CONTENTS

Explanatory Foreword

1 Introduction

This section provides background information and a concise summary of the Council's financial position for the year. It also provides an overview of the format of the remainder of the financial statements.

The statement is produced in accordance with the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom 2013/14" (CoP 2013). CoP 2013 is prepared under International Financial Reporting Standards (IFRS).

2 Structure of the Accounts

The Council's Accounts for the year are set out on the following pages. The major accounts are classified as Single Entity and Supplementary Single Entity Financial Statements.

The Core Single Entity Statements comprise the following:

- **Movement in Reserves Statement**

  This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

- **Comprehensive Income and Expenditure Statement**

  The Comprehensive Income and Expenditure Statement (CIES) shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **Balance Sheet**

  The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council 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 are those that the Council 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".

- **Cash Flow Statement**

  The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

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The Supplementary Single Entity financial statements:

- **Collection Fund**

  The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

3 Financial Performance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. The General Fund is funded by Government Grants, Fees & Charges, Council Tax Income, Non Domestic Rates Income and interest/returns on investments and is split between uncommitted balances (the level of funding available to the Council to manage financial risks and unplanned expenditure) and balances which have been earmarked for specific purposes. The Movement in Reserves Statement shows an overall increase in General Fund balances of £0.877m for the year, which can be analysed as follows:

	Uncommitted Balances £000s	Earmarked Balances £000s	Total Balances £000s
Balances b/fwd 1 April 2013	10,568	111,777	122,345
Use of Balances 2013-14	(1,856)	2,733	877
Balances c/fwd 31 March 2014	**8,712**	**114,510**	**123,222**

Uncommitted balances of £8.712m represent 3.06% of the General Fund Budget for 2013/14 and exceed the target level of balances (3% of revenue budget and Dedicated Schools Grant over the medium term). The movement in Earmarked General Fund balances of £2.733m is outlined in note 7.

The movement in Uncommitted General Fund Balances of £1.856m represents the net deficit for the year when compared to approved budget and is outlined below, together with a detailed analysis of Net Service Outturns:

Last Year Actual £000s	Service Departments	Approved Budget £000s	Actual £000s	Variance £000s
	Children, Education and Social Care			
75,293	Adults & Children's Services	95,162	94,449	(713)
	Development and Neighbourhood Services			
19,999	- Development and Regeneration	19,481	19,326	(155)
14,162	- Direct Services	13,462	13,341	(121)
7,162	- Leisure Services	6,609	6,576	(33)
3,031	- Community Protection	2,989	2,938	(51)
1,242	- Housing Services	1,243	1,317	74
1,531	- Management Services	3,479	3,657	178
(16)	- Tees Achieve	(16)	(16)	-
	Resources and Corporate Services			
14,090	- Resources	14,934	14,262	(672)
1,617	- Law and Democracy	1,593	1,598	5
230	- Chief Executive	232	231	(1)
12,672	- Corporate Provisions	11,967	17,200	5,233
151,013	**Net Expenditure on Services**	**171,135**	**174,879**	**3,744**
(3,039)	Government Grants & Other Income	(72,006)	(70,938)	1,068
(147,365)	Council Tax & Business Rates Income	(99,129)	(102,085)	(2,956)
609	**Movement on General Fund Balance**	**-**	**1,856**	**1,856**

A reconciliation between the above table and the Comprehensive Income and Expenditure Account is provided at Note 8 to the accounts.

Explanatory Foreword

4 Capital

The Council is able to regulate its own capital spending limits within a prudential framework recommended by the Chartered Institute of Public Finance and Accountancy, provided that it meets a series of criteria under the Prudential Framework Indicators. The Council's performance confirms that overall capital spending of £41.5m was managed within the overall "Prudential Framework" expenditure limits approved by the Council. The Prudential Framework indicators, which are outlined below, are important financial measures, which support prudent decision-making and assist in securing affordable and financially sustainable investment and borrowing activities undertaken by the Council.

The Council's investment in infrastructure has continued in 2013-14 with £41.5 million spent on major capital projects (last year £53.7 million). Details of the Council's capital programme are contained in the table below.

	2013/14	2013/14	2012/13	2012/13
Expenditure:	**£m**	**%**	£m	%
Stockton Town Centre Regeneration	11.1	26.7%	8.7	16.2%
Transport and Highway schemes	8.0	19.3%	5.8	10.8%
Preston Hall	-	0.0%	1.5	2.8%
Housing Regeneration	3.5	8.4%	5.6	10.4%
Schools (including academies)	11.9	28.7%	21.9	40.8%
Vehicle Replacement	2.0	4.8%	0.1	0.2%
Other schemes	5.0	12.0%	10.1	18.8%
Total	**41.5**	**100.0%**	53.7	100.0%
Funded by:				
Disposal of Surplus Assets	6.8	16.4%	6.3	11.7%
Revenue contributions	12.5	30.1%	7.1	13.2%
Grants and contributions	22.2	53.5%	39.3	73.2%
Borrowing approvals	-	0.0%	1.0	1.9%
Total	**41.5**	**100.0%**	53.7	100.0%

5 Performance Against Prudential Framework Indicators

The Prudential Code for Capital Finance in Local Authorities (2012 edition) ("The Prudential Code") and The Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (2012 edition) ("The Treasury Management Code") allow greater local flexibility for investment decisions that are informed and supported by a suite of performance indicators. The Council's capital expenditure is a key driver of treasury management activity and these indicators are relevant for the purposes of setting an integrated treasury management strategy, the objective being to ensure, within a clear framework, that the Council's capital investment plans are affordable, prudent and sustainable, and the treasury management decisions are taken in accordance with good professional practice. The Council approved the indicators for 2013-14 on 27 February 2013. The key performance indicators are:

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Capital Financing Requirement

The Capital Financing Requirement represents the Council's underlying need to borrow for capital expenditure and in essence, represents the total historic capital expenditure that has not yet been paid for, from either revenue or capital resources. The term 'financing' does not refer to the payment of cash but the resources (capital grants, receipts and contributions or direct charges to revenue) that are applied to ensure that any underlying amount arising from capital expenditure is dealt with absolutely, whether at the point of spend, or over the longer term. The outturn capital financing requirement compared to the approved limit and actual external borrowing is detailed in the following table:

	Approved Limit £000s	Outturn £000s
General Fund	124,377	122,339
General Fund - PFI & Finance Lease Liability	(8,275)	(8,275)
Capital Financing Requirement	**116,102**	**114,064**
Actual External Borrowing		**56,237**
Under-Borrowed		**57,827**

The outturn is lower than the approved limit for borrowing when compared to the actual external borrowing level. This indicates that the Council is maintaining its strategy to have an under-borrowed position which means that the Council's capital borrowing requirement has not been fully funded with loan debt, instead the Council has used cash from reserves and balances where available to support the capital programme. This is considered to be prudent in the current economic environment where available investment returns are relatively low and counterparty risk is relatively high.

External Debt, Operational Boundary and Authorised Limit

During the year, the Council's aggregate external debt was contained within both the operational boundary and the authorised limit. The authorised limit reflects a level of debt, which whilst not desired, could be affordable in the short term but may not be sustainable in the long term and encompasses temporary borrowing requirements. The operational boundary is an estimate of the most likely external debt requirement and represents the limit beyond which external debt is not normally expected to exceed. The aggregate external debt comprises the Council's actual external borrowing and other-long term liabilities in respect of PFI schemes and finance leases.

	Outturn £000s	Borrowing Limit £000s
External Borrowing at 31 March 2014	**56,237**	
PFI & Finance Lease Liability	**8,275**	
Aggregate External Debt		**64,512**
Authorised Limit		**160,177**
Operational Boundary		**136,377**

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Ratio of financing costs to net revenue stream

This indicator is an affordability measure of debt repayments and represents the proportion of the budget that is allocated to the net financing of capital expenditure. The outturn compared to the estimate is detailed below and confirms that the ongoing financing costs are within planned limits and remain affordable and sustainable on an ongoing basis in the context of the overall resources available to the Council to deliver services.

	Estimated Ratio %	Outturn %
Net financing costs	0.8%	0.7%

6 Borrowing and Lending Arrangements

In accordance with the approved Treasury Management Strategy for 2013-14, activity during the year maintained the Council's loans portfolio on a strong low-risk, long-term basis. Interest rates within financial markets have been monitored throughout the year to determine whether rates had risen or fallen more sharply than anticipated. There were no significant rate changes and therefore there was no new long-term external borrowing or debt rescheduling during the year. Opportunities for debt rescheduling are extremely limited because the majority of the loan portfolio consists mainly of market rather than PWLB debt and the prohibitive costs of early repayment premiums. However in the coming year a market loan of £8.0m will mature and it is planned to replace this with a PWLB loan saving in the region of £0.35m in annual interest costs.

Cash flow has been managed in a prudent manner during the year with on-going short-term investment of cash surpluses with approved counterparties as approved in the Treasury Management Strategy.

7 Private Finance Initiative

The Council entered into an agreement with Robertson Group to build a secondary school at Ingleby Barwick under the Private Finance Initiative. This opened in September 2003 and payments to the contractor started from that date for a period of 25 years.

8 Transfer of Public Health functions

From April 2013 the Council has a key role in improving the health of the local population, working in partnership with clinical commissioning groups, and others, through a Health and Wellbeing Board. The Council will be responsible for commissioning and collaborating on a range of public health services and for advising the commissioners of local NHS services.

The Health and Wellbeing Board has been established in partnership with NHS clinical commissioning groups and others. The Board will be responsible for preparing comprehensive joint strategic needs assessments and joint health and wellbeing strategies, and will have a role in commissioning plans taking those assessments and strategies properly into account. These important new responsibilities join existing roles that substantially influence the health of local people, for example environment, housing, economic development and regeneration, education and care services. These new functions rest with the Council but are supported by specialist public health staff transferred to the Council, including specialist leadership from the Director of Public Health supported by his team.

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9 Retirement Benefits (IAS 19)

The Council is required to comply with the accounting principles as required by International Accounting Standard 19 (IAS19). This requires the cost of retirement benefits to be recognised in the Financial Statements when employees earn them, rather than when the benefits are actually paid as pensions. Disclosure requirements include figures for the Net Pension Asset/Liability and the Pension Reserve in the Balance Sheet. There are also entries in the Comprehensive Income and Expenditure Statement and Movement In Reserves Statement to reflect movements in the Net Pension Asset/Liability from one year to the next. Entries are also required to reconcile back to actual pension contributions payable for council tax purposes.

AON Hewitt, an independent firm of actuaries, has calculated the Council's net liability position as £165.9m on the Local Government Pension Scheme as at 31st March 2014 (last year: £204.6m). The £38.7m reported reduction in the net liability position is principally due to the fact that the financial assumptions at 31 March 2014 are more favourable than they were at 31 March 2013. This has resulted in a reduction in total liabilities while the value of fund assets have increased.

Employer's contributions to the pension fund during 2013-14 were charged at 14.9% of total pensionable employee pay in line with actuarial advice following the formal fund valuation at 31 March 2010. The triennial fund valuation as at 31 March 2013 has been completed and the Council's contribution rate for the years 2014-15 to 2016-17 will reduce to 14.3%. Further information on retirement benefits is available in Note 31 of the Notes to the Core Financial Statements.

10 Dedicated Schools Grant (DSG)

From 2006/07, the arrangements for Government support for the funding of schools changed from those in previous years which were provided as part of the Council's overall Revenue Support Grant. In 2013/14, the Council received a specific grant from the Department for Education, referred to as the Dedicated Schools Grant (DSG). This grant is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. Further information on the grant is available in Note 23 of the Notes to Core Financial Statements.

11 Economic Outlook

<u>Management of Treasury Management Risk</u>

Global economies saw some improvement in 2013 however the recession continued in the Eurozone for much of the year which placed pressure upon the UK economy which showed growth, albeit at a slow rate.

The pressure on public finances showed little sign of improvement and while the risk of major failures within the banking sector appear to have diminished the Council has continued to mitigate the risks associated with the security of cash deposits by reviewing and strengthening the criteria for placing deposits with financial institutions on the Council's approved counterparty list, which in practice has meant only placing deposits with UK based financial institutions. The Council is also making increased use of immediately accessible deposit facilities such as call accounts and also making use as required of the Debt Management Account Deposit Facility operated by the Debt Management Office within HM Treasury. Historically low interest rates, in part due to the Government's Funding for Lending scheme, have resulted in continuing low levels of interest income received from investment of the Council's surplus cash balances.

<u>Key Financial Risks</u>

The Council has seen a significant reduction in all Government Funding over the past few years. Between 2010/11 and 2015/16, there will have been a total reduction of £52m which represents a 43% cash reduction (approximately 56% in real terms).

Government announcements were in the form of the Spending Round in June 2013 and also a technical consultation paper issued in July. The technical consultation document in particular identified significant financial implications and these have been confirmed as part of the Local Government Finance Settlement which has provided information for 2014/15 and indicative information for 2015/16.

There are currently no details on funding for 2016/17 and future years and this is unlikely to be clarified until a further Spending Round in 2015 following the General Election. Indications are however that further reductions are likely and we will therefore again need to include an estimate for planning purposes. If our estimates are correct, this will be an additional reduction of £15.5m by 2017/18, bringing the total to approximately £67m which is 56% (74% in real terms).

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In 2013, there were significant changes to Government funding through the introduction of the Business Rates Retention system and also changes in Council Tax following Localisation of Council Tax benefit and the decision to introduce changes to the discounts applied locally. Each of these changes bring significant complexities and make projections complex and difficult.

Approach to Financial Management and Savings

The Council has faced significant financial challenges in recent years and this is expected to continue into the future. Financial planning is over the long-term which allows us to plan ahead and has meant we have been able to operate a managed approach to delivering savings and wherever possible protecting front-line services. This includes opportunities for Invest to Save and exploring alternative models of service delivery and it is important that this planned and managed approach continues to allow us to meet financial challenges ahead.

The Council has a long history of providing value for money and delivering strong financial management. As part of this approach, there is a strong track record of delivering savings and efficiencies and the Council will therefore be well prepared for the challenges ahead.

Following the completion of the Efficiency, Improvement and Transformation Programme, further savings plans were agreed in June 2013. The plan already includes savings of over £34m, with approximately 720 fewer staff employed. There is a significant focus on the “Big Ticket” areas of spend: Adult Social Care, Children’s Social Care and Energy & Waste are all subject to reviews and already have seen significant savings delivered. The strategy adopted is that the Big Ticket Reviews aim to stem future financial pressures by reducing costs where possible and stemming growth through examining alternative means of service delivery.

Full details of the Council's MTFP are included in the Annual Budget Report which is available on the Council's website.

