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 2014/15" (CoP 2014). CoP 2014 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.

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.

Explanatory Foreword

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 £2.548m for the year, which can be analysed as follows:

Uncommitted and Earmarked Balances	**Uncommitted Balances £000s**	**Earmarked Balances £000s**	**Total Balances £000s**
Balances b/fwd 1 April 2014	8,712	114,510	123,222
Use of Balances 2014-15	(1,913)	4,461	2,548
Balances c/fwd 31 March 2015	**6,799**	**118,971**	**125,770**

Uncommitted balances of £6.8m represent 2.58% of the General Fund Budget for 2014/15 and are below the target level of balances (3% of revenue budget and Dedicated Schools Grant over the medium term). The budget set for 2015/16 sets aside funds to replenish balances back to the target. The movement in Earmarked General Fund balances of £4.461m is outlined in note 7.

The movement in Uncommitted General Fund Balances of £1.913m 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**
84,523	**Children, Education and Social Care**	87,055	85,356	(1,699)
45,116	**Development and Neighbourhood Services**	40,097	39,685	(412)
11,949	**Public Health**	13,045	12,900	(145)
	Resources and Corporate Services			
14,262	Resources	13,543	12,878	(665)
1,598	Law and Democracy	1,480	1,444	(36)
231	Chief Executive	229	236	7
17,200	Corporate Provisions	16,428	22,296	5,868
174,879	**Net Expenditure on Services**	**171,877**	**174,795**	**2,918**
(70,938)	Government Grants & Other Income	(66,280)	(67,596)	(1,316)
(102,085)	Council Tax & Business Rates Income	(105,597)	(105,286)	311
1,856	**Movement on General Fund Balance**	**-**	**1,913**	**1,913**

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

4 Capital

The Council's performance confirms that overall capital spending of £46.3m 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 2014-15 with £46.3million spent on major capital projects (last year £41.5 million). Details of the Council's capital programme are contained in the following table.

Explanatory Foreword

Capital Programme

Expenditure:	**2014/15 £m**	**2014/15 %**	2013/14 £m	2013/14 %
Stockton Town Centre Regeneration	10.1	21.8%	11.1	26.7%
Billingham and Yarm Town Centres	3.6	7.8%	-	0.0%
Transport and Highway schemes	10.7	23.1%	8.0	19.3%
Street Lighting	2.9	6.2%	-	0.0%
Housing Regeneration	2.4	5.2%	3.5	8.4%
Northshore Innovation Centre	3.6	7.8%	-	0.0%
Schools (including academies)	8.6	18.6%	11.9	28.7%
Vehicle Replacement	1.0	2.2%	2.0	4.8%
Other schemes	3.4	7.3%	5.0	12.0%
Total	**46.3**	**100.0%**	41.5	100.0%
Funded by:				
Disposal of Surplus Assets	4.1	8.9%	6.8	16.4%
Revenue contributions	21.4	46.2%	12.5	30.1%
Grants and contributions	20.8	44.9%	22.2	53.5%
Total	**46.3**	**100.0%**	41.5	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 2014-15 on 26 February 2014. The key performance indicators are:

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:

Capital Financing Requirement	**Approved Limit £000s**	**Outturn £000s**
General Fund	117,647	116,701
General Fund - PFI & Finance Lease Liability	(7,510)	(7,354)
Capital Financing Requirement	**110,137**	**109,347**
Actual External Borrowing		**48,044**
Under-Borrowed		**61,303**

Explanatory Foreword

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.

External Debt, Operational Boundary and Authorised Limit	**Outturn £000s**	**Borrowing Limit £000s**
External Borrowing at 31 March 2015	48,044	
PFI & Finance Lease Liability	7,354	
Aggregate External Debt		**55,398**
Authorised Limit		**147,800**
Operational Boundary		**127,800**

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.

Ratio of financing costs to net revenue stream	**Ratio %**	**Outturn %**
Net financing costs	0.9%	0.9%

6 Borrowing and Lending Arrangements

In accordance with the approved Treasury Management Strategy for 2014-15, 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. During the year a market loan of £8.0m matured and was not replaced. 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.

Explanatory Foreword

8 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 £224.1m on the Local Government Pension Scheme as at 31st March 2015 (last year: £165.9m). The £58.2m reported increase in the net liability position is principally due to the fact that the financial assumptions at 31 March 2015 are less favourable than they were at 31 March 2014. In particular the use of a lower discount rate has resulted in an increase in total liabilities while the value of fund assets have also increased but at a lower rate.

Employer's contributions to the pension fund during 2014-15 were charged at 14.3% of total pensionable employee pay in line with actuarial advice following the formal fund valuation at 31 March 2013. Further information on retirement benefits is available in Note 31 of the Notes to the Core Financial Statements.

9 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 2014/15, 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.

10 Economic Outlook

Management of Treasury Management Risk

UK GDP growth surged during 2013 and the first half of 2014. Since then it appears to have subsided somewhat but still remains strong by UK standards and is expected to continue likewise into 2015 and 2016.

Investment returns are likely to remain relatively low during 2015/16 and beyond while borrowing interest rates have been volatile during 2014 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets.

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. 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.

Key Financial Risks

The Provisional Local Government Finance Settlement (LGFS) announced in December 2014 broadly confirmed the levels of funding for 2015/16 provisionally announced with the Settlement for 2014/15. The Final Settlement was received on 3 February 2015. This confirmed the figures from December but in addition announced a further allocation of £292,000 in respect of Local Welfare Provision. This additional funding is expected to be available for 2015/16 only and its use will be considered alongside the Council's established approach to Welfare Reform.

Technical Consultation documents issued by DCLG in July 2014 detailed only one issue of significant note. This being a top-slice of £100,000 in respect of the Carbon Commitment Scheme. The ending of the Scheme should have resulted in a saving against the MTFP of £150,000 per annum from 2015/16. However, this will now be largely offset by the top-slice in government funding.

The Council has seen a significant reduction in all Government Funding over the past few years. 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. Based on expert advice following a review of government statements the indications are that further reductions are likely.

Explanatory Foreword

Approach to Financial Management and Savings

The Council continues to face significant financial challenges. Our approach to financial planning over the long-term allows us to plan ahead and has meant that we have been able to operate a managed approach to delivering savings and wherever possible protect 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 which has again been reinforced by the External Auditor in his report to Cabinet in January 2015. 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 Efficiency, Improvement and Transformation Programme, Service Reviews and Scrutiny Reviews, the current plan already includes savings of over £34m, with approximately 740 fewer staff employed. There has been a significant focus on the Big Ticket areas of spend and this has seen significant savings delivered.

It is also worthy of note that the current strategy is for all services budgets to be frozen, with increases only allocated for pay awards. This is placing additional pressures year on year within services which are being managed.

We have strong support from our residents. Residents continue to feel satisfied with and confident in us.

11 Durham Tees Valley Airport Limited

The Council together with the other four Tees Valley councils and Durham County Council are shareholders in Durham Tees Valley Airport Limited. The councils collectively own 10.91% of the shares with Stockton's shareholding amounting to 2.08%. The major shareholder is Peel Investments (DTVA) Limited. The Company made a loss in the year ended 31 March 2014, 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.

12 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.

