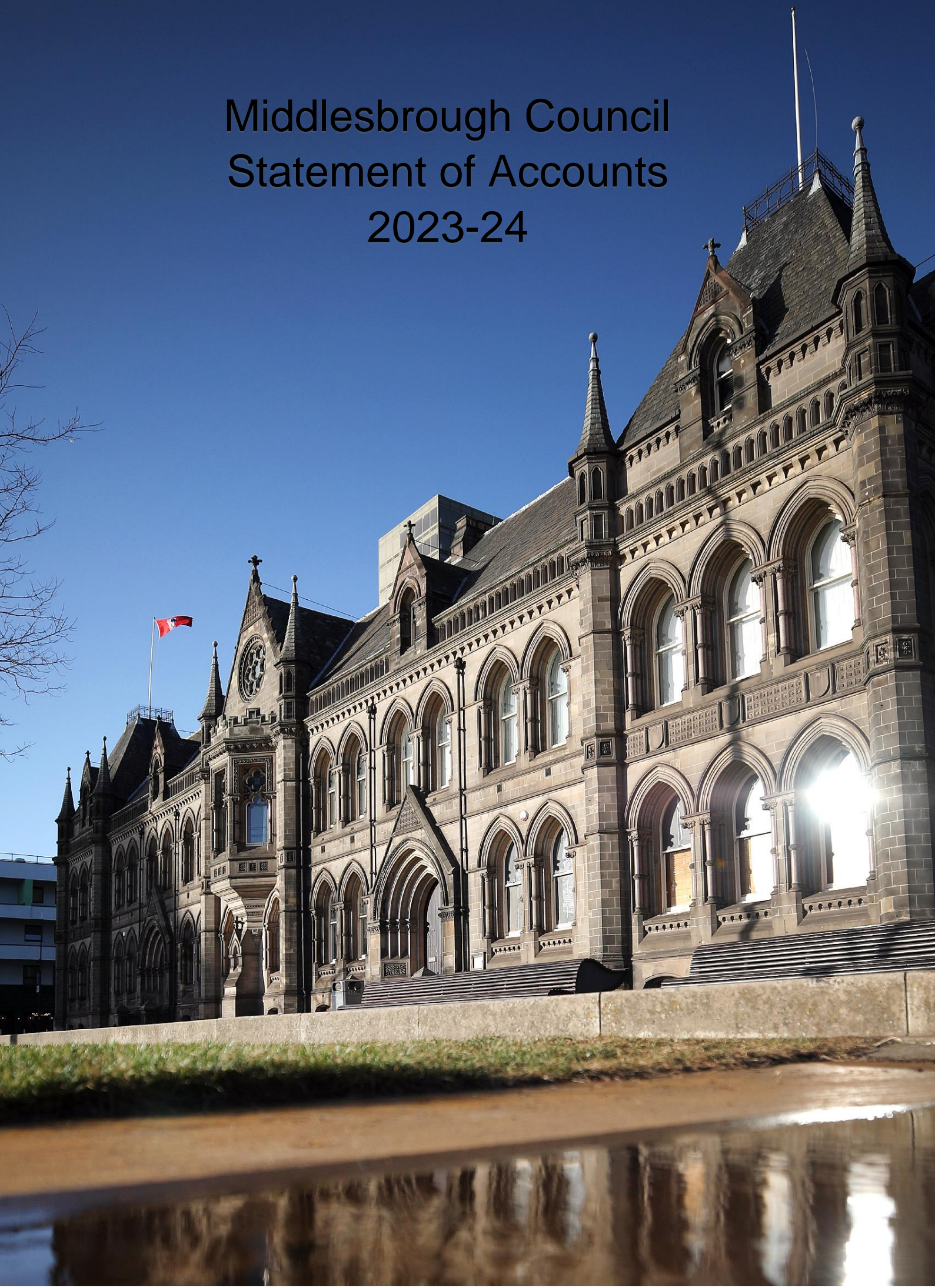


# Middlesbrough Council Statement of Accounts 2023-24



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# Narrative Report



# Narrative Report

## Introduction

Welcome to Middlesbrough Council's Statement of Accounts 2023-24. This document presents the Council's financial performance for the financial year ending on 31 March 2024 and provides information on its achievements, major events during the year and its future plans to Recover, Reset and Deliver for Middlesbrough residents, businesses and visitors.

The financial year 2023-24 was an extremely challenging period time for Middlesbrough Council. The Council started the financial year with a critically low level of revenue reserves due to overspending particularly in Children's Social Care in recent years. Therefore, it was essential that strict financial control was exercised throughout the year and that approved savings plans were delivered in order to remain within the approved revenue budget and protect and start to rebuild reserves.

All local authorities continued to operate in a volatile and challenging economic and financial environment due to adverse global events and the consequences of the Covid 19 pandemic. There has been a significant impact upon the volume and complexity of demand for services, particularly in children's social care and school transport for children with special educational needs and disabilities (SEND). Inflation has remained stubbornly high, and food and energy prices and high interest rates have been key drivers of the national cost of living crisis. This has adversely impacted upon residents and businesses given the historically high levels of deprivation in the area, resulting in the financially vulnerable requiring more support and advice from the Council. The resulting pressures upon the Council's financial position show little sign of reducing in the foreseeable future and so difficult decisions around prioritisation of available resources will be required.

Due to its low level of reserves, the Council lacked the financial resilience to respond to unforeseen events and the unexpected demand for its services that have continued to emerge during the post Covid-19 period. The absence of additional Government funding in the Local Government financial settlement to support the local government sector's response to unprecedented inflationary pressures together with exceptional price increases in children's social care has had a significant adverse financial impact across the sector with an increasing number of authorities expressing concerns about their financial resilience over the next five years.

The Council's External Auditor issued a report in July 2022 which set out concerns relating to the Council's culture and governance arrangements. The Council established a Corporate Governance Improvement Plan in response to the report. However, the Department for Levelling Up Housing and Communities (DLUHC) issued the Council with a Best Value Notice in January 2023. In August 2023 the external auditor issued eleven statutory recommendations to the Council under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014. These recommendations were issued due to the lack of expected progress in addressing the Council's culture and governance arrangements and also as a result of the emergence of the serious financial position in Quarter 1 of the 2023-24 financial year which presents a high risk to the Council's financial resilience and longer-term sustainability.

In response the Council revised and strengthened its Corporate Governance Improvement Plan and created a section 24 action plan specifically to respond to eleven statutory auditor recommendations. We directed more capacity to focus upon accelerating the pace of the required improvements and strengthened the monitoring and reporting arrangements to Council and the Audit Committee. In September 2023 the Council established a voluntary Middlesbrough Independent Improvement and Advisory Board (MIIAB) comprising sector experts to provide support and challenge to the Council in delivering its planned improvements. The Culture and Governance Improvement Plan (CGIP) comprises ten workstreams and the s24 Action Plan addresses the eleven statutory auditor recommendations. Each has a milestone delivery plan which is monitored and reported monthly to the Leadership Team, the MIIAB and at each full Council and appropriate Audit Committee.

The Council must deliver its planned improvements to its culture, governance and financial sustainability at sufficient pace to satisfy DLUHC and the External Auditor of its resolve and capability to manage its affairs responsibly. The Council must secure its long-term future by returning the organisation to a stable, effective and financially resilient state so that it can focus on the effective delivery to meet the priorities for the people of Middlesbrough.

Officers and members have worked collaboratively throughout the 2023-24 financial year to manage a projected overspend of £11.563m (9.2% of the net revenue budget) at Quarter One, down to an overspend of £3.594m (2.8% of the net revenue budget) by the end of the financial year. As a result of the final overspend

position, the General Fund Balance and unrestricted usable earmarked reserves balances stood at £12.055m on 31 March 2024, compared to £15.586m on 31 March 2023, which was assessed by the Council's s151 Officer at this time as inadequate.

However, measures were taken during the year to address this issue to avoid the s151 Officer issuing a s114 Notice in relation to 2023-24 that would otherwise have been necessary under legislation. A detailed review of the balance sheet and in particular, the approach to providing for expected credit loss resulted in the development of a more robust data and performance driven methodology to assessing the risk to debt recovery, that is compliant with international accounting standards. This has resulted in a reduction in the debt provision at 31 March 2024. The resulting surplus on the Collection Fund has been applied in the 2024-25 budget to replenish the revenue reserves by £8.325m on 1 April 2024. This is reflected in the approved 8 March 2024 Council budget and Medium-Term Financial Plan for 2024-25 incorporating a new Reserves Policy that will rebuild the Council's financial resilience over the next three to four years. Whilst this is a substantial improvement in the revenue position, the Council still has much work to do in 2024-25 and over the medium term to modernise its service operating models to reduce its ongoing expenditure to fall in line with its available annual income streams and to further strengthen its reserves position.

The Council's governance arrangements underpin the effective planning, management, and scrutiny of the use of public funds and are a key part of a local authority's responsibilities. The financial statements are a critical medium through which the Council demonstrates its accountability to the public in relation to the use of public funds. They also record the Council's assets used and liabilities arising from the delivery of services. Although Local Authority financial statements are complex and can be difficult to understand, this narrative report seeks to provide the reader a comprehensive and simplified view of the performance over the past year and the Council's direction of travel over the medium-term future.

This narrative report will provide the reader with:

- An understanding of the Council and its strategic priorities.
- A summary of the council's financial performance for 2023-24.
- Information on how well the Council delivered its key priorities.
- An overview of the council's medium term financial plans.
- A commentary on the key features of the financial statements and notes that make up the statement of accounts.

The Council is required to publish an Annual Governance Statement to accompany the Statement of Accounts. This sets out the arrangements the Council has put in place to manage and mitigate risks it faces while meeting its responsibilities. The 2023-24 Annual Governance Statement is included on page 170.

## Going Concern assessment

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

In addition, the Council has a governance qualification in place in relation to its ability to achieve value for money from its operating arrangements. This was introduced by the external auditor in July 2022, as part of the audit of the 2020-21 statement of accounts, with formal statutory recommendations being introduced in August 2023 under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014. This is as well as the Best Value notice issued by DLUHC in January 2023 which has been extended to 30 June 2024 which requires the Council to demonstrate improvement through its progress in delivering against its Culture and Governance Improvement Plan (CGIP) and s24 Action Plan.

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

Very early in the 2023-24 financial year, the Council's financial management and forecasting processes

identified that demand for services particularly within adults and children's social care, home to school transport, homelessness and waste disposal were likely to exceed the levels previously forecast. This, combined with issues on delivering some projects within the savings programme were forecast to result in a significant overspend for 2023-24 financial year. At Quarter One this forecast overspend was of the order of £11.527m. Against an available usable revenue reserves position of £14.829m, this would consume all the corporate earmarked reserves, plus most of the Councils' general reserves balance therefore putting the Council at high risk of s151 Officer being required to issue a s114 Notice under s114(3) of the Local Government and Finance Act 1983.

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

With focused effort and initiative, the Council's corporate leadership team and the Executive have managed to reduce the forecast overspend from £11.527m to £3.594m by the end of the financial year. This overspend has been funded through the use of usable revenue reserves which remain at a critically low level of £12.055m, consisting of unrestricted earmarked of £1.069m and General Fund Balances of £10.986, which are assessed as inadequate. Although the position is improved, the Council continues to spend above its annual income streams. The 2024-25 budget was balanced utilising £4.7m of one-off borrowing approved by DLUHC via Exceptional Financial Support, with a further £8.7m of EFS borrowing provided to fund potential risk of non-delivery of savings and realisation of capital receipts to fund transformation during 2024-25. Work will continue to control expenditure throughout 2024-25 together with development and implementation of the Council's Recover, Reset, Deliver Transformation Portfolio which aims to deliver further modernisation of services to deliver further savings to balance the c£8m budget gap that remains over the period to 2026-27. The Council must establish service delivery models that can operate within its annual income streams and deliver its plans to rebuild its revenue reserves restore its financial resilience.

The Council was required to set a legally balanced budget for 2024-25 by the statutory deadline of 11 March 2024. At its meeting on 20 December 2023, Executive considered an update report in relation to progress made in developing the 2024-25 Budget and MTFP for the period 2024-25 to 2026-27. The report identified that despite substantial work undertaken by the Leadership Management Team, the Elected Mayor and the Executive to identify savings and income growth proposals sufficient to balance the 2024-25 budget, a shortfall of £6.279m remained for 2024-25. It also reported further gaps of £1.596m for 2025-26 and £0.305m for 2026-27, equivalent to a cumulative budget gap of £8.180m. This budget gap remained despite an increase in council tax of 4.99% and cumulative savings and income growth projected at £21.088m by the end of 2026-27.

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

In January 2024 a report from the Chief Executive and the S151 Officer stated that in order to set a legally balanced and robust budget whilst maintaining adequate revenue reserves for 2024-25 the Council must apply for EFS from Central Government, and on 17 January 2024 the Executive approved that an application for EFS be made to DLUHC for the sum of £15m in order to enable a balanced and robust budget to be recommended to Council for approval at its 2024-25 budget setting meeting. This would enable the Council to address the budget gap for 2024-25, manage the financial implications of the savings programme delivery risk and support transformation and redundancy costs pending realisation of capital receipts from the asset disposal programme. Following the allocation of an additional £1.6m of Social Care Grant in the Final Local Government Finance Settlement on 5 February 2024, the budget gap for 2024-25 was reduced by this sum from £6.3m to £4.7m. Consequently, the EFS application was adjusted from £15m to £13.4m. The Minister for Local Government wrote to the Elected Mayor on 27 February 2024 to inform him that DLUHC approves 'in-principle' the Council's application of up to £13.4m of EFS application subject to standard terms and conditions, and on 8 March 2024 Full Council approved the recommendation to accept the 'in-principle' offer of up to £13.4m of Exceptional Financial Support (EFS) issued by DLUHC and the associated terms and conditions. This enabled the Council to meet its statutory responsibility to set a lawful balanced and robust budget and Council Tax level for 2024-25 by the statutory deadline of 11 March 2024. The approval for EFS of £13.4m



allowed the Council to meet the budget gap to fund day to day expenditure on services and operational risks, allowing the Council to borrow to fund day to day revenue expenditure which is not usually permitted. The 'in principle' offer has subsequently been confirmed by DLUHC.

In addition to the above, a review of the collection fund expected credit loss 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.

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

For the above reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the MTFP period to 31 March 2027.

Government has implemented a statutory override on a temporary basis to the end of 2025-26 which directs local authorities not to fund the Dedicated Schools Grant (DSG) deficit from the General Fund. The temporary nature of the statutory override presents a medium to long term risk to the Council. If a Government solution is not implemented before the statutory override is removed, then this deficit (which the balance was £14.293m at 31 March 24), would fall to be met by General Fund balances. This is a significant financial risk that exists for Middlesbrough and many other upper tier local authorities with education responsibilities. The Council is engaged in the Delivering Better Value Programme with the Department for Education (DfE) and CIPFA to deploy measures to reduce expenditure over time as part of national measures led by Government to address the financial pressures being experienced by local authorities. Further focus is required during 2024-25 to address this issue given the significant increase in overspend during 2023-24.

## Review of the Year

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

We are the natural centre or 'Middle' of the Tees Valley region, an area home to around 677,000 people, and our town centre is currently being transformed with modern urban living, leisure, and business facilities. The oldest part of town, close to the waterfront, is being brought back to life. The leisure and cultural possibilities in and around Middlesbrough are significant; from our beautiful parks to the town's arts and heritage venues, there is much to be proud of.

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

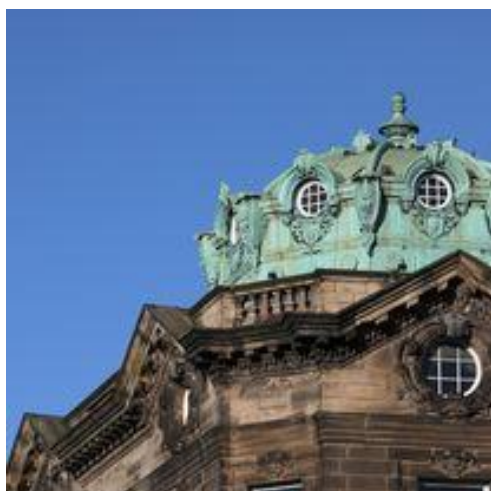
On 4 May 2023, Chris Cooke became the fourth directly elected Mayor of the town and is passionate about making sure services work for and are accessible for everyone. The Mayor has worked with his Executive and the Leadership Management Team of the Council to develop his vision for Middlesbrough and the ambition to recover, reset and deliver services to the residents, businesses and visitors of Middlesbrough as set out in the Council Plan, Budget and Medium-Term Financial Plan that was approved by Council on 8 March 2024 and the Transformation Portfolio approved by Council on 24 April 2024. Delivering against these plans is critical to delivering these ambitious plans to secure a successful future for the area.

The Council is committed to improving its culture and governance and recovering its financial position. It is fully engaged with DLUHC, its External Auditor, the Local Government Association and the MIIAB to drive forward the required improvements. The Council has engaged expertise through the Chartered Institute of Public Finance and Accountancy (CIPFA) and external consultancy support to provide the required knowledge, expertise and additional capacity to support its valued local workforce in order to deliver at the pace required to stabilise the organisation and satisfy DLUHC of its competence to independently manage its affairs going forward. DLUHC will be reassessing the Council's progress during summer 2024.

The revision of the Constitution, Financial Procedure Rules and the Contract Procedure Rules which provide

the regulatory framework within which officers and members operate, has been implemented. These rules are more accessible, easier to understand and follow for staff and elected members and will enable the embedding of a compliant culture. Compulsory training in these financial and procurement rules has been delivered to all budget managers to support them in improving financial management and control.

There has been significant economic instability in the 2023-24 financial year with a weaker economy, prolonged exposure to high interest rates and widespread unemployment. Inflation, as measured by the Consumer Price Index, peaked at a thirty year high of 11.1% in October 2022 and stood at 8.7% in April 2023 reducing to 3.2 % by March 2024. Although annual inflation has started to reduce back towards the 2% government target, prices are significantly higher than before the Covid-19 pandemic. This has presented significant challenges for the Council's budgets and the finances of our residents and local businesses.



Prolonged economic instability creates significant pressures on public sector finances, and it is important that the Council holds sufficient levels of general fund reserves to ensure that it remains financially resilient to cope with unforeseen challenges. This is particularly difficult for Middlesbrough given that its reserves have reduced in recent years to support overspends particularly in Children's Services. This resulted in the Council starting 2023-24 with critically low levels of usable revenue reserves. However, the Council is committed to delivering improved efficiency and transformation in service delivery in order to control its expenditure within the available income sources and is working to replenish its reserves in the medium term.

The Council has commissioned CIPFA to conduct an assessment of the maturity of the Financial Management arrangements at Middlesbrough. This benchmarks our arrangements against its best practice model which has been used to assess over 400 public sector organisations over more than 20 years. The Executive considered the CIPFA recommendations in July 2024 and statutory officers proposed recommended revisions to the Culture and Governance Improvement Plan to Council to address the recommendations. The Council significantly improved its financial management and reporting arrangements during 2023-24 and continues to work on improving its budget modelling and reporting tools. The Council is currently rolling out accessible and intuitive budget management dashboards to provide views of all Directorate's financial performance driven by the corporate financial system in order to reduce manual intervention and duplication of effort. This will enable us to produce one version of the financial position that is available to all Directors, their budget managers and finance staff. Combined with further training, all Directors and budget holders will be supported to own and establish a firmer grip upon the financial management of services within their control.

The Council regularly reviews and updates its Medium-Term Financial Plan (MTFP) assumptions in order to assess and respond to the changing financial environment and incorporate into its strategic and operational financial management arrangements.

The Council was unable to achieve a balanced revenue budget position for 2024-25 without reliance upon up to £13.4m of Council borrowing to fund revenue expenditure through a mechanism called Exceptional Financial Support (EFS) approved by the Department for Levelling Up Homes & Communities (DLUHC). The revenue budget gap of £4.7m represents the extent to which operational revenue expenditure exceeds the Council's available income streams. A further £8.7m of risk assessed funding may be required which cannot otherwise be provided due to the Council's critically low revenue reserves. The Council will be subject to further inspection and review by DLUHC to confirm the actual amount of EFS that will be awarded over the course of 2024-25. The ability of the Council to meet its statutory responsibility to set a balanced and robust budget for 2024-25 by 11 March 2024 was wholly dependent upon its acceptance of the terms upon which EFS was agreed. If the Council had not accepted EFS in order to balance its budget, it would have failed to meet its statutory duty to set a legally balanced budget. This would have resulted in the section 151 Officer being required to issue a section 114 Notice under s114(3) of the Local Government and Finance Act 1983.

The Council was unable to balance its 2024-25 Medium Term Financial Plan with a budget gap of £7.474m in 2025-26 rising to £7.965m in 2026-27. The development of a new pipeline of projects within the Transformation Portfolio is required during 2024-25 in order to provide options to balance the 2025-26 budget and MTFP. The Capital Programme 2024-25 to 2026-27, and Council Tax levels for 2024-25, were set out in the 2024-25

Revenue Budget, Medium Term Financial Plan, and Council Tax setting report to Council and approved on 8 March 2024. The Council's ability to deliver the financial outturn within its approved 2024-25 budget and develop robust and deliverable plans to meet the budget gap in 2025-26 is critical to its financial recovery. Its success in driving improvements in its culture and compliance with strengthened governance arrangements will serve to demonstrate its competence to manage its own affairs and demonstrate delivery of value for money in the delivery of services to the community.

Middlesbrough Council delivers hundreds of services that residents, business and visitors to the town rely on. We value our passionate and committed workforce who strive to deliver the best possible service within finite resources and in the face of increasing demand for services to the vulnerable for which the Council has a statutory duty to provide. The Transformation Programme aims to modernise service delivery to achieve improved efficiency and effectiveness. This will inevitably mean that the size of the Council's workforce will reduce over time. However, we aim to ensure that we invest appropriately in developing the skills and experience of our talented staff to adopt new ways of working and so deliver better service outcomes from a lower cost base therefore delivering better value for public money.

This Narrative Report aims to provide both guidance and context to the accounts of Middlesbrough Council, presenting a summary of the Council's financial position, financial performance and non-financial activities for the year, and its prospects for future years.

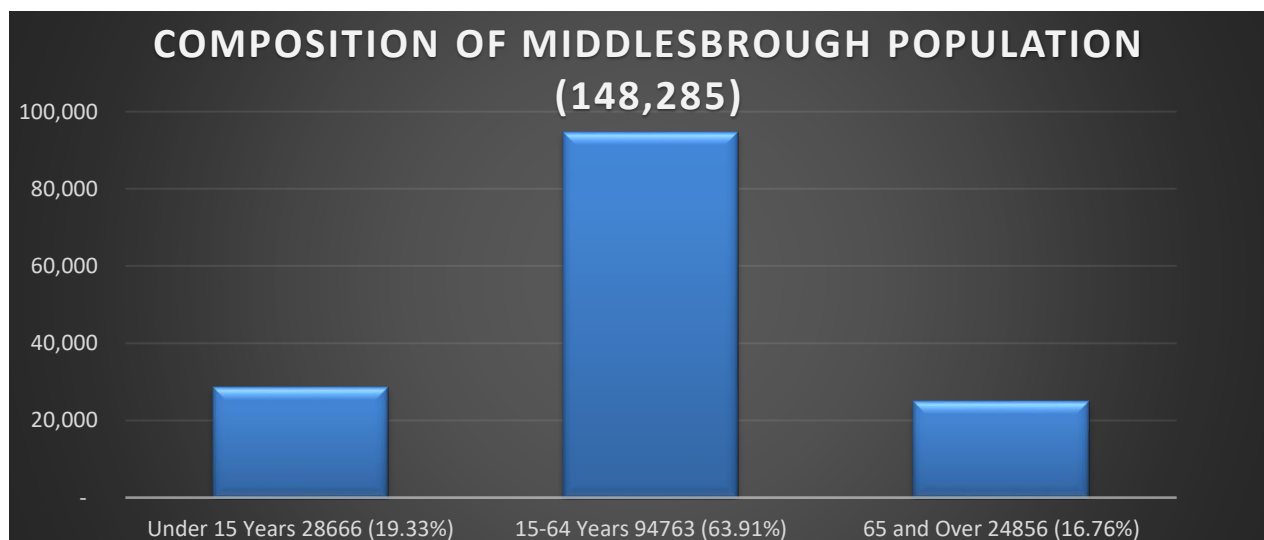
The Narrative Report and the Statement of Accounts aim to give the appropriate context as to how the Council has performed both operationally and financially and the events that have impacted this performance.

## Background to the Council

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

The Council aims to collaborate effectively with residents, businesses, public sector partners and the voluntary and community sector in order 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



Mid-year population estimates as at March 2022 from the Office of National Statistics ([Population estimates for England and Wales - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk)) indicate a population of 148,285. With a total area of 5,387 hectares, Middlesbrough is the smallest and most densely populated local authority area in the North East.

The demographic composition of the local population drives the demand for services provided by the Council most notably through increasing demand to support the most vulnerable citizens in need of Children's and

Adult Social Care. In recent years, there has been a greater focus on regeneration and increasing economic growth, through developments, housing and the town centre. In addition to improving the place of Middlesbrough to work and live, these developments are essential for growing long term income streams through council tax and business rates to fund the delivery of Council services.

Economic data from Nomis Official Labour Market Statistics (Latest data 2023) shows that pay levels in Middlesbrough are lower than the middle range for the Northeast and nationally. [Labour Market Profile - Nomis - Official Census and Labour Market Statistics \(nomisweb.co.uk\)](https://www.nomisweb.co.uk/publications/labour-market-profile)

	<b>Middlesbrough</b>	<b>Northeast</b>	<b>Great Britain</b>
Gross Weekly Pay (Median) Full-Time workers	£554.70	£613.70	£682.60
Unemployment rate (16-64) as a proportion of economically active	5.3%	3.9%	3.7%

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 2023-24

The vision for Middlesbrough, as set out in the Council Plan for 2024-27, is for Middlesbrough to be a thriving, healthier, safer, and more ambitious place where people want to live, work, invest and visit. The Council will support the people of Middlesbrough to live fulfilling lives to ensure that our communities thrive.

The plan was developed by Mayor Chris Cooke, his Executive team, and senior staff. It was approved by Full Council on 8 March 2024.

Like many areas, Middlesbrough faces many complex and difficult challenges in order to improve the quality of life in the area. The Council is determined to work with local people, our partners, and businesses to overcome them in a financially sustainable way. We are working with government and other stakeholders to improve how we do things. We are addressing many problems that have existed for a number of years and building upon our progress so we can move forward with confidence.

Middlesbrough is a brilliant town with huge potential and while we work on addressing our challenges, we will promote and build upon the positive things that happen here. It's important that we use the passion, talent, pride, and positivity of our people to make the most of the opportunities that come our way.

We believe that the Council Plan underpins our ability to deliver a fair, welcoming, and thriving place for the future.

You can read more about our priorities using this link:

<https://www.middlesbrough.gov.uk/media/3j2nkoxv/council-plan-24-27.pdf>

The Executive is the organisation's principal decision-making body, within the overall policy direction set by the Council. The Executive consider 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, capital programme and Medium-Term Financial Plan.

Following the local elections in May 2023, Labour took control of Middlesbrough Council, with newly elected mayor Chris Cooke leading 22 of his party's councillors with 2 vacant awaiting by-elections.

<b>Category</b>	<b>Number as at 31 March 2024</b>
Mayor - Chris Cooke (Labour)	1
Conservative	4
Independent	2
Labour	24
Liberal Democrats	2
Marton East Independent Group	2
Middlesbrough Independent Councillor's Association	12
<b>Total</b>	<b>47</b>

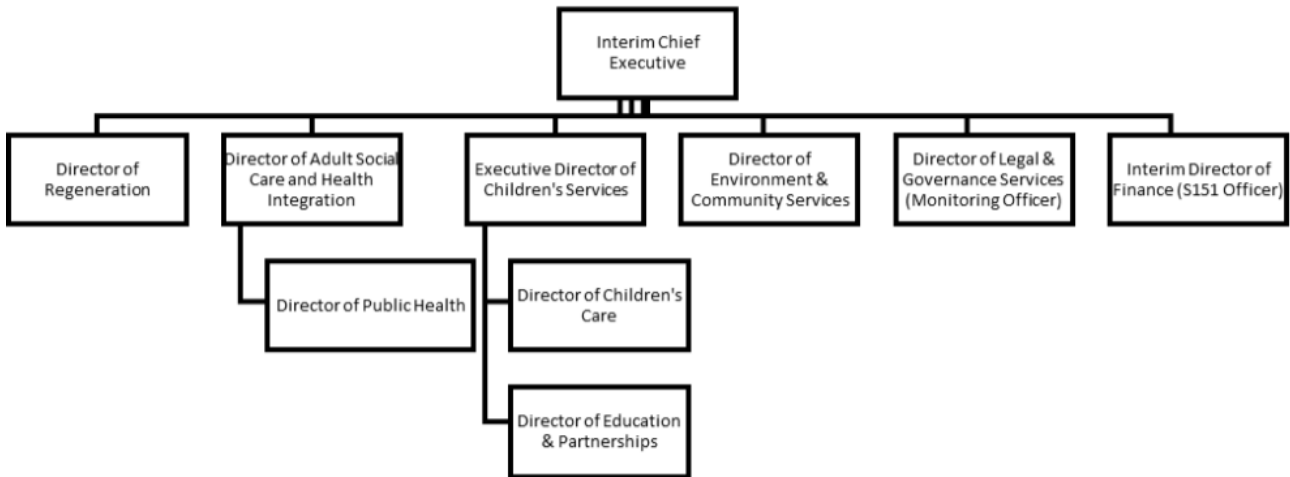
Meetings of the Executive took place every four weeks chaired by the mayor with each member of the Executive having designated responsibilities (known as portfolios).

Middlesbrough Council consists of 20 wards with between one and three Councillors representing each ward. All councillors serve a maximum four-year term.

## Management Structure

### Leadership Team

The senior management structure of the Council on 31 March 2024 is set out below:



## Investment Strategy for Middlesbrough

- A new Medium-Term Financial Plan (MTFP) was approved by Council on 27 February 2023; the report included £231m Capital Programme (investment strategy) for Middlesbrough for the period from 2022-23 to 2025-26. This was funded by £114m of the Council’s own resources with £117m of external grants and contributions. The delivery of the capital programme investment aims to support the delivery of the mayor’s commitment to invest in improving Middlesbrough as a town and to transform service delivery for residents. It is intended that this capital investment will contribute to meeting the objectives set out in the Council Plan and within the financial parameters set within the MTFP. The investment will support the delivery of several major regeneration schemes and expand the affordable housing offer in the area:

- Town Centre development projects.
- School capital projects
- Disabled Facilities Grant scheme
- ICT related projects
- Environment & Community Services projects



## Customer Strategy Programme

The vision of the Council’s Customer Programme is to deliver a consistent and streamlined model that resolves customer queries at the first point of contact wherever possible. Where needs are complex, we will ensure that the appropriate staff meet need at the earliest opportunity.

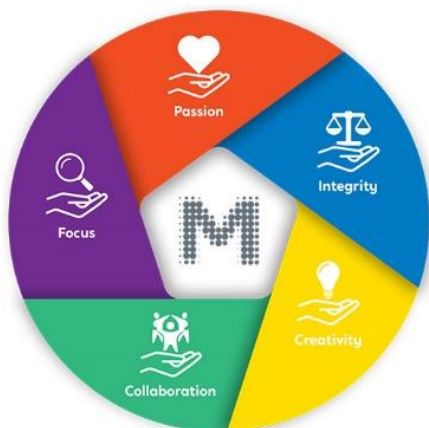
We aim to streamline the multiple points of first contact (front doors) through which customers currently access council services which results in inefficiency and duplication of resources and cause delays in responding and unnecessary cost for the Council and inconvenience for customers. There will be an appropriate balance of online, telephone and face to face channels for customers to access the service and information that they

need. We will adopt a strong customer focused approach to the delivery of services to customers who include its residents, businesses, and visitors to the town. The Council will improve its communication of the scope and standards of service so that customers know that to expect. We will engage with customers to improve the quality and timeliness of service offerings making best use of available resources.

## Our Values

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

### Our Values:



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

## Performance

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

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

The Council used a narrative update approach to measure performance during each quarter of the financial year and any issues.

The Council's overall performance for the financial year 2023-24 can be accessed using the following link: [Report.pdf \(middlesbrough.gov.uk\)](https://middlesbrough.gov.uk/Report.pdf)

## Directorate Achievements

### Regeneration

- Levelling Up Partnerships. Middlesbrough has been awarded £20.8m of capital funding as one of twenty areas designated as Levelling Up Partnerships. This funding has complemented the work of the Towns Fund and Future High Streets Fund and represents £57m of capital funds secured by the Council since 2020. The project will enable such developments as bringing public services into the high street, youth and community provision, skills provision, and measures to tackle crime and antisocial behaviour.
- Captain Cook Square. The transformation of the Captain Cook Shopping precinct into a leisure destination continues at pace. 2023-24 witnessed the opening of the first two leisure facilities with significant progress on further developments. Critically, this work ensured that the sudden collapse

- and vacation of Wilkos store was immediately mitigated with a new tenant secured.
- Economic Development - TTE @ College. With the support of Town Deal funding and Middlesbrough's Indigenous Growth Fund allocation, Middlesbrough College has successfully completed the relocation of the TTE training facility on to the College Campus at Middlehaven. The gross investment sits at over £10m and drives additional student / adult learner footfall, through central Middlesbrough.
- Heritage Action Zone (HAZ). 2023-24 witnessed the bulk of the Heritage Action Zone programme delivery around Middlesbrough Rail station and Middlesbrough's Historic Quarter. Heritage assets have been brought back to modern uses and tenancies with restoration works, new public spaces improve the arrival experience in one of Middlesbrough's principal gateways and the groundwork has been laid for the imminent arrival of STACK. Middlesbrough's HAZ has been championed as an example of excellence by Historic England and will be a case study for the development of future national programmes.
- Apprenticeships. The Council's achievement rate for successfully completed apprenticeships for 2023-24 was 76%, this is above both the national rate of 53% and Government target for 2025 of 67%.
- Learning For Inclusion. The Council were awarded £0.622m for Learning For Inclusion. In 2023-24. This has resulted in significant outputs including:
  - 1160 residents engaged on first steps learning, health and wellbeing courses.
  - 74% of adults engaged are from Middlesbrough's most deprived wards.
  - 12% of learners entered employment within 3 months of course completion.
  - 55% of learners are BAME.
- Museums. Middlesbrough Museums won the Best Arts & Education Partnership at the Northeast Culture Awards 2023 for its British Museum in your Classroom project.

## Public Health

- Established South Tees Waiting Well Service in partnership with South Tees Hospital Trust to provide an all encompassing health and wellbeing service to patients waiting for surgery across South Tees. 321 patients have benefited from improved health and wellbeing outcomes in preparation for surgery.
- Public Health South Tees have secured the following funding;
  - £4m DLUHC for the new Live Well Centre relocation to the Cleveland Centre
  - £1.4m Live Well East Expansion in Berwick Hills
  - OHID funding for Public Health degree apprenticeship opportunities
- Secured £176,260 in funding to provide vape starter kits to all south tees adult smokers through Swap to Stop scheme.
- Shortlisted and won the community innovator award in the 2024 Healthwatch awards.
- Helped 41 Middlesbrough patients who had a Severe Mental Illness (SMI) to access support to reduce harm levels and / or Quit smoking through SMI pilot . Scheme has now ended however learning from pilot has been implemented as part of standardised offer.
- In collaboration with the Targeted Lung Health Team established a successful referral pathway for patients identified as High Risk of lung Cancer. Pathway has been shared regionally as good practice.
- Successfully implemented disability and mental health strand of the MUST service in 14 care homes across South Tees, resulting in 100% increase in care homes completing nutritional screening and 152% increase in screening accuracy.
- With the support of additional funding from the Household Support Fund – the programme has been opened up to allow children and young people not in receipt of benefit related free school meals, to access the programme.
- Eat Well Schools Award: Pilot launched in September 2023, with 2 primary schools and 1 SEN school signed up and currently working through the bronze award criteria. 32 catering staff have been upskilled to create menus that meet the school food standards, through an in-person training package. 38 catering staff have completed an online e-learning module on the school food standards.
- Health Protection Assurance Partnership has a clear action plan and meets regularly to review and take forward activity around environment, communicable diseases, community resilience, immunisations, and screening. Health protection assurance workshops for education and adult settings were held in November with over 50 educational settings and wider key partners attending.
- Worked with the UKHSA on the recent Measles outbreak which included letters to parents via education, facilitation of additional MMR vaccination catch up clinics in schools with translated letters, production of videos, wider community engagement and promotion of vaccinations.
- Worked with our sexual health provider to establish postnatal contraception provision for women delivering babies at the James Cook University Hospital. Eleven midwives have been trained by the

- Tees sexual health service to fit implants post-delivery since May 2023.
- Public Health South Tees are hosting North East ADPH Regional Gambling Harms Programme which is working across 12 NE local authorities to reduce gambling harms through training, awareness, health needs assessments and intervention and prevention pilots.
- Sixteen young people in Middlesbrough have achieved successful closure in the last quarter, meaning they are now substance-free. 99 young people received brief intervention, 118 intensive 1:1 support and 8106 attended sessions in educational settings.
- The South Tees Wellbeing Network (STWN) 'Wellbeing in Practice' programme provided 10 wellbeing interventions events, creative huddles project and access to our libraries 'Books for wellbeing' for our local health and wellbeing workforce, volunteers and families.
- 11 Middlesbrough Care Homes signed up to use the Dementia Friendly Care Home Guide and Self-Assessment Tool which aims to improve the care home offer and to support CQC inspections and regulations.

## Children's Social Care

- Staff have worked incredibly hard and tangible improvements have been identified by Ofsted, across all areas of Children's Social Care and Early Help.
- The situation within Children's Care is progressed positively and we are seeing a reduction in the overall CLA numbers within Children's Care although costs have increased.
- We are supporting more children at an Early Help Threshold with a stable Early Help workforce and strong partnership arrangements in place.
- Audits are demonstrating an increase of "Requires Improvement" and "Good" gradings. Performance has improved across the service areas, and we are starting to gain stability through an increased permanent workforce.
- We have significantly improved the offer to our in-house foster carers, in terms of payments, support and training. This has encouraged more applications and assessments of potential carers in Middlesbrough, meaning children can remain more local with our own foster carers, within a model that offers best value for Children's Social Care.
- We have welcomed 9 newly qualified social workers from our Social Work Academy into the wider teams. In recognising the benefit of 'grow your own' in the climate of a national shortage of social workers, we are training and developing a sustainable and stable permanent workforce for Middlesbrough.

## Education and Partnerships

- The Local Authority in partnership with Childrens Social Care and schools have:
  - Achieved a grade 1 (the highest grade) outcome for SEND in our recent Ofsted inspection meaning that our services are delivering strong Special Educational Needs and Disability services to our young people and families.
  - The South Tees Youth Justice Service have successfully rolled out new initiatives to ensure our young people receive the very best service both to prevent entrance to the Criminal Justice System (CJS) and also management of young people whilst involved with the CJS.
  - Continued to deliver outstanding services through our PROCLAIM initiative which supports pupils and schools in the management of trauma – this work had led to excellent outcomes such as improved attendance and reduced exclusions in participating schools
  - Worked with DfE to launch an innovative attendance project to drive up attendance across all schools in Middlesbrough
  - We have worked with DfE to ensure we delivered sufficiency of places across the town for all nursery aged and school aged children resulting in Middlesbrough being placed 1st in the country for ensuring eligible 2 year olds take up their nursery place to start preparing for school as soon as possible. For the new extended childcare entitlement, Middlesbrough is also ranked 1st for the rollout of 2 year old working parents vouchers.



## Adult Social Care

- The department began the year with a significant budget gap but, as a result of action taken by staff in year, we closed the 2023-24 year with an underspend of £26,000.
- Simon Waller won the Technical Officer of the year award at the 2023 Foundations National Healthy Housing Awards.
- The Staying Put Agency was a finalist for the Disabled Facilities Grant Adaptation Service of the Year award at the 2023 Foundations National Healthy Housing Awards (having won the award in 2022).
- The Rekindle Digital Inclusion Service was commended and a finalist in the Achievement of the Year award at the 2023 Foundations National Healthy Housing Awards.
- The Staying Put Agency was a finalist in the Health and Social Care category of the Local Government Chronicle awards.

## Environment & Community Services

- Implemented a Selective Landlord Licensing scheme in the Newport 2 area.
- Executive approval was given for a further Selective Landlord Licensing designation in the Newport 1 scheme.
- Responded to and resolved a 22% increase in housing standards complaints to ensure tenants are living in safe rented accommodation.
- Conducted 706 food hygiene inspections and 663 Food Standards Inspections to ensure food purchased in Middlesbrough is safe.
- Monitored Air quality standards across the town, the Annual Status Report was submitted in June 2023 which reported that all national air quality standards had been met.
- Achieved a two- and half-year custodial sentence for a rogue builder who targeted elderly and vulnerable customers with overpriced building work.
- Managed the delivery of the Safe Haven Service which operates to protect the vulnerable in the nighttime economy.
- Worked with the Cleveland Unit for the Reduction in Violent Crime which provided funding for radios for retail and licensed premises and bleed kits in three locations in the town centre.
- Thirteen workplaces worked towards achieving the Better Health at Work Award and attended a presentation event held in Middlesbrough Town Hall.
- Resurfaced 10.9km (98,661m<sup>2</sup>) of Carriageways.
- Attained £0.071m efficiency savings in our resurfacing programme by adopting more efficient practices (£1.710m saved since 2013-14)
- Undertook 22 footway repair schemes and 9 verge schemes.
- Repaired the waterproofing, resurfaced the bridge deck, and repaired the main bridge joint at North Ormesby Over Bridge (Borough Rd Flyover)
- Replaced the deck joints, repaired the waterproofing, and resurfaced over A66 Newport Interchange Bridges
- Cleared away the Slam Nightclub and started major repairs to the A66 Station Viaduct
- Repaired vehicle impact damage to Newport Acoustic Wall, and A66 All Saints Viaduct
- Completed 7 principal culvert assessments.
- Retained Gold Standard for the Local Authority Street Gazetteer
- Undertook annual skid resistance and other condition surveys on the full road network.
- A new approach to Gully Cleansing has been introduced based on risk using the Gully Smart System.
- The procurement of a New Highway Asset Management Software system which will be rolled out in 24-25
- 257 streetlights replaced on the Capital Column Replacement Programme.
- 90 new streetlights install at Bracken Grange for developer Linden Homes (old Brackenhoe school site).
- Installed 15 CCTV poles for CCTV cameras in various locations in Middlesbrough.

## Legal & Governance Services

- Human Resources – Introduction of a new recruitment system which has given us greater candidate reach increasing our number of applicants for roles and incorporates a Values based application form.
- Registrars - Implementation of an updated marketing and social media strategy for wedding and civil partnership ceremonies at Town Hall Registry Office
- Strategic, Business & Customer – Implementation of the new Council Plan 2024-27
- Strategic, Business & Customer – Mobilisation and implementation of Transformation Programme Management Office and associated governance framework to provide oversight and assurance against delivery of business change and savings, to enable financial resilience and sustainability.