12 Durham Tees Valley Airport Limited

The Council together with the other four Tees Valley councils are shareholders in Durham Tees Valley Airport Limited. The councils collectively owned 25% of the shares with Stockton's shareholding amounting to 4.76%. In December 2011, the majority shareholder, Peel Airports Limited put its shareholding in the airport up for sale. After a period of uncertainty, Peel Airports Limited sold its shareholding to Peel Investments (DTVA) Limited in February 2012. The sale diluted the five council's shareholding from 25% to 10.91% and consequently Stockton now holds 2.08% of the issued shares. The Company made a loss in the year ended 31 March 2013, the last year for which results are available, and as the shares cannot be traded the Council considers its shareholding to have no monetary value.

13 Accounts and Audit Regulations

The Accounts and Audit Regulations 2011 provide details on the approval and publication of the statement, detailing the requirement on authorities to ensure that the Annual Financial Statements are appropriately signed. This covers the responsibilities of the responsible financial officer (who signs the Statement of Responsibilities) and a further requirement for the statement to be signed and dated by the person presiding at the committee or meeting at which the statement was approved.

14 Further Information

Further information about the accounts is available from the Corporate Director of Resources, Municipal Buildings, Stockton-on-Tees, TS18 1LD. This is part of the Council's policy of providing full information about the Council's affairs.

Movement in Reserves Statement for the year ended 31 March 2014

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Unusable Reserves**	**Total Council Reserves**
	£000s	£000s	£000s	£000s	£000s	**£000s**	**£000s**	**£000s**
Balance at 1 April 2012	11,177	101,643	2,093	6,856	13,364	135,133	111,340	246,473
Movement in reserves during 2012/13 as Restated								
Surplus or (Deficit) on Provision of Services	(67,824)	-	-	-	-	(67,824)	-	(67,824)
Other Comprehensive Income and Expenditure		-	-	-	-	-	24,402	24,402
Total Comprehensive Income and Expenditure	(67,824)	-	-	-	-	(67,824)	24,402	(43,422)
Adjustments between accounting basis & funding basis under regulations	75,256	-	-	(3,570)	3,243	74,929	(74,929)	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	7,432	-	-	(3,570)	3,243	7,105	(50,527)	(43,422)
Transfers to/from Earmarked Reserves	(8,041)	10,134	(2,093)	-	-	-	-	**-**
Increase/Decrease in Year	(609)	10,134	(2,093)	(3,570)	3,243	7,105	(50,527)	(43,422)
Balance at 31 March 2013 carried forward	10,568	111,777	-	3,286	16,607	142,238	60,813	203,051
Movement in reserves during 2013/14								
Surplus or (Deficit) on Provision of Services	(48,317)	-	-	-	-	**(48,317)**	-	**(48,317)**
Other Comprehensive Expenditure and Income	-	-	-	-	-	**-**	50,924	**50,924**
Total Comprehensive Income and Expenditure	**(48,317)**	-	**-**	-	-	**(48,317)**	**50,924**	**2,607**
Adjustments between accounting basis & funding basis under regulations	49,194			(2,569)	(654)	**45,971**	(45,971)	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	877	-	**-**	**(2,569)**	**(654)**	**(2,346)**	**4,953**	**2,607**
Transfers to/from Earmarked Reserves	(2,733)	2,733	-	-	-	-	-	-
Increase/Decrease in Year	**(1,856)**	**2,733**	**-**	**(2,569)**	**(654)**	**(2,346)**	**4,953**	**2,607**
Balance at 31 March 2014 carried forward	**8,712**	**114,510**	**-**	**717**	**15,953**	**139,892**	**65,766**	**205,658**

Comprehensive Income and Expenditure Statement for the year ended 31 March 2014

2012/13					2013/14		
£000s	£000s	£000s		Note	£000s	£000s	£000s
Expenditure Restated	Income Restated	Net Restated	**Continuing operations:**		**Expenditure**	**Income**	**Net**
40,341	(23,733)	16,608	Central services to the public		28,641	(8,503)	**20,138**
17,332	(1,467)	15,865	Cultural & Related Services		11,067	(1,324)	**9,743**
19,158	(4,104)	15,054	Environmental & Regulatory Services		17,771	(398)	**17,373**
14,557	(11,540)	3,017	Planning Services	5	21,264	(15,997)	**5,267**
282,179	(174,603)	107,576	Education and children's services		197,896	(147,894)	**50,002**
29,059	(12,252)	16,807	Highways and transport services		28,367	(12,017)	**16,350**
82,039	(75,346)	6,693	Other housing services		80,929	(74,808)	**6,121**
65,894	(23,810)	42,084	Adult social care		64,318	(16,706)	**47,612**
5,211	(1,290)	3,921	Public Health		12,611	(13,537)	**(926)**
4,996	(372)	4,624	Corporate and democratic core		2,145	(504)	**1,641**
512	-	512	Non distributed costs		1,597	-	**1,597**
561,278	(328,517)	232,761	**Cost Of Services**	8	**466,606**	**(291,688)**	**174,918**
			Other Operating Expenditure:				
618	-	618	Parish council precepts		558	-	558
6	-	6	Payments to the Government Housing Capital Receipts Pool		7	-	7
9,177	-	9,177	(Gain) or loss on the disposal of non-current assets		44,308	-	44,308
-	-	-					
			Financing and Investment Income and Expenditure:				
4,218	-	4,218	Interest payable and similar charges		4,646	-	4,646
33,239	(23,380)	9,859	Net interest on the net defined benefit liability/asset		34,179	(25,525)	8,654
-	(1,881)	(1,881)	Interest receivable and similar income		-	(1,038)	(1,038)
13,195	(16,154)	(2,959)	(Gain) or loss on trading accounts (not applicable to service)		14,131	(16,484)	(2,353)
65	(186)	(121)	Income & costs and changes in fair value relating to investment properties		78	(446)	(368)
-	-	-	Revaluation loss on Assets Held for Sale		192	-	192
			Taxation and Non-Specific Grant Income:				
-	(77,221)	(77,221)	Council tax income		-	(68,041)	(68,041)
-	(70,662)	(70,662)	NNDR distribution/retention		-	(35,253)	(35,253)
-	(3,039)	(3,039)	Non-ringfenced government grants		-	(59,781)	(59,781)
-	(32,932)	(32,932)	Capital grants and contributions		-	(18,132)	(18,132)
		67,824	**(Surplus) or Deficit on Provision of Services**				**48,317**
		12,882	(Surplus) or deficit on revaluation of non current assets				(275)
		(262)	(Surplus) or deficit on revaluation of available for sale financial assets				262
		(37,016)	Re-measurements of the defined benefit liability				(50,910)
		(6)	Other (gains) and losses				(1)
		(24,402)	**Other Comprehensive Income and Expenditure**				**(50,924)**
		43,422	**Total Comprehensive Income and Expenditure**				**(2,607)**

Balance Sheet as at 31 March 2014

	Note	**31 March 2014 £000s**	31 March 2013 £000s
Non-current assets			
Property, plant and equipment	11	336,713	379,278
Investment property	12	6,744	3,920
Intangible assets	13	1,166	1,753
Assets held for sale		-	147
Heritage Assets	14	6,140	6,053
Long term investments	29	377	639
Long Term Debtors	29	4,469	320
Total non-current assets		**355,609**	392,110
Current assets			
Short term investments	29	41,148	43,453
Inventories		361	337
Debtors	15 & 29	30,901	30,692
Cash and Cash Equivalents	16	56,669	60,746
Assets held for sale	19	2,562	2,943
Total current assets		**131,641**	138,171
Current liabilities			
Cash and Cash Equivalents	16	(585)	(2,077)
Short Term Borrowing	29	(8,408)	(29)
Short Term Creditors	17 & 29	(47,242)	(51,579)
Provisions	35	(1,491)	-
Total current liabilities		**(57,726)**	(53,685)
Long term liabilities			
Long Term Creditors	29	(209)	(205)
Long Term Borrowing	29	(48,516)	(57,005)
Other Long Term Liabilities	18 & 29	(174,194)	(213,560)
Grants Receipts in Advance	28	(947)	(2,775)
Total long term liabilities		**(223,866)**	(273,545)
Net Assets:		**205,658**	203,051
Reserves			
Usable reserves:			
General Fund Balance	6 & 7	(8,712)	(10,568)
Earmarked General Fund Reserves	7	(114,510)	(111,777)
Housing Revenue Account	6	-	-
Capital Receipts Reserve	6	(717)	(3,286)
Capital Grants Unapplied	6	(15,953)	(16,607)
		(139,892)	(142,238)
Unusable Reserves:			
Revaluation Reserve	20	(52,670)	(62,888)
Available for Sale Financial Instruments Reserve	20	(377)	(639)
Capital Adjustment Account	20	(178,372)	(203,317)
Financial Instruments Adjustment Account	20	960	1,042
Deferred Capital Receipts Reserve	20	(167)	(173)
Pensions Reserve	20	165,920	204,583
Collection Fund Adjustment Account	20	(3,590)	(2,415)
Accumulated Absences Account	20	2,530	2,994
		(65,766)	(60,813)
Total Reserves:		**(205,658)**	(203,051)

Chair of the Audit Committee
29th September 2014

Cash Flow Statement For The Year Ended 31 March 2014

	Note	**2013/14 £000s**	2012/13 £000s Restated
Net (surplus) or deficit on the provision of services		**48,317**	67,824
Adjustments to net surplus or deficit on the provision of services for non-cash movements:			
Depreciation, impairment and amortisation of non current assets		(27,085)	(21,178)
Revaluation losses		596	(72,977)
Pension Fund adjustments		(12,247)	(17,307)
Carrying amount of Non-Current Assets Sold		(48,540)	(11,926)
Other non-cash movement		1,173	(6,127)
Increase/(Decrease) in Inventories (Stock)		24	(71)
Increase/(Decrease) in Revenue Debtors		2,037	(1,143)
(Increase)/Decrease in Revenue Creditors		1,004	3,994
(Increase)/Decrease in Provisions		(1,491)	-
Increase/(Decrease) in Long Term Debtors		4,149	-
		(80,380)	(126,735)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:			
Capital Grants credited to Surplus or deficit on the provision of services		21,588	42,489
Proceeds from the disposal of non current assets		4,239	2,756
		25,827	45,245
Net cashflow from operating activities		**(6,236)**	(13,666)
Investing activities			
Purchase of property, plant and equipment, investment property and intangible assets		35,047	49,443
Purchase of short term and long term investments		(1,848)	3,784
Proceeds from the sale of property, plant and equipment, investment property and intangibles		(4,239)	(2,756)
Proceeds from short term and long term investments		-	(5,000)
Other receipts from investing activities		(19,760)	(42,417)
Net cashflow from investing activities		**9,200**	3,054
Financing activities			
Other receipts from financing activities		(1,129)	(5,026)
Cash payments for liabilities relating to finance leases and PFI Contracts		887	2,327
Repayments of short and long term borrowings		(137)	197
Other payments for financing activities		-	2,996
Net cashflow from financing activities		**(379)**	494
Net (increase) or decrease in cash and cash equivalents		**2,585**	(10,118)
Cash and cash equivalents at the beginning of the reporting period		**(58,669)**	(48,551)
Cash and cash equivalents at the end of the reporting period	16	**(56,084)**	(58,669)
The cashflow for operating activities includes the following items:			
Interest received		**(1,577)**	(1,891)
Interest paid		**4,698**	4,615

Note 1: Change in Accounting Policies

A revised IAS 19 (Employee Benefits) was adopted from 1st April 2013. This has an impact on the disclosures relating to pensions for the prior year of 2012/13 and these amounts have been restated.

The Council now has responsibility for Public Health functions. Some new responsibilities have transferred from the NHS to the Council while some existing Council services has been reclassified as Public Health. Where services have been reclassified it has been necessary to restate a number of lines in the Comprehensive Income and Expenditure Statement.

A summary of the changes to the relevant lines is shown below:

Comprehensive Income and Expenditure Account

Continuing operations:	As Reported Expenditure	Restatements IAS 19	Restatements Public Health	Restated Total Expenditure	As Reported £000s Income	Restatements IAS 19	Restatements Public Health	Restated Total Income	Restated Net
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Central services to the public	40,174	167		40,341	(23,733)			(23,733)	**16,608**
Cultural and related services	17,302	30		17,332	(1,467)			(1,467)	**15,865**
Environmental services	19,317	47	(206)	19,158	(4,136)		32	(4,104)	**15,054**
Planning and regulatory services	14,529	30	(2)	14,557	(11,542)		2	(11,540)	**3,017**
Education and children's services	282,164	419	(404)	282,179	(174,719)		116	(174,603)	**107,576**
Highways and transport services	29,037	22		29,059	(12,252)			(12,252)	**16,807**
Other housing services	82,426	28	(415)	82,039	(75,360)		14	(75,346)	**6,693**
Adult social care	69,979	99	(4,184)	65,894	(24,936)		1,126	(23,810)	**42,084**
Public Health	-	-	5,211	5,211	-		(1,290)	(1,290)	**3,921**
Corporate and democratic core	4,975	21		4,996	(372)			(372)	**4,624**
Cost Of Services	**560,415**	**863**	**-**	**561,278**	**(328,517)**	**-**	**-**	**(328,517)**	**232,761**
Net interest on the net defined benefit liability/asset	33,853	(614)	-	33,239	(28,723)	5,343		(23,380)	**9,859**
(Surplus) or Deficit on Provision of Services	621,547	249	-	621,796	(559,315)	5,343	-	(553,972)	**67,824**
Re-measurements of the defined benefit liability	(31,424)	(5,592)							**(37,016)**
Other Comprehensive Income and Expenditure									**(24,402)**
Total Comprehensive Income and Expenditure									**43,422**

Movement in Reserves Statement

	As Reported General Fund Balance	IAS 19	Restated General Fund Balance	Restated Total Usable Reserves	Reported Unusable Reserves	IAS 19	Restated Unusable Reserves	Restated Total Council Reserves
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Surplus or (Deficit) on Provision of Services	(62,232)	(5,592)	(67,824)	(67,824)	-			(67,824)
Other Comprehensive Income and Expenditure	-	-	-	-	18,810	5,592	24,402	24,402
Total Comprehensive Income and Expenditure	(62,232)	(5,592)	(67,824)	(73,416)	18,810	5,592	24,402	(43,422)
Adjustments between accounting basis & funding basis under regulations	69,664	5,592	75,256	74,929	(69,337)	(5,592)	(74,929)	-

Note 1: Change in Accounting Policies

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

	Reported		Restated	Restated
	General Fund Balance	IAS 19	General Fund Balance	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	27,086	5,592	32,678	(32,678)