13 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 2015

	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Unusable Reserves**	**Total Council Reserves**
	£000s	£000s	£000s	£000s	**£000s**	**£000s**	**£000s**
Balance at 1 April 2013	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 Income and Expenditure		-	-	-	-	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
Movement in reserves during 2014/15							
Surplus or (Deficit) on Provision of Services	(21,386)	-	-	-	**(21,386)**	-	**(21,386)**
Other Comprehensive Expenditure and Income	-	-	-	-	**-**	(43,215)	**(43,215)**
Total Comprehensive Income and Expenditure	(21,386)	-	-	-	**(21,386)**	**(43,215)**	**(64,601)**
Adjustments between accounting basis & funding basis under regulations	23,934	-	(537)	(6,115)	**17,282**	(17,282)	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	2,548	-	**(537)**	**(6,115)**	**(4,104)**	**(60,497)**	**(64,601)**
Transfers to/from Earmarked Reserves	(4,461)	4,461	-	-	-	-	-
Increase/Decrease in Year	**(1,913)**	**4,461**	**(537)**	**(6,115)**	**(4,104)**	**(60,497)**	**(64,601)**
Balance at 31 March 2015 carried forward	**6,799**	**118,971**	**180**	**9,838**	**135,788**	**5,269**	**141,057**

Comprehensive Income and Expenditure Statement for the year ended 31 March 2015

2013/14 £000s Expenditure	2013/14 £000s Income	2013/14 £000s Net	Continuing operations:	Note	2014/15 £000s Expenditure	2014/15 £000s Income	2014/15 £000s Net
28,641	(8,503)	20,138	Central services to the public		18,396	(6,883)	**11,513**
11,067	(1,324)	9,743	Cultural & Related Services		38,111	(955)	**37,156**
17,771	(398)	17,373	Environmental & Regulatory Services		16,807	(2,352)	**14,455**
21,264	(15,997)	5,267	Planning Services	5	17,810	(18,653)	**(843)**
197,896	(147,894)	50,002	Education and children's services		178,128	(132,742)	**45,386**
28,367	(12,017)	16,350	Highways and transport services		30,284	(14,798)	**15,486**
80,929	(74,808)	6,121	Other housing services		81,663	(74,847)	**6,816**
64,318	(16,706)	47,612	Adult social care		69,559	(26,131)	**43,428**
12,611	(13,537)	(926)	Public Health		12,922	(13,744)	**(822)**
2,145	(504)	1,641	Corporate and democratic core		5,651	(631)	**5,020**
1,597	-	1,597	Non distributed costs		1,020	-	**1,020**
466,606	(291,688)	174,918	**Cost Of Services**	8	**470,351**	**(291,736)**	**178,615**
			Other Operating Expenditure:				
558	-	558	Parish council precepts		600	-	600
7	-	7	Payments to the Government Housing Capital Receipts Pool		2	-	2
44,308	-	44,308	(Gain) or loss on the disposal of non-current assets		150	-	150
			Financing and Investment Income and Expenditure:				
4,646	-	4,646	Interest payable and similar charges		4,300	-	4,300
34,179	(25,525)	8,654	Net interest on the net defined benefit liability/asset		33,381	(26,442)	6,939
-	(1,038)	(1,038)	Interest receivable and similar income		-	(678)	(678)
14,131	(16,484)	(2,353)	(Gain) or loss on trading accounts (not applicable to service)		16,748	(19,126)	(2,378)
78	(446)	(368)	Income & costs and changes in fair value relating to investment properties		1,000	(286)	714
		-					
192	-	192	Revaluation loss on Assets Held for Sale		20	-	20
			Taxation and Non-Specific Grant Income:				
-	(68,041)	(68,041)	Council tax income		-	(71,484)	(71,484)
-	(35,253)	(35,253)	Retained Business Rates		-	(34,118)	(34,118)
-	(59,781)	(59,781)	Non-ringfenced government grants		-	(48,568)	(48,568)
-	(18,132)	(18,132)	Capital grants and contributions		-	(12,728)	(12,728)
		48,317	**(Surplus) or Deficit on Provision of Services**				**21,386**
		(275)	(Surplus) or deficit on revaluation of non current assets				(5,394)
		262	(Surplus) or deficit on revaluation of available for sale financial assets				-
		(50,910)	Re-measurements of the defined benefit liability				48,609
		(1)	Other (gains) and losses				-
		(50,924)	**Other Comprehensive Income and Expenditure**				**43,215**
		(2,607)	**Total Comprehensive Income and Expenditure**				**64,601**

Balance Sheet as at 31 March 2015

	Note	**31 March 2015 £000s**	31 March 2014 £000s
Non-current assets			
Property, plant and equipment	11	329,582	336,713
Investment property	12	5,845	6,744
Intangible assets		600	1,166
Heritage Assets	13	6,321	6,140
Long term investments	29	377	377
Long Term Debtors	29	5,817	4,469
Total non-current assets		**348,542**	355,609
Current assets			
Short term investments	29	54,233	41,148
Inventories		358	361
Debtors	14 & 29	38,898	30,901
Cash and Cash Equivalents	15	22,530	56,669
Assets held for sale		3,920	2,562
Total current assets		**119,939**	131,641
Current liabilities			
Cash and Cash Equivalents	15	(4,859)	(585)
Short Term Borrowing	29	(190)	(8,408)
Short Term Creditors	16 & 29	(38,072)	(47,242)
Provisions	35	(3,001)	(1,491)
Total current liabilities		**(46,122)**	(57,726)
Long term liabilities			
Long Term Creditors	29	(211)	(209)
Long Term Borrowing	29	(48,437)	(48,516)
Other Long Term Liabilities	17 & 29	(231,452)	(174,194)
Grants Receipts in Advance	28	(1,202)	(947)
Total long term liabilities		**(281,302)**	(223,866)
Net Assets:		**141,057**	205,658
Reserves			
Usable reserves:			
General Fund Balance		6,799	8,712
Earmarked General Fund Reserves	7	118,971	114,510
Capital Receipts Reserve		180	717
Capital Grants Unapplied		9,838	15,953
		135,788	139,892
Unusable Reserves:			
Revaluation Reserve	7 & 19	55,831	52,670
Available for Sale Financial Instruments Reserve	7	377	377
Capital Adjustment Account	7 & 18	173,785	178,372
Financial Instruments Adjustment Account	7	(877)	(960)
Deferred Capital Receipts Reserve	7	165	167
Pensions Reserve	7	(224,098)	(165,920)
Collection Fund Adjustment Account	7 & 20	2,003	3,590
Accumulated Absences Account	7	(1,917)	(2,530)
		5,269	65,766
Total Reserves:		**141,057**	205,658

Cllr Barry Woodhouse
Chair of the Audit Commiittee
28 September 2015

Cash Flow Statement For The Year Ended 31 March 2015

	Note	**2014/15 £000s**	2013/14 £000s
Net (surplus) or deficit on the provision of services		**21,386**	48,317
Adjustments to net surplus or deficit on the provision of services for non-cash movements:			
Depreciation, impairment and amortisation of non current assets		(22,126)	(27,085)
Revaluation losses		(30,127)	596
Pension Fund adjustments		(9,569)	(12,247)
Carrying amount of Non-Current Assets Sold		(3,753)	(48,540)
Other non-cash movement		154	1,173
Increase/(Decrease) in Inventories (Stock)		(2)	24
Increase/(Decrease) in Revenue Debtors		9,366	2,037
(Increase)/Decrease in Revenue Creditors		8,764	1,004
(Increase)/Decrease in Provisions		42	(1,491)
Increase/(Decrease) in Long Term Debtors		(215)	4,149
		(47,466)	(80,380)
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		14,693	21,588
Proceeds from the disposal of non current assets		3,604	4,239
		18,297	25,827
Net cashflow from operating activities		**(7,783)**	(6,236)
Investing activities			
Purchase of property, plant and equipment, investment property and intangible assets		42,754	35,047
Purchase of short term and long term investments		13,037	(1,848)
Proceeds from the sale of property, plant and equipment, investment property and intangibles		(3,604)	(4,239)
Proceeds from short term and long term investments		-	-
Other receipts from investing activities		(14,948)	(19,760)
Net cashflow from investing activities		**37,239**	9,200
Financing activities			
Other receipts from financing activities		(155)	(1,129)
Cash payments for liabilities relating to finance leases and PFI Contracts		920	887
Repayments of short and long term borrowings		8,192	(137)
Other payments for financing activities		-	-
Net cashflow from financing activities		**8,957**	(379)
Net (increase) or decrease in cash and cash equivalents		**38,413**	2,585
Cash and cash equivalents at the beginning of the reporting period		**(56,084)**	(58,669)
Cash and cash equivalents at the end of the reporting period	15	**(17,671)**	(56,084)
The cashflow for operating activities includes the following items:			
Interest received		**(728)**	(1,577)
Interest paid		**3,404**	4,615

Note 1: Statement of Accounting Policies

General Principles

The annual financial statements summarise the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. 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 2014/15 and the Service Reporting Code of Practice 2014/15, 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.