## Finance

- An improved reporting structure was implemented in Business World, increasing the accountability of budget managers, and creating a 1-2-1 relationship between the cost centre and the budget manager. This also allowed the streamlining of workflow reducing the amount of administrative maintenance of the system.
- Improvements in the availability of forecast information for budget managers have been implemented. Introduction of a more regimented monthly budget monitoring regime, with Monthly Budget Challenge sessions and the redesign of Quarterly Budget Challenge sessions to become Member led have also been implemented.
- The development of Finance Dashboards to provide clear, concise information to budget managers has been a priority in the later part of the year, and the roll out of this has begun, along with increased training on the Finance system will be a key objective for the new financial year.
- Reporting improvements within Business World have been made in relation to monthly financial performance, closure of accounts, debt levels, and several enquiries for users.
- Implementation of Supplier Incentive Programme in relation to Construction expenditure.
- Substantial assurance achieved in the Veritau audit report in relation to the Main Accounting Systems audit.
- Further automation and improvements have been made within income management and allocation of income using the system and reducing manual intervention.
- Additional improvements made to the purchase to pay process and the better use of the Council's invoice capture software, reducing the amount of manual intervention needed. Work continues in improving this automation with training and awareness sessions.
- 2023-24 was a very positive year for global equities, and the return of a higher interest rate environment should also reduce the value the actuary places on the Pension Fund's liabilities. The Pension Fund's year-end value was £5.4bn, comfortably above £5bn for a third consecutive year. The Fund's scheme membership continues to grow steadily and remains above 80,000, split roughly equally between active members, deferred members and pensioners. This is equivalent to around 1 in 7 of the population of the four local authority areas that comprise the Teesside Pension Fund.
- The Revenues and Benefits team have once again been re-accredited with Customer Service Excellence. The Service have held this award for more than 2 decades, every year having to show improved excellence which is extremely difficult to do given the length of time the service have held the award. This year, in addition to Customer Service Excellence accreditation the service has achieved compliance plus in 16 areas. This means that the Service has exceeded the requirements of the Standard against an element, demonstrated exceptional practice, or can be used as an exemplar for others within or beyond the sector. There are 5 criteria against which the service is assessed, namely Customer Insight, Culture of the organisation, Information and Access, Delivery and Timeliness & Quality of service, and of the 57 elements available, 16 are held at compliance plus, meaning that around 30% of the customer service being delivered is at 'elite' standard with the remainder being of excellent standard.
- In 2023-24 a Placement Manager within Commissioning was developed as a pilot initiative, supporting Childrens Services in placement arrangements, renegotiating current fees and working towards a

forward view for placements. This has resulted in significant savings and due to the success, this is now on the permanent establishment.

- A review of Trusted Assessment and Brokerage functions during the year has led to improved processes and practice and better service outcomes such as achieving a 2-hour response time to hospital assessment requests, and facilitating more seamless hospital discharges, resulting in no financial penalties.
- Contract renegotiations have taken place, a key success being savings achieved from the implementation of a block arrangements, rather than spot rates for children's care and remodelling of supported housing.
- Market sustainability has been a key focus and in partnership with the independent care home sector a complete restructure of fees has been undertaken during the year to move away from a historic blended rate to fee rates reflective of need.
- Legislative change implemented during 2023-24 has led to new ways of working through the provider selection regime for clinical services, resulting in the successful introduction of new procurement requirements, with the team now operating to two legislative frameworks.
- In excess of 46 community and voluntary sector grant projects have been supported throughout the year, support has including provision of playground equipment, bereavement support, IT support groups, sports and cultures group support.

## Governance



External auditors issued 11 statutory recommendations in relation to lack of sufficient progress in delivering planned improvements in the Council's culture and governance arrangements and due to the Council's serious financial position. Progress against the DLUHC Best Value Notice issued in January 2023 has been a corporate priority throughout the year. The Notice was extended by the Secretary of State for a further 6 months in January 2024 and progress will be reassessed during the summer 2024.

The Council is required to deliver improvements in how it takes decisions to ensure that it delivers economy, efficiency, and effectiveness in the use of public funds.

During the year ended 31 March 2024, the Council revised and strengthened its Corporate Governance Improvement Plan and implemented a section 24 plan specifically to respond to the auditor's eleven statutory recommendations. Progress is overseen by Council and the Audit Committee, the plan requires all elected members and officers to work collaboratively together to address these serious culture, governance and financial matters that resulted in DLUHC intervention over the course of the year. The Council is fully engaged with DLUHC, the Local Government Association (LGA), the MIIAB and its external auditors in order to address its weaknesses and establish robust management and control arrangements and a compliant and collaborative culture which is critical to its long-term success.

The Council's Constitution and in particular the Council's Financial Procedure Rules and best practice in terms of control and governance of the Council's affairs, has been refreshed and mandatory training delivered to staff. Further steps will be taken to embed a compliant culture in terms of governance and establish a more robust approach to financial management.

The LMT oversees financial and operational performance and compliance to ensure progress is being embedded across the organisation. The Council must ensure that non-compliance is addressed through the most appropriate means to ensure that the required cultural change and governance improvements are delivered.

The Council's Recover, Reset, Deliver Transformation Portfolio was approved by Council in April 2024 and is delivering in terms of implementation of approved savings and income projects approved in the 2024-25 budget and the development of a new pipeline of projects that will deliver further improvement and address the remaining budget gap for 2025-26 and over the medium term. Chief officers leading each thematic programme board are tasked with the development of new projects through their Transformation Boards. This is critical to the delivery of the Council Plan 2024-27 and 2024-25 Medium Term Financial Plan, thereby delivering the

mayor's vision, "We Will Thrive".

The successful delivery of the Transformation Portfolio together with successful delivery of the Culture and Governance Improvement Plan (CGIP) and s24 Action Plan, are critical steps to restore the financial sustainability of the organisation, develop a robust foundation for delivering the Council Plan and enabling the Council to satisfy DLUHC that it no longer needs to be subject to Best Value intervention. As reflected in the Best Value Notice issued in January 2024, DLUHC expect the Council to demonstrate its "capacity to transform at pace", through demonstrating its progress on identified financial, governance and cultural issues. The progress was reviewed and assessed by DLUHC in July 2024 and has not been re-issued.

## Financial Review 2023-24

### Revenue Budget

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the budget estimates and the adequacy of the financial reserves. In February 2023, the Chief Finance Officer concluded that the net budget requirement of £126.4m and council tax requirement of £67.3m, as set out in the Revenue Budget, Council Tax, Medium Term Financial Plan, and Capital Strategy 2023-24 report to Council, was robust and provide sufficient resource to enable the Council to set a balanced budget for 2023-24.

In preparing the 2023-24 revenue budget and Medium-Term Financial Plan, the Chief Finance Officer determined that:

- Reserves were adequate insofar as the minimum level of general balance following risk assessment is set at £12m and there are no plans to use them in 2023-24 as the fund of last resort.
- There is little resilience in earmarked reserves, and these are at a critical level.
- The current financial standing of the Council indicates a number of significant stressors and addressing the underlying issues will seek to improve future resilience.
- The most significant risk facing the council's financial health is the volatility in the cost of children's social care impacting both 2022-23 and 2023-24 and significant additional resource of £17m has been added to the baseline budget for 2023-24.
- The Budget relies on some £9.4m being achieved in savings.
- The financial challenges facing the council continue to be intense in 2023-24 in response to exceptional inflation costs and service demand.
- The Local Government Financial Settlement predicates an expected increase in council tax of 5% per annum for 2023-24 and 2024-25 and government announcements of headline funding increases of 9% for 2023-24 assume councils will implement council tax rises at the maximum permitted under regulation.
- To make service directors fully accountable for their own budgets and spending.
- Provision has been made for contractual inflation increases only.

In setting the revenue budget for 2023-24, a 3.99% increase in Council Tax was approved. This comprised 1.99% increase in general Council Tax, and an additional precept of 2% for Adult Social Care.

The revenue budget for 2023-24 was set at £126.354m, funded as set out below:

	£m
Revenue Support Grant	14.182
Business Rates Top Up Payment	29.347
Local Share of Business Rates	16.356
Council Tax	67.309
Collection Fund Balance	(0.840)
<b>Total Net Revenue Budget (NRB) in 2023-24</b>	<b>126.354</b>

## Budget Outturn 2023-24

The Budget Outturn position was reported to Executive on 26 June 2024 and summarised the Council's financial outturn in respect of the revenue budget and capital programme. It also covered the impact of high inflation and increased demand for services on the Council's financial position.

### Revenue

The Council's total net revenue outturn was £129.949m against an approved budget of £126.355m, an overspend of £3.594m (2.84% of NRB).

This is a substantial improvement to the Council's general fund revenue financial position from the forecast overspend of £11.563m (9.2% of NRB at Quarter 1). The overspend has reduced by £1.95m from £5.544m at Quarter 3, which was the estimate factored into the 2024-25 budget setting assumptions, however the Council continues to spend more than its available revenue income streams.

The table below summarises the final revenue outturn position by Directorate which illustrates that 82% of the Council's expenditure in 2023-24 was spent in Social Care (Childrens and Adult).

Directorate	Revised Full Year Net Budget £m	Outturn as per Council report £m	Over / (Under) spend £m
Adult Social Care	51.626	51.600	(0.026)
Public Health	(0.944)	(0.944)	-
Children's Care	52.184	54.950	2.766
Education and Partnerships	5.470	6.551	1.081
Regeneration	0.776	(0.094)	(0.870)
Environment & Communities	19.487	20.503	1.016
Legal & Governance	10.815	10.794	(0.021)
Finance & Chief Executive	4.464	3.582	(0.882)
Central Budgets	(17.523)	(16.993)	0.530
<b>Revenue Outturn</b>	<b>126.355</b>	<b>129.949</b>	<b>3.594</b>

The overspend of £3.594m comprises non savings delivery of £1.568m in Childrens Care plus £2.026m of other income and expenditure pressures. These overspends are mainly driven by the continued financial pressures in Children's Social Care (£2.766m), SEND transport costs within Education and Partnerships (£1.081m) and Environment and Communities (£1.016m) due to shortfalls in service demand at the crematorium as well as the forecast pressures in waste disposal costs.

The position in Adult Social Care has improved by £1.384m in the final quarter, resulting in a small underspend of £0.026m. This is due to a combination of increased underspends on staff budgets £0.337m from vacant posts due to the nationwide difficulties in recruiting Social Care staff and £1.166m net reduction of purchased care costs and due to measures taken in the financial recovery plan which have resulted in increased scrutiny of care package approvals (£0.650m) and increased health contributions to care packages (£0.172m). In addition, there has been an increase in Direct Payment surplus recovery (£0.080m) and identification and recovery of an overcharge by one care provider during Quarter Four (£0.106m).

The Council had originally budgeted to fund £3m of eligible revenue expenditure on transformation and efficiency initiatives from Flexible Use of Capital Receipts (FUOCR) during 2023-24. In January 2024, Council approved a revision to the FUOCR Strategy which included total eligible expenditure of up to £4.3m which could be capitalised subject to realisation of at least £4.3m of usable capital receipts by 31 March 2024. This would have the effect of reducing total revenue expenditure and therefore preserving critically low revenue reserves. However, the amount of realised capital receipts from asset sales at 31 March 2024 was only £2.399m. This adjustment has been reflected in the General Fund revenue outturn of £129.949m.

Further details of the outturn position of each directorate are included below showing gross expenditure and income, analysed by type of spending:

Directorate	Adult Social Care	Public Health	Children's Care	Education and Partnerships	Regeneration	Environment and Community Services	Legal and Governance Services	Finance & Chief Executive	Central Budgets	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Employees	15.411	6.092	19.020	11.607	8.098	23.894	9.768	7.883	1.540	103.313
Indirect Employee Expenses	0.183	0.033	0.429	0.108	0.513	0.980	0.109	0.046	-	2.401
Premises	0.315	0.248	0.504	0.110	5.629	2.896	0.071	-	-	9.773
Transport	0.386	0.006	0.358	3.447	0.032	2.146	0.023	0.091	-	6.489
Supplies and Services	4.795	4.576	24.771	31.615	4.218	11.525	3.100	4.355	0.773	89.728
Third Party Payments	95.411	9.908	19.220	0.826	0.028	0.091	0.677	1.725	0.180	128.066
Transfer Payments	(0.013)	(0.053)	0.185	39.177	-	0.007	-	46.320	-	85.623
Capital Financing Costs	(0.054)	0.129	(1.766)	(0.002)	0.015	-	0.153	(0.218)	12.701	10.958
<b>Gross Expenditure</b>	<b>116.434</b>	<b>20.939</b>	<b>62.721</b>	<b>86.888</b>	<b>18.533</b>	<b>41.539</b>	<b>13.901</b>	<b>60.202</b>	<b>15.194</b>	<b>436.351</b>
Income	(64.834)	(21.883)	(7.771)	(80.337)	(18.627)	(21.036)	(3.107)	(56.620)	(32.187)	(306.402)
<b>Net Expenditure</b>	<b>51.600</b>	<b>(0.944)</b>	<b>54.950</b>	<b>6.551</b>	<b>(0.094)</b>	<b>20.503</b>	<b>10.794</b>	<b>3.582</b>	<b>(16.993)</b>	<b>129.949</b>

## Reserves and Provisions

The General Fund Balance on 31 March 2024 is £10.986m, a reduction of £1.055m from the £12.041m balance at 31 March 2023. The balance on unrestricted usable earmarked reserves stood at £1.069m at 31 March 2024, a reduction of £2.476m from the balance of £3.545m at 31 March 2023.

The combined level of these unrestricted reserves was £12.055m at 31 March 2024, below the £15.586m at 31 March 2023 which was assessed as critically low at 2023-24 budget setting. The £12.055m level is determined as inadequate by the s151 Officer.



However, as a result of the in-year detailed review of the balance sheet, a revised methodology for calculating expected credit loss provisions has been adopted in order to comply with International Accounting Standard 37 (IAS37). This methodology uses long term historical debt recovery performance data as a basis for estimating future debt write offs. This has resulted in a reduction in the calculated expected credit loss provision and combined with improved collection performance during 2023-24, there is a cumulative surplus available on the Collection Fund at 31 March 2024 of £11.700m which under the Collection Fund regulations cannot yet be realised. £8.325m of the cumulative surplus will be realised in 2024-25 with the remaining £3.375m available in 2025-26 although this figure will need to be combined with the 2024-25 estimated collection performance to calculate how much will actually be realised.

The £8.325m surplus has been allocated in accordance with the approved 2024-25 budget and MTFP in order to replenish the General Fund Balance to the minimum recommended by the s151 Officer of £11.1m. The remaining balance has been allocated to the Financial Resilience Reserve within unrestricted usable reserves which collectively stand at £9.280m on 1 April 2024.

The combined level of these unrestricted usable reserves at 1 April 2024 is £20.380m (14.2% of the 2024-25 NRB of £143.190m). This level remains low compared nationally to all unitary councils as illustrated in comparisons set out in the Reserves Policy approved by Council on 8 March 2024. Further measures to maintain and increase revenue reserves and therefore the Council's financial resilience are required during 2024-25 and over the medium term.

### The Dedicated Schools Grant (DSG)

There has been an overspend of £7.729m (12.9%) on the DSG budget against the available grant of £59.739m. This has increased the cumulative deficit to £14.293m at 31 March 2024. The overspend is due to an £8.058m deficit on High Needs, offset by a total surplus of £0.329m on Early Years and the Schools Block.

The Council is engaged in the Delivering Better Value Programme with the Department for Education (DfE) and CIPFA to deploy measures to reduce expenditure over time as part of national measures led by Government to address the financial pressures being experienced by local authorities. Government has implemented a statutory override on a temporary basis to the end of 2025-26 which directs Councils not to fund the DSG deficit from the General Fund. The temporary nature of the statutory override presents a medium to long term risk to the Council. If a government solution is not implemented before the statutory override is removed, then this deficit would fall to be met by General Fund balances. This is a significant financial risk that exists for Middlesbrough and many other upper tier local authorities with education responsibilities. Further focus is required during 2024-25 to address this issue given the significant increase in overspend during 2023-24.

The table below sets out a summary of the balance of reserves and provisions at the 1 April 2023 and at year-end 31 March 2024:

<b>Reserves and Provisions 2023-24</b>	<b>Adjusted Opening Balance £m</b>	<b>In Year Movement £m</b>	<b>Closing Balance £m</b>
<b>General Fund Reserve</b>	<b>(12.041)</b>	<b>1.055</b>	<b>(10.986)</b>
<b>Usable Earmarked Reserves</b>			
Unrestricted Usable Earmarked Reserves	(3.545)	2.476	<b>(1.069)</b>
Restricted Usable Earmarked Reserves	(1.171)	(0.709)	<b>(1.880)</b>
<b>Total Usable Earmarked Reserves</b>	<b>(4.716)</b>	<b>1.767</b>	<b>(2.949)</b>
<b>Unusable Earmarked Reserves</b>			
Earmarked Revenue Grants Unapplied	(4.875)	(0.533)	(5.408)
Dedicated Schools Grant (DSG)	6.564	7.729	14.293
<b>Total Unusable Earmarked Reserves</b>	<b>1.689</b>	<b>7.196</b>	<b>8.885</b>
<b>Schools Balances</b>	<b>(3.641)</b>	<b>(0.958)</b>	<b>(4.599)</b>
<b>Provisions</b>			
Business Rates Appeals and Other	(2.126)	0.603	(1.523)
Insurance	(3.068)	0.061	(3.007)
<b>Total Provisions</b>	<b>(5.194)</b>	<b>0.664</b>	<b>(4.530)</b>
<b>TOTAL RESERVES &amp; PROVISIONS</b>	<b>(23.903)</b>	<b>9.724</b>	<b>(14.179)</b>

## Council Tax and Business Rates Income



Income from Council Tax and Business Rates (NNDR) is accounted for within the Collection Fund. Because of the way that this works in relation to the General Fund, the financial impact of any reduction in income does not immediately affect 2023-24 financial position, it is effectively a shortfall to be resolved in 2024-25 and will be reflected in an updated Budget and Medium-Term Financial Plan (MTFP).

Income received from Council Tax and Business Rates (NNDR) is a major source of revenue income for the Council and funds 66% of its annual expenditure in delivering all council services. It is accounted for within the Collection Fund and operates under the Government regulations. Due to the prescribed mechanisms for operating the Collection Fund, the financial impact of any 2023-24 income collection variances (from the Quarter Three forecast) do not immediately affect the General Fund position. By illustration, the impact of any final surplus or deficit variance on the Collection Fund for 2023-24 is fed into the development of the 2025-26 budget and MTFP and any cost/ benefit does not impact the 2024-25 financial year.

As a result of the detailed balance sheet review, the s151 officer has revised the methodology to calculate the Collection Fund expected credit loss provision in 2021-22 financial statements in order to comply with International Accounting Standard 37 (IAS37) which has adopted a long-term data driven methodology to



forecast debt write offs, based upon actual collection performance. This, combined with collection performance during 2022-23 has resulted in a cumulative collection fund surplus of £11.700m. £8.325m of this surplus has been applied to replenish the General Fund Balance to the recommended minimum level of £11.1m and unrestricted usable reserves at £9.280m at 1 April 2024 in accordance with Council approvals on 8 March 2024. The remainder will be applied to 2025-26 once collection fund performance for 2023-24 has been established.

The table below shows the Collection Fund position for 2023-24, including the amount of £11.700m related to the review of the expected credit loss provision as detailed above.

<b>Collection Fund Balance</b>	<b>Council Tax £m</b>	<b>Business Rates £m</b>	<b>Total £m</b>
Balance b/fwd at 1 April 2023	(10.980)	1.222	(9.758)
Deficit / (surplus) for the year (as above)	(1.803)	(3.384)	(5.187)
<b>Balance c/fwd at 31 March 2024</b>	<b>(12.783)</b>	<b>(2.162)</b>	<b>(14.945)</b>
Allocated to:	83.1%	49.0%	
Middlesbrough Council	(10.623)	(1.059)	(11.682)
Expected Credit Loss Provision adjustment to 2024-25	7.976	0.349	8.325
<b>Additional surplus available for 2025-26</b>	<b>(2.647)</b>	<b>(0.710)</b>	<b>(3.357)</b>

The 2023-24 MTFP presented to Council in February 2023 included the estimated effect of Council Tax and Business Rates income. In the context of the current economic climate and the Cost-of-Living Crisis, there is an ongoing risk to the levels of collection of these taxes which may result adversely upon collection rates. The actual in-year collection rate for 2023-24 was 92.84% for Council Tax and 95.75% for Business Rates. Overall collection rates remain respectable and presents as a surplus on the collection fund as precept amounts have been prudently lower than actual collection rates. Over a period of time (c10years) Council Tax collection rates (pre welfare reform) were around 98.7%, (post welfare reform) are now around 97.6% with business rates hovering around 97.7%.

The budgeted Council Tax base includes assumptions on housing growth. If there is a variance in growth in housing numbers compared to the levels budgeted, this will impact upon Council Tax income due.

A key workstream within the plans to recover the Council's financial position is the renewed focus upon recovering monies owed to the Council from the following sources

- Council Tax
- Business Rates
- Sundry (general) debt
- Housing Benefit Overpayments

The Council's approach to improving debt recovery performance whilst maintaining appropriate support to residents and businesses who are entitled to available help, advice and support. Progress will be incorporated into quarterly monitoring reports throughout 2024-25. With high levels of deprivation, a proportionately high benefit caseload, alongside low levels of income, Council Tax collection across the town will remain a challenge. Council Tax Reduction is provided to around 18,300 households, with the maximum award of 90% to some the town's most financially vulnerable. There is a steady migration to Universal Credit and as such the amount of Housing Benefit

Overpayments created is a diminishing return with the debt becoming significantly more difficult to collect as the ability to deduct from ongoing benefit lessens.

Business Rates and Sundry Debt collection is considered less of a challenge provided that the debt is collected in-year. The likelihood of collecting aged debt is problematic, businesses can cease trading, wind up, become bankrupt, leaving the Council with very little recovery options and a strong likelihood that the debt will be written off.

Whilst overall collection rates over a period of time are respectable, a stronger focus on in-year debt and aged debt is fundamental in ensuring the council optimises cash collection thus further supporting the reduction in the provision which is assigned to expected credit loss.

Through a comprehensive collection strategy, underpinned by the Councils Welfare Strategy for both business and residents, the Council will pursue debt in a firm but fair way. Residents and businesses will be offered a range of support to resolve debt problems, such as maximising benefit, welfare advice and support, debt management, crisis support all of which form part of the support on offer.

Where payment is not forthcoming the Council will exercise its powers provided under the relevant legislation to enforce the debt. Some of these powers are significant and can lead to serious consequences such as attachment to earnings, removal of goods, forcing the sale of a property or even commitment to prison all of which are powers enshrined in law.

To support the increased focus, additional resource has been placed in all of the four areas above as approved in the budget by Council on 8 March 2024. This will mean that thousands more cases, where debt remains are being actively progressed. The increased activity will likely lead to many difficult conversations with Residents and Businesses some of which may result in member engagement, complaints, disputes and even the possibility of alleged fraud where residents and business have failed to report changes. This is anticipated/expected due to the increased focus and the thousands more cases that will be managed. Over more recent months, a number of aged debt business rates cases have been pursued, most gaining press coverage as the Council gives a strong message that outstanding debt will be collected.

Of the debt remaining, it is anticipated that some debt will not be enforceable and as such may be irrecoverable. Financial provision has been set aside to respond to this on the basis that where the propensity to pay is low and unlikely to be recovered, the Council has the ability to write debt off. Write offs should be routinely undertaken as part of good debt management allowing for a more accurate expected credit loss provision and greater financial management of debts owed to the Council.

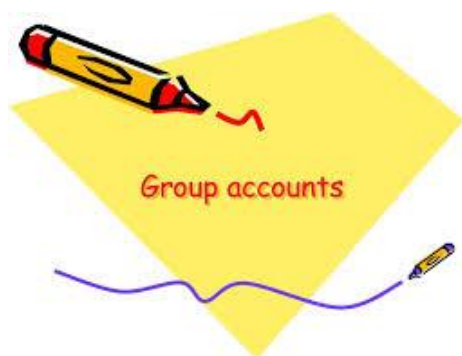
The Council's approach to improving its debt position will be based on the following principles:

- Resolve Debt Problems –By providing Welfare Advice and Support
- Where Debt Remains a Problem - Exercise the powers provided in law.
- Where Debt is Irrecoverable – Write the debt off.

The movement in debt balances between 31 March 2023 to 31 March 2024 is summarised below:

<b>Category of Collectable Debt</b>	<b>Balance at 1/4/23 (£m)</b>	<b>Movement in-year (£m)</b>	<b>Balance at 31/3/24 (£m)</b>
Council Tax	34.667	2.106	36.773
Business Rates	5.775	2.616	8.391
Sundry Debt	10.002	5.514	15.516
Housing Benefits Overpayments	6.741	(0.206)	6.535
<b>Total</b>	<b>57.185</b>	<b>10.030</b>	<b>67.215</b>

## Group Accounts



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

The purpose of the group accounting information is to provide a comprehensive position for Middlesbrough Council incorporating the company. The Group Accounts show the full extent of the Council's

assets and liabilities, providing transparency on the overall financial position. These cannot be fully appreciated from the Council's single entity accounts alone.

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

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

Following a review of the governance and operating arrangements of the company, against new CIPFA guidance, by the Council's Executive during January 2023, a decision was made to wind up MDC once its ongoing projects were completed. The liquidation process for the dissolution of the company is ongoing and due to be complete in late 2024.

## Capital

The Council approved a capital programme for 2023-24 of £71.211m (the original 2023-24 capital budget). This was revised to £80.474m at Q1 to take account of 2022-23 programme slippage due to the delay in delivery of projects compared to the planned delivery indicating a requirement for more robust capital programme and project management. The programme was reviewed on a quarterly basis with a revised budget of £67.631m at Quarter Three. Additional externally funded income has been added to the programme, resulting in a revised 2023-24 budget of £72.643m. The final outturn at 31 March 2024 is expenditure of £47.714m, an underspend of £32.760m (40%) against the original budget adjusted for slippage, £19.917m (29%) against the Quarter Three revised budget and £24.929m (34%) against the final 2023-24 budget.

The table below summarises the capital outturn position for 2023-24 for each directorate.

Directorate	Latest Budget	Full Year Outturn	Over / (under) spend
	£m	£m	£m
Regeneration	30.250	18.802	(11.448)
Environment and Community Services	22.271	17.508	<b>(4.763)</b>
Public Health	0.192	0.148	(0.044)
Adult Social Care	7.004	2.878	(4.126)
Education and Partnerships	4.473	1.949	(2.524)
Children's Care	3.787	3.344	(0.443)
Legal and Governance Services	3.739	2.536	(1.203)
Finance	0.927	0.549	(0.378)
<b>Total Directorates</b>	<b>72.643</b>	<b>47.714</b>	<b>(24.929)</b>

## 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 2024 is set out below:

31 March 2023 £'000		31 March 2024 £'000
629.911	Long Term Assets	505.772
90.390	Current Assets	87.780
(99.090)	Current Liabilities	(78.157)
(211.806)	Long-Term Liabilities	(236.132)
<b>409.405</b>	<b>Net Assets</b>	<b>279.263</b>
(59.826)	Usable Reserves	(75.703)
(349.579)	Unusable Reserves	(203.560)
<b>(409.405)</b>	<b>Total Long-Term Assets</b>	<b>(279.263)</b>

The key headline messages to note in relation to the Balance Sheet at 31 March 2024 are as follows:

- Long-term assets include property, plant and equipment, heritage assets, investment properties, intangible assets, long term investments and debtors. They have decreased by £59.403m due to a reduction in the value of property, plant and equipment and a reduction to long term debtors.
- Current assets include short term investments, assets held for sale, inventories, debtors and cash and remained fairly static showing a slight reduction of £6m mainly due to a reduction in short term investments partially offset by an increase in debtors and cash.
- Current liabilities include short term borrowing, creditors, receipts in advance and short-term provision. A reduction of £20.933m mostly due to a £9.096m reduction in borrowing and a £10.225m reduction in short term creditors.

- Long-term liabilities include long term provision and borrowing and pension liability. They have increased by £24.326m due unfunded pension liabilities and an increase in long terms borrowing.
- Usable reserves include capital and revenue reserves. The increase of £15.876m is due to an increase of £17.207m in capital reserves and a reduction of £1.331m in revenue reserves have increased mainly due to the review of the expected credit loss provision calculation.
- Unusable reserves reflect the technical accounting adjustments required to comply with proper accounting practice and are therefore not available to support the council's revenue or capital expenditure plans. 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 Council's balance sheet is in a positive net worth position of £279.263m (i.e., the assets are greater than the liabilities).

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

## Annual Statement of Accounts

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

**Narrative Report** - this introductory section provides information on the format of the Statement of Accounts as well as a review of the financial position, performance, and cash flows of the Council for the financial year 2023-24.

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

**Independent Auditor's Report to the Council** - the external auditor, Forvis Mazars 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 2023-24 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 resulting gains and losses during the year reconcile with the overall movement in net worth on the Balance Sheet.

In consist of two sections:

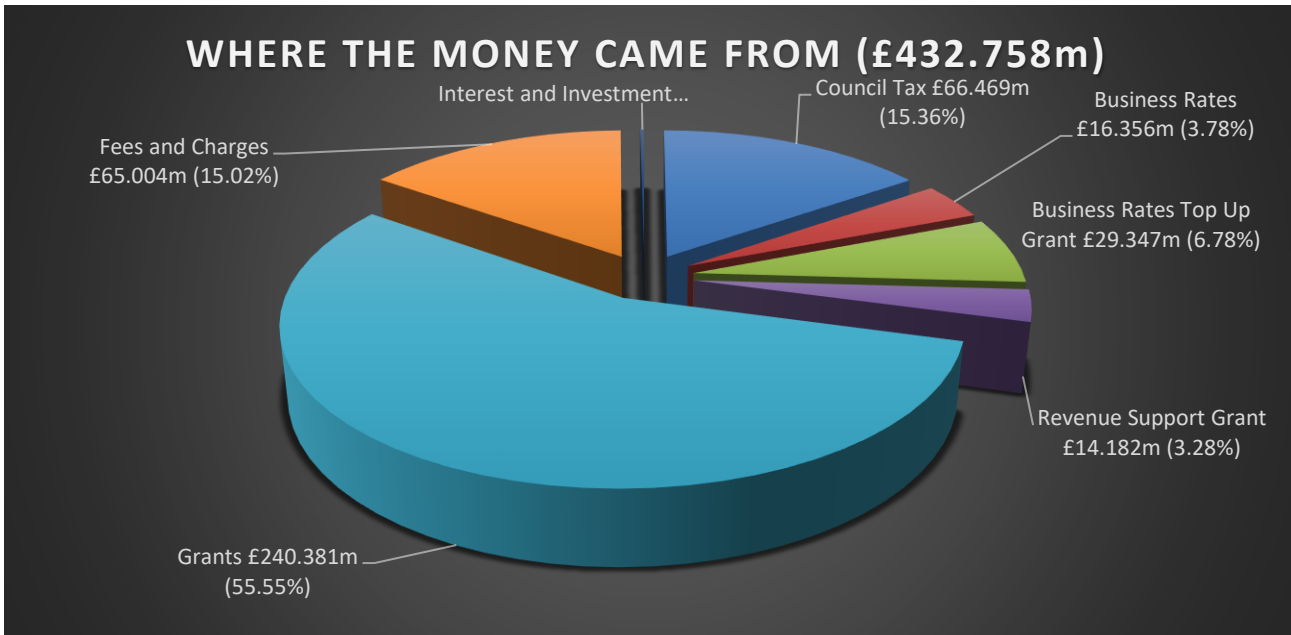
Surplus or deficit on the provision of services which represents the increase or decrease in the net work of the authority as a result of incurring expenses and generating income.

Other comprehensive income and expenditure which shows any change in net worth which are not included in the surplus or deficit on provision of services, for example, movements in the fair value of assets and/or actuarial gains or losses on pension assets and liabilities.

- 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, which relate to the management accounts of the authority, 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.

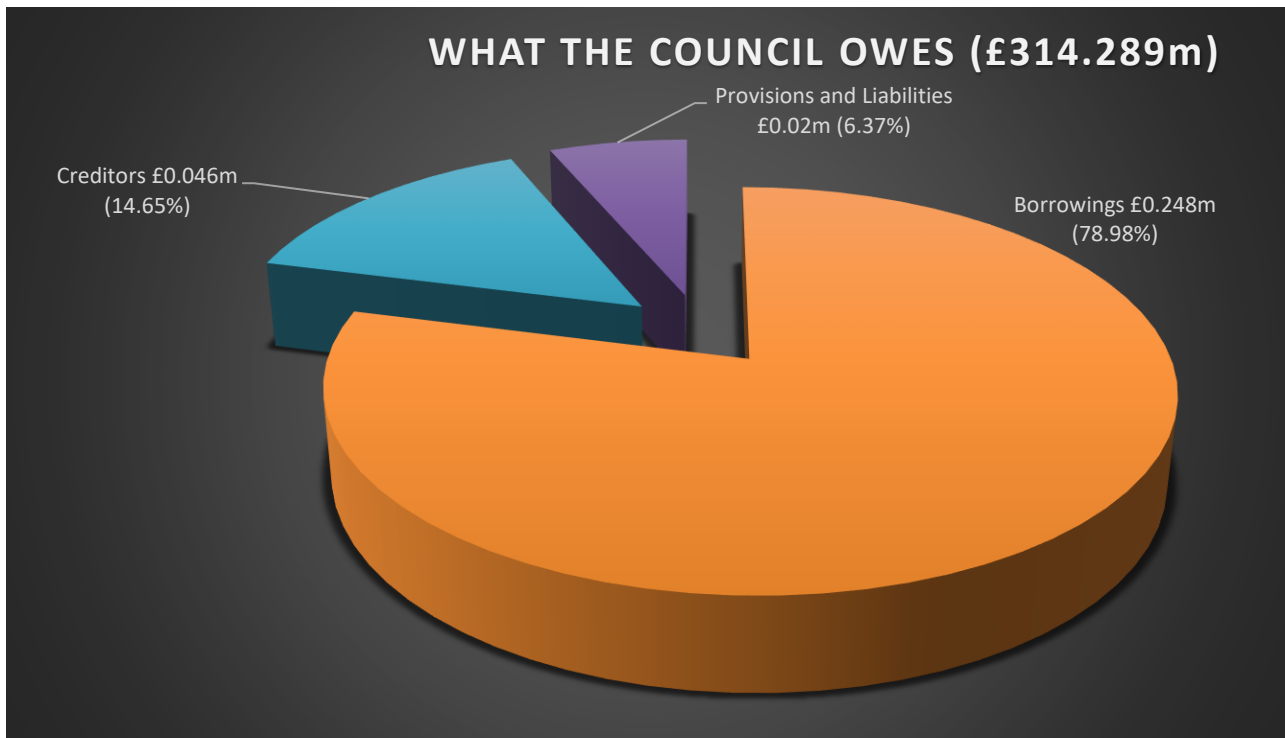
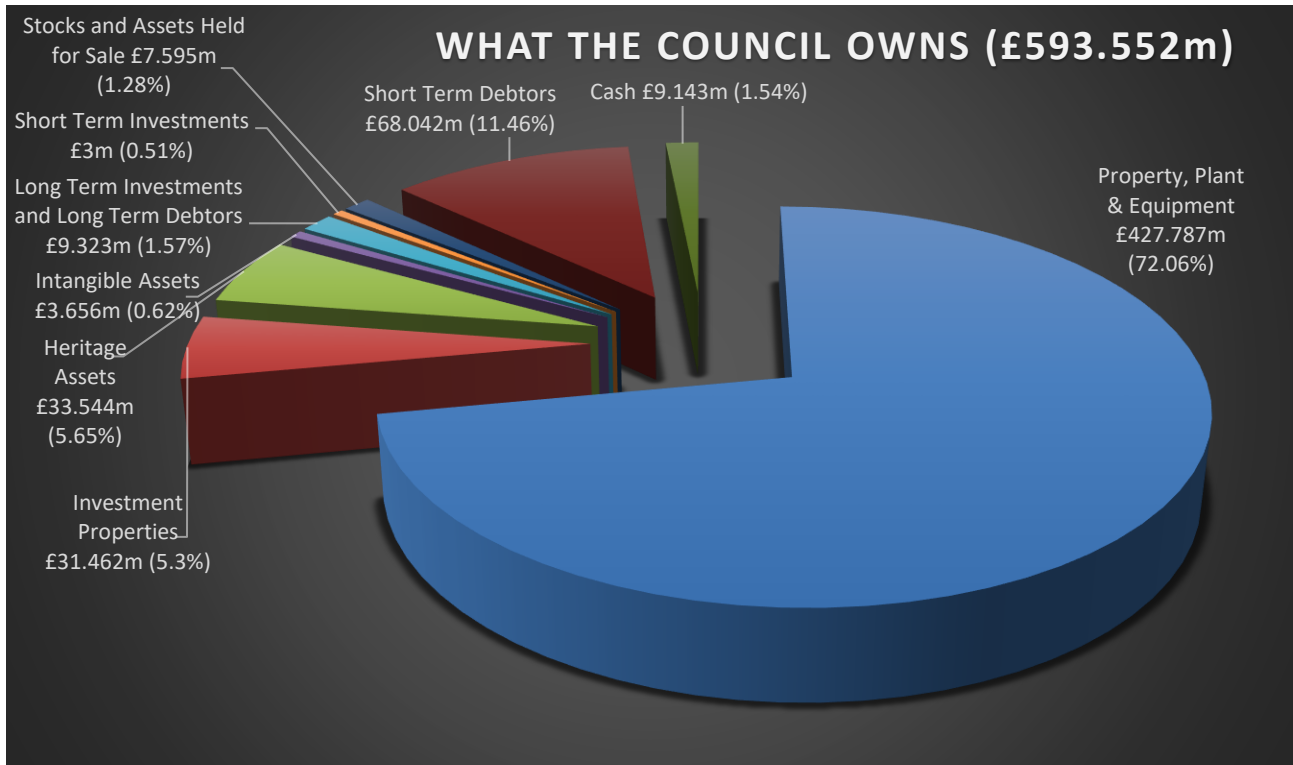
The following charts illustrate where the money has come from and how it has been spent:



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. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the

Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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). This statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax [or rents] for the year. The Net increase/decrease line shows the statutory General Fund balance and Housing Revenue Account balance movements in the year following those 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. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

**Accounting Policies Note** - this note explains the basis for the recognition, measurement, and disclosure of transactions in the Accounting Statements. It provide information not provided elsewhere in the financial statement which is relevant to understanding any of them.

**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 2023-24, assets, and liabilities as at 31 March 2024.

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 2024 and its income and expenditure for that year.

**Andrew Humble**  
**Director of Finance**  
**Middlesbrough Council**

**20 February 2025**

# 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 2024 and of its income and expenditure for that year.

**Andrew Humble**  
**Director of Finance**  
**Middlesbrough Council**

**20 February 2025**

# Auditor's Report – Middlesbrough Council

## [Independent auditor's report to the members of Middlesbrough Council](#)

### [Report on the audit of the financial statements](#)

#### [Disclaimer of opinion on the financial statements](#)

We were appointed to audit the financial statements of Middlesbrough Council ("the Council") and its subsidiary ("the Group") for the year ended 31 March 2024, which comprise the Council and Group Movement in Reserves Statement, the Council and Group Comprehensive Income and Expenditure Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, the Collection Fund accounts and notes to the financial statements, including a summary of significant accounting policies. 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 2023/24.

We do not express an opinion on the financial statements. 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](#)

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the financial statements and auditor's opinion for the year ended 31 March 2024, by 28 February 2025 ('the backstop date').

The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements as there has been insufficient time to perform all necessary audit procedures.

#### [Responsibilities of the Chief Financial Officer for the financial statements](#)

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the 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 2023/24, and for being satisfied that they give a true and fair view. The Chief Financial Officer is also responsible for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Chief Financial Officer is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

#### [Auditor's responsibilities for the audit of the financial statements](#)

Our responsibility is to conduct an audit of the Council and Group'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. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council.

We are independent of the Council and Group 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 we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

[Report on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources](#)

[Matter on which we are required to report by exception](#)

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in the Council's arrangements for the year ended 31 March

weakness in arrangements	Recommendation
<p style="text-align: right; margin-right: 20px;"><b>Financial sustainability</b></p> <p>The Council decision to seek exceptional financial support from the Government in order to meet its spending commitments is evidence of a significant weakness in arrangements for planning to bridge funding gaps and identifying achievable savings.</p>	<p>1 The Council should continue to strengthen the approach to budget setting to ensure assumptions are data driven and realistic, and planned savings are subject to a detailed delivery plans and risk assessment.</p> <p>2 The Council needs to implement a financial recovery plan to ensure services can be provided within available resources and should:</p> <ul style="list-style-type: none"> <li>• complete a baseline assessment of the affordability of services in their current form;</li> <li>• develop a detailed plan to address the deficit including further savings for 2025/26;</li> <li>• ensure sufficient information is provided to Members so they can monitor the delivery of planned savings.</li> </ul> <p>3 The Council should continue to apply the additional spending controls agreed in July 2023 to address the forecast in-year deficit.</p>
<p style="text-align: right; margin-right: 20px;"><b>Governance</b></p> <p>The lack of an up-to-date Constitution and Member development programme are evidence of a significant weakness in arrangements for making properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.</p>	<p>The Council should apply and embed arrangements in line with the culture and governance improvement plan.</p>
<p style="text-align: right; margin-right: 20px;"><b>Improving Economy, Efficiency and Effectiveness</b></p> <p>We did not see evidence of a clear link between the Council Plan priorities, the strategic workplan and the detailed outcomes and measures reported.</p> <p>The lack of embedded performance management arrangements is evidence of a significant weakness in arrangements for evaluating service provision and identifying areas for improvement.</p>	<p style="text-align: right; margin-right: 20px;">The Council should ensure</p> <ul style="list-style-type: none"> <li>• the Mayor's priorities are clearly linked to the strategic workplan and feed down into detailed, measurable targets and staff performance appraisals; and</li> <li>• sufficient information is provided to Members so they can monitor service delivery.</li> </ul>

[Responsibilities of the Accounting Officer](#)

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Council's 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 review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

## Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- We exercise any other special powers of the auditor under section under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

We are also required by the Code of Audit Practice to give an opinion on whether other information published together with the audited financial statements, is consistent with the financial statements. Because of the matter described in the Basis for Disclaimer of Opinion section we do not express an opinion on the financial statements. We also do not express an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

## Use of the Audit 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 and as set out in paragraph 14 of the Statement of Responsibilities of Auditors and Audit Bodies, published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent of the Council, as a body, for our audit work, for this report, or for the opinions we have found.

## Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certification until we have completed our work to issue our audit assurance statement in respect of the Council's Whole of Government Accounts consolidation pack for the year ended 331 March 2024.

Mark Kirkham, Key Audit Partner

For and on behalf of Forvis Mazars LLP

5<sup>th</sup> Floor  
3 Wellington Place  
Leeds  
LS1 4AP

# **Auditor's Report – Teesside Pension Fund**

## **Independent auditor's report to the members of Middlesbrough Council**

### **Report on the audit of the financial statements**

#### **Disclaimer of opinion on the financial statements of Teesside Pension Fund**

We were appointed to audit the financial statements of Teesside Pension Fund ('the Pension Fund') for the year ended 31 March 2024, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of material accounting policy information. 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 2023/24.

We do not express an opinion on the financial statements. 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**

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the Pension Fund's financial statements, and auditor's opinion for the year ended 31 March 2024, by 28 February 2025 ('the backstop date').

The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence for the valuation of level 3 investments, which forms part of Investment Assets in the Net Assets Statement, and the associated change in market value of investments in the Fund Account. We are therefore unable to form an opinion on the financial statements as there has been insufficient time to perform all necessary audit procedures.

#### **Responsibilities of the Director Finance for the financial statements**

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's 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 2023/24, 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.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Director of Finance is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

#### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct our audit in accordance with International Standards on Auditing (UK), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law, 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. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council.

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 we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## **Matters on which we are required to report by exception under the Code of Audit Practice**

We are required by the Code of Audit Practice, to give an opinion on whether other information published together with the audited financial statements, is consistent with the financial statements. Because of the matter described in the Basis for Disclaimer of Opinion section we do not express an opinion on the financial statements. We also do not express an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

## **Use of the audit report**

This report is made solely to the members of Middlesbrough Council, as a body and as administering authority for the Teesside Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Kirkham

### **Key Audit Partner**

For and on behalf of Forvis Mazars LLP

5th Floor  
3 Wellington Place  
Leeds  
LS1 4AP

20 February 2025

# Financial Statements





## Movement in Reserves Statement

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

2023-24	General Fund Balance	Earmarked Revenue Reserves	Capital Receipts Reserve	Direct Revenue Funding Unapplied	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 1 April 2023</b>	<b>(12.041)</b>	<b>(13.231)</b>	-	-	<b>(34.553)</b>	<b>(59.825)</b>	<b>(349.580)</b>	<b>(409.405)</b>
<b><i>Movement in reserves during 2023-24</i></b>								
Total Comprehensive Income and Expenditure	12.857	-	-	-	-	<b>12.857</b>	117.286	<b>130.143</b>
Adjustments between accounting basis & funding basis under regulation (Note 6)	(11.527)	-	-	-	(17.207)	<b>(28.734)</b>	28.734	-
Transfers to/(from) other reserves	(0.275)	0.275	-	-	-	-	-	-
<b>Net Decrease / (increase) in year</b>	<b>1.055</b>	<b>0.275</b>	-	-	<b>(17.207)</b>	<b>(15.877)</b>	<b>146.020</b>	<b>130.143</b>
<b>Balance at 31 March 2024 carried forward</b>	<b>(10.986)</b>	<b>(12.956)</b>	-	-	<b>(51.760)</b>	<b>(75.702)</b>	<b>(203.560)</b>	<b>(279.262)</b>

Usable reserves are for both capital and revenue purposes therefore £51.760m of the total £75.702m usable reserves must be utilised against capital expenditure and the remaining £23.942m for revenue purposes. However, of the total revenue reserves £12.956m are earmarked reserves of which only £1.069m is unrestricted with the remaining £11.887m is restricted to specific purposes, usually due to grant conditions. The unrestricted earmarked reserves of £1.069m are available alongside the £10.986m General Fund giving a total of £12.055m available as unrestricted reserves (9.5% of Net Revenue Budget) which was assessed as inadequate by the s151 Officer.

