risk 31-MAR-2023</b>	<b>Value £000</b>	<b>Change %</b>	<b>Value on Increase £000</b>	<b>Value on Decrease £000</b>
Australian Dollar	8	8.54%	9	7
Euro	823,203	5.10%	865,186	781,220
Japanese Yen	276,140	8.40%	299,336	252,944
US Dollar	1,284,003	8.86%	1,397,766	1,170,240
Asia Pacific ex Japan basket	666,391	8.54%	723,301	609,481
<b>Total</b>	<b>3,049,745</b>		<b>3,285,597</b>	<b>2,813,893</b>

<b>Currency Risk 31-MAR-2022</b>	<b>Value £000</b>	<b>Change %</b>	<b>Value on Increase £000</b>	<b>Value on Decrease £000</b>
Australian Dollar	9	8.10%	10	8
Euro	580,568	5.20%	610,758	550,378
Japanese Yen	266,463	9.20%	290,978	241,948
US Dollar	1,101,132	8.30%	1,192,526	1,009,738
Asia Pacific ex Japan basket	817,262	8.10%	883,460	751,064
<b>Total</b>	<b>2,765,434</b>		<b>2,977,731</b>	<b>2,553,137</b>

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 2023. 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. Typically, each final triennial valuation report is published around a year after the effective date. An Actuarial Valuation was carried out as at 31 March 2022 using the 'Projected Unit Method' which produced the following results;

	31-MAR-2019	31-MAR-2022
	£m	£m
Net Liabilities	3,561	4,351
Assets	4,088	5,036
<b>Surplus</b>	<b>527</b>	<b>685</b>
<b>Funding Level</b>	<b>115%</b>	<b>116%</b>

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

### Funding Assumptions

Pension Increase Rate (CPI)	2.7%
Salary Increase Rate	3.7%
Discount Rate	4.3%

### The assumed life expectancy from age 65 (years) assumptions

Mortality Assumptions:	Years
Longevity at 65 for current pensioners:	
• Men	20.90
• Women	23.90
Longevity at 65 for future pensioners:	
• Men	21.90
• Women	25.50

## 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-2022	31-MAR-2023
		£000	£000
Other Debtors		2,723	4,029
Sundry Debtors		615	1,145
Contributions due in respect of	Employers	4,161	5,698
	Members	2,755	2,612
Cash balances		748	618
<b>Total</b>		<b>12,806</b>	<b>14,102</b>

Analysis of Debtors		31-MAR-2022	31-MAR-2023
		£000	£000
Other local authorities		4,736	4,379
Other entities and individuals		7,322	9,105
Add cash balances		748	618
<b>Total</b>		<b>12,806</b>	<b>14,102</b>

## Note 17 Current Liabilities

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

Amounts due within one year		31-MAR-2022	31-MAR-2023
		£000	£000
Rents received in advance		(2,774)	(2,559)
Accrued expenses		(7,715)	(6,480)
Other payables		(1,014)	(1,515)
<b>Total</b>		<b>(11,503)</b>	<b>(10,554)</b>

Analysed by		31-MAR-2022	31-MAR-2023
		£000	£000
Other local authorities		(1,121)	(765)
Public Corp & Trading Funds		(5,499)	(5,451)
Other entities and individuals		(4,883)	(4,338)
<b>Total</b>		<b>(11,503)</b>	<b>(10,554)</b>

## Note 18 Additional Voluntary Contributions (AVC's)

Scheme members may make Additional Voluntary Contributions that are invested with the Fund's nominated AVC providers, the Prudential Assurance Co Ltd. These contributions are not part of the Pension Fund and are not reflected in the Fund's accounts in accordance with regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The value of AVC investments are as follows:

### Prudential AVC balances

	2021-22	2022-23
	£000	£000
With Profits and Deposit Accounts	4,312	4,134
Unit Linked Accounts	4,021	4,304
<b>Total</b>	<b>8,333</b>	<b>8,438</b>

The total value of AVC contributions paid to Prudential during the year, was £2,302,204.17 (2021-22 was £1,862,863.44).

## Note 19 Related Party Transactions

The Fund is administered by Middlesbrough Council. During the reporting period, the council incurred costs of £765,000 (2021-22: £1,147,000) 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 £9.5m over the period (2021-22 - £8.6m).

## Note 20 External Audit Costs

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

	2021-22	2022-23
	£000	£000
Fees payable to our current external auditors, EY, with regard to their services carried out as appointed auditor.	19	30
<b>Total Fees</b>	<b>19</b>	<b>30</b>

## Note 21 Senior Employees' Remuneration

	2021-22	2022-23
	£000	£000
Key Management Personnel		
Short Term Benefits	66	63
Post-Employment Benefits	8	7
<b>Total</b>	<b>74</b>	<b>70</b>

Director of finance paid via agency from August 2022 - Penna PLC £114,000

## Note 22 Events after the Balance Sheet Date

No specific events to report after the balance sheet date for the Teesside Pension Fund accounts.