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:

- Income 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.
- Income 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.
- Where revenue and expenditure have been recognised but cash has not been received or paid (subject to a de-minimus level of £1,000), 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.

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.

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.

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.

Note 1: Statement of Accounting Policies

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.
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.

The Local Government Pension Scheme
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 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

Note 1: Statement of Accounting Policies

- *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
- *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 benefits 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.

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.

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 have 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. 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.

Note 1: Statement of Accounting Policies

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

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 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.

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).

Note 1: Statement of Accounting Policies

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.

Heritage Assets

The Council's 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 Council'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 of 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.

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.

Inventories

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.

Note 1: Statement of Accounting Policies

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.

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, 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.

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).

Note 1: Statement of Accounting Policies

The Council as Lessor

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.

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 2014/15 (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.

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.

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.

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.

Note 1: Statement of Accounting Policies

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)
- 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.

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.

Note 1: Statement of Accounting Policies

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.

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.

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.

Note 1: Statement of Accounting Policies

Contingent Liabilities & Contingent Assets

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. 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 liabilities and contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

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.

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.

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.

VAT

VAT on income and expenditure is included only to the extent that it is not recoverable from HM Revenue and Customs.

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

The 2015/16 Code of Practice includes amendments to the following accounting standards that have not been adopted within this Statement of Accounts:

- IFRS 13 Fair Value Measurement (May 2011);
- IFRIC 21 Levies;

Annual Improvements to IFRSs (2011 - 2013 Cycle):

- IFRS 1: Meaning of effective IFRSs;
- IFRS 3: Scope exceptions for joint ventures;
- IFRS 13: Scope of paragraph 52 (portfolio exception); and
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

Each of the above standards will be adopted from 1st April, 2015. The financial impact of these standards cannot be assessed at the balance sheet date, however it is recognised that additional work will be required to value surplus assets at fair value.

Note 3: Critical Judgements in Applying Accounting Policies

In applying it's accounting policies 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:

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.

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.

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 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Pension liabilities: 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 Council with expert advice about the assumptions to be applied. Sensitivities are included in Note 31.

- Depreciation: assets are depreciated over their estimated useful lives and are based on assumptions about the level of repairs and maintenance that will be incurred and useful economic lives.

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

- Revaluations: valuations are carried out on a rolling programme of up to three years, meaning that there is a possibility of material changes in value between valuations. The risk is minimised by annual valuations of all significant assets and annual reviews of market conditions for all asset categories to ensure that the fair value of assets as at the 31 March are not materially misstated.
- Provisions: the Council makes prudent provision for likely future liabilities, such as insurance costs, unpaid debts and the impact of successful business rate appeals. Changes in assumptions are very unlikely to materially affect the Statement of Accounts, with the exception of those for business rate appeals. The first three months of 2015 showed a huge increase in the number of business rate appeals lodged with the Valuation Office; the Council has assessed the likely impact of the appeals however the provision may require significant adjustment in future years.

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.

	2014/15 £000s	2013/14 £000s (As Restated)
Income	(12,385)	(13,491)
Expenditure	12,423	13,467
(Surplus) / Deficit for the year	**38**	(24)
Non-Current Assets		
Debtors	5,263	4,163
	5,263	4,163
Current Assets		
Debtors	338	1,379
Cash and Cash Equivalents	10,404	10,111
	10,742	11,490
Current Liabilities		
Creditors	(414)	(5,346)
Income in Advance	-	(4)
Total Assets less Liabilities	**15,591**	10,303
Reserves		
Revenue Account Surpluses	(1,681)	(1,719)
Earmarked Reserves	(13,910)	(8,584)
	(15,591)	(10,303)

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

2014/15	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account (see note 18)	10,959	-	-	(10,959)
Adjustments involving the Capital Grants Unapplied Account	6,115	-	(6,115)	-
Adjustments involving the Capital Receipts Reserve	(3,602)	(537)	-	4,139
Adjustments involving the Deferred Capital Receipts Reserve	2	-	-	(2)
Adjustments involving the Financial Instruments Adjustment Account	(83)	-	-	83
Adjustments involving the Pensions Reserve	9,569	-	-	(9,569)
Adjustments involving the Collection Fund Adjustment Account (see note 20)	1,587	-	-	(1,587)
Adjustments involving the Accumulated Absences Adjustment Account	(613)	-	-	613
Total Adjustments	**23,934**	**(537)**	**(6,115)**	**(17,282)**

2013/14 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	42,240	-	-	(42,240)
Adjustments involving the Capital Grants Unapplied Account	654	-	(654)	-
Adjustments involving the Capital Receipts Reserve	(4,232)	(2,569)	-	6,801
Adjustments involving the Deferred Capital Receipts Reserve	5	-	-	(5)
Adjustments involving the Financial Instruments Adjustment Account	(82)	-	-	82
Adjustments involving the Pensions Reserve	12,247	-	-	(12,247)
Adjustments involving the Collection Fund Adjustment Account	(1,175)	-	-	1,175
Adjustments involving the Accumulated Absences Adjustment Account	(463)	-	-	463
Total Adjustments	**49,194**	**(2,569)**	**(654)**	**(45,971)**

Note 7: Earmarked and Unusable 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 2014/15. The purpose of each earmarked reserve is set out in Appendix A.

Earmarked Reserves	Balance at 1 April 2013 £000s	Transfers Out 2013/14 £000s	Transfers In 2013/14 £000s	Balance at 31 March 2014 £000s	**Transfers Out 2014/15 £000s**	**Transfers In 2014/15 £000s**	**Balance at 31 March 2015 £000s**
Capital Reserves		As Restated	As Restated	As Restated			
Stockton Town Centre Regeneration	(16,719)	6,098	(825)	(11,446)	10,433	(2,534)	(3,547)
Approved Capital Schemes	(6,989)	3,564	(6,689)	(10,114)	11,370	(14,098)	(12,842)
Fleet Renewals Fund	(2,383)	828	(495)	(2,050)	999	(1,097)	(2,148)
Street Lighting Renewal	-	258	(14,099)	(13,841)	4,392	-	(9,449)
Infrastructure Reserve	(3,510)	1,110	(1,387)	(3,787)	6,446	(3,503)	(844)
Total Capital Reserves	**(29,601)**	**11,858**	**(23,495)**	**(41,238)**	**33,640**	**(21,232)**	**(28,830)**
Earmarked Revenue Reserves		As Restated	As Restated	As Restated			
Balances held by schools under a scheme of delegation	(8,073)	1,243	(1,311)	(8,141)	1,757	(774)	(7,158)
Insurance Fund	(23,364)	9,500	(2,863)	(16,727)	3,000	(2,640)	(16,367)
Managed Surpluses	(4,288)	364	(385)	(4,309)	-	(351)	(4,660)
Commuted Lump Sums	(2,375)	227	(79)	(2,227)	2,123	(1,369)	(1,473)
Litigation Reserve	(6,733)	3,700	-	(3,033)	71	-	(2,962)
ICT Infrastructure	(2,950)	845	(555)	(2,660)	1,039	(467)	(2,088)
Government Grants Income In Advance	(12,160)	3,366	(3,417)	(12,211)	12,446	(7,460)	(7,225)
Transformation & Implementation Reserve	(13,154)	3,224	(89)	(10,019)	1,336	(211)	(8,894)
Tees Valley Unlimited	(1,696)	(821)	902	(1,615)	776	(8,984)	(9,823)
MTFP Transition Reserve	-	-	-	-	-	(7,491)	(7,491)
ARCC Probation Service	-	-	-	-	-	(2,000)	(2,000)
Dedicated Schools Grant	-	-	(1,438)	(1,438)	542	(1,233)	(2,129)
Other Revenue Reserves	(7,383)	6,871	(10,380)	(10,892)	6,945	(13,924)	(17,871)
Total Revenue Reserves	**(82,176)**	**28,519**	**(19,615)**	**(73,272)**	**30,035**	**(46,904)**	**(90,141)**
Total Earmarked Reserves	**(111,777)**	**40,377**	**(43,110)**	**(114,510)**	**63,675**	**(68,136)**	**(118,971)**