<b>2022-23</b>	<b>General Fund Balance</b>	<b>Earmarked Revenue Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Direct Revenue Funding Unapplied</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Council Reserves</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Balance at 1 April 2022</b>	<b>(11.182)</b>	<b>(34.375)</b>	-	<b>(0.023)</b>	<b>(31.415)</b>	<b>(76.995)</b>	<b>(14.552)</b>	<b>(91.547)</b>
<b><i>Movement in reserves during 2022-23</i></b>								
Total Comprehensive Income and Expenditure	44.515	-	-	-	-	<b>44.515</b>	(362.375)	<b>(317.860)</b>
Adjustments between accounting basis & funding basis under regulation (Note 6)	(26.835)	-	-	0.023	(0.534)	<b>(27.346)</b>	27.346	-
Transfers to/(from) other reserves	(18.540)	21.144	-	-	(2.604)	-	-	-
<b>Net Decrease / (increase) in year</b>	<b>(0.860)</b>	<b>21.144</b>	-	<b>0.023</b>	<b>(3.138)</b>	<b>17.169</b>	<b>(335.029)</b>	<b>(317.860)</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>(12.042)</b>	<b>(13.231)</b>	-	-	<b>(34.553)</b>	<b>(59.826)</b>	<b>(349.581)</b>	<b>(409.407)</b>

## 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 which is the subject of in year budget setting and monitoring reports.

Restated 2022-23			Cost of Services by Service Area	Note	2023-24		
Gross Expenditure	Gross Income	Net Expenditure / (Income)			Gross Expenditure	Gross Income	Net Expenditure / (Income)
£m	£m	£m			£m	£m	£m
36.168	(7.986)	28.182	Regeneration	43.580	(6.725)	36.855	
18.545	(24.631)	(6.086)	Public Health and Public Protection	19.394	(19.525)	(0.131)	
87.172	(69.585)	17.587	Education	100.499	(86.931)	13.568	
66.063	(4.362)	61.701	Children's Care	65.307	(7.294)	58.013	
106.356	(51.701)	54.655	Adult Social Care and Health Integration	114.127	(59.735)	54.392	
38.926	(0.210)	38.716	Environment and Commercial Services	42.040	(5.822)	36.218	
61.543	(52.330)	9.213	Finance	60.170	(54.745)	5.425	
16.807	(1.873)	14.934	Legal & Governance Services	15.404	(2.260)	13.144	
7.178	(16.305)	(9.127)	Central Costs	1.974	(18.421)	(16.447)	
<b>438.758</b>	<b>(228.983)</b>	<b>209.775</b>	<b>Total Cost of Service</b>	<b>462.495</b>	<b>(261.458)</b>	<b>201.037</b>	
0.169	(0.226)	(0.057)	Other Operating Income and Expenditure	3.158	-	<b>3.158</b>	
22.136	(18.220)	3.916	Financing & Investment Activities	14.053	(16.842)	<b>(2.789)</b>	
-	(169.118)	(169.118)	Taxation and Non-Specific Grant Income	-	(188.549)	<b>(188.549)</b>	
<b>461.063</b>	<b>(416.547)</b>	<b>44.516</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>479.706</b>	<b>(466.849)</b>	<b>12.857</b>	
			<i>Items that will not be re-classified to the Surplus or Deficit on the Provision of Service</i>				
		(13.528)	(Surplus) on revaluation of Property Plant and Equipment	23		<b>(3.839)</b>	
		(348.847)	Remeasurements of the net defined benefit liability / (asset)	39		<b>121.125</b>	
		<b>(362.375)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>117.286</b>	
		<b>(317.859)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>130.143</b>	

## Balance Sheet

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

Restated 31 March 2023		Note	31 March 2024
£m			£m
440.866	Property, Plant & Equipment	23	427.787
32.526	Heritage Assets	25	33.544
31.116	Investment Properties	26	31.462
2.574	Intangible Assets	27	3.656
0.309	Long-Term Investments	29	0.309
107.390	Pension Asset	29	-
15.130	Long-Term Debtors	32	9.014
<b>629.911</b>	<b>Total Long-Term Assets</b>		<b>505.772</b>
0.125	Short-Term Assets Held for Sale	28	4.827
2.871	Inventories	33	2.768
60.562	Short-Term Debtors	32	68.042
26.832	Cash and Cash Equivalents	34	12.143
<b>90.390</b>	<b>Total Current Assets</b>		<b>87.780</b>
(38.708)	Short-Term Borrowing	29	(29.267)
(55.671)	Short-Term Creditors	35	(45.446)
(3.219)	Revenue Grants Receipts in Advance	12 & 35	(1.051)
(1.492)	Short-Term Provisions	36	(2.048)
<b>(99.090)</b>	<b>Total Current Liabilities</b>		<b>(77.812)</b>
<b>(8.700)</b>	<b>Net Current Assets / (Liabilities)</b>		<b>9.968</b>
(3.702)	Long-Term Provisions	36	(2.482)
(206.965)	Long-Term Borrowing	29	(218.837)
(1.139)	Other Long-Term Liabilities	29	(0.975)
-	Pension Liability	39	(14.182)
<b>(211.806)</b>	<b>Total Long-Term Liabilities</b>		<b>(236.476)</b>
<b>409.405</b>	<b>Net Assets/(Liabilities)</b>		<b>279.264</b>
(59.826)	Usable Reserves	37	(75.703)
(349.579)	Unusable Reserves	38	(203.560)
<b>(409.405)</b>	<b>Total Reserves</b>		<b>(279.263)</b>

Andrew Humble  
Director of Finance

20 February 2025

## 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.

Restated 31 March 2023 £m		31 March 2024 £m
(44.516)	Surplus / deficit on provision of services	(12.856)
37.251	Adjustment to net surplus or deficit on the provision of services for non-cash movements (Note 46)	20.935
(0.015)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 46)	2.942
(7.280)	<b>Net Cash Flows from Operating Activities</b>	11.021
(37.755)	Investing Activities (Note 47)	(27.977)
37.244	Financing Activities (Note 48)	2.268
<b>(7.791)</b>	<b>Net Increase or decrease in cash and cash equivalents</b>	<b>(14.688)</b>
<b>34.622</b>	<b>Cash and cash equivalents at the beginning at the reporting period (Note 34)</b>	<b>26.831</b>
<b>26.831</b>	<b>Cash and cash equivalents at the end at the reporting period (Note 34)</b>	<b>12.143</b>

# Notes to the Accounts



## Note 1 Accounting Policies

### General Principles

The Statement of Accounts summarises the Council's financial transactions for the 2023-24 financial year and its position at the 31 March 2024.

The Council is required to prepare a Statement of Accounts for each financial year under the Accounts and Audit Regulations 2015 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 2023-24 (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.

Classification	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.

## External audit arrangements

In recent years there has been a growing national backlog of unaudited accounts. For financial year 2022-23, just one percent of councils and other local bodies published their audited accounts on time. In February 2024 the then Department of Levelling-Up Housing and Communities (DLUHC), now Ministry for Housing Local Government and Communities (MHCLG), consulted on proposals to tackle this backlog on unaudited accounts. These proposals included setting a statutory backstop date to clear outstanding unaudited accounts up to 2022-23. They also including setting backstop dates for financial years 2023-24 to 2027-28 to enable the local audit system to recover. These proposals were confirmed these proposals and set the following statutory deadlines:

- 2022-23 and prior            13 December 2024
- 2023-24                        28 February 2025
- 2024-25                        27 February 2026
- 2025-26                        31 January 2027
- 2026-27                        30 November 2027
- 2027-28                        30 November 2028

This created a situation where, in order to meet the statutory deadline date above, a number of Local Authorities including Middlesbrough Council received modified or disclaimed opinions. The government made it clear that where the backstop dates result in these types of opinion the Local Authority should not be unfairly judged. Middlesbrough Council received disclaimed opinions for 2021-22 and 2022-23 therefore the prior year comparators in these financial statements are published as final but remain unaudited.

## Basis of Preparation - Going Concern

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

## 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.
- As per the Code (IFRS15) income and expenditure is recognised when performance obligations are



satisfied.

The exception to this basis is external audit fees which is completed on a cash basis

### **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

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment assets are initially measured at cost (usually the purchase price). Borrowing costs incurred whilst assets are under construction are not included in cost.

Donated assets are initially measured at fair value with the difference between fair value and any consideration paid being credited to taxation and non-specific grant Income in the Comprehensive Income and Expenditure Statement.

If material, costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; or costs of dismantling and removing the item and restoring the site on which it is located, would be valued as per the asset classification measurement method.

Property, Plant and Equipment is carried in the Balance Sheet using the following measurement bases:

- Land and Buildings are carried at current value. Current 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 current value at the year-end, but as a minimum every five years.
- Infrastructure assets 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.
- Community Assets and Assets under Construction are held at historical cost.
- 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).

The Code states that assets should only be included in Assets Held for Sale when the asset is available for immediate sale in its present condition and its sale must be highly probable. For a sale to be considered highly probable the Code requires 'the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5,39 and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

## **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.

### **Expected Credit Loss – Statutory Debt**

The Council has determined its expected credit loss (ECL) provision based on a range of factors including the age of the debt, historic recovery rates and the actions taken by the Council to liaise with the debtor to maximise recovery.

IAS 37 defines and specifies the accounting for and disclosure of provisions, contingent liabilities, and contingent assets. A provision is a liability of uncertain timing or amount. The ECL provision should recognise debts if it is probable that the debt will not be settled. If it is only a possibility and not probable, then the item is not treated as a provision but rather a liability.

IAS 37 stipulates the criteria for provisions which must be met for a provision to be recognised to prevent manipulation of financial results. According to IAS 37, three criteria are required to be met before a provision can be recognised. These are:

- There needs to be a present obligation from a past event e.g., a service provided, and an invoice issued
- There needs to be a reliable estimate e.g., the billed cost of the service provided, and
- There needs to be a probable loss of economic benefit e.g., a probability that an aged debt will not be recovered

IAS37 defines a provision as a liability of uncertain timing or amount but where the amount can be reliably measured, and it is probable that the obligation/debt is not recoverable.

### **Expected Credit Loss – Non-Statutory Debt**

IFRS9 also plays a part in the way in which the Council calculates the ECL provision in relation to Accounts Receivable balances as there is a requirement to recognise expected credit losses for all financial assets held at amortised cost or at fair value through other comprehensive income, including accounts receivable balances.

IFRS9 replaces the 'incurred loss' model required by IAS39 with an 'expected loss' model. This moves from a position of provisioning only when a loss has occurred to one which considers forward-looking information to calculate expected credit losses, regardless of whether there has been an impairment trigger. This applies to all relevant financial assets.

There are 2 approaches permissible under IFRS9, the general approach (which includes a 3-stage impairment model) or the simplified approach. For relevant financial assets including trade receivables, the standard allows an organisation to dispense with the full general impairment model and they can choose to apply the simplified model unless any accounts receivables contain a significant financing component.

Under the simplified approach, at initial recognition of each accounts receivable balance and throughout its

life, a lifetime expected credit loss should be recognised to arrive at the appropriate impairment under IFRS9. There are various methods to calculate a lifetime expected credit loss, but a suggested method in IFRS9 for trade receivables is using a provision matrix of considerations.

The Council has used a two-stage approach. The first stage is the consideration of historical experience of losses that have been incurred (that is, accounts receivable balances that have not been collected). The second stage is to consider the future, and whether the historical experience is likely to persist or whether other factors should influence and adjust the levels of impairment recognised.

As per the requirements of IFRS9 there is no recognition for expected credit loss on a financial asset where the counterparty is central government or where it is a local authority.

Expected Credit Losses can be measured in three ways depending on the circumstances and whether the credit risk is increasing or decreasing.

- Lifetime expected credit losses – those that result from all possible default events over the expected life of the financial instrument.
- 12 month expected credit losses – those that result from default events that are possible within the next financial year.
- Cumulative changes in lifetime expected credit losses since recognition – those that were included in the estimated cash flows in initial recognition.

The Council has assessed its accounts receivables using historic data and the age of each debt together with assessment of the debtor and any known external factors that could result in the probability of a expected credit loss. Using this combination a credit loss for each accounts receivable debt has been calculated.

## **Post Employment Benefits (Pensions)**

Employees of the Council are members of one of three 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).
- NHS Pension Scheme, administered by the NHS Business Services Authority

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 assets/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 held at amortised cost in that they have fixed or determinable payments but are not quoted in an active market. Financial assets held at amortised cost 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, Plant 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. These deposits should not have a term of more than three months in total. Deposits are repayable within that three month term without penalty on notice of more than 24 hours with insignificant risk of change in value. Overdrawn bank accounts are presented in the balance sheet net only where there is a right of offset.

### **Interests in Companies and Other Entities**



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

### **Investment Property**

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

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

### **Support Services and Overheads**

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

### **Revenue Expenditure Funded by Capital Under Statute (REFCUS)**

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

### **Rounding**

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

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

### **Schools**

Local authority maintained schools are considered to be under the control of the Council. Consequently, the income, expenditure, assets and liabilities of community schools are accounted for in the single entity accounts of the Council. Only income and expenditure for Foundation schools is included as the assets and liabilities are with the Diocese.

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	No of Special Schools	Total
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		<b>Schools</b>		
Community	3	0	3	6
Foundation	3	0	0	3
<b>Maintained</b>	<b>6</b>	<b>0</b>	<b>3</b>	<b>9</b>

### Value Added Tax (VAT)

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



### Note 2 Accounting Standards Issued but not yet adopted

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

At the balance sheet date, the following new standards and amendments to existing standards have been published and will be introduced by the 2024-25 Codes of Practice of Local Authority Accounting in the United Kingdom:

#### IFRS 16: Leases

The International Accounting Standards Board (IASB) issued the final version of IFRS 16 which replaces IAS 17 for annual periods beginning on or after 1 January 2019. The CIPFA LASAAC Board confirms that mandatory implementation of IFRS 16 Leases will go ahead as planned, and the standard will be implemented in the Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 therefore this standard does not affect the 2023-24 financial statements. Although the Board recommend voluntary adoption of the standard in 2023-24, along with many other Local Authorities in England, Middlesbrough has decided to implement this standard from 2024-25 accounts.

#### Requirements of the new lease standard

IFRS 16 provides a single lessee accounting model and removes the distinction between finance and operating leases. Under IFRS 16, the Authority will be required to recognise a right of use asset and a lease liability for all leases, unless the lease term is 12 months or less, or the underlying asset is of low value. As a result, former operating leases under IAS 17 will come on to the Balance Sheet and surplus or deficit in the provision

of services will reflect related charges for the depreciation of the right of use asset and the interest on the lease liability in place of rental expenses.

### **Transition requirements and initial application**

On initial application, IFRS 16 will be implemented using the cumulative catch-up method as required by Code of Practice on the Local Authority Accounting in the United Kingdom 2023-24, with the net cumulative impact of applying IFRS 16 recognised as an adjustment to the opening balance of General Fund as of 1 April 2024. This means that prior year comparatives will not be restated in the 2024-25 Statement of Accounts.

On transition, the lease liability will be measured at the value of remaining lease payments, discounted either by the interest rate implicit in the lease, or where this is not readily determinable, the incremental rate of borrowing of the Authority. Where the lease includes extension or termination options, the lease payments will be for the non-cancellable period together with any extensions the Authority is reasonably certain to exercise and any termination options the Authority is reasonably certain not to exercise.

The opening right of use asset at transition will equal lease liabilities, adjusted for any lease prepayments or accruals that exist immediately prior to 1 April 2024.

### **Preliminary analysis of the impact of IFRS 16**

Based on the minimum lease payments outstanding at 31 March 2024 disclosed in Note 41 it is estimated that the transition will result in the recognition of new assets and liabilities in the Balance Sheet of £0.788m

The increase in right of use assets and finance lease liabilities is lower than the value of minimum operating lease commitments held under IAS 17, primarily because IFRS 16 liabilities exclude any leases with less than 12 months remaining and low value items.

The standard is expected to increase total expenditure for Surplus or Deficit in the Provision of Services in 2024-25 by £0.187 million, comprising an increase of £0.044m million in depreciation and interest costs, offset by a reduction of 0.427 million in operating rental lease payments.

### **IAS 1 – Amendments to the classification of liabilities as current or non-current.**

The amendments clarify that the right to defer settlement of a liability must exist for at least 12 months after the reporting period and that the classification is unaffected by whether management will exercise its right to defer settlement. Although this provides clarifications it is not anticipated that this will have a significant impact on the amounts to be reported.

**IAS 12** – International tax reform standards will be amended in relation to deferred tax that applies to multinational groups with a minimum level of turnover. This will not affect the Councils accounts.

**IAS 7 and IFRS 7** – Amendments to supplier finance arrangements issued in May 2023 require an entity to provide additional disclosures about its supplier finance arrangements. No supplier finance arrangements are in place or planned so there will be no impact on the Councils accounts.

## **Note 3 Critical Judgements in applying Accounting Policies**

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

- On the grounds of control and significant influence, the Middlesbrough Development Company falls within the group boundary of the Council and therefore has been consolidated within the Council's group accounts. The company is in the process of being wound up.
- 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.

- Judgement is required as to whether the conditions of specific grants received have been met before recognising them as income in the Comprehensive Income and Expenditure Statement. Where the grant conditions require associated expenditure to be incurred, the grant monies will not be recognised as income in the financial year, until this expenditure is incurred. Grant income is not recognised until the conditions of the grant are met.
- Judgement is also required, in determining whether a lease is an operating or finance lease where substantially all the risks and rewards of ownership transfer to the lessee. This judgement depends on the balance of risks and rewards of ownership. See Notes 41 and 42 for more details of leases. With the adoption of IFRS 16 in 2024-25 however, there will be a single lessee accounting model, and this will remove the distinction between finance and operating leases. Under IFRS 16, the Authority will be required to recognise a right of use asset and a lease liability for all leases, unless the lease term is 12 months or less, or the underlying asset is of low value.

## Note 4 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts includes some estimated figures, which are based on assumptions about the future that are otherwise uncertain. Estimates are made using historical experience, current trends and other relevant and appropriate criteria. These estimations cannot be determined with certainty therefore, actual results could be materially different from the assumptions and estimates used. The items in the Council's Balance Sheet at 31 March 2024 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, 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 2024, the Council had land and buildings to the value of £228.855m, and investment properties to the value of £31.462m. A 1% change in the estimation of property values would lead to a £2.28m change in the value of the Council's land and buildings and £0.314m 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.
Net Pension Liability	Estimation of the net liability of £14.182m to pay pensions depends on several complex judgements relating to the discount rate used, the rate at	The effects on the net pension liability of changes in individual assessments can be measured. For instance, a 0.1% decrease in

	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 discount rate assumption would result in an increase in the pension liability of £19.849m. <a href="#">Note 39</a> provides further details.
Expected Credit Loss Provision	The Council has determined its expected credit loss provision of £30.089m (covering collection fund and general revenue activities) based on a range of factors including the age of the debt and the action that has been undertaken by the Council to liaise with the debtor to recover debt.	If collection rates were to deteriorate by 0.1%, the amount for the provision of expected credit losses would increase by £0.301m.
Insurance Provision	The insurance provision is estimated using data held on previous claims, outstanding claims at the balance sheet date and the latest actuarial valuation report.	The Council has a total insurance provision of £3.008m for public liability, vehicles and property.

## Note 5 Events after the Balance Sheet Date

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 is subject to appeal, and the Court of Appeal heard the arguments on 26 and 27 June 2024. The judgment has now been upheld by the Court of Appeal.

# Notes Supporting the Movement in Reserves Statement

## Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2023-24	General Fund Balance	Capital Receipts Reserve	Revenue Unapplied	Capital Grants Unapplied	Movement in Unusable Reserves
	£m	£m	£m	£m	£m
<b>Adjustments Affecting Capital Reserves</b>					
Impairment and depreciation to Property, Plant and Equipment (Note 23)	(19.473)	-	-	-	19.473
Revaluation Losses on Property, Plant and Equipment (Note 23)	(15.809)	-	-	-	15.809
Revaluation of Investment Properties and Assets for Sale (Note 26,28)	0.031	-	-	-	(0.031)
Amortisation of Intangible Assets (Note 27)	(0.186)	-	-	-	0.186
Total Capital Grants (Note 11)	44.052	-	-	(44.052)	-
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure	-	-	-	26.845	(26.845)
Donated Assets (Note 23 & 25)	2.700	-	-	-	(2.700)
Revenue Expenditure Funded from Capital Under Statute (REFCUS) – Expenditure	(19.253)	-	-	-	19.253
Non-current assets written off on disposal or sale (Note 23,25,27,28)	(5.342)	-	-	-	5.342
Capital loans - principle repaid in year	(0.035)	-	-	-	0.035
Statutory provision for the financing of capital investment (Note 21)	3.888	-	-	-	(3.888)
Capital Receipts Reserve used to finance new capital spend (Note 21)	-	2.399	-	-	(2.399)
<b>Total Adjustments Affecting Capital reserves</b>	<b>(9.427)</b>	<b>2.399</b>	<b>-</b>	<b>(17.207)</b>	<b>24.235</b>
<b>Amounts Affecting the Pension Reserve</b>					
Reversal of Pension items in the Comprehensive Income and Expenditure Statement Note 39)	(12.198)	-	-	-	12.198
Employer's pension contribution payable in year (Note 39)	11.751	-	-	-	(11.751)
<b>Amounts Affecting the Collection Fund Adjustments Account</b>					
Difference in Collection Fund income credited to the Comprehensive Income and Expenditure Statement and that under statutory requirements (Note 38)	3.125	-	-	-	(3.125)
<b>Amounts Affecting the Compensated Absences Adjustment Account</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	0.552	-	-	-	(0.552)
<b>Amounts Affecting the DSG Adjustment Account</b>					
Transfer schools deficit to the DSG adjustment account	(7.729)	-	-	-	7.729
<b>Amounts between Usable Reserves</b>					
Cash proceeds on disposal of Non-Current Assets	2.399	(2.399)	-	-	-
<b>Total Adjustments for the year ended 31 March 2024</b>	<b>(11.527)</b>	<b>-</b>	<b>-</b>	<b>(17.207)</b>	<b>28.734</b>

2022-23	General Fund Balance	Capital Receipts Reserve	Revenue Unapplied	Capital Grants Unapplied	Movement in Unusable Reserves
	£m	£m	£m	£m	£m
<b>Adjustments Affecting Capital Reserves</b>					
<b>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Impairment and depreciation to Property, Plant and Equipment (Note 23)	(15.978)	-	-	-	15.978
Revaluation Losses on Property, Plant and Equipment (Note 23)	(11.596)	-	-	-	11.596
Movement in the fair value of Investment Properties and Assets for Sale (Note 26,28)	4.573	-	-	-	(4.573)
Amortisation of Intangible Assets (Note 27)	(0.427)	-	-	-	0.427
Total Capital Grants (Note 11)	34.144	-	-	-	(34.144)
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure	-	-	-	(0.534)	0.534
Donated Assets (Note 23)	0.566	-	-	-	(0.566)
Revenue Expenditure Funded from Capital Under Statute (REFCUS) – Expenditure	(14.731)	-	-	-	14.731
Non-current assets written off on disposal or sale (Note 23,25,27,28)	(0.529)	-	-	-	0.529
Non-current Assets written off - Investment properties	(0.212)	-	-	-	0.212
Statutory provision for the financing of capital investment (Note 21)	3.383	-	-	-	(3.383)
Capital Receipts Reserve used to finance new capital spend (Note 21)	-	0.755	-	-	(0.755)
Capital expenditure charged against the General Fund (Note 21)	(0.023)	-	0.023	-	-
<b>Total Adjustments Affecting Capital reserves</b>	<b>(0.830)</b>	<b>0.755</b>	<b>0.023</b>	<b>(0.534)</b>	<b>0.586</b>
<b>Amounts Affecting the Pension Reserve</b>					
Reversal of Pension items in the Comprehensive Income and Expenditure Statement Note 39)	(43.258)	-	-	-	43.258
Employer's pension contribution payable in year (Note 39)	11.747	-	-	-	(11.747)
<b>Amounts Affecting the Collection Fund Adjustments Account</b>					
Difference in Collection Fund income credited to the Comprehensive Income and Expenditure Statement and that under statutory requirements (Note 38)	7.646	-	-	-	(7.646)
<b>Amounts Affecting the Compensated Absences Adjustment Account</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(0.088)	-	-	-	0.088
<b>Amounts Affecting the DSG Adjustment Account</b>					
Transfer schools deficit to the DSG adjustment account	(2.808)	-	-	-	2.808
<b>Amounts between Usable Reserves</b>					
Cash proceeds on disposal of Non-Current Assets	0.755	(0.755)	-	-	-
<b>Total Adjustments for the year ended 31 March 2023</b>	<b>(26.836)</b>	<b>-</b>	<b>0.023</b>	<b>(0.534)</b>	<b>27.347</b>

## Note 7 Earmarked Reserves

	Balance at 1 April 2022	Transfers In	Transfers Out	Transfers between reserves	Balance at 1 April 2023	Transfers In	Transfers Out	Balance at 31 March 2024
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Schools Balances</b>	(4.802)	(4.232)	5.393	-	(3.641)	(3.540)	2.581	(4.600)
<b>Significant Revenue Reserves</b>								
Invest to Save / Change Programme	(0.174)	(0.230)	0.404	(0.756)	(0.756)	(0.730)	0.450	(1.036)
Revenue Grants Unapplied	(11.657)	(10.591)	11.710	5.662	(4.876)	(11.124)	10.591	(5.409)
Insurance Fund	(0.116)	-	0.088	-	(0.028)	(0.067)	0.095	-
Public Health Reserve	(0.668)	-	0.539	-	(0.129)	(1.043)	-	(1.172)
Business Rates Reserve	(6.844)	-	6.617	0.227	-	-	-	-
Social Care Transformation Reserve	(7.072)	-	5.274	1.798	-	-	-	-
Financial Resilience Reserve	-	-	-	(1.798)	(1.798)	-	1.798	-
<b>Total Significant Reserves</b>	<b>(26.531)</b>	<b>(10.821)</b>	<b>24.632</b>	<b>5.133</b>	<b>(7.587)</b>	<b>(12.964)</b>	<b>12.934</b>	<b>(7.617)</b>
Other Revenue Reserves	(3.041)	-	1.265	(0.227)	(2.003)	(0.966)	2.229	(0.740)
<b>Total Earmarked Reserves</b>	<b>(34.374)</b>	<b>(15.053)</b>	<b>31.290</b>	<b>4.906</b>	<b>(13.231)</b>	<b>(17.470)</b>	<b>17.744</b>	<b>(12.957)</b>

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

### Schools Balances

This reserve holds the accumulated balances and the differences between the school budget and actual expenditure incurred in the year for all the Middlesbrough Council schools. In accordance with Government regulations and the Council's scheme of delegation for schools, these funds are carried forward and specifically earmarked for use by schools in future years.

**Invest to Save / Change Programme** - the reserve has been set up to pay for the one-off costs associated with implementing change within services including the funding of investment to save projects, early retirements / voluntary redundancies and altering the way services are commissioned



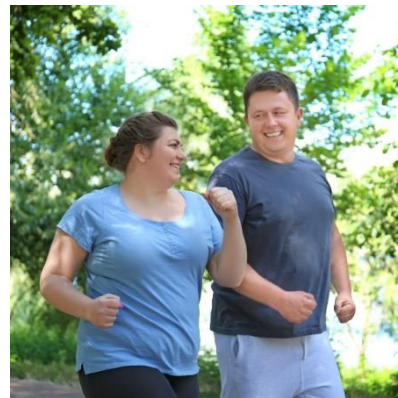


**Revenue Grants Unapplied** – In situations where there are no grant conditions or that conditions have already been met, any unspent grants/contributions are transferred to the Revenue Grants Unapplied at year-end. These have been recognised as income in prior years in the Comprehensive Income & Expenditure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

**Public Health Reserve** – Holds the balance of public health grant funding earmarked for specific public health purposes.

The **Insurance Fund, Business Rates Reserve, Social Care Transformation Reserve and the Financial Resilience Reserve** have now been fully utilised during the year and are therefore nil at 31 March 2024.

**Other Earmarked Reserves** – a collection of balances, individually less than £1m, held against specific purposes in future years..



## Note 8 Expenditure and Funding Analysis

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

Expenditure and Funding Analysis										
2022-23					Service Area	2023-24				
Net Expenditure at 31 March as reported to Council (Outturn)	Adjustment between Outturn report and chargeable to the General Fund	Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure at 31 March as reported to Council (Outturn)	Adjustment between Outturn report and chargeable to the General Fund	Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£m	£m	£m	£m	£m		£m	£m	£m	£m	£m
(2.206)	-	(2.206)	30.388	28.182	Regeneration	(0.095)	-	(0.095)	36.950	<b>36.855</b>
(3.434)	-	(3.434)	(2.651)	(6.085)	Public Health and Public Protection	(0.944)	-	(0.944)	0.813	<b>(0.131)</b>
5.590	-	5.590	11.996	17.586	Education	6.551	-	6.551	7.017	<b>13.568</b>
54.832	-	54.832	6.868	61.700	Children's Care	54.950	-	54.950	3.063	<b>58.013</b>
46.448	-	46.448	8.207	54.655	Adult Social Care and Health Integration	51.600	-	51.600	2.792	<b>54.392</b>
20.967	-	20.967	17.750	38.717	Environment and Commercial Services	20.503	-	20.503	15.715	<b>36.218</b>
3.999	-	3.999	5.215	9.214	Finance	3.581	-	3.581	1.844	<b>5.425</b>
10.545	-	10.545	4.389	14.934	Legal & Governance Services	10.794	-	10.794	2.350	<b>13.144</b>
(15.100)	(0.557)	(15.657)	6.530	(9.127)	Central Costs	(16.993)	-	(16.993)	0.546	<b>(16.447)</b>
<b>121.641</b>	<b>(0.557)</b>	<b>121.084</b>	<b>88.692</b>	<b>209.776</b>	<b>Net Cost of Service</b>	<b>129.947</b>	-	<b>129.947</b>	<b>71.090</b>	<b>201.037</b>
(118.329)	-	(118.329)	(46.932)	(165.261)	Other Income and Expenditure	(126.354)	-	(126.354)	(61.826)	<b>(188.180)</b>
<b>3.312</b>	<b>(0.557)</b>	<b>2.755</b>	<b>41.760</b>	<b>44.515</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>3.593</b>	-	<b>3.593</b>	<b>9.264</b>	<b>12.857</b>
		(11.183)			<b>Opening Uncommitted General Fund Balance</b>			<b>(12.042)</b>		
		(2.755)			Surplus or (Deficit) on General Fund Balance in year			<b>(3.593)</b>		
		1.896			Contribution/(use) in year			<b>4.648</b>		
		<b>(12.042)</b>			<b>Closing Uncommitted General Fund Balance</b>			<b>(10.987)</b>		

<b>Adjustments between Funding and Accounting Basis</b>				
<b>2023-24</b>				
<b>Adjustments from General Fund to Comprehensive Income and Expenditure Statement amounts:</b>	<b>Adjustments for Capital Purposes</b>	<b>Net Change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Regeneration and Culture	32.306	0.484	4.160	<b>36.950</b>
Public Health	0.880	0.368	(0.435)	<b>0.813</b>
Education & Partnerships	3.127	1.094	2.796	<b>7.017</b>
Children's Care	1.942	1.158	(0.037)	<b>3.063</b>
Adult Social Care and Health Integration	2.030	1.041	(0.279)	<b>2.792</b>
Environment & Community Services	12.335	1.430	1.950	<b>15.715</b>
Finance	0.549	0.541	0.754	<b>1.844</b>
Legal & Governance Services	1.465	0.550	0.335	<b>2.350</b>
Central Costs	0.086	(1.245)	1.705	<b>0.546</b>
<b>Net Cost of Services</b>	<b>54.720</b>	<b>5.421</b>	<b>10.949</b>	<b>71.090</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(43.805)</b>	<b>(4.974)</b>	<b>(13.047)</b>	<b>(61.826)</b>
<b>Difference between General Fund Surplus/ Deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services</b>	<b>10.915</b>	<b>0.447</b>	<b>(2.098)</b>	<b>9.264</b>

<b>Adjustments between Funding and Accounting Basis</b>				
<b>2022-23</b>				
<b>Adjustments from General Fund to Comprehensive Income and Expenditure Statement amounts:</b>	<b>Adjustments for Capital Purposes</b>	<b>Net Change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Regeneration and Culture	21.402	2.179	6.807	<b>30.388</b>
Public Health	-	1.260	(3.911)	<b>(2.651)</b>
Education & Partnerships	4.610	4.355	3.031	<b>11.996</b>
Children's Care	1.041	4.614	1.213	<b>6.868</b>
Adult Social Care and Health Integration	1.459	4.493	2.255	<b>8.207</b>
Environment & Community Services	12.396	5.407	(0.053)	<b>17.750</b>
Finance	-	2.111	3.104	<b>5.215</b>
Legal & Governance Services	1.746	2.289	0.354	<b>4.389</b>
Central Costs	(3.306)	(1.204)	11.040	<b>6.530</b>
<b>Net Cost of Services</b>	<b>39.348</b>	<b>25.504</b>	<b>23.840</b>	<b>88.692</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(39.298)</b>	<b>6.006</b>	<b>(13.640)</b>	<b>(46.932)</b>
<b>Difference between General Fund Surplus/Deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services</b>	<b>0.050</b>	<b>31.510</b>	<b>10.200</b>	<b>41.760</b>

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

	2022-23 £m	2023-24 £m
<b>Expenditure</b>		
Employees	159.764	134.267
Other Service Expenditure	256.385	280.248
Depreciation and other Capital Charges	38.251	57.741
Interest Payments	6.494	7.269
Precepts and Levies	0.169	0.180
<b>Total Expenditure</b>	<b>461.063</b>	<b>479.705</b>
<b>Income</b>		
Government Grants and Contributions	(282.157)	(329.709)
Income from Council Tax and Non-Domestic Rates	(86.078)	(85.950)
Interest and Investment Income	(0.583)	(1.031)
Fees, Charges and Other Service Income	(47.730)	(50.159)
<b>Total Income</b>	<b>(416.548)</b>	<b>(466.849)</b>
<b>Deficit on the Provision of Services</b>	<b>44.515</b>	<b>12.856</b>

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

Analysis of Fees and Charges	2022-23 £m	2023-24 £m
Rent Income	(10.142)	(10.509)
Parking	(1.705)	(1.864)
Finance and admin charges	(1.440)	(1.215)
Education Services to Academies	(6.867)	(5.913)
Licensing	(1.084)	(1.044)
Highways, Buildings and Streetlight Maintenance	(3.841)	(4.009)
Revenues and Benefits	(2.228)	(2.790)
Museums and Entertainment Venues	(2.697)	(2.907)
Catering	(4.801)	(4.613)
Commissioning	(1.690)	(1.252)
Bereavement Services	(2.202)	(2.252)
Fleet Management	(0.069)	(0.078)
Residential Care	(6.815)	(8.761)
Other Income	(2.149)	(2.951)
<b>Total Fees, Charges and Other Service Income</b>	<b>(47.730)</b>	<b>(50.158)</b>

## Note 9 Other Operating Income and Expenditure

2022-23 £m		2023-24 £m
0.169	Town and Parish Council precepts	0.180
(0.226)	(Gains) / Losses on the disposal of net current assets	2.978
<b>(0.057)</b>	<b>Total</b>	<b>3.158</b>

There has been a decrease in the gains on the disposal of non-current assets due to the reduction in capital receipts in 2023-24.

## Note 10 Financing and Investment Activities

2022-23 £m	Financing & Investment Income	2023-24 £m
6.494	Interest payable and similar charges	7.269
13.997	Trading Activities Expenditure (Note 16)	11.788
(4.362)	Charges in relation to Investment property and changes in their fair value (Note 26)	(0.031)
6.006	Net Pension Interest Costs (Note 39)	(4.974)
(0.583)	Interest receivable and similar income	(1.031)
(17.637)	Trading Activities Income (Note 16)	(15.810)
<b>3.915</b>	<b>Total</b>	<b>(2.789)</b>

## Note 11 Taxation and Non-Specific Grant Income

2022-23 £m		2023-24 £m
(64.440)	Council Tax Income	(68.746)
(21.638)	Business rates Income	(17.203)
(48.330)	Non-Ring-fenced Government Grant (Note 12)	(55.849)
(0.566)	Value of Donated Property, Plant & Equipment Assets (Note 6 & 23)	(2.700)
(34.145)	Capital Grants / Contributions (Note 12)	(44.052)
<b>(169.119)</b>	<b>Total</b>	<b>(188.550)</b>

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

## Note 12 Grant Income

The following grants, contributions and donations were credited to the Comprehensive Income and Expenditure Statement in 2023-24.

31 March 2023 £m		31 March 2024 £m
(12.598)	Revenue Support	(14.182)
(27.299)	Business Rates Top-up	(29.347)
(0.855)	New Homes Bonus	(1.102)
(7.676)	Business Rates Section 31	(11.218)
0.098	Enterprise Zone Funding	-
<b>(48.330)</b>	<b>Total Taxation and Non-Specific Grant Income (Note 11)</b>	<b>(55.849)</b>
	<b>Department for Education (DfE)</b>	
(52.852)	Dedicated Schools Grant	(59.343)
(4.010)	Pupil Premium	(3.966)
(0.517)	Skills Funding Agency	(0.321)
(0.315)	Universal Infant Free School Meals	(0.189)
(0.094)	PE & Sport	(0.234)
(4.248)	Other DfE grants	(15.718)
	<b>Department for Levelling Up, Housing, Communities (DLUHC)</b>	-
(1.828)	Independent Living	-
(12.614)	Adult Social Care Grant	(18.766)
(5.086)	Improved Better Care Fund	(7.925)
(1.037)	Troubled Families	(1.202)
(7.794)	Other DLUHC grants	(7.138)
	<b>Home Office</b>	-
(1.069)	Youth Justice Good Practice Grant	(0.288)
(0.950)	Other Home Office	(3.126)
	<b>Department for Business, Energy and Industrial Strategy (BEIS)</b>	-
(0.044)	BEIS grants	(0.161)
	<b>Department for Digital, Culture, Media and Sport (DCMS)</b>	-
(0.461)	DCMS grants	(0.697)
	<b>Department for Work and Pensions (DWP)</b>	-
(42.495)	Housing Benefit Subsidy	(42.563)
(0.379)	Housing Benefit Admin	(0.594)
(4.575)	Other DWP Grants	(4.318)
	<b>Department of Health and Social Care (DHSC)</b>	-
(17.731)	Public Health	(18.860)
(0.089)	Covid 19	-
(1.350)	Project Adder	-
(2.305)	Other DHSC grants	(3.159)
	<b>Department for Environment, Food and Rural Affairs (DEFRA)</b>	-
(0.028)	DEFRA grants	(0.049)
	<b>Department for Transport (DfT)</b>	-
(0.058)	DfT grants	(0.175)
	<b>Cabinet Office</b>	-
0.101	Elections	(0.042)
(0.568)	Other Grants	(0.698)
<b>(162.396)</b>	<b>Total Revenue Grants Credited to Services</b>	<b>(189.532)</b>

31 March 2023 Restated £m		31 March 2024 £m
	<b>Other Contributions</b>	
(0.114)	Tees, Esk and Wear Valleys NHS Foundation Trust	(0.132)
(0.200)	South Tees Hospitals NHS Foundation Trust	(0.211)
(2.635)	Tees Valley Clinical Commissioning Group	-
(24.806)	NHS North East & North Cumbria ICB	(32.259)
(2.763)	Redcar and Cleveland Borough Council	(2.172)
(1.560)	Stockton-on-Tees Borough Council	(1.404)
(0.561)	Hartlepool Borough Council	(0.554)
(0.067)	Darlington Borough Council	(0.119)
(3.602)	Tees Valley Combined Authority	(2.365)
(0.326)	Police and Crime Commissioner	(0.312)
(0.652)	Other Contributions	(0.749)
<b>(37.286)</b>	<b>Total Revenue Contributions Credited to Services</b>	<b>(40.277)</b>
<b>(248.012)</b>	<b>TOTAL REVENUE GRANTS AND CONTRIBUTIONS</b>	<b>(285.657)</b>

2022-23 £m		2023-24 £m
	<b>Department for Education (DfE)</b>	
(1.013)	School Condition Allocation	(0.635)
(1.367)	Basic Need	-
(4.233)	Other DfE grants	(2.748)
	<b>Department for Levelling Up, Housing, Communities (DLUHC)</b>	
(2.268)	Disabled Facility	(2.466)
(1.021)	Future High Streets	(4.979)
(3.450)	Towns Fund	(10.942)
(0.168)	Other DLUHC grants	(9.900)
	<b>Department of Health and Social Care (DHSC)</b>	
-	Other DHSC grants	(0.084)
	<b>Department for Transport (DfT)</b>	
(3.404)	Local transport Plan	(3.858)
-	Other DfT Grants	-
	<b>Tees Valley Combined Authority</b>	
(12.178)	Other TVCA Grants	(3.692)
(0.523)	<b>Other Grants</b>	(1.434)
	<b>Other Contributions</b>	
(0.012)	Housing Development	(3.129)
(4.508)	Other Contributions	(0.185)
<b>(34.145)</b>	<b>Total Capital Grants</b>	<b>(44.052)</b>
<b>(282.157)</b>	<b>TOTAL GRANTS 2023-24</b>	<b>(329.709)</b>

The Council received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require that the income be returned to the awarding body, The balances at the year-end are as follows:

31 March 2023 £m		31 March 2024 £m
(0.056)	Youth Music	(0.037)
(0.486)	Energy Bill Support Scheme (BEIS)	-
(0.455)	Headstart Project	(0.182)
(0.334)	Health Inequalities Funding	(0.302)
(0.044)	Rough Sleeper Program	(0.235)
(0.750)	NE regional Gambling Fund	-
(0.135)	Hong Kong Welcome Grant	-
-	Turnaround Program Grant	(0.095)
(0.045)	ACE Cultural Development Fund	(0.094)
(0.130)	Adult Social Care Assessments	-
(0.163)	Adult Social Care Discharge Fund	-
(0.146)	Housing Support Grant	-
(0.475)	Other Revenue Receipts	(0.106)
<b>(3.219)</b>	<b>TOTAL REVENUE RECEIPTS IN ADVANCE</b>	<b>(1.051)</b>



## Note 13 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring fenced and can only be applied to meet expenditure properly included in the schools Budget, as defined in The School and Early Years Finance (England) Regulations 2023. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school.