# 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

<https://moderngov.middlesbrough.gov.uk/documents/s9891/Agenda%20Item%2012%20-%20Appendix%20A%20-%202021%20Teesside%20PF%20Governance%20Policy%20and%20Compliance%20Statement.pdf>

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/>

# Statement of the Actuary for the year ended 31 March 2023

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 March 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants;
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term);
- where appropriate, ensure stable employer contribution rates;
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy;
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

## 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 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £5,306m, were sufficient to meet 116% of the liabilities (i.e., the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £684m.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 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 2022 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:

<b>Financial assumptions</b>	<b>31 March 2022</b>
Discount rate	4.25%
Salary increase assumption	3.70%
Benefit increase assumption (CPI)	2.70%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	<b>Males</b>	<b>Females</b>
<b>Current Pensioners</b>	<b>20.9 years</b>	<b>23.9 years</b>
<b>Future Pensioners*</b>	<b>21.9 years</b>	<b>25.5 years</b>

\*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority and on the Fund's website.

### Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine, a short-term change in UK fiscal policy and global inflationary pressures. As a result, asset returns have lagged expectation while members received a higher than anticipated benefit increase of 10.1% in April 2023. However, these impacts were more than offset by a material increase in expected future returns due to rising interest rates which decreased the value placed on the Fund's liabilities. Therefore, Fund's funding level increased in the year to 31 March 2023.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.



Steven Law FFA

22 May 2023

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 2022 to 31 March 2023 under regulation 62 of the Local Government Pension Scheme Regulations 2013.

	Employers Rate %	Employees £000	Employers £000
Ad Astra Academy Trust	17.5%	259	779
All Saints Academy	17.5%	41	116
Ash Trees Academy	17.5%	53	161
Badger Hill Academy	17.5%	13	39
Beamish Museum Ltd	23.3%	140	579
Beyond Housing	23.4%	424	1,508
Billingham Town Council	17.7%	8	24
Bulloughs Cleaning Services	17.9%	4	12
Business and Enterprise North East Ltd	24.5%	3	103
Caldicotes Primary Academy	17.5%	11	35
Care and Custody Health Ltd	15.9%	5	12
Care Quality Commission	17.9%	886	2,036
Carmel Education Trust	17.5%	418	1,268
Catcote Academy	17.5%	123	370
Caterlink - RCBC	21.5%	6	23
Caterlink - St Oswald's	22.3%	3	13
Churchill's (Collaborative Trust)	17.5%	1	1
Churchill's (Outwood Grange)	17.5%	4	13
Churchill's Hardwick Green	17.5%	2	7
Churchill's Harewood	17.5%	0	1
Churchill's Yarm Primary	17.5%	1	4
Cleveland College of Art and Design	15.2%	137	326
Cleveland Fire Brigade	14.8%	251	572
Conyers School	17.5%	167	501
Creative Management Services (Galileo)	20.6%	3	12
Creative Management Services Ltd	29.4%	1	8
Dyke House Academy	17.5%	90	263
Easterside Academy	17.5%	33	100
Eden Academy Trust Limited	17.5%	76	224
Egglecliffe Primary School	17.5%	9	29
Emmanuel Schools Foundation	17.5%	82	244
Endeavour Academies Trust	17.5%	139	403
Enquire Learning Trust (Central)	17.5%	102	205
Extol Academy Trust (Eldon Grove)	17.5%	115	342
Fabrick Housing Group	20.1%	924	2,655
Falcon Education Academies Trust	17.5%	33	99
Frederick Nattrass Primary Academy	17.5%	24	69

Freebrough Academy	17.5%	49	143
Future Regeneration of Grangetown	30.9%	2	10
Galileo Multi Academy Trust	17.5%	229	675
Grangefield Academy	17.5%	56	168
Green Lane Primary Academy	17.5%	38	117
Guisborough Town Council	17.7%	7	20
Hardwick Green Primary Academy	17.5%	26	78
Harrow Gate Primary Academy	17.5%	32	93
Hartlepool Borough Council	12.4%	3,483	6,693
Hartlepool Care Services Ltd	27.9%	0	2
Hartlepool College of Further Education	15.2%	183	463
Hartlepool Sixth Form College	15.2%	21	55
Holy Trinity Primary School	17.5%	15	45
Horizons Specialist Academy Trust	17.5%	276	817
Hutchinson's Catering	17.9%	2	8
Hutchison Catering - AET	17.9%	23	71
Hutchison Catering - Extol	17.9%	1	5
Ian Ramsey Church of England Academy	17.5%	49	140
Ingleby Barwick Town Council	17.7%	1	8
Ingleby Manor Free School & Sixth Form	17.5%	42	122
Ironstone Academy Trust - Ormesby Primary School	17.5%	15	46
Ironstone Academy Trust - Zetland Primary School	17.5%	20	62
James Cook Learning Trust	17.5%	69	207
Kader Academy	17.5%	24	71
KGB Cleaning Ltd – LJS	14.8%	0	1
KTS Academy	17.5%	88	272
Legacy Learning Trust	17.5%	205	438
Liberata UK Ltd	0.0%	38	0
Lingfield Academy Trust	17.5%	64	199
Lockwood Parish Council	17.7%	1	4
Loftus Town Council	17.7%	4	12
Manor Community Academy	17.5%	63	187
Mbro and Stockton Mind	17.9%	2	8
Mellors Catering Ltd - Dormanstown	21.2%	0	2
Mellors Catering Services Ltd (Central)	17.9%	1	5
Mellors Catering Services Ltd (Normanby)	17.9%	3	9
Mellors Ironstone	17.9%	2	5
Mellors NPCAT	17.9%	3	0
Mellors Riverdale	18.9%	0	1
Mellors Skelton	18.9%	1	4
Melrose Learning Trust	17.5%	36	106
Middlesbrough College	15.2%	418	976
Middlesbrough Council	11.5%	5,314	9,474
Mitie Cleveland Fire	17.5%	1	3