Unusable Reserves	Balance at 1 April 2013 £000s	Transfers Out 2013/14 £000s	Transfers In 2013/14 £000s	Balance at 31 March 2014 £000s	**Transfers Out 2014/15 £000s**	**Transfers In 2014/15 £000s**	**Balance at 31 March 2015 £000s**
Capital Adjustment Account *(Note 18)*	(203,317)	72,842	(47,897)	(178,372)	56,560	(51,973)	(173,785)
Revaluation Reserve *(Note 19)*	(62,888)	10,493	(275)	(52,670)	2,234	(5,395)	(55,831)
Collection Fund Adjustment A/C *(Note 20)*	(2,415)	335	(1,510)	(3,590)	1,587	-	(2,003)
Pensions Reserve *(Note 31)*	204,583	28,269	(66,932)	165,920	134,017	(75,839)	224,098
Available for Sale Financial Instruments	(639)	262	-	(377)	-	-	(377)
Financial Instruments Adjust A/C	1,042	-	(82)	960	-	(83)	877
Deferred Capital Receipts Reserve	(173)	6	-	(167)	2	-	(165)
Accumulated Absences Account	2,994	2,530	(2,994)	2,530	1,917	(2,530)	1,917
Total Unusable Reserves	**(60,813)**	**114,737**	**(119,690)**	**(65,766)**	**196,317**	**(135,820)**	**(5,269)**

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 2014/15	Children, Education & Social Care	Development & Neighbourhood	Public Health	Resources & Corporate	Total
	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(32,534)	(53,238)	(1,297)	(11,067)	(98,136)
Government grants	(122,614)	(5,288)	-	(71,955)	(199,857)
Total Income	**(155,148)**	**(58,526)**	**(1,297)**	**(83,022)**	**(297,993)**
Employee expenses	117,109	33,919	2,626	12,170	165,824
Other operating expenses	116,854	60,478	10,087	107,475	294,894
Support service recharges	6,541	3,232	1,484	813	12,070
Total Expenditure	**240,504**	**97,629**	**14,197**	**120,458**	**472,788**
Net Expenditure	**85,356**	**39,103**	**12,900**	**37,436**	**174,795**

Income and Expenditure 2013/14 Comparative Figures	Children, Education & Social Care	Development & Neighbourhood	Public Health	Resources & Corporate	Total
	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(24,569)	(46,949)	(1,419)	(9,050)	(81,987)
Government grants	(132,698)	(74,516)	(44)	(913)	(208,171)
Total Income	(157,267)	(121,465)	(1,463)	(9,963)	(290,158)
Employee expenses	128,969	37,518	2,607	12,973	182,067
Other operating expenses	110,035	125,453	10,326	29,511	275,325
Support service recharges	763	5,483	479	920	7,645
Total Expenditure	239,767	168,454	13,412	43,404	465,037
Net Expenditure	82,500	46,989	11,949	33,441	174,879

Reconciliation of 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.

	2014/15 £000s	2013/14 £000s
Net expenditure in the Directorate Analysis	174,795	174,879
Add amounts not reported to management	3,820	39
Cost of Services in Comprehensive Income and Expenditure Statement	**178,615**	174,918

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.

2014/15	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	(98,136)	(12,244)	18,791	**(91,589)**	(22,633)	**(114,222)**
Interest and investment income	-			**-**	(27,121)	**(27,121)**
Income from council tax	-			**-**	(105,602)	**(105,602)**
Government grants and contributions	(199,857)	(7,355)	695	**(206,517)**	(61,326)	**(267,843)**
Total Income	(297,993)	(19,599)	19,486	**(298,106)**	(216,682)	**(514,788)**
Employee expenses	165,824	7,145	(13,888)	**159,081**	13,276	**172,357**
Other service expenses	294,894	11,885	(55,232)	**251,547**	6,156	**257,703**
Support service recharges	12,070	569	(701)	**11,938**	701	**12,639**
Depreciation, amortisation and impairment	-	-	54,155	**54,155**	889	**55,044**
Interest Payments	-	-	-	**-**	37,682	**37,682**
Precepts & Levies	-	-	-	**-**	600	**600**
Payments to Housing Capital Receipts Pool	-	-	-	**-**	2	**2**
(Gain) or Loss on Disposal of Fixed Assets	-	-	-	**-**	147	**147**
Total Expenditure	472,788	19,599	(15,666)	**476,721**	59,453	**536,174**
(Surplus) or deficit on the provision of services	174,795	-	3,820	**178,615**	(157,229)	**21,386**

2013/14 Comparative Figures	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**

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 £750,442 (last year: £765,206). 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			
	2014/15	2013/14	**2014/15**	2013/14
	Council	*Council*	***Schools***	*Schools*
£50,001 - £55,000	23	24	22	26
£55,001 - £60,000	17	22	17	20
£60,001 - £65,000	5	8	19	21
£65,001 - £70,000	8	9	13	11
£70,001 - £75,000	1	-	9	6
£75,001 - £80,000	-	2	2	4
£80,001 - £85,000	10	6	2	2
£85,001 - £90,000	-	1	-	-
£90,001 - £95,000	7	8	-	-
£95,001 - £100,000	-	-	-	2
£100,001 - £105,000	-	-	1	-
£105,001 - £110,000	-	1	-	-
£110,001 - £115,000	-	1	-	-
£120,001 - £125,000	-	-	-	1
£125,001 - £130,000	-	1	-	-
£130,001 - £135,000	2	-	-	-
£150,001 - £155,000	-	1	-	-

Remuneration of the Chief Executive and his senior staff has been excluded above. Details are shown in the following table.

Remuneration of Senior Employees							
Post holder information	**Salary (Including fees & Allowances) £**	**Expense Allowances £**	**Benefits in kind £**	**Total Remuneration excluding pension contributions 2014/15 £**	**Pension contributions £**	**Total Remuneration including pension contributions 2014/15 £**	Total Remuneration including pension contributions 2013/14 £
Chief Executive - Neil Schneider	165,191	71	3,586	**168,848**	23,622	**192,470**	192,151
Corporate Director, Resources and Deputy Chief Executive	133,523	734	-	**134,257**	19,094	**153,351**	154,767
Corporate Director, Children, Education & Social Care	128,523	950	-	**129,473**	18,379	**147,852**	151,245
Corporate Director, Development & Neighbourhood Services	128,523	105	-	**128,628**	18,379	**147,007**	148,593
Director of Public Health	105,425	502	-	**105,927**	14,717	**120,644**	120,311
Director of Law and Democracy	94,725	-	-	**94,725**	13,546	**108,271**	110,183
	755,910	2,362	3,586	**761,858**	107,737	**869,595**	877,250