Details of DSG funded expenditure for 2023-24 is set out below:

	Central Expenditure £m	Individual Schools Budget £m	Total £m
Final DSG for 2023-24 before Academy recoupment and high needs recoupment			182.421
Academy and high needs figure recouped for 2023-24			122.682
<b>Total DSG after Academy and high needs recoupment for 2023-24</b>			<b>59.739</b>
Plus: Brought forward from 2022-23			-
Less: Carry Forward to 2024-25 agreed in advance			-
<b>Agreed initial budgeted distribution for 2023-24</b>			<b>-</b>
In year adjustments	-	-	-
<b>Final budgeted distribution for 2023-24</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: Actual central expenditure	(26.912)		<b>(26.912)</b>
Less: Actual ISB deployed to schools		(40.556)	<b>(40.556)</b>
Plus: Local Authority contributions for 2023-24	-	-	-
<b>In year carried forward for 2023-24</b>	<b>(26.912)</b>	<b>(40.556)</b>	<b>(67.468)</b>
Plus: Carry-forward to 2024-25 agreed in advance			-
Carry-forward to 2024-25			-
DSG unusable reserve at the end of 2022-23			(6.565)
Addition to DSG unusable reserve at the end of 2023-24			(7.729)
<b>Total of DSG unusable reserve at the end of 2023-24</b>			<b>(14.294)</b>
<b>Net DSG position at the end of 2023-24</b>			<b>(14.294)</b>

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



## Note 14 Officers' Remuneration

### Senior Employees' Remuneration

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

2023-24	Salary (including fees and allowances)	Pension contributions paid for by the Council	Total including pensions contribution
	£	£	£
Chief Executive <sup>1</sup>	-	-	-
Director of Finance <sup>2</sup>	-	-	-
Director of Adult Social Care and Health Integration <sup>5</sup>	113,149	13,554	<b>126,703</b>
Director of Childrens Care <sup>4</sup>	-	-	-
Director of Environment and Community Services	101,316	11,651	<b>112,967</b>
Director of Regeneration and Culture	101,316	13,554	<b>114,870</b>
Executive Director of Children's Services (From October 2023) <sup>3</sup>	62,567	7,195	<b>69,762</b>
Head of Legal and Governance Services – Monitoring Officer	113,149	13,012	<b>126,161</b>
Director of Education and Partnerships	101,316	11,651	<b>112,967</b>

1. Interim Chief Executive cost of service paid via consultancy (CIPFA) £235,300
2. Interim Director of Finance cost of service paid via agency (Allen Lane) £226,430 from May 2024. Deputy S151 acted up for 1 month (April 2024)
3. Interim Executive Director of Childrens Services paid via agency £58,377.35 until 1st August 2023
4. Interim Director of Childrens Care paid via agency £70,557.71 until 1st August 2023  
Interim Director of Childrens Care paid Via agency £139,269.30 from 4th September 2023 to 1st March 2024
5. Director for Adult Social Care and Health Integration covered the additional role of Director of Children's Services and Childrens Care from 1st August 2023 until 4th September 2023

<b>2022-23</b>	<b>Salary (including fees and allowances)</b>	<b>Pension contributions paid for by the Council</b>	<b>Payment for loss of office</b>	<b>Total including pensions contribution</b>
	£	£	£	£
Chief Executive – Tony Parkinson Left March 2023	156,885	18,042	98,366	<b>273,293</b>
Director of Finance Left July 20221	31,689	3,644	-	<b>35,333</b>
Director of Adult Social Care and Health Integration	109,323	12,572	-	<b>121,895</b>
Director of Environment and Community Services	96,478	10,916	-	<b>107,394</b>
Director of Regeneration and Culture	97,890	11,257	-	<b>109,147</b>
Executive Director of Children’s Services Left December 20222	95,652	11,000	-	<b>106,651</b>
Head of Legal and Governance Services – Monitoring Officer	102,900	11,834	-	<b>114,734</b>
Director of Education and Partnerships	96,478	11,095	-	<b>107,573</b>
Director of Public Health	97,890	11,257	-	<b>109,147</b>

1. Interim Director of Finance cost of service paid via Agency from August 2022 – Penna PLC £114,000
2. Interim Executive Director of Childrens Services cost of service paid via agency from December 2022 £87,847

### 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. Those officers already shown in the Senior Officers note above are already disclosed and therefore not included in the table below:

2022-23			Remuneration	2023-24		
Number of Employees at 31 March				Number of Employees at 31 March		
MBC	Schools	Total		MBC	Schools	Total
53	17	70	£50,000 - £54,999	120	18	138
19	10	29	£55,000 - £59,999	46	14	60
13	6	19	£60,000 - £64,999	17	4	21
8	2	10	£65,000 - £69,999	16	5	21
7	5	12	£70,000 - £74,999	6	2	8
4	3	7	£75,000 - £79,999	7	3	10
2	2	4	£80,000 - £84,999	2	2	4
-	3	3	£85,000 - £89,999	-	2	2
-	-	-	£90,000 - £94,999	-	1	1
-	-	-	£95,000 - £99,999	-	2	2
-	-	-	£115,000 - £119,999	1	-	1
1	-	1	£135,000 - £139,999 *	-	-	-
-	-	-	£145,000 - £149,999 *	1	-	1
<b>107</b>	<b>48</b>	<b>155</b>	<b>Total</b>	<b>216</b>	<b>53</b>	<b>269</b>

\* This post is the Senior Coroner, who is appointed by, and the salary is set by central Government. This is the gross cost. A joint arrangement is in place and this post is therefore funded by the four local authorities.

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.

Remuneration bands are prescribed and have not been updated in line with pay awards therefore more employees are captured in this note.

## 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	
	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23 £m	2023-24 £m
£0 – £20,000	-	-	81	55	81	55	0.197	0.135
£20,001 – £40,000	-	-	3	2	3	2	0.082	0.067
£40,001 – £60,000	-	-	1	1	1	1	0.051	0.055
£80,001 – £100,000	-	1	1	-	1	1	0.098	0.099
£100,000 – £150,000	-	1	-	-	-	1	-	0.120
Over £150,001	1	-	-	-	1	-	0.176	-
<b>Total</b>	<b>1</b>	<b>2</b>	<b>86</b>	<b>58</b>	<b>87</b>	<b>60</b>	<b>0.604</b>	<b>0.476</b>

## Note 15 Members' Allowances and Expenses

2022-23 £m		2023-24 £m
0.340	Basic Allowance Paid	0.351
0.185	Special Responsibility Allowances Paid	0.195
0.006	Expenses	0.004
<b>0.531</b>	<b>Total</b>	<b>0.550</b>

## Note 16 Trading Operations

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

2022-23				2023-24		
Income £m	Expenditure £m	(Surplus) / Deficit £m		Income £m	Expenditure £m	(Surplus) / Deficit £m
(8.639)	5.457	<b>(3.182)</b>	Commercial and Industrial Properties	(8.111)	4.174	<b>(3.937)</b>
(2.548)	2.736	<b>0.188</b>	Building Maintenance, Cleaning and Security	(2.139)	2.379	<b>0.240</b>
(1.701)	0.812	<b>(0.889)</b>	Parking services (part of ringfenced account)	(0.886)	0.692	<b>(0.194)</b>
(4.749)	4.992	<b>0.243</b>	Schools Catering	(4.674)	4.543	<b>(0.131)</b>
<b>(17.637)</b>	<b>13.997</b>	<b>(3.640)</b>	<b>Total</b>	<b>(15.810)</b>	<b>11.788</b>	<b>(4.022)</b>

## Note 17 Audit Fees

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

2022-23 £m		2023-24 £m
0.290	Fees payable to the auditor EY, with regard to their services carried out as appointed Auditor for 2021-22 and 2022-23	0.425
0.021	Fees Payable to the Auditor, EY for the certification of Grant Claims and Returns	0.030
0.086	Additional charges due to our current External Auditors, EY for an overrun in respect of 2020-21	-
<b>0.397</b>	<b>Total</b>	<b>0.455</b>

The increase in the level of fees from Ernst & Young relates to the developing complexity of local authority audits, the requirements of the Audit Code of Practice and the value for money assessment. The above total of £0.455m 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 Related Parties

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

### Central Government

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

### Senior Officers and Members

The Council's Senior Managers and Elected Members and their close relations may influence the Council's financial and operating policies. Using the Council's Register of Members' Declarations of Interest and a separate survey of both Members and Senior Officers, the following disclosures meet the criteria for related party transactions on behalf of the Council. The Head of Finance & Investments for the Council was a Director for Middlesbrough Development Company and for Veritau Tees Valley Ltd during the 2022-23 financial year. Both engagements have ended during the 2023-24 financial year under the new Council policy for wholly and partially own local authority companies and the revised Constitution.

### Teesside Pension Fund

Details of all transactions with the Pension Fund are shown in the Teesside Pension Fund section of the Statement of Accounts. Specifically, the Council made contribution payments as an employer of £14.174m (2022-23 - £14.787m) and made charges to the Fund for Support Services of £0.762m (2022-23 - £0.765m).

### 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 £7.3m of Section 106 funding previously received by the Council and has received a commercial

loan for the remaining £8.2m. It has spent £14.5m of the allocated funding (including general running costs). This spending was on capital works for the Boho Village Bright Ideas project and Newbridge Court project following the demolition of the old Tollesby shopping precinct in early 2020.

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

<b>Related Parties Year Ended 2023-24</b>				
<b>Organisation</b>	<b>Expenditure in year</b>	<b>Income in year</b>	<b>Year End Creditor Balances</b>	<b>Year End Debtor Balances</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cleveland Combined Fire Authority	3.866	0.003	0.001	-
Cleveland Police and Crime Panel	0.004	0.036	0.001	0.013
Community Ventures (Middlesbrough) Ltd	0.053	0.024	-	0.012
Groundwork North East Tees Valley Advisory Board	0.014	0.006	-	-
Local Government Association	0.035	-	-	-
Middlesbrough Citizens Advice Bureau - Management Committee	0.287	0.023	-	-
Middlesbrough Environment City Trust Limited	0.274	0.058	0.011	-
Middlesbrough Voluntary Development Agency	0.149	-	-	-
North East Regional Employers' Organisation (NEREO)	0.073	-	-	-
South Tees Hospitals NHS Foundation Trust Council of Governors	0.280	0.506	(0.005)	0.131
Teesside Ability Support Centre (TASC)	0.694	0.001	-	-
Veritau	0.250	-	-	-
<b>TOTAL</b>	<b>5.979</b>	<b>0.657</b>	<b>0.008</b>	<b>0.156</b>

<b>Related Parties Year Ended 2022-23</b>				
<b>Organisation</b>	<b>Expenditure in year</b>	<b>Income in year</b>	<b>Year End Creditor Balances</b>	<b>Year End Debtor Balances</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cleveland Combined Fire Authority	2.474	-	-	-
Cleveland Police and Crime Panel	0.249	-	0.066	-
Community Ventures (Middlesbrough) Ltd	0.039	-	-	-
Groundwork North East Tees Valley Advisory Board	0.029	0.007	-	0.003
Local Government Association	0.033	-	-	-
Middlesbrough Citizens Advice Bureau - Management Committee	0.400	0.033	-	-
Middlesbrough Environment City Trust Limited	0.250	0.016	-	-
Middlesbrough Voluntary Development Agency	0.086	-	-	-
North East Regional Employers' Organisation (NEREO)	0.080	-	0.056	-
South Tees Hospitals NHS Foundation Trust Council of Governors	0.327	0.067	0.102	0.094
Tees Valley Combined Authority Board	5.345	-	-	-
Teesside Ability Support Centre (TASC)	0.519	0.001	-	-
Veritau	0.176	-	-	-
<b>TOTAL</b>	<b>10.007</b>	<b>0.124</b>	<b>0.224</b>	<b>0.097</b>

## Note 19 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 Integrated Care Board (ICB) 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 ICBs to establish and maintain pooled funds to support the outcomes of the BCF.

The Council has entered a pooled budget arrangement with NHS North East & North Cumbria ICB (NHS NE & NC ICB) 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 NHS NE & NC ICB depend upon the needs of the service recipient. The Council and NHS NE & NC ICB have an ongoing Section 75 agreement in place for funding these services and this is reviewed annually. The Council is the host for this pooled budget and each partner's contribution is set out in the Better Care Fund Section 75 agreement.

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

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

2022-23				2023-24		
Better Care Fund £m	Discharge Fund £m	Total Pool £m		Better Care Fund £m	Discharge Fund £m	Total Pool £m
(1.912)	-	(1.912)	<b>Balance Brought Forward</b>	(0.896)	(0.174)	(1.070)
			<b>Funding Provided to the Pooled Budget</b>			
(4.509)	(0.632)	(5.141)	The Authority	(2.766)	(1.212)	(3.978)
(8.646)	-	(8.646)	IBCF	(8.646)	-	(8.646)
(13.448)	(0.663)	(14.111)	North East & North Cumbria ICB	(14.209)	(0.780)	(14.989)
(26.603)	(1.295)	(27.898)		(25.621)	(1.992)	(27.613)
			<b>Expenditure Met from the Pooled Budget</b>			
31.695	0.891	32.586	The Authority	14.332	1.386	15.718
(8.646)	-	(8.646)	IBCF	8.646	-	8.646
3.393	0.230	3.623	North East & North Cumbria ICB	3.604	0.780	4.384
26.442	1.121	27.563		26.582	2.166	28.748
1.177	-	1.177	Capital Amounts slipped into 2023-24	0.522	-	0.522
(0.896)	(0.174)	(1.070)	<b>Net surplus arising on the pooled budget to be carried forward</b>	0.587	-	0.587



## Tees Community Equipment Service

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

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

The agreement was made between eight partners as set out in the memorandum of account. The original eight partners in the Tees Community Equipment Service were Middlesbrough Council, Stockton-on-Tees Borough Council, Redcar & Cleveland Borough Council, Hartlepool Borough Council, Middlesbrough PCT, North Tees PCT, Redcar & Cleveland PCT and Hartlepool PCT. Following NHS reorganisation in 2013-14, the Primary Care Trusts (PCTs) were abolished and replaced by Clinical Commissioning Groups (CCGs). In July 2022, CCG's were replaced with Integrated Care Boards. Middlesbrough Council is the lead authority for the service. The outturn position for the year is set out below:

<b>The outturn position for the year is:</b>	<b>2022-23</b>	<b>2023-24</b>
	<b>£m</b>	<b>£m</b>
<b>Balance Brought Forward</b>	(0.804)	(0.552)
Gross Expenditure	2.302	2.728
Gross Income	(2.050)	(2.534)
<b>Balance Carried Forward</b>	<b>(0.552)</b>	<b>(0.358)</b>
<b>Contributions from partners</b>		
Middlesbrough Council	(0.222)	(0.222)
Redcar & Cleveland Borough Council	(0.198)	(0.192)
Stockton Council	(0.247)	(0.257)
Hartlepool Council	(0.123)	(0.123)
NHS NE & NC ICB	(1.123)	(1.328)
	<b>(1.913)</b>	<b>(2.123)</b>
Other Income	(0.137)	(0.411)
	<b>(2.050)</b>	<b>(2.534)</b>

## Notes Supporting the Balance Sheet

### Note 20 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.

2022-23 £m		2023-24 £m
263.531	<b>Opening Capital Financing requirement</b>	284.748
	<b>Capital investment</b>	
38.573	Property, Plant and Equipment (Note 23)	27.633
-	Heritage (Note 25)	1.019
1.561	Intangible Assets (Note 27)	1.268
0.035	Investment Properties (Note 26)	1.090
4.631	Long Term Debtors	0.150
14.731	Revenue Expenditure Funded from Capital Under Statute - Expenditure	19.253
	<b>Sources of finance</b>	
(0.755)	Capital Receipts	(2.399)
(34.176)	Government Grants and other contributions applied in the year	(29.544)
	<b>Sums set aside from revenue</b>	
(3.383)	Minimum Revenue Provision	(3.888)
284.748	<b>Closing Capital Financing Requirement</b>	299.330
	<b>Explanation of movements in year</b>	
24.600	Increase in underlying need to borrowing	18.469
(3.383)	Minimum Revenue Provision	(3.888)
21.217	<b>Increase in Capital Financing Requirement</b>	14.581

### Note 21 Capital Commitments

The Council spend in 2023-24 was £47.714m with a further £148.931m planned for 2024-25, 2025-26 and 2026-27. Contracts for material capital spend already in place over £0.250m in 2024-25 are shown below.

Project	2024-25 Approved Budget £m
Future High Streets Fund	1.145
MS Licensing Agreements	0.814
<b>Total</b>	<b>1.959</b>

## Note 22 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.

2023-24	Other Land and Buildings £m	Surplus Assets £m	Vehicles, Plant, Furniture and Equipment £m	Community Assets £m	Assets Under Construction £m	Total £m
<i>Cost of valuation</i>						
<b>Balance at 1 April 2023</b>	<b>223.229</b>	<b>43.982</b>	<b>31.861</b>	<b>8.558</b>	<b>24.891</b>	<b>332.520</b>
Additions	6.464	0.237	7.540	0.017	1.075	15.333
Donations	0.842	-	-	-	-	0.842
Revaluation increases/(decreases) to Revaluation Reserve	1.319	(1.827)	-	-	-	(0.507)
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	(15.446)	(2.028)	-	-	-	(17.474)
Derecognition - Disposals	(3.757)	(1.691)	(0.805)	-	-	(6.252)
Assets reclassified (to)/from Held for Sale	5.009	-	-	-	-	5.009
Assets reclassified (to)/from Assets - other categories	11.193	-	-	-	(20.371)	(9.177)
<b>Balance at 31 March 2024</b>	<b>228.855</b>	<b>38.674</b>	<b>38.596</b>	<b>8.574</b>	<b>5.596</b>	<b>320.294</b>

2023-24	Other Land and Buildings £m	Surplus Assets £m	Vehicles, Plant, Furniture and Equipment £m	Community Assets £m	Assets Under Construction £m	Total £m
<i>Accumulated Depreciation and Impairment</i>						
<b>Balance at 1 April 2023</b>	<b>(3.808)</b>	<b>(0.071)</b>	<b>(24.214)</b>	-	-	<b>(28.093)</b>
Depreciation charge	<b>(6.447)</b>	<b>(0.119)</b>	<b>(4.127)</b>	-	-	<b>(10.693)</b>
Revaluation depreciation written out to Revaluation Reserve	<b>4.327</b>	<b>0.020</b>	-	-	-	<b>4.346</b>
Revaluation depreciation written out to Provision of Services	<b>1.593</b>	<b>0.072</b>	-	-	-	<b>1.664</b>
Derecognition - Disposals	<b>0.154</b>	<b>0.007</b>	<b>0.753</b>	-	-	<b>0.913</b>
Assets reclassified (to)/from Assets Held for Sale	<b>0.304</b>	-	-	-	-	<b>0.304</b>
Assets reclassified (to)/from other categories	<b>(0.060)</b>	-	-	-	-	<b>(0.060)</b>
<b>Balance at 31 March 2024</b>	<b>(3.938)</b>	<b>(0.092)</b>	<b>(27.588)</b>	-	-	<b>(31.617)</b>
<b>Net Book Value at 31 March 2024</b>	<b>224.917</b>	<b>38.581</b>	<b>11.008</b>	<b>8.574</b>	<b>5.596</b>	<b>288.676</b>



Highways Infrastructure Assets

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

The council has chosen not to disclose this information as the previously reported practices and resultant information deficits means that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

There is additional work needed to be done by the Council regarding highways assets and the reliability of totals relating to gross historical cost and accumulated depreciation due to these assets not being fully depreciated at the point of replacement. At present, the temporary relief offered by the Code is being used to allow a true and fair view to be presented.

The council has determined in accordance with Regulation [30M England] of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be de-recognised for infrastructure assets when there is replacement expenditure is nil.

<b>Infrastructure Assets</b>	<b>2022-23 £m</b>	<b>2023-24 £m</b>
Net book Value At 1 April	134.189	136.438
Additions	10.211	10.618
Donated Assets	0.341	0.840
Derecognition	-	-
Depreciation	(8.303)	(8.779)
Impairment	-	-
Other Movements in Cost	-	(0.006)
<b>Net Book Value 31 March</b>	<b>136.438</b>	<b>139.111</b>

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

	<b>2022-23 £m</b>	<b>2023-24 £m</b>
Other PPE Assets	304.427	288.676
Infrastructure Assets	136.438	139.111
<b>Net Book Value 31 March</b>	<b>440.865</b>	<b>427.787</b>

2022-23	Other Land and Buildings £m	Surplus Assets £m	Vehicles, Plant, Furniture and Equipment £m	Community Assets £m	Assets Under Construction £m	Total £m
Cost of valuation						
<b>Balance at 1 April 2022</b>	<b>217.141</b>	<b>40.369</b>	<b>30.052</b>	<b>8.408</b>	<b>13.798</b>	<b>309.768</b>
Additions	13.120	0.161	3.071	0.147	11.296	<b>27.795</b>
Donations	0.013	0.212	-	-	-	<b>0.225</b>
Revaluation increases/(decreases) to Revaluation Reserve	8.728	1.366	-	-	-	<b>10.095</b>
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	(12.970)	(0.608)	-	-	-	<b>(13.578)</b>
Derecognition - Disposals	(0.271)	(0.135)	(1.466)	-	-	<b>(1.872)</b>
Assets reclassified (to)/from Assets - other categories	(2.532)	2.616	0.203	0.003	(0.203)	<b>0.088</b>
<b>Balance at 31 March 2023</b>	<b>223.229</b>	<b>43.982</b>	<b>31.860</b>	<b>8.558</b>	<b>24.891</b>	<b>332.520</b>

2022-23	Other Land and Buildings £m	Surplus Assets £m	Vehicles, Plant, Furniture and Equipment £m	Community Assets £m	Assets Under Construction £m	Total £m
<i>Accumulated Depreciation and Impairment</i>						
<b>Balance at 1 April 2022</b>	<b>(3.301)</b>	<b>(0.042)</b>	<b>(23.833)</b>	-	-	<b>(27.176)</b>
Depreciation charge	(5.895)	(0.066)	(1.714)	-	-	<b>(7.676)</b>
Revaluation depreciation written out to Revaluation Reserve	3.416	0.017	-	-	-	<b>3.433</b>
Revaluation depreciation written out to Provision of Services	1.876	0.107	-	-	-	<b>1.982</b>
Derecognition - Disposals	0.004	0.006	1.333	-	-	<b>1.344</b>
Assets reclassified (to)/from other categories	0.093	(0.093)	-	-	-	-
<b>Balance at 31 March 2023</b>	<b>(3.808)</b>	<b>(0.071)</b>	<b>(24.214)</b>	-	-	<b>(28.093)</b>
<b>Net Book Value at 31 March 2023</b>	<b>219.422</b>	<b>43.911</b>	<b>7.646</b>	<b>8.558</b>	<b>24.891</b>	<b>304.427</b>

	<b>2021-22</b>	<b>2022-23</b>
	<b>£m</b>	<b>£m</b>
Net book Value At 1 April	133.343	134.189
Additions	8.164	10.211
Donated Assets	0.994	0.341
Derecognition	-	-
Depreciation	(8.246)	(8.303)
Other Movements in Cost	0.457	-
<b>Net Book Value 31 March</b>	<b>134.712</b>	<b>136.438</b>

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

	<b>2021-22</b>	<b>2022-23</b>
	<b>£m</b>	<b>£m</b>
Other PPE Assets	309.769	332.521
Infrastructure Assets	309.769	136.438
<b>Net Book Value 31 March</b>	<b>619.538</b>	<b>468.959</b>

### Fair Value Hierarchy

All the Council's Surplus Assets have been assessed as level 3 for valuation purposes. These assets fall within the Council's 5-year revaluation programme. £33.739m of the total £38.581m have been revalued in 2023-24. The remaining £4.842m were revalued in the prior year.

### 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.

### Leisure Assets

Also included in the land and buildings totals are a number of leisure properties, which from 1 April 2016 were transferred to Sport & Leisure Management (SLM) under a Service Concession Arrangement. Under this arrangement, vehicles, plant and furniture and equipment transferred to SLM and were removed from the Council's balance sheet. Land and buildings remain on the balance sheet at their current value. Details of the value of land and building assets as at 31 March 2024 are included in the table below. All properties were revalued in 2021-22.

Leisure Assets	<b>Net Book Value at 31 March 2024</b>
	<b>£m</b>
The Manor Youth and Community Centre	1.647
Neptune Centre	8.294
Rainbow Centre	8.921
Middlesbrough Sports Village	15.583
<b>Total</b>	<b>34.445</b>

## Note 23 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 2023-24 is 1 April 2023. The Council confirms, via discussion with its external valuers, that this valuation basis remains reasonable and that these values are appropriate for use as at 31 March 2024. 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 2023-24 and the value of assets that have been revalued over the last four years. The table also identifies the value of assets held at historical cost and at fair value.

	Other land and Buildings £m	Surplus land and buildings £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	Assets under Construction £m	Total PPE £m
Carried at historical cost	17.268	-	11.008	139.111	8.574	5.596	181.557
Valued at current value as at:							
31 March 2024	68.922	33.739	-	-	-	-	102.661
31 March 2023	37.585	4.842	-	-	-	-	42.427
31 March 2022	57.273	-	-	-	-	-	57.273
31 March 2021	24.882	-	-	-	-	-	24.882
31 March 2020	18.987	-	-	-	-	-	18.987
<b>Total Cost or Valuation</b>	<b>224.917</b>	<b>38.581</b>	<b>11.008</b>	<b>139.111</b>	<b>8.574</b>	<b>5.596</b>	<b>427.787</b>



Larger assets which are carried at Historical Cost include the Town Hall which will be revalued in 2024-25 and Middlehaven Land which is being reviewed in 2024-25 in preparation for revaluation following a transfer from Homes England.

Asset	£m
Town Hall	10,453
Middlehaven Land	5,329

### 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 2023-24 the main increases/decreases following revaluation were:

- Teesside Crematorium - Downward valuation £1.5m
- Fountain Court - Downward valuation £3.3m
- BOHO 8 Modular Buildings - Downward valuation £1.4m
- BOHO 10 - Downward valuation £14.2m
- Captain Cook Precinct - Downward valuation £3.1m
- Cleveland Centre - Upward valuation £4.5m

## Note 24 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.

A number of these asset have restrictions and covenants attached which means that the Council cannot dispose of these in a timely manner.

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

Heritage Assets	Ceramic	Art	Natural World	Other Cultural Interests	Total
	£m	£m	£m	£m	£m
<b>Balance at 1 April 2022</b>	<b>3.363</b>	<b>12.385</b>	<b>9.012</b>	<b>7.766</b>	<b>32.526</b>
<b>Balance at 31 March 2023</b>	<b>3.363</b>	<b>12.385</b>	<b>9.012</b>	<b>7.766</b>	<b>32.526</b>
<b>Balance at 1 April 2023</b>	<b>3.363</b>	<b>12.385</b>	<b>9.012</b>	<b>7.766</b>	<b>32.526</b>
Donated	-	0.328	-	0.690	1.018
<b>Balance at 31 March 2024</b>	<b>3.363</b>	<b>12.713</b>	<b>9.012</b>	<b>8.456</b>	<b>33.544</b>

## Valuation Methods

These assets are valued on an historical cost basis.

### 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 25 Investment Properties

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

2022-23 £m		2023-24 £m
26.806	<b>Balance at start of year</b>	31.116
	<b>Additions</b>	
0.035	Purchases	1.090
(0.212)	Disposals	-
4.574	Net gains/(losses) from fair value adjustments	0.031
	<b>Transfers</b>	
(0.087)	(To)/From Property, Plant and Equipment	(0.775)
<b>31.116</b>	<b>Balance at end of year</b>	<b>31.462</b>

There are currently 16 assets in total under this classification, which have all been revalued during the 2023-24 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.

2022-23 £000		2023-24 £000
(2.567)	Rental income from Investment Property	(2.655)
0.915	Direct operating expenses arising from Investment Property	1.103
<b>(1.652)</b>	<b>Net Gain</b>	<b>(1.552)</b>

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

## Note 26 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:

2022-23 £m		2023-24 £m
<b>12.058</b>	<b>Balance at start of year</b>	<b>13.619</b>
1.561	Additions	1.268
<b>13.619</b>	<b>Gross Book Value @ 31 March</b>	<b>14.887</b>
(10.618)	Accumulated Amortisation at 31 March	(11.045)
(0.427)	Amortisation in Year	(0.186)
<b>(11.045)</b>	<b>Accumulated Amortisation at 31 March</b>	<b>(11.231)</b>
<b>2.574</b>	<b>Net Book Value at 31 March</b>	<b>3.656</b>

## Note 27 Assets Held for Sale

The Code states that assets should only be included in AHS when the asset is available for immediate sale in its present condition and its sale must be highly probable. For a sale to be considered highly probable the Code requires 'the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5,39 and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

There was one disposal in 2023-24, Zetland Multi Storey Car Park.  
The Council currently has 23 assets held for sale.

2022-23 £m	Assets Held for Sale	2023-24 £000
<b>0.125</b>	<b>Balance outstanding at start of year</b>	<b>0.125</b>
-	<b>Assets newly classified as held for sale</b>	
-	Transferred from Property, Plant and Equipment	4.705
-	<b>Assets declassified as held for sale:</b>	
-	Assets sold	(0.003)
<b>0.125</b>	<b>Balance outstanding at year end</b>	<b>4.827</b>

## Note 28 Financial Instruments

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at their amortised cost. Their fair values disclosed below have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2024, 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.

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 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. These long-term investments are held as shares in company arrangements and are not equity shares.

**Financial Assets:**

Financial Assets	Non-Current				Current						Total	
	Investments		Debtors		Restated Investments		Debtors		Restated Cash and Cash Equivalents			
	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Amortised Cost		-	15.130	9.014	-	-	7.990	13.326	26.832	12.144	49.952	34.484
Fair Value through Other Comprehensive Income (FVOCI)	0.309	0.309	-	-	-	-	-	-	-	-	0.309	0.309
<b>Total Financial Assets</b>	0.309	<b>0.309</b>	15.130	<b>9.014</b>	-	-	7.990	<b>13.326</b>	26.832	<b>12.144</b>	50.261	<b>34.793</b>
Non-Financial Assets	107.390	-	-	-	-	-	52.572	54.716	-	-	159.962	54.716
<b>Total</b>	<b>107.699</b>	<b>0.309</b>	<b>15.130</b>	<b>9.014</b>	-	-	<b>60.562</b>	<b>68.042</b>	<b>26.832</b>	<b>12.144</b>	<b>210.223</b>	<b>89.509</b>

**Financial Liabilities:**

Financial Liabilities	Non-Current				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors			
	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Amortised Cost - Other	(206.965)	(218.837)	(1.139)	(0.975)	(38.708)	(29.267)	(16.195)	(14.186)	(263.007)	(263.265)
<b>Total Financial Liabilities</b>	<b>(206.965)</b>	<b>(218.837)</b>	<b>(1.139)</b>	<b>(0.975)</b>	<b>(38.708)</b>	<b>(29.267)</b>	<b>(16.195)</b>	<b>(14.186)</b>	<b>(263.007)</b>	<b>(263.265)</b>
Non-Financial Liabilities	-	-	-	-	-	-	(42.695)	(32.311)	(42.695)	(32.311)
<b>Total</b>	<b>(206.965)</b>	<b>(218.837)</b>	<b>(1.139)</b>	<b>(0.975)</b>	<b>(38.708)</b>	<b>(29.267)</b>	<b>(58.890)</b>	<b>(46.497)</b>	<b>(305.702)</b>	<b>(295.576)</b>

## Note 29 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 2024.
- 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 2024:

2022-23			2023-24	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£m	£m		£m	£m
		<b>Financial Assets held at Amortised costs</b>		
27.141	27.141	Held as Investments	12.453	12.455
23.119	23.119	Held as Debtors	22.340	22.340
<b>50.260</b>	<b>50.260</b>	<b>Financial Assets held at Amortised costs</b>	<b>34.793</b>	<b>34.795</b>
		<b>Financial Liabilities held at Amortised Cost</b>		
(245.673)	(227.964)	Held as Borrowings	(248.104)	(249.962)
(17.333)	(17.333)	Held as Creditors	(15.161)	(15.161)
<b>(263.006)</b>	<b>(245.297)</b>	<b>Financial Liabilities held at Amortised Cost</b>	<b>(263.265)</b>	<b>(265.123)</b>

The carrying values above are those listed as total financial assets and total financial liabilities in Note 29.

### Financial Instruments: Risks

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

## **Nature and Extent of Risks Arising from Financial Instruments**

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

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

## **Overall Procedures for Managing Risk**

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

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

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

The Capital Strategy Report, which incorporates the prudential indicator amounts was approved by the Council on 27 February 2023 and is available on the Council's website. The key issues within the strategy were:

- The Authorised Limit for 2023-24 was set at £328m. This is the maximum legal limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £308m. 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 2023-24 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 27 February 2023. 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 £7.1m cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution.

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

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

Credit Rating	Restated 2022-23		2023-24	
	Long Term £m	Short Term £m	Long Term £m	Short Term £m
AA	-	1.000	-	1.000
AA-	-	18.500	-	3.000
AA+	-	5.700	-	3.100
<b>Total</b>	-	<b>25.200</b>	-	<b>7.100</b>
Credit Risk not applicable	0.309	-	0.309	-
<b>Total Investments</b>	<b>0.309</b>	<b>25.200</b>	<b>0.309</b>	<b>7.100</b>

Loss allowances on treasury investments are normally calculated by reference to historic default data published by credit rating agencies and adjusted for current economic conditions. A two-year delay in cash flows is assumed to arise in the event of a default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating grades or equivalent since initial recognition unless they retail an investment grade credit rating. They are determined to be credit impaired when awarded a "D" credit rating or below. At 31 March 2024, 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, £8.447m invoiced debtors balance is past its due date for payment relating principally to the Council's Public Health responsibilities. The Council maintains an expected credit loss provision to offset any collection losses. The past due amount can be analysed by age as follows:

2022-23 £m		2023-24 £m
2.327	Less than 3 months	3.627
0.911	Between 3 to 6 months	0.909
1.026	Between 6 months to 1 year	1.507
2.264	More than 1 year	2.404
<b>6.528</b>	<b>TOTAL</b>	<b>8.447</b>

Collateral - The Council initiates a legal charge on property where, for instance, Adult Social Care service users require residential care but cannot afford to pay immediately. The total collateral as at 31 March 2024 was £1.04m (31 March 2023 - £1.26m).



## **Liquidity Risk**

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

The maturity analysis of financial liabilities is as follows:

<b>2022-23</b> <b>£m</b>		<b>2023-24</b> <b>£'000</b>
(39.206)	Less than 1 Year	(30.465)
(22.801)	Between 1 – 2 Years	(37.933)
(37.116)	Between 2 – 5 Years	(41.426)
(39.749)	Between 5 – 10 Years	(43.005)
(20.549)	Between 10 – 15 Years	(26.581)
(19.659)	Between 15 – 20 Years	(8.662)
(5.354)	Between 20 – 25 Years	(4.445)
(11.487)	Between 25 – 30 Years	(13.166)
(9.762)	Between 30 – 35 Years	(12.421)
(29.990)	Between 35 – 40 Years	(25.000)
(10.000)	More than 40 Years	(5.000)
<b>(245.673)</b>	<b>TOTAL</b>	<b>(248.104)</b>

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

## **Re-financing Risk**

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

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

## **Market Risk**

### **Market Risk - Interest Rate Risk**

In the current financial climate, there is a rising interest rate risk to the Council. All longer-term borrowing is held at fixed rate and any risk of further reductions in rates receivable is insignificant given the current low base. Borrowings and Investments are not carried at fair value in the financial statements, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure Statement.

The Council aims to keep a maximum of 25% of its borrowings in variable rate loans. During periods of falling interest rates and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. Although there is continued uncertainty in relation to how the war in Ukraine will develop for the Country, this may influence interest rates in both a positive and negative way, the low exposure to variable rate financial instruments means that the financial impact of any future decisions in this area are likely to have minimal impact on both the debt and investment portfolios.

**Market Risk - Price Risk**

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

**Market Risk - Foreign Exchange Risk**

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

**Note 30 Financial Instruments: Income and Expenditure**

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

2022-23				2023-24		
Financial Assets	Financial Liabilities	Net Expenditure for the year		Financial Assets	Financial Liabilities	Net Expenditure for the year
£m	£m	£m		£m	£m	£m
(0.583)	-	(0.583)	<b>Income</b>	(1.031)	-	(1.031)
			Interest Income			
			<b>Expenditure</b>			
-	6.494	6.494	Interest Expense	-	7.269	7.269
-	0.020	0.020	Fee Expense	-	0.025	0.025
<b>(0.583)</b>	<b>6.514</b>	<b>5.931</b>	<b>Total Net for the year</b>	<b>(1.031)</b>	<b>7.294</b>	<b>6.263</b>

**Note 31 Debtors**

31 March 2023 £m	Long-Term Debtors	31 March 2024 £m
5.329	Cleveland Mall – Holiday Inn	5.196
1.056	Other Long-Term Debtors	0.988
2.682	The Welding Institute	2.242
6.063	Middlesbrough Development Company	0.588
<b>15.130</b>	<b>Total</b>	<b>9.014</b>

31 March 2023 £m	Short-Term Debtors	31 March 2024 £m
1.851	Trade Receivables	3.905
2.236	Prepayments	2.615
44.257	Other Receivables	43.312
34.667	Council Tax Receivables	36.773
5.755	Business Rates Receivables	8.391
(28.204)	Expected Credit Loss Provision	(26.954)
<b>60.562</b>	<b>Total</b>	<b>68.042</b>

## Note 32 Cash and Cash Equivalents

Restated 31 March 2023		31 March 2024
£m	Cash and Cash Equivalents	£m
0.053	Cash held by the Council	0.044
1.579	Bank current accounts	5.000
25.200	Short-term deposits with building societies	7.100
<b>26.832</b>	<b>Total</b>	<b>12.144</b>

## Note 33 Short Term Creditors

31 March 2023		31 March 2024
£m	Short Term Creditors	£m
(7.056)	Trade Payables	(3.446)
(43.842)	Other Payables	(37.192)
(7.992)	Receipts in Advance	(5.859)
<b>(58.890)</b>	<b>Total</b>	<b>(46.497)</b>

## Note 34 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.

	Business Rates Appeals	Captain Cook Precinct / Cleveland Centre Service Charge Provision £m	Insurance Claims £m	Early Retirement / Voluntary Redundancy £m	Total £m
<b>Short Term Provisions</b>					
<b>Balance at 1 April 2023</b>	<b>(0.501)</b>	<b>(0.167)</b>	<b>(0.824)</b>	-	<b>(1.492)</b>
Additional provisions	(1.799)	-	(0.006)	(0.017)	<b>(1.822)</b>
Amounts used	1.266	-	-	-	<b>1.266</b>
<b>Balance at 31 March 2024</b>	<b>(1.034)</b>	<b>(0.167)</b>	<b>(0.830)</b>	<b>(0.017)</b>	<b>(2.048)</b>
<b>Long Term Provisions</b>					
<b>Balance at 1 April 2023</b>	<b>(1.458)</b>	-	<b>(2.244)</b>	-	<b>(3.702)</b>
Amounts used	1.153	-	0.067	-	<b>1.220</b>
<b>Balance at 31 March 2024</b>	<b>(0.305)</b>	-	<b>(2.177)</b>	-	<b>(2.482)</b>
<b>Total Provisions</b>					
<b>Balance at 1 April 2023</b>	<b>(1.959)</b>	<b>(0.167)</b>	<b>(3.068)</b>	-	<b>(5.194)</b>
Additional provisions	(1.799)	-	(0.006)	(0.017)	<b>(1.822)</b>
Amounts used	2.419	-	0.067	-	<b>2.486</b>
<b>Balance at 31 March 2024</b>	<b>(1.339)</b>	<b>(0.167)</b>	<b>(3.007)</b>	<b>(0.017)</b>	<b>(4.530)</b>

**Business Rates Appeals** – The Council’s share of the Business Rates Appeals Provision of £1.339m is split between £1.034m short term (less than 12 months) and £0.305m long term as projected using the Council’s Business Rate Appeals tool. These are based on the Council’s 49% share of business rates retention scheme.

**Insurance Fund** - The Council's Insurance Fund Provision of £3.007m is split between £0.830m Short Term (less than 12 months) and £2.177m long term.

**Early Retirement / Voluntary Redundancy** – A new provision has been created for future voluntary redundancy payments of £0.017m. This is a short-term provision against cost arising from transformation in 2024-25.

## Note 35 Usable Reserves

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

31 March 2023 £m		31 March 2024 £m
(27.376)	Capital Grants Unapplied Reserve	(41.740)
(7.177)	Capital Contributions Unapplied Reserve	(10.020)
(12.042)	Uncommitted General Fund	(10.986)
(13.231)	Earmarked Reserves	(12.956)
<b>(59.826)</b>	<b>Total</b>	<b>(75.702)</b>

The increase of £15.9m in usable reserves is due to an increase in capital grants and contributions of £17.2m and a reduction of £1.3m in revenue reserves.

The purpose of each Reserve is as follows:

### Capital Grants and Contributions Unapplied Reserves

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

### Capital Receipts Reserve

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

### General Fund

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

### Earmarked Revenue Reserves

Funding received in previous financial years and classified as income regarding the terms and conditions of the grant awarded. This income is rolled forward in reserves to meet the future revenue commitments under the grant. Details of the balances on individual earmarked reserves is contained in [note 7](#). Whilst earmarked revenue reserves total £12.956 only £1.069m of this reserve is unrestricted with the remaining £11.887m restricted to specific purposes.

## Note 36 Unusable Reserves

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

31 March 2023 £m		31 March 2024 £m
(98.151)	Revaluation Reserve	(98.425)
(143.060)	Capital Adjustment Account	(122.390)
(107.390)	Pensions Reserve	14.182
(8.575)	Collection Fund Adjustment Account	(11.700)
1.032	Accumulating Absences Adjustment Account	0.480
6.565	Dedicated Schools Grant Adjustment Account	14.293
<b>(349.579)</b>	<b>Total</b>	<b>(203.560)</b>

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

### Revaluation Reserve

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

31 March 2023 £m	31 March 2023 £m		31 March 2024 £m	31 March 2024 £m
	<b>(86.405)</b>	<b>Balance at 1 April</b>		<b>(98.151)</b>
6.532		Upward revaluation of assets	10.213	
(20.060)		Downwards revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(14.051)	
	<b>(13.528)</b>	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Services		<b>(3.838)</b>
1.633		Difference between fair value depreciation and historical cost depreciation	2.133	
0.148		Accumulated (gains) / losses on assets sold or scrapped	1.431	
	1.781	Amount written off to Capital Adjustment Account		3.564
	<b>(98.152)</b>	<b>Balance at 31 March</b>		<b>(98.425)</b>

### Capital Adjustment Account

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

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

31 March 2023 £m	31 March 2023 £m		31 March 2024 £m	31 March 2024 £m
	(141.863)	<b>Balance at 1 April</b>		<b>(143.060)</b>
		<b>Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
15.978		Charges for depreciation and impairment of non-current assets	19.473	
0.427		Amortisation of intangible assets	0.186	
14.731		Revenue Expenditure Funded from Capital Under Statute	19.253	
0.741		Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Account	5.342	
	<b>31.877</b>			<b>44.254</b>
(1.633)		Historic Cost depreciation transfer from Revaluation Reserve	(2.133)	
(0.148)		Revaluation Reserve balances written off on disposed assets	(1.431)	
11.596	-	Movement in Non-current assets recognised in year	15.809	
		Amounts of non-current assets written off on Loan Repayments as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Account	0.035	
	9.815	Net written out amount of the cost of non-current assets consumed in the year		12.280
		<b>Capital Financing applied in the year:</b>		
(0.755)		Use of the Capital Receipts Reserve to finance new capital expenditure	(2.399)	
(33.611)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(26.844)	
(3.383)		Statutory provision for the financing of capital investment charged against the General Fund and HRA Balance	(3.888)	
	<b>(37.749)</b>			<b>(33.131)</b>
	(4.573)	Movement in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		(0.031)
	(0.566)	Movement in the donated assets account credited to the Comprehensive Income and Expenditure Statement		(2.700)
	<b>(143.059)</b>	<b>Balance at 31 March</b>		<b>(122.388)</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be

financed as the Council makes employer's contributions to pension funds or eventually pays any pension for which it is directly responsible. In 2022-23, the actuarial valuation saw a significant movement from a deficit to a surplus position which has continued in 2023-24. Under the International Accounting Standard (IAS 19) the Council must disclose the lower of the pension surplus or Asset Ceiling calculation.

