

Middlesbrough Council Statement of Accounts 2021/22



Contents

1. <u>NARRATIVE REPORT AND WRITTEN STATEMENTS</u>	2. <u>CORE FINANCIAL STATEMENTS</u>	3. <u>NOTES TO THE ACCOUNTS</u>	4. <u>GROUP ACCOUNTS</u>	5. <u>COLLECTION FUND</u>	6. <u>TEESSIDE PENSION FUND</u>	7. <u>ANNUAL GOVERNANCE STATEMENT</u>	8. <u>GLOSSARY OF TERMS</u>
<u>Narrative Report</u>	Movement in Reserves Statement	Detailed Notes to the Accounts	Introduction	Income and Expenditure Account	Pension Fund Statement of Accounts	Annual Governance Statement	Glossary of Terms
Statement of Responsibilities – Middlesbrough Council	Comprehensive Income and Expenditure Statement		Movement in Reserves Statement	Notes to the Collection Fund	Notes to the Pension Fund		
Statement of Responsibilities – Teesside Pension Fund	Balance Sheet		Comprehensive Income and Expenditure Statement				
Independent Auditors report - Middlesbrough Council	Cash Flow Statement		Balance Sheet				
Independent Auditors Report – Teesside Pension Fund			Cash Flow Statement				
			Notes to the Group Accounts				
2	38	44	109	119	123	162	192

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

1. Narrative Report



Narrative Report

Review of the Year

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

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

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

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

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

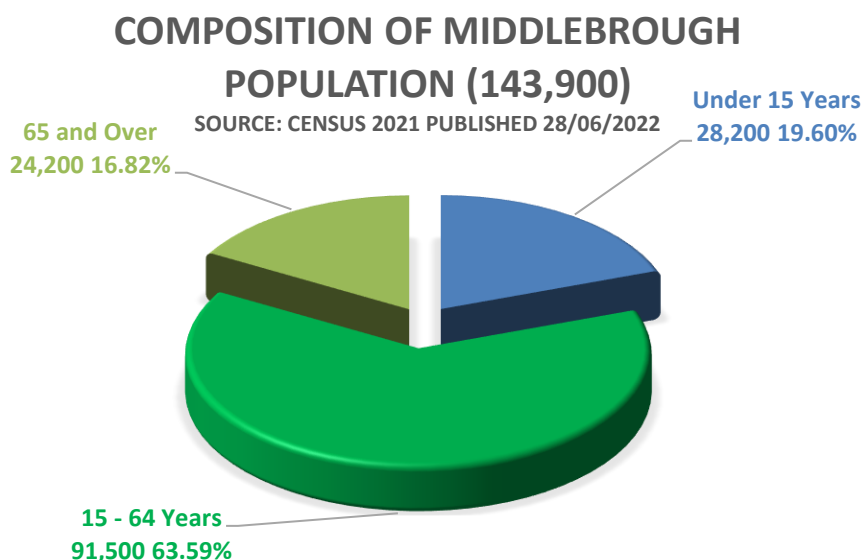
Background to the Council

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

The Council works with local residents, businesses, public sector partners and the voluntary and community sector to improve local social, economic and environmental wellbeing for all and to secure the long-term sustainability of the town. It is one of the largest employers in the Tees Valley area, providing work for more than 3,000 people.



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 2021) shows the following:

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

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

Political Structure in 2021/22

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

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



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

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

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

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

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

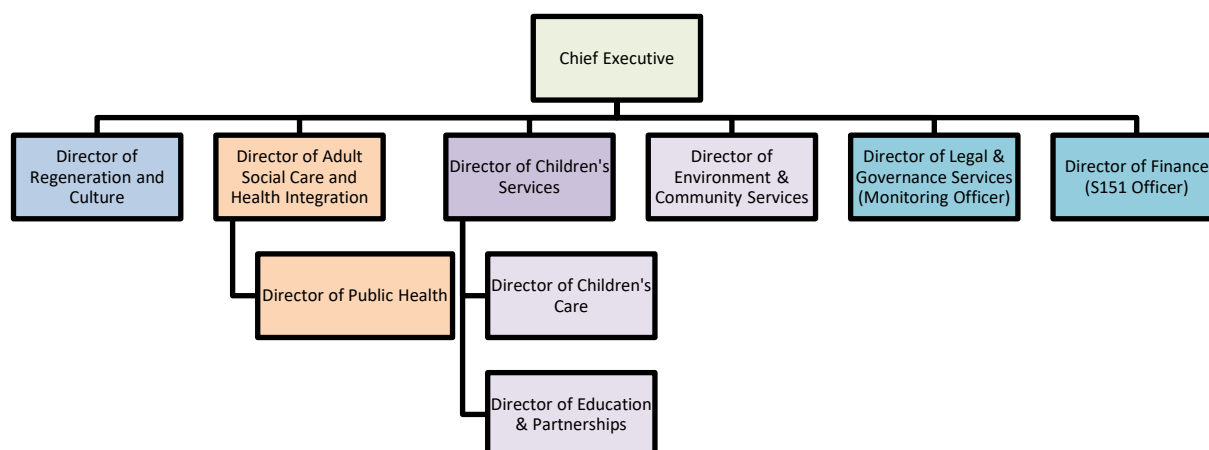
The Strategic Plan was not updated in February 2022, but the plan approved in February 2021 remained in place for 2021/22. The Strategic plan has since been updated and approved at the Executive meeting on 5 April 2022. The Council's Medium Term Financial Plan was continually revised as the financial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

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

Management Structure

Leadership Team

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



The Mayor's Ambitions for Middlesbrough and the Strategic Plan

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

Mayor's Priorities (2020-2023)

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



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

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

Investment Strategy for Middlesbrough

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

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



Customer Strategy Programme

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

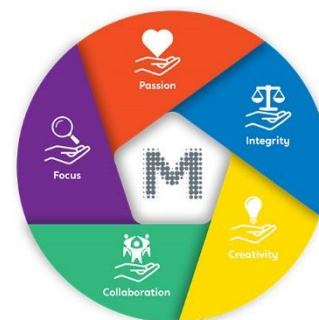
The Council’s ambition is for a customer-owned culture, with self-serve facilities, improved payment facilities and transactional online services. This will be underpinned by a simple, service led and driven website and intranet, with straight-to-the-point e-forms, all underpinned by a knowledge-based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

Our Values

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

Our Values:

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



Performance

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

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

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



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

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

Children and young people

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

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

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

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

The Council has targeted young people who are Not in Education, Employment or Training (NEET) and provided support for them to progress into education, employment and training opportunities.

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

Vulnerability

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

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

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

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

Crime and anti-social behaviour (ASB)

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

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



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

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

Climate change

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

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

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

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

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

Covid-19 recovery

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

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

Physical environment



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

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

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

Town centre

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

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

Culture

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

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

Quality of service

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

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

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

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

Directorate Achievements

Regeneration and Culture

- Acquisition of the Cleveland Centre
- Successfully letting 100% of the available space at Tees Advanced Manufacturing Park with a further 90,000 sqft phase planned and approved for delivery.
- Confirmation of a £4.25m grant from the Department of Culture, Media and Sport for building improvements at the Central Library and other external cultural buildings within the town.
- Recognition from the Financial Times as Middlesbrough being one of the top three small cities of the future in Europe for foreign direct investment.
- Securing of three new leisure leases within Captain Cook Square, furthering the Council aspirations to transform the precinct into a quality leisure destination.
- Completion of the phase 1 works at the Council's new Civic Centre, Fountain Court, paving the way for the refurbishment works with staff occupancy of the building expected commence in the autumn of 2022.
- Initial utilization of the Towns Fund grant for initiatives including:
 - Completing £12 million of campus investments and upgrades at Middlesbrough College - £1.175 million Towns Fund
 - Completing the Cargo Fleet Nature Reserve - £100k Towns Fund
 - Commencing the 'Bright Ideas' Housing development at St Hilda's
 - Commencing £12 million investment in Centre Square Building Six, with Axa as a pre-let tenant - £2 million Towns Fund
 - Completing the heritage restoration of Captain Cook Public House
 - Commencing £1 million investment in Middlesbrough's parks and play areas.

Environment and Community Services

- Installation of a Hostile Vehicle Mitigation system at various key sites throughout the town as a counter terrorism measure;
- Creation on a Nature Reserve at Cargo Fleet in line with the Council's Green Strategy initiative;
- Restoration of the Grade II Listed Captain Cook Public House;
- Installation of an additional 50 CCTV cameras to improve Community Safety, combat antisocial behaviour and reduce environmental crimes throughout the town.

Public Health

- Secured over £3.2 million external funding for 2021/22 to supplement and enhance our local substance misuse and associated vulnerabilities work streams;
- Created 85 new roles across the local South Tees Addictions & Vulnerable Groups system;
- Implemented the Project ADDER (Addiction, Diversion, Disruption, Enforcement and Recovery) programme local delivery plan, increasing the number of people identified and engaged and the scope and quality of support initiatives being delivered;
- Launched the South Tees Individual Placement and Support (IPS) employment service, which immediately started supporting people into employment who were otherwise struggling to find opportunities;
- Successfully launched the South Tees Changing Futures programme with a range of partners collaborating across multiple work streams;
- Trained 150+ Police Officers, Street Wardens and other professionals to carry naloxone – at least 15 kits have been used – saving lives;
- Developed links with partners across Mental Health, Social Care, GPs, VCS, young carers and targeted youth work, probation, youth offending services, sexual health service, children' hubs, licensed premises and many more to build harm minimisation capacity and better connect vulnerable people to services



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

Children's Services

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

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



Adult Social Care

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



Legal and Governance Services

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

Finance

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

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

Governance

The Council's governance arrangements that underpin the Council's processes and financial systems are set out in the Annual Governance Statement that follows the financial statements and notes to the accounts. (see Section 7).

Future Challenges/Uncertainties

Governance Arrangements

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

During the year ended 31 March 2022, Ernst Young identified multiple instances where the Council took significant decisions without following the Authority's established policies and procedures and contrary to the boundaries of the respective roles and responsibilities of officers and members.

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

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

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

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

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

Children's Services

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

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

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

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

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

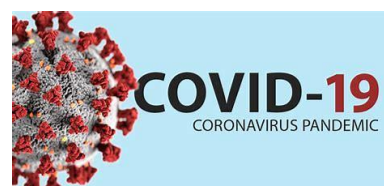
Cost of Living Crisis

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

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

Covid-19

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



In addition to the success of the vaccination programme, natural immunity and increased understanding about how to manage risk, the population now has much stronger protection against Covid-19 than at any other point in the pandemic. This is enabling the UK to begin to manage the virus like any other respiratory infections.

Brexit

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

The Local Government Finance Settlement

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

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

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

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

Financial Review 2021/22

Revenue Budget

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

- to maximise the efficient, effective and economic use of resources, in conjunction with partners where appropriate;
- to minimise the effect of Council Tax increases on residents whilst maintaining service provision;
- to make services fully accountable for their own budgets and spending, including additional pressures. Calls on the Medium-Term Financial Plan should only be made when local and directorate resources are exhausted, and all requests are required to be approved by the Council's Corporate Management Team;
- to maintain appropriate medium term budget planning and monitoring processes, ensuring known commitments are provided for and budgets are set in real terms with the effect on service delivery clearly identified;
- services will receive, in full, the impact of contractual inflationary increases (including pay awards). No inflation will be provided for general supplies and services, which are expected to be met from efficiency savings;
- to support budgetary investment in economic growth to drive increase in income through Council Tax and Business Rates;



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

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

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

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

Budget Outturn 2021/22

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

Revenue

The Council's total net revenue expenditure for 2021/22 was £118.955 million, an initial net pressure of £2.462 million against the net budget of £116.493 million. The table below summarises the initial revenue position by Directorate.

Directorate	Full Year Budget £'000	Initial Final Outturn £'000	Initial Over/(under) spend £'000
Regeneration and Culture	3,569	3,522	(47)
Environment and Community Services	19,385	21,368	1,983
Public Health	(2,820)	(3,870)	(1,050)
Education and Partnerships	737	360	(377)
Children's Care	40,037	48,332	8,295
Adult Social Care	39,682	38,706	(976)
Legal and Governance Services	10,121	10,638	517
Finance	818	(816)	(1,634)
Central Budgets	4,964	715	(4,249)
Revenue outturn	116,493	118,955	2,462

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

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

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

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

Directorate	Full Year Budget £'000	Full Year Outturn £'000	Over/(under) spend £'000	Transfer to Pay & Prices Budget £'000	Transfer to Reserves £'000	Flexible Use of Capital Receipts £'000	Final Over/(Under) Spend £'000
Regeneration and Culture	3,569	3,522	(47)	0	0	(11)	(58)
Environment and Community Services	19,385	21,368	1,983	(1,363)	0	(263)	357
Public Health	(2,820)	(3,870)	(1,050)	0	230	0	(820)
Education and Partnerships	737	360	(377)	0	0	0	(377)
Children's Care	40,037	48,332	8,295	0	0	(4,217)	4,078
Adult Social Care	39,682	38,706	(976)	0	0	0	(976)
Legal and Governance Services	10,121	10,638	517	0	0	(526)	(9)
Finance	818	(816)	(1,634)	0	0	0	(1,634)
Central Budgets	4,964	715	(4,249)	1,363	0	0	(2,886)
Revenue outturn	116,493	118,955	2,462	0	230	(5,017)	(2,325)

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

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

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

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

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

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

Following the use of capital receipts and transfers between the Central Pay and Prices Contingency budget within Central Services, the overall position was a net underspend of £2.325 million, which was initially transferred to the General Fund Reserve. Following the creation of specific ear marked reserves and the movement in reserves illustrated in the table below, the General Fund Reserve at the end of 2021/22 was £11.183 million, which is in line with the Director of Finance recommended minimum level of £11.0 million.

Reserves and Provisions

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



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

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

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

Reserves and Provisions 2021/22	Opening Balance £000's	Use in Year £000's	Additional Contributions £000's	Transfers Between Reserves £000's	Transfers to General Fund (2021/22 Underspend) £000's	Transfers from General Fund £000's	Closing Balance £000's
General Fund	10,500	0	695	3,340	2,313	(5,665)	11,183
Covid-19 Recovery	4,512	(390)	0	(4,122)	0	0	0
Social Care Transformation	0	0	0	1,407	0	5,665	7,072
Other Earmarked Reserves	25,720	(45,806)	45,337	(2,748)	0	0	22,503
Dedicated Schools Grant (DSG)	(3,291)	(44)	0	0	0	0	(3,335)
School Balances	4,864	(4,864)	4,802	0	0	0	4,802
Provisions	5,805	(3,579)	4,548	2,123	0	0	8,897
TOTAL	48,110	(54,683)	55,382	0	2,313	0	51,122

Covid-19 and the financial impact on 2021/22

The Covid-19 pandemic has had a significant impact on the Council's financial position during 2021/22 and will continue to do so in a number of areas in years to come. This has made the management of the Council's finances more difficult due to the constantly evolving situation and the level of uncertainty regarding the financial effects of Covid-19 in future years. Despite this, the Council is well prepared for these risks as part of its financial planning over the medium term.

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

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

Additional Expenditure

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

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

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

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

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

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

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

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

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

Reduction in Income

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

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

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

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

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

Council Tax and Business Rates Income



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

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

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

- There was an increase in people claiming Local Council Tax Support due to the economic impact of the pandemic. This led to a reduction in the level of council tax collected as those on support only pay 20% of their regular bill. Although the government provided some support for this hardship issue, there was still an effect on the collection rate and income generated.
- Housing growth levels may have reduced due to the disruption caused by the pandemic, and this will lead to lower income level if less than budgeted.
- The Government provided continuing support for businesses during the first quarter of 2021/22, but this reduced throughout the remainder of 2021/22. Following the reduction in the level of this support, businesses may struggle to pay their business rates, and therefore there is a risk that Business Rates revenue reduces in the future if businesses fail or are unable to pay.
- Following a detailed balance sheet review, the s151 officer has revised the methodology to calculate the Collection Fund Bad Debt provision in order to comply with International Accounting Standard 37 (IAS37), which has adopted a long-term data driven methodology to forecast debt write off. This has led to a reduction in the Bad Debt provision in 2021/22 of £7.920m.
- Government agreed to pay 75% of income losses below an identified threshold due to the pandemic. The Council did not qualify for either of these due to improved collection rates later in the year.



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

Funding	Total Deficit/ (Surplus) £000	Share with preceptors %	Share of Deficit/ (Surplus) £000	S31 Grant	Final Deficit £000
Council Tax	(9,224)	83.51	(7,703)	0	0
Business Rates	13,826	49.00	6,775	(5,833)	942
Total	4,602		(929)	(5,833)	942

Group Accounts

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

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

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

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

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

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

Capital

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

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

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

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

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

Balance Sheet

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

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

31-MAR-2021 (£000)		31-MAR-2022 (£000)
466,872	Long Term Assets	490,646
77,391	Current Assets	95,231
(92,923)	Current Liabilities	(94,033)
(499,612)	Long Term Liabilities	(400,296)
(48,172)	Net Assets	91,548
(53,520)	Usable Reserves	(76,996)
101,692	Unusable Reserves	(14,552)
48,172	Total Reserves	(91,548)

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

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

In previous years, the Council's balance sheet was in a negative net worth position (i.e. the liabilities were greater than the assets held). This has been reversed during 2021/22 mainly due to the latest actuarial pension fund valuation which has improved due changes in assets held by the Fund, plus a higher corporate discount rate which reduces the net present value of the funds liabilities. This means that council assets now are greater than liabilities by £91.548m.

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

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

Annual Statement of Accounts

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

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

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

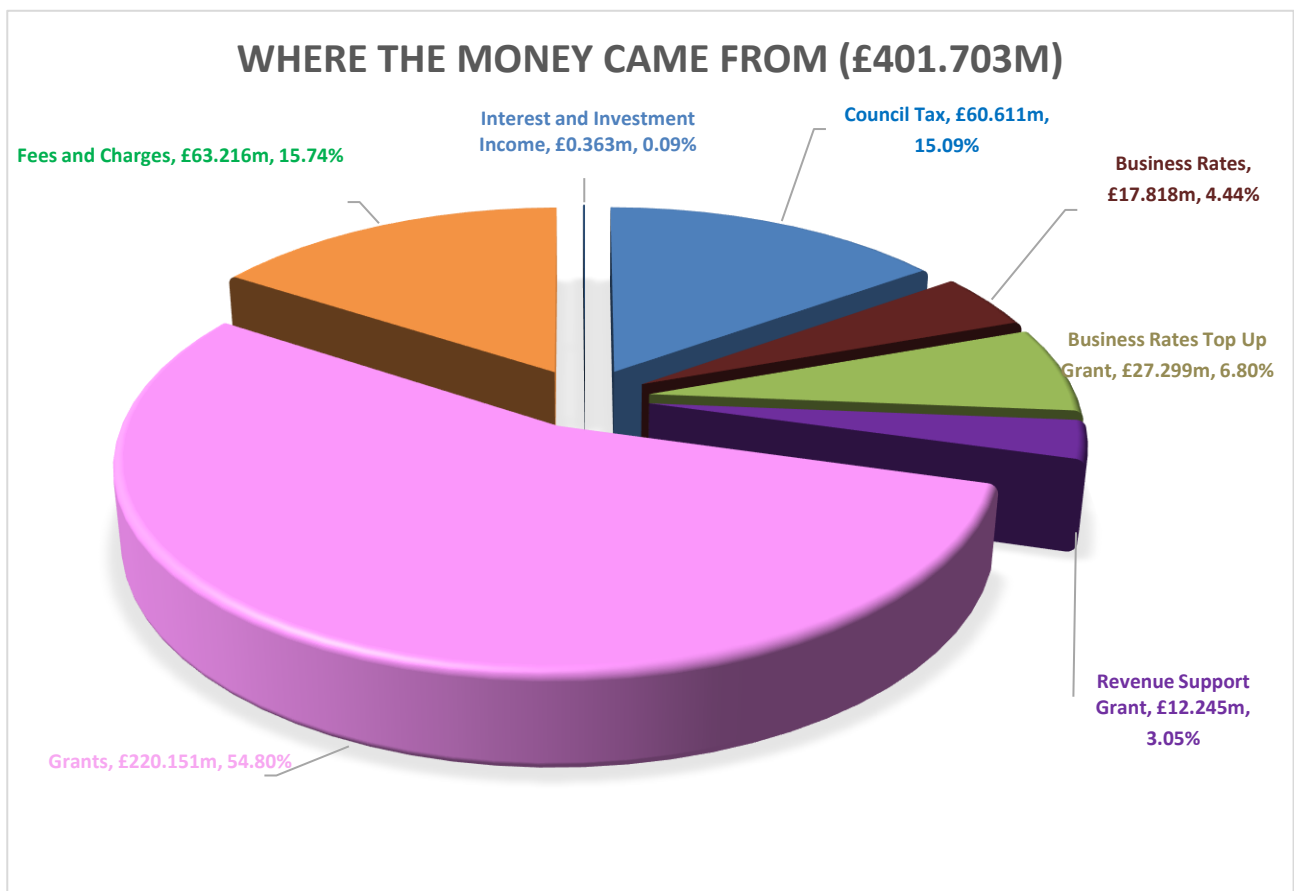
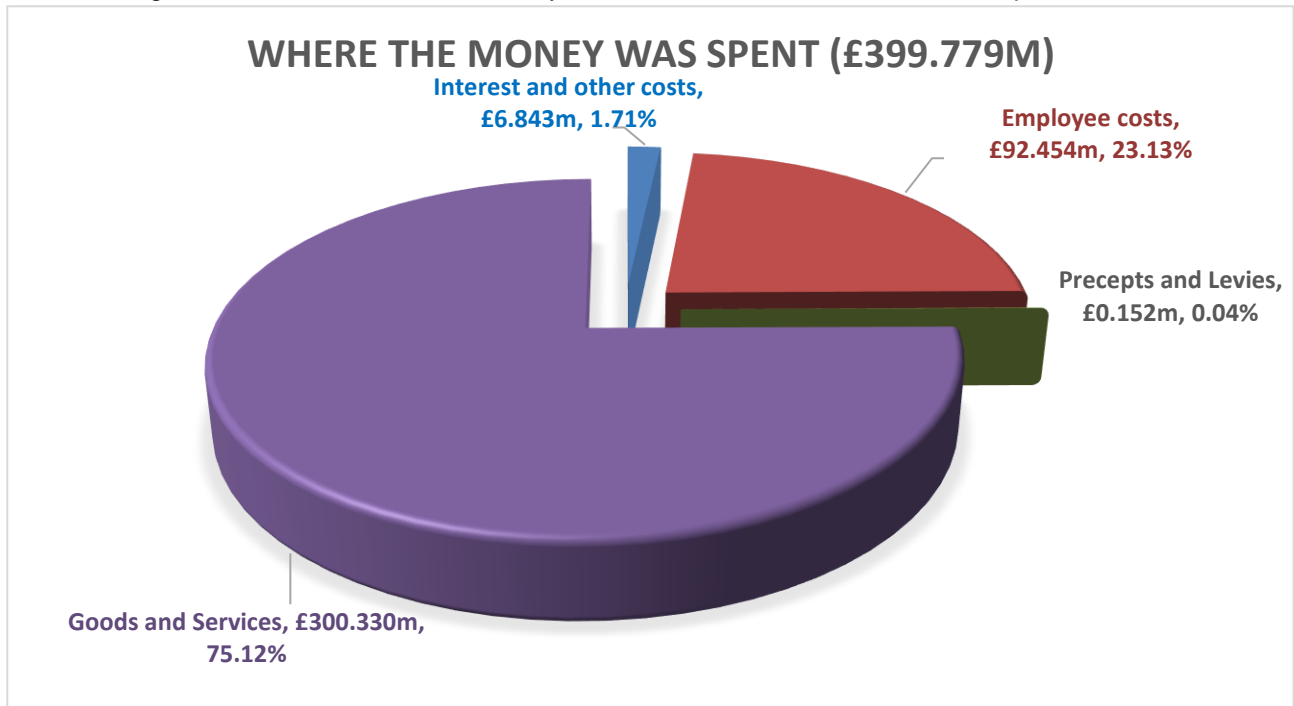
Independent Auditor's Report to the Council - the external auditor, Ernst & Young LLP have prepared this report, following their audit of the accounts for the financial year.

Annual Governance Statement - the Council is required to carry out an annual review of the effectiveness of the system of internal control and to include a status report with the Statement of Accounts. This Statement explains how the Council has complied with the Code of Corporate Governance during the 2021/22 financial year.