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

Movements in 2014/15	**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 2014	271,290	17,674	218,333	1,057	16,949	1,426	**526,729**
Additions	12,644	2,069	23,078	104	1,825	3,634	**43,354**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,518						**5,518**
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on provision of services	(30,115)			(11)			**(30,126)**
Derecognition - disposals	(3,595)	(1,127)			(84)	(51)	**(4,857)**
Reclassified to/from held for sale	(636)						**(636)**
Other reclassifications	(82,345)	(3,785)		(713)	(3,447)	(1,312)	**(91,602)**
At 31 March 2015	**172,761**	**14,831**	**241,411**	**437**	**15,243**	**3,697**	**448,380**
Accumulated Depreciation and Impairment							
At 1 April 2014	(93,983)	(9,605)	(71,003)	(1,057)	(14,367)	(1)	**(190,016)**
Depreciation Charge	(8,907)	(1,544)	(6,071)		(46)		**(16,568)**
Impairment losses/reversals recognised in the (Surplus)/Deficit on provision of services	(2,244)	(700)	(254)	(18)	(1,731)		**(4,947)**
Derecognition - disposals	304	921			74		**1,299**
Other reclassifications	83,478	3,785		713	3,457	1	**91,434**
At 31 March 2015	**(21,352)**	**(7,143)**	**(77,328)**	**(362)**	**(12,613)**	**-**	**(118,798)**
Net Book Value							
At 31 March 2015	**151,409**	**7,688**	**164,083**	**75**	**2,630**	**3,697**	**329,582**
At 31 March 2014	**177,307**	**8,069**	**147,330**	**-**	**2,582**	**1,425**	**336,713**

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

Movements in 2013/14 (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 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 (Surplus)/Deficit on provision of services	(3,576)	(578)		(344)	(2,819)		**(7,317)**
Reclassified to/from Investment Property	3,045	1,222			4,881		**9,148**
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 1 April 2013	**216,969**	**7,458**	**137,671**	**-**	**3,795**	**13,385**	**379,278**

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 2015, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £51.6m

The major budgeted commitments are:
Street Lighting - £9.4m
Leisure Facility Ingleby Barwick - £10.0m
Housing Regeneration - Victoria Estate - £1.3m
Stockton Centre - £4.1m

The total value of contracts in place at the balance sheet date was £2.8m.

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 three 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 £000s**	**Vehicles, Plant & Equipment £000s**	**Surplus Assets £000s**	**Total £000s**
Valued at Historical Cost	207,538	7,688	3,533	218,759
Valued at fair value as at:				
Current Year	(36,222)	-	(1,703)	(37,925)
2013/2014	(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
Total	**122,402**	**7,688**	**742**	**130,832**

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:

	2014/15 £000s	2013/14 £000s
Rental income from investment property	355	191
Direct operating expenses arising from investment property	(151)	(61)
Net gain/(loss)	**204**	130

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:

	2014/15 £000s	2013/14 £000s
Balance at the start of the year	6,744	3,920
Disposals	(32)	-
Net gains/(losses) from fair value adjustments	(867)	238
Transfer to/from Property, Plant & Equipment	-	2,586
Balance at the end of the year	**5,845**	6,744

Note 13: Non Current Assets - Heritage Assets

2014/15	**Artworks**	**Ceramics, Glass, Silverware & Decorative Art**	**Weapons & Militeria**	**Transport**	**Archaeological**	**Civic Regalia**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Cost or Valuation							
At 1 April 2014	2,616	600	1,600	183	1,000	141	**6,140**
Additions	178	-	-	-	-	-	**178**
Revaluations	-	-	-	-	-	3	**3**
At 31 March 2015	**2,794**	**600**	**1,600**	**183**	**1,000**	**144**	**6,321**

2013/14	**Artworks**	**Ceramics, Glass, Silverware & Decorative Art**	**Weapons & Militeria**	**Transport**	**Archaeological**	**Civic Regalia**	**Total**
	£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	**2,616**	**600**	**1,600**	**183**	**1,000**	**141**	**6,140**

Note 13: Non Current Assets - Heritage Assets

Artworks
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.
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.

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.

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.

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

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
The Civic Regalia was revalued during the year.

Note 14: Debtors

	31 March 2015 £000s	31 March 2014 £000s
Government departments	8,902	8,452
Other local authorities	3,698	5,621
Local taxation	3,353	1,591
Housing benefit overpayments	2,758	2,750
Sundry debtors	10,197	8,252
Payments in advance	9,940	4,190
Car loans to employees	50	45
	38,898	30,901

Note 15: Cash and Cash Equivalents

	31 March 2015 £000s	31 March 2014 £000s
Bank and Imprests	97	104
Cash Equivalents	22,433	56,565
Bank Overdraft	(4,859)	(585)
	17,671	56,084

Note 16: Short Term Creditors

	31 March 2015 £000s	31 March 2014 £000s
Government departments	(7,055)	(10,854)
Other local authorities	(4,741)	(5,342)
Local taxation	(1,463)	(1,649)
Sundry creditors	(18,469)	(19,023)
Employee benefits	(1,917)	(2,530)
Income in advance	(4,427)	(7,844)
	(38,072)	(47,242)

	31 March 2015 £000s	31 March 2014 £000s
Sundry creditors include:		
Invoiced (Trade) Creditors	(4,761)	(5,351)
Capital accruals	(4,610)	(3,788)
Capital retentions	(122)	(93)
Revenue accruals	(8,976)	(9,791)
	(18,469)	(19,023)

Note 17: Other Long Term Liabilities

	31 March 2015 £000s	31 March 2014 £000s
Finance lease liability	(491)	(1,137)
PFI liability	(6,863)	(7,137)
Net pensions liability	(224,098)	(165,920)
	(231,452)	(174,194)

Note 18: 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.

	2014/15		2013/14
	£000s	**£000s**	£000s
Balance at 1 April		(178,372)	(203,317)
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	19,696		23,372
• Revaluation losses on property, plant and equipment	29,095		(596)
• Revaluation losses on AHFS & Investment Properties	886		(47)
• Amortisation of intangible assets	584		692
• Revenue expenditure funded from capital under statute	2,940		7,710
• Amounts of non-current assets written off on disposal or sale	3,359		41,068
		56,560	72,199
Capital financing applied in the year:			
• Use of the Capital Receipts Reserve to finance new capital expenditure	(4,139)		(6,801)
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(6,115)		(15,988)
• Application of grants to capital financing from the Capital Grants Unapplied Account	(14,693)		(6,254)
• Statutory provision for the financing of capital investment charged against the General Fund balance	(5,632)		(5,790)
• Capital expenditure charged against the General Fund balance	(21,394)		(12,421)
		(51,973)	(47,254)
Other adjustments		-	-
Balance at 31 March		**(173,785)**	(178,372)

Note 19: 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.

	2014/15		2013/14
	£000s	**£000s**	£000s
Balance at 1 April		(52,670)	(62,888)
Upward revaluation of assets	(10,838)		(275)
Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the provision of services	5,443		-
Surplus or deficit on revaluation of non-current assets not posted to the (surplus)/deficit on the provision of services		(5,395)	(275)
Difference between fair value depreciation and historical cost depreciation	1,840		3,022
Accumulated gains on assets sold or scrapped	394		7,471
Amount written off to the Capital Adjustment Account		2,234	10,493
Balance at 31 March		**(55,831)**	(52,670)

Note 20: 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.

	2014/15	2013/14
	£000s	£000s
Balance at 1 April	(3,590)	(2,415)
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	123	(1,510)
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	1,464	335
Balance at 31 March	**(2,003)**	(3,590)

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 2014/15 is shown in Note 9. During 2014/15, services to the value of £3,810 (last year: £12,800) 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.

Entities Controlled or Significantly Influenced by the Council

A number of elected members sit on the management committees or boards of local organisations. During 2014/15 the Council had transactions that totalled £2.3million 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.

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 governance arrangements for TVU include a Leadership Board and a number of groups that are responsible for driving specific elements of the Business Plan. The membership of the board and groups include prominent members of the local business community and in some cases their businesses are involved in the delivery of TVU programmes. Details of the governance arrangements can be found on the TVU website at www.teesvalleyunlimited.gov.uk.

Further details regarding Tees Valley Unlimited are set out at Note 5.