NEAT Academy Trust	17.5%	53	148
Nicholas Postgate Catholic Academy Trust	17.5%	361	2,080
NMRN Trading	15.8%	3	7
Normanby Primary School	17.5%	45	97
North East Learning Trust	17.5%	58	172
North Ormesby Primary Academy	17.5%	14	41
North Shore Academy	17.5%	51	148
Northern Lights Learning Trust	17.5%	25	76
Norton Primary Academy	17.5%	28	80
Nunthorpe Academy	17.5%	118	262
Nunthorpe Primary Academy	17.5%	16	50
Oak Tree Primary Academy	17.5%	30	91
Oakdene Primary School	17.5%	20	62
One Awards Limited	22.2%	9	37
One IT Services and Solutions Ltd	15.6%	58	111
One IT Services Ltd - Porter	15.9%	2	5
ONsite Building Trust	19.3%	3	9
Our Children 1st Academy Trust	17.5%	45	137
Outwood Academy Acklam	17.5%	76	228
Outwood Academy Bishopsgarth	17.5%	49	144
Outwood Academy Bydales	17.5%	31	89
Outwood Academy Normanby	17.5%	64	187
Outwood Academy Ormesby	17.5%	56	162
Outwood Academy Redcar	17.5%	36	106
Outwood Riverside	17.5%	68	80
Overfields Primary School	17.5%	14	44
Pentland Academy	17.5%	33	101
Police & Crime Commissioner for Cleveland	14.5%	76	150
Prince Regent Street Trust	17.5%	64	193
Redcar & Eston CIC	17.9%	10	26
Redcar and Cleveland Borough Council	10.2%	3,770	5,936
River Tees Multi Academy Trust	17.5%	44	235
Riverdale Primary School	17.5%	10	31
RM Education	18.9%	1	2
Rose Wood Academy	17.5%	27	82
Saltburn, Marske & New Marske Parish Council	17.7%	3	9
Skelton and Brotton Parish Council	17.7%	4	11
Skelton Primary School	17.5%	31	88
SLM Charitable Trust (MBC)	11.5%	53	93
SLM Community Leisure Charitable Trust	19.2%	28	88
SLM Fitness & Health Ltd (MBC)	11.5%	5	10
SLM Fitness and Health Ltd	19.2%	3	9
SLM Food & Beverage Ltd (MBC)	11.5%	2	4
SLM Food and Beverage Ltd	19.2%	2	5

South Tees Development Corporation	20.2%	140	324
St Aidan's Primary School	17.5%	20	60
St Francis of Assisi	17.5%	23	69
St Mark's Academy	17.5%	39	119
St Mary's CE Primary School	17.5%	8	23
Steel River Academy Trust	17.5%	90	274
Stockton Borough Council	13.1%	5,751	11,825
Stockton Riverside College	15.2%	470	1,141
Tascor Services Ltd - PFI	N/A	0	2
Tees Active Limited	18.2%	95	255
Tees Valley Collaborative Trust	17.5%	139	398
Tees Valley Combined Authority	15.3%	407	838
Tees Valley Community Asset Preservation Trust	17.0%	0	1
Tees Valley Education Trust	17.5%	140	407
Teesside University	15.8%	2,573	5,824
Teesville Primary School	10.2%	19	50
The Chief Constable for Cleveland	14.5%	1,805	3,956
Thornaby C of E Primary	17.5%	22	67
Thornaby Town council	17.7%	2	4
Unity City Academy	17.5%	68	197
Veritau Tees Valley	10.2%	9	13
Viewley Hill Academy Trust	17.5%	20	62
Vision Academy Learning Trust	17.5%	333	980
Whitecliffe Academy	17.5%	10	32
XPS Administration Ltd	17.5%	26	58
Yarm Primary School	17.5%	18	54
		<b>33,221</b>	<b>73,732</b>



# Annual Governance Statement



# Annual Governance Statement 2022-23

To follow once approved by the Audit Committee for the 2022-23 financial year.

DRAFT



# 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.

**Curtailment (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 lessee 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.