The **Core Financial Statements** comprise:

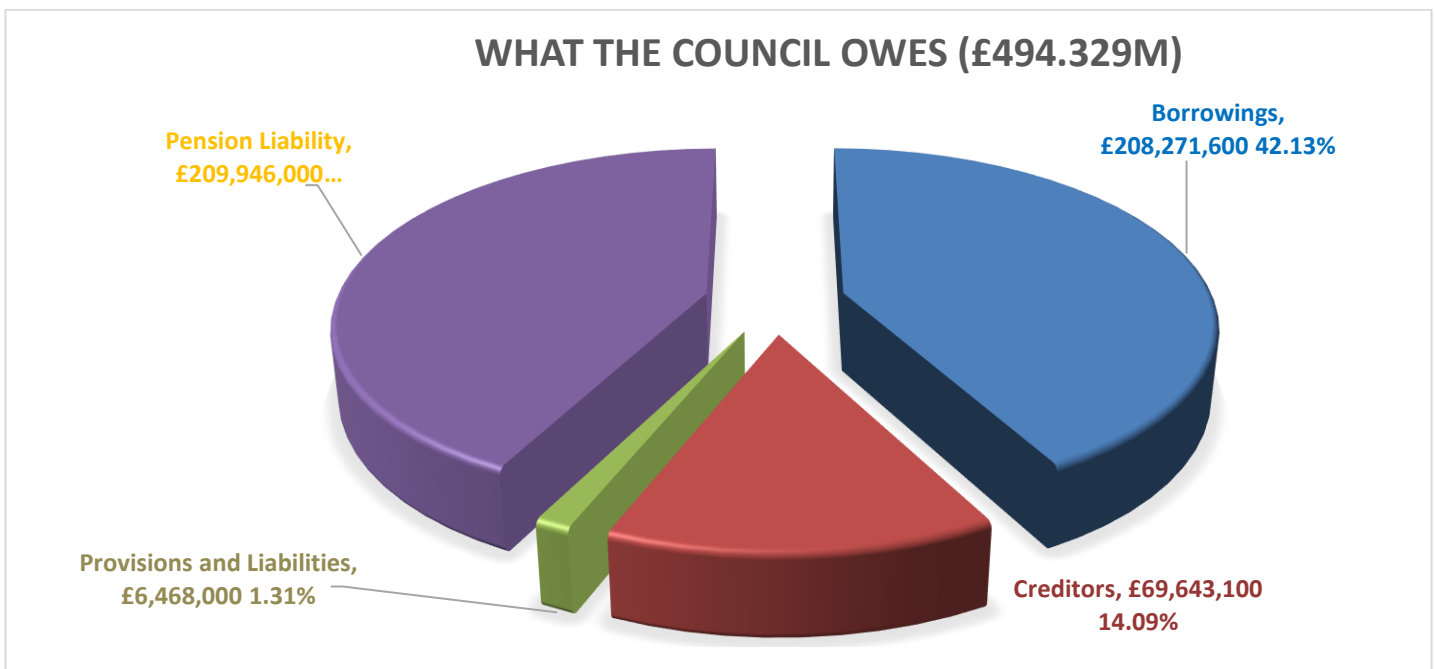
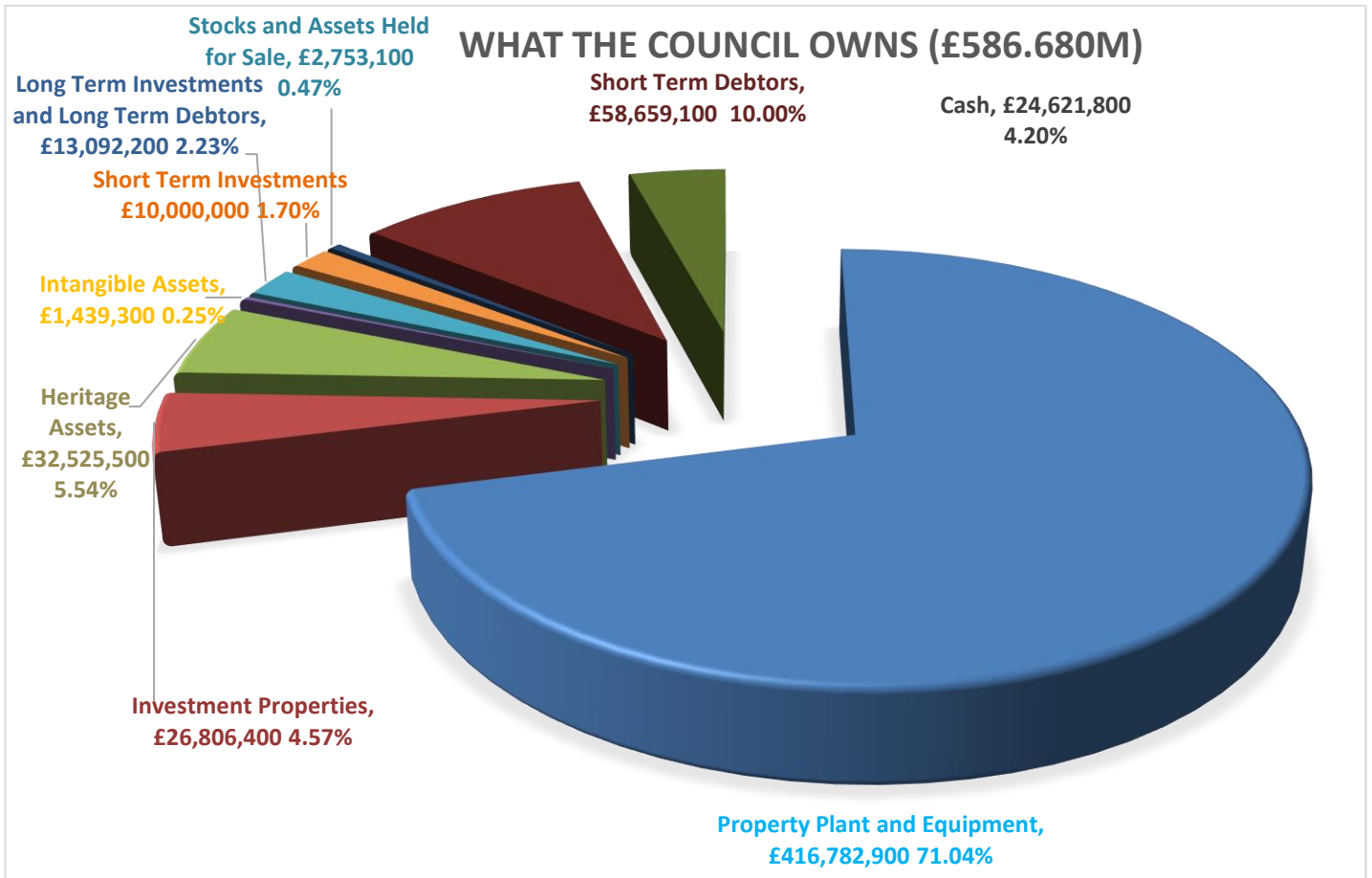
- The **Comprehensive Income and Expenditure Statement** – shows the income and expenditure of the Council in line with statutory regulations, international financial reporting standards and CIPFA Accounting Code of Practice requirements.
- The charts below and overleaf illustrate where the money has come from and how it has been spent.
- The totals in the financial statement are higher/lower than those set out below (expenditure by £63m and income by £55m) 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:



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

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



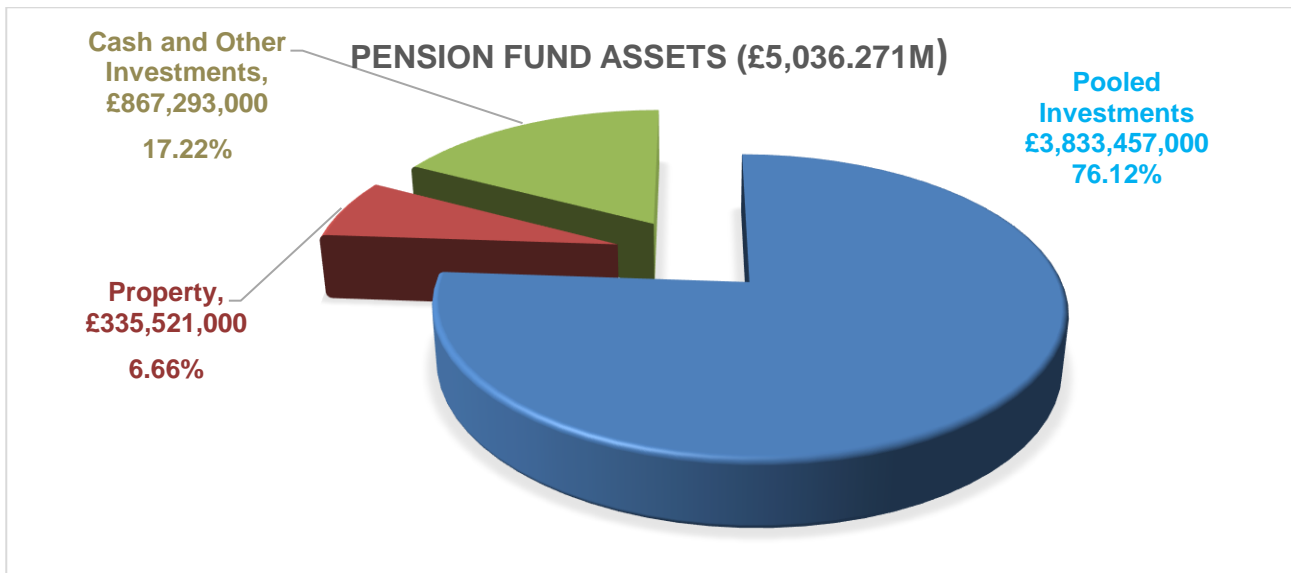
- The **Movement in Reserves Statement** - this statement shows the movement in the year on the different reserves held by the Council, split into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves (arising mainly as a result of technical and accounting adjustments).
- The **Cash Flow Statement** - this summarises the changes in cash and cash equivalents of the Council during the reporting period. Cash flows are analysed between operating, investing and financing activities.

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

Notes to the Accounts - provides supporting and explanatory information as to how the accounts have been prepared and support the understanding of the accounting policies applied in the accounts to present a true and fair view of the financial position.

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

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



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

Statement of Responsibilities – Middlesbrough Council

The Authority's Responsibilities

The Authority is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

The Director of Finance has also:

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

Confirmation of the Statement of Accounts

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

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

5 December 2024

Statement of Responsibilities – Teesside Pension Fund

Statement of Responsibilities

Middlesbrough Council Responsibilities

The Council is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

Confirmation of the Statement of Accounts

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

Debbie Middleton FCPFA, BA(Hons)

Director of Finance

Middlesbrough Council

5 December 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MIDDLESBROUGH COUNCIL

Disclaimer of opinion

We were engaged to audit the financial statements of Middlesbrough Council ('the Authority') and its subsidiaries (the 'Group') for the year ended 31 March 2022. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement
- the related notes 1 to 46 to the Authority financial statements and notes 1 to 8 to the Group financial statements, including a summary of significant accounting policies;
- Collection Fund Income and Expenditure Account and the related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Group and Authority. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13 December 2024.

The audit report on the 2020-21 financial statements was issued on 27 April 2023. We commenced our audit of the 2021-22 financial statements in October 2022, however we were unable to complete our procedures on a number of areas including the valuation of infrastructure assets; pension liabilities; and the bad debt provision in respect of the Collection Fund. Amendments to the opening balances were also required to reflect changes made to the 2020-21 financial statements after the 2021-22 financial statements had been prepared. There were also a number of areas where audit queries remained outstanding.

As a result of these delays, together with the wider requirements of the local audit system reset, we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2021-22 financial statements before the 13 December 2024 backstop date.

In addition, we identified a significant weakness in relation to the Authority's adherence to the Authority's Contract and Financial Procedure Rules which is described below in the significant weaknesses in arrangements section of our report. Due to the imposed backstop date, we were unable to perform sufficient audit work as required by auditing standards and guidance issued in Local Audit Reset and Recovery Implementation Guidance (LARRIG) 04 to determine whether this matter has any impact on the financial statements.

Therefore, we are disclaiming our opinion on the financial statements.

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Authority.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception:

- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)

Under section 24 of the Local Audit and Accountability Act 2014 (as amended), we may designate any audit recommendation as one that requires the Group and the Authority to consider it at a public meeting and to decide what action to take in response. On 21 August 2023, we issued a report containing recommendations concerning the Group and the Authority's corporate governance designated under section 24.

- Report on the Group and the Authority's proper arrangements for securing economy, efficiency and effectiveness in the use of resources

We report to you, if we are not satisfied that the Group and the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

On the basis of our work, having regard to the Code of Audit Practice 2020 and the guidance issued by the Comptroller and Auditor General in December 2021, we have identified the following significant weaknesses in the Group and the Authority's arrangements for the year ended 31 March 2022.

Significant weaknesses in arrangements

Our judgement on the nature of weaknesses identified

We have observed evidence which leads us to conclude that there are three significant weaknesses in the Authority's arrangements which undermine the Authority's ability to achieve and evidence value for money in its use of resources. These are:

- Continued deterioration in the relationships between elected members and senior officers, and between elected members, characterised by a pervasive lack of trust within the Authority between officers and elected members, and between elected members, which had a significant impact on the effectiveness of the Authority's governance arrangements;
- Pervasive non-adherence within the Authority to the Authority's Contract and Financial Procedure Rules, including a well established informal and undocumented practice in respect of the application of procurement exemptions which is neither compliant with the requirements of the Authority's Financial and Contract Procedure Rules or as robust; and
- Significant gaps in the Authority's arrangements for overseeing the activities of its subsidiary, Middlesbrough Development Company, and ensuring it represents best use of the Authority's resources, including a lack of clarity over the roles and responsibilities of individuals (including

members and officers), inadequate monitoring and management of the subsidiary's performance and insufficient consideration of the composition and training of the subsidiary's Board.

The evidence on which our view is based

We have formed our conclusion on the Authority's arrangements having:

- Made enquiries of management and elected members as to their understanding of the culture at the Authority;
- Reviewed correspondence received during the course of our audit, including from members of the Authority;
- Considered our observations from direct interactions with officers and members, and from attendance at meetings of the Authority's Corporate Affairs and Audit Committee;
- Reviewed the reports of internal audit and officer-led investigations, including in relation to the awarding of contracts for external social work support and the governance of Middlesbrough Development Company; and
- Performed testing of contracts awarded by the Authority during the year ended 31 March 2022 to assess whether they had been awarded in accordance with the Authority's Financial and Contract Procedure Rules.

The impact on Middlesbrough Council

The breakdown in relationships between elected members and officers, and between elected members, leads to an increased risk that the Authority takes decisions which do not deliver economy, efficiency and effectiveness in the Authority's use of its resources due to the non-adherence to the respective boundaries of officer and member responsibilities and a lack of engagement with the Authority's proper decision-making fora. The pervasive non-adherence to the Authority's Contract and Financial Procedure Rules increases the risk that the Authority enters into contracts which do not represent value for money and achieve less for the resources expended than might have been achievable, and that contracts are awarded in a manner which is not fully compliant with relevant procurement laws and regulations.

The gaps in the oversight of Middlesbrough Development Company limit the Authority's ability to evidence that the resources provided to Middlesbrough Development Company are being deployed in the most efficient manner and may hinder the ability of the Authority to obtain and analyse information about costs and performance to improve the way it manages and delivers services.

The actions the Authority needs to take to address the weaknesses

On 21 August 2023, we issued a report containing recommendations concerning the Group and the Authority's corporate governance designated under section 24 of the Local Audit and Accountability Act 2014 (as amended), including the following recommendations related to the significant weaknesses in the Council's arrangements for the year ended 31 March 2022:

- We recommend that the Council ensures the recent progress with development of the next phase of the Corporate Governance Improvement Plan is progressed without further delay, and that appropriate prioritisation is given to actions which address the cultural and governance issues of the Council within the expanded scope of the revised Corporate Governance Improvement Plan;
- We recommend that the Council develop contingency and succession governance protocols to ensure that delivery of the Corporate Governance Improvement Plan is not further disrupted by any future changes in one or more of the Council's senior leadership positions;
- We recommend that the Council prioritises the conclusion of its review and updating of the Constitution, drawing upon examples of best practice and ensuring that the refreshed Constitution is clear in its language and requirements. Training on the refreshed Constitution should be provided to all officers and members to ensure that changes are appropriately understood and implemented;

- We recommend that the Council conclude its review of its Financial and Contract Procedure Rules to ensure that they reflect the needs of the Council and the expectations of members and implement the revised rules without delay. This should include being explicit on how contract modifications should be assessed and managed, as the Financial and Contract Procedure Rules do not currently address contract extensions;
- We recommend that, once the Financial and Contract Procedure Rules are finalised, training is provided to all officers involved in contracting, procurement or financial decision making to ensure that the requirements of the Financial and Contract Procedure Rules are understood and adhered to;
- We recommend that the Council complete their review of all ongoing contracts which were initially awarded under an exemption but have been subject to subsequent amendment (including extension) to identify whether they are compliant with The Public Contracts Regulations 2015. If further non-compliance is identified, the Council should evaluate whether any remedial action is necessary;
- We recommend that the Council review its oversight arrangements for Middlesbrough Development Company for the period up to the demise of the entity, so that it can satisfy itself that Middlesbrough Development Company is delivering value for money with the resources provided to it during this period; and
- We recommend that the Council develop an action plan for the demise of Middlesbrough Development Company which sets out how the Council will realise the value which has been created through the resources provided to Middlesbrough Development Company by the Council.

Conclusion

These issues are evidence of significant weaknesses in arrangements in:

- how the Authority ensures that it makes informed decisions and properly manages its risks, including how decisions are supported by appropriate evidence allowing for challenge and transparency and how the Authority ensures officers and members discharge their respective responsibilities in accordance with the Authority's Constitution;
- how the Authority advertises, competes and awards contracts for the purchase of goods and services, including how the Authority ensures, and is able to demonstrate that it has ensured, that it secures economy, efficiency and effectiveness in its use of resources and how it ensures that contracts are awarded in accordance with applicable legislation; and
- how the Authority oversees the activities of its subsidiary, Middlesbrough Development Company, including how the Authority ensures, and is able to demonstrate that it has ensured, that it secures economy, efficiency and effectiveness in the use of resources provided by the Authority to Middlesbrough Development Company.

Responsibility of the Director of Finance

As explained more fully in the Statement of Responsibilities set out on page 28, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Authority and Group financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Group and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Authority either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Group and the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether Middlesbrough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Middlesbrough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Middlesbrough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Middlesbrough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Reid (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London
9 December 2024

Auditor's Report – Teesside Pension Fund

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MIDDLESBROUGH COUNCIL ON THE PENSION FUND'S FINANCIAL STATEMENTS

Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Statement of Accounts, the Net Assets Statement and the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2022 and the amount and disposition at that date of the its assets and liabilities as at 31 March 2022; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period to 31 December 2025.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Teesside Pension Fund Accounts and Notes set out on pages 117 to 155, other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information contained within the Teesside Pension Fund Accounts and Notes.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or

otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

Responsibility of the Director of Finance

As explained more fully in the Statement of the Director of Finance's Responsibilities set out on page 29, the Director of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with Director of Finance.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquiries of management. We corroborated this through our reading of the Pension Board minutes, through enquiry of employees to confirm Pension Fund policies, and through the inspection of other documentation obtained in the course of our audit.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation of the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of Middlesbrough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Middlesbrough Council and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Hassan Rohimun (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Manchester
5 December 2024

2. Financial Statements



Core Statements - Movement in Reserves Statement

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

2021/22	General Fund Balance	Earmarked Revenue Reserves	Capital Receipts Reserve	Direct Revenue Funding Unapplied	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 01-APR-2021	(10,500)	(35,044)	5	(51)	(7,930)	(53,519)	101,693	48,173
<u>Movement in reserves during 2021/22</u>								
Total Comprehensive Income and Expenditure	(2,318)	0	0	0	0	(2,318)	(137,402)	(139,720)
Adjustments between accounting basis & funding basis under regulation (note 6)	2,304	0	(5)	28	(23,485)	(21,158)	21,158	0
Transfers to/(from) other reserves (note 7)	(669)	669	0	0	0	0	0	0
Net Decrease / (increase) in year	(682)	669	(5)	28	(23,485)	(23,476)	(116,244)	(139,720)
Balance at 31-MAR-2022 carried forward	(11,182)	(34,375)	0	(23)	(31,415)	(76,995)	(14,551)	(91,547)

2020/21	General Fund Balance	Earmarked Revenue Reserves	Capital Receipts Reserve	Direct Revenue Funding Unapplied	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 01-APR-2020	(9,400)	(19,311)	(145)	0	(13,078)	(41,934)	53,283	11,349
Reporting of Schools budget deficit to new Adjustment Account at 1 April 2020	0	(2,783)	0	0	0	(2,783)	2,783	0
Revised Opening Balance	(9,400)	(22,094)	(145)	0	(13,078)	(44,717)	56,066	11,349
<u>Movement in reserves during 2020/21</u>								
Total Comprehensive Income and Expenditure	37,313	0	0	0	0	37,313	(490)	36,823
Adjustments between accounting basis & funding basis under regulation (note 6)	(51,363)	0	150	(51)	5,148	(46,116)	46,116	0
Transfers to/(from) other reserves	12,950	(12,950)	0	0	0	0	0	0
Net Decrease / (increase) in year	(1,100)	(12,950)	150	(51)	5,148	(8,803)	45,626	36,823
Balance at 31-MAR-2021 carried forward	(10,500)	(35,044)	5	(51)	(7,930)	(53,520)	101,692	48,172

Core Statements - Comprehensive Income and Expenditure Statement

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

Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2022							
2020/21					2021/22		
Gross Expenditure	Gross Income	Net Expenditure / (Income)	Cost of Services by Service Area	Note	Gross Expenditure	Gross Income	Net Expenditure / (Income)
£000	£000	£000			£000	£000	£000
17,803	(11,877)	5,926	Regeneration and Culture		19,151	(3,222)	15,929
18,333	(26,097)	(7,764)	Public Health		15,804	(25,582)	(9,778)
83,763	(79,831)	3,932	Education and Partnerships		78,451	(71,856)	6,595
50,792	(5,022)	45,770	Children's Care		60,120	(6,463)	53,657
96,461	(56,889)	39,572	Adult Social Care		100,622	(57,191)	43,431
54,600	(8,564)	46,036	Environment and Community Services		49,259	(497)	48,762
82,004	(69,630)	12,374	Finance		65,561	(59,471)	6,090
18,204	(4,474)	13,730	Legal & Governance Services		17,213	(1,774)	15,439
473	(5,989)	(5,516)	Central Costs		10,901	(12,572)	(1,671)
0	416	416	Covid-19 Overspend		5,700	(5,310)	390
422,433	(267,957)	154,476	Total Cost of Service		422,784	(243,940)	178,843
415	0	415	Other Operating Income and Expenditure	9	152	(5,162)	(5,010)
37,191	(27,210)	9,981	Financing & Investment Activities	10	22,583	(14,229)	8,354
0	(127,559)	(127,559)	Taxation and Non-Specific Grant Income	11	0	(184,506)	(184,506)
460,039	(422,726)	37,313	(Surplus) or Deficit on Provision of Services		445,519	(447,836)	(2,318)
			<i>Items not re-classified to the Surplus or Deficit on the Provision of Service</i>				
		(641)	(Surplus) on revaluation of Property Plant and Equipment				(4,271)
		4,317	Actuarial (Gains)/Losses on Pension Fund	39			(129,886)
		(4,166)	Depreciation written out to the Revaluation reserve	23			(3,245)
		(490)	Other Comprehensive Income and Expenditure				(137,402)
		36,823	Total Comprehensive Income and Expenditure				(139,720)

Core Statements - Balance Sheet

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

31-MAR-2021		Note	31-MAR-2022
£000			£000
396,851	Property, Plant & Equipment	23/24	416,783
32,443	Heritage Assets	25	32,526
25,536	Investment Properties	26	26,806
1,873	Intangible Assets	27	1,439
309	Long Term Investments	29	309
9,860	Long Term Debtors	32	12,783
466,872	Total Long-Term Assets		490,646
0	Short Term Investments	29	10,000
2,297	Short Term Assets Held for Sale	28	125
2,313	Inventories	33	2,628
47,971	Short Term Debtors	32	57,856
24,810	Cash and Cash Equivalents	34	24,622
77,391	Total Current Assets		95,731
(32,089)	Short Term Borrowing	29	(22,648)
(58,306)	Short Term Creditors	35	(69,643)
(2,528)	Short Term Provisions	36	(1,742)
(92,922)	Total Current Liabilities		(94,033)
(15,532)	Net Current Assets / (Liabilities)		1,198
(3,277)	Long Term Provisions	36	(3,429)
(186,667)	Long Term Borrowing	29	(185,624)
(1,450)	Other Long-Term Liabilities	29	(1,297)
(308,118)	Pension Liability	39	(209,946)
(499,512)	Total Long-Term Liabilities		(400,296)
(48,172)	Net Assets/(Liabilities)		91,548
(53,520)	Usable Reserves	37	(76,996)
101,692	Unusable Reserves	38	(14,552)
48,172	Total Reserves		(91,548)

Debbie Middleton FCPFA, BA(Hons)

5 December 2024

Director of Finance

Core Statements - Cash Flow Statement

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

31-Mar-21		31-Mar-22
£000		£000
(37,313)	Surplus / deficit on provision of services	2,318
59,998	Adjustment to net surplus or deficit on the provision of services for non-cash movements (Note 46)	44,217
301	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(4,761)
22,986	Net Cash Flows from Operating Activities	41,774
(4,368)	Investing Activities (Note 46)	(31,322)
(16,053)	Financing Activities (Note 46)	(10,638)
2,565	Net Increase or decrease in cash and cash equivalents	(186)
22,245	Cash and cash equivalents at the beginning at the reporting period (Note 34)	24,810
24,810	Cash and cash equivalents at the end at the reporting period (Note 34)	24,623

3. Notes to the Accounts



Notes to the Accounts

Note	Description	Page
	Notes to the Accounts	
1	Accounting Policies	46
2	Accounting Standards Issued but not yet adopted	58
3	Assumptions made about the future and other major sources of estimation uncertainty	58
4	Critical Judgements in applying Accounting Policies	59
5	Events after the Balance Sheet Date	59
	Notes Supporting the Movement in Reserves Statement	
6	Adjustments Between Accounting Basis and Funding Basis under Regulations	60
7	Earmarked Reserves	64
	Notes Supporting the Comprehensive Income and Expenditure Statement	
8	Expenditure and Funding Analysis	66
9	Other Operating Income and Expenditure	66
10	Financing and Investment Activities	67
11	Taxation and Non-Specific Grant Income	67
12	Grant Income	68
13	Dedicated Schools Grant	70
14	Officers' Remuneration	71
15	Members' Allowances and Expenses	73
16	Trading Operations	73
17	Audit Fees	74
18	Agency Services	74
19	Related Parties	74
20	Pooled Budgets	76
	Notes Supporting the Balance Sheet	
21	Capital Expenditure and Capital Financing	78
22	Capital Commitments	79
23	Property, Plant and Equipment	79
24	Revaluations and Impairments of Property, Plant and Equipment	84
25	Heritage Assets	85
26	Investment Properties	87
27	Intangible Assets	88
28	Assets Held for Sale	88
29	Financial Instruments: Balances	89
30	Financial Instruments: Fair Value and Risks	90
31	Financial Instruments: Income and Expenditure	94
32	Debtors (Short and Long Term)	95
33	Inventories	95
34	Cash and Cash Equivalents	95
35	Short Term Creditors	96
36	Provisions	96
37	Usable Reserves	97
38	Unusable Reserves	97
39	Pension Schemes Accounted for as Defined Benefit Scheme	100
40	Pension Scheme Accounted for as a Defined Contribution Scheme	103
41	Leases - Council as Lessor	104
42	Leases - Council as Lessee	104
43	Contingent Liabilities	105
44	Contingent Assets	106
45	Trust Funds	106
	Notes Supporting the Cash Flow Statement	
46	Cash Flow Statement - Investing and Financing Activities	107

Notes to the Accounts

Note 1 Accounting Policies

General Principles

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

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

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

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

VAT payable is included as an expense only to the extent that it is not recoverable from 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 or for assistance with the recovery of a deficit over more than one financial year. These provisions confirm that, as Councils cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

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

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

This review includes consideration of the following:

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

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

- Covid-19 Expenditure Pressure Grant, which provided general support funding totalling £5.310 million.
- Sales, fees and charges (SFC) – the SFC compensation scheme for lost income continued for the first three months of 2021/22, using 2020/21 budgeted income as the baseline. Middlesbrough received a total of £0.801 million funding from the scheme.
- A further allocation of Contain Outbreak Management Fund (COMF) funding of £1.370 million was provided to support public health activities, such as local enforcement and contact tracing. £0.311m grant funding has been carried forward to 2022/23.
- Local Council Tax Support Grant – The allocation for Middlesbrough was £2.592 million in 2021/22 and was to support the pressure on collection rates.
- Section 31 Grant Funding for the lost income caused by the Covid-19 Business Rates Reliefs provided by the Government to businesses.