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:

	2014/15 £000s	2013/14 £000s
Fees payable to Mazars LLP with regard to external audit services	169	179
Fees payable to Mazars LLP for the certification of grant claims	25	16
Fees payable in respect of other services provided by Mazars LLP	8	-
	202	195
Rebate from Audit Commission	*(17)*	

Note 23: Dedicated Schools Grant

	Central Expenditure £000s	**Individual Schools Budget £000s**	**Total £000s**
Final Dedicated Schools Grant for 2014/15 before academy recoupment			144,764
Academy figure recouped for 2014/15			37,770
Total DSG after Academy recoupment for 2014/15			106,994
Brought forward from 2013/14			1,438
Carry-forward to 2015/16 agreed in advance			-
Agreed initial budgeted distribution in 2014/15	11,115	97,317	108,432
In year adjustments	(90)	-	(90)
Final budgeted distribution for 2014/15	11,025	97,317	108,342
Less Actual central expenditure	8,896		
Less Actual ISB deployed to schools		97,317	
Plus Local authority contribution for 2014/15	-	-	-
Carry-forward to 2015/16	**2,129**	**-**	**2,129**

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.

Assets Held under PFI Schemes	**2014/15 £000s**	2013/14 £000s
Cost or Valuation at 1 April	2,032	10,109
Additions	-	-
Revaluation	-	-
Disposal	-	(8,077)
Cost or Valuation at 31 March	**2,032**	2,032
Depreciation & Impairments at 1 April	(88)	-
Charge for the year:		
Depreciation	(82)	(253)
Impairments	-	-
Total Charge for year	(82)	(253)
Revaluation	-	-
Disposal	-	165
Depreciation & Impairments at 31 March	**(170)**	(88)
Balance sheet amount at 1 April	**1,944**	10,109
Balance sheet amount as at 31 March	**1,862**	1,944

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. Payments remaining to be made under the PFI contract at 31 March 2015 (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 2015/16	556	273	578	1,407
Within two to five years	2,225	1,370	2,035	5,630
Within six to ten years	2,760	2,520	1,757	7,037
Within eleven to fifteen years	1,580	2,700	528	4,808
	7,121	**6,863**	**4,898**	**18,882**

Movement on PFI Liability	**2014/15 £000s**	2013/14 £000s
Balance outstanding at start of year	(7,137)	(7,165)
Payments during the year	274	28
Balance outstanding at year-end	**(6,863)**	(7,137)

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	2014/15 £000s	2013/14 £000s
Not later than one year	323	480
Later than one year & not later than five years	692	781
Later than five years	-	75
	1,015	1,336

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	2014/15 £000s	2013/14 £000s
Not later than one year	443	867
Later than one year & not later than five years	1,363	1,505
Later than five years	26,845	28,045
	28,651	30,417

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.

	2014/15 £000s	2013/14 £000s
Value of Assets held under Finance Leases		
Vehicles, plant & equipment	1,239	2,089
Intangibles	10	30
Total	**1,249**	2,119

	2014/15 £000s	2013/14 £000s
Future minimum lease payments due		
Current	372	647
Non-current	119	491
Finance costs payable in the future	107	261
Total minimum lease payments	**598**	1,399

	Minimum Lease payments		Finance Lease liabilities	
	2014/15 £000s	2013/14 £000s	2014/15 £000s	2013/14 £000s
Payable:				
No later than one year	443	801	372	647
Later than one year & not later than five years	155	598	119	490
Later than five years	-	-	-	-
Total	**598**	1,399	**491**	1,137

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 2015 £000s	31 March 2014 £000s
Opening Capital Financing Requirement	**122,339**	127,938
Capital investment		
Property, plant and equipment	43,658	33,834
Intangible assets	47	105
Revenue expenditure funded from capital under statute	2,636	7,710
Sources of Finance		
Capital receipts	(4,147)	(6,795)
Government grants and other contributions	(20,808)	(22,242)
Sums set aside from revenue:		
Direct revenue contributions	(21,393)	(12,421)
Minimum Revenue Provision (MRP)	(5,631)	(5,790)
Closing Capital Financing Requirement	**116,701**	122,339
Explanation of movements in year		
Reduction in underlying need to borrow	(5,638)	(5,784)
Assets acquired under finance leases	-	185
Increase/(decrease) in Capital Financing Requirement	**(5,638)**	(5,599)

Note 28: Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15

	2014/15 £000s	2013/14 £000s
Credited to Taxation and Non Specific Grant Income		
RSG	42,371	52,092
Local Authority Central Spend Equivalent Grant	-	693
Social Fund	887	3,925
New Homes Bonus	3,198	2,549
NNDR s31 Grant	2,110	523
DCSF Capital Grants	4,573	8,512
Housing Market Renewal	-	344
Transport Supplementary Grant	4,128	3,097
DFT Regional Funding	1,613	5,219
HCA - Northshore	1,556	-
Other Capital Contributions	858	959
Total	**61,294**	77,913
Credited to Services		
Public Health	12,959	11,679
Housing Benefit and Council Tax Benefit Administration	1,262	1,858
Learning Skills Council	4,143	4,116
Rent Rebates	246	312
Rent Allowance Subsidy	69,729	68,535
Education Services Grant	2,783	3,003
Regional Growth Fund	-	10,000
Pupil Premium	7,286	6,295
Adoption Reform Grant	57	311
Department of Health Grants	240	185
Local Sustainable Transport Fund	3,573	-
Other Grants	10,789	5,199
Total	**113,065**	111,493

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 2015 £000s	31 March 2014 £000s
Devolved Formula Capital	554	699
Environment agency Flood Defence	400	-
Offenders' Learning and Skills Service	82	82
Foundation Learning	166	166
Total	**1,202**	947

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 2015 £000s	31 March 2014 £000s	**31 March 2015 £000s**	31 March 2014 £000s
Loans and receivables	5,817	4,469	76,666	97,713
Available-for-sale financial assets	377	377	-	-
Financial assets carried at contract amounts	-	-	21,172	20,947
Total financial assets	**6,194**	4,846	**97,838**	118,660
Financial liabilities at amortised cost	(48,437)	(48,516)	(190)	(8,408)
Financial liabilities carried at contract amount	(211)	(209)	(27,703)	(32,471)
PFI and finance lease liabilities	(7,354)	(8,274)	-	-
Total financial liabilities	**(56,002)**	(56,999)	**(27,893)**	(40,879)

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 2015 of 1.11% to 3.08% for loans from the PWLB and 3.23% to 3.66% 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.

The fair values calculated are as follows:

Financial liabilities	**31 March 2015 Carrying Amount £000s**	**31 March 2015 Fair Value £000s**	31 March 2014 Carrying Amount £000s	31 March 2014 Fair Value £000s
PWLB debt	(5,044)	(7,740)	(5,260)	(6,539)
Non-PWLB debt	(43,563)	(59,675)	(51,664)	(57,376)
Trade creditors	(4,761)	(4,761)	(5,352)	(5,352)
Finance lease liability	(491)	(491)	(1,138)	(1,138)
Long term creditors	(211)	(211)	(209)	(209)
Total Financial liabilities	**(54,070)**	**(72,878)**	(63,623)	(70,614)

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.

Note 29: Financial Instruments

Loans and receivables	**31 March 2015 Carrying Amount £000s**	**31 March 2015 Fair Value £000s**	31 March 2014 Carrying Amount £000s	31 March 2014 Fair Value £000s
Money Market Loans < 1 year	54,233	54,233	41,148	41,148
Other Loans >1 year	5,817	5,817	4,469	4,469
Cash on Deposit	22,433	22,433	56,565	56,565
Total Loans and receivables	**82,483**	**82,483**	102,182	102,182

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.

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.

Note 29: Financial Instruments

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 maximum exposure to credit risk in relation to its investments in banks and building societies of £30,000 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 2015 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.

