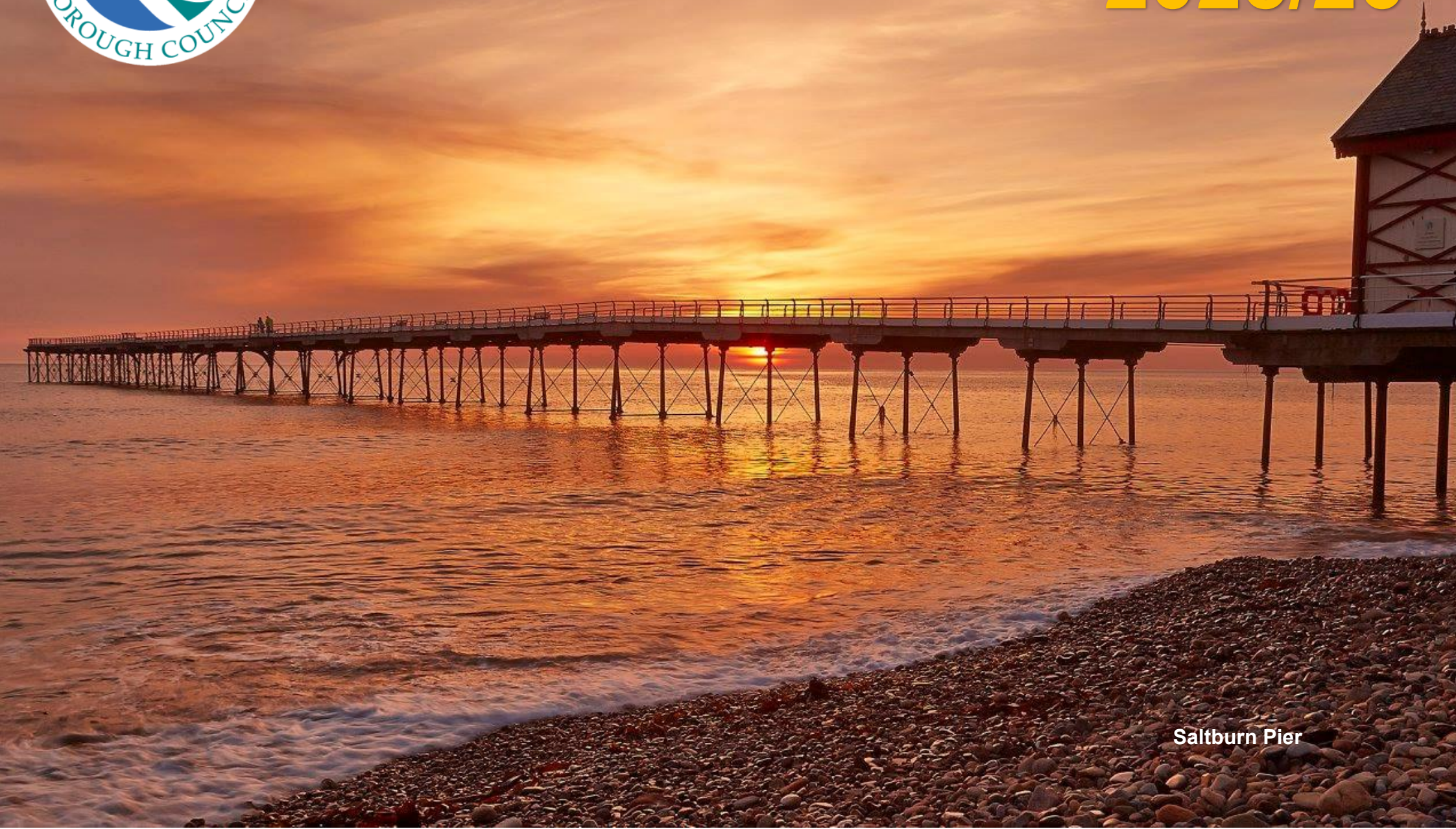




Statement of Accounts 2025/26



Saltburn Pier

Contents

1. NARRATIVE REPORT	2. CORE FINANCIAL STATEMENTS	3. NOTES TO THE ACCOUNTS	4. COLLECTION FUND ACCOUNTS AND EXPLANATORY NOTES	5. AUDITOR'S REPORT	6. GLOSSARY OF TERMS
<p>Councillor's Preface Page 4</p> <p>Chief Finance Officer's Statement Page 5</p> <p>Council Performance Page 6</p> <p>How the Council is Funded & How It Performed in 2024/25 Page 14</p> <p>Statement of Financial Accounts Page 27</p> <p>Balance Sheet Page 28</p> <p>Areas with Significant Financial Implications Page 30</p> <p>Our People Page 33</p> <p>Statement of Responsibilities for the Statement of Accounts Page 35</p>	<p>Movement in Reserves Statement Page 37</p> <p>Comprehensive Income and Expenditure Statement Page 39</p> <p>Balance Sheet Page 40</p> <p>Cash Flow Statement Page 41</p>	<p>Page 43</p>	<p>Income and Expenditure Account Page 169</p> <p>Notes to the Collection Fund Page 171</p>	<p>Page 178</p>	<p>Page 180</p>

1. Narrative Report



Councillor Christopher Massey, PhD, Cabinet Member for Corporate Resources

The 2025/26 Statement of Accounts for Redcar and Cleveland Borough Council give a detailed and comprehensive outline of the Council's finances.

As with other local authorities in the Country, Redcar and Cleveland Borough Council has dealt with several demand and inflation-led financial challenges during 2025/26 as well as seeking to deliver the five objectives of the Corporate Plan:

- Start life well
- Live and age well
- Prosper and flourish
- Clean and tidy
- A strong and sustainable council

The financial accounts provide the context for the financial challenges in the next few years as the local government sector deals with increasing demand for services and funding constraints. However, we will continue to work towards delivering a balanced budget, ensuring financial resources are effectively deployed and striving to improve financial resilience in the future.

Due to factors outlined above, the Council saw an overspend in 2025/26. This will be considered as part of the financial monitoring position for 2026/27 and the assumptions we make for future years to set an affordable and balanced budget.

As in previous years, I wish to thank all our staff who have shown great commitment to meet the many challenges we have faced throughout recent years whilst supporting the delivery of the Council's priorities and administering its finances to the usual high standard.