31 March 2023 £m		31 March 2024 £m
209.946	<b>Balance at 1 April</b>	<b>(107.390)</b>
43.258	Remeasurement of net defined liability	12.198
<b>(348.847)</b>	Reversal of items relating to the retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(79.043)
-	Asset Ceiling Adjustment	200.168
<b>(11.747)</b>	Employer's pension contributions payable in the year	<b>(11.751)</b>
<b>(107.390)</b>	<b>Balance at 31 March</b>	<b>14.182</b>

### Collection Fund Adjustment Account

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

31 March 2023 £m		31 March 2024 £m
<b>(0.929)</b>	<b>Balance at 1 April</b>	<b>(8.575)</b>
(0.854)	Amount by which Council Tax income credited to the Comprehensive Income and expenditure Statement is different from the council tax income calculated for the year in accordance with statutory arrangements	(1.467)
(6.791)	Amount by which Business Rates income credited to the Comprehensive Income and expenditure Statement is different from the council tax income calculated for the year in accordance with statutory arrangements	(1.658)
<b>(8.574)</b>	<b>Balance at 31 March</b>	<b>(11.700)</b>

### Accumulated Compensated Absences Adjustment Account

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

31 March 2023 £m		31 March 2024	
		£m	£m
<b>0.943</b>	<b>Balance at 1 April</b>		<b>1.031</b>
(0.943)	Settlement or cancellation of accrual made at the end of the preceding year	(1.032)	
1.032	Amounts accrued at the end of the current year	-	0.480
<b>0.088</b>	Amounts by which officer remuneration charged to the Comprehensive income and expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	<b>(1.032)</b>	<b>0.480</b>
<b>1.031</b>	<b>Balance at 31 March</b>		<b>0.479</b>

### Dedicated Schools Grants Adjustment Account

From November 2020 the Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations) established new accounting practices in relation to the treatment of local authorities' schools budget deficits such that, where a local authority has a deficit on its schools' budget relating to its accounts for a financial year beginning on 1 April 2020, 1 April 2021, 1 April 2022 or 1 April 2023, 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 six financial years.

31 March 2023 £m		31 March 2024 £m
3.756	<b>Balance at 1 April</b>	6.564
2.808	School budget deficit transferred from General Fund in accordance with statutory requirements	7.729
<b>6.564</b>	<b>Balance at 31 March</b>	<b>14.293</b>

### Note 37 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.

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 is subject to appeal, and the Court of Appeal heard the arguments on 26 and 27 June 2024. 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 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 to the liabilities or if it can be reliably estimated. As a result, Middlesbrough Council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

#### Funded Benefits

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

#### Unfunded Benefits

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



assets of the Fund, and which the Employer has responsibility for funding by paying contributions to the Fund.

### Transactions relating to Post-Employment Benefits

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

### Comprehensive Income and Expenditure Statement

<b>Funded 2022-23 £m</b>	<b>Unfunded 2022-23 £m</b>	<b>Comprehensive Income and Expenditure Statement Charged to the Surplus or Deficit on the Provision of Services</b>	<b>Funded 2023-24 £m</b>	<b>Unfunded 2023-24 £m</b>
37.162	-	As cost of Service: Current Service cost	17.126	-
0.090	-	Settlements and Curtailments	0.046	-
3.536	2.470	As Financing and Investment Income and Interest on net defined benefit	2.583	2.391
<b>40.788</b>	<b>2.470</b>	<b>Total charged to the Deficit on the Provision of Services</b>	<b>19.755</b>	<b>2.391</b>
		<b>Charged to Other Comprehensive Income and Expenditure</b>		
11.476	-	Return on plan assets (excluding the amount included in the net interest expense)	(52.417)	-
(416.502)	-	Actuarial (gains) and losses arising on changes from financial assumptions	(44.892)	-
(7.313)	-	Actuarial (gains) and losses arising on changes from demographic assumptions	(4.942)	-
63.492	-	Other actuarial (gains) and losses	23.208	-
		Asset Ceiling Adjustment	200.168	-
<b>(348.847)</b>	<b>-</b>	<b>Total to the Comprehensive Income and Expenditure Statement</b>	<b>121.125</b>	<b>-</b>
		<b>Movement in reserves Statement</b>		
(43.258)	(2.470)	Reversal of total charged to the Deficit on the Provision of Service	(9.807)	(2.391)
		<b>Actual Amount charged for pensions in the year:</b>		
9.641	-	Employers contributions payable to scheme	10.278	-
<b>(33.617)</b>	<b>(2.470)</b>	<b>Total amount included in the General Fund for the year</b>	<b>0.471</b>	<b>(2.391)</b>

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

<b>Funded 2022-23 £m</b>	<b>Unfunded 2022-23 £m</b>	<b>Comprehensive Income and Expenditure Statement</b>	<b>Funded 2023-24 £m</b>	<b>Unfunded 2023-24 £m</b>
<b>(1,126.211)</b>	<b>(22.622)</b>	<b>Opening Balance at 1 April</b>	<b>(812.682)</b>	<b>(18.046)</b>
(37.162)	-	Current service cost	(17.126)	-
(33.615)	2.470	Interest cost	(41.495)	2.391
(5.382)	-	Contributions by scheme participants	(5.644)	-
416.502	-	Actuarial gains (losses) for changes in financial assumptions	44.892	-
7.313	-	Actuarial gains (losses) for changes in Demographic assumptions	4.942	-
(63.492)	-	Actuarial gains (losses) Other Experience	(23.208)	-
29.455	2.106	Benefits paid	36.473	1.473
(0.090)	-	Past service curtailments	(0.046)	-
<b>(812.682)</b>	<b>(18.046)</b>	<b>Closing Balance at 31 March</b>	<b>(813.894)</b>	<b>(14.182)</b>

**Reconciliation of Fair Value of Scheme Assets**

<b>Funded 2022-23 £m</b>	<b>Unfunded 2022-23 £m</b>	<b>Comprehensive Income and Expenditure Statement</b>	<b>Funded 2023-24 £m</b>	<b>Unfunded 2023-24 £m</b>
938.887	-	<b>Opening Balance at 1 April</b>	938.118	-
25.139	-	Expected return on plan assets	44.078	-
(11.476)	-	Actuarial Gains	52.417	-
9.641	2.106	Employer contributions	10.278	1.473
5.382	-	Contributions by scheme participants	5.644	-
(29.455)	(2.106)	Benefits paid	(36.473)	(1.473)
<b>938.118</b>	<b>-</b>	<b>Closing Balance at 31 March</b>	<b>1,014.062</b>	<b>-</b>

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

The actual return on scheme assets in the year was £96.495 million gain (2022-23 £13.663 million gain).

<b>2022-23 £m</b>		<b>2023-24 £m</b>
(830.728)	Present value of liabilities	(828.076)
938.118	Fair value of assets	1,014.062
-	Asset Ceiling Adjustment	(200.168)
<b>107.390</b>	<b>Scheme (Deficit) / Surplus</b>	<b>(14.182)</b>

The scheme surplus shown above includes £14.182m in respect of unfunded defined benefit obligations (2022-23 £18.046m).

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits.

Change in financial assumptions - £44.892m gain on the balance sheet)

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

Period ended	31 March 2023	31 March 2024
Rate of Inflation (CPI)	3.20%	2.75%
Rate of increase in salaries	4.20%	3.75%
Rate of discounting scheme liabilities	2.70%	4.85%

The change in financial assumptions adopted for the period ending 31 March 2024 can be approximately broken down as follows:

**Pension Increase Rate** – Market derived CPI inflation has fallen over the period, which has led to a 0.20% reduction in this assumption. The change in the CPI inflation assumption is a result of underlying changes in market implied RPI (after allowance for the inflation risk premium adjustment), coupled with any changes in the RPI-CPI gap from the previous year and the adjustment to CPI to reflect observed inflation since 30 September 2023 (more detail on this is set out in the accompanying covering report). This has served to reduce the Employer's obligations and led to a gain of around £28.710m on the balance sheet.

**Salary Increase Rate** – the salary increase assumption has fallen over the period by 0.20%. This has served to reduce the obligations and led to a gain of around £1.240m on the balance sheet.

**Discount rate** – The corporate bond yield (upon which the discount rate is derived) has risen over the period, which has led to a 0.10% increase in this assumption. This has served to reduce the obligations and led to a gain of around £14.945m on the balance sheet.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2025 is £10.539m.

### Asset Ceiling

Following the pensions valuation by the Council's actuary, Hymans Robertson LLP, the Council determined that the fair value of its pension plan assets outweighed the present value of the plan obligations at 31 March 2024 resulting in a pension plan asset. IAS 19 Employee Benefits requires that, where a pension plan asset exists, it is measured at the lower of:

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

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The Council's actuary calculated the asset ceiling as the net present value of future service costs less net present value of future contributions. The Council has therefore limited the Pension asset recognised in its balance sheet to the asset ceiling, which was nil in 2023-24. The remaining represents the unfunded liabilities which are not included in the asset ceiling adjustment and any liabilities as a result of past contributions. The adjustment has been recognised within other comprehensive income and expenditure of the CIES.

Therefore, the asset ceiling calculation is as follows:

Based on the actuary's calculation as the asset ceiling is negative the net pension asset has been limited to £0m as the calculation indicates that no pension asset should be recognised. The adjustment taken through the CIES and movement in reserves to reflect the asset ceiling adjustment in the pension reserve of £200,168m.

### Independent Actuary and Latest Valuation

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits Liabilities have been assessed by Hymans Roberts an independent firm of actuaries, estimates for the Teesside Pension Fund being based on

latest full valuation of the scheme as at 31 March 2022.

The calculations have also been done over the duration of the Scheme - which has been forecast at 17 years.

The principal assumptions used by the actuary have been:

2022-23		Mortality Assumptions	2023-24
20.6		Longevity at 65 for current pensioners	
23.7		Men	20.5
		Women	23.5
		Longevity at 65 for future pensioners	
21.5		Men	21.3
25.2		Women	25.0
2.95%		Pension Rate Increase (CPI)	2.75%
3.95%		Salary Rate Increase	3.75%
4.75%		Discount Rate	4.85%
80.00%		Take up of option to convert annual pension into retirement lump sum	80.00%

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

2022-23				Pension Scheme Assets	2023-24			
Quoted	Unquoted	Total	%		Quoted	Unquoted	Total	%
£m	£m	£m	%		£m	£m	£m	%
62.440	-	<b>62.440</b>	6.66%	Cash and Cash Equivalents	-	36.834	36.834	3.63%
				<b>Property</b>		-		
5.673	70.247	<b>75.920</b>	8.09%	UK	5.336	89.811	95.147	9.38%
6.460	-	<b>6.460</b>	0.69%	Overseas	5.278	-	5.278	0.52%
				<b>Private Equity</b>		-		
82.027	7.431	<b>89.458</b>	9.54%	All	101.193	2.225	103.418	10.20%
				<b>Investment Funds and Trust Units</b>		-		
574.057	-	<b>574.057</b>	61.19%	Equities	617.752	-	617.752	60.92%
72.533	2.017	<b>74.550</b>	7.95%	Infrastructure	96.034	2.193	98.227	9.69%
46.100	9.133	<b>55.233</b>	5.89%	Other	48.248	9.158	57.406	5.66%
<b>849.290</b>	<b>88.828</b>	<b>938.118</b>	<b>100.00%</b>	<b>Total Assets</b>	<b>873.841</b>	<b>140.221</b>	<b>1,014.062</b>	<b>100.00%</b>

### Sensitivity Analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2024 and the projected service cost is set out below, sensitivity on unfunded benefits have not been included on materiality grounds:

<b>Change in assumptions at 31 March 2024</b>	<b>Approximate % increase to Employer Liability</b>	<b>Approximate monetary amount (£000)</b>
0.1% decrease in Real Discount Rate	2.00%	14,503
1 year increase in member life expectancy	4.00%	33,123
0.1% increase in the Salary Increase Rate	0.00%	605
0.1% increase in the Pension Increase Rate	2.00%	14,163

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 Hymans Robertson have calculated and compared the value of the scheme liabilities at the accounting date on varying bases. The approach taken is consistent with that adopted to derive the accounting figures provided in this report, based on the profile (average member ages, retirement ages, etc.) of the Employer as at the date of the most recent valuation.

## **Note 38 Pensions Schemes Accounted for as Defined Contribution Scheme**

### **Teachers' Pension 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, net surplus and the Council contributes towards the cost by making contributions based on a percentage of members pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 3,804 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2023-24 the Council paid £3.012m (2022-23 £3.200m) to Teachers Pensions in respect of teacher's retirement benefits, representing an average of 23.68% (2022-23 23.68%) of pensionable pay. The contributions due to be paid in the 2024-25 financial year are estimated to be £3.757m on the basis of employer contributions of 28.68%

### **NHS Pension Scheme**

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 scheme is a multi-employer defined benefit scheme covering NHS employers, GP practices and other bodies allowed under the direction of the Secretary of State in England and Wales. The scheme is unfunded and is not designed to be run in a way that would enable member organisations to identify their share of the underlying assets and liabilities. Actuarial valuations of the scheme are undertaken every four years with a valuation of the scheme liability carried out on an annual basis by the scheme actuary through an update of the result of the full actuarial valuation. For the purposes of this Statement of Accounts, the scheme is accounted

for on the same basis as a defined contribution scheme.

In 2023-24 the Council paid £47,749 (2022-23 £23,652) to NHS Pensions in respect of the Public Health employees retirement benefits, representing 18.3% (2022-23 15.47%) of pensionable pay. The contributions due to be paid in the 2024-25 financial year are estimated to be £63,686 on the basis of an employer contribution rate of 18.3%.

## Note 39 Leases – Council as Lessor

### Operating Leases

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

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

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

31 March 2023 £m		31 March 2024 £m
5.202	No Later than 1 year	6.147
10.669	Later than 1 year and not later than 5 years	10.969
41.482	Later than 5 years	36.881
<b>57.353</b>	<b>Total</b>	<b>53.997</b>

The amount at 31st March 2024 has decreased due to the potential sale of Tees AMP and also other properties as per the asset review schedule, however properties relating to BOHO 1, 5 and 8 have been added alongside Newbridge Court.

## Note 40 Leases – Council as Lessee

### Operating Leases

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

31 March 2023 £m		31 March 2024 £m
0.519	No Later than 1 year	0.425
1.291	Later than 1 year and not later than 5 years	0.656
0.585	Later than 5 years	0.382
<b>2.395</b>	<b>Total</b>	<b>1.463</b>

### Finance Leases

#### Centre Square Buildings

The Council as part of its regeneration and town centre growth plans has entered into two finance lease contracts for the provision of high-quality office accommodation. Buildings 1 & 2 Centre Square, adjacent to the Council's municipal buildings, were completed during September 2020. The properties were built with third-party finance and the leases entered into on the buildings are for a 35-year term with rentals paid on a quarterly

basis to CBRE Property Management UK. The total repayment schedule for the two leases over the contract are included in the table below. Due to the interest rate implicit in the lease, most of the early year's rental payments are heavily weighted towards interest rather than principal with this position reversing in the latter years of the contract.

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

31 March 2023	Total future minimum lease payments	31 March 2024
£m		£m
0.711	Amounts due within one year	0.711
2.844	Amounts due between 1 to 5 years	3.555
18.842	Amounts due after 5 years	17.420
<b>22.397</b>	<b>Total payments due</b>	<b>21.686</b>
(11.311)	Less: Future finance charges	(11.140)
<b>11.086</b>	<b>Present Value of Lease Obligations</b>	<b>10.546</b>

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

As the aim of Council is to rent these premises out to tenants on shorter-term leases, the assets have been categorised as investment properties in the accounts. They have been valued at fair/market value with their valuation of £15.479m 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 41 Contingent Liabilities

At 31 March 2024, the Council had the following contingent liabilities:

### Home House Guarantee

An agreement was entered into with Home House, which guaranteed an initial liability of £2.4m. This was increased to £4.01m in 1996-97 because 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.

#### **Jap Euro Claim**

A compensation claim was submitted to the Council for £5.7m following a fire at a scrapyard which occurred several years ago. The scrapyard was subject to a Compulsory Purchase Order (CPO) and required the Council to compensate the owners for the value of the scrap at the site. The Council appointed an adjudicator to value the stock however, prior to the full valuation a fire occurred damaging all stock. The claim is substantially higher than the estimated stock value and the Council awaits the court decision.

### **Note 42 Contingent Assets**

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



## Notes Supporting the Cash Flow Statement

### Note 43 Cash Flow Statement – Operating Activities

2022-23 £m		2023-24 £m
(0.583)	Interest Received	(1.031)
6.494	Interest Paid	7.269

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

2022-23 £m		2023-24 £m
15.977	Depreciation	19.473
11.597	Impairment and downward valuations	15.810
0.427	Amortisation	0.186
0.023	Increase / (decrease) in impairment for expected credit losses	(0.664)
(11.846)	Increase / decrease in creditors	(10.325)
(5.055)	Increase / decrease in debtors	(1.363)
(0.243)	Increase / decrease in inventories	0.103
31.511	Movement in Pension Liability	0.447
(5.139)	Other non-cash items charged to the net surplus or deficit on the provision of services	(2.733)
<b>37.252</b>	<b>Net cash flows from operating activities</b>	<b>20.934</b>

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

2022-23 £m		2023-24 £m
0.740	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5.342
(0.755)	Any other items for which the cash effects are investing or financing cash flows	(2.400)
<b>(0.015)</b>		<b>2.942</b>

## Note 44 Cash Flow Statement – Investing Activities

The table below shows detail of Investing Activities

Restated 2022-23 £m		2023-24 £m
(38.510)	Purchase of property, plant and equipment, investment property and intangible assets	(30.376)
0.755	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2.399
<b>(37.755)</b>	<b>Net cash flows from investing activities</b>	<b>(27.977)</b>

## Note 45 Cash Flow Statement – Financing Activities

The table below shows detail of Financing Activities

2022-23 £m		2023-24 £m
(0.158)	Amounts applied to Finance Lease Repayments (Capital Element)	(0.163)
37.402	Repayments of short- and long-term borrowing	2.431
<b>37.244</b>	<b>Net cash flows from financing activities</b>	<b>2.268</b>



# 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 third year of producing Group Accounts, and therefore prior period comparatives are presented as 'unaudited' as the 2021-22 & 2022-23 audit process for the Council is still open.

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

Before considering the financial information and group accounts involving MDC, it should be noted that following the consideration of a report to the Executive in January 2023, the Council took a decision to close down the company. This was based on the operational and financial risks posed following the issue of CIPFA guidance in relation to local authority trading companies. The risks could be better managed within the Council, rather than via a company delivery vehicle, and as at the authorised for issue date for the accounts (September 2024) the MDC closure plan is almost complete, with the final elements of the company liquidation now underway. The remaining asset (Newbridge Court) has been transferred and any residual assets will be finalised before the end of 2024. It is anticipated that there will not be a need to prepare group accounts for the 2024/25 financial year.

### Company: Context and Projects

Middlesbrough Council is the only shareholder for MDC and had complete operational and financial control over the company and its activities since its formation. Board meetings of the company directors have been held once a month over its period of operation and were supported by relevant council staff from the Regeneration and Finance directorates. Updates have been taken to the Council's Executive when any significant decisions or resources were required by the company.

MDC has completed two large-scale housing projects, Boho Village and Newbridge Court, with just retention and project completion issues remaining. These two projects in total are for a combined value of around £15m and are funded by a combination of both council capital grants and prudential borrowing. Boho Village, with its total of 61 housing units, has been completely sold to a number of registered social landlords, whilst Newbridge Court is primarily for rental income purposes via a mix of residential and commercial units. This is for a period of up to 35 years. This asset was transferred to the Council during April 2024, with the commercial activities becoming part of the regeneration directorate. MDC was also in the early stages of a project to bring derelict housing back into use in the TS1 and TS3 postcodes plus specific initiatives to resolve several eyesore sites within the Borough, but this work has now been stopped with the cessation of the company.

As at 31 March 2024, the company had been allocated £15.4m of funding with £8.2m issued as a commercial loan and £7.2m as Section 106 and brown field capital grant funding. The company had spent £14.5m of this on capital projects with £0.8m on general administration and held the remaining £0.1m in the bank as cash for future payments.

### Group Accounts

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

The purpose of these Group Accounts is to provide a comprehensive position for Middlesbrough Council incorporating the company, which the Council owns and has significant influence over. The Group Accounts

show the full extent of the Council's assets and liabilities, providing transparency on these additional arrangements and that these are beyond the totals given in the Council's own financial statements.

The Group Accounts include the following:

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

The capital expenditure set out above plus the commercial loan have been incorporated into the group balance sheet, plus the creation of an unusable reserve for the capital grant funding which will be offset against future depreciation charges. The accumulated deficit on MDC's profit and loss account plus the grant funding reserve have been recognised as adjustments to the income and expenditure totals for the year. The group reserves have increased by £2.0m above the Councils' single entity accounts total by the incorporation of these amounts.

## Group Movement in Reserves Statement

This statement is a combination of the Council's comprehensive income and expenditure position plus the accumulated deficit on Middlesbrough Development Company's accounts as at 31 March 2024. 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.

2023-24	General Fund Balance	Earmarked Revenue Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Reserves of Subsidiaries	Total Group Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 1 April 2023</b>	<b>(12.041)</b>	<b>(13.231)</b>	<b>(34.553)</b>	<b>(59.825)</b>	<b>(349.580)</b>	<b>(409.405)</b>	<b>(4.524)</b>	<b>(413.929)</b>
<u>Movement in reserves during 2023-24</u>								
Total Comprehensive Income and Expenditure	12.857	-	-	12.857	117.286	130.143	(1.971)	128.172
Adjustments between accounting basis & funding basis under regulation (Note 6)	(11.527)	-	(17.207)	(28.734)	28.734	-	-	-
Transfers to/(from) other reserves	(0.275)	0.275	-	-	-	-	-	-
<b>Net Decrease / (increase) in year</b>	<b>1.055</b>	<b>0.275</b>	<b>(17.207)</b>	<b>(15.877)</b>	<b>146.020</b>	<b>130.143</b>	<b>(1.971)</b>	<b>128.172</b>
<b>Balance at 31 March 2024 carried forward</b>	<b>(10.986)</b>	<b>(12.956)</b>	<b>(51.760)</b>	<b>(75.702)</b>	<b>(203.560)</b>	<b>(279.262)</b>	<b>(6.495)</b>	<b>(285.757)</b>

<b>2022-23</b>	<b>General Fund Balance</b>	<b>Earmarked Revenue Reserves</b>	<b>Direct Revenue Funding Unapplied</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Council Reserves</b>	<b>Council's Share of Reserves of Subsidiaries</b>	<b>Total Council Reserves</b>
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 1 April 2022</b>	<b>(11.182)</b>	<b>(34.375)</b>	<b>(0.023)</b>	<b>(31.415)</b>	<b>(76.995)</b>	<b>(14.552)</b>	<b>(91.547)</b>	<b>(2.267)</b>	<b>(93.814)</b>
<u>Movement in reserves during 2022-23</u>									
Total Comprehensive Income and Expenditure	44.515	-	-	-	44.515	(362.375)	(317.860)	(2.257)	(320.117)
Adjustments between accounting basis & funding basis under regulation (Note 6)	(26.835)	-	0.023	(0.534)	(27.346)	27.346	-	-	-
Transfers to/(from) other reserves	(18.540)	21.144	-	(2.604)	-	-	-	-	-
<b>Net Decrease / (increase) in year</b>	<b>(0.860)</b>	<b>21.144</b>	<b>0.023</b>	<b>(3.138)</b>	<b>17.169</b>	<b>(335.029)</b>	<b>(317.860)</b>	<b>(2.257)</b>	<b>(320.117)</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>(12.042)</b>	<b>(13.231)</b>	<b>-</b>	<b>(34.553)</b>	<b>(59.826)</b>	<b>(349.581)</b>	<b>(409.407)</b>	<b>(4.524)</b>	<b>(413.931)</b>

## Group Comprehensive Income and Expenditure Statement

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

31 March 2023			Cost of Services by Service Area	Note	31 March 2024		
Gross Expenditure	Gross Income	Net Expenditure / (Income)			Gross Expenditure	Gross Income	Net Expenditure / (Income)
£m	£m	£m			£m	£m	£m
33.522	(7.986)	25.536	Regeneration	41.580	(6.725)	34.855	
18.545	(24.631)	(6.086)	Public Health and Public Protection	19.394	(19.525)	(0.131)	
87.172	(69.585)	17.587	Education	100.499	(86.931)	13.568	
66.063	(4.362)	61.701	Children's Care	65.307	(7.294)	58.013	
106.356	(51.701)	54.655	Adult Social Care and Health Integration	114.127	(59.735)	54.392	
38.926	(0.210)	38.716	Environment and Commercial Services	42.040	(5.822)	36.218	
61.543	(52.329)	9.214	Finance	60.170	(54.745)	5.425	
16.807	(1.873)	14.934	Legal & Governance Services	15.404	(2.260)	13.144	
7.178	(16.305)	(9.127)	Central Costs	1.974	(18.421)	(16.447)	
<b>436.112</b>	<b>(228.983)</b>	<b>207.129</b>	<b>Total Cost of Service</b>	<b>460.495</b>	<b>(261.458)</b>	<b>199.037</b>	
0.308	(0.226)	0.081	Other Operating Income and Expenditure	3.187	-	3.187	
22.386	(18.220)	4.166	Financing & Investment Activities	14.053	(16.842)	(2.789)	
-	(169.118)	(169.118)	Taxation and Non-Specific Grant Income	-	(188.549)	(188.549)	
<b>458.806</b>	<b>(416.547)</b>	<b>42.257</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>477.735</b>	<b>(466.849)</b>	<b>10.886</b>	
			<i>Items that will not be re-classified to the Surplus or Deficit on the Provision of Service</i>				
			(13.528)			(3.839)	
			(348.847)			121.125	
			(362.375)			<b>117.286</b>	
			<b>(320.117)</b>			<b>128.172</b>	



## Group Balance Sheet

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

31 March 2023		31 March 2024
£m		£m
450.350	Property, Plant & Equipment	434.709
32.526	Heritage Assets	33.544
31.116	Investment Properties	31.462
2.574	Intangible Assets	3.656
0.309	Long-Term Investments	0.309
107.390	Pension Asset	-
9.067	Long-Term Debtors	8.426
<b>633.332</b>	<b>Total Long-Term Assets</b>	<b>512.106</b>
0.125	Short-Term Assets Held for Sale	4.827
2.871	Inventories	2.768
60.585	Short-Term Debtors	68.065
27.914	Cash and Cash Equivalents	12.284
<b>91.495</b>	<b>Total Current Assets</b>	<b>87.944</b>
(38.708)	Short-Term Borrowing	(29.612)
(55.672)	Short-Term Creditors	(45.448)
(3.219)	Revenue Grants Receipts in Advance	(1.051)
(1.492)	Short-Term Provisions	(2.048)
<b>(99.091)</b>	<b>Total Current Liabilities</b>	<b>(78.159)</b>
<b>(7.596)</b>	<b>Net Current Assets / (Liabilities)</b>	<b>9.785</b>
(3.702)	Long-Term Provisions	(2.482)
(206.965)	Long-Term Borrowing	(218.493)
(1.140)	Other Long-Term Liabilities	(0.975)
-	Pension Liability	(14.182)
<b>(211.807)</b>	<b>Total Long-Term Liabilities</b>	<b>(236.132)</b>
<b>413.929</b>	<b>Net Assets/(Liabilities)</b>	<b>285.759</b>
(59.094)	Usable Reserves	(74.942)
(354.835)	Unusable Reserves	(210.817)
<b>(413.929)</b>	<b>Total Reserves</b>	<b>(285.759)</b>

## Group Cash Flow

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

31 March 2023 £m		31 March 2024 £m
<b>(42.259)</b>	Surplus / deficit on provision of services	<b>(10.885)</b>
37.166	Adjustment to net surplus or deficit on the provision of services for non-cash movements	21.523
(2.661)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	0.942
<b>(7.754)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>11.580</b>
<b>(41.342)</b>	Investing Activities	<b>(25.415)</b>
41.974	Financing Activities	<b>(1.795)</b>
<b>(7.122)</b>	<b>Net Increase or decrease in cash and cash equivalents</b>	<b>(15.630)</b>
<b>35.035</b>	<b>Cash and cash equivalents at the beginning at the reporting period (Note G8)</b>	<b>27.914</b>
<b>27.914</b>	<b>Cash and cash equivalents at the end at the reporting period (Note G8)</b>	<b>12.284</b>

## Notes to the Group Accounts

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

### Note G1 Accounting Policies

The Group Financial Statements summarise the Council's and its Group's transactions for the 2023-24 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24, supported by International Financial Reporting Standards (IFRS).

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

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

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

### Note G2 Critical Judgements in Applying Accounting Policies

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

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

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

As noted earlier in this section, the company is in the process of being wound up with the expected closure date being 31 December 2024. No further trading results (except the results of the liquidation process) will be available from MDC and no group accounts will be prepared for the 2024/25 financial year. The Council will consider within its own single entity accounts, as to whether there is anything further to disclose as part of both its management accounting and financial statement arrangements.

## Note G4 Financing and Investment Income and Expenditure

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

2022-23 £m	Financing and Investment Income	2023-24 £m
6.744	Interest payable and similar charges	7.269
13.997	Trading Activities	11.788
(4.361)	Charges in relation to Investment property and changes in their fair value	(0.031)
6.006	Net Pension Interest Costs	(4.974)
(0.583)	Interest receivable and similar income	(1.031)
(17.637)	Trading Activities	(15.810)
<b>4.166</b>	<b>TOTAL</b>	<b>(2.789)</b>

The figures for 2022-23 incorporated a £0.250m cost relating to the trading activities of MDC during the financial year. The figure for 2023-24 is nil due to no trading activity during the year.

## Note G5 Property, Plant and Equipment

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

31 March 2023 £m		31 March 2024 £m
440.866	Property Plant & Equipment – Middlesbrough Council	427.787
9.484	Plus: Middlesbrough Development Company	6.922
<b>450.350</b>	<b>Total</b>	<b>434.709</b>

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

Boho Village - £7.163m  
Newbridge Court £6.629m

In addition, Boho Village has been sold for £6.960m. The above PPE value has been adjusted for this sale as the housing units are no longer owned by MDC.

## Note G6 Financial Instruments

Although the company had an agreement to borrow up to £8.5m from the Council for the Boho Village scheme and the balance owing from the company was £0.588m at 31 March 2024 (£6.063m at 31<sup>st</sup> March 2023), this amount is eliminated on consolidation of the two sets of accounts. The amount of borrowing for MDC is already factored into the Council's investment strategy to date and for the future and is shown within the Council's own notes to the accounts.

This note sets out the differences from the information contained in Notes 31-33 of the Council entity accounts to enable the reader to determine, more clearly, the impact of group company transactions.

## Debtors and Cash

Debtors and cash consolidated as part of the Group Financial Statements are classified as held at amortised cost. Further information on Group debtors is provided in Note G7.

## Creditors

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

## Income, Expense, Gains and Losses

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

## Fair Values of Assets and Liabilities

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

## Nature and extent of risks arising from financial instruments

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

## Note G7 Debtors

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

2022-23 £m	Long -Term Debtors	2023-24 £m
5.329	Cleveland Mall – Holiday Inn	5.196
1.056	Other Long-Term Debtors	0.988
2.682	The Welding Institute	2.242
<b>9.067</b>	<b>Total</b>	<b>8.426</b>

2022-23 £m	Short-Term Debtors	2023-24 £m
1.851	Trade Receivables	3.905
2.236	Prepayments	2.615
44.280	Other Receivables	43.335
34.667	Council Tax Receivables	36.773
5.755	Business Rates Receivables	8.391
(28.204)	Expected Credit Loss Provision	(26.954)
<b>60.585</b>	<b>Total</b>	<b>68.065</b>

The short-term debtor in the Council's accounts for £0.588m is eliminated when the Council and Company's accounts are consolidated.

A short-term debtor of £0.023m for MDC is included in the table above under other receivables.

## Note G8 Cash & Cash Equivalents

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

2022-23 £m	Cash and Cash Equivalents	2023-24 £m
0.053	Cash held by the Council	0.044
2.661	Bank current accounts	5.140
25.200	Short-Term deposits with building societies	7.100
<b>27.914</b>	<b>Total</b>	<b>12.284</b>

The above table include £0.141m relating to cash held by MDC as at 31<sup>st</sup> March 2024 (£1.082m at 31<sup>st</sup> March 2023). This is funding allocated by the Council that has not been spent by the company on capital projects or running costs.

## Note G9 Creditors

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

2022-23 £m	Short Term Creditors	2023-24 £m
(7.056)	Trade Payables	(3.446)
(43.843)	Other Payables	(37.193)
(7.992)	Receipts in Advance	(5.860)
<b>(58.891)</b>	<b>Total</b>	<b>(46.499)</b>

There is a £0.590m short term creditor amount relating to MDC in other payables within the table above compared with £0.002m last year.

## Note G10 Long-Term Borrowing

2022-23 £m	Long-Term Borrowing	2023-24 £m
(207.570)	Long-Term Borrowing	(219.093)
0.753	Deferred Premiums	0.726
(0.149)	Deferred Discounts	(0.126)
<b>(206.965)</b>	<b>Total</b>	<b>(218.493)</b>

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

## Note G11 Other Long-Term Liabilities

2022-23 £m	Other Long-Term Liabilities	2023-24 £m
(1.139)	Deferred Revenue Income	(0.975)
<b>(1.139)</b>	<b>Total</b>	<b>(0.975)</b>

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

## Note G12 Usable Reserves

2022-23 £m	Usable Reserves	2023-24 £m
(27.376)	Capital Grants Unapplied Reserve	(41.740)
(7.177)	Capital Contributions Unapplied Reserve	(10.020)
(11.310)	Uncommitted General Fund	(10.226)
(13.231)	Earmarked Reserves	(12.956)
<b>(59.094)</b>	<b>Total</b>	<b>(74.942)</b>

The reserves above have been reduced by £0.761m for the MDC accumulated profit and loss position as at 31 March 2024 (£0.732m at 31<sup>st</sup> March 2023).

## Note G13 Unusable Reserves

2022-23 £m	Unusable Reserves	2023-24 £000
(98.151)	Revaluation Reserve	(98.425)
(148.317)	Capital Adjustment Account	(129.647)
(107.390)	Pensions Reserve	14.182
(8.575)	Collection Fund Adjustment Account	(11.700)
1.032	Accumulating Absences Adjustment Account	0.480
6.565	Dedicated Schools Grant Adjustment Account	14.293
<b>(354.836)</b>	<b>Total</b>	<b>(210.817)</b>

The unusable reserves above have been increased by £7.257m (£5.257m in 2022-23) as this holds the capital grant funding entries that still need to be recognised in MDC's accounts but will be eliminated when MDC is wound-up. See note G14 below.

## Note G14 Deferred Grant Income

The major accounting policy difference between the Council and MDC relates to the treatment of capital grant funding. Part of the resources available to MDC is £7.257m of Section 106 monies received previously from developers and central government funding, which the Council can use on affordable housing and housing growth. This has been allocated to the scheme at Newbridge Court (formerly Tollesby Shops) and other operational costs from the running of the development company.

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

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

2022-23 £000	Deferred Grant Income	2023-24 £000
(2.610)	Opening Balance - grant funding allocated	(5.257)
(2.647)	Additions in year	(2.000)
<b>(5.257)</b>	<b>Closing Balance - grant funding allocated</b>	<b>(7.257)</b>

## **Note G15 Share Capital & Ownership**

Middlesbrough Development Company had total share capital of £1. The Mayor of Middlesbrough Council acted as the only shareholder for the company and in this regard, the Council has complete ownership of the entity.

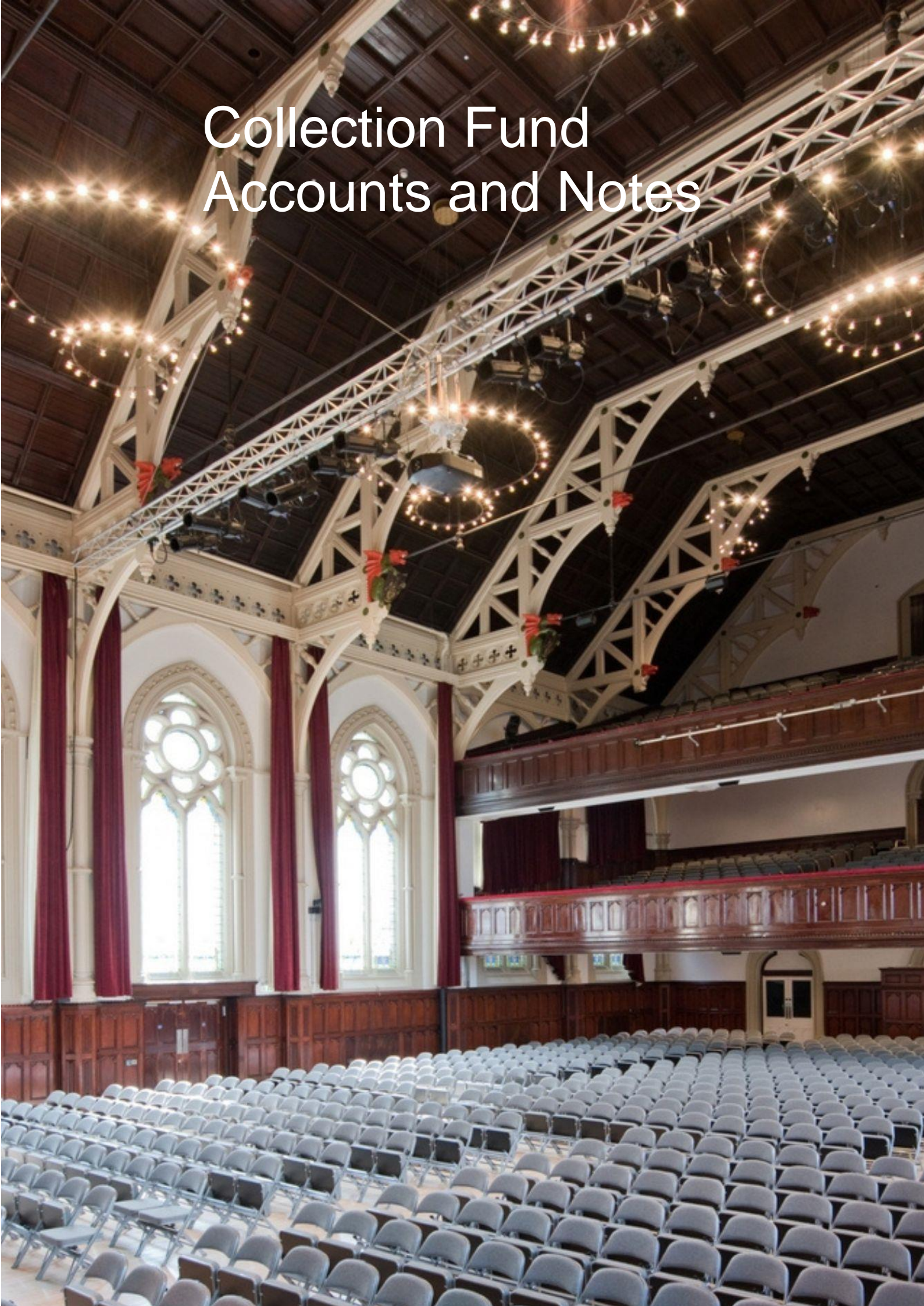
Following the decision to wind up MDC all assets and liabilities will transfer to the Council upon dissolution. As such, the Council guarantees all financial transactions whilst the company is operational.

## **Note G16 Audit of Accounts**

Under Section 477 of the Companies Act 2006 (in respect of the current annual turnover of the company which is a deficit and the number of employees at 1) MDC is exempt from the requirement of the Act for the audit of its accounts for the financial year. However, due to the need to consolidate the accounts into the Council's group arrangements, the company directors have decided to appoint an external auditor and undertake an audit process. Further details on this can be seen in the financial statements for 2020-21, 2021-22 and 2022-23 which are available from the Middlesbrough Council website. [Annual report and statement of accounts | Middlesbrough Council](#)



# Collection Fund Accounts and Notes



## Collection Fund Income and Expenditure Account

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

2022-23		2023-24		
		Council Tax	Business Rates	Total
Total				
£m		£m	£m	£m
	<b>Income</b>			
(78.190)	Council Tax receivable	(82.740)		(82.740)
(32.992)	Business Rates receivable		(31.983)	(31.983)
(111.182)	<b>Total Income</b>	(82.740)	(31.983)	(114.723)
	<b>Expenditure</b>			
	<b>Precepts and Demands:</b>			
63.789	Middlesbrough Council	66.573		66.573
9.644	Cleveland Police and Crime Commissioner	10.463		10.463
2.915	Cleveland Fire Authority	3.074		3.074
	<b>Business Rates</b>			
15.650	Payments to Central Government		16.515	16.515
0.313	Payments to Cleveland Fire Authority		0.330	0.330
15.337	Payments to Middlesbrough Council		16.185	16.185
0.172	Costs of Collection		0.169	0.169
	<b>Bad &amp; Doubtful Debts</b>			
0.079	Write Offs	0.034	(0.003)	0.031
1.524	Provision for Expected Credit Loss	(0.447)	(1.674)	(2.121)
0.418	Provision for Appeals		(1.266)	(1.266)
109.841	<b>Total Expenditure</b>	79.697	30.256	109.953
	<b>Contributions towards previous year's estimate</b>			
(13.017)	Collection Fund Deficit / (Surplus)	1.240	(1.657)	(0.417)
(14.358)	<b>Deficit / (Surplus) for the Year</b>	(1.803)	(3.384)	(5.187)
	<b>COLLECTION FUND BALANCE</b>			
4.602	Balance brought forward at 1 April	(10.980)	1.222	(9.758)
(14.359)	Deficit / (Surplus) for the year (as above)	(1.803)	(3.384)	(5.187)
(9.757)	<b>Balance carried forward at 31 March</b>	(12.783)	(2.162)	(14.945)
	<b>Allocated to:</b>			
(8.575)	Middlesbrough Council	(10.623)	(1.059)	(11.682)
(1.387)	Cleveland Police and Crime Commissioner	(1.670)	-	(1.670)
(0.407)	Cleveland Fire Authority	(0.490)	(0.022)	(0.512)
0.611	Central Government	-	(1.081)	(1.081)
(9.758)	<b>Balance carried forward at 31 March</b>	(12.783)	(2.162)	(14.945)

## Notes to the Collection Fund

### Note C1 Income from Council Tax

#### Calculation of the Council Tax base

The Council Tax 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 £m	Band D Equivalent Dwellings
A*	24	5/9	25.510	13
A	17938	6/9	22,504.674	11,959
B	8148	7/9	11,925.579	6,337
C	9276	8/9	15,516.931	8,246
D	4886	9/9	9,195.408	4,886
E	2454	11/9	5,643.336	2,999
F	918	13/9	2,496.461	1,326
G	525	15/9	1,646.157	875
H	31	18/9	116.675	62
	<b>44,200</b>		<b>69,070.731</b>	<b>36,703</b>
Less: Adjustments for assumed non-collection based on budgets assumption of 96.6% collection rate			(2,819.608)	(1,248)
<b>Total</b>			<b>66,251.123</b>	<b>35,456</b>

A\* - Band A properties receiving Disabled Relief

The average Council Tax for band D dwellings for Middlesbrough Council was £1,881.86.

### Note C2 Income from Business Rates

Middlesbrough's local share of Business Rates 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 2024 was £101,883,283 (£103,873,487 at 31 March 2023) and the national non-domestic multiplier for the year was 51.2p (51.2p in 2022-23).

### Note C3 Previous Years Council Tax Deficit / Surplus

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

2022-23 £m		2023-24 £m
1.186	Middlesbrough Council	(7.675)
-	Cleveland Police and Crime Commissioner	(1.198)
0.054	Cleveland Fire Authority	(0.358)
<b>1.240</b>	<b>Total Deficit / (Surplus)</b>	<b>(9.231)</b>

## Note C4 Council Tax and Business Rates Provisions

The total provisions held for the Collection Fund at 31 March 2024 are set out in the table below:

	Council Tax BDP £m	Business Rates BDP £m	Provision for Appeals £m	Total £m
Opening Balance at 1 April 2023	(17.161)	(8.474)	(3.997)	<b>(29.632)</b>
Reductions in the provision in year	0.447	1.674	1.266	<b>3.387</b>
<b>Closing balance at 31 March 2024</b>	<b>(16.714)</b>	<b>(6.800)</b>	<b>(2.731)</b>	<b>(26.245)</b>

Following a detailed balance sheet review, the s151 officer has revised the methodology to calculate the Collection Fund Expected Credit Loss 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 led to a reduction in the Expected Credit Loss provision in 2021/22 of £7.920m and an increase £1.520m in 2022-23. This methodology has been simplified to ensure consistently with collection rate publications such as Quarterly Revenue Collection returns (QRC) whilst remaining compliant with IAS37 and at a robust and prudent level. This has led to a further release of £2.121m provision of which Middlesbrough's share is £1.192m.