	Amount at 31 March 2015	Historical experience of default	Adjustment for market conditions at 31 March 2015	Estimated maximum exposure to default at 31 March 2015	Estimated maximum exposure to default at 31 March 2014
	£000s	%	%	£000s	£000s
AA rated counterparties	35,000	0.02%	0.02%	7	12
A rated counterparties	14,000	0.09%	0.09%	13	-
B rated counterparties	5,000	0.20%	0.20%	10	5
Debtors	21,114	18.72%	18.72%	3,953	3,863
				3,983	3,880

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 debtors' balance represents the amount due to the Council from customers (excluding council tax and business rates arrears). A bad debt provision of £4m (excluding council tax and business rates) is held on the Balance Sheet to provide against the risk of default on the debt outstanding.

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.

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.

Note 29: Financial Instruments

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 2015 £000s**	**31 March 2015 %**	31 March 2014 £000s	31 March 2014 %
Less than one year	0%	15%	(190)	0.4%	(8,192)	14.6%
Between 1 & 2 years	0%	15%	(173)	0.8%	(190)	14.9%
Between 2 & 5 years	0%	55%	(494)	1.8%	(596)	16.0%
Between 5 & 10 years	0%	75%	(6,068)	14.4%	(6,123)	26.9%
More than 10 years	0%	100%	(41,119)	100.0%	(41,135)	100.0%
			(48,044)		(56,236)	

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.

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:

	2014/15 £000s	2013/14 £000s
Increase in interest payable on variable rate borrowings	140	140
Increase in interest receivable on variable rate investments	-	-
Impact on (Surplus) or Deficit on the Provision of Services	140	140
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)	(10,640)	(7,617)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

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 and therefore has no exposure to loss arising from movements in exchange rates.

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 2014/15		Contributions 2013/14	
	£000s	**%**	**£000s**	**%**
Teachers' Pension Scheme	5,823	14.1	6,830	14.1
NHS Pension Scheme	50	14.0	57	14.0
	5,873		**6,887**	

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:

Note 31: Defined Benefit Pension Schemes

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2014/15 £000s	2013/14 £000s	**2014/15 £000s**	2013/14 £000s
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• Current service cost	15,813	18,347	-	-
• Past service cost	709	1,268	-	-
Financing and Investment Income and Expenditure				
Net interest cost	5,653	7,550	1,286	1,104
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	**22,175**	27,165	**1,286**	1,104
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)	(30,730)	(4,654)	-	-
• Actuarial gains and losses arising on changes in financial assumptions	80,310	(15,800)	1,488	8
• Actuarial gains and losses arising on changes in demographic assumptions	-	31,812	-	2,870
• Actuarial gains and losses due to liability experience	(4,422)	(68,043)	(353)	2,897
• Actuarial gains and losses due to acquisitions	2,316	-	-	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**47,474**	(56,685)	**1,135**	5,775
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	(22,175)	(27,165)	(1,286)	(1,104)
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to scheme	**11,825**	13,973		
• Retirement benefits payable to pensioners			**2,067**	2,049

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	
	2014/15	2013/14	**2014/15**	2013/14
	£000s	£000s	**£000s**	£000s
Present value of defined benefit obligation	(860,156)	(741,796)	(31,280)	(30,926)
Fair value of plan assets	667,338	606,802	-	-
Net liability recognised in the Balance Sheet	**(192,818)**	(134,994)	**(31,280)**	(30,926)

Note 31: Defined Benefit Pension Schemes

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2014/15 £000s	2013/14 £000s	**2014/15 £000s**	2013/14 £000s
Opening fair value of scheme assets	606,802	583,217	-	-
Interest income	26,442	25,525	-	-
Remeasurement gains and (losses)	30,730	4,654	2,067	2,049
Contributions from the employer	11,825	13,973	-	-
Contributions from employees into the scheme	5,016	5,089	-	-
Net increase from acquisitions	12,579	-	-	-
Benefits paid	(26,056)	(25,656)	(2,067)	(2,049)
Closing balance at 31 March	**667,338**	606,802	**-**	-

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2014/15 £000s	2013/14 £000s	**2014/15 £000s**	2013/14 £000s
Opening balance at 1 April	(741,796)	(761,704)	(30,926)	(26,096)
Current service cost	(15,813)	(18,347)	-	-
Interest cost	(32,095)	(33,075)	(1,286)	(1,104)
Contributions by scheme participants	(5,016)	(5,089)	-	-
Actuarial gains and losses - financial assumptions	(80,310)	15,800	(1,488)	(8)
Actuarial gains and losses - demographic assumptions	-	(31,812)	-	(2,870)
Actuarial gains and losses - liability experience	4,422	68,043	353	(2,897)
Benefits paid	26,056	25,656	2,067	2,049
Net increase from acquisitions	(14,895)	-	-	-
Past service cost	(709)	(1,268)	-	-
Closing balance at 31 March	**(860,156)**	(741,796)	**(31,280)**	(30,926)

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets			
	2014/15		2013/14	
	£000s	**%**	£000s	%
Equity investments (Quoted)	560,564	84.0	491,509	81.0
Property (Quoted)	42,710	6.4	31,554	5.2
Government Bonds	11,345	1.7	11,529	1.9
Corporate Bonds	22,689	3.4	27,913	4.6
Cash	16,683	2.5	31,554	5.2
Other Investments	13,347	2.0	12,743	2.1
	667,338	**100.0**	606,802	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 31 March 2013.

Note 31: Defined Benefit Pension Schemes

The principal assumptions used by the actuary have been:

	2014/15	2013/14
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	23.0	22.9
Women	25.5	25.4
Longevity at 65 for future pensioners:		
Men	25.2	25.1
Women	27.8	27.7
Other assumptions:		
Rate of inflation (RPI)	2.9%	3.4%
Rate of inflation (CPI)	1.8%	2.4%
Rate of increase in salaries	3.3%	3.9%
Rate of increase in pensions	1.8%	2.4%
Rate for discounting scheme liabilities	3.2%	4.3%
Take-up of option to convert annual pension into retirement lump sum	80.0%	80.0%

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.

Impact on the Defined Benefit Obligation in the Scheme

	Change in Assumption	
	Increase	**Decrease**
	£000s	**£000s**
Longevity (increase or decrease in 1 year)	22,729	(22,730)
Rate of increase in salaries (increase or decrease by 0.1%)	4,311	(4,263)
Rate of increase in pensions in payment (increase or decrease by 0.1%)	12,866	(12,659)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(16,132)	16,440

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 £11.496m contributions to the scheme in 2015/2016.

The weighted average duration of the defined benefit obligation for scheme members is 18.8 years.
(Last year 18 years).

Note 32: Termination Benefits

The Council terminated the contracts of a number of employees in 2014/15, incurring liabilities of £2.52m (£4.08m in 2013/14). 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**	
	2014/15	2013/14	**2014/15**	2013/14	**2014/15**	2013/14	**2014/15 £000s**	2013/14 £000s
£1 to £20,000	10	19	85	118	95	137	860	967
£20,001 to £40,000	2	5	29	28	31	33	809	889
£40,001 to £60,000	-	2	6	7	6	9	305	438
£60,001 to £80,000	-	-	4	4	4	4	283	284
£80,001 to £100,000	-	1	3	5	3	6	260	538
£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	**12**	27	**127**	167	**139**	194	**2,517**	4,075

Note 33: Impairment Losses

During 2014/15, the Council has recognised impairment losses of £4.9m (last year: £7.6m) in relation to:

	2014/15 £000s	2013/14 £000s
Other land and buildings	(2,244)	(3,576)
Vehicles, plant & equipment	(700)	(578)
Infrastructure assets	(254)	-
Community assets	(18)	(344)
Surplus assets	(1,731)	(2,819)
Financial instruments	-	(262)
	(4,947)	(7,579)

Note 34: 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 £3.001m (last year £1.491).

Note 35: Contingent Liabilities

Achieving Real Change in Communities (ARCC)
ARCC is the new probation service for the Tees Valley that has been established in association with a number of partners. The Council has agreed to guarantee the performance of ARCC under the Services Agreement persuant to a Guarantee with the Secretary of State for Justice.