Note 31: Defined Benefit Pension Schemes

	Local Government Pension Scheme			Discretionary Benefits Arrangements		
Cost of Services:	Reported	IAS 19	Restated	Reported	IAS 19	Restated
	£000s	£000s	£000s	£000s	£000s	£000s
Current service cost	21,444	863	22,307	-	-	-
Past service cost	512	-	512	-	-	-
			-	-	-	-
Financing and Investment Income and Expenditure						
Net interest cost	5,130	3,557	8,687	-	1,172	1,172
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	**27,086**	**4,420**	**31,506**	**-**	**1,172**	**1,172**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
Return on plan assets (excluding the amount included in the net interest expense)	-	(53,507)	(53,507)		-	-
Actuarial gains and losses arising on changes in financial assumptions	-	16,821	16,821		567	567
Actuarial gains and losses arising on changes in demographic assumptions	-	-	-		-	-
Actuarial gains and losses due to liability experience	31,424	(32,246)	(822)		(75)	(75)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**58,510**	**(64,512)**	**(6,002)**	**-**	**1,664**	**1,664**
Movement in Reserves Statement						
Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(27,086)	(4,420)	(31,506)	-	(1,664)	(1,664)
Actual amount charged against the General Fund Balance for pensions in the year:						
Employers’ contributions payable to scheme	**15,371**	**(2,054)**	**13,317**			
Retirement benefits payable to pensioners				**-**	**2,054**	**2,054**

Note 1: Change in Accounting Policies

Note 31: Defined Benefit Pension Schemes

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Local Government Pension Scheme		
	Reported	IAS 19	Restated
	£000s	£000s	£000s
Opening fair value of scheme assets	510,166	-	510,166
Interest income	28,723	(5,343)	23,380
Remeasurement gains and (losses)	47,915	5,592	53,507
Contributions from the employer	15,371	(2,054)	13,317
Contributions from employees into the scheme	5,297	-	5,297
Benefits paid	(24,255)	1,805	(22,450)
Closing balance at 31 March	**583,217**	**-**	**583,217**

Reconciliation Of Present Value Of The Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme			Discretionary Benefits Arrangements		
	Reported	IAS 19	Restated	Reported	IAS 19	Restated
	£000s	£000s	£000s	£000s	£000s	£000s
Opening balance at 1 April	(734,458)	26,486	(707,972)	-	(26,486)	(26,486)
Current service cost	(21,444)	(863)	(22,307)	-	-	-
Interest cost	(33,853)	1,786	(32,067)	-	(1,172)	(1,172)
Contributions by scheme participants	(5,297)	-	(5,297)	-	-	-
Actuarial gains/losses - financial assumptions	-	(16,821)	(16,821)	-	(567)	(567)
Actuarial gains/ losses - demographic assumptions	-	-	-	-	-	-
Actuarial gains/losses - liability experience	(16,491)	17,313	822	-	75	75
Benefits paid	24,255	(1,805)	22,450	-	2,054	2,054
Past service cost	(512)	-	(512)	-	-	-
Closing balance at 31 March	**(787,800)**	**26,096**	**(761,704)**	**-**	**(26,096)**	**(26,096)**

Note 20: Movement on Unusable Reserves

Pensions Reserve

	Reported	IAS 19	Restated
	£000s	£000s	£000s
Balance at 1 April	224,292	-	224,292
Remeasurements of the net defined benefit liability	(31,424)	(5,592)	(37,016)
Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	27,086	5,592	32,678
Employer's pensions contributions and direct payments to pensioners payable in the year	(15,371)	-	(15,371)
Balance at 31 March	**204,583**	**-**	**204,583**

Note 2: Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The 2014/15 Code of Practice includes amendments to the following accounting standards that have not been adopted within this Statement of Accounts:

IAS 10 Consolidated Financial Statements.

IFRS 11 Joint Ventures.

IFRS 12 Disclosure of Interests in Other Entities.

IAS 27 Separate Financial Statements (as amended in 2011).

IAS 28 Investments in Associates and Joint Ventures (as amended in 2011).

The Council does not currently produce consolidated (group) accounts however the adoption of the above standards make it likely that it will need to do so in the future. The impact of such changes cannot be currently assessed.

IAS 32 Financial Instruments: Presentation. The amendments to IAS 32 are not expected to be relevant to the Council's single entity financial statements.

IAS 1 Presentation of the Financial Statements – The changes clarifies the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.

Annual Improvements to IFRS 2009–2011 Cycle. The Council will have to comply with the annual improvments but it is unable to assess the impact of the changes at present.

Each of the above standards will be adopted from 1st April, 2014.

Note 3: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 37, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council has maintained a prudent position of low levels of borrowing at £56.9m, holds investments and cash equivalents of £97.2m and earmarked reserves of £114.6m.

Lease Accounting - Judgement is required in the initial classification of leases as either operating leases or finance leases. The Council has a number of vehicles held on leases, some of these are for substantially all of the life of the asset, and the amounts paid are in excess of what would be paid if the asset were to be purchased. These vehicles have been treated in accordance with the Council's policies in respect of finance leases, and feature on the balance sheet. The Council's other leases have been assessed and are being treated as operating leases, with the costs charged in full to the net cost of services

PFI Schemes - The Council is involved with a PFI contract to provide schools and a library in Ingleby Barwick. After an assessment under the requirements of IFRIC 12, it has been determined that these are effectively under the control of the Council. The accounting policies relating to PFI schemes have therefore been applied to this arrangement and the associated assets have been recognised on the Council's balance sheet with the exception of All Saints School which has attained academy status in the year.

During 2010/11 the government invited all schools in England to become Academies and encourage parents to set up their own schools, called free schools. An increasing number of schools within the Stockton area already have Academy status and more are expressing interest. Academies do not fall within the remit of the Local Education Authority. The Council has been required to remove assets linked to the schools from the Balance Sheet and not consolidate the income and expenditure in the Comprehensive Income and Expenditure Statement.

The Council has applied its judgement in the classification of investment properties. Investment properties are held to earn rentals or for capital appreciation or both. Some properties earn rentals but are held for regeneration purposes or wider socio-economic reasons. Where this is the case, these properties have been classed as Property, Plant and Equipment.

Note 3: Critical Judgements in Applying Accounting Policies

The Council has brought voluntary controlled schools on-balance sheet because they meet the requirements for recognition under IAS 16, the Council acts as the admissions authority and employs the school staff. Voluntary aided schools remain off-balance sheet as they do not meet the same tests as those for voluntary controlled schools.

Note 4: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2014 for which 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
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for property, plant and equipment would increase by £1m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £69.4m. However, the assumptions interact in complex ways. During 2013/14, the Council's actuaries advised that the net pensions liability for funded LGPS benefits had decreased by £65.1m as a result of estimates being corrected for experience and increased by £18.9m due to updating of the assumptions.
Arrears	At 31 March 2014, the Council had a balance of sundry debtors and benefit overpayments of £16.97m. A review of significant balances suggested that an impairment of doubtful debts of 22.77% (£3.86m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a 10% increase of the amount of the impairment of doubtful debts would require an additional £386k to set aside as an allowance.

Note 5: Tees Valley Unlimited

Stockton-on-Tees Borough Council acts as the accountable body for Tees Valley Unlimited (TVU). TVU is the private and public sector Local Enterprise Partnership striving to deliver jobs and economic growth across the Tees Valley.

The income and expenditure for TVU is included in the Comprehensive Income and Expenditure Statement within the Planning Services line. A summary of income and expenditure and the major balances held in the balance sheet is set out below.

	2013/14 £000s	2012/13 £000s
Income	(13,386)	(10,171)
Expenditure	13,467	9,489
(Surplus) / Deficit for the year	**81**	(682)
Non-Current Assets		
Debtors	4,019	-
	4,019	-
Current Assets		
Debtors	1,379	1,060
Cash and Cash Equivalents	10,111	12,727
	11,490	13,787
Current Liabilities		
Creditors	(5,346)	(3,550)
Income in Advance	(4)	(24)
Grants Received in Advance	(8,545)	(8,517)
Total Assets less Liabilities	**1,614**	1,696
Reserves		
Revenue Account Surpluses	**(1,614)**	(1,696)

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

2013/14	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement				
Charges for depreciation and impairment of non-current assets	26,394			(26,394)
Revaluation losses on property, plant & equipment	(596)			596
Movements in the fair value of investment properties	(47)			47
Amortisation of intangible assets	692			(692)
Capital grants and contributions	(22,242)			22,242
Revenue expenditure funded from capital under statute	7,710			(7,710)
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Comprehensive Income & Expenditure Statement	48,540			(48,540)
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment	(5,790)			5,790
Capital expenditure charged against the General Fund and HRA balances	(12,421)			12,421
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(21,588)		21,588	-
Application of grants to capital financing transferred to the Capital Adjustment Account	22,242		(22,242)	-
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the Comprehensive Income & Expenditure	(4,232)	4,232		-
Use of the Capital Receipts Reserve to finance new capital expenditure		(6,801)		6,801
Adjustments involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the (gain)/loss on disposal to the Comprehensive Income & Expenditure Statement	5			(5)
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(82)			82
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure	28,269			(28,269)
Employer's pensions contributions and direct payments to pensioners payable in th	(16,022)			16,022
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax and business rates income credited to the Comprehensive Income & Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(1,175)			1,175
Adjustments involving the Accumulated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(463)			463
Total Adjustments	**49,194**	**(2,569)**	**(654)**	**(45,971)**

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

2012/13 Comparative figures	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement				
Charges for depreciation and impairment of non-current assets	20,657			(20,657)
Revaluation losses on property, plant & equipment	72,977			(72,977)
Movements in the fair value of investment properties	(562)			562
Amortisation of intangible assets	611			(611)
Capital grants and contributions	(9,063)			9,063
Revenue expenditure funded from capital under statute	11,719			(11,719)
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Comprehensive Income & Expenditure Statement	11,925			(11,925)
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment	(6,993)			6,993
Capital expenditure charged against the General Fund and HRA balances	(7,253)			7,253
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(33,426)		33,426	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(30,183)	30,183
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the Comprehensive Income & Expenditure	(2,750)	2,750		-
Use of the Capital Receipts Reserve to finance new capital expenditure		(6,320)		6,320
Adjustments involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the (gain)/loss on disposal to the Comprehensive Income & Expenditure Statement	25			(25)
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(83)			83
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure	32,678			(32,678)
Employer’s pensions contributions and direct payments to pensioners payable in th	(15,371)			15,371
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	157			(157)
Adjustments involving the Accumulated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	8			(8)
Total Adjustments	**75,256**	**(3,570)**	**3,243**	**(74,929)**

Note 7: Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14. The purpose of each earmarked reserve is set out in Appendix A.

	Balance at 1 April 2012	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013	**Transfers Out 2013/14**	**Transfers In 2013/14**	**Balance at 31 March 2014**
	£000s	£000s	£000s	£000s	**£000s**	**£000s**	**£000s**
Capital Reserves							
Stockton Town Centre Regeneration	(15,916)	3,063	(3,866)	(16,719)	6,098	(825)	(11,446)
Approved Capital Schemes	(6,256)	2,307	(3,040)	(6,989)	3,692	(4,689)	(7,986)
Fleet Renewals Fund	(1,592)	86	(877)	(2,383)	454	(494)	(2,423)
Street Lighting Renewal	-	-	-	-	258	(14,000)	(13,742)
Strategic Investment Reserve	(1,319)	-	(2,191)	(3,510)	1,110	(1,387)	(3,787)
Total Capital Reserves	**(25,083)**	**5,456**	**(9,974)**	**(29,601)**	**11,612**	**(21,395)**	**(39,384)**
Earmarked Revenue Reserves							
Balances held by schools under a scheme of delegation	(7,973)	1,107	(1,207)	(8,073)	1,243	(1,311)	(8,141)
Insurance Fund	(20,133)	2,053	(5,284)	(23,364)	9,500	(2,863)	(16,727)
Managed Surpluses	(4,182)	-	(106)	(4,288)	213	(11)	(4,086)
Commuted Lump Sums	(2,351)	25	(49)	(2,375)	-	(78)	(2,453)
Litigation Reserve	(6,733)	-	-	(6,733)	3,700	-	(3,033)
ICT Infrastructure	(2,304)	569	(1,215)	(2,950)	845	(555)	(2,660)
Government Grants Income In Advance	(10,699)	2,216	(3,677)	(12,160)	3,454	(3,506)	(12,212)
Transformation & Implementation	(11,291)	487	(2,350)	(13,154)	1,374	(89)	(11,869)
Other Revenue Reserves	(10,894)	6,471	(4,656)	(9,079)	7,772	(12,638)	(13,945)
Total Revenue Reserves	**(76,560)**	**12,928**	**(18,544)**	**(82,176)**	**28,101**	**(21,051)**	**(75,126)**
Total Earmarked Reserves	**(101,643)**	**18,384**	**(28,518)**	**(111,777)**	**39,713**	**(42,446)**	**(114,510)**

Note 8: Amounts Reported for Resource Allocation Decisions

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

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

The income and expenditure of the Council's directorates recorded in the budget reports for the year is as follows:

Income and Expenditure 2013/14	**Children, Education & Social Care**	**Development & Neighbourhood**	**Resources & Corporate**	**Total**
	£000s	**£000s**	**£000s**	**£000s**
Fees, charges & other service income	(25,988)	(46,949)	(9,050)	(81,987)
Government grants	(132,742)	(74,516)	(913)	(208,171)
Total Income	**(158,730)**	**(121,465)**	**(9,963)**	**(290,158)**
Employee expenses	131,576	37,518	12,973	182,067
Other operating expenses	120,361	125,453	29,511	275,325
Support service recharges	1,242	5,483	920	7,645
Total Expenditure	**253,179**	**168,454**	**43,404**	**465,037**
Net Expenditure	**94,449**	**46,989**	**33,441**	**174,879**

Income and Expenditure 2012/13 Comparative Figures	**Children, Education & Social Care**	**Development & Neighbourhood**	**Resources & Corporate**	**Total**
	£000s	**£000s**	**£000s**	**£000s**
Fees, charges & other service income	(42,615)	(46,181)	(8,919)	(97,715)
Government grants	(153,760)	(92,553)	(2,541)	(248,854)
Total Income	(196,375)	(138,734)	(11,460)	(346,569)
Employee expenses	150,250	39,057	12,664	201,971
Other operating expenses	113,313	143,809	26,991	284,113
Support service recharges	8,105	2,793	658	11,556
Total Expenditure	271,668	185,659	40,313	497,640
Net Expenditure	75,293	46,925	28,853	151,071

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

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

	2013/14 £000s	2012/13 £000s
Net expenditure in the Directorate Analysis	174,879	151,071
Add amounts not reported to management	39	81,690
Cost of Services in Comprehensive Income and Expenditure Statement	**174,918**	232,761