Chief Finance Officer's Statement

Phil Winstanley – Director of Finance and Section 151 Officer

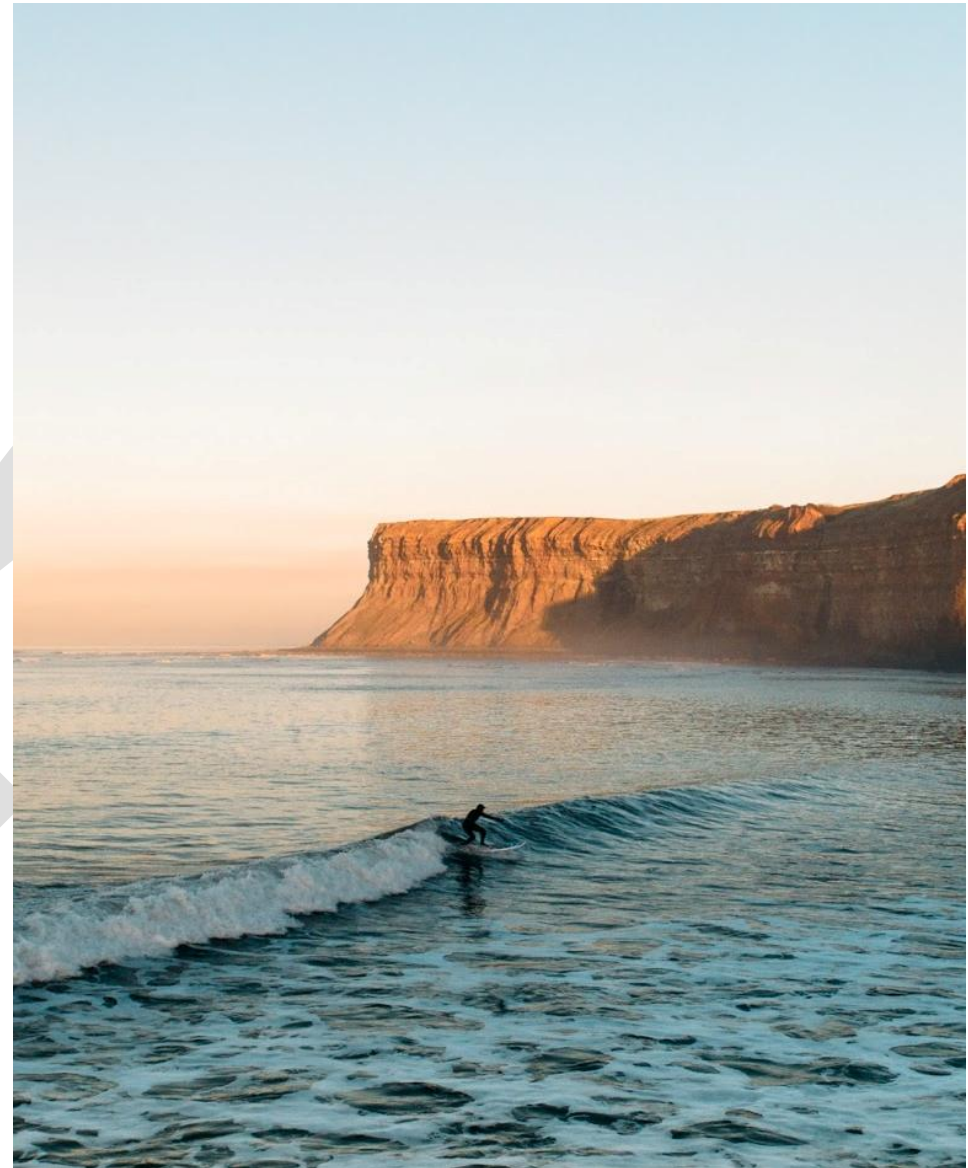
The 2025/26 financial year has continued to present significant financial pressures for the Council. These are largely driven by rising demand within Children's Services, with the most substantial impact arising from an increasing number of children with highly complex needs requiring care placements. This, coupled with a constrained market, has led to escalating placement costs.

Further pressures are also being experienced within Adult Social Care, particularly from an increase in residential placements, in part linked to ongoing hospital discharge demands. These financial challenges are anticipated to persist into 2026/27 and beyond.

The Council's financial accounts provide a comprehensive overview of how the Authority is funded and how resources are deployed to meet the needs of residents and businesses across the Borough. They also offer a clear indication of the Council's overall financial position and resilience.

Looking ahead to 2026/27, the Council will face a range of both challenges and opportunities, which it will seek to address proactively. Key priorities include:

- Delivering the Council's corporate priorities.
- Progressing an ambitious Capital Investment Programme, including the delivery of major regeneration schemes across the Borough.
- Supporting economic development and regeneration at Teesworks, helping to facilitate new business growth, alongside the associated employment and skills opportunities.
- Maintaining financial resilience in an increasingly challenging environment, including the continued delivery of the Council's Transformation savings programme.



The Borough of Redcar of Cleveland

The Borough of Redcar & Cleveland has a bit of everything, at one end being the gateway to North Yorkshire and the moors, at the other being a vibrant economic centre within the Tees Valley, with beautiful coastline sandwiched in between. What makes the area what it is though, is the 138,000 people who live here and make it their home. The Council, alongside partners provide vital public services which make a difference to residents.



Organisational strategies map

Council Performance

The Council provides a wide variety of services to residents at different stages and in different circumstances. Doing so is a whole-organisation effort, directed by elected members. The following section, broken down by the priority areas within the Corporate Plan provides a statistical overview of the work of some of the key services across the organisation in the calendar year 2025.

Start Life Well

- **27** young people started apprenticeships with the Council.
- **3,287** children and young people were supported by Family Hubs and our Early Help offer.
- **3,273** vulnerable children and young people were supported by our children's social care teams.