The total impact of Covid-19 on the General Fund (after all government funding and other offsets) was a cost

pressure of £0.4m in 2021/22, which will be funded from earmarked reserves. By way of context the Council's General Fund Reserve balance as at 31 March 2022 was £11.2m, this is above the minimum level for 2022/23 advised by the Chief Finance Officer of £11.2m.

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

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

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

Following the financial year the Council received a governance qualification in relation to its ability to achieve value for money which resulted in statutory recommendations being introduced in August 2023. A Best Value Notice was also issued by DLUHC in January 2023 which was successfully resolved in early September 2024.

The Councils' financial resilience was tested during 2023-24 when early monitoring highlighted a significant overspend which would have been a significant drain on the Councils' reserve position. A number of strategies were implemented to restrict expenditure which reduced the overspend from a potential £11.527m to £3.594m which was funded through reserves. When this reduction in reserves was combined with the budget gap for 2024-25 it became clear that further action was required. The Council made a successful application to DLUHC for Exceptional Financial Support (EFS) of £13.4m in order to fund transformation through 2024-25 which aims to deliver modernisation of services in order to balance the c£8m budget gap for the period to 2026-27. With the aid of EFS the Council set a balanced budget for 2024-25

In addition to the above, a review of the collection fund bad debt provision was also undertaken during 2023-24 and this combined with the above enabled a balanced budget for 2024-25 to be set for the Council and for its level of revenue reserves to be restored and protected to achieve financial recovery. Through the implementation of a new Transformation Programme, the Council will be able to be returned to a financially sustainable position by 2026-27.

For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern until at least 30 September 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

Support Services and Overheads

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

Revenue Expenditure Funded by Capital Under Statute (REFCUS)

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

Rounding

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

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

Schools

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

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

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

Value Added Tax (VAT)

The Comprehensive Income and Expenditure Account excludes amounts relating to VAT and will be included as an expense only if it is not recoverable from 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

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

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

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

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Valuation, where required of Property, Plant and Equipment, Heritage assets and Investment properties.	Valuation of property involves assessment of a number of variables such as market conditions, useful life, cost of reconstruction, assessment of condition, etc. Qualified Chartered Surveyors, or experts in the relevant field undertake valuations however, these can be subject to market uncertainties. Revaluations, in accordance with the local authority accounting code of practice are carried out on a 5-year rolling cycle or where there is evidence of a material change in value.	At 31 March 2022, the Council had land and buildings to the value of £217.141 million, and investment properties to the value of £26.806 million. A 1% change in the estimation of property values would lead to a £2.17 million change in the value of the Council's land and buildings and £268,060 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 £19.849 million. Note 39 provides further details.

Bad Debt Provision	The Council has determined its bad debt provision of £26m 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. The success of securing the income has been impacted due to Covid-19 and the cost of living crisis.	If collection rates were to deteriorate an increase in the amount for the provision of doubtful debts would substantially increase.
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Note 4 Critical Judgements in applying Accounting Policies

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

- On the grounds of control and significant influence, the Middlesbrough Development Company falls within the group boundary of the Council and therefore has been consolidated within the Council's group accounts.
- All maintained schools are considered entities controlled by the Council but rather than produce group accounts, the income, expenditure, assets and liabilities are recognised in the Council's single entity accounts in line with accounting standards.
- The Council recognises school assets for community schools on its balance sheet because the Council has assessed that the rights and obligations associated with such schools rest with the Council.
- The accounting disclosure requirements for Local Authorities pension obligations are set out in International Accounting Standard (IAS) 19. The Council uses a firm of actuaries to calculate these figures as they involve making a number of complex judgements with regard to future events including the rate of increase in salaries, mortality rates, changes in the discount rate and the expected return on equity investments. Results under IAS 19 can change dramatically depending upon the prevailing market conditions leading to volatility on the net pension asset on the Council's balance sheet and the pension expense in the Comprehensive Income and Expenditure Statement.
- Judgement is required 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 5 Events after the Balance Sheet Date

There are no events at the authorised for issue date (23 September 2024), that affect any of the values in either the Financial Statements for the Council for 2021/22 or in the Notes to the Accounts.

Notes Supporting the Movement in Reserves

Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2021/22	General Fund Balance	Capital Receipts Reserve	Revenue Unapplied	Capital Grants Unapplied	Movement in Usable Reserves
	£000	£000	£000	£000	£000
Adjustments Affecting Capital Reserves					
Impairment and depreciation to Property, Plant and Equipment (Note 23)	(16,076)	0	0	0	(16,076)
Revaluation Losses on Property, Plant and Equipment (Note 23)	(3,539)	0	0	0	(3,539)
Revaluation of Investment Properties and Assets for Sale (Note 26,28)	459	0	0	0	459
Amortisation of Intangible Assets (Note 27)	(1,272)	0	0	0	(1,272)
Transfer between Capital grants Unapplied and General Fund	0	0	0	0	0
Total Capital Grants (Note 11)	44,289	0	0	0	44,289
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure	0	0	0	(23,485)	(23,485)
Donated Assets (Note 23)	1,548	0	0	0	1,548
Revenue Expenditure Funded from Capital Under Statute (REFCUS) – Expenditure	(14,555)	0	0	0	(14,555)
Non-current assets written off on disposal or sale (Note 23,25,27,28)	(8,325)	0	0	0	(8,325)
Non-current Assets written off - Investment properties	(400)	0	0	0	(400)
Cost of Lease Surrender	0	0	0	0	0
Statutory provision for the financing of capital investment (Note 21)	5,036	0	0	0	5,036
Capital Receipts Reserve used to finance new capital spend (Note 21)	0	13,482	0	0	13,482
Capital expenditure charged against the General Fund (Note 21)	(8)	0	28	0	20
Transfer on receipt of cash	0	0	0	0	0
Total Adjustments Affecting Capital reserves	7,157	13,482	28	(23,485)	(2,818)
Amounts Affecting the Pension Reserve					
Reversal of Pension items in the Comprehensive Income and Expenditure Statement Note 39)	(42,795)	0	0	0	(42,795)
Employer's pension contribution payable in year (Note 39)	11,081	0	0	0	11,081
Amounts Affecting the Collection Fund Adjustments Account					
Difference in Collection Fund income credited to the Comprehensive Income and Expenditure Statement and that under statutory requirements (Note 38)	14,087	0	0	0	14,087
Amounts Affecting the Compensated Absences Adjustment Account					
Reversal of Accrual made at previous year end (Note 38)	695	0	0	0	695
Creation of accrual for current year end (Note 38)	(943)	0	0	0	(943)
Amounts Affecting the DSG Adjustment Account					
Transfer schools deficit to the DSG adjustment account	(465)	0	0	0	(465)
Amounts between Usable Reserves					
Cash proceeds on disposal of Non-Current Assets	13,487	(13,487)	0	0	0
Total Adjustments for the year ended 31-MAR-2022	2,304	(5)	28	(23,485)	(21,158)

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

Note 7 Earmarked Reserves

2021/22	Amounts Transferred			Balance at 31-MAR-2022
	Balance at 01-APR-2021	From General Fund	To General Fund	
	£000	£000	£000	
Schools Balances	(4,864)	(4,805)	4,866	(4,802)
Significant Revenue Reserves	0			
Invest to Save / Change Programme	(445)	(417)	688	(174)
Revenue Grants Unapplied	(11,098)	(11,710)	11,151	(11,657)
Insurance Fund	(306)	(312)	501	(116)
Capital Re-Financing Reserve	(175)	0	175	0
Public Health Reserve	(438)	(230)	0	(668)
Business Rates Reserve	(10,555)	(6,040)	9,751	(6,844)
Covid-19 Recovery Reserve	(4,512)	0	4,512	0
Social Care Transformation Reserve	0	(7,072)	0	(7,072)
Children's Care Demand Reserve	(732)	0	732	0
Total Specific Reserves	(28,261)	(25,781)	27,510	(26,532)
Other Revenue Reserves	(1,920)	(12,358)	11,237	(3,062)
Total Earmarked Reserves	(35,044)	(42,944)	43,613	(34,375)

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.

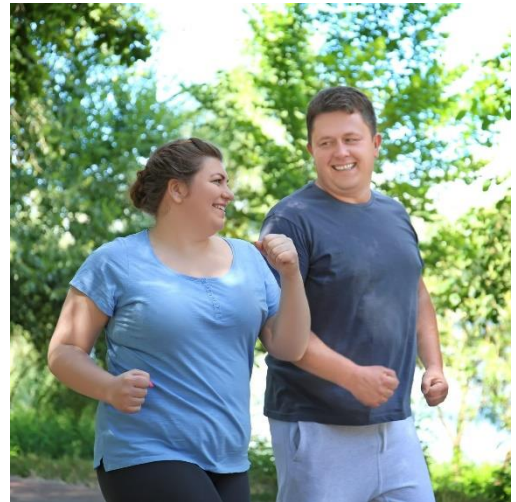


Insurance Fund - the internal Insurance Fund was set up to cover all the Council's insurable risks. Only a limited amount of external insurance cover is provided for catastrophe or special risk incidents. The nature of the risks covered by the insurance reserve include fidelity guarantee, personal accident,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

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



Note 8 Expenditure and Funding Analysis

Expenditure and Funding Statement

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

Expenditure and Funding Analysis

2020/21				2021/22		
Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Service Area	Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
2,547	3,379	5,926	Regeneration and Culture	3,509	12,419	15,928
(3,050)	(4,717)	(7,767)	Public Health	(3,870)	(5,907)	(9,777)
1,831	2,102	3,933	Education & Partnerships	358	6,236	6,594
42,590	3,180	45,770	Children's Care	44,116	9,540	53,656
37,647	1,925	39,572	Adult Social Care & Health Integration	38,706	4,725	43,431
20,912	25,126	46,038	Environment & Community Services	21,105	27,657	48,762
1,193	11,182	12,375	Finance	(815)	6,906	6,091
8,687	5,043	13,730	Legal & Governance Services	10,112	5,327	15,439
3,687	(9,205)	(5,518)	Central Costs	959	(2,630)	(1,671)
416	0	416	Covid-19 Support	390	0	390
116,460	38,015	154,475	Net Cost of Service	114,570	64,273	178,843
(116,397)	(765)	(117,162)	Other Income and Expenditure	(116,493)	(4,668)	(181,161)
63	37,250	37,313	Surplus or Deficit on Provision of Services	(1,923)	(396)	(2,318)
		9,400	Opening Uncommitted General Fund Balance	10,500		
		(63)	Surplus or (Deficit) on General Fund Balance in year	1,923		
		1,163	Contribution/(use) in year	(1,240)		
		10,500	Closing Uncommitted General Fund Balance	11,183		

Adjustments between Funding and Accounting Basis

2021/22				
Adjustments from General Fund to Comprehensive Income and Expenditure Statement amounts:	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Regeneration and Culture	6,519	1,419	4,481	12,419
Public Health	0	1,055	(6,962)	(5,907)
Education & Partnerships	2,345	4,128	(237)	6,236
Children's Care	4,553	4,475	512	9,540
Adult Social Care and Health Integration	1,235	4,312	(822)	4,725
Environment & Community Services	18,025	5,889	3,743	27,657
Finance	152	2,493	4,261	6,906
Legal & Governance Services	2,541	2,207	579	5,327
Central Costs	72	(1,241)	(1,461)	(2,630)
Covid-19 Support	0	0	0	0
Net Cost of Services	35,442	24,737	4,094	64,273
Other Income and Expenditure from the Expenditure and Funding Analysis	(51,059)	6,729	(20,339)	(64,668)
Difference between General Fund Surplus/ Deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services	(15,617)	31,466	(16,243)	(396)

Adjustments between Funding and Accounting Basis				
2020/21				
Adjustments from General Fund to Comprehensive Income and Expenditure Statement amounts:	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Regeneration and Culture	5,498	842	(2,961)	3,379
Public Health	36	763	(5,516)	(4,717)
Education & Partnerships	704	2,668	(1,270)	2,102
Children's Care	190	2,594	396	3,180
Adult Social Care and Health Integration	(467)	2,245	147	1,925
Environment & Community Services	18,882	3,108	3,136	25,126
Finance	904	1,688	8,590	11,182
Legal & Governance Services	3,414	1,328	301	5,043
Central Costs	0	(1,293)	(7,912)	(9,205)
Covid-19 Overspend	0	0	0	0
Net Cost of Services	29,161	13,943	(5,089)	38,015
Other Income and Expenditure from the Expenditure and Funding Analysis	(7,185)	6,298	122	(765)
Difference between General Fund Surplus/Deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services	21,976	20,241	(4,967)	37,250

Expenditure and Funding – Analysis by Nature

	2020/21 £000	2021/22 £000
Expenditure		
Employees	148,517	150,112
Other Service Expenditure	269,639	253,001
Depreciation and other Capital Charges	35,265	35,410
Interest Payments	6,473	6,843
Precepts and Levies	146	152
Total Expenditure	460,040	445,519
Income		
Government Grants and Contributions	(289,644)	(318,556)
Income from Council Tax and Non-Domestic Rates	(63,170)	(81,160)
Interest and Investment Income	(274)	(363)
Fees, Charges and Other Service Income	(69,638)	(47,837)
Total Income	(422,726)	(447,837)
Deficit on the Provision of Services	37,313	(2,318)

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

	2020/21 £000	2021/22 £000
Rent Income	(6,361)	(7,112)
Capital		
Parking	(2,545)	(1,598)
Support Services	(1,208)	(1,277)
School Income	(12,199)	(6,221)
Licensing	(857)	(749)
Highways, Buildings and Streetlight Maintenance	(7,116)	(4,148)
Covid-19	1,730	(3,179)
Revenues and Benefits	(3,554)	(1,861)
Museums and Entertainment Venues	(1,020)	(2,684)
Catering	(4,589)	(4,743)
Commissioning	(1,818)	(1,797)
Bereavement Services	(2,395)	(2,324)
Fleet Management	(746)	(921)
Residential Care	(6,159)	(7,069)
Other Income	(20,798)	(2,077)
Total Fees, Charges and Other Service Income	(69,638)	(47,759)

Note 9 Other Operating Income and Expenditure

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

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

Note 10 Financing and Investment Activities

2020/21		2021/22
£000		£000
6,473	Interest payable and similar charges	6,843
8,369	Trading Services Activities (Note 16)	8,823
1,013	Charges in relation to Investment Property and changes in their fair value (net gains/losses from fair value adjustments) (Note 26)	(459)
0	Changes in relation to Investment Property and changes in their fair value (disposals) (Note 26)	400
6,298	Net Pension Interest Cost (Note 39)	6,977
(274)	Interest receivable and similar income	(363)
(11,898)	Trading Services Activity (Note 16)	(13,867)
9,981	Total	8,354

Note 11 Taxation and Non-Specific Grant Income

2020/21		2021/22
£000		£000
(56,419)	Council Tax Income	(69,735)
(6,751)	Business Rates Income	(11,425)
(55,919)	Non-ring-fenced government grant (Note 12)	(57,507)
(1,074)	Value of Donated Property, Plant and Equipment Assets (Note 23)	(1,549)
(7,396)	Capital Grants/Contributions (Note 12)	(44,289)
(127,559)	Total	(184,505)

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

Note 12 Grant Income

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

Revenue Grants Credited to Taxation and Non-Specific Grant Income

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

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

There has been an increase in grant funding 2021-22 due to the following

- Receipt of the Basic Needs Grant from the Department of Education. This grant enabled the Council to ensure that an additional 538 places for the September 2022 academic year were available.
- New funding from the Department for Levelling Up, Housing and Communities to reinvigorate the High Street and the surrounding Town Centre.
- An increase in funding from the Tees Valley Combined Authority during 2021-22 to support the construction of the BoHo X scheme.

Note 13 Dedicated Schools Grant

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

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

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

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

Note 14 Officers' Remuneration

Senior Employees' Remuneration

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

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

2020/21	Salary (including fees and allowances)	Pension contributions paid for by the Council	Payment for loss of Office	Strain to the Pension Fund	Total including pensions contribution
	£	£	£	£	£
Chief Executive – Tony Parkinson	152,670	17,557			170,227
Strategic Director of Finance, Governance and Support/Section 151 Officer (left June 2020)	22,632	2,603			25,235
Director of Finance and Section 151 Officer (started June 2020)	65,788	7,543			73,331
Director of Adult Social Care and Health Integration	105,958	12,168			118,126
Executive Director Growth and Places (Left Oct 2020)	72,190	8,302	66,454	226,101	373,047
Director of Environment and Community Services	88,984	10,233			99,217
Director of Regeneration and Culture	91,765	10,553			102,318
Executive Director of Children's Services*	82,502	9,488			91,990
Head of Legal and Governance Services – Monitoring Officer	90,182	10,348			100,530
Director of Education and Partnerships	90,093	10,361			100,454
Director of Public Health	96,076	11,132			107,208
Head of Marketing and Communications	49,975	5,748			55,723

*Executive Director of Childrens Services paid via Agency prior to taking post permanently in September 2020 – Paramount Consulting £69,925.

Other Employees' Remuneration

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

2020/21			Remuneration Band (£)	2021/22		
MBC	School	Total		MBC	School	Total
28	10	38	50,000 to 54,999	38	14	52
16	6	22	55,000 to 59,999	21	7	28
12	2	14	60,000 to 64,999	11	3	14
2	1	3	65,000 to 69,999	5	1	6
3	3	6	70,000 to 74,999	7	5	12
5	3	8	75,000 to 79,999	1	5	6
0	1	1	80,000 to 84,999	2	2	4
1	0	1	85,000 to 89,999	0	0	0
0	0	0	90,000 to 94,999	0	0	0
0	0	0	95,000 to 99,999	1	0	1
0	0	0	100,000 to 104,999	0	0	0
0	0	0	105,000 to 109,999	0	0	0
0	0	0	110,000 to 114,999	0	0	0
0	0	0	115,000 to 119,999	0	0	0
0	0	0	120,000 to 124,999	0	0	0
0	0	0	125,000 to 129,999	0	0	0
1	0	1	130,000 to 134,999	0	0	0
0	0	0	135,000 to 139,999	1	0	1
0	0	0	140,000 to 144,999	0	0	0
0	0	0	145,000 to 149,999	0	0	0
0	0	0	150,000 to 154,999	0	0	0
0	0	0	155,000 to 159,999	0	0	0
0	0	0	160,000 to 164,999	0	0	0
0	0	0	165,000 to 169,999	0	0	0
0	0	0	170,000 to 174,999	0	0	0
68	26	94	Total	87	37	124

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

Exit Packages

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

Exit Package Cost Band (Including Special Payments) £	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
							£000	£000
0 to 20,000	2	1	34	41	36	42	242	196
20,001 to 40,000	2	0	4	5	6	5	154	146
40,001 to 60,000	0	0	0	0	0	0	0	0
60,001 to 80,000	0	0	1	2	1	2	72	138
80,001 to 100,000	0	0	1	3	1	3	92	207
100,001 to 150,000	0	0	0	0	0	0	0	0
Over 150,001	1	0	0	0	1	0	293	0
Total	5	1	40	51	45	52	853	687

Note 15 Members' Allowances and Expenses

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

Note 16 Trading Operations

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

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

Note 17 Audit Fees

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

2020/21		2021/22
£000		£000
115	Fees payable to our current External Auditors, EY, with regard to their services carried out as appointed Auditor	178
18	Fees payable to the Auditor, EY for the certification of Grant Claims and Returns	19
0	Additional charges due to our current External Auditors, EY for an overrun in respect of 2019/20	75
0	Fees payable in respect of other services provided by Veritau	0
133	Total	272

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

Note 18 Agency Services

The Council had no significant agency arrangements in place, apart from Covid-19 Grants that Government were pass porting direct (via the Council) to third party businesses or individuals in need. The total cash spend allocated by the Council was £7.4 million (this is not included in the Comprehensive Income & Expenditure Statement) was as follows:

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

Note 19 Related Parties

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

Central Government

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

Senior Officers and Members

The Council's Senior Managers and Elected Members and their close relations may influence the Council's financial and operating policies. Using the Council's Register of Members' Declarations of Interest and a separate survey of both Members and Senior Officers, the following disclosures meet the criteria for related

party transactions on behalf of the Council. The Director of Finance is a Director of Veritau Tees Valley Ltd. The Head of Finance & Investments is a Director for Middlesbrough Development Company.

Teesside Pension Fund

Details of all transactions with the Pension Fund are shown in the Teesside Pension Fund section of the Statement of Accounts. Specifically, the Council made contribution payments as an employer of £8.6 million (2020/21 - £8.1 million) and made charges to the Fund for Support Services of £1.147 million (2020/21 - £1.120 million).

Middlesbrough Development Company

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

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

Related Parties Year ended 31-MAR-2022				
Organisation	Expenditure transactions in year	Income Transactions in year	Year End Creditor Balances	Year End Debtor Balances
	£000	£000	£000	£000
Cleveland Combined Fire Authority	2,777	0	1	0
Cleveland Police and Crime Panel	370	0	141	0
Community Ventures (Middlesbrough Ltd)	27	0	0	0
Groundwork North East Tees Valley Advisory Board	51	5	18	1
Local Government Association	32	0	0	0
Middlesbrough Citizens Advice Bureau - Management Committee	416	0	0	0
Middlesbrough Environment City Trust Limited	209	4	0	0
Middlesbrough Voluntary Development Agency	171	0	0	0
North East Regional Employers' Organisation (NEREO)	73	0	0	0
South Tees Hospitals NHS Foundation Trust Council of Governors	641	208	107	8
Tees Valley Combined Authority Board	4,055	15	0	0
Teesside Ability Support Centre (TASC)	583	1	0	0
Veritau	225	0	0	0
Total	9,630	224	267	9

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

Note 20 Pooled Budgets

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

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

Better Care Fund

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

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

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

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

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

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

Tees Community Equipment Service

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

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

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

The outturn position for the year is	2020/21 £000	2021/22 £000
Balance Brought Forward	(236)	(380)
Gross Expenditure	1,817	1,949
Gross Income	(1,961)	(2,373)
Balance Carried Forward	(380)	(804)
Contributions from Partners		
Middlesbrough Council	(183)	(191)
Redcar and Cleveland Borough Council	(171)	(178)
Stockton Council	(195)	(203)
Hartlepool Council	(104)	(109)
NHS Tees Valley CCG	(1,199)	(1,580)
Other income	(109)	(111)
	(1,961)	(2,372)

Notes Supporting the Balance Sheet

Note 21 Capital Expenditure and Capital Financing

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

2020/21		2021/22
£000		£000
232,480	Opening Capital Financing Requirement	245,965
	Capital Investment	
33,072	Property, Plant and Equipment	37,648
292	Heritage	83
0	Assets Held for Sale	0
1,050	Intangible Assets	1,374
456	Investment Property	1,211
395	Long Term Debtors	3,585
7,888	Revenue Expenditure Funded from Capital under Statute	14,555
	Sources of Finance	
(6,374)	Capital Receipts	(13,482)
(18,545)	Government Grants and other contributions applied in year	(22,352)
	Sums Set Aside from Revenue	
(6)	Direct revenue contributions	(20)
(4,743)	MRP/Loans Fund Principal	(5,036)
245,965	Closing Capital Financing Requirement	263,531
	Explanation of Movement in Year	
18,228	Increase in underlying need to borrow (unsupported by government assistance)	22,602
(4,743)	MRP/loans fund Principal	(5,036)
13,485	Increase in Capital Financing Requirement	17,566



Note 22 Capital Commitments

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

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

Note 23 Property, Plant and Equipment (PPE)

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

Property, Plant and Equipment (PPE) movement in value excluding Infrastructure Assets.

2021/22	Land and Buildings	Surplus Assets	Vehicles, Plant, Furniture and Equipment	Community Assets	Assets Under Construction	TOTAL
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 01APR-2021	195,804	47,374	38,849	8,283	8,266	298,577
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 Deficit on Provision of Services	(3,437)	(1,440)	0	0	0	(4,877)
Derecognition - Disposals	(935)	(4,933)	(11,616)	0	0	(17,483)
Assets reclassified (to) 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
At 31-MAR-2022	217,141	40,369	30,052	8,409	13,798	309,768

2021/22	Land and Buildings	Surplus Assets	Vehicles, Plant, Furniture and Equipment	Community Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment						
At 01-APR-2021	(2,277)	(119)	(32,672)	0	0	(35,068)
Depreciation charge for the year	(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)
At 31-MAR-2022	(3,301)	(42)	(23,833)	0	0	(27,175)
Net Book Value At 31-MAR-2022	213,840	40,327	6,220	8,409	13,798	282,595



Highways Infrastructure Assets

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

The council has chosen not to disclose this information as the previously reported practices and resultant information deficits 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.

	2020/21	2021/22
	£000	£000
Net Book Value at 1 st April	134,639	133,343
Additions	9,814	8,164
Donated Assets	823	994
Derecognition	(11)	0
Depreciation in year	(8,042)	(8,246)
Impairments	(3,880)	(523)
Other movements in cost	0	457
Net Book Value at 31 st March	133,343	(134,189)

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

	2020/21	2021/22
	£000	£000
Other PPE Assets	263,508	282,594
Infrastructure Assets	13,343	134,189
Net Book Value at 31 st March	396,851	416,783

2020/21	Land and Buildings	Surplus Assets	Vehicles, Plant, Furniture and Equipment	Community Assets	Assets Under Construction	TOTAL
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 01-APR-2020	187,342	53,775	38,900	8,282	11,592	299,891
Additions	15,266	803	596	1	5,769	22,435
Donations	0	0	0	0	0	823
Revaluation decreases to Revaluation Reserve	(642)	(3,132)	0	0	0	(3,774)
Revaluation decreases to Deficit on Provision of Services	(5,041)	(1,316)	0	0	0	(6,357)
Derecognition - Disposals	(621)	(2,468)	(647)	0	0	(3,736)
Assets reclassified (to) Held for Sale	(462)	(288)	0	0	0	(750)
Assets reclassified (to)/from Assets – other categories	(38)	0	0	0	(9,095)	(9,133)
At 31-MAR-2021	195,804	47,374	38,849	8,283	8,266	298,576

2020/21	Land and Buildings	Surplus Assets	Vehicles, Plant, Furniture and Equipment	Community Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment						
At 01-APR-2020	(2,971)	(395)	(31,112)	0	0	(34,478)
Depreciation charge for the year	(5,178)	(70)	(2,197)	0	0	(7,445)
Depreciation written out to the Revaluation Reserve	4,032	48	0	0	0	4,080
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
Depreciation written out to the Deficit on Provision of Services	1,840	10	0	0	0	1,850
Derecognition – Disposals	0	0	637	0	0	637
Assets reclassified (to)/from Assets Held for Sale	0	288	0	0	0	288
Assets reclassified (to)/from other categories	0	0	0	0	0	0
At 31-MAR-2021	(2,277)	(119)	(32,672)	0	0	(35,068)

Net Book Value At 31-MAR-2021	193,527	47,255	6,177	8,283	8,266	263,508
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	2019/20	2020/21
	£000	£000
Net Book Value at 1 st April	132,585	134,639
Additions	9,633	9,814
Donated Assets	0	823
Derecognition	0	(11)
Depreciation in year	(7,579)	(8,042)
Impairments	0	(3,880)
Other movements in cost	0	0
Net Book Value at 31 st March	134,639	133,343

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

	2019/20	2020/21
	£000	£000
Other PPE Assets	265,413	263,508
Infrastructure Assets	134,639	133,343
Net Book Value at 31 st March	400,052	396,851

Fair Value Hierarchy

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

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

The Council's Surplus Assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements and

there is no reasonably available information that indicates that market participants would use different assumptions.