Note 8: Amounts Reported for Resource Allocation Decisions

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the (Surplus) or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14	**Directorate Analysis**	**Services not in Analysis**	**Not reported to Management**	**Net Cost of Services**	**Corporate Amounts**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Fees, charges & other service income	(81,987)	(11,521)	10,791	**(82,717)**	(9,779)	**(92,496)**
Interest and investment income	-	-	-	**-**	(26,563)	**(26,563)**
Income from council tax	-	-	-	**-**	(103,294)	**(103,294)**
Government grants and contributions	(208,171)	(10,703)	144	**(218,730)**	(77,920)	**(296,650)**
Total Income	(290,158)	(22,224)	10,935	**(301,447)**	(217,556)	**(519,003)**
Employee expenses	182,067	7,634	(13,675)	**176,026**	13,212	**189,238**
Other service expenses	275,325	14,058	(41,151)	**248,232**	3,828	**252,060**
Support service recharges	7,645	532	9,737	**17,914**	(9,737)	**8,177**
Depreciation, amortisation and impairment	-	-	34,193	**34,193**	(238)	**33,955**
Interest Payments	-	-	-	**-**	38,825	**38,825**
Precepts & Levies	-	-	-	**-**	558	**558**
Payments to Housing Capital Receipts Pool	-	-	-	**-**	7	**7**
(Gain) or Loss on Disposal of Fixed Assets	-	-	-	**-**	44,500	**44,500**
Total Expenditure	465,037	22,224	(10,896)	**476,365**	90,955	**567,320**
(Surplus) or deficit on the provision of services	174,879	-	39	**174,918**	(126,601)	**48,317**

2012/13 Comparative figures (Restated for IAS 19)	**Directorate Analysis**	**Services not in Analysis**	**Not reported to Management**	**Net Cost of Services**	**Corporate Amounts**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Fees, charges & other service income	(97,715)	(10,880)	21,250	**(87,345)**	(19,656)	**(107,001)**
Interest and investment income	-			**-**	(25,261)	**(25,261)**
Income from council tax	-			**-**	(77,221)	**(77,221)**
Government grants and contributions	(248,854)	(15,951)	(9,559)	**(274,364)**	(106,632)	**(380,996)**
Total Income	(346,569)	(26,831)	11,691	**(361,709)**	(228,770)	**(590,479)**
Employee expenses	201,971	7,801	(6,187)	**203,585**	13,641	**217,226**
Other service expenses	284,113	18,520	(29,444)	**273,189**	2,602	**275,791**
Support Service recharges	11,556	510	(332)	**11,734**	332	**12,066**
Depreciation, amortisation and impairment	-		105,962	**105,962**	3	**105,965**
Interest Payments	-			**-**	37,457	**37,457**
Precepts & Levies	-			**-**	618	**618**
Payments to Housing Capital Receipts Pool	-			**-**	6	**6**
Gain or Loss on Disposal of Fixed Assets	-		-	**-**	9,174	**9,174**
Total Expenditure	497,640	26,831	69,999	**594,470**	63,833	**658,303**
(Surplus) or deficit on the provision of services	151,071	-	81,690	**232,761**	(164,937)	**67,824**

Note 9: Members' Allowances

Details of the amounts paid to each elected member of the Council are published annually. The total amount paid to members in respect of basic, special responsibility and travel and subsistence allowances was £765,206 (last year: £758,778). An analysis of the allowances paid is shown at Appendix B.

Note 10: Employee remuneration

The number of employees whose taxable remuneration, including benefits, redundancy and other severance payments, exceeded £50,000 is shown below, in bands of £5,000:

Remuneration Summary Salary Range	Number of Employees			
	2013/14	2012/13	**2013/14**	2012/13
	Council	*Council*	***Schools***	*Schools*
£50,001 - £55,000	24	19	26	46
£55,001 - £60,000	22	17	20	22
£60,001 - £65,000	8	8	21	29
£65,001 - £70,000	9	7	11	13
£70,001 - £75,000	-	-	6	5
£75,001 - £80,000	2	3	4	5
£80,001 - £85,000	6	7	2	2
£85,001 - £90,000	1	2	-	1
£90,001 - £95,000	8	7	-	1
£95,001 - £100,000	-	-	2	3
£105,001 - £110,000	1	-	-	-
£110,001 - £115,000	1	-	-	-
£120,001 - £125,000	-	-	1	-
£125,001 - £130,000	1	1	-	-
£150,001 - £155,000	1	-	-	-

In addition, a further enhanced disclosure is required for Senior Officers whose salary is £150,000 or more per year, the Chief Executive and his senior staff. This is shown in the following two tables.

The following table sets out the remuneration disclosures for Senior Officers whose salary is £150,000 or more per year:

Senior Officers' emoluments - Salary is £150,000 or more per year

Post holder information	**Salary (Including fees & Allowances)**	**Expense Allowances**	**Benefits in kind**	**Total Remuneration excluding pension contributions 2013/14**	**Pension contributions**	**Total Remuneration including pension contributions 2013/14**	Total Remuneration including pension contributions 2012/13
	£	**£**	**£**	**£**	**£**	**£**	**£**
Chief Executive							
Neil Schneider	165,191	120	35	**165,346**	26,805	**192,151**	192,054

Note 10: Employee remuneration

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year.

Senior Officers' emoluments - Salary is between £50,000 and £150,000 per year

Post holder information	**Salary (Including fees & Allowances)** £	**Expense Allowances** £	**Benefits in kind** £	**Total Remuneration excluding pension contributions 2013/14** £	**Pension contributions** £	**Total Remuneration including pension contributions 2013/14** £	Total Remuneration including pension contributions 2012/13 £
Corporate Director, Resources and Deputy Chief Executive	131,987	445	29	**132,461**	22,306	**154,767**	154,712
Corporate Director, Children, Education & Social Care	128,523	946	56	**129,525**	21,720	**151,245**	151,233
Corporate Director, Development & Neighbourhood Services	126,987	134	11	**127,132**	21,461	**148,593**	147,078
Director of Public Health	105,123	444	27	**105,594**	14,717	**120,311**	-
Director of Law and Democracy	94,254	-	-	**94,254**	15,929	**110,183**	110,183
	586,874	1,969	123	**588,966**	96,133	**685,099**	563,206

Note:

The Director of Public Health is a new post in 2013/14 following the transfer of Public Health responsibilities to the Council.

Note 11: Non Current Assets - Property, Plant & Equipment

Movements in 2013/14	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation							
At 1 April 2013	298,857	16,375	202,542	713	20,177	13,386	**552,050**
Additions	11,462	2,700	15,791	344	2,132	1,425	**33,854**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	6				161		**167**
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on provision of services	596						**596**
Derecognition - disposals	(50,332)	(1,401)			(5,360)		**(57,093)**
Reclassified to/from held for sale	(98)				(161)		**(259)**
Reclassified to/from Investment Property	(2,586)						**(2,586)**
Other reclassifications	13,385					(13,385)	**-**
At 31 March 2014	**271,290**	**17,674**	**218,333**	**1,057**	**16,949**	**1,426**	**526,729**
Accumulated Depreciation and Impairment							
At 1 April 2013	(81,888)	(8,917)	(64,871)	(713)	(16,382)	(1)	**(172,772)**
Depreciation Charge	(11,564)	(1,332)	(6,132)		(47)		**(19,075)**
Impairment losses/reversals recognised in the Revaluation Reserve							**-**
Impairment losses/reversals recognised in the (Surplus)/Deficit on provision of services	(3,576)	(578)		(344)	(2,819)		**(7,317)**
Derecognition - disposals	3,045	1,222			4,881		**9,148**
Reclassified to/from Investment Property							**-**
Reclassifications							**-**
At 31 March 2014	**(93,983)**	**(9,605)**	**(71,003)**	**(1,057)**	**(14,367)**	**(1)**	**(190,016)**
Net Book Value							
At 31 March 2014	**177,307**	**8,069**	**147,330**	**-**	**2,582**	**1,425**	**336,713**
At 31 March 2013	**216,969**	**7,458**	**137,671**	**-**	**3,795**	**13,385**	**379,278**

Note 11: Non Current Assets - Property, Plant & Equipment

Movements in 2012/13 (Prior Year Comparitors)	**Other Land & Buildings**	**Vehicles, Plant & Equipment**	**Infrastructure Assets**	**Community Assets**	**Surplus Assets**	**PP&E Under Construction**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Cost or Valuation							
At 1 April 2012	382,394	16,164	189,866	713	18,214	6,820	**614,171**
Additions	9,755	942	12,676		3,349	13,385	**40,107**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(13,386)				(77)		**(13,463)**
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on provision of services	(73,963)				985		**(72,978)**
Derecognition - disposals	(12,028)	(731)			(209)		**(12,968)**
Reclassified to/from held for sale	(59)				(2,235)		**(2,294)**
Reclassified to/from Investment Property	(525)						**(525)**
Other reclassifications	6,669				150	(6,819)	**-**
At 31 March 2013	**298,857**	**16,375**	**202,542**	**713**	**20,177**	**13,386**	**552,050**
Accumulated Depreciation and Impairment							
At 1 April 2012	(74,032)	(8,129)	(59,129)	(713)	(13,847)	(107)	**(155,957)**
Depreciation Charge	(6,012)	(1,341)	(5,742)		(45)		**(13,140)**
Impairment losses/reversals recognised in the Revaluation Reserve	(88)						**(88)**
Impairment losses/reversals recognised in the (Surplus)/Deficit on provision of services	(2,260)				(2,510)		**(4,770)**
Reclassified to/from Investment Property	597	553					**1,150**
Derecognition - disposals	33						**33**
Reclassifications	(126)				20	106	**-**
At 31 March 2013	**(81,888)**	**(8,917)**	**(64,871)**	**(713)**	**(16,382)**	**(1)**	**(172,772)**
Net Book Value							
At 31 March 2013	**216,969**	**7,458**	**137,671**	**-**	**3,795**	**13,385**	**379,278**
At 1 April 2012	**308,362**	**8,035**	**130,737**	**-**	**4,367**	**6,713**	**458,214**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:
Other Land and Buildings - 30 to 90 years
Vehicles, Plant, Furniture & Equipment - 5 to 15 years
Infrastructure - 10 to 40 years

Note 11: Non Current Assets - Property, Plant & Equipment

Capital Commitments

At 31 March 2014, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years budgeted to cost £18.6m

The major commitments are:
Housing Regeneration - Victoria Site - £2.2m
New Library and Customer Contact Centre in Billingham Town Centre - £2m
Stockton Town Centre Improvement Scheme - £8.4m
Construction of the Northshore Innovation Centre - £6m

Assets Under Construction

The movement within Assets Under Construction relates to North Shore Health Academy being transferred to an operational assset and some smaller schemes being added to Assets Under Construction.

Revaluations

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. 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. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Under the Council's accounting policies assets of a specialist nature, such as schools and libraries, are valued using depreciated replacement cost (DRC) as an estimate of fair value. In using DRC, the valuer had regard to Guidance Note 6 of RICS Valuation Standards, RICS Valuation Information Paper 10 "Depreciated Replacement Cost Method of Valuation for Financial Reporting", and the CIPFA Property Valuation Handbook (October 2012).

Guidance Note 6 of RICS Valuation Standards (8th Edition 2012) provides the following definition of DRC: "The current cost of replacing an asset with its modern equivalent asset (MEA) less deductions for physical deterioration and all relevant forms of obsolescence and optimisation". The MEA principle has been used in arriving at the valuation of schools; this included an inspection of the assets and discussion with the relevant Service. The valuer also made use of guidance contained in the Department for Education bulletins:

• Building Bulletin 98: Briefing Framework Secondary School Projects; and
• Building Bulletin 99: Briefing Framework Primary School Projects

	Operational Assets			
	Other Land & Buildings	**Vehicles, Plant & Equipment**	**Surplus Assets**	**Total**
	£000s	**£000s**	**£000s**	**£000s**
Valued at Historical Cost	197,213	8,069	1,782	207,064
Valued at fair value as at:				
Current Year	(39,662)	-	(1,213)	(40,875)
2012/2013	(13,473)	-	122	(13,351)
2011/2012	2,405	-	8	2,413
2010/2011	1,816	-	(5)	1,811
2009/2010	29,008	-	1,888	30,896
Total	**177,307**	**8,069**	**2,582**	**187,958**

Note 12: Non Current Assets - Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement:

	2013/14 £000s	2012/13 £000s
Rental income from investment property	191	186
Direct operating expenses arising from investment property	(61)	(68)
Net gain/(loss)	**130**	118

There are no restrictions on the Council's ability to realise the value inherent in its investment property 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.

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

	2013/14 £000s	2012/13 £000s
Balance at the start of the year	3,920	2,619
Disposals	-	(70)
Net gains/(losses) from fair value adjustments	238	879
Transfer to/from Property, Plant & Equipment	2,586	492
Balance at the end of the year	**6,744**	3,920

Note 13: Non Current Assets - Intangible Assets

	Software Licences 2013/14 £000s	Software Licences 2012/13 £000s
Balance at the start of the year:		
Gross carrying amounts	3,071	3,057
Accumulated amortisation	(1,318)	(707)
Net carrying amount at start of year	1,753	2,350
Additions:		
Purchases	105	14
Impairment losses	(68)	-
Amortisation for the period	(624)	(611)
Net carrying amount at the end of the year	**1,166**	1,753
Comprising:		
Gross carrying amounts	3,176	3,071
Accumulated amortisation	(2,010)	(1,318)
	1,166	1,753

Note 14: Non Current Assets - Heritage Assets

2013/14	Fine Art	Ceramics, Glass, Silverware & Decorative Art	Weapons & Militeria	Transport	Archaeological	Civic Regalia	Town Centre Art	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation								
At 1 April 2013	2,529	600	1,600	183	1,000	141	-	**6,053**
Additions	-	-	-	-	-	-	87	**87**
At 31 March 2014	**2,529**	**600**	**1,600**	**183**	**1,000**	**141**	**87**	**6,140**

2012/13	Fine Art	Ceramics, Glass, Silverware & Decorative Art	Weapons & Militeria	Transport	Archaeological	Civic Regalia	Town Centre Art	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation								
At 1 April 2012	2,529	600	1,600	183	1,000	135	-	**6,047**
Revaluations	-	-	-	-	-	6	-	**6**
At 31 March 2013	**2,529**	**600**	**1,600**	**183**	**1,000**	**141**	**-**	**6,053**

Depreciation

No depreciation is charged on heritage assets as they are considered to have indefinite lives.

Fine Art

Fine art (over 500 items) consists of a wide range of artists, including 'The Dice Players' - a mid seventeenth century Old Master oil painting by Georges de la Tour. Also of note are a JMW Turner watercolour 'The Mustering of the Warrior Angels', and a number of watercolours by such artists as Fulleylove and Gibson. Further research into the collection is ongoing into the attribution of both an Angelica Kauffman and an Edwin Landseer. Modern art is reflected by, amongst others, a set of OpArt visuals by Bridget Riley.