# Teesside Pension Fund Accounts and Notes



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# 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. 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 the year to 31 March 2024, the Fund continued to pay more in benefits than it received in contributions as more members are drawing pensions. Net withdrawal of funds was £68.4million (year to 31 March 2023 68.4million). During the year, the overall value of the Fund increased by £457million to £5.49billion.

### Membership

New members of LGPS scheme employers will generally be auto enrolled to the LGPS on the first day of their employment under automatic enrolment rules. Members may opt out of the LGPS if they wish. 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.

	2020	2021	2022	2023	2024
<b>Membership of the Fund</b>					
Active	23,438	24,238	25,937	26,198	26,220
Deferred	23,488	23,332	26,350	27,225	28,180
Pensioner	24,651	25,336	26,254	26,915	27,813
<b>Total</b>	<b>71,577</b>	<b>72,906</b>	<b>78,541</b>	<b>80,338</b>	<b>82,213</b>

Summary of Changes in Membership	Active Members	Deferred Members	Pensioner Members	Dependants	Total
At 01-APR-2023	26,198	27,225	23,540	3,375	80,338
Adjustments	29	431	138	(3)	595
New Members	2,257	1,469	1,262	234	5,222
Change in Status	(156)	(38)	(51)	(1)	(246)
Leavers	(2,108)	(907)	(505)	(176)	(3,696)
At 31-MAR-2023	26,220	28,180	24,384	3,429	82,213
% of Total Membership	31.89%	31.89%	31.89%	31.89%	100.00%

Employers participating in the Teesside Pension Fund Accounts include:

- Scheduled bodies - local authorities or similar bodies.  
Admission bodies - organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation.

If you are employed by an LGPS Scheme employer you will generally join the LGPS on your first day employment. If your contract is for less than three months, or if you have chosen to opt out of LGPS membership, your employer may bring you into the Scheme under automatic enrolment rules





## Fund Accounts for the year ended 31 March 2024

2022-23 £m		Note	2023-24 £m
	<b>Dealings with members, employers and others directly involved in the Fund</b>		
(106.953)	Contributions	<b>6</b>	(116.328)
(4.896)	Transfers in from other pension funds	<b>8</b>	(8.055)
(2.561)	Other income	<b>9</b>	(2.060)
<b>(114.410)</b>	<b>Total Income from Members</b>		<b>(126.443)</b>
162.355	Benefits payable	<b>7</b>	182.512
20.435	Payments to and on account of leavers	<b>10</b>	12.318
<b>182.790</b>	<b>Total Expenditure to Members</b>		<b>194.830</b>
<b>68.380</b>	<b>Net / withdrawals from dealings with members</b>		<b>68.387</b>
10.473	Management expenses	<b>11</b>	12.126
<b>78.853</b>	<b>Net withdrawals including fund management expenses</b>		<b>80.513</b>
	<b>Returns on investment</b>		
(48.840)	Investment income	<b>12</b>	(60.376)
(24.791)	Profits and losses on disposal of investments and changes in the market value of investments	<b>13</b>	(477.652)
<b>(73.631)</b>	<b>Net returns on investment</b>		<b>(538.028)</b>
<b>5.222</b>	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		<b>(457.515)</b>
(5,037.574)	<b>Net assets of the scheme as at 1 April</b>		<b>(5,032.352)</b>
<b>(5,032.352)</b>	<b>Net assets of the scheme as at 31 March</b>		<b>(5,489.867)</b>
	<b>Net Assets Statement as at 31 March</b>		
5,030.582	Investments Assets	<b>13</b>	5,481.614
14.102	Current Assets	<b>16</b>	16.027
(12.332)	Current liabilities	<b>17</b>	(7.774)
<b>5,032.352</b>	<b>Net assets of the Fund at 31 March</b>		<b>5,489.867</b>

# Notes to Teesside Pension Fund Accounts

## Note 1 Basis of Preparation

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 financial statements have been prepared on the assumption that the functions of the Fund will continue in operational existence for the foreseeable future and management is not aware of any material uncertainties in relation to this.

The statement of accounts summarises the Funds' transactions for the 2023/24 financial year and its position at year end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, 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.

The introduction of the above accounting standard is not expected to have a material impact on the Pension Fund Accounts".

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

### Fund Account – Revenue Recognition

#### Contributions Income

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

Employer deficit funding contributions are accounted for on the due dates set by the actuary, or on receipt if earlier. Employer strain on the fund and any augmentation contributions are accounted for in the period in which the liability arises. Amounts due in the year but still outstanding at the year-end are accrued, according to the 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 receipts basis within transfers in.  
Bulk transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

## **Investment Income**

### 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 at receipt of funds from the custodian. .

### Distributions from Pooled Investment Vehicles and Pooled Property Investments

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.

## **Interest on Cash Balances**

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

## **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.

## **Management Expenses**

The Code requires management expenses to be split by admin expenses, oversight and governance and investment management expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with CIPFA's guidance, "Accounting for Local Government Pension Scheme Management Expenses (2016)".

### Administrative Expenses

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

### Oversight and Governance Costs

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

### Investment Management Expenses

All investment management expenses are accounted for on an accruals basis. Fees of external investment managers and the Fund's custodian 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.

## Net Assets Statement

### 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.

#### IFRS9 Financial Instruments

Under IFRS9 Financial Instruments, a financial asset or a financial liability shall be recognised in the balance sheet, and only when, the Fund becomes a party to the contractual provisions of the instrument. On initial recognition, the Fund is required to classify financial assets and liabilities into amortised cost, fair value through profit and loss or fair value through other comprehensive income.

- Financial assets at amortised cost are those held to generate cash flows and the amounts received are solely principal and interest.
- Financial liabilities are classified as amortised cost except in certain circumstances where they are classified as at fair value.
- Fair value assets through profit and loss or other comprehensive income, are assets which fail the amortised cost categorisation tests, where they are held for trading purposes and/or the amounts received relate to more than solely principal and interest (eg equity instruments).

#### 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.

For more information on the classification of funds according to fair value hierarchy, please refer to Note 14

#### Foreign Currency Transactions

Foreign currency transactions are translated into sterling at the rate applicable at the date of conversion. Income due at the year-end is translated at the rate applicable as at 31 March 2024.

## Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at 31 March 2024. 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 2024, 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.

#### Loans

Cash is invested with investment managers for a fixed term and at a fixed rate of interest. Repayment terms of loans are agreed at the outset and are repaid including the initial capital plus interest over the fixed term period agreed.

#### Freehold and Leasehold Properties

Properties are shown as valued at 31 March 2024. 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.

### **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.

### **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 and 16](#).

### **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 19](#)).

### **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**

The Code of Practice on Local Authority Accounting requires disclosure of judgements made by management that affect the application of accounting policies. The Fund can confirm it has made no such critical judgements during 2023/24.

## Note 5 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

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

Item	Uncertainties	Effect if actual results differ from assumptions
Pooled Investment Vehicles	<p>The fair value of these assets is determined using the most recently available valuation reports and financial statements provided by the general partners, adjusted for cash flows between the date of the reports and the accounting date. As these valuations are based on a combination of estimation techniques and unobservable inputs, management judgement is therefore required and there is significant estimation uncertainty in the valuations. Consequently, reliance is placed on general partners to perform the valuations and the Fund performs due diligence to maintain confidence in the valuation provided.</p>	<p>Unobservable market values amount to £1,414m and are relating to infrastructure, real estate, and pooled equity vehicles. The effect in of variations in the factors supporting the valuation would be an increase or decrease 11.40% in the value of unobservable market values of £161.2m.</p>
Freehold and leasehold property	<p>The Fund uses independent external valuers (Cushman and Wakefield) to value freehold and leasehold properties. Valuations are based on market yields, calculated by Cushman and Wakefield, which are informed by a combination of expertise and market awareness on behalf of the valuer. The valuations are therefore subject to estimation uncertainty due to the judgements involved. Consequently, reliance is placed on the surveyor's report provided by Cushman and Wakefield and the Fund due diligence to maintain confidence in the valuation provided.</p>	<p>The effect of variations in the factors supporting the valuation would be an increase or decrease 18.3% in the value of directly held property £88.6m, on a fair basis of £484.3m.</p>

## 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.

2022-23 £m		2023-24 £m
	<b>Employers</b>	
(73.318)	Normal	(79.548)
(0.012)	Additional Contributions	(0.016)
(0.158)	Deficit Recovery Contributions	(0.050)
	<b>Members</b>	
(33.465)	Normal	(36.714)
<b>(106.953)</b>	<b>Total</b>	<b>(116.328)</b>

### Analysis of Total Contributions

2022-23 £m		2023-24 £m
(14.788)	Administering Authority – Middlesbrough Council	(15.676)
(79.669)	Scheduled Bodies	(87.999)
(12.496)	Admission Bodies	(12.653)
<b>(106.953)</b>	<b>Total</b>	<b>(116.328)</b>

## Note 7 Benefits Payable

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

2022-23 £m		2023-24 £m
134.792	Pensions	150.993
24.684	Commutations and lump sum retirement benefits	27.950
2.879	Lump sum death benefits	3.569
<b>162.355</b>	<b>Total</b>	<b>182.512</b>

### Analysis of Total Benefits

2022-23 £m		2023-24 £m
26.434	Administering Authority – Middlesbrough Council	29.051
100.452	Scheduled Bodies	113.846
35.469	Admission Bodies	39.615
<b>162.355</b>	<b>Total</b>	<b>182.512</b>

## Note 8 Transfers in from Other Pension Funds

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

2022-23 £m		2023-24 £m
(4.896)	Individual transfers in from other schemes	(8.055)
<b>(4.896)</b>	<b>Total</b>	<b>(8.055)</b>

## Note 9 Other Income

2022-23 £m		2023-24 £m
(1.578)	Capital Costs of Early Retirements	(1.255)
(0.983)	Other income	(0.805)
<b>(2.561)</b>	<b>Total</b>	<b>(2.060)</b>

## Note 10 Payments to and on account of leavers

2022-23 £m		2023-24 £m
11.761	Refunds to members leaving scheme	0.259
0.211	Payments for members joining state scheme	0.239
8.463	Individual transfers to other schemes	11.820
<b>20.435</b>	<b>Total</b>	<b>12.318</b>

## Note 11 Management Expenses

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

This note does not cover all expenses that have been incurred by individual funds as these are covered within the movement of funds.

2022-23 £m		2023-24 £m
2.470	Administrative costs	2.234
7.331	Investment management expenses	9.269
0.672	Oversight and governance costs	0.623
<b>10.473</b>	<b>Total</b>	<b>12.126</b>

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



2022-23 £m		2023-24 £m
6.793	Management fees	8.671
0.021	Custody fees	0.019
0.517	Loans & investment support service charges	0.579
<b>7.331</b>	<b>Total</b>	<b>9.269</b>

## Note 12 Investment Income

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

2022-23 £m		2023-24 £m
(24.838)	Income from pooled investment vehicles	(22.361)
(15.237)	Net rents from properties (see note below)	(27.631)
(8.765)	Interest on cash deposits	(10.384)
<b>(48.840)</b>	<b>Total</b>	<b>(60.376)</b>

## Rental Income and Property Expenses

2022-23 £m		2023-24 £m
(17.096)	Gross Rental income	(30.641)
1.859	Property Expense / (Income)	3.010
<b>(15.237)</b>	<b>Net Rents from Properties</b>	<b>(27.631)</b>

## Note 13 Investment Assets

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

2023-24	Value at 1 April 2023 £m	Purchases at Cost £m	Sale Proceeds £m	Change in Market Value £m	Value at 31 March 2024 £m
Equities	2.119	-	-	(0.106)	<b>2.013</b>
Pooled Investment Vehicles	4,187.376	338.170	(339.835)	492.885	<b>4,678.596</b>
Pooled Property Investments	65.438	1.149	-	(7.069)	<b>59.518</b>
Properties	403.615	86.858	(0.002)	(6.171)	<b>484.300</b>
Loans	24.534	25.746	(0.746)	0.001	<b>49.535</b>
Directly Held – Private Equity	9.924	3.964	-	(1.888)	<b>12.000</b>
	<b>4,693.006</b>	<b>455.887</b>	<b>(340.583)</b>	<b>477.652</b>	<b>5,285.962</b>
Cash Deposits	334.350				193.440
Other Investment Balances	3.226				2.212
<b>Net Investment assets</b>	<b>5,030.582</b>				<b>5,481.614</b>

2022-23	Value at 1 April 2022 £m	Purchases at Cost £m	Sale Proceeds £m	Change in Market Value £m	Value at 31 March 2023 £m
Equities	1.710	-	1.129	(0.720)	<b>2.119</b>
Pooled Investment Vehicles	3,773.227	385.196	(55.828)	84.781	<b>4,187.376</b>
Pooled Property Investments	60.230	15.000	-	(9.792)	<b>65.438</b>
Properties	335.521	87.416	-	(19.322)	<b>403.615</b>
Loans	20.000	4.534	-	-	<b>24.534</b>
Directly Held – Private Equity	26.500	13.580	-	(30.156)	<b>9.924</b>
	<b>4,217.188</b>	<b>505.726</b>	<b>(54.699)</b>	<b>24.791</b>	<b>4,693.006</b>
Cash Deposits	817.250				334.350
Other Investment Balances	1.833				3.226
<b>Net Investment assets</b>	<b>5,036.271</b>				<b>5,030.582</b>

### 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 £27,367,998 and unrealised gain was £489,447,643. Prior year realised loss was £1,128,891 and unrealised gain was £25,920,219.

### 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 for 2023-24 are £3,988,107(2022-23 £4,155,600).

## Investments Analysed by Fund Manager

The funds equities are mainly managed externally by Border to Coast. Private equities, infrastructure, other alternatives, and other debt are all managed in-house with the only exception being the direct property portfolio managed by CBRE Limited.

- for 2023-24 the value at 31 March 2024 of the direct property portfolio was: £484,300,000
- for 2022-23 the value at 31 March 2023 of the direct property portfolio was: £403,615,188

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

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

Market Value 31 March 2023 £m	% of net assets of the scheme	Security	Market Value 31 March 2024 £m	% of net assets of the scheme
1,647.397	32.56%	Border to Coast PE Overseas Dev Mkts	1,833.038	33.15%
646.205	12.77%	Border to Coast PE UK Listed Equity	612.789	11.08%
320.026	6.32%	SSGA MPF Pacific Basin Ex-Japan Index	336.531	6.09%

## Pooled Investment Vehicles and Properties

31 March 2023 £m		31 March 2024 £m
646,205	UK Equity	612,789
65,438	Pooled Property investment Vehicle	59,518
442,431	Private Equity	555,182
402,107	Infrastructure	531,706
179,599	Other Alternative Investments	194,369
67,023	Other Debt	68,169
<b>1,802,803</b>	<b>UK Unit and Investment Trusts Total</b>	<b>2,021,733</b>
2,450,012	Overseas Equities	2,716,381
<b>2,450,012</b>	<b>Overseas Unit and Investment Trusts Total</b>	<b>2,716,381</b>
<b>4,252,815</b>	<b>Total</b>	<b>4,738,114</b>

## UK Properties

31 March 2023 £m		31 March 2024 £m
345.415	Freehold	347.275
58.200	Leasehold	137.025
<b>345.415</b>	<b>Total</b>	<b>347.275</b>

The properties were valued on the basis of Fair Value at 31 March 2024 by Cushman and Wakefield LLP acting as an External Valuer. The valuer's opinion of the Fair Value of the Fund's interests in the properties has been reported (as

per VPS4 item 7 of the RICS Red Book). Under these provisions, the term "Fair Value" mean the definition adopted by the International Accounting Standards Board (IASB) in IFRS 13, namely "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

## Outstanding Commitments

As at 31 March 2024, the Fund had the following outstanding commitments.

	Initial Commitment	Capital Payments made	Outstanding commitments at 31 March 2024
<b>Infrastructure</b>			
	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>
Border to Coast Infrastructure Series 1A	100,000,000	74,963,079	25,036,921
Border to Coast Infrastructure Series 1B	50,000,000	29,709,580	20,290,420
Border to Coast Infrastructure Series 1C	50,000,000	37,355,868	12,644,132
Border to Coast Infrastructure Series 2A	150,000,000	62,208,526	87,791,474
Border to Coast Infrastructure Series 2B	150,000,000	11,782,789	138,217,211
Capital Dynamics Clean Energy Infrastructure Fund VIII	20,000,000	18,234,087	1,765,913
Capital Dynamics Clean Energy Infrastructure Fund VIII - Co Investment	10,000,000	9,117,044	882,956
Gresham House, British Strategic Investment Infrastructure Fund	20,000,000	18,133,331	1,866,669
Gresham House, British Strategic Investment Infrastructure Fund II	25,000,000	22,418,467	2,581,533
Innisfree PFI Continuation Fund	10,000,000	9,708,498	291,502
Innisfree PFI Secondary Fund 2	10,000,000	8,352,712	1,647,288
<b>Total GBP</b>	<b>595,000,000</b>	<b>301,983,981</b>	<b>293,016,019</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Access Capital Infrastructure Fund	23,000,000	21,689,000	1,311,000
Access Capital Infrastructure Fund II	20,000,000	17,242,000	2,758,000
Access Capital Infrastructure Fund II (Fund 2)	15,000,000	9,696,000	5,304,000
Ancala Infrastructure Fund II	23,000,000	20,519,672	2,480,328
Foresight Energy Infrastructure	17,000,000	12,401,536	4,598,464
<b>Total EUR</b>	<b>98,000,000</b>	<b>81,548,208</b>	<b>16,451,792</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
Blackrock Global Energy & Power Infrastructure Fund III	25,000,000	22,986,197	2,013,803
Blackrock Global Renewable Power III	25,000,000	17,124,971	7,875,029
<b>Total USD</b>	<b>50,000,000</b>	<b>40,111,168</b>	<b>9,888,832</b>
<b>Other Alternatives</b>			
	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>
Bridges Evergreen TPF Housing Co-Investment LP	5,000,000	794,749	4,205,251
Gresham House Housing Fund	20,000,000	19,546,066	453,934
Hearthstone Residential Fund 2 LP	20,000,000	17,685,493	2,314,507
Capital Dynamics Clean Energy Infrastructure UK	20,000,000	170,000	19,830,000
<b>Total GBP</b>	<b>65,000,000</b>	<b>38,196,308</b>	<b>26,803,692</b>

	Initial Commitment	Capital Payments made	Outstanding commitments at 31 March 2024
	EUR	EUR	EUR
La Salle Real Estate Debt Strategies IV	25,000,000	13,022,767	11,977,233
<b>Total EUR</b>	<b>25,000,000</b>	<b>13,022,767</b>	<b>11,977,233</b>
	USD	USD	USD
Border to Coast Climate Opportunities Series 2A	80,000,000	23,384,911	56,615,089
	<b>80,000,000</b>	<b>23,384,911</b>	<b>56,615,089</b>
<b>Other Debt</b>			
	GBP	GBP	GBP
St Arthur Homes	16,000,000	14,113,266	1,886,734
<b>Total GBP</b>	<b>16,000,000</b>	<b>14,113,266</b>	<b>1,886,734</b>
	USD	USD	USD
Pantheon Senior Debt Secondaries II	25,000,000	20,631,718	4,368,282
<b>Total USD</b>	<b>25,000,000</b>	<b>20,631,718</b>	<b>4,368,282</b>
<b>Private Equity</b>			
	GBP	GBP	GBP
Border to Coast Private Equity Series 1A	100,000,000	73,845,512	26,154,488
Border to Coast Private Equity Series 1B	50,000,000	32,876,678	17,123,322
Border to Coast Private Equity Series 1C	50,000,000	28,897,835	21,102,165
Border to Coast Private Equity Series 2A	100,000,000	16,958,239	83,041,761
Border to Coast Private Equity Series 2B	100,000,000	6,508,313	93,491,687
Capital Dynamics LGPS Collective for Pools 18/19	10,000,000	7,850,000	2,150,000
GB Bank Limited	49,999,950	44,043,750	5,956,200
Hermes Innovation Fund	20,000,000	14,411,813	5,588,187
Foresight Regional Investments IV	5,000,000	1,102,238	3,897,762
<b>Total GBP</b>	<b>484,999,950</b>	<b>226,494,378</b>	<b>258,505,572</b>
	EUR	EUR	EUR
Access Capital Fund VIII Growth Buy-Out Europe	30,000,000	20,982,000	9,018,000
Access Capital Co-Investment Fund Buy-Out Europe II	22,000,000	11,475,000	10,525,000
Capital Dynamics Mid-Market Direct V	20,000,000	16,583,038	3,416,962
Crown Growth Global Opportunities III	30,000,000	24,000,000	6,000,000
Unigestion Direct II	25,000,000	21,457,608	3,542,392
Unigestion Secondary V	50,000,000	26,000,000	24,000,000
Unigestion Direct III	37,500,000	17,794,659	19,705,341
<b>Total EUR</b>	<b>214,500,000</b>	<b>138,292,305</b>	<b>76,207,695</b>
	USD	USD	USD
Blackrock Private Opportunities Fund IV	25,000,000	20,340,118	4,659,882
Capital Dynamics Global Secondaries V	22,000,000	15,400,000	6,600,000
Crown Co-Investment Opportunities II	30,000,000	26,175,000	3,825,000
Crown Co-Investment Opportunities III	30,000,000	16,680,000	13,320,000
Crown Global Opportunities VII	40,000,000	24,880,000	15,120,000
Crown Secondaries Special Opportunities II	25,000,000	20,387,500	4,612,500
Pantheon Global Co Investment Opportunities IV	30,000,000	27,070,000	2,930,000
<b>Total USD</b>	<b>202,000,000</b>	<b>150,932,618</b>	<b>51,067,382</b>

## Note 14 Financial Instruments

## Net Gains and Losses on Financial Instruments

2022-23		2023-24
£m	Financial Assets	£m
(24.791)	Fair Value through profit and loss account	(477.652)

## 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
31 March 2023				31 March 2024		
£m	£m	£m	Financial Assets	£m	£m	£m
2.119	-	-	Equities	2.013	-	-
4,187.376	-	-	Pooled Investments	4,678.596	-	-
65.438	-	-	Pooled Property Investments	59.518	-	-
-	24.534	-	Loans	-	49.535	-
9.924	-	-	Directly Held - Private Equity	12.000	-	-
-	334.350	-	Cash	-	193.440	-
-	3.226	-	Other investment balances	-	2.212	-
-	14.102	-	Sundry debtors and prepayments	-	16.027	-
<b>4,264.857</b>	<b>376.212</b>	-		<b>4,752.127</b>	<b>261.214</b>	-
			<b>Financial Liabilities</b>			
-	-	(12.332)	Sundry creditors	-	-	(7.774)
-	-	<b>(12.332)</b>		-	-	<b>(7.774)</b>
<b>4,264.857</b>	<b>376.212</b>	<b>(12.332)</b>	<b>Net Financial Assets</b>	<b>4,752.127</b>	<b>261.214</b>	<b>(7.774)</b>

## Valuation of Financial Instruments Carried at Fair Value

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

### Level 1

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

### Level 2

Financial instruments at Level 2 are those where quoted market prices are not available or where valuation techniques are used to determine fair value based on observable data.

### Level 3

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

judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Teesside Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken as at 31 March annually. Cash flow adjustments can be used where valuations at 31 March could not be obtained.

Teesside Pension Fund has no investments in hedge funds.

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

#### Valuation of Financial Instruments carried at fair value – 31 March 2024

Value as at 31 March 2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial Assets at Fair Value through Profit and Loss account	9.038	3,329.170	1,413.919	4,752.127
Financial Assets at amortised cost	261.214	-	-	261.214
Financial Liabilities at amortised cost	(7.774)	-	-	(7.774)
<b>Total Financial Assets</b>	<b>262.478</b>	<b>3,329.170</b>	<b>1,413.919</b>	<b>5,005.567</b>

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

Value as at 31 March 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial Assets at Fair Value through Profit and Loss account	9.461	3,096.217	1,159.179	4,264.857
Financial Assets at amortised cost	376.212	-	-	376.212
Financial Liabilities at amortised cost	(12.332)	-	-	(12.332)
<b>Total Financial Assets</b>	<b>373.341</b>	<b>3,096.217</b>	<b>1,159.179</b>	<b>4,628.737</b>

#### Sensitivity of Assets at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation classification described above are likely to be accurate to within, the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2024.

#### Valuation of Financial Instruments carried at fair value – 31 March 2024

	Assessed valuation range (+/-)	Value as at 31 March 2024	Value on increase	Value on decrease
		£m	£m	£m
Pooled Investments - Private Equity	11.40%	555.182	618.473	491.891
Directly Held - Private Equity				10.632
Pooled Investments - Infrastructure	11.40%	531.706	592.320	471.092
Pooled Investments - Other Alternatives	11.40%	194.369	216.527	172.211
Pooled Investments - Other Debt	11.40%	68.169	75.940	60.398
Pooled Investments - Property	18.30%	52.493	62.099	42.887
<b>Total</b>		<b>1,401.919</b>	<b>1,565.359</b>	<b>1,249.111</b>

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

	Assessed valuation range (+/-)	Value as at 31 March 2023	Value on increase	Value on decrease
		£m	£m	£m
Pooled Investments - Private Equity	19.12%	442.431	527.024	357.838
Directly Held - Private Equity	19.12%	9.924	11.821	8.027
Pooled Investments - Infrastructure	19.12%	402.107	478.990	325.224
Pooled Investments - Other Alternatives	19.12%	179.599	213.939	145.260
Pooled Investments - Other Debt	19.12%	67.023	79.838	54.208
Pooled Investments - Property	14.90%	58.095	66.751	49.439
<b>Total</b>		<b>1,159.179</b>	<b>1,378.363</b>	<b>939.996</b>

### Reconciliation of Fair Value Measurements within level 3 during 2023-24

	Market Value as at 1 April 2023	Purchases	Sales	Unrealised Gains/ Losses	Market Value as at 1 April 2024
	£m	£m	£m	£m	£m
Pooled Investments – Private Equity	442.431	104.942	(34.412)	42.221	555.182
Directly Held - Private Equity	9.924	3.964	-	(1.888)	12.000
Pooled Investments – Infrastructure	402.107	122.550	(16.592)	23.641	531.706
Pooled Investments – Other Alternatives	179.599	38.368	(3.628)	(19.970)	194.369
Pooled Investments - Other Debt	67.023	3.448	(0.022)	(2.280)	68.169
Pooled Investments – Property	58.095	1.149	-	(6.751)	52.493
<b>Total</b>	<b>1,159.179</b>	<b>274.421</b>	<b>-54.654</b>	<b>34.973</b>	<b>1,413.919</b>

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



	Market Value as at 1 April 2022	Purchases	Sales	Unrealised Gains / Losses	Market Value as at 1 April 2023
	£m	£m	£m	£m	£m
Pooled Investments – Private Equity	340.778	98.961	(17.487)	20.179	442.431
Directly Held - Private Equity	26.500	13.580	-	(30.156)	9.924
Pooled Investments – Infrastructure	247.734	163.747	(28.866)	19.492	402.107
Pooled Investments – Other Alternatives	114.709	68.252	(2.424)	(0.938)	179.599
Pooled Investments - Other Debt	32.285	36.202	(5.485)	4.021	67.023
Pooled Investments – Property	51.393	15.000	-	(8.298)	58.095
<b>Total</b>	<b>813.399</b>	<b>395.742</b>	<b>(54.262)</b>	<b>4.300</b>	<b>1,159.179</b>

### Nature and Extent of Exposure to Risk Arising from Financial Instruments

#### Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. Responsibility for the Fund's risk management strategy rests with the Teesside Pension Fund Committee. The Funding Strategy Statement and the Statement of Investment Principles identify and analyse the risks faced by the pension's operations. These policies are reviewed regularly to reflect changes in activity and market conditions.

#### Market Risk

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 Hymans Robertson LLP, the Fund has determined that the following movements in market price risk are reasonably possible for the 2023-24 reporting period.

2023-24 Price Risk		Value as at 31 March 2024	Change	Value on Increase	Value on Decrease
Asset Type	Region	£m	%	£m	£m
Equities	UK	2.005	10.50%	2.216	1.794
	Non-UK	0.008	11.00%	0.009	0.007
	<b>Total</b>	<b>2.013</b>		<b>2.225</b>	<b>1.801</b>
Managed and Unitised Funds	UK Equities	612.789	10.50%	677.131	548.446
	UK Alternatives	421.361	11.40%	469.396	373.326
	Non-UK Equities	2,716.383	11.00%	3,015.185	2,417.581
	Non-UK Alternatives	987.582	11.40%	1,100.166	874.997
Directly Held - Private Equity	UK	12.000	11.40%	13.368	10.632
	<b>Total</b>	<b>4,749.115</b>		<b>5,275.246</b>	<b>4,224.982</b>
<b>Total</b>		<b>4,751.128</b>		<b>5,277.471</b>	<b>4,226.783</b>

2022-23 Price Risk		Value as at 31 March 2023	Change	Value on Increase	Value on Decrease
Asset Type	Region	£m	%	£m	£m
Equities	UK	2.110	12.30%	2.370	1.851
	Non-UK	0.008	12.89%	0.010	0.007
	<b>Total</b>	<b>2.118</b>		<b>2.380</b>	<b>1.858</b>
Managed and Unitised Funds	UK Equities	646.205	12.30%	725.688	566.722
	UK Alternatives	377.323	19.12%	449.467	305.179
	Non-UK Equities	2,450.012	12.89%	2,765.818	2,134.205
	Non-UK Alternatives	779.275	19.12%	928.272	630.278
Directly Held - Private Equity	UK	9.924	19.12%	11.821	8.027
	<b>Total</b>	<b>4,262.739</b>		<b>4,881.066</b>	<b>3,644.411</b>
<b>Total</b>		<b>4,264.857</b>		<b>4,883.446</b>	<b>3,646.269</b>

### Interest Rate Risk

Interest rate risk is the risk to which the Fund is exposed to changes in interest rates and relates to its holdings in cash. The Fund's direct exposure to interest rate movements as at 31 March 2023 and 31 March 2024 is set out below:

2022-23 £m	Asset Type at 31 March	2023-24 £m
334.350	Cash and cash equivalents	193.440
3.226	Other Investment balances	2.212
<b>337.576</b>	<b>Total</b>	<b>195.652</b>

### Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 basis points (BPS) change in interest rates.

Asset Type Carrying value at 31 March 2024	£m	+ 25 BPS £m	- 25 BPS £m
Cash and cash equivalents	193.440	1.934	(1.934)
Other Investment balances	2.212	0.022	(0.022)
<b>Total</b>	<b>195.652</b>	<b>1.956</b>	<b>(1.956)</b>

Asset Type Carrying value at 31 March 2023	£m	+ 25 BPS £m	- 25 BPS £m
Cash and cash equivalents	334.350	0.836	(0.836)
Other Investment balances	3.226	0.008	(0.008)
<b>Total</b>	<b>337.576</b>	<b>0.844</b>	<b>(0.844)</b>

### Currency Risk

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

The following tables summarise the Fund's currency exposure as at 31 March 2023 and as at 31 March 2024, showing the sensitivity analysis of foreign exchange movements.

Currency Risk 31 March 2024	Value £m	Change %	Value on Increase £m	Value on Decrease £m
Australian Dollar	0.008	6.50%	0.009	0.007
Euro	249.087	4.40%	260.047	238.127
US Dollar	328.854	7.90%	354.833	302.875
<b>Total</b>	<b>577.949</b>		<b>614.889</b>	<b>541.009</b>

Currency Risk 31 March 2023	Value £m	Change %	Value on Increase £m	Value on Decrease £m
Australian Dollar	0.008	8.54%	0.009	0.007
Euro	242.039	5.10%	254.383	229.695
US Dollar	266.289	8.86%	289.882	242.696
<b>Total</b>	<b>508.336</b>		<b>544.274</b>	<b>472.398</b>

Following analysis of historical data in consultation with Portfolio Evaluation Ltd, the Fund considers the likely

volatility associated with foreign exchange rate movements to be as shown above. A percentage strengthening/weakening of the pound against the various currencies in which the fund holds investments would decrease/increase the net assets available to pay benefits as highlighted above.

### Expected Credit Loss Allowance

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 receivables 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 2024. 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 2022 using the 'Projected Unit Method' which produced the following results;

	2019 Valuation £m	2022 Valuation £m
Net Liabilities	3,561	4,351
Assets	4,088	5,036
<b>Surplus</b>	<b>527.0</b>	<b>685.0</b>
Funding Level	115%	<b>116%</b>

The actuarial assumptions used to calculate the promised value of benefits at 31 March 2024 were:

Funding Assumptions	2019 Valuation £m	2022 Valuation £m
Pension Increase Rate (CPI)	2.10%	2.70%
Salary Increase Rate	3.10%	3.70%
Discount Rate	4.45%	4.25%

The assumed life expectancy assumptions are as follows:

Mortality Assumptions:	2019 Valuation	2022 Valuation
Longevity at 65 for current pensioners:		
• Men	21.8	20.9
• Women	23.4	23.9
Longevity at 65 for future pensioners:		
• Men	23.1	21.9
• Women	25.2	25.5

The next triennial valuation is due as at 31 March 2025 and any change in employers' contribution rates as a result of that valuation will take effect from 1 April 2026.

## Note 16 Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits at 31 March 2024 was £4.554bn (31 March 2023 £4.516bn). The promised retirement benefits at 31 March 2024 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The promised retirement benefits at 31 March 2024 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022, but taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and uses different assumptions to those used for a triennial funding valuation. The net assets of the Scheme available to pay benefits at 31 March 2024 was £5.490bn (31 March 2023 £5.032bn). The fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

Significant actuarial assumptions are shown below:

	31 March 2023	31 March 2024
Pensions Increase rate (CPI %)	2.95%	2.75%
Salary Increase Rate (%)	3.95%	3.75%
Discount Rate (%)	4.75%	4.85%

### Virgin Media Limited v NTL Pension Trustees II Limited

In June 2023 the High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that amendments to certain defined benefit pension schemes were void if they were not accompanied by section 37 actuarial certificates. The Court of Appeal rejected an appeal of this decision in July 2024. The Local Government Pension Scheme is affected by this ruling.

The Government Actuary's Department is the actuary for the Local Government Pension Scheme and has so far failed to evidence that section 37 certificates are in place for all amendments. Work is ongoing to discover whether the evidence exists. Until this work is complete, it is not possible to conclude whether there is any impact on the value of retirement benefits under IAS26 or if it can be reliably estimated.

Although this is the current position in law, the Government is being lobbied to make a change to the regulations which would retrospectively validate amendments which would otherwise be void because of a failure to have obtained section 37 certificates. The Government has an existing power to make the necessary regulations but not yet said whether it will do anything. There is also the possibility that Virgin Media could seek permission to appeal to the Supreme Court.

Developments are being monitored. In the current circumstances, it is not considered necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the value of retirement benefits in the financial statements.

## Note 17 Current Assets

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

31 March 2023 £m	Debtors	31 March 2024 £m
4.029	Other Debtors	1.105
1.145	Sundry Debtors	1.530
-	Contributions due in respect of:	-
5.698	Employers	6.823
2.612	Members	3.102
0.618	Cash balances	3.467
<b>14.102</b>	<b>Total</b>	<b>16.027</b>

31 March 2023 £m	Analysis of Debtors	31 March 2024 £m
4.379	Other local authorities	4.718
9.105	Other entities and individuals	7.842
0.618	Add cash balances	3.467
<b>14.102</b>	<b>Total</b>	<b>16.027</b>

## Note 18 Current Liabilities

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

31 March 2023 £m	Amounts due within one year	31 March 2024 £m
(2.559)	Rents received in advance	(2.859)
(8.258)	Accrued expenses	(3.210)
(1.515)	Other payables	(1.705)
<b>(12.332)</b>	<b>Total</b>	<b>(7.774)</b>

31 March 2023 £m	Analysed by	31 March 2024 £m
(1.117)	Other local authorities	(1.136)
(5.452)	Public Corp & Trading Funds	(0.020)
(5.763)	Other entities and individuals	(6.618)
<b>(12.332)</b>	<b>Total</b>	<b>(7.774)</b>

## Note 19 Additional Voluntary Contributions (AVC's)

Scheme members may make Additional Voluntary Contributions that are invested with the Fund's nominated AVC providers, the Prudential Assurance Co Ltd. 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

2022-23 £m	Prudential AVC balances	2023-24 £m
5.247	With Profits and Deposit Accounts	5.504
4.378	Unit Linked Accounts	5.171
<b>9.625</b>	<b>Total</b>	<b>10.675</b>

The total value of AVC contributions paid to Prudential during the year, was £2,904,512.32 (2022/23 was £2,302,204.17).

## Note 20 Related Party Transactions

In accordance with International Accounting Standard (IAS) 24 and International Public Sector Accounting Standard (IPSAS) 20 'Related Party Disclosures', material transactions with related parties not disclosed are detailed below:

The officer responsible for the proper administration of the financial affairs of the Teesside Pension Fund (the Section 151 officer) is also the Section 151 officer of Middlesbrough Council.

The Teesside Pension Fund is administered by Middlesbrough Council. During the financial year, the Council incurred costs of £1.475m (2022-23 £1.626m) comprising of pensions administration costs of £0.896m (2022-23 £1.109m) and investment management costs of £0.579m (2022-23 £0.517m). The Council was subsequently reimbursed by the Fund for these expenses. Middlesbrough Council is one of the largest members of the pension fund and, during the financial year, made employer contribution payments of £10.059m (2022/23 - £9.5m). As at 31 March 2024, the Council was a net debtor to the Fund of £1.138m (2022-23 £1.165m).

No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with the Council, for the supply of goods or service to the Fund.

The key management personnel of the Pension Fund are the Head of Pensions Governance and Investments and the Director of Finance, who is also the S151 officer. Please refer to Note 21 for costs.

Councillor David Coupe is the Partner Fund nominated non-executive director on Border to Coast Pensions Partnership's Board of Directors.

## Note 21 External Audit Costs

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

2022-23 £m	External Audit Costs	2023-24 £m
0.035	Scale Fee	0.102
0.009	IAS 19 procedure fees (recurring) (2021-22)	-
-	IAS 19 procedure fees (triennial) (2021-22)	0.010
<b>0.044</b>	<b>Total Fees</b>	<b>0.112</b>

## Note 22 Senior Employees' Remuneration

2022-23 £m	Key Management Personnel	2023-24 £m
0.063	Short Term Benefits	0.068
0.007	Post-Employment Benefits	0.008
<b>0.070</b>	<b>Total</b>	<b>0.076</b>

Director of Finance paid via agency (Allen Lane) £226,430

## Note 23 Events after the Balance Sheet Date

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



## The Compliance Statement

### The Compliance Statement Local Government Pension Scheme Regulations

Middlesbrough Council administers the Teesside Pension Fund in accordance with:

*The Local Government Pension Scheme Regulations 2013 (as amended)*

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

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

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

[Agenda Item 12 - Appendix A - 2021 Teesside PF Governance Policy and Compliance Statement.pdf \(middlesbrough.gov.uk\)](#)

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

### Investment Strategy Statement

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

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

The statement is maintained and published by Middlesbrough Council, copies of which are available on application, or it can be seen at the Fund's website:

[investment-strategy-statement-february-2019.pdf \(teespen.org.uk\)](#)

## The Funding Strategy Statement

The Local Government Pension Scheme Regulations 2013, require each Administering Authority, to produce a Funding Strategy Statement, setting out a long-term view on funding liabilities. The main areas covered by the statement are:

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

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

[funding-strategy-statement-23-06-2021.pdf \(teespen.org.uk\)](#)

## 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
- Principles of governance.

The latest policy document can be viewed at:

[TPF - Pensions Panel \(teespen.org.uk\)](#)

## Communications Policy

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

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

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

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

[TPF - Communications Policy \(teespen.org.uk\)](#)

## Statement of the Actuary for the year ended 31 March 2024

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

### Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2023. In summary, the key funding principles are as follows:

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 20 years.

### Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £5,306 million, were sufficient to meet 116% of the liabilities (i.e., the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £684 million.

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

### Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

#### Method

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

#### Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

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

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

Current Pensioners	20.9 years	23.9 years
Future Pensioners*	21.9 years	25.5 years

\*Aged 45 at the 2022 Valuation.

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

**Experience over the period since 31 March 2022**

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher-than-expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

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



Julie Baillie FFA

22 May 2024

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 2023 to 31 March 2024 under regulation 62 of the Local Government Pension Scheme Regulations 2013.