Business Rate Appeals
The Council has made a provision for the loss of Business Rates that result from appeals made by ratepayers, however it is likely that actual appeals will be made that have not currently been provided and that addition liabilities will arise in the future.

Collection Fund Statement for the year ended 31 March 2015

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.

	2014/15			2013/14		
	Council Tax £000	**Business Rates £000**	**Total £000**	Council Tax £000	Business Rates £000	Total £000
Income						
Income from Council Tax payers	(85,141)		(85,141)	(82,482)		(82,482)
Income from business ratepayers		(80,523)	(80,523)		(80,598)	(80,598)
Total Income	**(85,141)**	**(80,523)**	**(165,664)**	(82,482)	(80,598)	(163,080)
Expenditure						
Precepts, demands and shares:						
Central Government		40,490	40,490		39,221	39,221
Stockton-on-Tees Borough Council	68,195	38,903	107,098	64,539	37,925	102,464
Police & Crime Commissioner for Cleveland	10,414		10,414	9,848		9,848
Cleveland Fire Authority	3,556	792	4,348	3,365	774	4,139
	82,165	**80,185**	**162,350**	77,752	77,920	155,672
Apportionment of Previous Year Estimated Surplus/Deficit						
Central Government		(283)	(283)		-	-
Stockton-on-Tees Borough Council	3,411	(277)	3,134	1,992	-	1,992
Police & Crime Commissioner for Cleveland	521		521	304		304
Cleveland Fire Authority	178	(6)	172	104	-	104
	4,110	**(566)**	**3,544**	2,400	-	2,400
Charges to Collection Fund						
Write off of uncollectable amounts	425	316	741	188	295	483
Change in Bad Debt Provision	(1,412)	254	(1,158)	325	(212)	113
Change in Provision for Appeals		3,082	3,082		3,043	3,043
Cost of Collection		239	239		236	236
	(987)	**3,891**	**2,904**	513	3,362	3,875
Surplus / Deficit (-) arising during the year	**147**	**2,987**	**3,134**	(1,817)	684	(1,133)
Balance at 1st April	**(4,729)**	**684**	**(4,045)**	(2,912)	-	(2,912)
Balance at 31st March	**(4,582)**	**3,671**	**(911)**	(4,729)	684	(4,045)

Note 1: Council Tax Base

Property Category and Council Tax Banding	2014/15 Number in Category No.	2014/15 Band D Equivalent No.	2013/14 Number in Category No.	2013/14 Band D Equivalent No.
A - up to £40,000	35,082	13,119.40	35,200	19,504.60
B - £40,001 to £52,000	15,878	9,532.80	15,637	10,464.00
C - £52,001 to £68,000	15,092	11,353.30	14,907	11,716.90
D - £68,001 to £88,000	9,219	8,195.90	9,156	8,237.80
E - £88,001 to £120,000	5,182	5,881.40	5,119	5,791.20
F - £120,001 to £160,000	2,096	2,857.10	2,084	2,807.30
G - £160,001 to £320,000	1,256	1,980.90	1,239	1,887.90
H - over £320,000	120	167.00	113	142.50
Gross Tax Base		53,087.80		60,552.20
Non Collection	3%	(1,592.63)	2.5%	(1,513.81)
Council Tax Base		**51,495.17**		59,038.39

Note 2: National Non Domestic (Business) Rates Gross Rateable Value

	2014/15 £	2013/14 £
Value at the year end	195,917,418	194,163,725

Note 3: National Non Domestic (Business) Rates Multiplier

	2014/15 pence	2013/14 pence
Multiplier for the year	48.2p	47.1p

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 2015.

J Danks CPFA **Date: 30 June 2015**
Corporate Director of Resources

These financial statements replace the unaudited financial statements certified by the Corporate Director of Resources on 30 June 2015.

J Danks CPFA **Date: 30 September 2015**
Corporate Director of Resources

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

Opinion on the Council financial statements

We have audited the financial statements of Stockton-on-Tees Borough Council for the year ended 31 March 2015 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, 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 2014/15.

This report is made solely to the members of Stockton-on-Tees 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporate Director of Resources and auditor

As explained more fully in the Statement of the Corporate Director of Resources Responsibilities, the Director of Corporate 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 financial 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 Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Corporate 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 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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:

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

- 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;
- 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 Council'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 Council 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 Council 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 Council'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, as to whether the Council 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 Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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 Council 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 2015.

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

29 September 2015

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.

Street Lighting Renewal
A reserve formed to fund the three year programme to replace all of the Council's street lighting.

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

Infrastructure 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 covers any public, employers, officials and professional indemnity and libel and slander liability claims. A property 'excess' 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.

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.

Tees Valley Unlimited
The funds set aside by Tees Valley Unlimited, the Local Enterprise Partnership, for use in future years.

ARCC Probation Service
Funds set aside to support the newly formed Tees Valley-wide Probation Service partnership.

MTFP Transition Reserve
A reserve created to assist in dealing with budget pressures that will arise of the life of the Medium Term Financial Plan.

Appendix A

Earmarked Reserves

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

Public Health Reserve
Funds to support the Council's responsibilities regarding Public Health functions which were formerly a part of the National Health Service.

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.

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).

Health & Social Care Integration Reserve

Funds retained for future use from the inititatives related to the Better Care Fund and other health and social care projects.

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 smaller amounts which will be utilised in future years.

Time to Buy Initiative
A scheme to assist first time buyers of houses.

Appendix B

Members' Allowances

Member	Basic Allowance £	Special Responsibility Allowance £	Travel £	Subsistence £	Total 2014/15 £	Total 2013/14 £
JL Apedaile	9,300.00		38.17		**9,338.17**	9,327.58
P Baker	9,300.00				**9,300.00**	9,300.00
J Beall	9,300.00	14,739.96	1,010.90	15.54	**25,066.40**	25,571.51
D Brown	9,300.00	3,350.04			**12,650.04**	12,665.94
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				**9,300.00**	16,000.00
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	183.46		**36,283.42**	36,872.73
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**	12,650.04
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
KC Faulks	9,300.00	3,908.36			**13,208.36**	12,751.64
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	1,340.01			**10,640.01**	9,300.00
B Inman	9,300.00				**9,300.00**	10,416.66
M Javed	9,300.00	5,583.30			**14,883.30**	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**	9,300.00
P Kirton	9,300.00	6,699.96			**15,999.96**	15,999.96
T Laing	9,300.00		28.81		**9,328.81**	9,345.24
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		118.30		**9,418.30**	9,540.91
K Lupton	9,300.00	6,699.96			**15,999.96**	21,360.00
R McCall	9,300.00				**9,300.00**	9,300.00
A McCoy	9,300.00	12,060.00	1,020.80		**22,380.80**	22,392.60
M Moore	9,300.00				**9,300.00**	9,300.00
K Nelson	9,300.00	3,350.04	5.72		**12,655.76**	12,716.84
S Nelson	9,300.00	12,060.00	249.48		**21,609.48**	21,534.23
E O'Donnell	9,300.00	8,161.60			**17,461.60**	16,495.76
R Patterson	9,300.00	3,350.04	183.79	12.00	**12,845.83**	15,397.58
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		173.63		**9,473.63**	9,494.93
M Smith	9,300.00	12,060.00			**21,360.00**	21,360.00
N Stephenson	9,300.00	3,350.04			**12,650.04**	12,091.70
M Stoker	9,300.00	6,699.96			**15,999.96**	15,999.96
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 2014/15	Total 2013/14
	£	£	£	£	£	£
Mary Womphrey	9,300.00				**9,300.00**	9,300.00
M Womphrey	9,300.00				**9,300.00**	9,300.00
W Woodhead	9,300.00		228.33		**9,528.33**	9,510.25
B Woodhouse	9,300.00	6,699.96			**15,999.96**	15,999.96
Totals	**511,100.04**	**236,073.27**	**3,241.39**	**27.54**	**750,442.24**	765,206.06

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.