Ceramics, Glass, Silverware & Decorative Art

Decorative Art from the 18th, 19th and 20th Centuries includes the Ions Collection of decorative porcelain and glass from major factories such as Meissen, Wedgewood and Worcester. A fine collection of Parian ware is also contained within the core collection. Glass is reflected in items of both Newcastle and London glass, whilst 20th Century glass can be found in pressed and carnival ware. The collection also contains a wide selection of commemorative and symbolic silver - from military centrepieces through to religious items. Objet de Vertu have been amassed largely from the Spence Bequest, and include intricate and detailed snuff boxes, powder flasks, nutmeg graters and tobacco rasps.

Weapons & Militaria

One of the collection's strongest aspects, the majority of weaponry was donated as part of the Spence Bequest - this includes swords, tsuba, polearms, firearms, armour and medals from the 16th to 19th centuries. The collection of military medals consists of around 300 items, with a number of local significance.

Note 14: Non Current Assets - Heritage Assets

Transport

Transport covers a collection of road vehicles, including horse drawn vehicles mostly from the Victorian period. Of particular note is a rare hand carved hearse wagon with covered sides. 20th Century items include invalid cars, scooters, motor bikes and a fire engine - the latter which is complimented by a collection of extinguishers and related fire fighting equipment. There is also a collection of bicycles, including a rare 'giraffe' bike, and a collection of objects relating to Jack Taylor, a nationally famous cyclist and cycle maker from Stockton. The collection also contains a range of traditional handcarts, all dating between the Victorian era and the Second World War and are relevant to local trades and businesses.

Archaeological

The small collection of archaeological material held by the museum service includes stones from Stockton Castle - demolished after the English Civil War - and a Roman bathhouse from Ingleby Barwick. A variety of material including Iron Age, Roman and Viking items sit alongside a number of archaeological items from the Spence Bequest.

Civic Regalia

The Borough Mace was presented to the town by the Marquis of Londonderry, in commemoration of the Coronation of Her Majesty Queen Elizabeth II. It is wrought in silver-gilt on an ebony shaft and is 4 ft 6in long. There is also a miniature mace made of stainless steel and presented by the Managing Director of the Teesside Division of British Steel in celebration of the Queen's Silver Jubilee.

Town Centre Art

As part of the redevelopment of Stockon Town Centre a number of pieces of public art have been commissioned or purchased during the year. The additions in year consist of artwork at Castlegate and St John's Crossing as well as an Instant Light feature.

Additions

There were additions during the year of public art relating to Stockton Town Centre redevelopment.

Disposals

There were no disposals during the year.

Revaluations

There were no revaluations during the year.

Note 15: Debtors

	31 March 2014	31 March 2013
	£000s	£000s
Government departments	8,452	5,395
Other local authorities	5,621	8,624
Local taxation	1,591	648
Housing benefit overpayments	2,750	2,254
Sundry debtors	8,252	8,327
Payments in advance	4,190	5,378
Car loans to employees	45	66
	30,901	30,692

Note 16: Cash and Cash Equivalents

	31 March 2014	31 March 2013
	£000s	£000s
Bank and Imprests	104	111
Cash Equivalents	56,565	60,635
Bank Overdraft	(585)	(2,077)
	56,084	58,669

Note 17: Short Term Creditors

	31 March 2014	31 March 2013
	£000s	£000s
Government departments	(10,854)	(6,437)
Other local authorities	(5,342)	(6,001)
Local taxation	(1,649)	(951)
Sundry creditors	(19,023)	(25,067)
Employee benefits	(2,530)	(2,993)
Income in advance	(7,844)	(10,130)
	(47,242)	(51,579)

	31 March 2014	31 March 2013
	£000s	£000s
Sundry creditors include:		
Invoiced (Trade) Creditors	(5,351)	(3,650)
Capital accruals	(3,788)	(7,855)
Capital retentions	(93)	(215)
Revenue accruals	(9,791)	(13,347)
	(19,023)	(25,067)

Note 18: Other Long Term Liabilities

	31 March 2014	31 March 2013
	£000s	£000s
Finance lease liability	(1,137)	(1,812)
PFI liability	(7,137)	(7,165)
Net pensions liability	(165,920)	(204,583)
	(174,194)	(213,560)

Note 19: Assets Held for Sale (Less than one year)

	31 March 2014 £000s	31 March 2013 £000s
Balance outstanding at start of year	2,943	510
Assets newly classified as held for sale:		
Property, plant and equipment	259	2,294
Revaluation losses	(45)	(1)
Assets sold	(595)	(192)
Other movements	-	332
Balance outstanding at year-end	**2,562**	2,943

Note 20: Movement on Unusable Reserves

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

	2013/14		2012/13
	£000s	**£000s**	£000s
Balance at 1 April		(62,888)	(76,494)
Upward revaluation of assets	(275)		(9,829)
Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the provision of services	-		22,711
Surplus or deficit on revaluation of non-current assets not posted to the (surplus)/deficit on the provision of services		(275)	12,882
Difference between fair value depreciation and historical cost depreciation	3,022		629
Accumulated gains on assets sold or scrapped	7,471		
Adjustment with Capital Adjustment Account for previous impairment	-		95
Amount written off to the Capital Adjustment Account		10,493	724
Balance at 31 March		**(52,670)**	(62,888)

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

	2013/14		2012/13
	£000s	**£000s**	£000s
Balance at 1 April		(639)	(377)
Upward revaluation of investments	-		(262)
Downward revaluation of investments not charged to the (Surplus)/Deficit on the Provision of Services	262		-
		262	
Balance at 31 March		**(377)**	(639)

Note 20: Movement on Unusable Reserves

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 or 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 the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2013/14		2012/13
	£000s	**£000s**	£000s
Balance at 1 April		(203,317)	(260,106)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
• Charges for depreciation and impairment of non-current assets	23,372		20,028
• Revaluation losses on property, plant and equipment	(596)		72,977
• Revaluation losses on AHFS & Investment Properties	(47)		(562)
• Amortisation of intangible assets	692		611
• Revenue expenditure funded from capital under statute	7,710		11,719
• 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 Statement	41,068		11,925
Net written out amount of the cost of non-current assets consumed in the year		72,199	116,698
Capital financing applied in the year:			
• Use of the Capital Receipts Reserve to finance new capital expenditure	(6,801)		(6,320)
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(15,988)		(9,063)
• Application of grants to capital financing from the Capital Grants Unapplied Account	(6,254)		(30,183)
• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(5,790)		(6,215)
• Capital expenditure charged against the General Fund and HRA balances	(12,421)		(7,253)
		(47,254)	(59,034)
Other adjustments		-	(875)
Balance at 31 March		**(178,372)**	(203,317)

Note 20: Movement on Unusable Reserves

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the account at 31 March 2014 will be charged to the General Fund over the next 43 years.

	2013/14		2012/13
	£000s	**£000s**	£000s
Balance at 1 April		1,042	1,126
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(82)		(84)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(82)	(84)
Balance at 31 March		**960**	1,042

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 Comprehensive Income and Expenditure Statement 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 pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2013/14	2012/13
	£000s	£000s (As Restated)
Balance at 1 April	**204,583**	224,292
Remeasurements of the net defined benefit liability	(50,910)	(37,016)
Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	28,269	32,678
Employer’s pensions contributions and direct payments to pensioners payable in the year	(16,022)	(15,371)
Balance at 31 March	**165,920**	204,583

Note 20: Movement on Unusable Reserves

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2013/14 £000s	2012/13 £000s
Balance at 1 April	(173)	(195)
Transfer to the Capital Receipts Reserve upon receipt of cash	6	22
Balance at 31 March	**(167)**	(173)

Collection Fund Adjustment Account

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

	2013/14 £000s	2012/13 £000s
Balance at 1 April	(2,415)	(2,572)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,510)	157
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	335	-
Balance at 31 March	**(3,590)**	(2,415)

Note 20: Movement on Unusable Reserves

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

	2013/14		2012/13
	£000s	**£000s**	£000s
Balance at 1 April		2,994	2,986
Settlement or cancellation of accrual made at the end of the preceding year	(2,994)		(2,986)
Amounts accrued at the end of the current year	2,530		2,994
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(464)	8
Balance at 31 March		**2,530**	2,994

Note 21: Related Party Transactions

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 to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the 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 (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 8 on reporting for resources allocation decisions.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 9. During 2013/14, services to the value of £12,800 (last year: £54,950) were commissioned from a company in which two members have a controlling interest. Contracts were entered into in full compliance with the Council's standing orders.

Officers

The Corporate Director of Resources, the Head of Finance, Performance & Procurement and a Councillor were Directors in a company, Ingleby Barwick Community Campus Payment Trustee Limited. The company collected funding and made payments to the contractor under the PFI scheme. Following the awarding of academy status to All Saints School, the payment arrangements were changed and the Council applied to Companies House to dissolve the company. The company made payments amounting to £0.4million to the contractor during 2013/14 (last year: £2.6m).

Entities Controlled or Significantly Influenced by the Council

Ingleby Barwick Community Campus Payment Trustee Limited was a fully controlled subsidiary that supports the Ingleby Barwick School PFI scheme. The body consolidated funding from a variety of sources including the Council, the Department for Communities and Local Government, Department for Education and the Dioceses, and made payment to the contractor, the Robertson's Group. The relevant transactions are considered in the paragraph above. The company was dissolved on 26th November 2013.

A number of elected members sit on the management committees or boards of local organisations. During 2013/14 the Council paid grants of £1.3million to bodies that included the Tees Music Alliance, Tees Valley Arts, Catalyst Stockton-on-Tees, Stockton Shopmobility, Eastern Ravens Trust, Stockton & District Advice and Information Service, Stockton Arts Centre and Know-How North East.

Note 22: External Audit Costs

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

	2013/14 £000s	2012/13 £000s
Fees payable to Mazars LLP with regard to external audit services	179	168
Fees payable to Mazars LLP for the certification of grant claims	16	32
Fees payable in respect of other services provided by Mazars LLP during the year	-	-
	195	200
Refund by the Audit Commission in respect of 2012/13 fee		(22)

Note 23: Dedicated Schools Grant

	Central Expenditure £000s	**Individual Schools Budget £000s**	**Total £000s**
Final Dedicated Schools Grant for 2013/14 before academy recoupment			143,071
Academy figure recouped for 2013/14			23,281
Total DSG after Academy recoupment for 2013/14			119,790
Brought forward from 2012/13			(149)
Carry-forward to 2013/14 agreed in advance			-
Agreed initial budgeted distribution in 2013/14	11,716	107,925	119,641
In year adjustments	-	-	-
Final budgeted distribution for 2013/14	11,716	107,925	119,641
Less Actual central expenditure	10,278		
Less Actual ISB deployed to schools		107,925	
Plus Local authority contribution for 2013/14	-	-	-
Carry-forward to 2014/15	**1,438**	**-**	**1,438**

Note 24: Private Finance Initiative and Similar Contracts

The Council entered into an agreement with Robertson Group to build a secondary school, primary school, nursery unit and a community library at Ingleby Barwick under the Private Finance Initiative. Ingleby Barwick Community Campus opened in September 2003 and payments to the contractor started from that date for a period of 25 years. The contractor took on the obligation to construct the buildings and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate them.

The contractor is required to provide the following:

Lifecycle Maintenance i.e. Capital repairs such as replacement boilers, glazing and roofing.
Substantial items of furniture and equipment
Security, health & safety
Cleaning & Waste management
Ongoing Repairs & maintenance
Grounds maintenance
Utilities Management
Insurance for the premises and contractor staff
Caretaking
An ICT and telecommunications network
Catering

The secondary school, All Saints, attained Academy status during the year. The buildings have therefore been written out of the Council's books, however the PFI liability remains with the Council and the contractual minimum lease payments are as stated below.

Assets Held under PFI Schemes	**2013/14 £000s**	2012/13 £000s
Cost or Valuation at 1 April	10,109	10,348
Additions	-	130
Revaluation	-	(369)
Disposal	(8,077)	-
Cost or Valuation at 31 March	**2,032**	10,109
Depreciation & Impairments at 1 April	-	(226)
Charge for the year:		
Depreciation	(253)	(113)
Impairments	-	(130)
Total Charge for year	(253)	(243)
Revaluation	-	469
Disposal	165	-
Depreciation & Impairments at 31 March	**(88)**	-
Balance sheet amount at 1 April	**10,109**	10,122
Balance sheet amount as at 31 March	**1,944**	10,109

Payments

The Council makes a contractual payment which is increased each year by an agreed inflation formula and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.

Note 24: Private Finance Initiative and Similar Contracts

Payments remaining to be made under the PFI contract at 31 March 2014 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Future Payments	**Payment for Services**	**Reimbursement of Capital Expenditure**	**Interest**	**Total**
Payment due:	**£000s**	**£000s**	**£000s**	**£000s**
In 2014/2015	533	273	601	1,407
Within two to five years	2,295	1,199	2,135	5,629
Within six to ten years	2,720	2,361	1,956	7,037
Within eleven to fifteen years	2,105	3,304	807	6,216
	7,653	**7,137**	**5,499**	**20,289**

Movement on PFI Liability	**2013/14**	2012/13
	£000s	£000s
Balance outstanding at start of year	(7,165)	(7,491)
Payments during the year	28	326
Balance outstanding at year-end	**(7,137)**	(7,165)

Note 25: Operating Leases

Council as lessee

Operating leases are used as a means of replacing vehicles and equipment that are relatively low cost and are not considered to be finance leases.

Future minimum lease payments due	**2013/14 £000s**	2012/13 £000s
Not later than one year	480	256
Later than one year & not later than five years	781	297
Later than five years	75	2
	1,336	555

Council as lessor

The Council acts as a lessor and has granted a number of long-term leases to commercial operations for land and property, accounting for them as operating leases.

Future minimum lease payments receivable	**2013/14 £000s**	2012/13 £000s
Not later than one year	867	734
Later than one year & not later than five years	1,505	1,459
Later than five years	28,045	28,138
	30,417	30,331

Note 26: Finance Leases

Council as lessee

Leases for vehicles, equipment or computer software that are for the majority of the assets' useful life or which have a value in excess of the de-minimis level for non-current assets are classified as finance leases. These assets are placed on the Council's asset register and are depreciated and impaired in the same manner as if the Council owned the asset.

	2013/14 £000s	2012/13 £000s
Value of Assets held under Finance Leases		
Vehicles, plant & equipment	2,089	2,781
Intangibles	30	-
Total	**2,119**	2,781

	2013/14 £000s	2012/13 £000s
Future minimum lease payments due		
Current	647	653
Non-current	491	1,159
Finance costs payable in the future	261	477
Total minimum lease payments	**1,399**	2,289

	Minimum Lease payments		**Finance Lease liabilities**	
	2013/14 £000s	2012/13 £000s	**2013/14 £000s**	2012/13 £000s
Payable:				
No later than one year	801	875	647	653
Later than one year & not later than five years	598	1,388	490	1,138
Later than five years	-	26	-	21
Total	**1,399**	2,289	**1,137**	1,812

Note 27: Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), 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.