Highest and Best Use of Surplus Assets

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

Infrastructure Assets

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

Also included in the land and buildings totals are a number of leisure properties, which from 1 April 2016 were these transferred to Sport & Leisure Management (SLM) under a Service Concession Arrangement. Under this arrangement, vehicles, plant and furniture and equipment transferred to SLM and were removed from the Council's balance sheet. Land and buildings remain on the balance sheet at their current value. Details of the value of these land and building assets as at 31 March 2022 are included in the table below. All properties were revalued in 2021-22.

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

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

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

The effective date of revaluation for most of the assets revalued during 2021/22 is 1 April 2021. The Council confirms, via discussion with its external valuers, that this valuation basis remains reasonable given the uncertainty around asset values as a result of Covid-19 and that these values are appropriate for use as at 31 March 2022. The significant assumptions applied in estimating fair values at this date are:

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

Revaluation Analysis

The table below shows the value of assets that have been revalued during 2021/22 and the value of assets that have been revalued over the last four years. The table also identifies the value of assets held at historical cost and at fair value.

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

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

Impairment and Revaluation Losses

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

These disclosures are consolidated in Notes 23 reconciling the movement over the year in Property, Plant and Equipment balances.

During 2021/22 the Council has recognised a net downward revaluation of £606,394. The higher value downward revaluations are:

- Downward revaluation of Middlesbrough Sports Village of £4.220 million due to a change in BCIS rates and the level of depreciation passed since the previous revaluation
- Downward revaluation of the Neptune Centre of £1.081 million due to a change in BCIS rates
- Downward revaluation of Priory Woods School of £1.420 million due to a change of BCIS rates
- Downward revaluation of Nunthorpe Grange Farm Land of £5.774 million due to a change in the number of properties proposed to be built at the location
- Downward revaluation of Land at Stainsby North of £1.939 million due to residential development potential being removed from the site
- Upward revaluation of BOHO Core Building of £1.091m as the property is now running at 100% occupation and annual income received.
- Upward revaluation of Hemlington Grange of £4.925m due to an increase in the value of remaining land
- Upward revaluation of Newham Hall/Lingfield Farm of £1.516m due to an increase in the value of residential land.

The Transporter Bridge was classed as non-operational at the start of 2020/21. Work is ongoing regarding the future purpose of the asset, as to whether it will remain non-operational, or repairs will be carried out over a period of time to bring it back into operation.

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:

2021/22	Ceramic	Art	Natural World	Other Cultural Interests	Total
	£000	£000	£000	£000	Total
Balance at start of the year	3,363	12,302	9,012	7,766	32,443
Additions:					
Purchases	0	83	0	0	83
Donated	0	0	0	0	0
Disposals	0	0	0	0	0
Net gains/(losses) from fair value adjustments	0	0	0	0	0
transfers:					0
(To)/From Other asset classes	0	0	0	0	0
Other Changes	0	0	0	0	0
Balance at the end of the year	3,363	12,385	9,012	7,766	32,526

2020/21	Ceramic	Art	Natural World	Other Cultural Interests	Total
	£000	£000	£000	£000	Total
Balance at start of the year	2,239	8,560	9,012	7,751	27,562
Additions:					
Purchases	0	24	0	15	83
Donated	0	253	0	0	0
Disposals	0	0	0	0	0
Net gains/(losses) from fair value adjustments	1,124	3,465	0	0	0
transfers:					0
(To)/From Other asset classes	0	0	0	0	0
Other Changes	0	0	0	0	0
Balance at the end of the year	3,363	12,302	9,012	7,766	32,443

Valuation Methods

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

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

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

Museums' Collections

Ceramics, Porcelains and Figurines

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

Fine Art Collection

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

The Natural World Collection

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

Other Heritage Assets

Other Cultural Interests

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

Note 26 Investment Properties

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

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

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

Fair Value Hierarchy

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

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

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

Highest and Best Use of Investment Properties

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

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

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

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

Note 27 Intangible Assets

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

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

Note 28 Assets Held for Sale

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

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

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

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

Note 29 Financial Instruments

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

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

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

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

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

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

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

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

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

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

Financial Instruments: Balances

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

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

Note 30 Financial Instruments: Fair Value and Risks

Fair Value of Assets and Liabilities

Financial Instruments are carried in the Balance Sheet at amortised cost except for Long Term Investments. Their fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments contractual life using the following assumptions:

- Where the instrument will mature in the next 12 months, the carrying amounts are assumed to be a good reflection of fair value;
- The fair value of PWLB and market loans have been calculated by reference to the 'premature repayment' set of rates as at 31 March 2022;
- The fair value of trade payables and other receivables is taken to be the invoiced or billed amount; and
- The carrying amounts of all other instruments are taken to be a reasonable approximation of fair value.

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

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

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

The fair values of the Council's financial instruments are as follows. These are higher than their carrying amounts due to the low value of the bank base rate at 31 March 2022:

2020/21			2021/22	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
		Financial Assets – Loans and Receivables		
25,119	25,119	Held as Investments	34,931	34,931
17,114	17,114	Held as Debtors	16,140	16,140
42,233	42,233	Financial Assets – Loans and Receivables	51,071	51,071
		Financial Liabilities – at Amortised Cost		
(218,756)	(266,812)	Held as Borrowings	(208,272)	(241,002)
(11,999)	(11,999)	Held as Creditors	(10,541)	(10,541)
(229,305)	(277,361)	Financial Liabilities – at Amortised Cost	(218,813)	(251,543)

Financial Instruments: Risks

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

Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks by holding these instruments:

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

Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice.
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The Council's overall borrowing levels and a legal limit.
 - Its maximum and minimum exposures to fixed and variable rates.

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

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

The Capital Strategy Report, which incorporates the prudential indicator amounts was approved by the Council on 24 February 2021 and is available on the Council's website. The key issues within the strategy were:

- The Authorised Limit for 2021/22 was set at £315 million. This is the maximum legal limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £285 million. This is the expected maximum level of debt and other long-term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 25%, respectively, based on the Council's net debt.

These policies were implemented by the Council's accountancy team and at no point during the 2021/22 financial year were any of these key indicators breached. The Council also maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Treasury Management Code of Practice and were also updated on 4 March 2019. No changes have been made since.

Credit Risk

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

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

The Council's maximum exposure to credit risk in relation to its deposits with banks and building societies of £32.50 million cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution.

Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Council's deposits.

No credit limits were exceeded during the period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds. The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

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

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

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

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

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

Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:

2020/21		2021/22
£000		£000
(32,245)	Less than 1 Year	(22,648)
(17,222)	Between 1 – 2 Years	(21,802)
(27,548)	Between 2 – 5 Years	(29,638)
(43,296)	Between 5 – 10 Years	(37,227)
(16,398)	Between 10 – 15 Years	(14,244)
(16,122)	Between 15 – 20 Years	(16,973)
(3,684)	Between 20 – 25 Years	(3,984)
(3,707)	Between 25 – 30 Years	(3,845)
(18,578)	Between 30 – 35 Years	(17,936)
(19,956)	Between 35 – 40 Years	(24,975)
(20,000)	More than 40 Years	(15,000)
(218,756)	TOTAL	(208,272)

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 Covid-19 supply chain issues and the war in Ukraine will develop for the Country, and this may influence interest rates in both a positive and negative way, the low exposure to variable rate financial instruments means that the financial impact of any future decisions in this area are likely to have minimal impact on both the debt and investment portfolios.

Market Risk - Price Risk

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

Market Risk - Foreign Exchange Risk

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

Note 31 Financial Instruments: Income and Expenditure

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

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

Note 32 Debtors

31-MAR-2021		31-MAR-2022
£000		£000
	Short Term Debtors	
13,909	Central Government Bodies	7,819
7,301	Other Local Authorities	9,182
1,198	NHS Bodies	2,267
59,043	Other entities and individuals	64,811
(33,480)	Bad Debt Provision	(26,223)
47,971	Total	57,856
	Long Term Debtors	
5,608	Cleveland Mall – Holiday Inn	5,515
305	Other Long-Term Debtors	169
3,552	The Welding Institute	3,119
395	Middlesbrough Development Company	3,980
9,860	Total	12,783

Note 33 Inventories

2021/22 Financial Year	1 April 2021	Purchases	Expense in the year	Written off	31-MAR-2022
	£000	£000	£000	£000	£000
Stocks	2,310	7,384	(7,067)	0	2,628

2020/21 Financial Year	1 April 2020	Purchases	Expense in the year	Written off	31-MAR-2021
	£000	£000	£000	£000	£000
Stocks	2,425	3,947	(4,062)	0	2,310

Note 34 Cash and Cash Equivalents

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

Note 35 Short Term Creditors

31-MAR-2021		31-MAR-2022
£000		£000
(22,284)	Central Government Bodies	(31,882)
(2,636)	Other Local Authorities	(768)
(1,709)	NHS Bodies	(382)
(31,677)	Other Entities and individuals	(36,611)
(58,306)	Total	(69,643)

The increase in short-term creditors relates to amounts owed to central government, mainly in relation to a significant sum of £10m repayable in relation to Covid-19 business support schemes that ended during October 2021. Ongoing reconciliations and data is being provided by the Council to finalise the amounts owed based on the original grants provided. The capital accruals element of Creditors £3.429m is shown in the purchase of non-current assets in the investing activities section of the Cashflow.

Note 36 Provisions

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

Current Provisions	Balance at 01-APR-2021	Additional Amount in year	Amounts used in year	Balance at 31-MAR-2022
	£000	£000	£000	£000
Business Rates Appeals	(2,219)	(1,754)	2,219	(1,754)
Early Retirement / Voluntary Redundancy	(187)	0	187	0
Captain Cook Precinct Service Charge Provision	(149)	(18)	0	(167)
Insurance Fund Provision	(3,250)	0	0	(3,250)
Total	(5,805)	(1,772)	2,406	(5,171)

Business Rates Appeals – The Council's share of the Business Rates Appeals Provision of £1.753.840 is split between £574,940 short term (less than 12 months) and £1.178.900 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 is split between £1,000,000 Short Term (less than 12 months) and £2,250,000 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-MAR-2021		31-MAR-2022
£000		£000
(4,805)	Capital Grants Unapplied Reserve	(25,112)
(3,125)	Capital Contributions Unapplied Reserve	(6,303)
5	Capital Receipts Reserve	0
(10,500)	Uncommitted General Fund	(11,183)
(51)	Direct Revenue Funding Unapplied	(23)
(35,044)	Earmarked Reserves	(34,375)
(53,520)	Total	(76,996)

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

The purpose of each Reserve is as follows:

Capital Grants and Contributions Unapplied Reserves

These reserves hold amounts from Capital Grants and Contributions that have been recognised in the Comprehensive Income and Expenditure Statement in line with the accounting code of practice, but for which the associated capital expenditure has not yet been incurred.

Capital Receipts Reserve

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

General Fund

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

Earmarked Reserves

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

Note 38 Unusable Reserves

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

31-MAR-2021		31-MAR-2022
£000		£000
(84,938)	Revaluation Reserve	(86,405)
(138,633)	Capital Adjustment Account	(141,863)
308,117	Pensions Reserve (See Note 39)	209,946
13,159	Collection Fund Adjustment Account	(929)
695	Accumulating Compensated Absences Adjustment Account	943
3,292	Dedicated Schools Grants Adjustment Account	3,756
101,692	Total Unusable Reserves	(14,552)

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

Revaluation Reserve

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

Capital Adjustment Account

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

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

Pensions Reserve

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

Collection Fund Adjustment Account

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

Accumulated Compensated Absences Adjustment Account

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

Dedicated Schools Grants Adjustment Account

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

Movement in Unusable Reserves Statement 2021/22

Movement in Reserves Statement	Revaluation Reserve	Capital Adj Account	Deferred Capital Receipts Reserve	Dedicated Schools Grants Adj Account	Pensions Reserve	Collection Fund Adjustment Account	Accumulated Compensation Absences Adjustment Account	Total Unusable Reserves
	£000	£000	£000		£000	£000	£000	£000
Balance at 01-APR-2021	(84,938)	(138,633)	0	3,292	308,117	13,159	695	101,692
Allocated from Other Comprehensive Income and Expenditure	(7,517)	0	0	0	(129,886)	0	0	(137,402)
Transfers to/(from) Usable Reserves (Note 6)	6,048	(3,230)	0	464	31,715	(14,087)	248	21,159
Difference between fair value and historical cost depreciation	0	0	0	0	0	0	0	0
Accumulated Revalued Amount on assets sold or scrapped	0	0	0	0	0	0	0	0
Balance at 31-MAR-2022	(86,405)	(141,863)	0	3,756	209,946	(929)	943	(14,552)

Movement in Unusable Reserves Statement 2020/21

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

Note 39 Pension Schemes Accounted for as Defined Benefit Scheme

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

Funded Benefits

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

Unfunded Benefits

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

Transactions relating to Post-Employment Benefits

The following transactions have been reflected in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year, in relation to the Local Government Pension Scheme. The income, expenditure, assets and liabilities set out below includes the actuaries' assessment of the court of appeal decision to include guaranteed minimum pension and the McCloud and Sargeant judgements within the local government scheme benefits going forwards. It also includes the impact of the triennial valuation of the Teesside Pension Fund from 1 April 2022

Comprehensive Income and Expenditure Statement

Funded 2020/21 £000	Unfunded 2020/21 £000	Comprehensive Income and Expenditure Statement	Funded 2021/22 £000	Unfunded 2021/22 £000
		Charged to the Surplus or Deficit on the Provision of Services		
		As cost of Service:		
24,035	0	Current Service cost	35,542	0
576	0	Settlements and Curtailments	276	0
5,693	605	As Financing and Investment Income and Interest on net defined benefit	6,936	41
30,304	605	Total charged to the Deficit on the Provision of Services	42,754	41
		Charged to Other Comprehensive Income and Expenditure		
5,603	(1,286)	Actuarial (Gains) / Losses	(129,886)	0
35,907	(681)	Total to the Comprehensive Income and Expenditure Statement	(87,132)	41

Movement in Reserves Statement (General Fund)

Funded 2020/21 £000	Unfunded 2020/21 £000	Movement in Reserves Statement (General Fund)	Funded 2021/22 £000	Unfunded 2021/22 £000
(30,304)	(605)	Reversal of total charged to the Deficit on the Provision of Service	(42,754)	(41)
		Actual Amount charged for pensions in the year:		
8,652	2,017	Employers' contributions payable to scheme	9,054	2,027
(21,652)	1,412	Total amount transferred (from)/to the General Fund for the year	(33,770)	1,986

Assets and Liabilities in Relation to Post-Employment Benefits

Funded 2020/21 £000	Unfunded 2020/21 £000	Reconciliation of Liabilities	Funded 2021/22 £000	Unfunded 2021/22 £000
(912,552)	(27,305)	Opening Balance at 1 April	(1,106,855)	(24,608)
(24,035)	0	Current service cost	(35,542)	0
(20,731)	(606)	Interest cost	(24,051)	(41)
(4,485)	0	Contributions by scheme participants	(4,850)	0
(183,167)	(1,670)	Actuarial Gains/(Losses) for changes in financial assumptions	9,595	0
0	0	Actuarial Gains/(Losses) for changes in Demographic assumptions	32,794	0
10,799	2,964	Actuarial Gains/(Losses) Other Experience	(26,576)	0
27,892	2,017	Benefits paid	29,550	2,027
(576)	0	Past service curtailments	(276)	0
(1,106,855)	(24,608)	Closing Balance at 31 March	(1,126,211)	(22,622)

Reconciliation of Fair Value of Scheme Assets

Funded 2020/21 £000	Unfunded 2020/21 £000	Reconciliation of Fair Value of Scheme Assets	Funded 2021/22 £000	Unfunded 2021/22 £000
656,297	0	Opening Balance at 1 April	823,345	0
15,038	0	Expected return on plan assets	17,115	0
166,765	0	Actuarial Gains/(Losses)	114,073	0
8,652	2,017	Employer contributions	9,054	2,027
4,485	0	Contributions by scheme participants	4,850	0
(27,892)	(2,017)	Benefits paid	(29,550)	(2,027)
823,345	0	Closing Balance at 31 March	938,887	0

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

The actual return on scheme assets in the year was £96.257 million gain (2020/21 £162.002 million gain).

Scheme History	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	£000	£000	£000	£000	£000	£000
Present value of liabilities	(895,644)	(918,758)	(964,345)	(939,858)	(1,131,462)	(1,148,833)
Fair value of assets	704,295	718,360	764,970	656,297	823,345	938,887
Scheme Deficit	(191,349)	(200,398)	(199,375)	(283,561)	(308,117)	(209,946)

The scheme deficit shown above includes £22.622 million in respect of unfunded defined benefit obligations (2020/21 £24.608 million).

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The net liability has a sustained impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy because:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2023 is £8.651 million. This is an estimated amount by the Actuary and may fluctuate due to several factors including contribution rates, pensionable pay and inflation.

Independent Actuary and Latest Valuation

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits Liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Teesside Pension Fund being based on latest full valuation of the scheme as at 31 March 2019 with these values rolled forward to 31 March 2022.

The calculations have also been done over the duration of the Scheme - which has been forecast at 20 years.

The principal assumptions used by the actuary have been:

	2020/21	2021/22
Mortality Assumptions		
Longevity at 65 for current pensioners		
• Men	21.90	20.9
• Women	23.60	23.9
Longevity at 65 for future pensioners		
* Men	23.30	21.9
* Women	25.40	25.5
Other Assumptions		
Medium Weighted Average		
Rate of Inflation (RPI)	N/A	N/A
Rate of Inflation (CPI)	2.70%	3.20%
Rate of increase in salaries	3.70%	4.20%
Rate of increase in pensions	2.70%	3.20%
Rate of discounting scheme liabilities	2.10%	2.70%
Take up of option to convert annual pension into retirement lump sum	80.00%	80.00%

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

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

Sensitivity Analysis

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

Change in assumptions at 31-MAR-2022	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	21.295
1 year increase in member life expectancy	4%	45,953
0.1% increase in Salary Increase Rate	0%	2,476
0.1% increase in the Pension Increase Rate	2%	18.643

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

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

Note 40 Pensions Schemes Accounted for as Defined Contribution Scheme

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

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

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

Note 41 Leases – Council as Lessor

Operating Leases

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

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

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

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

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

Finance Leases

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

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

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

31-MAR-2021		31-MAR-2022
£000		£000
464	No later the 1 year	464
1,856	Between 1 year and 5 years	1,832
1,660	Later than 5 years	1,411
3,980	Total	3,707

Note 42 Leases – Council as Lessee

Operating Leases

The Council has entered into operating leases for the use of land and buildings, with lives ranging from 10 to 35 years. The future minimum lease payments due under non-cancellable leases in future years are:

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

Finance Leases

Centre Square Buildings

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

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

31-MAR-2021 £000	Total future minimum lease payments	31-MAR-2022 £000
711	Amounts due within one year	711
2,844	Amounts due between 1 to 5 years	2,844
20,239	Amounts due after 5 years	19,553
23,794	Total payments due	23,108
(11,902)	Less: Future finance charges	(11,366)
11,892	Present Value of Lease Obligations	11,742

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

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



Note 43 Contingent Liabilities

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

Home House Guarantee

An agreement was entered into with Home House, which guaranteed an initial liability of £2.4 million. This was increased to £4.01 million in 1996/1997 as a result of further development at St Johns Gate. The assets of Home Housing are considered sufficient to meet their liabilities without calling upon the guarantee and no provision has been made in the accounts.

Deprivation of Liberty Safeguards

A Supreme Court case judgement has resulted in the Council potentially facing more applications to the Court of Protection regarding Deprivation of Liberty cases. Liabilities may exist which will not be confirmed until claims are made, or cases settled. The Deprivation of Liberty Safeguards are due to be replaced by the

Liberty Protection Safeguards; the financial ramifications remain unclear at this time.

Note 44 Contingent Assets

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

Note 45 Trust Funds

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

A summary of the Trust Funds administered by the Council is as follow:

	Cash Balance at 01-APR-2021	Income	Expenditure	Cash Balance at 31-MAR-2022	Net Worth
	£	£	£	£	£
Teesside Education Endowment	7,468	6	0	7,474	7,474
Capt J.V.Nancarrow Trust – Educational support	111,062	87	0	111,149	111,149
Middlesbrough Educational Trust	65,493	51	0	65,544	67,870
Hustler Playing Fields Trust – Sport	49,680	39	0	49,719	1,524,215
W.M.Anderton Trust – Kings Manor School and Acklam 6 th Form College	1,385	1	0	1,386	1,386
Teesside Relief in Sickness	3,956	3	0	3,959	3,959
Lady Crosswaite Bequest – support for the older people	481,631	374	(4,010)	477,995	477,995
Home Independent Trust	88,303	496	(4,605)	84,194	103,434
Wilson & Marwood Trust – support for disadvantaged people	15,109	12	0	15,121	15,549
Stewart Park Trust – Recreation	8,760	7	0	8,767	8,767
Levick Trust – accommodation for over 60's	6,149	5	0	6,154	338,689
Captain Cook Birthplace Trust	0	0	0	0	0
Dorman Museum and Art Gallery Appeal Trust	3,307	3	0	3,310	3,310
King Edward VII & Sister Purvis	25	64	0	89	89
Total	842,328	1,148	(8,615)	834,861	2,663,886

Notes Supporting the Cash Flow Statement

Note 46 Cash Flow Statement – Operating, Investing and Financing Activities

Cash Flow - Operating Activities

The table below shows detail of Operating Activities

2020-21 £'000		2021/22 £'000
(273)	Interest Received	(363)
6,473	Interest Paid	6,843
-	Dividends Received	-

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

2020-21 £'000		2021/22 £'000
15,487	Depreciation	16,050
8,526	Impairment and downward valuations	3,539
2,159	Amortisation	1,272
3,298	Increase / (decrease) in impairment for bad debts	2,616
13,711	Increase / decrease in creditors	7,959
(2,419)	Increase / decrease in debtors	(12,807)
112	Increase / decrease in inventories	(315)
20,240	Movement in Pension Liability	28,464
	Carrying amount of non-current assets and non-current assets held for sale, sold and de-recognised	
(1,116)	Other non-cash items charged to the net surplus or deficit on the provision of services	(2,561)
59,998	Net cash flows from operating activities	44,217

2020-21 £'000		2021/22 £'000
	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	
6,525	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8,726
(6,224)	Any other items for which the cash effects are investing or financing cash flows	(13,487)
301		(4,761)

Cash Flow - Investing Activities

The table below shows detail of Investing Activities

2020-21 £'000		2021/22 £'000
(32,592)	Purchase of property, plant and equipment, investment property and intangible assets	(34,809)
22,000	Purchase of short-term and long-term investments	(10,000)
6,224	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	13,487
(4,368)	Net cash flows from investing activities	(31,322)

Cash Flow - Financing Activities

The table below shows detail of Financing Activities

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



4. Group Accounts



Group Accounts – Introduction

The Council has only one material interest in terms of group relationships: a wholly owned subsidiary; Middlesbrough Development Company (MDC), which was formed in 2019 by the Council and is involved in housing growth within the Borough based on the Council's strategic plan. This is the first year of producing Group Accounts, and therefore prior period comparatives are presented as 'unaudited'.