	Employers Rate %	Employees £000	Employers £000
Ad Astra Academy Trust	17.5%	280	844
All Saints Academy	17.5%	49	136
Ash Trees Academy	17.5%	63	187
Badger Hill Academy	17.5%	15	44
Beamish Museum Ltd	15.7%	175	422
Beyond Housing	22.8%	413	1,463
Bikeability – Middlesbrough BC	17.7%	2	3
Bikeability – Stockton BC	17.9%	1	2
Billingham Town Council	17.7%	8	24
Bulloughs Cleaning Services	17.9%	4	12
Bulloughs Cleaning Services - VALT	17.9%	11	26
Business and Enterprise North East Ltd	24.5%	1	26
Caldicotes Primary Academy	17.5%	13	43
Care and Custody Health Ltd	19.4%	5	14
Care Quality Commission	17.9%	845	1,942
Carmel Education Trust	17.5%	467	1,418
Catcote Academy	17.5%	131	391
Caterlink - RCBC	28.2%	2	10
Caterlink - St Oswald's	27.9%	3	17
Churchill's (Collaborative Trust)	33.0%	0	0
Churchill's (Outwood Grange)	20.6%	4	12
Cleaning & Support Services (LLT)	15.2%	5	16
Cleveland College of Art and Design	15.7%	213	302
Cleveland Fire Brigade	14.3%	280	616
Conyers School	17.5%	175	528
Creative Management Services (Galileo)	29.4%	10	31
Creative Management Services Ltd	29.4%	1	6
Dolce - Rift House	17.5%	1	2
Dolce LLT	17.5%	5	17
Dyke House Academy	17.5%	97	278
Easterside Academy	17.5%	38	114
Eden Academy Trust Limited	17.5%	83	266
Egglescliffe Primary School	17.5%	11	35
Emmanuel Schools Foundation	17.5%	81	244
Endeavour Academies Trust	17.5%	149	432
Enquire Learning Trust (Central)	17.5%	123	248
Extol Academy Trust (Eldon Grove)	17.5%	152	455

Fabrick Housing Group	17.5%	919	2,996
Falcon Education Academies Trust	17.5%	31	92
Frederick Natrass Primary Academy	17.5%	24	70
Freebrough Academy	17.5%	55	162
Future Regeneration of Grangetown	32.6%	2	10
Galileo Multi Academy Trust	17.5%	231	684
Grangefield Academy	17.5%	65	189
Green Lane Primary Academy	17.5%	19	59
Guisborough Town Council	17.7%	9	20
Hardwick Green Primary Academy	17.5%	27	81
Harrow Gate Primary Academy	17.5%	38	114
Hartlepool Borough Council	12.4%	3,759	7,306
Hartlepool College of Further Education	15.7%	195	515
Hartlepool Sixth Form College	15.7%	23	64
High Clarence Primary	17.9%	12	35
Holy Trinity Primary School	17.5%	14	43
Horizons Specialist Academy Trust	17.5%	325	942
Hutchison Catering - AET	38.9%	8	63
Hutchison Catering - Extol	38.9%	0	3
Ingleby Barwick Town Council	17.7%	3	9
Ingleby Manor Free School & Sixth Form	17.5%	42	120
Ironstone Academy Trust - Ormesby Primary School	17.5%	13	42
Ironstone Academy Trust - Zetland Primary School	17.5%	26	59
James Cook Learning Trust	17.5%	29	87
Kader Academy	17.5%	24	72
KTS Academy	17.5%	88	273
Legacy Learning Trust	17.5%	258	768
Liberata UK Ltd	0.0%	52	0
Lingfield Academy Trust	17.5%	172	338
Lockwood Parish Council	17.7%	2	3
Loftus Town Council	17.7%	4	11
Manor Community Academy	17.5%	74	220
Mbro and Stockton Mind	28.7%	3	13
Mellors Catering Ltd - Dormanstown	28.0%	0	1
Mellors Catering Services Ltd (Central)	17.9%	1	3
Mellors Catering Services Ltd (Normanby)	17.9%	3	11
Mellors Ironstone	39.1%	3	8
Mellors Riverdale	18.6%	0	1
Mellors Skelton	38.5%	1	33
Melrose Learning Trust	17.5%	82	243
Middlesbrough College	15.7%	419	1,033
Middlesbrough Council	11.5%	5,616	10,059
Mitie Cleveland Fire	25.7%	1	5

NEAT Academy Trust	17.5%	70	147
Nicholas Postgate Catholic Academy Trust	17.5%	991	1,540
NMRN Trading	28.1%	2	8
Normanby Primary School	17.5%	64	107
North East Learning Trust	17.5%	58	171
North Ormesby Primary Academy	17.5%	18	53
North Shore Academy	17.5%	58	167
Northern Lights Learning Trust	17.5%	260	158
Norton Primary Academy	17.5%	31	90
Nunthorpe Academy	17.5%	99	285
Nunthorpe Primary Academy	17.5%	18	56
Oak Tree Primary Academy	17.5%	32	96
Oakdene Primary School	17.5%	22	66
One IT Services and Solutions Ltd	18.7%	55	127
One IT Services Ltd - Porter	15.9%	2	6
ONsite Building Trust	28.3%	3	14
Our Children 1st Academy Trust	17.5%	46	142
Outwood Academy Acklam	17.5%	86	260
Outwood Academy Bishopsgarth	17.5%	61	183
Outwood Academy Bydales	17.5%	37	108
Outwood Academy Normanby	17.5%	84	248
Outwood Academy Ormesby	17.5%	60	180
Outwood Academy Redcar	17.5%	52	157
Outwood Riverside	17.5%	41	122
Overfields Primary School	17.5%	17	50
Pentland Academy	17.5%	30	91
Police & Crime Commissioner for Cleveland	15.0%	130	183
Prince Regent Street Trust	17.5%	106	319
Redcar & Eston CIC	17.9%	12	33
Redcar and Cleveland Borough Council	10.2%	4,111	6,490
River Tees Multi Academy Trust	17.5%	121	243
Riverdale Primary School	17.5%	11	35
Rose Wood Academy	17.5%	29	88
Saltburn, Marske & New Marske Parish Council	17.7%	3	9
Samsic UK - Green Lane (LLT)	18.9%	1	1
Skelton and Brotton Parish Council	17.7%	4	11
Skelton Primary School	17.5%	33	95
SLM Charitable Trust (MBC)	11.5%	50	89
SLM Community Leisure Charitable Trust	13.3%	27	59
SLM Fitness & Health Ltd (MBC)	11.5%	4	8
SLM Fitness and Health Ltd	13.3%	3	7
SLM Food & Beverage Ltd (MBC)	11.5%	1	3
SLM Food and Beverage Ltd	13.3%	2	4

South Tees Development Corporation	16.3%	88	160
St Aidan's Primary School	17.5%	22	65
St Francis of Assisi	17.5%	25	76
St Mark's Academy	17.5%	44	130
St Mary's CE Primary School	17.5%	8	25
St_Mary's Catholic Voluntary Primary Academy	17.5%	1	2
Steel River Academy Trust	17.5%	94	287
Stockton Borough Council	13.1%	6,143	12,641
Taking Care	13.1%	6	11
Tascor Services Ltd - PFI	18.0%	1	2
Tees Active Limited	18.2%	93	251
Tees Valley Collaborative Trust	17.5%	161	459
Tees Valley Combined Authority	16.6%	434	1,000
Tees Valley Education Trust	17.5%	148	440
Teesside University	16.5%	2,792	6,694
Teesville Primary School	17.5%	16	49
The Chief Constable for Cleveland	15.0%	2,040	4,637
The Education Training Collective	15.7%	496	1,257
Thornaby Academy NET	17.5%	11	32
Thornaby C of E Primary	17.5%	24	73
Thornaby Town council	17.7%	4	3
Unity City Academy	17.5%	75	218
Veritau Tees Valley	10.2%	9	14
Viewley Hill Academy Trust	17.5%	16	49
Vision Academy Learning Trust	17.5%	357	1,058
Ward Jackson Church of England Primary School	17.5%	10	32
Whitecliffe Academy	17.5%	15	44
XPS Administration Ltd	11.5%	30	51
Yarm Primary School	17.5%	18	54
		36,712	79,608



# Annual Governance Statement



# Annual Governance Statement 2023-24

## 1. Introduction

- 1.1 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 if in place and complied with, will ensure that it does the right things, at the right time and in the right way. As set out in the draft 2022/23 Statement of Accounts, the Council is continuing to work to ensure that it meets these standards through ongoing work to address areas of weakness or non-compliance.
- 1.2 The audits of both the 2021/22 and 2022/23 statements of accounts and accompanying 2021/22 and 2022/23 Annual Governance Statement (AGS) have not been finalised. They have been impacted by a national audit backlog which is now subject to a reset process, put in place by the Minister of State responsible for Local Government and English Devolution. Secondary legislation will be laid to provide a backstop for completion of the 2021/22 and 2022/23 accounts due to audit capacity, along with the impact of Covid. These accounts will be disclaimed by the Council's External Auditor for that time period. The process is due to be completed by 13 December 2024. The Council's incoming auditors have also set out their intention to disclaim the 23/24 accounts. Government estimates that there are likely to be hundreds of disclaimed audit opinions and this situation could continue for some years.
- 1.3 The Council's Code of Corporate Governance aligns with the current 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.
- 1.4 The purpose of the 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 2023/24 and how it has identified actions to strengthen these arrangements going forward.

## 2. Scope of responsibility

- 2.1 The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and its arrangements for the management of risk.
- 2.2 Middlesbrough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 2.3 As set out in 1.3, the AGS sets out how the Council is compliant with Council's Local Code of Corporate Governance which reflects the seven principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 Edition. This AGS also sets out how it meets the requirements of regulations 6(1) (a) and (b) of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement and subsequent amended regulations in 2022 and 2024.

**3. Review of effectiveness**

3.1 Outlined below are the arrangements in place to review the effectiveness of the governance framework and the sources of information and assurance on which this statement is based.

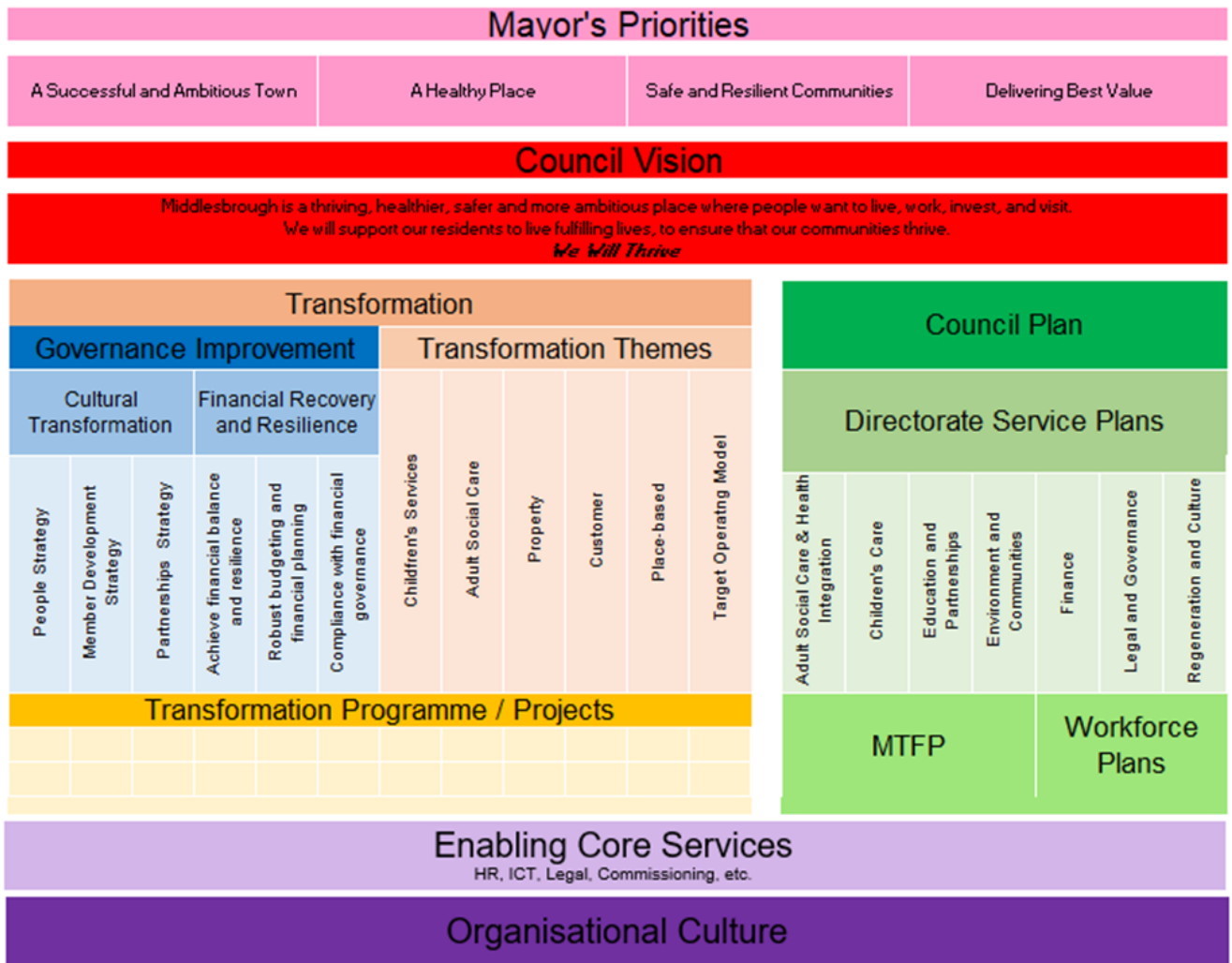
**4. The Council’s governance arrangements in place during 2023/24**

4.1 The Committee structure in place within the Council during 2023/24 is set out Appendix 2. The terms of reference of all committees are published on the Council’s [committee papers](#) website.

4.2 Committees take decisions in line with the Council’s approved strategies and policies. The Council Plan is the Council’s overarching business plan for the medium-term 2024 - 2027 and was agreed by Council in March 2024. Prior to this, the previous Plan set the strategic direction, it was called the Council’s Strategic Plan.

4.3 During 2023/24 the performance structure around directorate plans have been refreshed to strengthen governance. 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 delegated decisions are required to be published on the Council’s [website](#).

4.4 There is a ‘golden thread’ which runs from these documents and throughout of the Council’s governance and policy frameworks. The diagram below reflects the arrangements that were in put in place in 2023/24.



4.5 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. The whole constitution was reviewed in 2022/23 to ensure it reflected the lessons that need to be learned from the Corporate Governance Improvement journey. This was brought forward during 2023/24 in the form of a revised constitution that has been completed during 2023/24 for member consideration and adopted by full Council in September 2023.

4.6 The section below sets out how governance issues are considered across the Council's committee system and supporting officer and audit structures. In 2023/24 the audit and corporate affairs functions were separated out into two separate committees. This was done in order to have a clear separation between the audit functions and the corporate affairs functions of the authority.

<b>Body</b>	<b>Governance function</b>
Council	<p>Full Council is the formal meeting of all councillors and the Mayor. It is required by law to take certain important decisions, including setting the Budget and Council Tax, and approving several key plans and strategies (which together form the Policy Framework). It is responsible for all the functions that are not Executive Functions. It carries out some of those functions itself, and others are delegated to Committees or named Officers.</p> <p>One of the Committees it appoints is the Audit Committee. It also agrees any changes recommended to the Local Code of Corporate Governance.</p> <p>Council sets the Council's Constitution and agrees any plan or strategy that sits within the policy framework. This includes the Mayor's Vision, Medium Term Financial Plan.</p>
Audit Committee	<p>The Council's Audit Committee (previously the Corporate Affairs and Audit Committee until September 2023), considers:</p> <ul style="list-style-type: none"> <li>• whether appropriate accounting policies have been followed in the Council's annual statement of accounts and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Executive</li> <li>• reports on the Council's treasury and investment management policies, practices and activities, including an annual strategy</li> <li>• reports of the External Auditors in relation to audit reports, Value for Money and any other concerns of the auditors except where matters are reserved for full Council.</li> <li>• Reports on progress and performance of internal audit, significant findings</li> <li>• Reports from Internal Audit on the adequacy and effectiveness of internal audit control systems within the Council</li> <li>• Arrangements in place to ensure proper processes for business continuity and risk management</li> <li>• The Annual Governance Statement as part of the Statement of Accounts</li> <li>• Compliance with the council's published standards on Financial and Contract Procedure Rules</li> <li>• The Council's arrangements for corporate governance and necessary actions to ensure compliance with best practice.</li> </ul>
Executive	<p>Executive is appointed to carry out all the Council's functions which are not the responsibility of any other part of the Council, whether by law or under this Constitution.</p> <p>Executive and its Executive Members agree many of the policies and procedures which form part of the Council's Corporate Governance framework.</p>

Overview and Scrutiny Board	<p>Overview and Scrutiny reviews and challenges decisions made by the Executive and other bodies. It undertakes all call-in functions and acts as a vehicle by which the effectiveness of scrutiny is monitored.</p> <p>It is supported by Scrutiny Panels that undertake investigations within their areas of responsibility.</p>
Internal audit (Veritau)	Internal Audit provides assurance that the organisation's risk management, governance and internal control processes are operating effectively.
External Audit	<p>Under the Code of Audit Practice 2020, the Council's External Auditors are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.</p> <p>The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.</p>
Leadership Management Team	The Leadership Management Team, led by the Chief Executive and comprised of the Directors and Executive Directors of the Council, meets on a weekly basis. The team is responsible for ensuring their staff comply with the Council's Corporate Governance framework and regularly considers reports on its content and data on compliance with the requirements of the framework.

## 5. **Activities undertaken during 2023-24 by these bodies**

5.1 In May 2023, local government elections took place which meant that the composition of the formal committees set out below changed during 2023-24.

### **Council**

5.2 During 2023-24 full Council received reports on a number of governance issues. Reports received relevant to this statement included the following, listed in chronological order:

- A report on the resignation of the interim Section 151 officer and the designation of the Section 151 Officer role to the incoming Interim Director of Finance.
- Corporate Governance Improvement next steps
- Section 24 report – statutory recommendations from the Council's External Auditors
- Review of the Council's Constitution including Financial Procedure Rules and Contract Procedure Rules
- Corporate Governance Improvement Plan Update
- Progress reports on delivery of the Corporate Governance Improvement Plan and Section 24 action plan
- Member Development Strategy
- A report on Senior Management arrangements
- Council Plan 2024-27
- A report on the governance of the Transformation Programme.

### **Corporate Affairs and Audit Committee and then Audit Committee**

5.3 From 1 April 2023 until 18 September 2023, Corporate Affairs and Audit Committee was responsible for reviewing the Council's arrangements for corporate governance and making recommendations as appropriate to ensure good governance and continuous improvement. Following a review of the Council's constitution, audit functions were separated out into an Audit Committee remit.

#### Corporate Affairs and Audit Committee

5.4 The committee met 4 times during 2023-24, and considered the following corporate governance related items:

- Statement of Accounts 2020-21

- Internal audit report: Senior Management Review
- A report on the possible timeline for 2021-22, 2022-23 and 2023-24 Statement of Accounts
- The External Audit's Annual Report – year ended 31 March 2021
- Internal Audit and Counter Fraud Work Programme 2023-24
- Head of Internal Audit Annual Report
- Annual Complaints report 2021 – 2023
- Review of Financial Regulations
- Internal Audit report – Middlesbrough Development Company.

### Audit Committee

5.5 A Council decision was taken on 18 September 2024 to separate out the corporate affairs and audit functions into two separate committees. Audit Committee met 4 times during 2023-24, and considered the following corporate governance related items:

- Section 24 report – Delivery and Oversight Arrangements
- Update report on the External Audit of Accounts progress
- Progress reports on the Internal Audit and Counter fraud work programme
- Counter Fraud Framework Annual Report
- Progress reports on delivery of the Corporate Governance Improvement Plan and Section 24 action plan
- Annual Assurance report on Partnership Governance
- Annual Assurance report on Procurement Activity
- External Audit Planning report for the 2022-23 Teesside Pension Fund Audit
- Draft Statement of Accounts 2022-23
- Annual Assurance report on Business Continuity
- Local Code of Corporate Governance
- Internal Audit consultation report on the 2024-25 Work Programme.
- Programme and Project Management Framework Annual Assurance report
- Best Value Notice – update
- Review of contracts awarded under exemption
- HR annual assurance presentation
- Whistleblowing policy
- Report on the purchase of the former Crown Pub
- Lessons learned – Corporate Governance learning from standards investigations.

### **Executive**

5.6 In 2023-24 Executive considered the following governance related items:

- Quarterly reports on corporate performance and finance
- Medium Term Financial Plan refresh
- Risk and Opportunity Management Policy
- A report on resourcing the Corporate governance improvement programme – financial recovery and resilience and Cultural Transformation Programmes
- The closure of the Middlesbrough Development Company and updates
- The Council Plan 2024 – 2027 and workplan
- Treasury Management Strategy
- Local Plan
- First quarterly report of the Middlesbrough Independent Improvement Advisory Board
- Application for Exceptional Financial Support
- Best Value Notice update
- Transformation governance arrangements
- Scrutiny reports on:
  - Youth Offending and partnership working with schools
  - Supporting young people to prepare for adulthood and independence
  - Off-road bikes

- Dental health and the impact of Covid-19.

5.7 It also considered the following call-in referral:

- Call in of a decision in relation to develop Nunthorpe Community facility which was considered by the previous administration in April 2023. The outcome was a decision to proceed with the previous decision in relation to the facility.

### **Overview and Scrutiny**

5.8 Overview and Scrutiny Board (OSB), supported by a range of topic-specific panels, scrutinises Executive decisions and the performance of Council services. During 2023-24, scrutiny considered the following items that are relevant to corporate governance:

- development of the Council Plan;
- the Executive Forward Work Programme; and
- Middlesbrough Boundary Review.

5.9 There was one scrutiny call-in during 2022-23 of an Executive decision. This related to the new Nunthorpe community facility. The decision was referred to the Executive for further consideration; the outcome of which was that Executive agreed to proceed with the original decision.

### **Internal Audit (Veritau)**

5.10 The Council's Internal Audit function is provided by Veritau. During 2023/24 Veritau was a partially owned company of the Council but the Council has neither the majority share nor any say over its operations. Veritau undertakes risk-based audit work and reports the outcome of that work to Audit Committee. It also undertakes counter fraud work. During 2023/24 Internal Audit undertook and finalised 19 audits during the year which are set out at Appendix 1. Of those, 11 received substantial assurance, three received reasonable assurance, two received only limited assurance and in three no opinion was required or given. As at May 2024, there were 14 ongoing that had commenced in 2023/24.

5.11 The two audits that resulted in limited assurance were in relation Children's commissioning and contract management and Procurement Cards in Children's Services covering the period 2022-23.

5.12 The Children's commissioning and contract management audit contained 9 priority two actions. The audit found there were weaknesses in the Council's approach to managing the market for the placement of children with complex and individual requirements, which is a highly challenging market to operate in. All actions arising from that audit have now been implemented.

5.13 The Procurement cards in Children's Services audit had four priority one actions, eight priority two actions and three priority three actions. The outcome of the audit was presented to Audit Committee in full as part of the annual assurance report on procurement activity report that was considered on 14 December 2023. The audit noted a number of concerns that required management attention in relation to VAT not being consistently recorded and receipts provided resulting in the inability to recover VAT, non-provision of receipts and a lack of description on some claims, failure of cardholders to review expenditure and managers to approve expenditure to ensure appropriate financial controls. All of these were requirements of the Council's Purchasing Card Policy. All actions arising from the audit have now been implemented and Veritau will be undertaking a further review to assess the impact of the implementation of recommendations upon compliance with the revised Purchasing Card procedures during the first half of 2024-25

5.14 In addition to planned audit activity, Veritau also undertakes ad hoc investigations. During 2023-24 it completed an investigation into the purchase of the former Crown pub which was reported to committee in March 2024.

### **External Audit**

5.15 On 21 August 2023, the External Auditor issued a report to update on the Council's Value for Money arrangements and issued 11 statutory recommendations in relation to required improvement in the Council's governance arrangements. This is the culmination of the review of the Council's progress since the External

Auditor initially made 7 non-statutory recommendations within their 2020-21 Audit Results Report which was considered by Corporate Affairs and Audit Committee in July 2022.

- 5.16 On 18 September 2023, full Council formally considered the recommendations, accepted all recommendations and agreed an action plan in response to them. Since that time, progress against the action plan has been reported to Audit Committee and Council meetings. All actions in response to this Section 24 report have now been completed and Council took the decision in January 2025 to formally close the responding action plan following full delivery and receipt of an audit opinion from its new Auditors, Forvis Mazars, which did not make any statutory recommendations.
- 5.17 Audit Committee and its predecessor committee considered the following reports from the External Auditors in 2023-24:
- Audit planning report for the 2022-23 Teesside Pension Fund and a verbal update on the audit at its December 2023 and March 2024 meetings
  - Auditor's Annual Report – Year Ended 2021.

## **6. Significant governance related events during 2023-24**

- 6.1 The Council is expected to set out significant governance events that have occurred during the reporting period, and their impact on the Council's governance arrangements. Both the 2020-21 AGS and the draft 2021-22 AGS identified weaknesses in the Council's corporate governance arrangements which, while action had been taken, continued to exist in 2023-24, though progress has been made in addressing them.

<b>Event</b>	<b>Date</b>
Transition in External Auditor from EY to Mazars	April 2023
Local and Mayoral Elections	May 2023
Improvements in Budget management in 2023/24	May 2023 onwards
External Auditor Statutory recommendations	August 2023
Decision taken to close the Middlesbrough Development company	September 2023
Senior Management Structure stability	January 2024
Best Value Notice extended for a further 6 months by Government	January 2024
Teesworks Governance report	January 2024
Application for Exceptional Financial Support for 2024/5 to enable a balanced budget	February 2024
Transfer of Council assets to Middlesbrough Development Corporation confirmed by the Secretary of State for Levelling UP, Housing and Communities	March 2024
Publication of 6-month report on progress by the Middlesbrough Independent Improvement Advisory Board	March 2024
Purchase of the former Crown pub Audit report published	March 2024

### **Transition in External Auditor from EY to Mazars**

- 6.2 Following the Council's decision to 'opt in' to the national selection scheme for external audit contracts, the Public Sector Audit Appointments (PSAA) body appointed Mazars to be the Council's external auditor for the period 2023-24 – 2027-28.
- 6.3 In July 2023, the Department of Levelling Up, Housing and Communities (DLUHC), now known as the Ministry of Housing, Communities and Local Government (MHCLG) made proposals to re-set the local authority audit market following an enquiry into complex issues impacting upon the timeliness of financial reporting and delays in the delivery of local authority audit for many local authorities. These proposals involved setting statutory backstop dates for the completion of audits, issuing qualified opinions and disclaimed opinions in order to clear the substantial backlog of audits that exist nationally. On 30 July 2024, the Minister of State for the Ministry of Housing, Communities and Local Government wrote to councils and audit firms to set out a proposed approach to addressing the audit backlog which is likely to result in the



2021/22 and 2022/23 accounts of this Council being disclaimed, along with hundreds of other accounts across the sector.

- 6.4 As a consequence of the national situation, EY have delayed finalising the 2021/22 and 2022/23 audits. This has also had an impact upon the Council's ability to finalise and publish the 2023/24 financial statements to make available for audit.
- 6.5 Forvis Mazars presented their Audit Strategy Memorandum for the 2023/24 audit to the Audit Committee in July 2024 for both the Council audit and the Teesside Pension Fund audit. Forvis Mazars commenced their work on Value For Money following the publication of the EY interim VFM report in July and in December 2024 the Council's Audit Committee was presented with their Value for Money opinion for 2023/24. This report acknowledged that progress had been made towards addressing previous Value for Money recommendations in 2023/24 but that there was more to do.

### **Local and Mayoral Elections**

- 6.6 In May 2023, the Council held elections for the positions of all Councillors and the Elected Mayor. This resulted in a change in overall control of the Council from one of no overall control and with an independent Mayor, to a Labour Party majority of Councillors and a Labour Party Elected Mayor.

### **Budget management in 2023-24**

- 6.7 The Council's critical financial position was identified in May 2023 upon review of the month 2 financial forecast by the new Director of Finance. Enhanced budget management and control measures, supported by the Executive, were introduced by the Director of Finance during Quarter One in response to a forecast overspend of £11.563m as follows:
- An increase in frequency of management revenue budget monitoring and forecasting from quarterly to monthly.
  - Monthly budget challenge and review sessions chaired by the Director of Finance to be held for each Directorate, working collaboratively with Directors, their Management Teams and Finance Business Partners to ensure focus on budgetary control and proactive management actions to remain within approved budget.
  - Monthly review and challenge of financial and operational performance at Leadership Management Team (LMT) chaired by the interim Chief Executive.
  - Director Accountability Agreements signed by LMT to demonstrate commitment to managing within the approved budget and focus upon areas of identified risk.
  - Quarterly budget challenge and review sessions for each Directorate chaired by the Executive Member for Finance & Governance and attended by Executive Members for relevant Directorates.
  - Requirement for Directorate adverse variances to be addressed through the development of Financial Recovery Plans by Directors in consultation with their relevant Executive Member, and delivery to be monitored through the budget challenge framework.
  - Savings tracker to be utilised to report progress on delivery of savings and enable targeting of management actions.
  - Measures to improve the quality and timeliness of budgetary reports over the course of the year initiated.
- 6.8 The pressures in children's social care required further measures to establish control through closer working between the Director of Finance and the Executive Director of Childrens Services in order to establish more robust management and financial control measures.
- 6.9 Across all service areas, financial recovery plans were required to reduce the forecast overspend. New financial recovery plans required short-term investment in order to prime transformation and efficiency work within the year were developed. The s151 Officer agreed that from Quarter 2, the revised balance on the Change Fund Reserve following the balance sheet review of up to £1.488m be made available subject to

approval of a business case in order to fund expenditure on transformation and efficiency on an ongoing basis in order to reduce the overspend and operate from a lower cost base, realising in year savings as well as ongoing delivery of savings to be realised from 2024/25 onwards.

- 6.10 The impact of the financial control measures exercised during the year has resulted in a final outturn of £3.594m (2.8%) compared to the net budget of £126.354m, with the main variances summarised below and further detail is provided in the 2023-24 Revenue and Capital Outturn and development of MTFP report to Executive on 26 June 2024:

Area	£m
Adult Social Care – unbudgeted demand and inflationary pressures in care packages offset by staff savings	(0.026)
Children’s Social Care – mainly due to increased numbers of children in external residential placements and unachieved budget savings	2.766
Education & Partnerships - mainly due to Special educational needs and disabilities (SEND) transport costs	1.081
Environment and Community Services – mainly due to increased waste disposal costs and reduced demand at the Crematorium	1.016
Other variances (Regeneration, Legal and Governance, Chief Executive, Finance, and Central budgets)	(1.243)
<b>Total</b>	<b>3.594</b>

## 2024-25

- 6.11 The 2024/25 budget included savings proposals of £13.910m in 2024/25 rising to £21.028m in 2026/27. However, this was not sufficient to enable a lawful and balanced budget to be set for 2024/25. A shortfall of £4.7m remained and the budget was reliant upon the Council receiving Exceptional Financial Support (EFS) from DLUHC to enable it to capitalise this expenditure and fund via borrowing in order to achieve financial balance. The budget was therefore balanced using EFS in order to avoid the statutory requirement for the s151 Officer to issue a s114 Notice to the Council. This has bought the Council time to develop and implement the Recover, Reset, Deliver Transformation Portfolio to deliver more effective service delivery models from a lower cost base that will enable financial recovery and restore financial sustainability. The programme will be required to deliver both planned savings plus a minimum of at least a further £7.5m of savings to be deliverable in 2025/26 and at least a further £0.5m in 2026/27 in order to balance the MTFP.
- 6.12 The Transformation Programme will be overseen by a strategic board led by the Elected Mayor with cross party participation. Delivery will be led by the Chief Executive. The programme governance and individual programme themes are currently under development with the support of external consultants experienced in financial turnaround. The programme will be underpinned by an enhanced programme management and governance framework and appropriate resources to ensure robust and deliverable plans are in place. Programme themes will be led by Directors of the LMT and will have dedicated resources to ensure delivery to plan and realisation of required savings. The programme was implemented, in full, from 1 April 2024 following approval at Council in April 2024.
- 6.13 Alongside the Transformation Portfolio, the measures taken to strengthen the Council’s financial management and forecasting during 2023/24 will continue to be developed during 2024/25 to achieve integrated service and financial management underpinned and informed by focused data analytics to establish a consistent approach to activity-based costing. There will be focus upon the review and refinement of financial processes, systems and procedures together with addressing the development needs of finance staff and service budget holders in order to develop more effective financial planning, budget management and forecasting. These measures will serve to address the external auditor’s statutory recommendations 4, 5 and 6 as set out in paragraph 5.9.

## External Auditor Statutory recommendations

- 6.14 On 18 August 2023, the Council’s External Auditor issued [a report](#) to update on the Council’s Value for Money arrangements that had been in place in 2022-23 and issued 11 statutory recommendations in relation to required improvement in the Council’s governance arrangements. This was the culmination of the review

of the Council's progress since the External Auditor initially made 7 non-statutory recommendations within their 2020-21 Audit Results Report which was considered by Corporate Affairs and Audit Committee in July 2022. In addition to existing concerns previously identified in relation to culture and governance the External Auditor identified three new areas of concern:

- Financial recovery and sustainability
- Contacting and procurement
- Middlesbrough Development Company.

6.15 The full report sets out that while there were signs of an improvement in pace in which the Council was addressing significant cultural and governance weaknesses, overall progress was less than expected since EY's last report in November 2022. The auditors also highlighted further significant weaknesses in the Council's arrangements to secure value for money in its use of resources.

6.16 The statutory recommendations were unanimously accepted at a Council meeting in September 2023 and an action plan agreed to address them at pace. Progress against that action plan is reported to all members at every business meeting of Council and at every meeting of the Council's Audit Committee. It is also reported to the Independent Improvement Board that was put in place in 2022-23 and which meets on a monthly basis. The statutory recommendations are set out below in full, along with confirmation of the responding actions that were taken:

No.	Statutory Recommendation	Position as at May 2024
1	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.	<b>Complete.</b> The plan was presented to Council in September 2023 and is in delivery.
2	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.	<b>Ongoing.</b> The Council put in place a protocol in May 2024 to manage succession governance in statutory officer posts which addresses the substantial action from this recommendation.  The Council completed recruitment of individuals to the Chief Executive and 151 Officer posts on a permanent basis in November 2024.
3	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.	<b>Complete.</b> The revised constitution was put in place in September 2023. Training to all staff and members was delivered on it through e-learning and face to face training as part of the corporate governance training programme which will complete delivery in March 2024. In early February 2024, training completion rates were at 87% and rising.
4	We recommend that the Council builds upon the steps already taken to control its expenditure to identify specific deliverable savings over the short term (next 12 months) and	<b>Complete.</b> All actions set out to deliver this were complete by March 2024. Actions delivered

	<p>protect its limited remaining reserves. Where appropriate, this may need to include the Council changing how it meets its statutory responsibilities and the extent to which it delivers services which are not required to discharge its statutory responsibilities</p>	<p>include implementation of stringent controls over expenditure including vacancy control panels led by the Chief Executive; monthly s151 Officer led budget challenge sessions; development and the implementation of financial recovery plans to reduce the overspend from £11.563m at the end of Quarter One 2023-24, to £3.594m at the final outturn.</p> <p>The budget development process for 2024-25 includes a programme of savings including transformation, demand management and efficiency proposals together with revised and reduced services in order to reduce the Council's expenditure to more sustainable levels.</p>
5	<p>We recommend that the Council reviews its service delivery models to ensure that they are efficient, represent value for money and achieves the outcomes required for the resources invested. Where opportunities to improve service delivery models re identified, the Council should develop detailed plans for implementation of service delivery transformation and how the up-front transformation costs will be funded.</p>	<p><b>Complete.</b> The Council's approach to transformation and supporting governance and financing of that programme has been developed.</p> <p>The Transformation Programme to redesign service delivery from a lower cost base will run over two to three years from 2024-25 and will be fundamental to the Council's financial recovery and achieving financial resilience.</p>
6	<p>We recommend that the Council review its financial forecasting processes to understand why significant financial pressures, over and above those anticipated and reflected in the Council's annual budget, have emerged within the first half of both the 2022-23 and 2023-24 financial years and ensure future forecasting reflects lessons learnt.</p>	<p><b>Complete.</b> Sensitivity analysis and demand and cost modelling in demand led, high spending services developed.</p>
7	<p>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.</p>	<p><b>Complete.</b> The review was complete and agreed by Council as part of the report seeking approval of the revised constitution in September 2023.</p>
8	<p>We recommend that, once the Financial and Contract Procedure rules are finalised, training is provided to all officers who are involved in contracting, procurement or financial decision making to ensure that the Financial and Contract Procedure rules are understood and adhered to.</p>	<p><b>Complete.</b> Training has been delivered during 2023-24. Training combined face to face and e-learning.</p>
9	<p>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-</p>	<p><b>Complete.</b> The outcome of the review was presented at the March 2024 Audit Committee meeting.</p>

	compliance is identified, the Council should evaluate whether any further remedial action is necessary.	
10	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.	<b>Complete.</b> The review was complete, and a plan put in place to manage the closure of the company.
11	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.	<b>Complete.</b> Work to close the company and present a final report to Executive is on track to be complete was reported to Executive in April 2024. The process to complete a Members Voluntary Liquidation has now commenced.

6.17 On 10 July 2024, the Council's External Auditor issued its Value for Money interim report with commentary that covered the interim findings for the audit years 2021/22 and 2022/23. 11 of the 13 recommendations in that report are as per the table above, however the Auditors made an additional two recommendations to the Council:

- We recommend that management review the processes for identifying and communicating where the facts or conditions set out in committee papers change between the date on which papers are published and the date on which the committee meeting is held, to ensure that where there are changes in circumstances relevant to decisions being made this is shared with decision makers prior to decisions being taken.'
- 'We recommend that management develop an action plan to address each of the recommendations raised by internal audit in their report into the acquisition of the Crown Pub.'

6.18 Actions to address these recommendations were embedded within this statement's action plan. A review of the process for managing any changes to reports that occur between publication and meetings will be undertaken by the Monitoring Officer.

6.19 The Action plan for delivery of actions in 2024/25 included actions to respond to the recommendations of internal audit and details of that internal report are summarised in this station in section 6.32. In January 2025, full Council took the decision to formally close the Section 24 action plan following delivery of all actions and the issuing of a new Value for Money opinion by its External Auditors which did not make any statutory recommendations.

Governance improvement actions

6.20 During 2023-24, the Council has undertaken the following improvement actions:

- A progress update reported to full Council in July 2023 set out progress to date and plans to rescope the focus of the corporate governance improvement plan to reflect movement since it was first put in place and to also include actions to address the Council's financial resilience.
- Delivered a follow up report to Council in September 2023, setting out phase three of the Corporate Governance Improvement Plan in further detail, refining scope to focus on the governance and culture challenges facing the organisation, as well as the addressing budgetary pressures.
- Established an Independent Improvement Advisory Board (IIAB) to oversee delivery of Corporate Governance improvement work.
- Completed a fundamental review of the Constitution, including financial regulations and contract procedure rules.
- Delivered cultural change workshops with Members from the previous administration (pre-May 2023) and embedded good practice around culture and behaviours within a revised approach to member inductions for the incoming administration of councillors and Mayor.

- Developed a People Strategy, which will encompass officers and members to embed best practice in relation to culture and behaviours through the Council's corporate Values and the Nolan Principles.
- Revised the Programme and Project Management Framework content to ensure it remained fit for purpose and strengthened the underpinning operational arrangements to ensure that the Council has the appropriate structures in place to provide appropriate scrutiny of the Council's developing Transformation Programme and stood up Transformation Programme governance arrangements. This was formally approved by Executive in March 2024.
- Fortnightly officer level engagement with DLUHC (as it was named in 2023/24) officials is in place and has been ongoing for some months.
- The IIAB chair has engaged with DLUHC as well.
- IIAB meetings commenced in October 2023 and the first public report of the board was considered by Executive in January 2024, with a second report being considered by full Council in March 2024.
- In March 2024, the work for the Board was extended up to March 2025 in order to provide the Council with support through its transition to business as usual following completion of planned recruitment exercises for the Director of Finance and Chief Executive posts
- Implemented improvements.

### **Middlesbrough Development Company closure**

- 6.21 During 2022/23 a decision was taken to wind down the Middlesbrough Development Company (MDC), which was agreed by the Company and is in process.
- 6.22 Established as a local authority trading wholly owned company limited by shares, with the Council as the sole shareholder, Internal Audit undertook an assessment of the company during 2022-23, using Local Partnerships and CIPFA best practice guidance on local authority trading companies. This [audit](#) identified a range of governance concerns in relation to the governance arrangements of the company. The Council has addressed the lessons to be learned from this by putting in place a policy which sets out required standards for partly and wholly owned council companies.
- 6.23 In August 2023, the Corporate Affairs and Audit Committee considered a [report](#) on the outcome of an internal audit investigation into the company's governance. In September 2023, Executive considered a report on the management of the company's closure which also set out the governance measures that would be put in place during that period to provide assurance to the Council that value for money was being achieved and there would be adherence to the Partly and Wholly Owned Council Companies Policy.
- 6.24 Work to close the company has been underway during 2023-24. This has included appointment of three directors for the company, alongside the provision of independent legal support to those directors. The voluntary liquidation process, the final step in closure, commenced towards the end of 2023-24 and assets held by the company began to be transferred back to the Council in 2023-24 and will complete in 2024-25.

### **Senior management structure stability**

- 6.25 In January 2024, the appointments of the interim postholders of Chief Executive and Section 151 officer were extended until March 2025 to provide continued stability and leadership with experience of improvement and transformation through a period of significant change and transition for the Council. A plan was agreed which set out the path to appointment of permanent individuals to those posts before 31 March 2025. This exercise has now been successfully completed.

### **Best Value Notice Extension**

- 6.26 In January 2024 the Best Value Notice, first issued during 2022-23 was extended for a further six months, remaining on a non-statutory footing. Government in their communications with the Council recognised the effort and pace undertaken since January 2023 in relation to governance improvements. The notice sets out that government expects the Council to:

*'Continue to work with the Independent Improvement Board established in Middlesbrough to support the council to deliver the council's locally led improvement strategies, organisational transformation and to monitor progress of the application of the improvement board recommendations and delivery of improvements against the serious concerns highlighted by the external auditor, published in July 2022,*

*around governance arrangements, and cultural and governance issues further investigated in the CIPFA review published in September 2022.*

*Continue in your efforts to deliver against your agreed action plan, accepted at full Council on 30 November 2022, at pace and to meet the set milestones and success measures established.*

*Continue in your efforts to implement cultural change, particularly in relation to the relationships between officers and members, and that this will be an important continuing focus of the Independent Improvement Board.*

*Work with the Department as you deliver on your Best Value requirement to secure the financial recovery and return to financial sustainability through setting a balanced 3-year MTFP over the period to 2026-27.'*

6.27 On 9 September 2024, government wrote to Middlesbrough Council to state that:

*'Whilst the council's financial position has improved since the first Notice was issued in January 2023, we note that significant financial risks remain. We recognise the work the council has undertaken to understand its previous financial position and the strategies in place to address these through transformation. We also acknowledge the additional plans the council is developing following the recent external finance management assurance review. ....Ministers are reassured as to Middlesbrough's capacity to comply with its Best Value Duty under the Local Government Act 1999 and the Notice will not be reissued at this time. We recognise the efforts of the council and its staff and members who have worked at pace to support the delivery of the achievements to date and expect to see this rate of improvement sustained'.*

#### **Teesworks report**

6.28 In January 2024, the independent Panel, put in place by government to review elements of governance and decision making in relation to the South Tees Development Company and its relationships with the Tees Valley Combined Authority and a Joint Venture Partnership. The findings of that report are relevant to the Council's statutory relationship with the Tees Valley Combined Authority and the Middlesbrough Development Corporation and will be reviewed in 2024 to assess required actions.

#### **Application for Exceptional Financial support**

6.29 On 17 January 2024, the Council's Executive approved that an application for Exceptional Financial Support (EFS) was made by the Council's Chief Executive and Director of Finance (Section 151 Officer) to the Department for Levelling Up, Housing and Communities. The application was approved on 29 February 2024 with £13.4m of support agreed in principle, subject to completion of assurance required for final approval which will include:

- An external assurance report to be undertaken in 2024, that will include, but not be limited to, an assessment of the Council's financial position and financial management practices and its work to improve its productivity and efficiency
- Ongoing engagement with the Department for Levelling Up, Housing and Communities to provide assurance of improvement as set out in the January 2024 Best Value Notice extension.

#### **Transfer of Council assets to Middlesbrough Mayoral Development Corporation**

6.30 The process to start to prepare for the transfer of assets has been started by Government, with the Council receiving a letter in March 2024 that confirmed this would occur.

#### **Publication of a 6-month report on progress by the Middlesbrough Independent Improvement Advisory Board**

6.31 On 27 March 2024, the Chair of the Improvement Board presented the Board's second report that set out the Board's views on the Council's progress to date in its corporate governance improvement journey. That report identified that positive steps had been taken and progress made around governance, culture and financial management, however because it was at an early stage, they were there not yet fully embedded and there remained much to do, particularly around ensuring the financial resilience of the organisation.

- 6.32 The Board set out that the four main areas of focus for the Council in 2024-25 should be cultural change, financial strength, transformation and transition to 'normal'.

### **Publication of an audit report on the purchase of the former Crown pub**

- 6.33 In March 2024, the Council's Audit Committee considered a report from its Internal Auditors that set out the outcome of a fact-finding report to establish the process followed to acquire the former Crown pub and assess the reasons why the risks in relation to the condition the property were not identified and mitigated. That report made five recommendations in relation to the process which are summarised below. Actions to address them are set out within the 2024-25 action plan at the end of this document:
- Effective processes should be put in place to ensure compliance with Council policy on asset acquisition to ensure there is a mechanism in place that assesses all sites of interest, criteria for determining the extent they would meet policy objectives, a scoring mechanism and formalised, recorded decision making of these assessments that adheres to the Constitution.
  - Ensure property acquisitions are managed by the relevant professional service and all discussions with property owners are formally documented.
  - Ensure a full business case is in place prior to progressing a property acquisition, including appropriate valuations and setting out a clear evidence base.
- 6.34 In addition, Internal Audit have also identified that the Council should continue to work to ensure officers feel empowered to challenge arrangements within their appropriate professional boundaries to ensure that reports requesting decisions present the full facts and include a clear assessment of risks. This will be something that is tested by Internal Audit within its audit programme.

## **7. Position statement against the Council's Code of Corporate Governance**

### **Self-assessment**

- 7.1 The Council has completed a position statement against its Code of Corporate Governance for the 2023-24 year, informed by:
- 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, Corporate Affairs and Audit Committee and then 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 auditors.
- 7.2 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.
- 7.3 In summary, while the Council can demonstrate that governance processes are in place for the most part, the significant control weaknesses that were identified in the 2020-21, draft 2021-22 and draft 2022-23 Annual Governance Statement continued to exist, as reflected in the findings of EY, CIPFA and in the implementation and renewal of the Best Value Notice issued by DLUHC, though progress has been made in addressing these weaknesses. The Council has completed delivery of 87% of actions it set out in its Section 24 response plan and 76% of actions within its Corporate Governance Improvement Plan as at 16 May 2024.
- 7.4 Progress against both plans has been reported to both Council and Audit Committee at every normal business meeting to demonstrate delivery of actions and also to assess the impact of those actions during 2023-24.

### **Internal Audit opinion**

- 7.5 The overall [opinion](#) of the Head of Internal Audit on the framework of governance, risk management and control operating at the Council was provided by Internal Audit in August 2024 and it stated that '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 Reasonable Assurance.' The Head of Internal Audit also acknowledged the progress that the Council had made to address previously identified weaknesses.