	31 March 2014 £000s	31 March 2013 £000s
Opening Capital Financing Requirement	**127,938**	133,615
Capital investment		
Property, plant and equipment	33,834	41,901
Intangible assets	105	162
Revenue expenditure funded from capital under statute	7,710	11,719
Sources of Finance		
Capital receipts	(6,795)	(5,927)
Government grants and other contributions	(22,242)	(39,246)
Sums set aside from revenue:		
Direct revenue contributions	(12,421)	(7,646)
Minimum Revenue Provision (MRP)	(5,790)	(6,640)
Closing Capital Financing Requirement	**122,339**	127,938
Explanation of movements in year		
Reduction in underlying need to borrow	(5,784)	(5,778)
Assets acquired under finance leases	185	101
Increase/(decrease) in Capital Financing Requirement	**(5,599)**	(5,677)

Note 28: Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

	2013/14 £000s	2012/13 £000s
Credited to Taxation and Non Specific Grant Income		
RSG	52,092	1,370
Local Authority Central Spend Equivalent Grant	693	348
Social Fund	3,925	-
New Homes Bonus	2,549	1,321
NNDR s31 Grant	523	-
DCSF Capital Grants	8,512	16,942
Housing Market Renewal	344	1,612
Heritage Lottery Fund	-	837
Transport Supplementary Grant	3,097	2,787
DFT Regional Funding	5,219	7,481
ERDF	-	334
Other Capital Contributions	959	2,939
Total	**77,913**	35,971
Credited to Services		
Public Health	11,679	-
Housing Benefit and Council Tax Benefit Administration	1,858	1,729
Learning Skills Council	4,116	6,156
Rent Rebates	312	482
Council Tax Benefit Subsidy	-	17,800
Rent Allowance Subsidy	68,535	67,464
Education Services Grant	3,003	
Sure Start/Early Intervention Grant	-	9,784
Regional Growth Fund	10,000	-
Pupil Premium	6,295	4,579
Adoption Reform Grant	311	-
Department of Health Grants	185	1,432
Asylum Seekers	-	2
Other Home Office Grants	-	1,157
Other Grants	5,199	10,935
Total	**111,493**	121,520

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year end are as follows:

Capital and Revenue Grants Receipts in Advance

	31 March 2014 £000s	31 March 2013 £000s
Standards Fund	-	1,936
Growth Point	699	11
Devolved Formula Capital	-	691
Short Breaks	-	137
Offenders' Learning and Skills Service	82	-
Foundation Learning	166	-
Total	**947**	2,775

Note 29: Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	31 March 2014 £000s	31 March 2013 £000s (As Restated)	**31 March 2014 £000s**	31 March 2013 £000s (As Restated)
Investments				
Loans and receivables (principal)	-	-	97,500	103,418
Accrued interest	-	-	213	670
Loans and receivables at amortised cost	**-**	-	**97,713**	104,088
Available-for-sale financial assets	377	639	-	-
Total investments	**377**	639	**97,713**	104,088
Debtors				
Loans and receivables	4,469	320		
Financial assets carried at contract amounts			20,947	20,663
Total debtors	**4,469**	320	**20,947**	20,663
Borrowings				
Financial liabilities (principal)	(48,045)	(56,213)	(8,192)	(29)
Accrued interest	(471)	(792)	(216)	-
Financial liabilities at amortised cost	**(48,516)**	(57,005)	**(8,408)**	(29)
Total borrowings	**(48,516)**	(57,005)	**(8,408)**	(29)
Other Long Term Liabilities				
PFI and finance lease liabilities	(8,274)	(8,977)		
Total other long term liabilities	**(8,274)**	(8,977)		
Creditors				
Financial liabilities carried at contract amount	(209)	(205)	(32,471)	(34,203)
Total creditors	**(209)**	(205)	**(32,471)**	(34,203)

Note 29: Financial Instruments

Income, Expense, Gains and Losses

	2013/14				2012/13			
	Financial Liabilities measured at amortised cost	**Financial Assets: Loans and receivables**	**Financial Assets: Available for sale**	**Total**	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total
	£000s	**£000s**	**£000s**	**£000s**	£000s	£000s	£000s	£000s
Interest expense	(4,646)	-	-	**(4,646)**	(4,215)			(4,215)
Fee expense	-	-	-	**-**	(3)			(3)
Total expense in Surplus or Deficit on the Provision of Services	**(4,646)**	**-**	**-**	**(4,646)**	(4,218)	-	-	(4,218)
Interest income	-	1,038	-	**1,038**		1,881		1,881
Fee income	-	446	-	**446**		186		186
Total income in Surplus or Deficit on the Provision of Services	**-**	**1,484**	**-**	**1,484**	-	2,067	-	2,067
Gains on revaluation	-	-	-	**-**			262	262
Losses on revaluation	-	-	(262)	**(262)**				-
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**(262)**	**(262)**	-	-	262	262
Net gain/(loss) for the year	**(4,646)**	**1,484**	**(262)**	**(3,424)**	(4,218)	2,067	262	(1,889)

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2014 of 1.46% to 4.51% for loans from the PWLB and 4.29% to 4.73% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Note 29: Financial Instruments

The fair values calculated are as follows:

Financial liabilities	**31 March 2014**		31 March 2013	
	Carrying Amount £000s	**Fair Value £000s**	Carrying Amount £000s	Fair Value £000s
PWLB debt	(5,260)	(6,539)	(5,371)	(7,013)
Non-PWLB debt	(51,664)	(57,376)	(51,634)	(61,284)
Trade creditors	(5,352)	(5,352)	(3,650)	(3,650)
Finance lease liability	(1,138)	(1,138)	(1,812)	(1,812)
Long term creditors	(209)	(209)	(206)	(206)
Total Financial liabilities	**(63,623)**	**(70,614)**	(62,673)	(73,965)

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates for similar loans in the market at the balance sheet date.

Loans and receivables	**31 March 2014**		31 March 2013	
	Carrying Amount £000s	**Fair Value £000s**	Carrying Amount £000s (As Restated)	Fair Value £000s (As Restated)
Money Market Loans < 1 year	41,148	41,148	43,453	43,453
Other Loans >1 year	4,469	4,469	320	320
Cash on Deposit	56,565	56,565	60,635	60,635
Total Loans and receivables	**102,182**	**102,182**	104,408	104,408

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument. The exceptions to this treatment are short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 30: Pensions Schemes Accounted for as Defined Contribution Schemes

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

Former NHS staff who transferred to the Council as part of the transfer of Public Health responsibilities are members of the NHS Pension Scheme that is administered by NHS Pensions on behalf of the Department of Health (DoH). The scheme provides employees with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

Both schemes are technically a defined benefit scheme. However, the schemes are unfunded and notional funds are used as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the schemes with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, they are therefore accounted for on the same basis as defined contribution schemes.

Contributions to the schemes by the Council and contribution rate as a percentage of total pay are shown in the table below:

Scheme	Contributions 2013/14		Contributions 2012/13	
	£000s	**%**	**£000s**	**%**
Teachers' Pension Scheme	6,830	14.1	8,143	14.1
NHS Pension Scheme	57	14.0	-	-

There were no contributions remaining payable at the year end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 31.

Note 31: Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, 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 needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in The Local Government Pension Scheme, administered locally by Middlesbrough Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. 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:

	Local Government Pension Scheme		**Discretionary Benefits Arrangements**	
	2013/14 £000s	2012/13 £000s	**2013/14 £000s**	2012/13 £000s
Comprehensive Income and Expenditure Statement		(As Restated)		(As Restated)
Cost of Services:				
• Current service cost	18,347	22,307	-	-
• Past service cost	1,268	512	-	-
• (Gain)/loss from settlements	-	-	-	-
Financing and Investment Income and Expenditure				
Net interest cost	7,550	8,687	1,104	1,172
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	**27,165**	31,506	**1,104**	1,172
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
• Return on plan assets (excluding the amount included in the net interest expense)	(4,654)	(53,507)	-	-
• Actuarial gains and losses arising on changes in financial assumptions	(15,800)	16,821	8	567
• Actuarial gains and losses arising on changes in demographic assumptions	31,812	-	2,870	-
• Actuarial gains and losses due to liability experience	(68,043)	(822)	2,897	(75)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(29,520)**	(6,002)	**6,879**	1,664
Movement in Reserves Statement				
• Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(27,165)	(31,506)	(1,104)	(1,172)
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to scheme	**13,973**	13,317		
• Retirement benefits payable to pensioners			**2,049**	2,054

Note 31: Defined Benefit Pension Schemes

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2013/14 £000s	2012/13 £000s (As Restated)	**2013/14 £000s**	2012/13 £000s (As Restated)
Present value of defined benefit obligation	(741,796)	(761,704)	(30,926)	(26,096)
Fair value of plan assets	606,802	583,217	-	-
Net liability recognised in the Balance Sheet	**(134,994)**	(178,487)	**(30,926)**	(26,096)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	2013/14 £000s	2012/13 £000s (As Restated)
Opening fair value of scheme assets	583,217	510,166
Interest income	25,525	23,380
Remeasurement gains and (losses)	4,654	53,507
Contributions from the employer	13,973	13,317
Contributions from employees into the scheme	5,089	5,297
Benefits paid	(25,656)	(22,450)
Closing balance at 31 March	**606,802**	583,217

Reconciliation Of Present Value Of The Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2013/14 £000s	2012/13 £000s (As Restated)	**2013/14 £000s**	2012/13 £000s (As Restated)
Opening balance at 1 April	(761,704)	(707,972)	(26,096)	(26,486)
Current service cost	(18,347)	(22,307)	-	-
Interest cost	(33,075)	(32,067)	(1,104)	(1,172)
Contributions by scheme participants	(5,089)	(5,297)	-	-
Actuarial gains and losses - financial assumptions	15,800	(16,821)	(8)	(567)
Actuarial gains and losses - demographic assumptions	(31,812)	-	(2,870)	-
Actuarial gains and losses - liability experience	68,043	822	(2,897)	75
Benefits paid	25,656	22,450	2,049	2,054
Past service cost	(1,268)	(512)	-	-
Closing balance at 31 March	**(741,796)**	(761,704)	**(30,926)**	(26,096)

Note 31: Defined Benefit Pension Schemes

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets			
	2013/14		2012/13	
	£000s	**%**	£000s	%
Equity investments (Quoted)	491,509	81.0	451,410	77.4
Property (Quoted)	31,554	5.2	30,911	5.3
Government Bonds	11,529	1.9	41,992	7.2
Corporate Bonds	27,913	4.6	11,664	2.0
Cash	31,554	5.2	30,327	5.2
Other Investments	12,743	2.1	16,913	2.9
	606,802	**100.0**	583,217	100.0

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by AON Hewitt, an independent firm of actuaries; estimates for the Teesside Pension Fund being based on the latest full valuation of the scheme as at 1 April 2013.

The principal assumptions used by the actuary have been:

	2013/14	2012/13
Long term expected rate of return on assets in the scheme:		
Equity investments	7.6%	7.8%
Government Bonds	3.4%	2.8%
Corporate Bonds	4.0%	3.8%
Property	6.9%	7.3%
Cash	0.9%	0.9%
Other	7.6%	7.8%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.9	19.2
Women	25.4	23.2
Longevity at 65 for future pensioners:		
Men	25.1	21.1
Women	27.7	25.1
Other assumptions:		
Rate of inflation (RPI)	3.4%	3.4%
Rate of inflation (CPI)	2.4%	2.5%
Rate of increase in salaries	3.9%	4.4%
Rate of increase in pensions	2.4%	2.5%
Rate for discounting scheme liabilities	4.3%	4.4%
Take-up of option to convert annual pension into retirement lump sum	80.0%	50.0%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, I.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Note 31: Defined Benefit Pension Schemes

Impact on the Defined Benefit Obligation in the Scheme

	Increase in Assumption £000s	Decrease in Assumption £000s
Longevity (increase or decrease in 1 year)	725,994	757,513
Rate of increase in salaries (increase or decrease by 0.1%)	744,968	738,655
Rate of increase in pensions in payment (increase or decrease by 0.1%)	752,647	731,196
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(13,885)	14,150

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 11 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates to pay £12.235m contributions to the scheme in 2014/2015.

The weighted average duration of the defined benefit obligation for scheme members is 18 years (Last year 18 years)

Note 32: Termination Benefits

The Council terminated the contracts of a number of employees in 2013/14, incurring liabilities of £4.08m (£1.18m in 2012/13). The amounts have been payable to officers from across the Council reflecting the end of specific grant funding and the rationalisation of services as part of the Council's programme of service reviews.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

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**	
	2013/14	2012/13	**2013/14**	2012/13	**2013/14**	2012/13	**2013/14 £000s**	2012/13 £000s
£1 to £20,000	19	27	118	35	137	62	967	487
£20,001 to £40,000	5	2	28	10	33	12	889	346
£40,001 to £60,000	2	-	7	4	9	4	438	201
£60,001 to £80,000	-	-	4	1	4	1	284	62
£80,001 to £100,000	1	-	5	1	6	1	538	80
£100,001 to £150,000	-	-	1	-	1	-	115	-
£150,001 to £200,000	-	-	1	-	1	-	188	-
£200,001 to £250,000	-	-	3	-	3	-	656	-
Total	**27**	29	**167**	51	**194**	80	**4,075**	1,176

Note 33: Nature and Extent of Risks Arising from Financial Instruments

Key risks

The Council's activities expose it to a variety of financial risks; the key risks are:

- **credit risk** – the possibility that other parties might fail to pay amounts due to the Council
- **liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments
- **re-financing risk** – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- **market risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

Overall procedures for managing risks

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year and quarterly updates are provided to the Audit Committee.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 27/02/2013 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2013/14 was set at £160.2m. This is the maximum limit of external borrowings or other long term liabilities
- The Operational Boundary was expected to be £136.4m. This is the expected 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 100% based on the Council's net debt
- The maximum and minimum exposures to the maturity structure of debt are shown in the following table:

Note 33: Nature and Extent of Risks Arising from Financial Instruments

	Fitch	Moody's	Standard & Poors	Money Limit	Time Limit
Upper Limit Category (long term)	AA-	Aa3	AA-	£30m	1-3 years
Middle Limit Category (short term)	F2	P2	A-2	£15m	Up to & including 364 days
Lower Limit Category	Unrated Building Societies with assets in excess of £2 billion			£7m	Up to & including 364 days
Other Institution Limits:					
UK Government	-	-	-	Unlimited	Unlimited
Money Market Funds	-	-	-	Currently not used	Up to & including 364 days
Local Authorities	-	-	-	£10m	Up to & including 364 days

The Upper and Middle Limit categories will include banks and building societies. The Lower Limit Category will normally just be used for un-rated subsidiaries and un-rated building societies. The Other Institution Limit will be for other local authorities, the UK Debt Management Office, Money Market Funds. These are all considered high quality names - although not always rated.