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

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

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

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

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

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

The Group Accounts include the following:

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

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

Group Accounts – Movement in Reserves Statement

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

2021/22	General Fund Balance	Earmarked Revenue Reserves	Capital Receipts Reserve	Direct Revenue Funding Unapplied	Capital Grants Unapplied	Council Usable Reserves (a)	Council Unusable Reserves (b)	Share of Company Reserves (c)	Total Group Reserves (a+b+c)
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 01-APR-2021	(10,500)	(35,044)	5	(51)	(7,930)	(53,520)	101,692	(1,036)	47,136
<u>Movement in reserves during 2021/22</u>									
Total Comprehensive Income and Expenditure	(3,122)	0	0	0	0	(3,122)	(137,402)	(1,231)	(141,755)
Adjustments between accounting basis & funding basis under regulation	3,109	0	(5)	28	(23,485)	(20,485)	20,485	0	0
Transfers to/(from) other reserves	(669)	669	0	0	0	0	0	0	0
Net Decrease / (increase) in year	(683)	669	(5)	(28)	(23,485)	(23,476)	(117,048)	(1,231)	(141,755)
Balance at 31-MAR-2022	(11,183)	(34,375)	0	(23)	(31,415)	(76,996)	(15,356)	(2,267)	(94,618)



2020/21 (Unaudited)	General Fund Balance	Earmarked Revenue Reserves	Capital Receipts Reserve	Direct Revenue Funding Unapplied	Capital Grants Unapplied	Council Usable Reserves (a)	Council Unusable Reserves (b)	Share of Company Reserves (c)	Total Group Reserves (a+b+c)
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 01-APR-2020	(9,400)	(19,311)	(145)	0	(13,078)	(41,934)	53,283	48	11,397
Reporting of Schools budget deficit to new Adjustment Account at 1 April 2020	0	(2,783)	0	0	0	(2,783)	2,783	0	0
Revised Opening Balance	(9,400)	(22,094)	(145)	0	(13,078)	(44,717)	56,066	48	11,397
Movement in reserves during 2020/21									
Total Comprehensive Income and Expenditure	37,313	0	0	0	0	37,313	(490)	(1,084)	32,489
Adjustments between accounting basis & funding basis under regulation	(51,363)	0	150	(51)	5,148	(46,116)	46,116	0	0
Transfers to/(from) other reserves	12,950	(12,950)	0	0	0	0	0	0	0
Net Decrease / (increase) in year	(1,100)	(12,950)	150	(51)	5,148	(8,803)	45,626	(1,084)	32,489
Balance at 31-MAR-2021 carried forward	(10,500)	(35,044)	5	(51)	(7,930)	(53,520)	101,692	(1,036)	43,886



Group Accounts – Comprehensive Income and Expenditure Statement

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

Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2022							
2020/21 (Unaudited)					2021/22		
Gross Expenditure	Gross Income	Net Expenditure / (Income)	Cost of Services by Service Area	Note	Gross Expenditure	Gross Income	Net Expenditure / (Income)
£000	£000	£000			£000	£000	£000
16,502	(11,877)	4,625	Regeneration and Culture		17,711	(3,222)	14,489
18,313	(26,097)	(7,784)	Public Health		15,804	(25,582)	(9,778)
83,717	(79,831)	3,886	Education and Partnerships		78,451	(71,856)	6,595
50,682	(5,022)	45,660	Children's Care		60,120	(6,463)	53,657
96,239	(56,889)	39,350	Adult Social Care and Health Integration		100,622	(57,191)	43,431
52,019	(8,564)	43,455	Environment and Community Services		49,259	(497)	48,762
81,920	(69,630)	12,290	Finance		65,561	(59,471)	6,090
18,148	(4,474)	13,674	Legal & Governance Services		17,213	(1,774)	15,439
473	(5,989)	(5,516)	Central Costs		10,901	(12,572)	(1,671)
0	416	416	Covid-19 Overspend		5,700	(5,310)	390
418,013	(267,957)	150,056	Total Cost of Service		421,344	(243,940)	177,403
415	0	415	Other Operating Income and Expenditure		265	(5,162)	(4,897)
37,277	(27,210)	10,067	Financing & Investment Activities		22,680	(14,229)	8,450
0	(127,559)	(127,559)	Taxation and Non-Specific Grant Income		0	(185,310)	(185,310)
455,705	(422,726)	32,979	(Surplus) or Deficit on Provision of Services		444,288	(448,641)	(4,354)
			<i>Items not re-classified to the Surplus or Deficit on the Provision of Service</i>				
		(641)	(Surplus) on revaluation of Property Plant and Equipment				(4,271)
		4,317	Actuarial (Gains)/Losses on Pension Fund				(129,886)
		(4,166)	Depreciation written out to the Revaluation reserve				(3,245)
		(490)	Other Comprehensive Income and Expenditure				(137,402)
		32,489	Total Comprehensive Income and Expenditure				(141,755)

Group Accounts – Balance Sheet

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

31-MAR-2021 (Unaudited)		Note	31-MAR-2022
£000			£000
397,950	Property, Plant & Equipment		422,680
32,443	Heritage Assets		32,526
25,536	Investment Properties		26,806
1,873	Intangible Assets		1,439
309	Long Term Investments		309
9,465	Long Term Debtors		8,803
467,576	Total Long-Term Assets		492,563
0	Short Term Investments		10,000
2,297	Short Term Assets Held for Sale		125
2,313	Inventories		2,628
48,058	Short Term Debtors		58,597
25,064	Cash and Cash Equivalents		25,035
77,732	Total Current Assets		96,385
(32,089)	Short Term Borrowing		(22,648)
(58,314)	Short Term Creditors		(69,644)
(1,528)	Short Term Provisions		(1,742)
(91,931)	Total Current Liabilities		(94,034)
(14,199)	Net Current Assets / (Liabilities)		2,351
(1,028)	Long Term Provisions		(3,429)
(186,667)	Long Term Borrowing		(185,624)
(1,450)	Other Long-Term Liabilities		(1,297)
(308,118)	Pension Liability		(209,946)
(497,263)	Total Long-Term Liabilities		(400,295)
(43,886)	Net Assets/(Liabilities)		94,619
(56,636)	Usable Reserves		(76,653)
100,522	Unusable Reserves		(17,966)
43,886	Total Reserves		(94,619)

Group Accounts – Cash Flow

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

31-MAR-2021 (Unaudited) £000		31-MAR-2022 £000
(32,979)	(Deficit) on provision of services transferred to the General Fund	4,353
56,659	Adjustment to net surplus or deficit on provision of service for non-cash movements (Note 46)	44,359
(869)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(6,702)
22,811	Net Cash Flows from Operating Activities	41,706
(5,412)	Investing Activities (Note 47)	(36,121)
(15,188)	Financing Activities (Note 48)	(5,613)
2,211	Net increase or decrease in cash and cash equivalents	(27)
22,853	Cash and cash equivalents at the beginning of the reporting period (Note 34)	25,064
25,064	Cash and cash equivalents at the end of the reporting period (Note 34)	25,036

Group Accounts – Notes to the Accounts

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

Group Accounts – Note 1 Debtors

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

31-MAR-2021 (Unaudited)		31-MAR-2022
£000		£000
	Short Term Debtors	
13,996	Central Government Bodies	7,859
7,301	Other Local Authorities	9,080
1,198	NHS Bodies	2,267
59,043	Other entities and individuals	64,811
(33,480)	Bad Debt Provision	(26,223)
48,058	Total	58,597
	Long Term Debtors	
5,608	Cleveland Mall – Holiday Inn	5,515
305	Other Long-Term Debtors	169
3,552	The Welding Institute	3,119
9,465	Total	8,803

Group Accounts – Note 2 Creditors

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

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

Group Accounts – Note 3 Cash & Cash Equivalents

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

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

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

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

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

Group Accounts – Note 5 Financial Instruments

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

Group Accounts – Note 6 Share Capital & Ownership

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

Group Accounts – Note 7 Deferred Grant Income

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

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

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

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

Group Accounts – Note 8 Audit of Accounts

Under Section 477 of the Companies Act 2006 (in respect of the current annual turnover of the company which is a deficit and the number of employees at 1) MDC is exempt from the requirement of the Act for the audit of its accounts for the financial year. However, due to the need to consolidate the accounts into the

Council's group arrangements, the company directors have decided to appoint an external auditor and undertake an audit process. Further details on this can be seen in the financial statements for 2020/21 and 2021/22 which are available from the MDC website. www.middlesbroughdevelopmentcompany.co.uk.

5. Collection Fund Accounts



Collection Fund Income and Expenditure Account

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

2020/21		2021/22		
£000		£000	£000	£000
Total		Council Tax	Business Rates	Total
	Income			
(73,013)	Council Tax receivable	(75,895)	0	(75,895)
(15,314)	Business Rates receivable	0	(21,774)	(21,774)
(88,327)	Total Income	(75,895)	(21,774)	(97,669)
	Expenditure			
	Precepts and Demands:			
58,707	Middlesbrough Council	60,611	0	60,611
8,941	Cleveland Police and Crime Commissioner	9,163	0	9,163
2,705	Cleveland Fire Authority	2,770	0	2,770
	Business Rates			
17,886	Payments to Central Government	0	17,818	17,818
358	Payments to Cleveland Fire Authority	0	356	356
17,528	Payments to Middlesbrough Council	0	17,461	17,461
170	Costs of Collection	0	170	170
	Bad & Doubtful Debts			
(1)	Write Offs	(5)	13	8
7,197	Provision for Bad Debts	(7,571)	(775)	(10,253)
(431)	Provision for Appeals	0	(950)	(950)
113,060	Total Expenditure	64,969	34,094	97,155
	Contributions towards previous year's estimate			
784	Collection Fund Deficit / (Surplus)	(1,276)	(20,278)	(21,554)
25,517	Deficit / (Surplus) for the Year	(12,202)	(7,958)	(22,067)
	COLLECTION FUND BALANCE			
(755)	Balance brought forward at 1 April	2,978	21,784	24,762
25,517	Deficit / (Surplus) for the year (as above)	(12,202)	(7,958)	(22,067)
24,762	Balance carried forward at 31 March	(9,224)	13,826	2,695
	Allocated to:			
13,158	Middlesbrough Council	(7,703)	6,775	(1,733)
379	Cleveland Police and Crime Commissioner	(1,173)	0	(1,125)
333	Cleveland Fire Authority	(348)	138	(218)
10,892	Central Government	0	6,913	5,771
24,762	Balance carried forward at 31 March	(9,224)	13,826	2,695

Notes to the Collection Fund

Note 1 Income from Council Tax

Calculation of the Council Tax base

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

Band	Estimated No. of Taxable Properties after Discounts	Ratio	Band D Equivalent Council Tax	Band D Equivalent Dwellings
			£000	
A*	31	+5/9	30,554	17
A	18,025	+6/9	21,114,957	12,017
B	7,880	+7/9	10,769,542	6,129
C	8,973	+8/9	14,013,928	7,976
D	4,678	+9/9	8,219,936	4,678
E	2,310	+11/9	4,960,692	2,823
F	827	+13/9	2,099,473	1,195
G	484	+15/9	1,416,816	806
H	28	+18/9	99,452	57
	43,237		62,725,350	35,698
Less: Adjustments for assumed non-collection based on budgets assumption of 96.6% collection rate			(2,132,662)	(1,214)
Total			60,592,688	34,484

A* - Band A properties receiving Disabled Relief

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

Note 2 Income from Business Rates

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

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

Note 3 Previous Years Council Tax Deficit / Surplus

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

Following a detailed balance sheet review, the s151 officer has revised the methodology to calculate the Collection Fund Bad Debt provision in order to comply with International Accounting Standard 37 (IAS37), which has adopted a long-term data driven methodology to forecast debt write off. This has led to a reduction in the Bad Debt provision in 2021/22 of £9.888m of which Middlesbrough's share was £7.920m.

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

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

	Council Tax BDP £000	Business Rates BDP £000	Provision for Appeals £000	Total £000
Opening Balance as at 1 April 2021	(25,005)	(9,000)	(4,529)	(38,534)
Reductions in the provision in year	8,898	990	950	10,838
Increase in the provision in year	0	0	0	0
Closing balance as at 31 March 2022	(16,107)	(8,010)	(3,579)	(27,696)

6. Teesside Pension Fund Accounts and Notes



Notes to the Pension Fund Accounts

Note	Description	Page
	Description of Teesside Pension Fund	125
	Teesside Pension Fund Accounts and Net Asset Statement	127
1	Basis of Preparation	128
2	Accounting Standards issued not yet Adopted	128
3	Summary of Significant Accounting Policies	129
4	Critical Judgements, Sensitivities and Accounting Estimates	133
5	Assumptions made about the Future and other Major Sources of Estimation Uncertainty	133
6	Contributions	134
7	Benefits Payable	135
8	Transfers in from Other Pensions Funds	135
9	Other Income	135
10	Payments to and on account of leavers	135
11	Management Expenses	136
12	Investment Income	136
13	Investment Assets	137
14	Financial Instruments	143
15	Actuarial Valuations	150
16	Current Assets	150
17	Current Liabilities	151
18	Related Party Transactions	151
19	External Audit Costs	152
20	Senior Employees' Remuneration	152
21	Events after the Balance Sheet Date	152
	The Compliance Statement	154

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 £5.04 billion at 31 March 2022. 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 2021/22, the Fund continued to pay more in benefits than it received in contributions as more members are drawing pensions. Net withdrawal of funds was £64.2 million (2021 £61.4 million). During the year, the overall value of the Fund increased by £478 million to £5.04 billion.

Membership

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

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

Membership of the Fund	2018	2019	2020	2021	2022
Active	23,295	22,724	23,438	24,238	25,937
Deferred	23,243	23,361	23,488	23,322	26,350
Pensioner	22,757	23,983	24,651	25,366	26,254
Total	69,295	70,068	71,577	72,926	78,541

Summary of Changes in Membership	Active Members	Deferred Members	Pensioner Members	Dependents	Total
At 01-APR-2021	24,238	23,322	22,156	3,210	72,926
Adjustments	418	3,156	146	17	3,737
New Members	3,347	719	1,316	261	5,643
Change in Status	(539)	(708)	(175)	0	(1,422)
Leavers	(1,527)	(139)	(495)	(182)	(2,343)
At 31-MAR-2022	25,937	26,350	22,948	3,303	78,541
% of Total Membership	33.0%	33.5%	29.2%	4.2%	100.0%

The large increase in deferred members through the 'adjustments' line includes the addition of 3,156 undecided members who had previously been omitted from the disclosed membership numbers.

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.



Teesside Pension Fund Statement of Accounts

Fund Accounts for the year ended 31 March 2022

2020/21			2021/22
£000		Note	£000
	Dealings with members, employers and others directly involved in the Fund		
(95,393)	Contributions	6	(97,666)
(3,061)	Transfers in from other pension funds	8	(2,371)
(5,577)	Other income	9	(3,626)
(104,031)	Total Income from Members		(103,663)
149,785	Benefits payable	7	153,758
8,158	Payments to and on account of leavers	10	5,974
157,943	Total Expenditure to Members		159,732
53,912	Net / withdrawals from dealings with members		56,069
7,484	Management expenses	11 ,20	8,128
61,396	Net withdrawals including fund management expenses		64,197
	Returns on investment		
(13,741)	Investment income	12	(49,933)
(901,667)	Profits and losses on disposal of investments and changes in the market value of investments	13	(492,353)
(915,408)	Net returns on investment		(542,286)
(854,012)	Net (increase)/decrease in the net assets available for benefits during the year		(478,089)
3,705,473	Net assets of the scheme as at 1 April		4,559,485
4,559,485	Net assets of the scheme as at 31 March		5,037,574
2020/21	Net Assets Statement as at 31 March		2021/22
4,553,817	Investments Assets	13	5,036,271
20,969	Current Assets	16	12,806
(15,301)	Current liabilities	17	(11,503)
4,559,485	Net assets of the Fund at 31 March		5,037,574

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 until at least 31/12/2025, this period being at least twelve months from the approval of these financial statements.

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

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

- The Fund had assets of c. £5.04 billion as at 31 March 2022. £3.86 billion (77%) of this is held in assets which are considered to be liquid, and which could be converted to cash if required (including £0.82 billion actually held as cash).
- In 2022/23 the Fund paid out £193.3m in benefits and other outgoings and received contributions and other income of £114.4m. The shortfall of £79.9m was met in part by £50.2m of investment income, with the remaining £29.7m met from the cash assets of the Fund.
- In 2023/24 the Fund paid out £207.0m in benefits and other outgoings and received contributions and other income of £126.4m. The shortfall of £80.5m was met in part by £60.4m of investment income, with the remaining £20.1m met from the cash assets of the Fund.
- The Fund has estimated that in the twenty-month period from 1 April 2024 to 31 December 2025 it will pay out approximately £395 million in benefits and other outgoings and is forecasting contribution and other income in the region of £205 million. This shortfall in contribution income verses benefits and other expenditure of £190 million will be met partly from other regular investment income, which is estimated to be at least £125 million over the period to 31 December 2025 with the remaining £65 million being taken from the Fund's cash balance, which was £199 million on 31 March 2024.

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 Fund's transactions for the 2021/22 financial year and its position at year end as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 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.
- IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts.

These standards have no impact on the fund in the current financial year.

Note 3 Summary of Significant Accounting Policies

Accruals

The accounts have been prepared on an accrual's basis, and the accruals threshold set by management is £10,000. 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 accrual's 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 accrual's 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 receipt's basis within transfers in.

Bulk transfers are accounted for on an accrual's 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 on an accruals basis, 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 accrual's basis.

Movement in the Net Market Value of Investments

Changes in the net market value of investments (including 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 (2020)".

Administrative Expenses

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

Property Expenses

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

Financial Instruments

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

IFRS 13 Fair Value Measurement

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

Foreign Currency Transactions

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

Net Assets Statement

Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at 31 March 2022. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of an asset. From this date, any gains and losses arising from changes in the fair value of assets are recognised in the Fund account. Any assets where its contractual terms must give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding are valued at amortised cost and recognised in the Fund account. The value of investments as shown in the net assets statement have been determined as follows.

Market Quoted Investments

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

Pooled Investment Vehicles

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

Fixed Interest Securities

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

Unquoted Investments

Unlisted securities, including partnerships, are valued regarding latest dealings and other appropriate financial information as provided by their respective managers or those controlling the partnerships and using the International Private and Venture Capital Association guidelines or European Venture Capital Association definition of conservative value.

Freehold and Leasehold Properties

Properties are shown as valued at 31 March 2022. Properties are valued annually by an independent external valuer on a fair value basis, and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition). All valuations are professional opinions on a stated basis, coupled with any appropriate assumptions. A valuation is not a fact, it is an estimate. The degree of subjectivity involved will inevitably vary from case to case, as will the degree of certainty, or probability.

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, 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, other debt, and other alternative investments. They are inherently based on forward-looking estimates and judgements involving many factors. They are also categorised within level 3 of the fair value hierarchy in note 14 where the valuation is not based on observable market data. 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 2022 was £735,505,000 (£388,447,000 at 31 March 2021).

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).

By nature, property valuations require significant judgement and come with a degree of uncertainty, as the market value of a property can only be accurately known at the point of sale.

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 considering 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, at 31 March 2021 fund valuation a 0.1% decrease in the discount rate. (future investment return) assumption increased liabilities by £104m.
Pooled Investment Vehicles	Infrastructure and global property investments are valued at fair value in accordance with the International Private and Venture Capital Association	Unobservable market values amount to £3,833m and are relating to infrastructure, real estate, and pooled equity vehicles. The effect in of

	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.	variations in the factors supporting the valuation would be an increase or decrease 18.75% in the value of unobservable market values of 718.7m.
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. As properties are inherently illiquid and the transactional evidence can be scarce there is the potential for a mismatch between the valuation and actual transaction pricing.	The effect of variations in the factors supporting the valuation would be an increase or decrease 7.05% in the value of directly held property £23.3m, on a fair basis of £331.1m. These figures do not include £4.4m of property assets which are currently valued at cost and are therefore not subject to uncertainty.

Note 6 Contributions

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

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

Analysis of Total Contributions

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

Note 7 Benefits Payable

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

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

Analysis of Total Benefits

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

Note 8 Transfers in from Other Pension Funds

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

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

Note 9 Other Income

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

Note 10 Payments to and on account of leavers

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

Note 11 Management Expenses

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

	2020/21	2021/22
	£000	£000
Administrative costs	1,938	2,238
Investment management expenses	4,955	5,474
Oversight and governance costs	553	375
Total	7,446	8,087

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

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

Note 12 Investment Income

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

	2020/21	2021/22
	£000	£000
Income from pooled investment vehicles	511	(33,525)
Net rents from properties (see note below)	(12,584)	(15,554)
Interest on cash deposits	(1,668)	(854)
Total	(13,741)	(49,933)

Rental Income and Property Expenses

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

Note 13 Investment Assets

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

2021/22	Value at 01-APR-2021	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)	1,710
Pooled Investment Vehicles	3,869,990	(21,621)	1,163,001	(1,672,195)	434,052	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
	4,211,320	0	1,193,907	(1,680,392)	492,353	4,217,188
Cash Deposits	340,650					817,250
Other Investment Balances	1,847					1,833
Net Investment assets	4,553,817					5,036,271

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

Change in Market Value

The change in the market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. Realised profit was £228,314,613 and unrealised gain was £264,038,252. Prior year realised profit was £136,402,035 and unrealised gain was £765,265,080.

Transaction Costs

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £938,946 (2020/2021 £719,226). In addition to the transaction costs disclosed here, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund. For accounting purposes, the transaction costs have been re-allocated to expenses.

Investments Analysed by Fund Manager

Border to Coast externally manage the funds equities and provide various private equity and infrastructure funds in which the fund is actively invested. The remaining private equities, infrastructure, other alternatives, and other debt are all managed in-house. The only exception being the direct property portfolio managed externally by CBRE Limited.

- For 2021/2022 the value at 31 March 2022 of the direct property portfolio was: £335,520,529
- For 2020/2021 the value at 31 March 2021 of the direct property portfolio was: £277,200,000

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

Security	Market Value 31-MAR-2021	% of net assets of the scheme	Market Value 31-MAR-2022	% of net assets of the scheme
	£000		£000	
Border to Coast PE Overseas Dev Mkts	953,478	22.64%	1,608,520	31.95%
Border to Coast PE UK Listed Equity	1,292,616	30.69%	615,588	12.23%
SSGA MPF Pacific Basin Ex-Japan Index	451,648	10.72%	334,706	6.65%

In addition, the following investments represent more than 5% of any class or type of security. The asset classes used for this note are not the CIPFA classifications, but those represented in the Fund's valuation by its Custodian and reported to the Teesside Pension Fund Committee.

Asset Class / Security	Market Value 31-MAR-2021	% of asset class	Market Value 31-MAR-2022	% of asset class
	£000		£000	
UK Equities				
Border to Coast UK Listed Equity	1,292,616	99.99%	615,588	99.72%
Overseas Equities				
Border to Coast Overseas Developed Markets	953,478	43.56%	1,608,520	66.41%
SSGA MPF Pacific Basin ex-Japan Index	451,648	20.63%	334,706	13.82%
SSGA MPF Euro Ex UK Equity Index Sub Fund	207,819	9.49%	122,869	5.07%
Border to Coast Emerging Market Hybrid Fund	0	0.00%	210,824	8.70%
Alternatives - Private Equities				
Crown Co Investment Opp II PLC	17,658	11.79%	25,331	6.90%
Unigestion SA	0	0.00%	25,421	6.92%
Pantheon Global Co-Investment Opportunities IV	12,276	8.20%	26,412	7.19%
Crown Growth Global Opportunities III	11,278	7.53%	34,019	9.26%
Blackrock Private Opportunities Fund IV	0	0.00%	18,495	5.04%
Border to Coast Private Equity Series 1A	24,546	16.39%	72,562	19.76%
GB Bank Limited	0	0.00%	26,500	7.22%
Alternatives - Infrastructure				
ACIF Infrastructure	18,647	12.71%	17,770	7.17%
Border to Coast Infrastructure Series 1A	17,918	12.21%	45,996	18.57%
Border to Coast Infrastructure Series 1B	0	0.00%	12,421	5.01%
Border to Coast Infrastructure Series 1C	0	0.00%	22,408	9.05%
JP Morgan IIF UK I LP	36,719	25.03%	36,125	14.58%

Ancala Infrastructure Fund II	9,946	6.78%	16,378	6.61%
Gresham House BSI Infrastructure LP	12,525	8.54%	21,166	8.54%
Alternatives - Other Alternatives				
Darwin Leisure Prop Units - Class C	22,769	24.77%	23,488	20.48%
Darwin Bereavement Services Fund - Class B	16,070	17.48%	17,042	14.86%
Darwin Bereavement Services Fund - Income Units	0	0.00%	10,264	8.95%
Darwin Leisure Development Fund – Class D	17,400	18.93%	18,656	16.26%
Darwin Leisure Property Fund K - Income Units	15,290	16.63%	15,449	13.47%
Hearthstone Residential Fund 1	8,498	9.24%	9,675	8.43%
Gresham House BSI Housing Fund LP	5,806	6.32%	13,588	11.85%
Other Debt				
Insight IIFIG Secured Finance II Fund	0	0.00%	24,676	47.20%
Greyhound Retail Park Chester	0	0.00%	20,000	38.25%
Pantheon Senior Debt Secondaries II	0	0.00%	7,609	14.55%
Direct Property				
Doncaster (Omega Boulevard)	30,350	10.95%	37,800	11.27%
Birmingham (Bromford Central)	18,150	6.55%	23,950	7.14%
Gateshead (Team Valley Trading Estate)	20,500	7.40%	23,600	7.03%
Rugby (Valley Park)	17,250	6.22%	18,200	5.42%
London (Park Royal, Minerva Road)	0	0.00%	21,600	6.44%
London (Park Royal, Coronation Road)	0	0.00%	18,000	5.36%
Lutterworth (Magna Park)	15,700	5.66%	19,700	5.87%
Property Unit Trusts				
Standard Life Investments European Property Growth Fund	36,403	56.84%	39,036	64.81%
LAMIT - Local Authorities Property Fund	4,017	6.27%	4,723	7.84%
Hermes Property	4,330	6.76%	5,064	8.41%
Threadneedle Property	3,520	5.50%	4,114	6.83%
Legal and General Managed Property Fund	5,937	9.28%	7,294	12.11%

Restatement of Geographical Analysis of Investments 31st March 2021

The prior period comparator in the following disclosure has been restated due to the identification of errors in the attribution of investments to geographical locales. As part of the restatement the disclosure has been simplified to just UK and overseas as required by the CIPFA Code, having previously reported by overseas segment such as Europe, United States and Asia Pacific.