Live and Age Well

- **3,325** homes were adapted to support adults to remain living independently in their own homes.
- **6,785** adults were supported through social care services.
- **2,151** requests for housing advice were managed.
- **468** food hygiene inspections carried out.
- **4,287** non-compliant vapes and illicit cigarettes seized.
- **Approx. 900** notifications were received by Trading Standards.

Prosper and Flourish

- Developed and delivered regeneration projects to the value of **£36.8** million.
- Engaged with **1,044** businesses between 1 April and 31 December 2025.
- Total spend of approx. **£79.0** million with suppliers in Redcar and Cleveland.
- Determined **812** planning applications.
- Approx. **101,500** people attended events in the borough.

Clean and Tidy

- **10,585** gullies cleansed.
- **9,535** potholes filled.
- **60,000** tonnes of waste collected.
- **3.57** million bins emptied.
- **4,722** fly tipping collections.
- **1,806** solar panels installed.

Strong and Sustainable

- **140,000** calls answered by telephone contact centre.
- **2.65** million visits to the council's website.
- **15,000** received welfare rights support.

Corporate Plan – Key Achievements.

As the high-level statistics demonstrate the Council's work is extensive, impacting upon people in a variety of different ways. In addition to the above it is appropriate to highlight some of the Council's key achievements from over the past 12 months.

These include the Council's first ever 'Good' inspection result for the Ofsted inspection of children's social care, the opening of a fantastic new swimming pool in Eston, successfully delivering the excellent events programme, as well as continuing to deliver the services residents require within an ever tightening financial position.

Corporate Plan – How we are doing?

Set out below is the position regarding some of the key indicators against which the council has chosen to measure itself in the delivery of the Corporate Plan. In general terms performance is comparable to last year, which in itself, in the context of increasing demand and financial constraints is an achievement. There are areas which reflect a particularly challenging position such as the rate of children in care, however, as demonstrated by the Ofsted inspection the Council is working well to positively impact the outcomes of the children.

Start Life Well

Measure	Number	Benchmark
Rate of children in care per 10,000 population	161	The Council's figure is significantly above the national average of 61.
Key Stage 4 Attainment 8 (2025)	44.4	The Council's figure is slightly below the national figure of 46.1.
Key Stage 2 Outcomes – Reading, Writing, Maths	61.8	The Council's figure is closely in line with the national benchmark of 62.2

Live and Age Well

Measure	Number	Benchmark
Proportion of older people (65 and over) who were still at home 91 days after discharge from hospital into reablement.	89.3% (Q4)	The Council's figure is significantly above the national, figure of 60.7%
Proportion of adults with learning disabilities who live in their own home or with their family	Outturn 23/34 – 81.4%	The Council's figure is higher than the England average of 79.4%

Council Performance

Prosper and Flourish

Measure	Number	Benchmark
Percentage of total spend with:		
Redcar and Cleveland suppliers	28.4% (Q4 2025/26)	24.8% (Q4 2024/25)
Tees Valley suppliers	44.94% (Q3 2024/25)	43.33% (Q4 2024/25)
Net Additional Dwellings	563 (at Q4 2024/25)	471 (full year 2024/25)

Clean and Tidy

Measure	Number	Benchmark
Household Recycling Rate	21.1% (March 2026)	30.14% (April 2025)
Number of reported incidents of anti-social behaviour	276 (March 2026)	402 (April 2025)

Strong and Sustainable

Measure	Number	Benchmark
Council Tax Collection Rate (percentage full year collected at March 2025)	92.4%	93.6%
Non-domestic rates collection (percentage full year collected at March 2025)	97.8%	98.6% (2025)
Fees and charges to service expenditure ratio (CIPFA Index)	6.77%	The figure is the lowest of statistical Neighbour range 6.77% – 14.8%
Transactions logged through Firmstep:		
Online customer portal	32,265 / 54%	32,679/ 55% (2025)
Contact Centre	27,125 / 46%	27,186/ 45% (2025)

Area Growth Plans 2025/26 update

Coatham Area

- Coatham Hotel – Remediation works complete and approved.
- Coatham Leisure – Design work on beach access ramp commenced, alongside an updated Masterplan for the area.