**External Audit judgement**

7.6 The Council's External Audit function was provided by Forvis Mazars during 2023-24.


**8. Conclusion**

- 8.1 As set out above, while the Council can demonstrate that governance processes are in place for the most part, the significant control weaknesses that were identified in the 2020/21, draft 2021/22 and draft 2022/23 Annual Governance Statement continued to exist, as reflected in the findings of EY, CIPFA and in the implementation and renewal of the Best Value Notice issued by DLUHC, though progress has been made in addressing these weaknesses. The Council has completed delivery of all actions it set out in its Section 24 response plan, which has now been closed and 96% (91 out of 95) of actions within its Corporate Governance Improvement Plan as at mid-January 2025.
- 8.2 The seriousness of the Council's governance weaknesses was reinforced by the Best Value Notice issued in January 2023 and extended in January 2024, with a new focus on financial sustainability. The Council welcomes the government's acknowledgement of progress made to date, which was echoed by the first and second reports of the Independent Improvement Advisory Board to Executive in January 2024 and full Council in March 2024.
- 8.3 As set out in the body of this statement, both officers and Members are continuing to work collaboratively and with common purpose in order to address the concerns expressed by DLUHC and the Council's External Auditors, EY and great progress has been made. There is however much more to be done to secure an effective culture that embeds the Council's values and Nolan Principles within its operations.

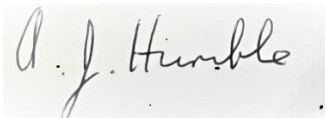
**Mayor, Chris Cooke**



**Chief Executive, Erik Scollay**



**Section 151 officer, Andrew Humble CPFA**



**Appendix 1 Internal Audits completed during 2023-24**

87.5% of audit activity where an opinion was given resulted in either a substantial or reasonable assurance judgement being made, compared to 87% of audits that were reported in the 2022-23 draft AGS. In addition to this work programme, ad hoc audit support was also provided to complete reviews of Middlesbrough Development Company, acquisition of the former Crown public house and the Tees Community Equipment Service.

Audited System / Service	Assurance Opinion	Priority Actions		
		P1	P2	P3
Disaster recovery (IT)	Substantial Assurance	0	1	1
Selective landlord licensing	Substantial Assurance	0	0	3
Debtors	Substantial Assurance	0	0	2
IT applications – Liquid Logic	Substantial Assurance	0	0	1
IT applications – iTrent	Substantial Assurance	0	0	1
Disabled Facilities grant	Substantial Assurance	0	0	0
Regeneration projects	Substantial Assurance	0	0	0
Council Tax and NNDR	Substantial Assurance	0	0	0
Main accounting	Substantial Assurance	0	0	0
Benefits and Council Tax Support	Substantial Assurance	0	0	0
Health and safety	Substantial Assurance	0	0	0
Creditors	Substantial Assurance	0	1	0
Public health governance	Reasonable Assurance	0	7	0
Schools themed audit – Schools Financial Value Standard	Reasonable Assurance	0	5	2
Homecare	Reasonable Assurance	0	2	0

Procurement cards (Children's Services)	Limited Assurance	4	8	2
Children's commissioning & contract management	Limited Assurance	0	9	0
Tees Community Equipment Service	No opinion given	0	1	1
Middlesbrough Development Company	No opinion given	0	0	0
Former Crown Public House	No opinion given	0	0	0
	<b>Total:</b>	<b>4</b>	<b>34</b>	<b>13</b>

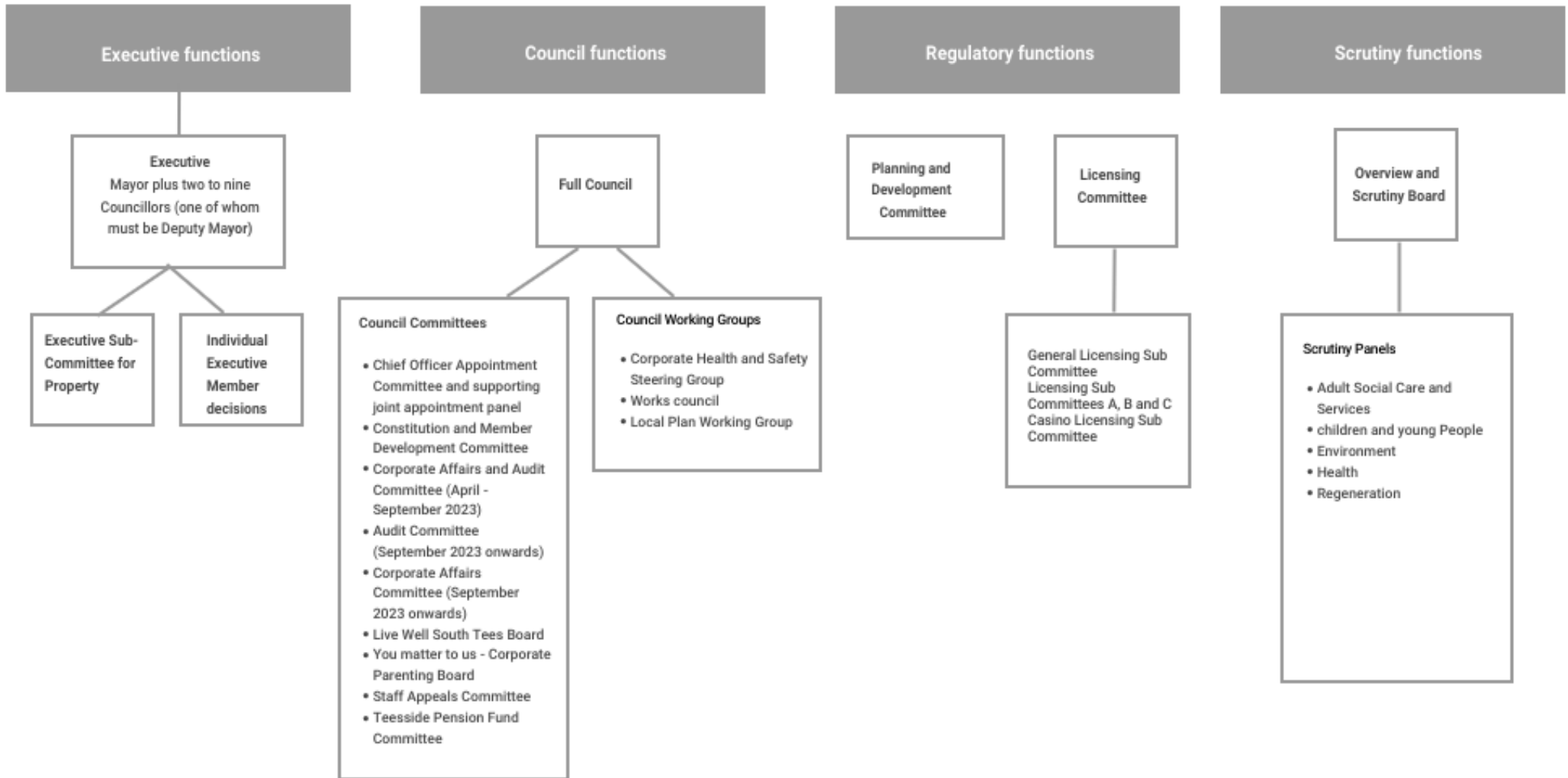
The opinions used by Internal Audit during 2022-23 are explained below:

- 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.

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 Middlesbrough Council Committee Structure 2023-24**



### **Appendix 3: Position statement against the Council’s Code of Corporate Governance as at September 2024**

<b>Local Code of Corporate Governance</b>		<b>Self-assessment</b>		
<b>Principle / supporting principles</b>	<b>To meet these requirements, the Council will:</b>	<b>Policies / processes in place</b>	<b>Compliance measures in place</b>	<b>Areas for improvement / planned actions</b>
<p>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.</p> <ul style="list-style-type: none"> <li>Behaving with integrity</li> <li>Demonstrating strong commitment to ethical values</li> <li>Respecting the rule of law</li> </ul>	<ul style="list-style-type: none"> <li>Work diligently and with integrity to achieve the Elected Mayor’s Priorities for Middlesbrough.</li> <li>Clearly document expected behaviours, and decision-making processes, for members and officers, and regularly review these.</li> <li>Effectively communicate expected behaviours to members and officers and provide appropriate training on ethical behaviour.</li> <li>Ensure members, statutory officers, other key post holders are able and supported to fulfil their duties and meet their responsibilities.</li> <li>Ensure compliance by maintaining effective audit committee, internal audit and scrutiny functions, and standards and disciplinary processes.</li> </ul>	<ul style="list-style-type: none"> <li>Constitution and supporting documentation set out expected behaviours and decision-making processes, including member and officer relationships, codes of conduct, financial procedure rules and schemes of delegation. This was refreshed in 2023-24.</li> <li>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. During 2023-24 promotion of these values will be refreshed as part of the refresh of the People Strategy. Appraisals have been reintroduced during 2023-24.</li> <li>Member induction process and member development programme. This was refreshed during 2022-23 to reflect the lessons that needed to be learned from both the EY and CIPFA reports to provide a new approach which was delivered to the incoming cohort of members following the May 2023 local elections.</li> <li>Member Development Strategy in place, this includes the offer of personal development plans for members.</li> <li>Regular circulation of external training and development opportunities.</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Sample checks of declarations of interest undertaken during the year to support members to comply with their obligations.</li> <li>Quarterly reports to Standards Committee on complaints investigations and statistics.</li> <li>Feedback sought from members after each induction session as part of the revised member induction process.</li> <li>Equality and inclusion annual report in place which provides an assessment of the diversity of the workforce and identify positive and negative trends and proposed responses.</li> <li>Annual complaints report in place that includes information on positive and negative trends and proposed responses.</li> <li>Progress on development and delivery of the People Strategy, appraisals and Corporate Governance training tracked within the Corporate Governance Improvement Plan. People Strategy was launched in April 2024.</li> </ul>	<ul style="list-style-type: none"> <li>During 2023/24 the Council put in place a refreshed Corporate Governance Improvement Plan, a response to the statutory Section 24 recommendations of its auditors and an Independent Improvement Advisory Board to provide guidance, support and oversight on the Council’s improvement journey. This has resulted in the removal of the Best Value Notice. In 2024/5 the Council will continue to deliver against its improvement plan and move towards BAU practices that provide assurance to government that the Council is maintaining a culture of good governance.</li> <li>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). An action to address this will be delivered in 2024, now the fundamental review of the constitution has been completed.</li> <li>Commence reporting annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.</li> <li>Review current governance arrangements for Audit Committee and make recommendations in relation to</li> </ul>

		<p>Officer electronically of any changes through the Council's committee management system, Modern.gov.</p> <ul style="list-style-type: none"> <li>• Training for members on the code of conduct in place embedded within the induction session and will be further strengthened by the forthcoming People Strategy.</li> <li>• Statutory officers clearly identified and appropriately supported. The Council complies with the CIPFA statement on the role of the Chief Financial Officer (2016).</li> <li>• Effective Audit Committee, internal audit and scrutiny arrangements in place, with members trained appropriately.</li> <li>• Policies in place for counter-fraud, bribery and corruption; complaints; procurement; and whistleblowing. Whistleblowing policy was refreshed and considered by Audit Committee in March 2024.</li> <li>• Member standards arrangements and employee disciplinary procedures in place and updated regularly.</li> <li>• Comprehensive corporate governance training programme in place and delivered during 2023-24.</li> <li>• Corporate Governance Improvement Plan and Section 24 Action plan in place to address governance weaknesses identified by CIPFA, the Council, External Auditors and Government.</li> <li>• Middlesbrough Independent Improvement and Advisory Board in place to provide oversight, support and challenge to the council's improvement and transformation journey. The Board met formally 6 times during 2023-24 and presented two progress reports that set out its views on the Council to Executive and Council during 2023-24.</li> </ul>		<p>inclusion of co-opted independent members for Committee consideration.</p> <ul style="list-style-type: none"> <li>• Complete the first annual review of the Member Development Strategy to assess effectiveness and impact on culture and compliance.</li> <li>• Complete the first annual review of the Member Development Strategy to assess effectiveness and impact on culture and compliance.</li> </ul>
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Local Code of Corporate Governance		Self-assessment		
Principle / supporting principles	To meet these requirements, the Council will:	Policies / processes in place	Compliance measures in place	Areas for improvement / planned actions
<p>Ensuring openness and comprehensive stakeholder engagement.</p> <ul style="list-style-type: none"> <li>• Openness</li> <li>• Engaging comprehensively with institutional stakeholders</li> <li>• Engaging with individual citizens and service users effectively</li> </ul>	<ul style="list-style-type: none"> <li>• Document and operate a culture of openness and transparency within the organisation.</li> <li>• Maintain a culture of accountability, so that members and officers understand what they are accountable for and to whom they are accountable.</li> <li>• Consult appropriately with stakeholders on the development of its budget, key plans and service development.</li> <li>• Maintain effective decision-making processes, ensuring that reports to decision makers clearly set out stakeholder views where relevant.</li> <li>• 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.</li> <li>• Publish on its website information on the Council's strategies, plans and finances as well as on outcomes, achievements and challenges.</li> </ul>	<ul style="list-style-type: none"> <li>• Stated commitments to transparency within the Council Plan that was refreshed in 2023-24.</li> <li>• Constitution and supporting documentation set out accountabilities and delegated authorities. This was refreshed in 2023.</li> <li>• Consultation on Council Plan priorities was undertaken on the plan in place during 23-24. This resulted in a refreshed Council Plan that was agreed by Council in March 2024.</li> <li>• Annual budget consultation in place.</li> <li>• Corporate consultation and impact assessment policy in place (refreshed during 2020-21).</li> <li>• Committee dates accessible via the Council's website.</li> <li>• Executive Forward Work Programme in place, setting out planned decisions in the coming four months on the online committee system.</li> <li>• All public Executive and Committee agendas, papers and minutes are published via the Council's website. Officer-delegated decisions are also published.</li> <li>• Meetings of full Council are broadcast online.</li> <li>• Key strategies and plans are clearly published on the Council's website / open data site, and regularly updated.</li> <li>• Information on performance and expenditure sent to all households annually as part of Council Tax billing.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual SIRO report in place that sets to compliance with good practice in relation to information governance</li> <li>• Annual complaints report in place that includes information on positive and negative trends and proposed responses.</li> <li>• Reports on compliance with a range of statutory transparency measures around information rights are considered by senior officers on a monthly basis and compliance measures are included in data presented to Executive and Overview and Scrutiny Board on a quarterly basis.</li> </ul>	<ul style="list-style-type: none"> <li>• 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). This will be updated following a refresh of the Constitution during 2024.</li> <li>• Reinstate reporting of quarterly outturn reports on performance and finance to Overview and Scrutiny Board, alongside existing reporting that is already undertaken to Executive.</li> <li>• Review the Consultation and Engagement policy to ensure it aligns with the wider needs of the organisation that will emerge from the Transformation Programme.</li> </ul>



		<ul style="list-style-type: none"><li>• 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.</li></ul>		
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Local Code of Corporate Governance		Self-assessment		
Principle / supporting principles	To meet these requirements, the Council will:	Policies / processes in place	Compliance measures in place	Areas for improvement / planned actions
<p>Defining outcomes in terms of sustainable economic, social and environmental benefits.</p> <ul style="list-style-type: none"> <li>Defining outcomes</li> <li>Sustainable economic, social and environmental benefits</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Define outcomes through robust consideration of appropriate evidence bases, such as the Joint Strategic Needs Assessment.</li> <li>Ensure that it delivers defined outcomes on a sustainable basis within available resources.</li> <li>Effectively identify and manage risks to the achievement of targeted outcomes.</li> <li>Manage customer expectations effectively when determining priorities to make best use of resources and ensure fair access to services.</li> </ul>	<ul style="list-style-type: none"> <li>Council Plan and associated work plans in place which outline how the Council plans to deliver the Council's priorities for Middlesbrough.</li> <li>Council Plan is part of the Council's policy framework – reports to decision makers set out how recommendations would impact on strategic objectives if approved.</li> <li>Consultation on Council Plan priorities; and annual budget consultation in place. Full resident survey completed to inform Council plan priorities.</li> <li>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 programme.</li> <li>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. The PPMF was reviewed in 2023-24.</li> <li>Customer Charter in place, identifying what customers can expect from the Council, alongside specific service eligibility criteria.</li> <li>Resources for statistics presence held on the Council's intranet, internet and open data site.</li> </ul>	<ul style="list-style-type: none"> <li>Monthly finance and performance reporting on delivery against budget and Council Plan priorities with senior managers.</li> <li>Quarterly performance and finance reporting on delivery against Council Plan priorities to Executive.</li> <li>Portfolio Management Office in place for both corporate and transformation portfolios. This assesses delivery of projects against time, cost and scope and reports on this on a monthly basis to senior managers either through BAU processes or the transformation governance processes that have been stood up in 2023-24.</li> </ul>	<ul style="list-style-type: none"> <li>The Council will refresh its approach to customers within a revised Customer Services Strategy that will set out how customer services will be delivered within the Council's target operating model developed within the Transformation programme.</li> <li>Reinstate reporting of quarterly outturn reports on performance and finance to Overview and Scrutiny Board, alongside existing reporting that is already undertaken to Executive.</li> </ul>

Local Code of Corporate Governance		Self-assessment		
Principle / supporting principles	To meet these requirements, the Council will:	Policies / processes in place	Compliance measures in place	Areas for improvement / planned actions
<p>Determining the interventions necessary to optimise the achievement of the intended outcomes.</p> <ul style="list-style-type: none"> <li>Determining interventions</li> <li>Planning interventions</li> <li>Optimising achievement of intended outcomes</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>Ensure achievement of social value through service planning and commissioning.</li> <li>Ensure that it has clear and robust planning and control cycles for its strategic and operational plans, priorities and targets.</li> <li>Determine appropriate KPIs to demonstrate service and project performance and provide members and senior managers with timely updates on these.</li> <li>Ensure medium- and long-term resource planning is realistic, sustainable and inclusive.</li> <li>Prepare budgets that are aligned to the strategic objectives of the organisation and its MTFP.</li> </ul>	<ul style="list-style-type: none"> <li>Reports to decision makers developed using a standard format to ensure effective, fair, and evidence-based decision making. The report format was refreshed in 2023 and 2024.</li> <li>Corporate consultation and impact assessment policy in place, ensuring that stakeholders engaged appropriately, and views considered in decision making though it requires review.</li> <li>Guide to social value in procurement and commissioning in place. The Council agreed a Social Value Charter in April 2024 and a working group is in place to drive implementation.</li> <li>Strategic Procurement Strategy in place and renewed in 2023-24.</li> <li>Contract management framework also in place.</li> <li>Contract Procedure rules were refreshed as part of the Constitution review. The rules were strengthened in 2023 in relation to exemptions.</li> <li>'How to do Business with Middlesbrough Council' guidance for providers in place.</li> <li>Annual reports to Audit committee on disposals on the grounds of social value provided where appropriate.</li> <li>Corporate planning cycle considers targeted outcomes and annual budgeting.</li> <li>Capital Programme, refreshed in 2023-24.</li> <li>Performance, Risk and Programme and Project Management frameworks provide for regularly tracking of progress and addressing issues and risks,</li> </ul>	<ul style="list-style-type: none"> <li>Finance and Legal services consider draft reports to assess compliance with required content and accurate depiction of financial impacts – measure implemented in 2022-23.</li> <li>Annual equality and inclusion report in place that includes information on positive and negative trends.</li> <li>Annual complaints report in place that includes information on positive and negative trends and proposed responses.</li> <li>Pre-contract compliance checks procedure in place.</li> <li>Guidance for contract managers in place to ensure compliance checks are undertaken during the life of the contract.</li> <li>Refreshed contract and financial procedure rules in place and training delivered to key staff to ensure understanding and compliance.</li> </ul>	<ul style="list-style-type: none"> <li>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). This action will be completed following a refresh of the constitution in 2024.</li> <li>Complete a review of the governance of company in place to deliver the Council's internal audit functions to assess compliance with the Partly and Wholly Owned Council Companies policy.</li> <li>Review all procurement documentation in preparation for implementation of the Procurement Act 2023 from October 2024 onwards.</li> <li>Review the Consultation and Engagement policy to ensure it aligns with the wider needs of the organisation that will emerge from the Transformation Programme.</li> <li>Reinstate reporting of quarterly outturn reports on performance and finance to Overview and Scrutiny Board, alongside existing reporting that is already undertaken to Executive.</li> </ul>

		<p>with reporting to members and senior managers as appropriate.</p> <ul style="list-style-type: none"> <li>Partly and Wholly Owned Council Companies policy in place.</li> </ul>		
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Local Code of Corporate Governance		Self-assessment		
Principle / supporting principles	To meet these requirements, the Council will:	Policies / processes in place	Compliance measures in place	Areas for improvement / planned actions
<p>Developing the Council's capacity, including the capability of its leadership and the individuals within it.</p> <ul style="list-style-type: none"> <li>Developing the Council's capacity</li> <li>Developing the capability of the Council's leadership and other individuals</li> </ul>	<ul style="list-style-type: none"> <li>Regularly review operations to ensure that it is continuing to deliver services that are effective, including the use of benchmarking and sectoral research.</li> <li>Work collaboratively and in partnerships where added value can be achieved.</li> <li>Maintain an effective approach to organisational development to ensure continued capacity and capability to deliver.</li> <li>Clearly define roles, responsibilities and terms of engagement for members and employees.</li> <li>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.</li> <li>Develop the capabilities of members and senior management to achieve effective shared leadership.</li> <li>Ensure there are appropriate structures in place to encourage public participation.</li> <li>Ensure that systems are in place to ensure that members and staff can be both held to account for performance and supported as appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>Performance Management Policy sets out how corporate performance will be managed.</li> <li>Directorates review performance internally. Business intelligence dashboards have been implemented to facilitate this.</li> <li>Range of benchmarking and other tools are used within Directorates to contextual performance and drive improvement.</li> <li>Wider Leadership Management Team in place to enable broader consideration of key policy issues.</li> <li>Key strategic partnerships in place, such as the South Tees Health and Wellbeing Board.</li> <li>The organisational development ambitions of the Council are set out within the People Strategy that was launched in April 2024.</li> <li>Constitution and supporting documentation set out member and officer role profiles, relationship protocol and schemes of delegation. This is supplemented by e-learning to support understanding and training and develop of officers and Members.</li> <li>Corporate Consultation policy and online consultation portal in place.</li> <li>Plans with the digital and marketing and communications strategies to advance in the current approach.</li> </ul>	<ul style="list-style-type: none"> <li>Monthly monitoring and performance reporting on delivery against Council Plan priorities to senior managers. This includes proactive management of delivery to ensure mitigating actions are developed where delivery is off track.</li> <li>Quarterly performance and finance reporting on delivery against Council Plan priorities to Executive.</li> <li>Quarterly reports to standards on complaints investigations and statistics.</li> </ul>	<ul style="list-style-type: none"> <li>During 2023/24 the Council put in place a refreshed Corporate Governance Improvement Plan, a response to the statutory Section 24 recommendations of its auditors and an Independent Improvement Advisory Board to provide guidance, support and oversight on the Council's improvement journey. This has resulted in the removal of the Best Value Notice. In 2024/5 the Council will continue to deliver against its improvement plan and move towards BAU practices that provide assurance to government that the Council is maintaining a culture of good governance.</li> <li>Review the Consultation and Engagement policy to ensure it aligns with the wider needs of the organisation that will emerge from the Transformation Programme.</li> <li>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). To be actioned following the refresh of the Council's constitution in 2024.</li> <li>Put in place a strategic Partnerships Strategy.</li> </ul>

		<ul style="list-style-type: none"> <li>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.</li> <li>The Member Development programme was refreshed during 2022-23 and commenced delivery following the May 2023 local elections.</li> <li>Formal appraisals in place.</li> <li>Refreshed constitution in place.</li> </ul>	<ul style="list-style-type: none"> <li>Development of a Workforce Plan to ensure staff at all levels have the skills and capabilities to be successful in their roles.</li> </ul>
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Local Code of Corporate Governance		Self-assessment		
Principle / supporting principles	To meet these requirements, the Council will:	Policies / processes in place	Compliance measures in place	Areas for improvement / planned actions
<p>Managing risks and performance through robust internal control and strong public financial management.</p> <ul style="list-style-type: none"> <li>Managing risk</li> <li>Managing performance</li> <li>Robust internal control</li> <li>Managing data</li> <li>Strong public financial management</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Ensure effective performance management of service delivery and provide members and senior managers with timely updates on service performance and progress towards outcomes.</li> <li>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.</li> <li>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.</li> <li>Ensure an effective, risk-led Internal Audit service is in place to provide assurance on the overall adequacy and</li> </ul>	<ul style="list-style-type: none"> <li>Performance Management; Risk and Opportunity Management; and Programme and Project Management (refreshed in 2023-24) 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.</li> <li>Reports to decision makers developed using a standard format to ensure effective, fair, and evidence-based decision making. The format was refreshed in 2023-24.</li> <li>Wide-ranging annual scrutiny programme in place, examining policy and performance.</li> <li>Urgent decision process and records in place and reported to Council annually.</li> <li>Effective internal audit arrangement in place, utilising the Council's plans and risk registers to identify priorities. Internal Audit regularly meet with senior council</li> </ul>	<ul style="list-style-type: none"> <li>Monthly monitoring and performance reporting on delivery against Council Plan priorities to senior managers. This includes proactive management of delivery to ensure mitigating actions are developed where delivery is off track</li> <li>Risk information is reported to senior managers on a monthly basis as part of the monthly performance report.</li> <li>Information on risks is included within quarterly reports to members on performance.</li> <li>A Children's services improvement board is in place to support delivery of actions to improve the service. As a result, the service was judged as improved in its 2023 inspection, compared to the 2019, however further improvements were</li> </ul>	<ul style="list-style-type: none"> <li>Refresh the Information Strategy during 2024.</li> <li>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). To be actioned following the refresh of the constitution in 2024.</li> <li>During 2023/24 the Council put in place a refreshed Corporate Governance Improvement Plan, a response to the statutory Section 24 recommendations of its auditors and an Independent Improvement Advisory Board to provide guidance, support and oversight on the Council's improvement journey. This has resulted in the removal of the Best Value Notice. In 2024/5 the Council will continue to deliver against its improvement plan and move towards BAU practices that provide assurance to government</li> </ul>

	<p>effectiveness of the Council's governance arrangements.</p> <ul style="list-style-type: none"> <li>• Ensure effective counter fraud and anti-corruption policies and arrangements are in place.</li> <li>• Ensure effective internal control arrangements exist for sound financial management.</li> <li>• Maintain an effective audit committee function.</li> <li>• Ensure effective arrangements are in place to collect, store, use and share data, including processes to safeguard personal data.</li> <li>• Put in place arrangements to ensure that data used to support decision-making is accurate and clear.</li> <li>• Ensure financial management arrangements support both long term outcome delivery and day-to-day operations.</li> </ul>	<p>officers to manage the contract and relationship, report quarterly into Audit Committee and attend key officer groups such as the Corporate Governance Board and the Risk Management Group.</p> <ul style="list-style-type: none"> <li>• Internal audit recommendations and progress in implementing them is reported monthly to the Senior Management Team.</li> <li>• Policy in place for counter-fraud, bribery and corruption; complaints; procurement; and whistleblowing, and regularly reviewed. Money Laundering Policy. Internal Audit investigate non-compliance and suspected fraud.</li> <li>• Effective Audit committee in place clear terms of reference and a full and trained membership.</li> <li>• Information Strategy in place to provide systematic approach to information governance, including data protection and data quality. To be refreshed in 2024.</li> <li>• Information Governance Policy Framework in place.</li> <li>• Financial management procedures in place relating to medium-term financial planning, budget setting, procurement and contract management. They were refreshed as part of the review of the constitution in 2023.</li> <li>• Corporate Governance Improvement Plan and Section 24 Action plan in place to address governance weaknesses identified by CIPFA, the Council, External Auditors and Government.</li> <li>• The Programme and Project management Framework and associated documentation has been reviewed and refined to ensure it remains fit for purpose.</li> <li>• A transformation portfolio of programmes and projects has</li> </ul>	<p>required to be considered good by Ofsted.</p> <ul style="list-style-type: none"> <li>• Pre-contract compliance checks procedure in place.</li> <li>• Guidance for contract managers in place to ensure compliance checks are undertaken during the life of the contract.</li> <li>• Monthly budget monitoring and monthly challenge sessions are in place as part of a range of measures put in place by the Section 151 officer to address budget overspends.</li> <li>• Quarterly budget challenge sessions are in place with Executive members.</li> <li>• The Director of Finance has issued spending restrictions across the organisation with effect from 1 July 2023.</li> <li>• Monthly corporate performance reviews are in place to provide the Leadership and Management Team provide an overview on progress against key performance disciplines; Executive actions; Council Plan performance; Strategic Risk, Programme and Project Management and compliance matters.</li> <li>• A governance framework has been mobilised to monitor and assure progress of the transformation portfolio, escalating from project working groups (led by Project Managers), to thematic programme boards (Chaired by Thematic Programme Sponsors), to the Corporate Transformation Programme</li> </ul>	<p>that the Council is maintaining a culture of good governance.</p> <ul style="list-style-type: none"> <li>• Review current governance arrangements for Audit Committee and make recommendations in relation to inclusion of co-opted independent members for Committee consideration</li> <li>• Commence reporting annually on how the Audit Committee has complied with CIPFA good practice, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.</li> </ul>
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		been developed and mobilised, along with a supporting Executive-approved governance framework to provide robust monitoring of delivery progress	Board (Chaired by the SRO / Chief Executive) and then up to the Transformation Assurance Board (Chaired by the Mayor), all of which is ultimately accountable to the Executive.	
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Local Code of Corporate Governance		Self-assessment		
Principle / supporting principles	To meet these requirements, the Council will:	Policies / processes in place	Compliance measures in place	Areas for improvement / planned actions
<p>Implementing good practices in transparency, reporting, and audit to deliver effective accountability.</p> <ul style="list-style-type: none"> <li>Implementing good practice in transparency</li> <li>Implementing good practices in reporting</li> <li>Assurance and effective accountability</li> </ul>	<ul style="list-style-type: none"> <li>Provide reports in plain English wherever possible, ensuring that they are easy to access and interrogate and balancing transparency requirements with clarity.</li> <li>Report regularly on performance, delivery of value for money and stewardship of resources.</li> <li>Report on compliance with good governance principles within its Annual Governance Statement, including an action plan for continued improvement.</li> <li>Ensure compliance with good governance principles extends to its partnership arrangements.</li> <li>Ensure that recommendations made by external and internal audit are addressed.</li> <li>Ensure that the internal audit service has direct access to members to enable it to provide assurance with regard to governance arrangements.</li> <li>Welcome and positively engage with peer challenges, reviews and inspections of its services.</li> </ul>	<ul style="list-style-type: none"> <li>Standard template for reports to decision makers designed to advance proposition logically, simply, and reduce duplication of information that are regularly reviewed. This was refreshed in 2023 and 2024.</li> <li>Performance management policy in place</li> <li>Information Governance Policy framework in place to ensure compliance with information rights and transparency good practice.</li> <li>Governance arrangements in place for key strategic partnerships, such as the South Tees Health and Wellbeing Board, with improvement activity underway.</li> <li>Partnership Governance policy in place</li> <li>Recommendations made by External Audit are addressed as a matter of priority through the most appropriate route.</li> <li>Internal audit annual plan reported to Audit Committee.</li> </ul>	<ul style="list-style-type: none"> <li>Finance and Legal services consider draft reports to assess compliance with required content and accurate depiction of financial impacts – measure implemented in 2022-23.</li> <li>Quarterly results reports to Executive covering performance, financial and risk updates.</li> <li>Annual Governance Statement complying with the standard set out in the Local Code of Corporate Governance.</li> <li>Annual assurance reports to Audit Committee from SIRO and on partnership governance and performance management.</li> <li>Internal Audit reports its plans, progress and findings regularly to the audit committee. Agreed actions from internal audit are tracked by DMTs until completion.</li> </ul>	<ul style="list-style-type: none"> <li>Seek an LGA Corporate Peer Challenge review within the next year to provide an external review of the Council's corporate governance arrangements</li> <li>Put in place a strategic Partnerships Strategy</li> <li>Reinstate reporting of quarterly outturn reports on performance and finance to Overview and Scrutiny Board, alongside existing reporting that is already undertaken to Executive.</li> <li>Commence reporting annually on how the Audit Committee has complied with CIPFA good practice, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.</li> </ul>

**Appendix 5: Corporate governance priorities for 2023-24****2020-21 AGS actions update**

Action	Lead officer	Deadline	Status
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	Action to be complete by May 2025. Additional resources have been secured to ensure this is complete within the revised timescale.

**Actions identified within the draft 2021-22 Annual Governance Statement update**

Issue	Action	Lead officer	Deadline
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)	Head of Strategy, Business and Customer	Complete
It has been some time since the Council has had an independent assessment of its corporate governance. Action is needed to seek an LGA Corporate Peer Challenge review within the next two years to provide an external review of the Council's corporate governance arrangements.	Seek an LGA Corporate Peer Challenge review within the next two years to provide an external review of the Council's corporate governance arrangements.	Head of Governance, Policy and Information	Complete
Significant overspending was identified within Childrens services. During 2021-22 The incoming Executive Director of Children's Services also committed to delivering several actions to mitigate spending within Children's Services including:	Delivery of actions set out to address overspends within Children's Services as set out in the body of this AGS.	Executive Director of Childrens Services	Complete.



Issue	Action	Lead officer	Deadline
<ul style="list-style-type: none"> <li>▪ Subjecting cases of children looked after by the Council to ongoing audit, consistent decision-making processes and a solutions panel chaired by the Director of Children’s Care.</li> <li>▪ Development of Stronger Families teams within Early Help and Prevention to increase skills to support additional work and complexity at this level to prevent future young people entering care.</li> <li>▪ Development of the Middlesbrough Multi Agency Children’s Hub to secure the consistency of thresholds and increasing step-downs to early help and more timely support for children and young people.</li> <li>▪ Utilising two specialist project teams to support referral and assessments at the front door of Children’s Care.</li> <li>▪ Continuing to keep internal residential places at a high occupancy level. Re-opening Rosecroft in late summer, once registered, will produce a further 5 places. Plans to increase Fir Tree by 1 place later in 2021-22. Other Internal Residential opportunities are to be reviewed as invest to save models when identified and assessed. Potential sale of any spare places that are not occupied with Middlesbrough young people to neighbouring Tees Valley Local Authorities.</li> <li>▪ All external residential placements are being reviewed by a specialist project team set up by the incoming Executive Director of Children’s Services to ensure that no children are in residential care who can be fostered or safely returned to their families or the care of relatives. In addition, this team will look at all cases that are nearing requirement for residential care with the aim of making sure that all alternative options for support are fully explored before residential provision is approved.</li> <li>▪ Work continues to build on increasing the number of internal foster placements achieved over the past 2 years, allowing children to be placed in high quality, local authority foster care as an alternative to more expensive agency placements.</li> <li>▪ An in-depth review is taking place of the processes around the placement of children with friends and family to ensure that these are only made where necessary and that financial support represents value for money.</li> </ul>			

Issue	Action	Lead officer	Deadline
<ul style="list-style-type: none"> <li>▪ Maximising, where appropriate, health contributions from Clinical Commissioning Group (now Integrated Care Boards) and education contributions from the Dedicated Schools Grant (DSG).</li> </ul>			

**Actions identified within the 2022-23 AGS update**

The Council has put in place comprehensive plans to deliver Corporate Governance improvements and address, in detail, the statutory recommendations made by its External Auditors. During 2024 these action plans will continue to be delivered. Reports on their progress are considered on a monthly basis by the Independent Improvement Advisory Board, the Council's Audit Committee and full Council both receive progress reports at every business meeting they hold. Copies of these reports are available on the Council's website.

Issue	Action	Lead officer	Deadline
There are a range of serious corporate governance weaknesses that are identified within this statement, and which have been identified by the Council's External Auditors, CIPFA, Government and the Council itself.	Continue to be addressed by the Corporate Governance Improvement Plan and the section 24 action plan put in place to respond to the statutory recommendations of the External Auditor and the governance weaknesses identified by CIPFA, Government and the Council itself.	Chief Executive	Ongoing
<p>There are a number of corporate governance weaknesses identified within this statement that require co-ordinated, concerted action in order to address the weaknesses identified in Member to Member and Member to Officer relationships.</p> <p>There is also a need to ensure that staff at all levels have the capacity and the capabilities to be able to deliver effective Council services for residents and businesses.</p>	The Council is developing a revised People Strategy approach during 2023-24 that support officers and Members to understand corporate values and the Nolan Principles and how they should be reflected in behaviours.	Chief Executive and Director of Legal and Governance Services	Complete
Ensuring that decisions which can be exercised by officers within the Council are supported by an effective scheme of sub-delegations and that decisions taken through this route are properly recorded and publicised.	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). This will be addressed following the fundamental review of the constitution in 2024.	Director of Legal and Democratic Services (Monitoring Officer)	Deadline revised to May 2025.
The Council should have in place a Strategic business plan which sets out how the priorities of the Mayor will be reflected within its key, overarching strategic planning document and there should be effective performance measures in place to provide assurance as to the effectiveness of actions being taken to deliver the ambitions set out within that strategic plan.	The approach to the development of a new Strategic Plan (renamed as the Council Plan) during 23-24 will include development of supporting Key Performance Indicators with targets to strengthen the plan and increase transparency around the impact of actions on the achievement of aims within it.	Head of Strategy, Business and Customer	Complete
Following adoption of the Partly and Wholly Owned Council Companies Policy, the Council needs to assure itself that the company established to deliver its internal audit functions also complies with this policy.	Complete a review of the governance of company in place to deliver the Council's internal audit functions to assess compliance with the Partly and Wholly Owned Council Companies policy.	Director of Finance	Complete

The Council needs to regularly review its policies and strategies to ensure they are fit for purpose. A review of this strategy is scheduled.	Review of the Strategic Procurement Strategy	Head of Commissioning and Procurement	Complete
The Council should be regularly engaging its residents and businesses in order to understand their views on its operation and address areas of weakness.	Refreshed approach to consultation and community engagement to be developed in 2024. A revised supporting policy will then be developed	Head of Governance, Policy and Information	March 2025
The Council must ensure that its Children's Safeguarding services are fit for purpose, with all children and their families receiving appropriate, consistently good care and support and that value for money is achieved from investments.	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.	Executive Director of Childrens Services	Ongoing
Robust information governance is necessary to ensure the Council not only appropriately safeguards the extensive data it holds, but that it is also able to effectively use that data to inform service delivery and decision making.	Refresh the Information Strategy during 2024.	Head of Governance, Policy and Information	Deadline revised to enable the emerging needs of the Council's transformation journey to be captured – May 2025.

### Actions within this AGS for delivery in 2024/25

Issue	Action	Lead officer	Deadline
The Council continues to be on an improvement journey in relation to its culture, governance and financial resilience.	During 2023-24 the Council put in place a refreshed Corporate Governance Improvement Plan, a response to the statutory Section 24 recommendations of its auditors and an Independent Improvement Advisory Board to provide guidance, support and oversight on the Council's improvement journey. In 2024-25 the Council will continue to deliver against its improvement plan.	Chief Executive	Ongoing
As part of steps to ensure the Council is able to be financially resilient, it needs to have the tools in place to be able to predict and manage demand.	Implementation of forecast demand models over the medium to long-term, using a combination of demographic data and trends combined with scenario planning and sensitivity analysis.	Director of Finance	Complete
The Council needs to ensure that as it transforms, it ensures that it has the right staff, in the right roles who are able to take the right decisions and actions to be able to deliver the best outcomes for our residents.	Development of a Workforce Plan to ensure staff at all levels have the skills and capabilities to be successful in their roles  Complete the first annual review of the People Strategy	Head of HR  Head of HR	March 2025  April 2025
A stable leadership team with the capacity and capabilities to lead the Council's workforce is essential. One step in the process for managing this is to ensure use of agency staff is minimised in business as usual management of the organisation.	Complete recruitment process for all interim appointments in a Leadership Management Team position	Head of HR	March 2025
While the Council has made improvements to Member support and development, it is prudent to review the impact of the Member Development Strategy regularly to assess whether it is having the intended impact.	Complete the first annual review of the Member Development Strategy to assess effectiveness and impact on culture and compliance	Head of Legal and Democratic Services	Complete
It is good practice for the Audit Committee Chair to report annually to provide all members with information on how the committee discharges its responsibilities and assesses its performance.	Commence reporting annually on how the Audit Committee has complied with CIPFA good practice, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.	Head of Governance, Policy and Information	March 2025

CIPFA good practice guidance states that Audit Committees should include independent members and it recommends two independent members to provide appropriate technical expertise	Review current governance arrangements for Audit Committee and make recommendations in relation to inclusion of co-opted independent members for Committee consideration	Director of Legal and Governance Services (Monitoring Officer)	March 2025
The Council recognises that its approach to customer engagement and support needs to evolve, in line with the developing transformation programme.	The Council will refresh its approach to customers within a revised Customer Services Strategy that will set out how customer services will be delivered within the Council's target operating model developed within the Transformation programme	Head of Resident and Business Support	Complete
The Council recognises that its approach to community engagement and support needs to evolve, in line with the developing transformation programme.	Review the Consultation and Engagement policy to ensure it aligns with the wider needs of the organisation that will emerge from the Transformation Programme.	Head of Governance, Policy and Information	March 2025
It is important to ensure that all members are aware of the Council's performance against its priorities and compliance with agreed budgets.	Reinstate reporting of quarterly monitoring reports on performance and finance to Overview and Scrutiny Board, alongside existing reporting that is already undertaken to Executive.	Head of Strategy, Business and Customer  Head of Financial Planning and Support	Complete
As the public sector continues to manage service delivery within significant pressures, joined up partnership working across the system will be key to delivery of improved outcomes for residents.	Put in place a strategic Partnerships Strategy.	Chief Executive	March 2025
Analysis of the purchase of the former Crown Public House identified a weakness in the Council's governance arrangements where the facts within a report change between publication and report consideration. A review will be undertaken to codify the process for such a situation in the future.	Review the process for managing any changes to reports that occur between publication and meetings	Director of Legal and Governance Services (Monitoring Officer)	March 2025

<p>Analysis of the purchase of the former Crown Public House identified a weakness in the Council's governance arrangements in relation to asset management.</p>	<p>The Council is implementing a Corporate Landlord Model as part of the transformation work. This sets out the framework for property decisions and will be formally considered by Executive prior to full adoption.</p>	<p>Head of Property and Commercial Services</p>	<p>Complete</p>
	<p>A clear Asset Acquisition Policy reflecting these requirements is integrated into the Corporate Landlord Model framework that will be considered by Executive.</p>	<p>Head of Property and Commercial Services</p>	<p>Complete</p>

# 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.

**Curtailement (Pensions)**

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

**Debtors**

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

**Deferred Pensions**

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

**Defined Benefit Scheme**

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

**De-minimis**

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

**Depreciation**

The allocation of the cost of consuming a tangible asset over its useful life. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

**Direct Revenue Financing**

The financing of capital projects from revenue resources.

**Discretionary Benefits**

Retirement benefits, which the employer has no legal, contractual, or constructive obligation to award, and which are awarded under the authority's discretionary powers.

**Earmarked Reserves**

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

**Expected Rate of Return on Pension Assets**

The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Extraordinary Items**

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

**Non-Current Assets**

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

### **General Fund**

The main revenue account used to fund the cost of providing Council services. The main sources of income credited to the fund are the council tax and business rates precepts and the revenue support grant (RSG) from central government.

### **Heritage Assets**

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

### **Impairment**

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

### **IFRS - International Financial Reporting Standards**

International Financial Reporting Standards (IFRS) are a set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board and specify exactly how organisations must maintain and report their accounts. Local Authorities have had to prepare their accounts in accordance with IFRS requirements since April 2010.

### **Intangible Assets**

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

### **Investment Property**

An investment property is defined as a property, which is held exclusively for revenue generation or for the capital gains that the asset is expected to generate.

### **Leases**

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

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

### **Local Management of Schools**

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

### **Materiality**

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

### **Minimum Revenue Provision (MRP)**

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

### **Movement in Reserves Statement**

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

### **Non-Domestic Rates (also known as Business Rates)**

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

### **Net Book Value**

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

### **Non-Operational Assets**

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

### **Operational Assets**

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

### **Operating Segments**

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

### **Past Service Cost**

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

### **Pension Asset Ceiling Adjustment**

The pension asset ceiling adjustment is made to ensure sure that the Council's balance sheet properly reflects how the value of any defined benefit deficit or surplus is affected by the pensions scheme's rules and funding requirements.

### **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.