Geographical Analysis of Investments

	As at 31 March 2021 (Restated)		As at 31 March 2022	
	£000	%	£000	%
United Kingdom	1,767,642	42%	1,261,457	30%
Overseas	2,443,678	58%	2,955,731	70%
Total	4,211,320	100%	4,217,188	100%

Equities

	As at 31-MAR-2021	As at 31-MAR-2022
	£000	£000
UK quoted	81	1,701
Overseas quoted	9	9
Total	90	1,710

Pooled Investment Vehicles and Properties

	As at 31-MAR-2021	As at 31-MAR-2022
	£000	£000
UK Equity	1,292,616	615,588
Pooled Property investment Vehicle	64,040	60,230
Private Equity	149,794	340,778
Infrastructure	146,725	247,734
Other Alternative Investments	91,928	114,709
Other Debt	0	32,284
UK Unit and Investment Trusts Total	1,745,103	1,411,323
Overseas Equities	2,188,927	2,422,134
Overseas Unit and Investment Trusts Total	2,188,927	2,422,134
Total	3,934,030	3,833,457

UK Properties

	As at 31-MAR-2021	As at 31-MAR-2022
	£000	£000
Freehold	215,725	268,521
Leasehold	61,475	67,000
Total	277,200	335,521

Cash Deposits

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

Other Investment Balances

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

Outstanding Commitments

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

	Initial Commitment	Capital Payments made	Outstanding commitments at 31 March 2022
Infrastructure			
	GBP	GBP	GBP
Border to Coast Infrastructure Series 1A	100,000,000	43,385,425	56,614,575
Border to Coast Infrastructure Series 1B	50,000,000	11,917,872	38,082,128
Border to Coast Infrastructure Series 1C	50,000,000	21,509,699	28,490,301
Capital Dynamics Clean Energy Infrastructure Fund VIII	20,000,000	9,100,754	10,899,246
Capital Dynamics Clean Energy Infrastructure Fund VIII - Co Investment	10,000,000	4,550,377	5,449,623
Gresham House, British Strategic Investment Infrastructure Fund	20,000,000	17,971,505	2,028,495
Innisfree PFI Continuation Fund	10,000,000	9,708,498	291,502
Innisfree PFI Secondary Fund 2	10,000,000	8,360,796	1,639,204
Total GBP	270,000,000	126,504,926	143,495,074
	EUR	EUR	EUR
Access Capital Infrastructure Fund	23,000,000	21,436,000	1,564,000
Access Capital Infrastructure Fund II	20,000,000	12,478,000	7,522,000
Access Capital Infrastructure Fund II (Fund 2)	15,000,000	5,205,000	9,795,000
Ancala Infrastructure Fund II	23,000,000	17,868,481	5,131,519
Foresight Energy Infrastructure	17,000,000	3,697,048	13,302,952
Total EUR	98,000,000	60,684,529	37,315,471
	USD	USD	USD
Blackrock Global Energy & Power Infrastructure Fund III	25,000,000	13,103,679	11,896,321
Blackrock Global Renewable Power III	25,000,000	5,037,160	19,962,840
Total USD	50,000,000	18,140,839	31,859,161
Other Alternatives			
	GBP	GBP	GBP
Bridges Evergreen TPF Housing Co-Investment LP	5,000,000	765,180	4,234,820
Gresham House Housing Fund	20,000,000	13,096,625	6,903,375
Hearthstone Residential Fund 2 LP	20,000,000	3,090,030	16,909,970
Total GBP	45,000,000	16,951,835	28,048,165
	EUR	EUR	EUR
La Salle Real Estate Debt Strategies IV	25,000,000	3,461,358	21,538,642
Total EUR	25,000,000	3,461,358	21,538,642
Other Debt			

	USD	USD	USD
Pantheon Senior Debt Secondaries II	25,000,000	9,292,937	15,707,063
Total USD	25,000,000	9,292,937	15,707,063
Direct Property			
	GBP	GBP	GBP
Leonardo Warehouse Unit, Yeovil	30,030,934	4,405,529	25,625,405
Total GBP	30,030,934	4,405,529	25,625,405
Private Equity			
	GBP	GBP	GBP
Border to Coast Private Equity Series 1A	100,000,000	45,375,690	54,624,310
Border to Coast Private Equity Series 1B	50,000,000	16,249,950	33,750,050
Border to Coast Private Equity Series 1C	50,000,000	6,947,248	43,052,752
Capital Dynamics LGPS Collective for Pools	10,000,000	5,100,000	4,900,000
GB Bank Limited	28,000,000	6,499,975	21,500,025
Hermes Innovation Fund	20,000,000	9,631,283	10,368,717
Total GBP	258,000,000	89,804,146	168,195,854
	EUR	EUR	EUR
Access Capital Fund VIII Growth Buy-Out Europe	30,000,000	11,640,000	18,360,000
Access Capital Co-Investment Fund Buy-Out Europe II	22,000,000	8,825,000	13,175,000
Capital Dynamics Mid-Market Direct V	20,000,000	9,661,359	10,338,641
Crown Growth Global Opportunities III	30,000,000	21,000,000	9,000,000
Unigestion Direct II	25,000,000	11,775,306	13,224,694
Unigestion Secondary V	50,000,000	24,500,000	25,500,000
Total EUR	177,000,000	87,401,665	89,598,335
	USD	USD	USD
Blackrock Private Opportunities Fund IV	25,000,000	17,998,407	7,001,593
Capital Dynamics Global Secondaries V	22,000,000	14,300,000	7,700,000
Crown Co-Investment Opportunities II	30,000,000	25,655,000	4,345,000
Crown Co-Investment Opportunities III	30,000,000	5,340,000	24,660,000
Crown Global Opportunities VII	40,000,000	13,480,000	26,520,000
Crown Secondaries Special Opportunities II	25,000,000	14,287,500	10,712,500
Pantheon Global Co Investment Opportunities IV	30,000,000	26,020,000	3,980,000
Total USD	202,000,000	117,080,907	84,919,093

Note 14 Financial Instruments

Net Gains and Losses on Financial Instruments

	2020/21	2021/22
Financial Assets	£000	£000
Fair Value through profit and loss	(901,667)	(492,353)

Fair Value of Financial Instruments

	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
	As at 31-MAR-2021			As at 31-MAR-2022		
	£000	£000	£000	£000	£000	£000
Financial Assets						
Equities	90			1,710		
Pooled Investments	3,869,990			3,773,227		
Pooled Property Investments	64,040			60,230		
Loans					20,000	
Directly Held – Private Equity				26,500		
Cash		340,650			817,250	
Other investment balances		1,847			1,833	
Current Assets		20,969			12,806	
	3,934,120	363,466	0	3,861,667	851,889	0
Financial Liabilities						
Current Liabilities			(15,301)			(11,503)
	0	0	(15,301)	0	0	(11,503)
Net Financial Assets	3,934,120	363,466	(15,301)	3,861,667	851,889	(11,503)

Valuation of Financial Instruments Carried at Fair Value

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

Level 1

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

Level 2

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

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Teesside Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken as at 31 March annually. Cash flow adjustments 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

	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	10,547	3,037,721	813,399	3,861,667
Financial Assets at amortised cost	851,889	-	-	851,889
Financial Liabilities at amortised cost	(11,503)	-	-	(11,503)
Total Financial Assets	850,933	3,037,721	813,399	4,702,053

Valuation of Financial Instruments (Restated)

	Level 1	Level 2	Level 3	Total
Value as at 31-MAR-2021	£000	£000	£000	£000
Financial assets at fair value through profit and loss account	19,060	3,481,543	433,517	3,934,120
Financial Assets at amortised cost	372,366	-	-	372,366
Financial Liabilities at amortised cost	(15,301)	-	-	(15,301)
Total Financial Assets	376,125	3,481,543	433,517	4,291,185

Sensitivity of Assets at level 3

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

Restatement of Valuation of Financial Instruments table above 31st March 2021.

The prior period comparatives within the above disclosure have been restated due to the identification of errors in the assessment of which level in the fair value hierarchy individual investments should be reported as. The Fund's directly held property has also been removed from the analysis as not considered to be a financial instrument.

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%	340,778	404,674	276,882
Directly Held – Private Equity	18.75%	26,500	31,469	21,531
Pooled Investments - Infrastructure	18.75%	247,734	294,184	201,284
Pooled Investments - Other Alternatives	18.75%	114,709	136,217	93,201
Pooled Investments - Other Debt	18.75%	32,284	38,337	26,231
Pooled Investments - Property	7.05%	51,393	55,016	47,770
Total		813,399	959,898	666,900

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

	Assessed valuation range (+/-)	Value at 31-MAR-2021	Value on increase	Value on decrease
		£000	£000	£000
Pooled Investments - Private Equity	17.27%	149,794	175,664	123,925
Pooled Investments - Infrastructure	17.27%	146,725	172,064	121,386
Pooled Investments - Other Alternatives	17.27%	90,328	105,928	74,728
Pooled Investments - Property	8.69%	46,670	50,726	42,614
Total		433,517	504,382	362,653

Restatement of Financial Instruments carried at fair value 31st March 2021.

The prior period comparatives within the above disclosure have been restated to reflect the correction of the assessment of which investments are level 3 in the fair value hierarchy as disclosed earlier in the note. The assessed valuation range for each category of asset remains as previously disclosed.

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

	Market Value 01-APR-2021	Category Transfers	Purchases	Sales	Unrealised Gains/Losses	Realised Gains/Losses	Market Value 31-MAR-2022
	£000	£000	£000	£000	£000	£000	£000
Pooled Investments – Private Equity	149,794	(20,000)	129,514	(17,569)	99,039	0	340,778
Directly Held – Private Equity	0	20,000	6,500	0	0	0	26,500
Pooled Investments – Infrastructure	146,725	0	91,739	(13,256)	22,526	0	247,734
Pooled Investments – Other Alternatives	90,328	(4,495)	23,394	(641)	6,123	0	114,709
Pooled Investments - Other Debt	0	4,495	27,620	(2,253)	2,422	0	32,284
Pooled Investments – Property	46,670	0	0	(8,197)	10,865	2,055	51,393
Total	433,517	0	278,768	(41,916)	140,975	2,055	813,399

Restatement of Reconciliation of Fair Value Measurements within level 3 31st March 2021

The prior period comparatives at both 1 April 2020 and 31 March 2021 in the below table, and movements between these dates, within the below disclosure have been restated to reflect the correction of the assessment of which investments are level 3 in the fair value hierarchy as disclosed earlier in the note.

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

	Market Value 01-APR-2020	Purchases	Sales	Unrealised Gains/ Losses	Realised Gains/ Losses	Market Value 31-MAR-2021
	£000	£000	£000	£000	£000	£000
Pooled Investments – Private Equity	50,918	108,082	(6,850)	(2,356)	0	149,794
Pooled Investments – Infrastructure	93,487	73,464	(8,570)	(11,656)	0	146,725
Pooled Investments – Other Alternatives	68,991	24,940	(2,205)	(1,398)	0	90,328
Pooled Investments - Property	32,397	190	(386)	14,469	0	46,670
Total	245,793	206,676	(18,011)	(941)	0	433,517

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 because 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 could reasonably occur in future periods after the market value date of 31st March 2022.

2021/22 Price Risk		Value as at 31-MAR-2022	Change	Value on Increase	Value on Decrease
Asset Type	Region	£000	%	£000	£000
Equities	UK	1,701	14.98%	1,956	1,447
	Non-UK	9	12.96%	10	8
	Total	1,710		1,966	1,455
Managed and Unitised Funds	UK Equities	615,588	14.98%	707,803	523,373
	UK Alternatives	262,147	18.75%	311,300	212,994
	Non-UK Equities	2,422,134	12.96%	2,736,042	2,108,225
	Non-UK Alternatives	533,589	18.75%	633,637	433,541
Directly Held – Private Equity	UK	26,500	18.75%	31,469	21,531
	Total	3,859,958		4,420,250	3,299,665
Total		3,861,667		4,422,216	3,301,120

2020/21 Price Risk		Value as at 31-MAR-2021	Change	Value on Increase	Value on Decrease
Asset Type	Region	£000	%	£000	Asset Type
Equities	UK	81	16.07%	94	68
	Non-UK	9	13.46%	10	8
	Total	90		104	76
Managed and Unitised Funds (Restated)	UK Equities	1,292,616	16.07%	1,500,339	1,084,893
	UK Alternatives	197,744	17.27%	231,894	163,593
	Non-UK Equities	2,188,927	13.46%	2,483,557	1,894,297
	Non-UK Alternatives	254,743	17.27%	298,737	210,749
	Total	3,934,030		4,514,527	3,353,532
Total		3,934,120		4,514,631	3,353,608

Partial restatement of Managed and Unitised Funds within the Other Price Risk - Sensitivity Analysis 31st March 2021.

The prior period comparatives for managed and unitised funds in the above disclosure have been restated due to the identification of errors in the attribution of investments to geographical locales as disclosed in Note 13. The restated disclosure also now disaggregates managed and unitised funds between equities and alternative investments for comparability with the greater disaggregation presented for the current period.

Interest Rate Risk

Interest rate risk is the risk to which the Fund is exposed to changes in interest rates and relates to its holdings in cash. The Fund's direct exposure to interest rate movements as at 31 March 2021 and 31 March 2022 is set out below:

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

Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 25 basis points (BPS) change in interest rates.

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

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

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund's currency rate risk is considered by the Fund's Investment Advisors and Investment Managers. The Pension Fund Committee is informed quarterly of the Fund's currency exposure.

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

Currency Risk 31-MAR-2022	Value £000	Change %	Value on Increase £000	Value on Decrease £000
Australian Dollar	9	8.10%	10	8
Euro	173,031	5.20%	182,029	164,033
US Dollar	202,445	8.30%	219,248	185,642
Total	375,485		401,287	349,683

Currency Risk 31-MAR-2021 (Restated)	Value£000	Change %	Value on Increase £000	Value on Decrease £000
Australian Dollar	9	8.60%	10	8
Euro	107,730	5.80%	113,978	101,482
US Dollar	127,376	8.60%	138,330	116,422
Total	235,115		252,318	217,912

Restatement of Currency Risk at 31st March 2021.

The prior period comparatives in the above disclosure have been restated due to the identification of error in the identification of the currency used by underlying investments. Previous disclosures were incorrectly based on the investment's location, rather than its reporting currency.

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 contribution's receivable from the Fund's participating employers.

The market values on investments usually reflect an assessment of credit risk in their pricing and as a result the risk of the loss is implicitly provided for in the fair value of the Fund's investments. Credit risk on cash deposits is managed by Middlesbrough Council's in-house Treasury Management Team, following the Council's Treasury Management Policy. This policy is described in detail in Middlesbrough Council's Annual Report.

Credit risk on contributions receivable from employers is minimised by regular monitoring of monthly receipt of payments from employees. There is no provision for doubtful debts against the amounts due from employers as at 31 March 2022. The LGPS Regulations require that a risk assessment of any new transferee admission body is carried out, and that a bond or guarantee is obtained where necessary.

The Teesside Pension Fund Committee must approve the admission of any new body. Bonds or guarantees have been obtained for the Fund's admission body employers, where possible. The Fund is potentially exposed to credit risk from certain scheduled employers that have neither tax-raising powers nor a guarantee from central government.

Collateral and other Credit Enhancement

The pension fund does not use collateral and other credit enhancement.

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund holds in-house cash resources to meet the day to day needs and to pay pensions. If there is insufficient cash available to meet immediate needs, there are sufficient other assets available which can be realised at short notice and at minimal cost. Apart from 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 2019 using the 'Projected Unit Method', which produced the following results:

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

The actuarial assumptions used to calculate the promised value of benefits at 31 March 2019 were:

Funding Assumptions

Pension Increase Rate (CPI)	2.1%
Salary Increase Rate	3.1%
Discount Rate	4.45%

The assumed life expectancy from age 65 (years) assumptions

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

The actuarial valuation as at 31 March 2019 was used above as the scheme valuation as at 31 March 2022 was issued after the reporting date of 30 March 2023 – see note 22.

Note 16 Current Assets

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

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

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

Note 17 Current Liabilities

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

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

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

Note 18 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

	2020/21	2021/22
	£000	£000
With Profits and Deposit Accounts	4,369	4,312
Unit Linked Accounts	3,964	4,021
Total	8,333	8,333

Note 19 Related Party Transactions

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

Note 20 External Audit Costs

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

	2020/21	2021/22
	£000	£000
Fees payable to our current external auditors, EY, with regard to their services carried out as appointed auditor.	38	41
Total Fees	38	41

- The £41k consisting of the £22k base fee for the current period and an overrun of £19k agreed for 2019-20 after the 2020-21 accounts were published.
- The overrun on the 2021-22 audit (and 2020-21 audit), has yet to be agreed and will be reported in future periods.

Note 21 Senior Employees' Remuneration

	2020/21	2021/22
	£000	£000
Key Management Personnel		
Short Term Benefits	66	66
Post-Employment Benefits	10	8
Total	76	74

Note 22 Events after the Balance Sheet Date

The most recent actuarial valuation of the scheme, as at 31 March 2022, was released on 30 March 2023.

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

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	4.25%

Actuarial Valuation

The actuarial valuation as at 31 March 2019 used in Note 15 as the scheme valuation as at 31 March 2022 was concluded on 30 March 2023 after the reporting date.

Virgin Media Limited v NTL Pension Trustees II Limited

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact on the assessed actuarial present value of promised retirement benefits under IAS 26, or if it can be reliably estimated.

As a result, Teesside Pension Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements.

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

The Governance Compliance Statement provides further detail on how the Administering Authority carries out and delegates its functions under those regulations and how it complies with guidance given by the Secretary of State. The statement is maintained and published by Middlesbrough Council, copies are available on application, or it can be seen at the Fund's website at appendix A of the document at the following link:

<https://www.teespen.org.uk/media/sdamv4hv/teesside-pf-governance-policy-and-compliance-statement.pdf>

Full details of the changes to the scheme, along with updated scheme guides, are on our website at 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:

<https://www.teespen.org.uk/media/3a2hapcd/investment-strategy-statement-2021-04-april-2021.pdf>

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 Funding Strategy Statement that applied at the accounting date was approved by the Pensions Fund Committee and was effective from June 2021, and can be seen at:

<https://www.teespen.org.uk/media/5i3lescr/funding-strategy-statement-23-06-2021.pdf>

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 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 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 to ensure that the Fund offers clear communication to stakeholders of the Local Government Pension Scheme. The latest policy statement can be seen at:

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

Teesside Pension Fund

Statement of the Actuary for the year ended 31 March 2022

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

Description of Funding Policy

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

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

Funding Position as at the last formal funding valuation

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

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

Principal Actuarial Assumptions and Method used to value the liabilities

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

Method

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

Assumptions

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

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

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

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

*Aged 45 at the 2019 Valuation.

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

Experience over the period since 31 March 2019

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

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



Steven Law FFA

19 May 2022

For and on behalf of Hymans Robertson LLP

Schedule of Contribution Rates

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

	Employers Rates %	Employees £000	Employers £000
Ad_Astra Academy Trust	17.5%	204	613
All Saints Academy	17.5%	34	97
Ash Trees Academy	17.5%	81	133
Badger Hill Academy	17.5%	11	31
Beamish Museum Ltd	23.3%	126	520
Beyond Housing	23.4%	442	1,426
Billingham Town Council	17.7%	7	19
Bulloughs Cleaning Services	17.9%	3	11
Business and Enterprise North East	24.5%	3	100
Caldicotes Primary Academy	17.5%	8	24
Care and Custody Health Ltd	15.9%	6	15
Care Quality Commission	17.9%	964	2,239
Carmel Education Trust	17.5%	362	1,097
Catcote Academy	17.5%	109	325
Caterlink - RCBC	21.5%	7	25
Caterlink - St_Oswalds	22.3%	3	13
Churchill's (Collaborative Trust)	17.9%	0	1
Churchill's Outwood Grange	17.9%	4	13
Cleveland College of Art and Design	15.2%	130	309
Cleveland Fire Brigade	14.8%	241	541
Community Integrated Care	23.0%	1	4
Compass Badger / Freebrough / Whitecliffe	18.9%	5	13
Compass Contract Services Ltd	17.9%	10	31
Compass Group - Manor	18.9%	18	68
Conyers School	17.5%	154	460
Creative Management Services Ltd	29.4%	2	10
Diocese of Middlesbrough Trustee	22.3%	9	20
Dyke House Academy	17.5%	82	238
Easterside Academy	17.5%	28	86
Eden Academy Trust Limited	17.5%	68	199
Egglecliffe Primary School	17.5%	8	25
Emmanuel School Foundation	17.5%	75	224
Endeavour Academies Trust	17.5%	124	362
Enquire Learning Trust (Central)	17.5%	83	164
Extol Academy Trust (Eldon Grove)	17.5%	51	150
Fabrick Housing Group	18.7%	925	2,465
Falcon Education Academies Trust	17.5%	31	94
Frederick Natrass Primary Academy	17.5%	21	62
Freebrough Academy	17.5%	46	134
Future Regeneration of Grangetown	30.9%	3	12

Galileo Multi Academy Trust	17.5%	217	635
Grangefield Academy	17.5%	50	148
Green Lane Primary Academy	17.5%	32	99
Guisborough Town Council	17.7%	6	19
Hardwick Green Primary Academy	17.5%	24	71
Harrow Gate Primary Academy	17.5%	32	95
Hartlepool Borough Council	12.4%	3,345	6,444
Hartlepool Care Services Ltd	27.9%	1	7
Hartlepool College of Further Education	15.2%	172	438
Hartlepool Sixth Form College	15.2%	19	50
Holy Trinity Primary School	17.5%	15	44
Horizons Specialist Academy Trust	17.5%	234	688
Hutchinson's Catering	17.9%	4	13
Ian Ramsey Church of England Academy	17.5%	51	150
Ingleby Barwick Town Council	17.7%	2	6
Ingleby Manor Free School & Sixth Form	17.5%	38	110
Ironstone Academy Trust - Ormesby Primary School	17.5%	15	49
Ironstone Academy Trust - Zetland Primary School	17.5%	18	57
James Cook Learning Trust	17.5%	62	185
Kader Academy	17.5%	20	61
KGB Cleaning Ltd - LJS	14.8%	1	3
KTS Academy	17.5%	82	253
Legacy Learning Trust	17.5%	156	462
Liberata UK Ltd	0.0%	60	0
Lingfield Academy Trust	17.5%	47	145
Lockwood Parish Council	17.7%	1	2
Loftus Town Council	17.7%	2	8
Manor Community Academy	17.5%	58	169
Mbro and Stockton Mind	17.9%	3	9
Mellors Catering Ltd - Dormanstown	21.2%	1	5
Mellors Catering Services Ltd (Central)	17.9%	22	10
Mellors Catering Services Ltd (Normanby)	17.9%	3	8
Mellors Ironstone	17.9%	3	9
Mellors NPCAT	17.9%	6	19
Mellors Riverside	18.9%	0	1
Mellors Skelton	18.9%	0	0
Middlesbrough College	15.2%	421	991
Middlesbrough Council	11.5%	3,978	8,651
Mitie Cleveland Fire	17.9%	1	2
NEAT Academy Trust	17.5%	53	150
Nicholas Postgate Catholic Academy Trust	17.5%	537	1,578
NMRN Trading	15.8%	3	8
Normanby Primary School	17.5%	31	95
North East Learning Trust	17.5%	47	140
North Ormesby Primary Academy	17.5%	14	42
North Shore Academy	17.5%	45	130

Northern Lights Learning Trust	17.5%	17	22
Norton Primary Academy	17.5%	25	74
Nunthorpe Academy	17.5%	84	245
Nunthorpe Primary Academy	17.5%	14	43
Oak Tree Academy	17.5%	26	79
One Awards Limited	22.2%	34	126
One IT Services and Solutions Ltd	15.6%	51	100
One IT Services Ltd - Porter	15.9%	2	5
ONsite Building Trust	19.3%	3	10
Our Children 1 Academy Trust	17.5%	40	124
Outwood Academy Acklam	17.5%	74	223
Outwood Academy Bishopsgarth	17.5%	47	142
Outwood Academy Bydales	17.5%	29	85
Outwood Academy Normanby	17.5%	42	122
Outwood Academy Ormesby	17.5%	52	153
Outwood Academy Redcar	17.5%	32	96
Outwood Riverside	17.5%	9	51
Overfields Primary School	17.5%	14	42
Pentland Academy	17.5%	29	89
Police & Crime Commissioner for Cleveland	14.5%	88	161
Prince Regent Street Trust	17.5%	53	160
Redcar & Eston CIC	17.9%	13	27
Redcar and Cleveland Borough Council	10.2%	3,352	5,282
River Tees Multi Academy Trust	17.5%	63	174
Riverdale Primary School	17.5%	8	26
RM Education	18.9%	6	17
Rose Wood Academy	17.5%	27	59
Rye Hills Academy	17.5%	9	23
Saltburn Marske and New Mask Parish Council	17.7%	4	11
Skelton and Brotton Parish Council	17.7%	3	10
Skelton Primary School	17.5%	32	94
SLM Charitable Trust MBC	11.5%	54	93
SLM Community Leisure Charitable Trust	19.2%	34	102
SLM Fitness & Health Ltd (MBC)	11.5%	5	9
SLM Fitness and Health Ltd	19.2%	2	7
SLM Food & Beverage Ltd (MBC)	11.5%	2	4
SLM Food and Beverage Ltd	19.2%	1	4
South Tees Development Corporation	20.2%	151	340
St_Aidans Primary School	17.5%	17	54
St_Francis of Assisi	17.5%	21	63
St_Mark's Academy	17.5%	37	109
St_Mary's CE Primary School	17.5%	7	22
Stagecoach Transit	43.5%	1	349
Steel River Academy Trust	17.5%	80	242
Stockton Borough Council	13.1%	5,296	10,890
Stockton Riverside College	15.2%	415	1,010

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

7. Annual Governance Statement



Annual Governance Statement 2021/22

Summary

This Annual Governance Statement (AGS) sets out the Council's position at the end of the 2021/22 financial year in relation to compliance with the Local Code of Corporate Governance (LCCG) which sets out the standards to be achieved across the corporate governance framework.

The AGS comprises the following sections:

- an overview of the Council's governance arrangements;
- progress made on governance during 2021/22;
- Internal Audit activity and governance concerns arising from that in 2021/22
- Member involvement in corporate governance
- issues that have arisen during 2021/22;
- a position statement against the Code of Corporate Governance; and
- conclusion, summary of the key issues to be addressed and resulting governance priorities for 2022/23.

It sets out:

- how well the Council has delivered previous commitments to strengthen its corporate governance arrangements, providing an update on actions committed to in the 2020/21 Annual Governance Statement
- governance concerns arising from Internal Audit activity during 2021/22
- specific events during 2021/22 that relate to corporate governance arrangements and their impact on compliance with the LCCG.

In summary, across the different sections of the document, the following key issues and themes have been set out:

- During 2021/22 there were a series of statements of concern made in relation to Mayoral conduct that required investigation which identified weaknesses and incidents of non-compliance with procurement, financial governance and project management.
- Member to member and member to officer relationships have deteriorated further in the 2021/22 financial year resulting in a more dysfunctional culture than that evident in 2020/21, detail of which was referenced in the 2020/21 AGS. During 2022/23 positive action has begun to address this and has resulted in the commissioning of external support, development of a Corporate Governance Improvement Plan, comprising equal Member / Officer membership to oversee delivery and in recognition of the need to further develop and strengthen officer / Member working relationships
- Actions set out for delivery in 2022/23 may need to be adjusted to align with the model for Corporate Governance Improvement agreed by Council in October 2022. As well as progress, any required changes will be reported to the Corporate Governance Improvement Board (CGIB) and to full Council

- Significant concerns in two internal audits resulted in seven Priority One recommendations in relation to CCTV and the governance of the BOHO X project. As a result of this and other issues reported in the body of the AGS, the overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the Council is that it provides **Limited Assurance**.
- Although outside the scope of the reporting period, inflation and the cost of living have had a significant impact on the Council's budget position and on the financial resilience of the town.

In order to ensure there is a continued high profile focus on this corporate governance activity, content of this statement has been cross referenced with the Corporate Governance Improvement Plan and progress against the detailed activities set out within this AGS will be reported by Exception to the Corporate Governance Improvement Board (CGIB) established in November 2022, comprised of Group Leaders, the Mayor, Senior Officers, CIPFA representatives and the Local Government Association (Chair). this replaces the previously established officer led Corporate Governance Board, reflected in the 2021/22 governance structure diagram.