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

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services.

The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. Details of the Investment Strategy can be found on the Council's website.

The Council's investment strategy primary objectives (in order) are:-

- safeguarding the re-payment of the principal and interest of its investments on time;
- ensuring adequate liquidity, and finally
- the investment return

The criteria for providing a pool of high quality investment counter-parties (both specified and non-specified investments) is:-

- **Banks 1 – Good Credit Quality** - the Council will only use banks which:

  Are UK banks: and/or
  Are non UK and domiciled in a country which has a minimum Sovereign long term rating of AA and have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):
  - Short Term – F2/P2/A-2
  - Long Term – AA-/Aa3/AA-

Note 33: Nature and Extent of Risks Arising from Financial Instruments

- **Banks 2 - Part nationalised UK banks** – Lloyds Bank and Royal Bank of Scotland. These banks can be included if they continue to be part nationalised or they meet the ratings criteria in Banks 1 above.
- **Banks 3 - The Council's own banker** for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time
- **Bank Subsidiary and Treasury Operations** - the Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- **Building Societies** - the Council will use all societies which;-

  (a) meet the ratings for banks outlined above, or

  (b) have assets in excess of £2 billion
- **Money Market Funds** - currently the Council does not use any money market funds. The position will be kept under review and if circumstances change a report will be prepared to consider their use
- **UK Government** (including the Debt Management Office) - unlimited
- **Local Authorities, Police & Fire Authorities** - limit £10m each

Country and sector considerations - Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part the country selection will be chosen by the credit rating of the Sovereign state in Banks 1 above. In addition:

- No more than £60m will be placed with any non UK country at any time,
- Limits in place above will apply to group companies,
- Sector limits will be monitored regularly for appropriateness.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council’s maximum exposure to credit risk in relation to its investments in banks and building societies of £17,000 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 irrecoverability applies to all of the Council’s deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

The following analysis summarises the Council’s potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

Note 33: Nature and Extent of Risks Arising from Financial Instruments

	Amount at 31 March 2014	**Historical experience of default**	**Adjustment for market conditions at 31 March 2014**	**Estimated maximum exposure to default at 31 March 2014**	Estimated maximum exposure to default at 31 March 2013
	£000s	%	%	**£000s**	£000s
AA rated counterparties	39,127	0.03%	0.03%	12	7
A rated counterparties	-	0.08%	0.08%	-	12
B rated counterparties	2,021	0.24%	0.24%	5	12
Customers (trade debtors)*	16,965	22.77%	22.77%	3,863	4,237
				3,880	4,268

** - Excluding statutory debtors - Council Tax/NNDR*

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for its customers, such that £7.49m of the £17m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2014	31 March 2013
	£000s	£000s
Less than three months	1,481	1,633
Three to six months	266	575
Six months to one year	2,434	1,001
More than one year	3,308	3,572
	7,489	6,781

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2014 was £1.22m (Last year: £0.88m)

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

	31 March 2014	31 March 2013
	£000s	£000s
Less than one year	41,148	43,453
	41,148	43,453

Note 33: Nature and Extent of Risks Arising from Financial Instruments

Refinancing and Maturity risk

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

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved Council in the Treasury Management Strategy, see above):

	Approved minimum limits	**Approved maximum limits**	**31 March 2014 £000s**	**31 March 2014 %**	31 March 2013 £000s	31 March 2013 %
Less than one year	0%	15%	(8,192)	14.6%	(29)	0.1%
Between one and two years	0%	15%	(190)	14.9%	(8,192)	14.6%
Between two and five years	0%	55%	(596)	16.0%	(630)	15.7%
Between five and ten years	0%	75%	(6,123)	26.9%	(6,279)	26.9%
More than ten years	0%	100%	(41,135)	100.0%	(41,135)	100.0%
			(56,236)		(56,265)	

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

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending upon how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the (Surplus) or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall (no impact on revenue balances)
- investments at variable rates – the interest income credited to the (Surplus) or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value on the balance sheet, 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. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the (Surplus) or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

Note 33: Nature and Extent of Risks Arising from Financial Instruments

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns; similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	140
Increase in interest receivable on variable rate investments	-
Impact on (Surplus) or Deficit on the Provision of Services	140
Decrease in fair value of fixed rate investments assets	**140**
Impact on Other Comprehensive Income and Expenditure	
Decrease in fair value of fixed rate borrowings liabilities (no impact on the (Surplus) or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(7,617)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note - Fair value of Assets and Liabilities carried at Amortised Cost.

Price Risk
The Council, excluding the pension fund, does not invest in equity shares or marketable bonds.

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

Note 34: Impairment Losses

During 2013/14, the Council has recognised impairment losses of £7.6m (last year: £4.8m) in relation to:

	2013/14	2012/13
	£000s	£000s
Other land and buildings	(3,576)	(2,260)
Vehicles, plant & equipment	(578)	-
Infrastructure assets	-	-
Community assets	(344)	-
Surplus assets	(2,819)	(2,510)
Financial instruments	(262)	-
	(7,579)	(4,770)

Note 35: Provisions

The Council has established a provision for lost income that arises due to successful rating appeals by business rates payers. The Council's share of the provision at the balance sheet date stood at £1.491m (last year £nil).

Note 36: Contingent Liabilities

Refunds for Personal Searches of the Local Land Charges Register

The Government abolished the statutory fee for personal searches of the Local Land Charges Register with effect from 17 August 2010 and decided that the register should be publicly accessible for free. From January 2005 until the date of abolition the Council was obliged to apply the statutory charge. Persons who have paid a personal search fee may be able to make a claim for repayment if documentary evidence can be provided. At present there is uncertainty regarding the expected number of claims and the amount that will potentially be refunded. No provision has been made within the accounts for this liability.

Note 37: Statement of Accounting Policies

i. General Principles

The annual financial statements summarise the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare annual financial statements by the Accounts and Audit Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the financial statements is principally historical cost, modified by the revaluation of certain categories of non current assets and financial instruments.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are 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 respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and 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. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

An exception to this principle relates to some energy and communication expenditure, where bills consist of actual charges for use and prepayment of standing charges. The policy is to ensure that twelve monthly or four quarterly bills are included in each financial year and it is applied consistently to ensure there is not material effect on the accounts for the year.

The minimum accrual limit for both debtors and creditors has been set at £1,000 for the year.

iii. Acquisitions and Discontinued Operations

Following the transfer of its housing stock in December 2010, the Council's Housing Revenue Account closed at the end of 2011/12.

iv. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Note 37: Statement of Accounting Policies

v. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

vi. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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.

vii. Charges to Revenue for Non Current Assets

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

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

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 by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, the Minimum Revenue Provision, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

viii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, eg 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 benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

Note 37: Statement of Accounting Policies

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 amounts payable but unpaid at the year end.

Post Employment Benefits
Employees of the Council are members of three separate pension schemes:

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

- The NHS Pension Scheme, administered by NHS Pensions on behalf of the Department of Health (DoH).

- The Local Government Pensions Scheme, administered by Middlesbrough Council.

The schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.
However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pensions scheme in the year. The Public Health line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pensions scheme in the year.

<u>The Local Government Pension Scheme</u>
The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Teesside Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.3% (based on the indicative rate of return on the Aon Hewitt GBP Central AA Curve).

- The assets of the Teesside Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

Note 37: Statement of Accounting Policies

– 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 – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

– 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 – debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

– actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve

– contributions paid to the Teesside Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefit are earned by employees.

Discretionary Benefits
The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

ix. Events After the Reporting Date
Events after the Reporting Date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Financial Statements are 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 of authorisation for issue are not reflected in the financial statements.

x. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Where the Council holds variable rate borrowing or has undertaken restructuring exercises, fair value calculations have been undertaken to assess the potential impact of interest charges on the revenue account. These calculations identified that moving to fair value accounting would not have a significant impact on the revenue account or Balance Sheet. As a result, adjustments have not been made to the accounts and the value of borrowings disclosed in the Balance Sheet amounts to the outstanding principal repayable.

Note 37: Statement of Accounting Policies

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. Effective interest rate calculations have been undertaken on replacement loans where the restructure has been classified as a modification. The impact of the calculations proved to be insignificant and the premiums and discounts arising on these loans have also been transferred to the Financial Instruments Adjustment Account.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid within the general fund. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset in the Balance Sheet. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council has not given any loans to, or guarantees against loans provided by financial institutions, to external or voluntary organisations. However, the Council does have deferred payment policies where individuals are allowed to defer payment against an invoice raised by the Council, such as legal charges held by the Council against properties, with sums due reimbursed from the proceeds of the sale. These are similar to loans at less than market rates and are referred to as soft loans. In such circumstances and where the financial impact of the soft loan was significant, in terms of lost interest, adjustments would be made to the relevant service revenue account and Balance Sheet.

The impact on the Council's revenue account of soft loans and lost interest is not financially significant at 31st March 2013 and the accounts have not been adjusted to reflect these requirements. This position will be reviewed annually as part of the accounts closure process.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset’s original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Note 37: Statement of Accounting Policies

Available for Sale Assets

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the (gain)/loss is recognised in the (Surplus) or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available for Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

xi. Government Grants and Contributions

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 Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Note 37: Statement of Accounting Policies

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xii. Heritage Assets

The Council's Heritage Assets comprise museum collections which are held at Preston Hall Museum and the Council's collection of Civic Regalia. Heritage assets are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets: where the cost of an asset cannot be identified with certainty, the value has been assessed by a suitably experienced officer.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. The Council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

xiii. Intangible Assets

Expenditure on nonmonetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv. Interests in Companies and Other Entities

The Council no longer has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities that require it to prepare group accounts. In the Council’s own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

xv. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is determined on the basis of the initial invoice price, except for stock held by Neighbourhood Services, which is valued on the basis of last invoice price.

Long term contracts are accounted for on the basis of charging the (Surplus) or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Note 37: Statement of Accounting Policies

xvi. Investment Property
Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xvii. Leases
Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease’s inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset’s estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Note 37: Statement of Accounting Policies

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xviii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi functional, democratic organisation.

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.

Note 37: Statement of Accounting Policies

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xix. Property, Plant and Equipment
Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year and cost more than £10,000 are classified as property, plant and equipment.

Recognition
Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement
Assets are initially measured at cost, comprising:

- the purchase price
- any 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

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

Note 37: Statement of Accounting Policies

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, 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.

Depreciation

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

Depreciation is calculated on the following bases:

- buildings – straight line allocation over the useful life of the property as estimated by the valuer

- vehicles, plant, furniture and equipment – straight line over the useful life of the asset, as advised by a suitably qualified officer

- infrastructure – straight line allocation over a period of 10 to 40 years.

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 have been identified and will be depreciated separately if the change in depreciation cost is considered to be significant. Where the change in depreciation cost is not considered to be significant then the component will not be depreciated separately. To be considered for componentisation, the item of property, plant and equipment must have a carrying value in excess of £1 million and the component part must have a cost in excess of £250,000.

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

Disposals and Non current Assets Held for Sale

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 posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the (Surplus) or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Note 37: Statement of Accounting Policies

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as 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 the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement. Mortgage receipts are treated as capital receipts irrespective of their value.

The written off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xx. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of property, plant and equipment.

- The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

- Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

- The amounts payable to the PFI operators each year are analysed into five elements:

- **fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement

- **finance cost** – an interest charge of 8.4% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- **contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- **payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease)

- **lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, plant and equipment when the relevant works are eventually carried out.

Note 37: Statement of Accounting Policies

xxi. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxii. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Note 37: Statement of Accounting Policies

Certain reserves are kept to manage the accounting processes for non current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxiii. Revenue Expenditure Funded from Capital under Statute

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 has been 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 in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxiv. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty’s Revenue and Customs. VAT receivable is excluded from income.

xxv. Carbon Reduction Commitment Allowances

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. when carbon dioxide is produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

xxvi. Tees Valley Unlimited

The Council acts as the accountable body for Tees Valley Unlimited (TVU). Income and expenditure for TVU is included in the Comprehensive Income and Expenditure Statement within the Planning Services line. Balance sheet items are included within the relevant heading and revenue surpluses are retained as an earmarked reserve.

Collection Fund Statement for the year ended 31 March 2014

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non domestic rates.

	2013/14			2012/13		
	Council Tax £000	**Business Rates £000**	**Total £000**	Council Tax £000	Business Rates £000	Total £000
Income						
Income from Council Tax payers	(82,482)		(82,482)	(75,580)		(75,580)
Council Tax Benefits	-		-	(17,612)		(17,612)
Income from business ratepayers		(80,598)	(80,598)		(77,270)	(77,270)
Total Income	**(82,482)**	**(80,598)**	**(163,080)**	(93,192)	(77,270)	(170,462)
Expenditure						
Precepts, demands and shares:						
Central Government		39,221	39,221		77,036	77,036
Stockton-on-Tees Borough Council	64,539	37,925	102,464	75,634		75,634
Police & Crime Commissioner for Cleveland	9,848		9,848	11,537		11,537
Cleveland Fire Authority	3,365	774	4,139	3,946		3,946
	77,752	**77,920**	**155,672**	91,117	77,036	168,153
Apportionment of Previous Year Surplus						
Central Government		-	-		-	-
Stockton-on-Tees Borough Council	1,992	-	1,992	1,743		1,743
Police & Crime Commissioner for Cleveland	304		304	266		266
Cleveland Fire Authority	104	-	104	91		91
	2,400	**-**	**2,400**	2,100	-	2,100
Charges to Collection Fund						
Write off of uncollectable amounts	188	295	483	(11)		(11)
Change in Bad Debt Provision	325	(212)	113	174		174
Change in Provision for Appeals		3,043	3,043			-
Cost of Collection		236	236		234	234
	513	**3,362**	**3,875**	163	234	397
Surplus / Deficit (-) arising during the year	**(1,817)**	**684**	**(1,133)**	188	-	188
Balance at 1st April	**(2,912)**	**-**	**(2,912)**	(3,100)	-	(3,100)
Balance at 31st March	**(4,729)**	**684**	**(4,045)**	(2,912)	-	(2,912)

Note 1: Council Tax Base

Property Category and Council Tax Banding	2013/14 Number in Category No.	2013/14 Band D Equivalent No.	2012/13 Number in Category No.	2012/13 Band D Equivalent No.
A - up to £40,000	35,200	11,852.40	35,255	19,504.60
B - £40,001 to £52,000	15,637	9,190.50	15,341	10,464.00
C - £52,001 to £68,000	14,907	11,146.40	14,671	11,716.90
D - £68,001 to £88,000	9,156	8,099.80	9,038	8,237.80
E - £88,001 to £120,000	5,119	5,784.10	5,055	5,791.20
F - £120,001 to £160,000	2,084	2,790.10	2,068	2,807.30
G - £160,001 to £320,000	1,239	1,927.10	1,215	1,887.90
H - over £320,000	113	151.10	108	142.50
Gross Tax Base		50,941.50		60,552.20
Non Collection	2.5%	(1,273.54)	2%	(1,211.04)
Council Tax Base		**49,667.96**		59,341.16