Introduction

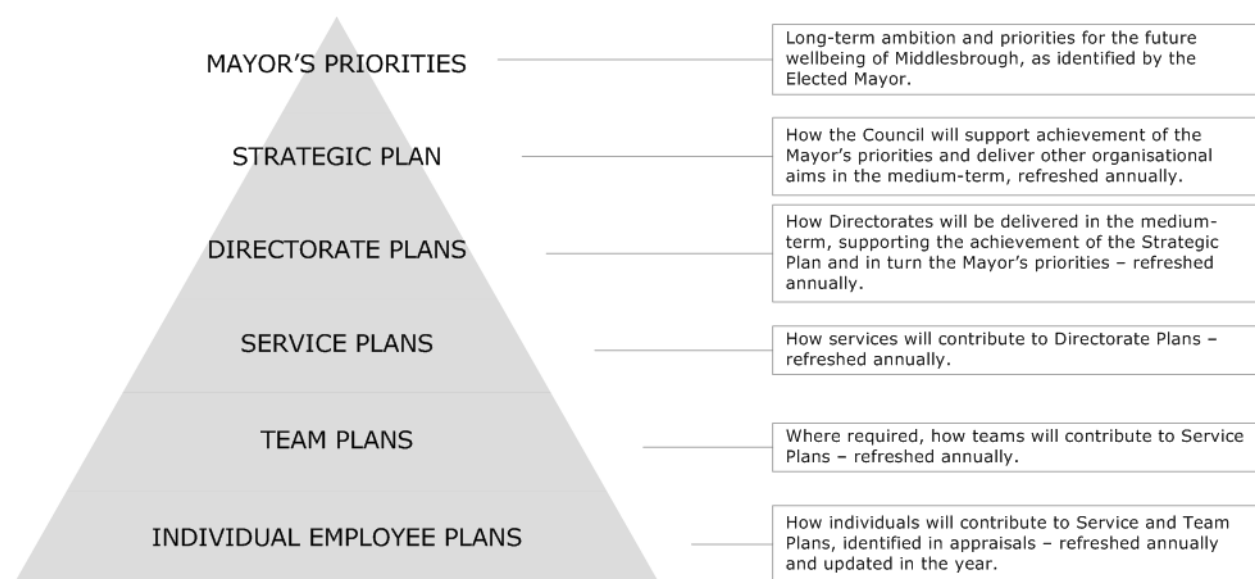
1. Middlesbrough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. The Council has in place a [Code of Corporate Governance](#), which sets out its corporate governance framework and is reviewed annually. This framework comprises the culture, values, systems and processes of the Council, which together ensure that it does the right things, at the right time and in the right way. As set out in the 2020/21 Statement of Accounts, the Council is currently experiencing challenges in meeting these standards though is working to address areas of weakness or non-compliance.
2. This statement will set out that Member to Member and Member to officer relationships have deteriorated further in the 2021/22 financial year, resulting in a more dysfunctional culture than that evident in 2020/21. It will also set out joint plans to address this as both members and officers have the responsibility for this in terms of the result of further dysfunctionality and in terms of repairing this situation. The seriousness of this situation has been recognised by the Council's external auditors, Ernst & Young (EY), who have indicated that if insufficient progress is made in tackling the weaknesses that exist in our Value for Money arrangements by February 2023, EY will consider exercising its powers by making formal statutory recommendations. In December 2022 EY will submit a report to the Corporate Affairs and Audit Committee to state it does not intend to exercise further reporting powers at this time.
3. Please note, as a result of delays in the ratification of the recently agreed 2020/21 Annual Governance Statement, this draft statement contains repetition between that document. Progress made during the coming months will be reflected in the finalised version of this statement.
4. The Code of Corporate Governance aligns with the latest CIPFA / Solace guidance, which sets out the following principles of good governance:
 - behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
 - ensuring openness and comprehensive stakeholder engagement;
 - defining outcomes in terms of sustainable economic, social and environmental benefits;
 - determining the interventions necessary to optimise the achievement of the intended outcomes;
 - developing the entity's capacity, including the capability of its leadership and the individuals within it;
 - managing risks and performance through robust internal control and strong public financial management; and
 - implementing good practices in transparency, reporting, and audit to deliver effective accountability.

5. The purpose of the Annual Governance Statement (AGS) is to assess the extent to which the Council complies with its Code of Corporate Governance, how it has monitored and improved the effectiveness of its governance arrangements in the past year and identify actions to strengthen these arrangements going forward.

6. The AGS forms part of the Statement of Accounts that the Council must produce on an annual basis and as such must be approved by the Mayor of Middlesbrough and the Council's Chief Executive and Section 151 Officer.
7. The development of the AGS was coordinated by the Strategy, Information and Governance service, in conjunction with statutory officers and other officers with responsibility for corporate governance processes, and with input from Internal Audit.

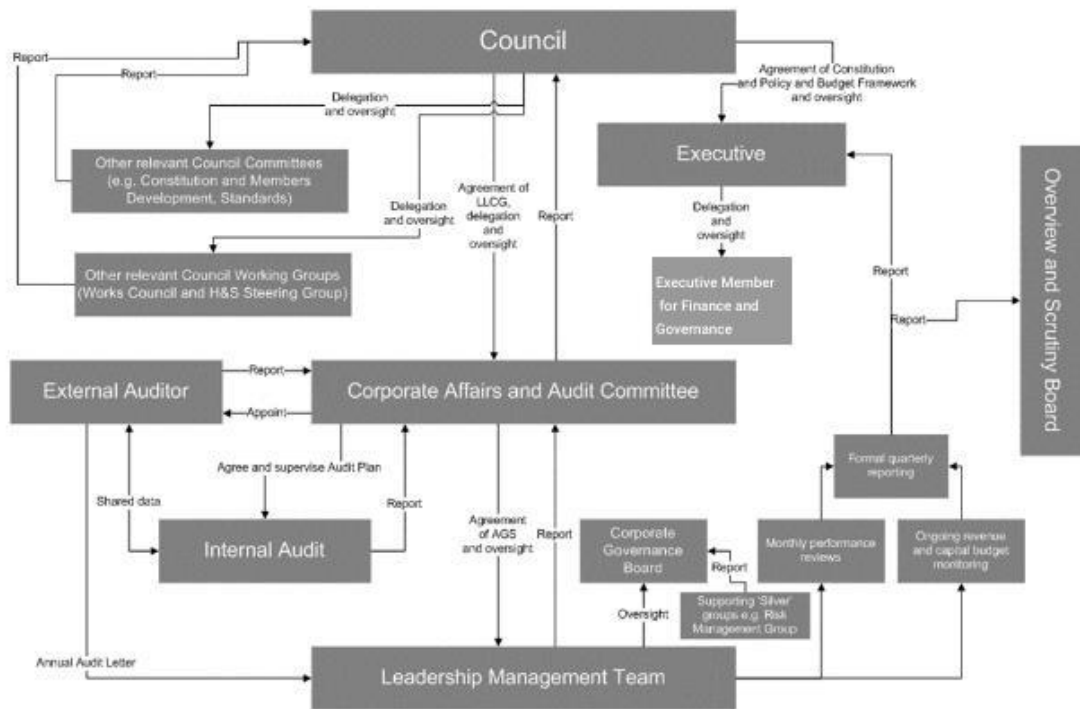
The Council's governance arrangements during 2021/22

8. The Committee structure in place within the Council during 2021/22 is set out Appendix 2. The terms of reference of all committees are published on the Council's [committee papers](#) site and [open data](#) site.
9. Committees take decisions in line with the Council's approved strategies and policies. The Strategic Plan is the Council's overarching business plan for the medium-term and is typically refreshed on an annual basis. The plan was last refreshed in February 2021 to reflect the impact of COVID-19 and UK's exit from the European Union on Middlesbrough and on the Council's strategic priorities. However in April 2022 the underpinning work programme was refreshed by Council to cover the period up until 2024.
10. There is a 'golden thread' which runs from this document and throughout of the Council's governance and policy frameworks.



11. In making decisions, the Mayor and councillors are supported by a senior management structure that is designed to support effective compliance with the Council's legal and governance responsibilities, led by the three statutory officers (Head of Paid Service, Section 151 Officer and Monitoring Officer). Some decisions are delegated to senior officers. All delegations are required to be published on the Council's [website](#).
12. The Council's Constitution defines the respective roles of councillors and officers, outlines expected standards and behaviours and provides a framework to enable effective working relationships across the Council. The Constitution also provides direction on the various roles in place to ensure effective corporate governance within the Council.
13. Member and officer groups work together with the Council's auditors within the following structure which was in place during 2021/22 to ensure compliance with the LCGG and its supporting policies

and procedures (as set out in Appendix 3) and promote continuous improvement in governance, maximising its potential to deliver its priorities and value for money.



Progress made during 2021/22

Implementing actions from the 2020/21 AGS

14. This section would normally set out progress made against the previous year's Annual Governance Statement which had been considered 12 months before this statement. Delays in the signing off of the 2020/21 AGS mean that document has only recently been approved and it therefore contains little movement between the table set out in the 2020/21 AGS and this document, at this stage. Actions due to be delivered in October in relation to delivery of officer training in relation to understanding governance and delivery of advice and challenge have been completed.
15. One action in relation to delivery of a refreshed training approach to ensure senior officer training encompasses the full suite of corporate governance training has been reprofiled to February 2023 in order to allow the shape of that to be influenced by the Training and Development working group which commenced work in November 2022 as part of the Corporate Governance Improvement journey.
16. As set out in the summary of this statement, in order to ensure there is a continued high profile focus on this corporate governance activity, content of this statement has been cross referenced with the Corporate Governance Improvement Plan and progress against the detailed activities set out in both the 2020/21 AGS and this AGS will be reported by Exception to the Corporate Governance Improvement Board (CGIB) established in November 2022, comprised of Group Leaders, the Mayor, Senior Officers, CIPFA representatives and the Local Government Association (Chair). this replaces the previously established officer led Corporate Governance Board, reflected in the 2021/22 governance structure diagram. 12 actions we completed, one is ongoing and six will be delivered during 2022/23. Appendix 2 sets out the detail of those actions.

Internal Audit during 2021/22

17. During 2021/22 Internal Audit undertook and finalised 20 audits during the year which are set out at Appendix 1.

Corporate Affairs and Audit Committee during 2021/22

18. Corporate Affairs and Audit Committee reviews the Council's arrangements for corporate governance and makes recommendations as appropriate to ensure good governance and continuous improvement.
19. The committee met seven times during 2021/22, and considered the following corporate governance related items:
 - Annual Report of the Senior Information Risk Owner (SIRO)
 - Update on the Ofsted improvement journey
 - Annual Audit letter 2019/20
 - Annual assurance report on HR – Health and Wellbeing
 - Annual Report of the Head of Internal Audit
 - Counter Fraud reports
 - 2020-21 EY planning report
 - Draft Statement of accounts 2020/21
 - Lessons learnt – Best Value Inspection of Liverpool City Council
 - Annual Assurance report on Procurement
 - Subject Access Requests – Compliance Update
 - Complaints and lessons learned report
 - Annual Review of the Local Code of Corporate Governance
 - Health and Safety Annual Assurance Report
 - Community Governance review
 - Corporate Debt Write Off policy
 - Capital Strategy
 - Appointment of External Auditors
 - Lessons Learned – Governance on Leasing our Commercial Assets.

Overview and Scrutiny during 2021/22

20. Overview and Scrutiny Board (OSB), supported by a range of topic-specific panels, scrutinises Executive decisions and the performance of Council services. During 2021/22, scrutiny considered the following items that are relevant to corporate governance:
 - quarterly reports on delivery of the Strategic Plan and compliance with key corporate governance disciplines;
 - quarterly reports on budget outturns for the quarter;
 - the Executive Forward Work Programme;
 - Terms of Reference for the Middlesbrough Council COVID-19 Recovery group and the subsequent plan;
 - COVID-19 Update: Health, Adult Social Care and Public Health;
 - Middlesbrough Council COVID-19 – Response and Test, Track and Trace;
 - Children's Services update on finance and performance
 - COVID-19 updates; and
 - governance updates from the Chief Executive.

21. There were no scrutiny call-ins during 2021/22 of any Executive decision.

Other governance related events during 2021/22

COVID-19

22. The During the period covered by this statement, the pandemic continued to impact on the Council and the public, affecting the way services were delivered, although during 2021/22 the delivery of the vaccine programme enabled government to remove all domestic legal restrictions in February

2022. Throughout the year staff continued to work flexibly to ensure services continued to be delivered.

23. During 2021/22 the Council administered and issued over £9m in business grants on behalf of the Government in response to the pandemic, and approximately £2.5m of support to households, providing assistance to hundreds of businesses and over 30,000 residents in some form.

Governance allegations

24. In May 2021, several former Members of the Council's Executive made statements of concern on alleged Mayoral conduct in relation to activity conducted during 2020/21 and concerns that there had been failings of governance across a number of areas. Pre-formal fact finding has been conducted by Internal Audit as a precursor to any matters being conducted under the standards regime. This was commissioned by the Monitoring Officer, following consultation with the 151 Officer and the Head of Paid Service. This has identified weaknesses and incidents of non-compliance, by officers and Members, in relation to governance controls for procurement, financial governance and project management. Actions to address these weaknesses are reflected in the action plan for this statement. This work has been shared with the External Auditors and used to inform their Value for Money assessment.

Resignation of Executive Members

25. Following the submission of the governance allegations referenced above, five Executive members resigned from the Executive on the 11 May 2021, leaving the Council with an Elected Mayor and one Executive Member. The Localism Act 2011 sets out that the Executive minimum composition is a Mayor plus two other members and therefore the Executive was not lawfully constituted and unable to make decisions.
26. The Monitoring Officer immediately set out to senior managers the contingency measure contained in the Council's constitution that could be put in place to enable decision making, however it was not necessary to implement this as the Mayor appointed two new members to the Executive within the following two days.

Organisational culture and Member officer relationships

27. As set out in the 2020/21 AGS, Member to Member and Member to officer relationships have deteriorated further in the 2021/22 financial year resulting in a more dysfunctional culture than that evident in 2020/21. It is the responsibility of both officers and Members to address this proactively to ensure that the culture of the organisation improves. The Chartered Institute of Public Finance and Accountancy (CIPFA) were commissioned to undertake an independent diagnostic of the issues to assist the Council in a way forward. This was reported to Council in the autumn.
28. In addition, positive discussions have been held between senior officers and senior members as part of the finalisation of the 2020/21 AGS which will be built on going forward. External support has also been provided from the Local Government Association (LGA). An extraordinary meeting of the Council was also called to discuss the findings of the External Auditor.

Although out of time scope, significant progress has been made to date in 2022/23 to secure external support, develop an improvement plan and establish an officer / member governance structure to oversee delivery, assess impact to drive forward improvement at a pace. The first meeting of the Corporate Governance Improvement Board and associated Task and Finish working groups to agree the detailed improvement plan commenced in November 2022. Progress against delivery will be measured at 30 / 60 / 90 days. Task and finish groups have been organised around the following themes:

- Roles and Responsibilities
- Training and Development
- Constitution
- Culture and Communities.

29. Some of the key outcomes this work aims to achieve are:

- a refreshed constitution that is easier to follow and reflects the procedures, behaviours and standards that should be adhered to
- improved Officer and Member and Member to Member relationships
- an approach to Member and Officer training that better equips them to deliver their roles in full while adhering to the Council's values and in Members case, the Nolan Principles of Public Life
- A better understanding of, and respect for, the differing roles and responsibilities undertaken by various officers and Members across the organisation.

BOHO X Internal Audit

30. An internal audit of the project management of the BOHO X project was undertaken during 2020/21. The findings of this audit identified five Priority One internal audit actions. The Section 151 Officer and the Chief Executive provided an overview of the detailed findings of this audit to the Corporate Affairs and Audit Committee in April 2022 in order to provide assurance to the Committee that officers recognised the seriousness of the findings and give assurance to committee that these issues were being tackled by also setting out the governance actions to address them. These actions were embedded within the 2020/21 Annual Governance Statement improvement plan. All five priority actions have now been delivered.

CCTV

31. Although completed as part of the 2020/21 internal audit programme of work, an audit of CCTV governance arrangements was not finalised until July 2021. As reported in the 2020/21 AGS, that audit found that there was no central register available that identifies the location of all CCTV camera equipment across the Council. Therefore, the Council was unable to confirm that all CCTV schemes are compliant with the Surveillance Camera Code of Practice and the relevant legislation.

Post-OFSTED improvement journey

32. In December 2019 OFSTED completed an inspection of the Council's compliance with the Inspection of Local Authority Children's Services (ILACS) framework. The outcome of that inspection was a judgement across four categories:

Judgement	Grade
The impact of leaders on social work practice with children and families	Inadequate
The experiences and progress of children who need help and protection	Inadequate
The experiences and progress of children in care and care leavers	Inadequate
Overall effectiveness	Inadequate

33. In 2020/21 a three-year plan was developed to deliver sustained improvement and change in Children's Services, monitored by a monthly Multi-Agency Strategic Improvement Board with a highly-experienced independent chair. The board receives progress reports on delivery of the improvement plan, has oversight of key performance metrics to track impact and considers themed reports on key practice issues. These three elements give the board a comprehensive overview of the delivery and impact of improvement work. The strategic board is supported by an operational board and weekly meetings with senior managers within Children's Services.

34. The Council continued to deliver against this plan during 2021/22 and continues to engage with Ofsted and the Department of Education on its improvement journey. A monitoring visit conducted in March 2022 identified that the Council has:

- 'delivered a sustained programme of improvements to ensure there is a systemic focus on children'
- 'Senior managers know their service well and have an improved management grip'
- 'there has been a substantial improvement in permanence planning for children in case'.

A further visit was held in July 2022 which found that:

- the corporate leadership team has continued to develop and improve services at the front door

- there are stronger and wider partnerships in the Multi-Agency Children's Hub (MACH)
- there are challenges around workforce stability which are impacting on caseloads and quality of practice.

Inflation and cost of living

35. Although the larger impacts are out of the time scope for this statement, the ongoing and cost of living inflationary pressures facing the town and its residents have had and will continue to have a significant impact on the Council's budget position. This is because not only are the costs of delivering services continuing to rise but demand for services has and will continue to increase as more and more households are affected by this issue. As Middlesbrough is one of the most deprived local authorities in England, it is likely to also be one of the most adversely affected areas. An effective Council-wide response to this will be a key challenge for Middlesbrough in 2022/23.

Middlesbrough Development Company activity during 2021/22

36. Middlesbrough Development Company (MDC) is a local authority trading wholly-owned company limited by shares, with the Council as the sole shareholder.
37. During 2021/22 MDC Board met 11 times, with key decisions taken by the company published at www.middlesbroughdevelopmentcompany.co.uk.
38. Internal Audit are currently undertaking an assessment of the company using Local Partnerships and CIPFA best practice guidance on local authority trading companies. While the Council is awaiting feedback and the outcome of their work, the Council is considering the future role of the company and its contribution it makes to delivering council strategic objectives notwithstanding any possible recommendations and changes to strengthen governance arrangements.

Position statement against the Council's Code of Corporate Governance

Self-assessment

39. The Council has completed a position statement against its Code of Corporate Governance for the 2021/22 year, informed by:
- the information identified in the 2020/21 Annual Governance Statement which has been significantly delayed in its finalisation and therefore updated throughout 2021/22
 - the professional opinion of statutory and other officers with responsibility for the development and maintenance of the Council's internal control environment;
 - reports from Overview and Scrutiny, and Corporate Affairs and Audit Committee's examinations of governance processes; and
 - findings from Internal Audit's review programme and other work completed by Internal Audit, and engagement with the Council's external auditor.
40. The detailed position statement is at Appendix 3 and is reflective of governance risk levels as outlined in the Council's strategic and directorate risk registers.
41. In summary, while the Council can demonstrate that governance processes are in place for the most part, the control weaknesses that were identified in the recently published 2020/21 Annual Governance Statement continue to exist. The Council commissioned CIPFA during 2022 to complete an independent review of its governance arrangements which has informed a Corporate Governance Improvement Plan, along with establishment of an appropriate governance structure which includes a multi-disciplinary Member and officer board that aligns with the Council's Project Management Framework. Progress will be reported to Council on a regular basis to demonstrate delivery of actions and also to assess the impact of those actions.
42. This will provide assurance to members on action being taken and ensure that if control weaknesses continue to exist even after action, further actions can be identified to address those. This will also include engagement with Internal and External Audit to provide assurance around delivery.

Internal Audit opinion

43. The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the Council is that it provides Limited Assurance. No reliance was placed on the work of other assurance providers in reaching this opinion.
44. In giving this opinion, Internal Audit drew attention to the following significant control weaknesses which are considered relevant to the preparation of the 2021/22 Annual Governance Statement.
45. An audit on the project management of Boho X found significant weaknesses in governance and decision making. It found that the project was not always managed in line with the Council's Constitution and the Council's project management framework. In addition, the Council's elected Mayor held undocumented meetings with external contractors without officers present, following agreement by a senior officer.
46. The audit has now been finalised and actions have been agreed with management and delivered.
47. During the year a further audit work was carried out on a number of allegations made by former Executive members. This work was fact-finding in nature and intended to provide management with information on the allegations enabling them to make a decision on the next steps to be taken.
48. Whilst Internal Audit's work on this is not yet complete, the findings have largely been agreed with officers. The work found issues related to those for the Boho X audit including governance weaknesses, a lack of challenge or advice from officers, and examples of the Mayor holding undocumented meetings with external contractors.
49. These findings lead Internal Audit to conclude that the concerns identified are not limited to one area or audit and are indicative of wider issues around relationships between councillors and officers and a lack of clear separation of their respective roles, in practice.
50. Actions agreed for the issues identified from the Boho X audit will be followed-up during 2022/23 and further updates will be brought to the Corporate Affairs and Audit Committee.
51. The overall opinion given is based on work that has been undertaken directly by Internal Audit, and on the cumulative knowledge gained through their ongoing liaison and planning with officers. In giving the opinion, Internal Audit note that the Covid-19 pandemic has continued to affect the Council over the last year, with a consequential impact on business operations and controls. The work of Internal Audit has been directed to the areas considered most at risk, or that offer the most value for the authority overall. However, not all the areas affected by the Covid-19 pandemic will have been reviewed.

External Audit opinion

52. The opinion of the Council's External Auditor will be provided to the Audit Committee alongside the final version of this document.

Conclusion

53. As was the case in the 2020/21 Annual Governance Statement, the Council continues to demonstrate that while there are governance processes in place for the most part, it is clear that control weaknesses have continued to exist and need to be addressed if the Council is to improve adherence to processes.
54. During the financial year 2021/22 Member to member and member to officer relationships deteriorated further. Both members and officers have the responsibility for this in terms of the result of further dysfunctionality and in terms of repairing this situation. This was reflected in the diagnostic work completed by CIPFA and reported to Council in October 2022. All members at that meeting voted to accept those findings in full and to work together, with officers to address them. The Chief Executive has also stated that senior officers fully accept the findings of that work.
55. The scale of the culture change required is significant and cannot be underestimated. The Council's External Auditors have made clear that they view this matter with the utmost seriousness, as do the senior officers and senior members who have contributed towards the development of this statement.

56. During 2022/23, the upmost governance priority of the organisation will therefore be ensuring that it responds positively to the issues identified within both the 2020/21 AGS and through ongoing discourse through 2021/22 and into 2022/23. The Mayor is committed to leading this change with the support of the Chief Executive and senior managers.
57. As set out in this AGS, the diagnostic work undertaken by CIPFA during the second quarter of 2022/23 provided an evidence base to inform the planned governance improvements actions required to ensure the culture of this organisation is improved. A detailed improvement plan has been developed in partnership with officers and members to maximise the likelihood of them being successfully delivered.

Signed on behalf of Middlesbrough Council

Andy Preston
Elected Mayor of Middlesbrough
05/12/2022

Tony Parkinson
Chief Executive
05/12/2022

Helen Seechurn
Director of Finance
(Section 151 Officer)
05/12/2022

Appendix 1 Internal Audits completed during 2021/22

Audited System / Service	Assurance Opinion	Priority Actions		
		P1	P2	P3
Use of CCTV	Limited Assurance	2	5	1
Officer and Member decision making	Reasonable Assurance	0	0	6
Schools themed audit – pupil premium	Reasonable Assurance	0	0	4
Teesside Pension Fund – investments	Substantial Assurance	0	0	1
Teesside Pension Fund – Administration	Substantial Assurance	0	1	2
Governance arrangements	Substantial Assurance	0	0	2
Main accounting system	Reasonable Assurance	0	0	3
Cyber security awareness	Substantial Assurance	0	0	1
Social Care and emergency payments	Substantial Assurance	0	0	0
Council Tax and NNDR	Substantial Assurance	0	0	0
Council Tax Support and Housing Benefits	Reasonable Assurance	0	2	0
Youth Employment Initiative	Substantial Assurance	0	0	0
Project management – Boho X	Limited Assurance	5	6	1

Audited System / Service	Assurance Opinion	Priority Actions		
		P1	P2	P3
Asset maintenance	Substantial Assurance	0	0	0
Teesside Pension Fund – Overpayments	Substantial Assurance	0	0	0
Schools themed audit – purchasing cards & asset management	Reasonable Assurance	0	6	9
ICT change management	Substantial Assurance	0	0	1
Home working	Substantial Assurance	0	1	2
Future High Street Fund Governance	Substantial Assurance	0	1	1
Benefits – overpayments	Substantial Assurance	0	0	0
Burial grounds	Draft report issued			
Children’s commissioning & contract management	In progress			
Middlesbrough Development Company	In progress			
	Total:	7	22	34

58. The opinions used by Internal Audit during 2021/22 are explained below:

- Substantial Assurance – A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
- Reasonable Assurance – There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
- Limited Assurance – Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

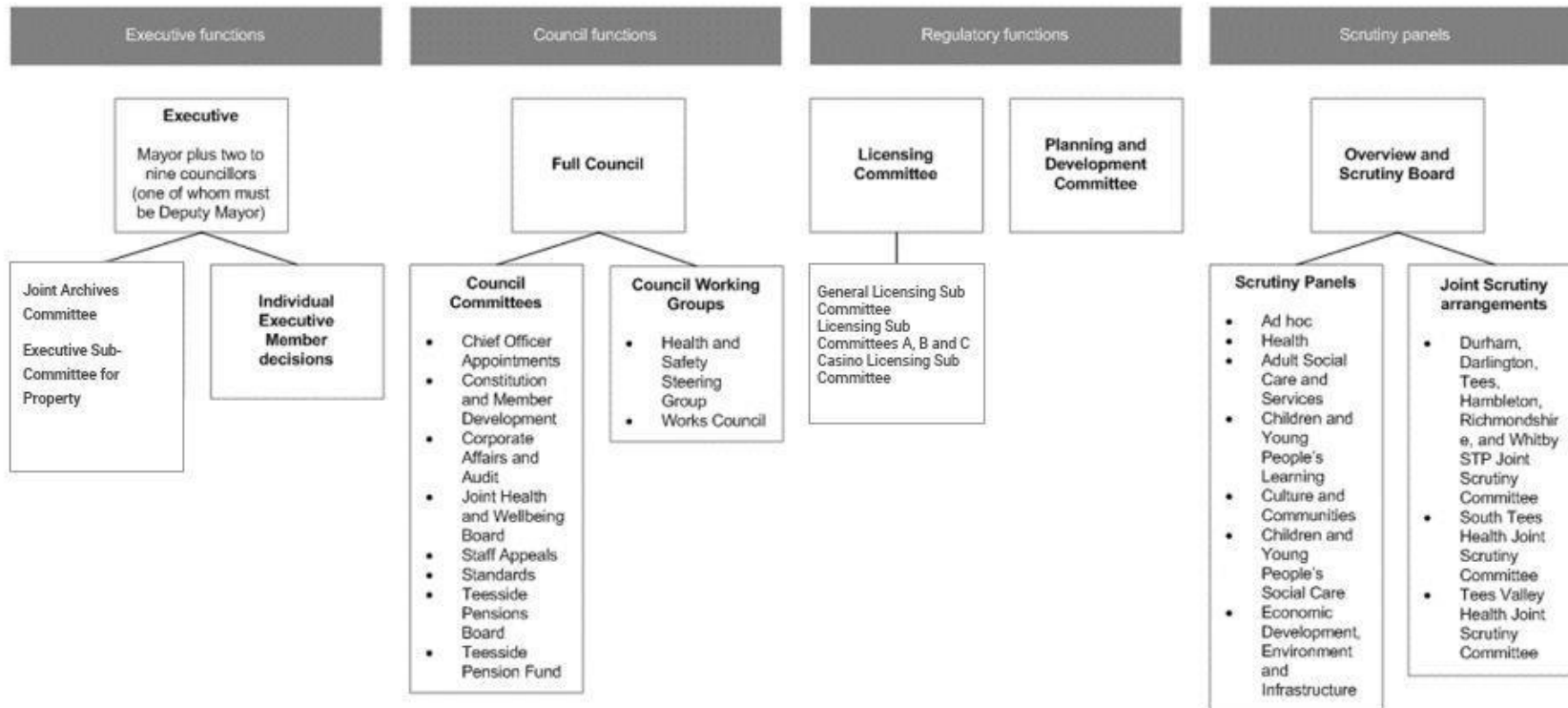
- No Assurance – Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
59. The following categories of opinion are also applied to individual recommendations agreed with management:
- Priority 1 (P1) – A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
 - Priority 2 (P2) – A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
 - Priority 3 (P3) – The system objectives are not exposed to significant risk, but the issue merits attention by management.