Note 2: Council Tax Levels

Property Category and Council Tax Banding	2013/14 SBC Band D £	2012/13 SBC Band D £
A - up to £40,000	858.79	842.77
B - £40,001 to £52,000	1,001.92	983.24
C - £52,001 to £68,000	1,145.05	1,123.70
D - £68,001 to £88,000	1,288.18	1,264.16
E - £88,001 to £120,000	1,574.44	1,545.08
F - £120,001 to £160,000	1,860.70	1,826.01
G - £160,001 to £320,000	2,146.97	2,106.93
H - over £320,000	2,576.36	2,528.32

Note 3: Council Tax Income

Property Category and Council Tax Banding	2013/14 Number in Category	2013/14 Tax incl. Police & Fire	2013/14 Estimated Debit	2012/13 Estimated Debit
Estimated Income	**No.**	**£**	**£000s**	£000s
A - up to £40,000	35,200	1,036.15	36,472	35,844
B - £40,001 to £52,000	15,637	1,208.84	18,903	18,197
C - £52,001 to £68,000	14,907	1,381.53	20,594	19,888
D - £68,001 to £88,000	9,156	1,554.22	14,230	13,784
E - £88,001 to £120,000	5,119	1,899.60	9,724	9,422
F - £120,001 to £160,000	2,084	2,244.98	4,679	4,556
G - £160,001 to £320,000	1,239	2,590.37	3,209	3,088
H - over £320,000	113	3,108.44	351	329
Estimated Opening Debit			108,162	105,108
Actual Income				
Property charge total			109,369	106,529
Exemptions			(1,965)	(3,381)
Disabled relief			(125)	(120)
Discounts			(24,179)	(9,205)
Disregard			(430)	(430)
Write offs			(188)	(200)
Actual Income Collectable			**82,482**	93,193

Note 4: Council Tax Major Preceptors

	2013/14	2012/13
	£	£
Stockton-on-Tees Borough Council	64,538,781	75,016,771
Cleveland Fire Authority	3,365,501	3,946,189
Cleveland Police Authority	9,848,227	11,536,661

Note 5: National Non Domestic (Business) Rates Gross Rateable Value

	2013/14	2012/13
	£	£
Value at the year end	194,163,725	194,645,299

Note 6: National Non Domestic (Business) Rates Multiplier

	2013/14	2012/13
	pence	pence
Multiplier for the year	47.1p	45.8p

Responsibilities for the Annual Financial Statements

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director of Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Annual Financial Statements by the date specified by the Secretary of State.

The Corporate Director of Resources Responsibilities

The Corporate Director of Resources is responsible for the preparation of the Council's Annual Financial

In preparing the Annual Financial Statements, the Corporate Director of Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code of Practice.

The Corporate Director of Resources has also:

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

Certification of the accounts by the Corporate Director of Resources

In accordance with the requirements of the Accounts and Audit Regulations 2011, I certify that by signing this statement the Annual Financial Statements give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2014.

J Danks CPFA **Date: 30 June 2014**
Corporate Director of Resources

These financial statements replace the unaudited financial statements certified by the Corporate Director of Resources on June 2014.

J Danks CPFA **Date: 30 September 2014**
Corporate Director of Resources

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STOCKTON-ON-TEES BOROUGH COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Stockton-on-Tees Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. 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 2013/14.

This report is made solely to the members of Stockton-on-Tees Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Corporate Director of Resources and auditor

As explained more fully in the Statement of Responsibilities, the Corporate Director of Resources 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Stockton-on-Tees Borough Council as at 31 March 2014 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STOCKTON-ON-TEES BOROUGH COUNCIL

- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Council and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission on 1 November 2012, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STOCKTON-ON-TEES BOROUGH COUNCIL

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that, in all significant respects, Stockton-on-Tees Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Certificate

We certify that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mark Kirkham CPFA ACA
For and on behalf of Mazars LLP

Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

30 September 2014

Appendix A

Earmarked Reserves

Stockton Town Centre Regeneration

This incorporates the balance of funds being used by the Council to contribute to the Stockton Town Centre Regeneration project.

Approved Capital Schemes

To be used to assist the funding of capital expenditure in future years.

Fleet Renewals Fund

A reserve formed to cover the replacement of the Council's vehicle fleet.

Strategic Investment Reserve

A reserve retained to support investments which generate ongoing revenue income streams.

Balances held by schools under a scheme of delegation

Balances retained by individual schools from their delegated budget.

Insurance Fund

The fund covers the insurance policy 'excess' on liability and property claims. The 'excess' on liability of £100,000, covers any public, employers, officials and professional indemnity and libel and slander liability claims. A property 'excess' of £100,000 covers claims relating to schools.

Managed Surpluses

Budget savings that are earmarked specifically for their use and form an important part of the service planning process.

Commuted Lump Sums

These lump sums have been received to help cover the maintenance costs of bridges, play areas and open spaces, for which the Council has become responsible.

Litigation Reserve

Reserve to cover the costs of potential legal action that the Council may face.

ICT Infrastructure

Reserve to develop workflow technologies and flexible working arrangements, as detailed within the Council's ICT Strategy

Government Grants Income In Advance

Reserve holding grants received by the Council whose conditions may require repayment if the grant conditions are not met. This is an IFRS requirement.

Transformation & Implementation Reserve

Reserve to support the Council as it responds to current and future budget pressures. It will fund items such as redundancy costs and the transformation agenda.

Other Revenue Reserves are individual reserves of less than £2m and include:

Tees Valley Unlimited

The surplus on the Income and Expenditure Account for the Unit, carried forward to fund pressures within the Unit in future years.

Winter Maintenance

This reserve has been created to offset the costs over future years of the change in the climate. This includes extra grass cutting, changes to the statutory requirements for winter maintenance of roads and extra watering of plants and trees, etc.

Appendix A

Earmarked Reserves

Prudential Financing

This reserve has been formed from service contributions to cover the costs and repayment of prudential borrowing.

Youth Offending

The reserve will be utilised to fund the Youth Offending Service, including the cost of inspection and other essential services, such as Regional Training Consortium and Developing Initiatives for Supporting Communities (DISC).

Stockton/Darlington Partnership

A reserve to cover the costs of developing and funding the partnership.

Dedicated Schools Grant

This reserve contains unutilised Dedicated Schools Grant, which can be carried forward to future years. Additional information can be found in Note 23 of the Notes to the Core Financial Statements.

Standards Fund

A fund created from income received under the Governments Standards Fund Programme to fund specific services on behalf of children and young people.

DWP Steps

To cover the costs involved in encouraging those with learning and physical disabilities and mental health issues back into employment.

Xentrall

Stockton Borough Council's share of any surplus generated from the Xentrall partnership with Darlington Borough Council.

Tees Achieve Surplus

Tees Achieve offers apprenticeships, E2E training programmes and adult education courses across the borough. A specific reserve has been created to ringfence funding for future developments and restructuring as funding for these projects is not guaranteed to remain at the same levels.

Miscellaneous

This reserve contains other small amounts which will be utilised in 2013/14.

Time to Buy Initiative

A scheme to assist first time buyers of houses.

Environmental Warranties

Funds to support warranties given as part of the transfer of the housing stock.

Appendix B

Members' Allowances

Member	Basic Allowance £	Special Responsibility Allowance £	Travel £	Subsistence £	Total 2013/14 £	Total 2012/13 £
JL Apedaile	9,300.00		27.58		**9,327.58**	9,408.04
P Baker	9,300.00				**9,300.00**	9,300.00
J Beall	9,300.00	14,739.96	1,264.60	266.95	**25,571.51**	25,085.23
D Brown	9,300.00	3,350.04	15.90		**12,665.94**	12,650.04
M Chatburn	9,300.00				**9,300.00**	9,300.00
J M Cherrett	9,300.00	6,699.96			**15,999.96**	15,999.96
C Clark	9,300.00	6,700.00			**16,000.00**	12,650.00
M Clark	9,300.00				**9,300.00**	9,300.00
D Coleman	9,300.00	12,060.00			**21,360.00**	21,360.00
R Cook	9,300.00	26,799.96	772.77		**36,872.73**	36,782.93
N Cooke	9,300.00	6,699.96			**15,999.96**	15,999.96
G Corr	9,300.00	3,350.04			**12,650.04**	9,858.34
E Cunningham	9,300.00				**9,300.00**	9,300.00
IJ Dalgarno	9,300.00				**9,300.00**	9,300.00
P Dennis	8,900.04				**8,900.04**	8,900.04
K Dixon	9,300.00	12,060.00			**21,360.00**	21,360.00
M Eddy					**-**	3,350.00
KC Faulks	9,300.00	3,350.04	101.60		**12,751.64**	12,765.90
J Gardner	9,300.00				**9,300.00**	9,300.00
R Gibson	9,300.00	6,699.96			**15,999.96**	15,999.96
DC Harrington	9,300.00	12,060.00			**21,360.00**	21,360.00
B Houchen	9,300.00				**9,300.00**	9,300.00
B Inman	9,300.00	1,116.66			**10,416.66**	15,999.96
M Javed	9,300.00	6,699.96			**15,999.96**	15,999.96
E Johnson	9,300.00	3,350.04			**12,650.04**	12,650.04
E Kennedy	9,300.00				**9,300.00**	9,300.00
J Kirby	9,300.00				**9,300.00**	12,091.70
P Kirton	9,300.00	6,699.96			**15,999.96**	15,999.96
T Laing	9,300.00		45.24		**9,345.24**	9,300.00
C Large	9,300.00	3,350.04			**12,650.04**	12,650.04
C Leckonby	9,300.00				**9,300.00**	9,300.00
A Lewis	9,300.00		240.91		**9,540.91**	9,560.68
K Lupton	9,300.00	12,060.00			**21,360.00**	21,360.00
R McCall	9,300.00				**9,300.00**	9,300.00
A McCoy	9,300.00	12,060.00	669.60	363.00	**22,392.60**	21,937.43
M Moore	9,300.00				**9,300.00**	1,356.25
K Nelson	9,300.00	3,350.04	66.80		**12,716.84**	12,761.25
S Nelson	9,300.00	12,060.00	174.23		**21,534.23**	21,504.82
E O'Donnell	9,300.00	7,195.76			**16,495.76**	15,999.96
R Patterson	9,300.00	6,030.00	67.58		**15,397.58**	15,385.17
M Perry	9,300.00	6,699.96			**15,999.96**	15,999.96
M Rigg	9,300.00	1,787.04			**11,087.04**	11,087.04
D Rose	9,300.00	12,060.00			**21,360.00**	21,360.00
A Sherris	9,300.00		194.93		**9,494.93**	9,491.71
M Smith	9,300.00	12,060.00			**21,360.00**	21,360.00
N Stephenson	9,300.00	2,791.70			**12,091.70**	9,300.00
M Stoker	9,300.00	6,699.96			**15,999.96**	16,182.92
T Stott	9,300.00	3,350.04			**12,650.04**	12,650.04
SF Walmsley	9,300.00	2,232.96			**11,532.96**	11,532.96
Mrs S Walmsley	9,300.00				**9,300.00**	9,300.00
D Wilburn	9,300.00	3,350.04			**12,650.04**	12,650.04
N Wilburn	9,300.00	3,350.04			**12,650.04**	12,650.04

Appendix B

Members' Allowances

Member	Basic Allowance £	Special Responsibility Allowance £	Travel £	Subsistence £	Total 2013/14 £	Total 2012/13 £
Mary Womphrey	9,300.00				**9,300.00**	9,361.31
M Womphrey	9,300.00				**9,300.00**	9,300.00
W Woodhead	9,300.00		210.25		**9,510.25**	9,438.37
B Woodhouse	9,300.00	6,699.96			**15,999.96**	16,026.03
Totals	**511,100.04**	**249,624.08**	**3,851.99**	**629.95**	**765,206.06**	758,778.04

Appendix C

Glossary of Terms

Accruals
The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Amortised cost
The amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount. International Accounting Standard (IAS) 39 requires the amortised cost to be calculated using the effective interest method.

Capital Charge
A charge to service revenue accounts to reflect the cost of non current assets used in the provision of a service.

Capital Expenditure

Expenditure on the acquisition of a non current asset or expenditure designed to extend its useful life.

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Consistency
The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Contingency
A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non occurrence of one or more uncertain future events.

Corporate and Democratic Core

The Corporate and Democratic Core comprises all activities which councils engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of a non current asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

Effective interest method
This is a method of calculating the amortised cost of a financial asset or financial liability, and of allocating the interest income or interest expense over the relevant period. The effective interest rate in a financial instrument is the rate that exactly discounts the cash flows associated with the instrument to the net carrying amount at initial recognition.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Appendix C

Glossary of Terms

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior period items, merely because they relate to a prior period.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction, less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease

A lease that transfers substantially all the risks and rewards of ownership of a non current asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Going Concern

The concept that the Council will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an Council in return for past or future compliance with certain conditions relating to the activities of the Council.

Heritage Assets

Heritage assets are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Council's history and local area. They include items such as works of art, museum collections and civic regalia.

Infrastructure Assets

Non current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Inventories

Comprise the value of items held in the following categories:

a) goods or other assets purchased for resale;
b) consumable stores;
c) raw materials and components purchased for incorporation into products for sale;
d) products and services in intermediate stages of completion;
e) long term contract balances; and
f) finished goods.

Investments

A long term investment is an investment that is being held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments which do not meet the above criteria are classified as current assets.

Appendix C

Glossary of Terms

Investment Properties

Interest in land and/or buildings:

a) in respect of which construction work and development have been completed; and

b) which is held for its investment potential, any rental income being negotiated at arm's length.

Long Term Contracts

A contract entered into for the design, manufacture or construction of a substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long term contracts, if they are sufficiently material to the activity of the period.

Net Book Value

The amount at which non current assets are included in the balance sheet i.e. the historical cost or current value, less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use i.e. the costs of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of a non operational asset), less any expenses incurred in realising the asset.

Non Current Assets

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

Non Operational Assets

Non current assets held by a council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operating Lease

A lease other than a finance lease.

Operational Assets

Non current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Private Finance Initiative (PFI)

An agreement with the private sector to design, build and operate facilities specified by an authority in return for an annual payment.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Appendix C

Glossary of Terms

Prior Year Adjustments

Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates in prior years.

Prudence

The concept that revenue is not anticipated, but is recognised only when realised, in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Usable Reserves

Amounts set aside to meet future costs, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

Unusable Reserves

Reserves that not available to spend; this category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

Useful Life

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