Appendix 2 – 2020/21 Annual Governance Statement actions

Action	Lead Officer(s)	Status / deadline
Revise members' code of conduct and deliver training on it to all members, including ethics.	Head of Democratic Services	Complete
Raise awareness of the role of the Monitoring officer, in particular giving advice and guidance to officers on governance.	Monitoring Officer	Complete
Delivery of training to all Members on roles and responsibilities in relation to Programme and Project Management	Strategic Delivery Manager	Complete
Launch the revised Management Framework, to ensure managers understand how they are expected to act to be in line with the refreshed corporate values.	Head of Human Resources	Complete
Refresh training materials on the Council's Organisational Development system to align training with compliance with the values	Head of Human Resources	Complete
Refresher senior leadership development work programme delivered by the LGA to ensure officer and member roles continue to be understood and adhered to.	Monitoring Officer	Complete
Launch an expanded 360 project to cover a wider cohort of managers.	Head of Human Resources	Complete
Member refresher training on the code of conduct will include information on hospitality requirements and registers of interests.	Head of Democratic Services	Complete
Constitution and Member Development committee to consider amendments to the constitution to strengthen and clarify the actions that can be taken in response to councillors failing to complete mandatory training.	Head of Democratic Services	Complete
Deliver training to members on use of social media.	Head of Democratic Services	Complete
Continue to deliver the OFSTED Improvement plan, in particular those actions that have been identified to strengthen leadership within Children's Safeguarding Services.	Executive Director of Children's Services	Ongoing
Refreshed and strengthened training to officers delivering projects to ensure project and wider Council decision making governance is understood and adhered to.	Strategic Delivery Manager	Complete
Delivery of training for Senior Officers on the officer code of conduct and the provision of effective advice and challenge	Monitoring Officer	Complete
Refreshed training approach to ensure senior officers training encompasses the full suite of corporate governance training.	Head of Human Resources and the Monitoring Officer	February 2023
Transition to OPEN, the NEPO e-procurement system that is being put in place for the North East, replacing the current contract management framework with an end to end product once fully rollout.	Head of Commissioning and Procurement	March 2023

Refresh training on the Equality Act and the impact assessment process, ensuring it is mandatory for key officers.	Head of Strategy, Information and Governance	March 2023
Complete mandatory refresher training on the officer and member protocol within Middlesbrough Council's constitution for all members and senior officers.	Monitoring Officer	March 2023
Continue to implement a scheme of sub-delegations where appropriate to further improve governance around officer delegated decisions.	Director of Legal and Governance Services	March 2023
Refresh the Joint strategic Needs Assessment (JSNA) for children and young people this year and complete the Adults and Older persons JSNA.	Director of Public Health with support from the Interim Head of Strategy, Information and Governance	March 2023

Appendix 3: Middlesbrough Council Committee Structure 2021/22



Appendix 4: Position statement against the Council's Code of Corporate Governance

Local Code of Corporate Governance		Self-assessment	
Principle / supporting principles	To meet these requirements, the Council will:	Evidence of compliance with this principle	Areas for improvement
<p>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.</p> <ul style="list-style-type: none"> Behaving with integrity Demonstrating strong commitment to ethical values Respecting the rule of law 	<ul style="list-style-type: none"> Work diligently and with integrity to achieve the Elected Mayor's Priorities for Middlesbrough. Clearly document expected behaviours, and decision-making processes, for members and officers, and regularly review these. Effectively communicate expected behaviours to members and officers, and provide appropriate training on ethical behaviour. Ensure members, statutory officers, other key post holders are able and supported to fulfil their duties and meet their responsibilities. Ensure compliance by maintaining effective audit committee, internal audit and scrutiny functions, and standards and disciplinary processes. 	<ul style="list-style-type: none"> Constitution and supporting documentation clearly set out expected behaviours and decision-making processes, including member and officer relationships, codes of conduct, financial procedure rules and schemes of delegation. Constitution updated during 2020 to reflect COVID impacts to ensure meetings continued to be conducted effectively and in line with best practice. Additional guidance was issued to support this. Corporate values (one of which is integrity) in place and embedded within employee recruitment and selection, induction, appraisal and development. They were refreshed during 2020/21. Comprehensive member induction process and member development programme was delivered for the first year of the current term of office (19/20). Member and officer declarations of interests registers in place, and requested to be updated annually but there is a requirement that Members notify the Monitoring Officer electronically of any changes through the Council's committee management system, Modern.gov. Training for members on the code of conduct in place with a high level of compliance, and with all members individually signed up to the code. The action to deliver refreshed training in 20/21 has been slipped to 2021/22 as a result of COVID and its impact on capacity to deliver. Comprehensive member handbook in place to provide guidance and signpost support, and members' enquiries service in place to assist with casework and data requests. Statutory officers clearly identified and appropriately supported. The Council 	<ul style="list-style-type: none"> A robust officer scheme of delegations and sub-delegations is required to ensure effective, appropriate and timely taking of decisions that can be taken by officers. (20/21 action) Refresher training on ethics has been identified as prudent in light of increased standards complaints and the misconduct in public office conviction. (20/21 action) Action required to ensure understanding of the Equality Act and the impact assessment process, supplementing mandatory equality and inclusion training with refresher impact assessment training for key officers. (20/21 action) Increased awareness of the role of the Monitoring officer, to ensure officers are aware that they can seek advice and guidance on governance matters as well as escalation to line managers or use of HR or whistleblowing processes. (20/21 action)

		<p>complies with the CIPFA statement on the role of the Chief Financial Officer (2016).</p> <ul style="list-style-type: none"> • Effective Corporate Affairs and Audit Committee, internal audit and scrutiny arrangements in place, with members trained appropriately. • Policies in place for counter-fraud, bribery and corruption; complaints; procurement; and whistleblowing, and regularly reviewed. • Member standards arrangements and employee disciplinary procedures in place and updated regularly. • Proactive approach to equality and inclusion in place, engaging staff, acting on intelligence and reporting progress. The Council has engaged staff online (and offline for staff with no ICT access) during Covid using a variety of methods to support maintenance of a positive, inclusive culture. 	
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Local Code of Corporate Governance		Self-assessment	
Principle / supporting principles	To meet these requirements, the Council will:	Evidence of compliance with this principle	Areas for improvement
<p>Ensuring openness and comprehensive stakeholder engagement.</p> <ul style="list-style-type: none"> Openness Engaging comprehensively with institutional stakeholders Engaging with individual citizens and service users effectively 	<ul style="list-style-type: none"> Document and operate a culture of openness and transparency within the organisation. Maintain a culture of accountability, so that members and officers understand what they are accountable for and to whom they are accountable. Consult appropriately with stakeholders on the development of its budget, key plans and service development. Maintain effective decision making processes, ensuring that reports to decision makers clearly set out stakeholder views where relevant. Publish all Executive and Committee reports and decision papers, unless there is a legitimate need to preserve confidentiality on the basis of the statutory tests. Publish on its website information on the Council's strategies, plans and finances as well as on outcomes, achievements and challenges. 	<ul style="list-style-type: none"> Stated commitments to transparency within the Strategic Plan and supporting strategies such as the Information Strategy and annual SIRO Report. Constitution and supporting documentation clearly set out accountabilities and delegated authorities. Consultation on Strategic Plan priorities; and annual budget consultation in place. Corporate consultation and impact assessment policy in place (refreshed during 2020/21), ensuring that stakeholders (including third party providers) are engaged appropriately and views considered in decision making. Committee diary planner published on an annual basis, approved by members and accessible via the Council's website. Executive Forward Work Programme in place, setting out planned decisions in the coming four months on the online committee system. All public Executive and Committee agendas, papers and minutes are published via the Council's website. Officer-delegated decisions are also published. Virtual meeting solutions in place for Councillor meetings while Covid-19 restrictions are in force to ensure transparency around decision-making. Key strategies and plans are clearly published on the Council's website / open data site, and regularly updated. Information on performance and expenditure sent to all households annually as part of Council Tax billing. The Council complies with Open Data requirements, publishing statutorily required and other datasets such as the Freedom of Information Act publication scheme on its open data site. The Council proactively seeks to publish information for which there is a demand. 	<ul style="list-style-type: none"> A robust officer scheme of delegations and sub-delegations is required to ensure effective, appropriate and timely taking of decisions that can be taken by officers.(20/21 action) Action required to ensure understanding of the Equality Act and the impact assessment process, supplementing mandatory equality and inclusion training with refresher impact assessment training for key officers. (20/21 action) Key Performance Indicators with targets will strengthen the Council's Strategic plan and increase transparency around the impact of actions on the achievement of aims within it. (21/22 action) Work during 2021/22 has identified weaknesses in understanding across elements of the corporate governance framework. Refreshed training will ensure senior officers training encompasses the full suite of corporate governance disciplines. (20/21 action). Work was undertaken to improve compliance with Freedom of Information and Subject Access Requests during 2021/22 to improve compliance. This continues to be monitored on a monthly basis by the Council's Leadership Management Team. Completion of a review of the Constitution as part of the Council's Corporate Governance improvement journey.

		<ul style="list-style-type: none">Plans with the digital and marketing and communications strategies to advance in the current approach.	
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Local Code of Corporate Governance		Self-assessment	
Principle / supporting principles	To meet these requirements, the Council will:	Evidence of compliance with this principle	Areas for improvement
<p>Defining outcomes in terms of sustainable economic, social and environmental benefits.</p> <ul style="list-style-type: none"> Defining outcomes Sustainable economic, social and environmental benefits 	<ul style="list-style-type: none"> Clearly set out its contribution to delivery of the Mayor's priorities for Middlesbrough, and use this as the basis for its overall strategy, planning and other decisions. Define outcomes through robust consideration of appropriate evidence bases, such as the Joint Strategic Needs Assessment. Ensure that it delivers defined outcomes on a sustainable basis within available resources. Effectively identify and manage risks to the achievement of targeted outcomes. Manage customer expectations effectively when determining priorities to make best use of resources, and ensure fair access to services. 	<ul style="list-style-type: none"> Strategic Plan and Directorate Priorities Plans in place which outline how the Council plans to deliver the Council's priorities for Middlesbrough, Strategic Plan is part of the Council's policy framework – reports to decision makers set out how recommendations would impact on strategic objectives if approved. Consultation on Strategic Plan priorities; and annual budget consultation in place. Joint Strategic Needs Assessment and supporting assessments in place for children and young people – the children and young people's assessment was refreshed during 2017/18. Market position statements use needs assessments to inform commissioning priorities. Corporate planning cycle considers targeted outcomes and annual budgeting over the medium-term within the context of the Council's Medium-Term Financial Plan and Capital Investment Strategy. Performance, Risk and Programme and Project Management frameworks provide for regularly tracking of progress and addressing issues and risks, with reporting to members and senior managers as appropriate. Customer Strategy and Charter in place, identifying what customers can expect from the Council, alongside specific service eligibility criteria. 	<ul style="list-style-type: none"> Key Performance Indicators with targets will strengthen the Council's Strategic plan and increase transparency around the impact of actions on the achievement of aims within it. (21/22 action) Refresh the Joint strategic Needs Assessment (JSNA) for children and young people this year and complete the Adults and Older persons JSNA. (20/21 action) Recent guidance on the conduct of local authority owned arm's length companies has been issued that Middlesbrough Development Company should be assessed against to ensure it is operating in line with it. (21/22 action)

Local Code of Corporate Governance		Self-assessment	
Principle / supporting principles	To meet these requirements, the Council will:	Evidence of compliance with this principle	Areas for improvement
<p>Determining the interventions necessary to optimise the achievement of the intended outcomes.</p> <ul style="list-style-type: none"> • Determining interventions • Planning interventions • Optimising achievement of intended outcomes 	<ul style="list-style-type: none"> • Ensure reports to decision makers on services are fair, balanced, and analyse options and the risks associated with those options, to ensure Best Value is achieved. • Ensure that external and internal stakeholders are engaged with when the Council is determining how services should be planned and delivered, and the outcome of consultations is considered when decisions are made. • Ensure achievement of social value through service planning and commissioning. • Ensure that it has clear and robust planning and control cycles for its strategic and operational plans, priorities and targets. • Determine appropriate KPIs to demonstrate service and project performance, and provide members and senior managers with timely updates on these. • Ensure medium and long term resource planning is realistic, sustainable and inclusive. • Prepare budgets that are aligned to the strategic objectives of the organisation and its MTFP. 	<ul style="list-style-type: none"> • Reports to decision makers developed using a standard format to ensure effective, fair, and evidence-based decision making. • Corporate consultation and impact assessment policy in place, ensuring that stakeholders engaged appropriately and views considered in decision making. • Guide to social value in procurement and commissioning in place. • Strategic Procurement Strategy in place. Contract management framework now also in place. • 'How to do Business with Middlesbrough Council' guidance for providers in place. • Annual reports to Corporate Affairs and Audit committee on disposals on the grounds of social value provided where appropriate. • Corporate planning cycle considers targeted outcomes and annual budgeting over the medium-term within the context of the Council's Medium-Term Financial Plan and capital Investment Strategy. • Performance, Risk and Programme and Project Management frameworks provide for regularly tracking of progress and addressing issues and risks, with reporting to members and senior managers as appropriate. 	<ul style="list-style-type: none"> • A robust officer scheme of delegations and sub-delegations is required to ensure effective, appropriate, and timely taking of decisions that can be taken by officers. (20/21 action) • Transition to OPEN, the NEPO e-procurement system that is being put in place for the North East, replacing the current contract management framework with an end to end product once fully rollout. (20/21 action) • Recent guidance on the conduct of local authority owned arm's length companies has been issued that Middlesbrough Development Company should be assessed against to ensure it is operating in line with it. (21/22 action) • Key Performance Indicators with targets will strengthen the Council's Strategic plan and increase transparency around the impact of actions on the achievement of aims within it. (21/22 action)

Local Code of Corporate Governance		Self-assessment	
Principle / supporting principles	To meet these requirements, the Council will:	Evidence of compliance with this principle	Areas for improvement
<p>Developing the Council's capacity, including the capability of its leadership and the individuals within it.</p> <ul style="list-style-type: none"> Developing the Council's capacity Developing the capability of the Council's leadership and other individuals 	<ul style="list-style-type: none"> Regularly review operations to ensure that it is continuing to deliver services that are effective, including the use of benchmarking and sectoral research. Work collaboratively and in partnerships where added value can be achieved. Maintain an effective approach to organisational development to ensure continued capacity and capability to deliver. Clearly define roles, responsibilities and terms of engagement for members and employees. Maintain and regularly review its schemes of delegations that outline the types of decisions that are delegated and those that are reserved for collective decision-making. Develop the capabilities of members and senior management to achieve effective shared leadership. Ensure there are appropriate structures in place to encourage public participation. Ensure that systems are in place to ensure that members and staff can be both held to account for performance, and supported as appropriate. 	<ul style="list-style-type: none"> Performance Management Policy set out how corporate performance will be managed. Directorates review performance internally. Business intelligence dashboards are have been implemented to facilitate this. Range of benchmarking and other tools are used within Directorates to contextual performance and drive improvement. Wider Leadership Management Team in place to enable broader consideration of key policy issues. Key strategic partnerships in place, such as the South Tees Health and Wellbeing Board. The organisational development ambitions of the Council are embedded within the Strategic Plan which clearly outlines corporate approach to organisational development. Constitution and supporting documentation clearly set out member and officer role profiles, relationship protocol and schemes of delegation. Corporate consultation policy and online consultation portal in place. Plans with the digital and marketing and communications strategies to advance in the current approach. Processes in place for public involvement in determining scrutiny priorities, for the public to petition Council and to register questions to be considered by full Council. Clear employee appraisal and development process and member development programme in place. 	<ul style="list-style-type: none"> A robust officer scheme of delegations and sub-delegations is required to ensure effective, appropriate and timely taking of decisions that can be taken by officers. (20/21 action) The Council must continue on its improvement journey to address issues raised by OFSTED in relation to its safeguarding services for children to ensure all children are safe receive consistently good care that results in sustained improvement to their lives and their families lives. (20/21 action)

Local Code of Corporate Governance		Self-assessment	
Principle / supporting principles	To meet these requirements, the Council will:	Evidence of compliance with this principle	Areas for improvement
<p>Managing risks and performance through robust internal control and strong public financial management.</p> <ul style="list-style-type: none"> Managing risk Managing performance Robust internal control Managing data Strong public financial management 	<ul style="list-style-type: none"> Embed a proportionate approach to risk management within all activities, ensure that progress is reviewed regularly and that risk is considered as part of decision making. Ensure effective performance management of service delivery and provide members and senior managers with timely updates on service performance and progress towards outcomes. Ensure reports to decision makers on services are fair, balanced, and analyse options and the risks associated with those options, to ensure Best Value is achieved. Ensure effective, member-led scrutiny is in place that provides constructive challenge and debate on objectives and policies before, during and after decisions are taken. Ensure an effective, risk-led Internal Audit service is in place to provide assurance on the overall adequacy and effectiveness of the Council's governance arrangements. Ensure effective counter fraud and anti-corruption policies and arrangements are in place. Ensure effective internal control arrangements exist for sound financial management. Maintain an effective audit committee function. Ensure effective arrangements are in place to collect, store, use and share data, including processes to safeguard personal data. Put in place arrangements to ensure that data used to support decision-making is accurate and clear. Ensure financial management arrangements support both long term outcome delivery and day-to-day operations. 	<ul style="list-style-type: none"> Performance Management; Risk and Opportunity Management; and Programme and Project Management policies provide for regularly tracking of progress and addressing issues and risks, with reporting to members and senior managers as appropriate. Risk is a standard section in reports to decision makers. Reports to decision makers developed using a standard format to ensure effective, fair, and evidence-based decision making. Wide-ranging annual scrutiny programme in place, examining policy and performance. Urgent decision process and records in place and reported to Council annually. Effective internal audit arrangement in place, utilising the Council's plans and risk registers to identify priorities. Policy in place for counter-fraud, bribery and corruption; complaints; procurement; and whistleblowing, and regularly reviewed. Money Laundering Policy. Effective Corporate Affairs and Audit committee in place clear terms of reference and a full and trained membership. Information Strategy in place to provide systematic approach to information governance, including data protection and data quality. Robust financial management procedures in place relating to medium-term financial planning, budget setting, procurement and contract management. 	<ul style="list-style-type: none"> A robust officer scheme of delegations and sub-delegations is required to ensure effective, appropriate and timely taking of decisions that can be taken by officers. (20/21 action) Action required to ensure understanding of, and compliance with, procurement processes of the organisation. (21/22 action) Assess and embed compliance with the Partnerships Governance policy. (21/22 action) Limited assurance judgement from Internal Audit which will be addressed by the Corporate Governance Improvement Plan.

Local Code of Corporate Governance		Self-assessment	
Principle / supporting principles	To meet these requirements, the Council will:	Evidence of compliance with this principle	Areas for improvement
<p>Implementing good practices in transparency, reporting, and audit to deliver effective accountability.</p> <ul style="list-style-type: none"> Implementing good practice in transparency Implementing good practices in reporting Assurance and effective accountability 	<ul style="list-style-type: none"> Provide reports in plain English wherever possible, ensuring that they are easy to access and interrogate and balancing transparency requirements with clarity. Report regularly on performance, delivery of value for money and stewardship of resources. Report on compliance with good governance principles within its Annual Governance Statement, including an action plan for continued improvement. Ensure compliance with good governance principles extends to its partnership arrangements. Ensure that recommendations made by external audit are addressed. Ensure that the internal audit service has direct access to members to enable it to provide assurance with regard to governance arrangements. Welcome and positively engage with peer challenges, reviews and inspections of its services. 	<ul style="list-style-type: none"> Standard template for reports to decision makers designed to advance proposition logically and simply, and reduce duplication of information. Training for report writers ongoing, including expectations around use of plain English. Quarterly results reports to Executive and scrutiny covering performance, financial and risk updates. Annual Governance Statement complying with the standard set out in the Local Code of Corporate Governance. Governance arrangements in place for key strategic partnerships, such as the South Tees Health and Wellbeing Board, with improvement activity underway. Recommendations made by external audit are addressed as a matter of priority through the most appropriate route. Internal audit reports its plans, progress and findings regularly to the audit committee. Agreed actions from internal audit are tracked by DMTs until completion. Council proactively seeks peer challenge, publishing findings and responses and commissioning follow-ups. There are positive relationships with statutory inspectorates and regulators. 	<ul style="list-style-type: none"> Assess and embed compliance with the Partnerships Governance policy. (21/22 action) Action required to ensure understanding of the Equality Act and the impact assessment process, supplementing mandatory equality and inclusion training with refresher impact assessment training for key officers (20/21 action) Key Performance Indicators with targets will strengthen the Council's Strategic plan and increase transparency around the impact of actions on the achievement of aims within it. (21/22 action) Provision of an independent Technical Advisor to the Corporate Affairs and Audit Committee to support challenge

Appendix 5: Corporate governance priorities for 2022/23

2020/21 AGS actions to be still delivered

Action	Lead officer	Deadline
Refreshed training approach to ensure senior officers training encompasses the full suite of corporate governance training.	Head of Human Resources and the Monitoring Officer	February 2023
Transition to OPEN, the NEPO e-procurement system that is being put in place for the North East, replacing the current contract management framework with an end to end product once fully rollout.	Head of Commissioning and Procurement	March 2023
Refresh training on the Equality Act and the impact assessment process, ensuring it is mandatory for key officers.	Head of Strategy, Information and Governance	March 2023
Complete mandatory refresher training on the officer and member protocol within Middlesbrough Council's constitution for all members and senior officers.	Monitoring Officer	March 2023
Continue to implement a scheme of sub-delegations where appropriate to further improve governance around officer delegated decisions.	Director of Legal and Governance Services	March 2023
Refresh the Joint strategic Needs Assessment (JSNA) for children and young people this year and complete the Adults and Older persons JSNA.	Director of Public Health with support from the Interim Head of Strategy, Information and Governance	March 2023

Actions identified within this 21/22 AGS for delivery in 2022/23

Issue	Action	Lead officer	Deadline
The 2020/21 AGS identified that while there were governance processes in place for the most part, there were control weaknesses that needed to be addressed. In particular that process identified there were concerns about Member to Member and Member to Officer relationships that needed to be addressed as a matter of urgency. The Council's External Auditors stated in its 2020/21 Value for Money judgement that the Council should 'develop a comprehensive Improvement Plan to address the cultural and relationship issues which exist within the Council as a matter of urgency. In our view it is the responsibility of all elected members and officers to work together to address these serious matters. This will require the involvement of external specialists as, in our view, the relationships within the Council have	Develop a Governance Improvement plan for noting by full Council during 2022/23 that identifies actions to improve the culture of the organisation and reflect detail of that plan within the final version of this document.	Chief Executive	Complete

Issue	Action	Lead officer	Deadline
deteriorated to a point which the Council will not be able to remedy on its own.'			
The 2020/21 Audit results report of the council's External auditors identified concern in relation to accurate declarations of interest. It stated 'Whilst we recognise that the responsibility to declare actual or potential conflicts of interest sits with members under both statute and the Council's Code of Conduct, given our observations we also recommend that management implement additional assurance checks over elected member declarations of interest, for example by cross-referencing to Companies House records or declarations made by elected members to other public bodies, to provide additional comfort over their completeness.'	The Council will undertake periodic spot checks on a risk-based basis at least three times a year of one or more Members' declarations during 2022/23 to assess whether there are ongoing compliance issues	Head of Democratic Services	March 2023
Within the 2020/21 Audit reports report External Auditors also recommended that Management should work with internal audit to ensure that where future pieces of work identify evidence of wider risks which are not immediately followed-up on, these are reported so that the Council's officers and the Corporate Affairs and Audit Committee can decide whether further investigation is appropriate	Management will work with Veritau to build the highlighting of identified wider risks into the audit reporting process. The reporting of these risks will then be built into regular Internal Audit updates to Corporate Affairs and Audit Committee	Section 151 Officer	The initial action has been completed but there is ongoing monitoring this as part of our monthly liaison meetings and Veritau will be addressing this action within their regular reports to Committee.
Within the 2020/21 audit results report it was identified that the Council's procurement processes required strengthening.	Updated e-learning training guides on procurement practice will be developed along with improved links through business partner relations with service directorates. Enhanced detail will be recorded on exemption forms following approvals. Procurement will also introduce a Best Value process to facilitate a smarter	Head of Commissioning and Procurement	March 2023

Issue	Action	Lead officer	Deadline
	procurement process for lower value procurement of goods and services		
Weaknesses in relation to the Council's recording of leasehold interests was identified by the Council's External Auditors as part of its assessment of the Council's control environment.	All leasehold interests are now recorded on the TF system with quarterly reviews matched against Delegated Approvals (DA) for any changes. A revised DA notification system is currently in development and will go live by end August 2022	Head of Commissioning and Procurement	Complete
It was identified during the development of the Partnership Governance Register that there were entities that would benefit from an appropriate governance framework.	Develop and implement a governance framework for wholly or partly owned Council companies that aligns with best practice guidance.	Interim Head of Strategy, Information and Governance	March 2023
Following completion of the first register and annual assurance report, it would be prudent to assess continued impact within the next annual review.	Assess and embed compliance with the Partnerships Governance policy.	Interim Head of Strategy, Information and Governance	September 2023
Whole Council response required to ensure that it responds effectively to the cost of living crisis impact on its budget position and its ability to meet increased demand for services	Complete a refresh of the Medium Term Financial Plan position to provide assurance to the organisation that there is good financial governance in place.	Chief Executive and Section 151 officer	February 2023
There are areas for improvement within the next refresh of the Council's Strategic Plan to ensure that it is better able to differentiate between actions the Council can deliver and actions to be delivered in partnership. Strengthened measures within the plan will also enable improved assessment of impact.	Ensure Key Performance Indicators with targets are embedded within the Council's Strategic plan when next refreshed. (21/22 action)	Interim Head of Strategy, Information and Governance Strategic Delivery Manager	September 2023

8. Glossary of Terms



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.

Curtailed (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 change 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 leases, 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.