Redcar Town Deal & Attractive High Street

- Culture and Leisure:
 - Demolition of former Marks and Spencer and Goodwins buildings completed summer 2025.
 - Remediation of walls on surrounding properties completed early autumn 2025.
 - Commencement of the main construction contract in September 2025 – remains on programme for completion in March 2027 (77-week contract).
 - Groundworks, steel frame, concrete floors, roof structure all completed on schedule.
- Town Centre public realm - works completed March 2026:
 - New cropped paving with granite bandings.
 - New major events electricity and water infrastructure in place.
 - New benches, bins, street lighting, rainwater drainage.
 - Defects subject to 12-month rectification period and being systematically worked through.

Loftus Projects

- Temperance Square - completed summer 2025.
- United Reform Church - completed summer 2025.
- Market Place works - completed.
- Zetland Road works - completed.
- Duncan Place - completed.
- Coronation Park - completed.
- Hall Grounds car park - completed.

Guisborough Levelling Up Fund Programme

- Bakehouse Square works - completed.
- Westgate & Chaloner Street – ESH has been appointed as principal contractor, with construction commencing in spring 2026.
- Chapel Beck – Commenced on site in June 2026.

Council Performance

- King George V Play Park – Planning permission granted and construction is scheduled to begin in autumn 2026.
- Guisborough Forest Visitor Centre - Construction works completed May 2026.
- Guisborough Active Travel – ESH has been appointed as principal contractor, with construction commencing in spring 2026 and programmed to take 12 months.

Eston Levelling Up Fund Programme

- Eston Pool – completed in January 2026, with the official opening taking place on 14 February 2026.
- Eston Precinct – demolition of the original shopping parade completed in autumn 2025. The phase 1 newbuild structure is out of the ground with steel frame in place along with metal decking roof. Completion is expected late autumn 2026.
- Eston Rec - Planning permission granted and construction is scheduled to begin in autumn 2026

Eston Football Foundation Hub Project (Football Foundation)

- The Football Foundation Hubs Programme is a capital investment initiative aimed at providing new 3G football turf pitches and supporting ancillary accommodation, whilst also supporting the delivery of a wide range of other sports, activities, and programmes.
- Feasibility commenced January 2026 and is ongoing to develop a concept design in line with Football Foundation requirements. Surveys and assessments being procured to feed into the process. Permission to advance to the next design stage is due July 2026 and if granted planning permission would then be sought ahead of business case submission in January 2027.

Levelling Up Partnership (LUP)

In spring 2023 the Government awarded £20m to the Council to be invested in key projects across the Redcar and Cleveland area.

These included:

- Tees Valley All Access Academy – to be delivered in partnership with Redcar and Cleveland College. Completion in autumn 2025.
- Refurbishment of the Daisy Lane site as a single point of access for the public and to offer increased employment and learning opportunities. Work commenced on site in November 2024 and completed in autumn 2025.
- Investment in Tuned In! to revitalise the building and enhance what it offers. Construction work commenced May 2025 with completion in spring 2026.
- Enhancement and improvement of 5 family hubs to include outdoor spaces and sensory stimulation as well as kitchen improvements. Completed.
- Targeted supported accommodation for disadvantaged children and young people in partnership with a local housing provider.
 - a. Skinningrove - 12 months refurbishment and expected operation as care facility.
 - b. Works concluded at various properties and operated as care provision since autumn 2025.

- c. Beyond Housing has acquired 1 property and is in the process of acquiring another 4. Continuing working with Beyond to acquire/refurbish/operate the remaining 12 properties.
- Redcar Central Station – Conservation works completed December 2025. Marketing and tenant fit-out continue prior to opening in (anticipated) autumn/winter 2026.
- Investment in the area's CCTV and camera infrastructure. Completion summer 2025.
- Working in partnership with the local housing provider to renovate 5 homes in the South Bank area to help address poor quality housing. Acquired 2 of the 5 houses with refurbishment underway. Identified another 3 houses and continuing acquisition.
- Facilitate a community grant scheme which looks to invest in local community-based organisations.
- Refurbishment of South Loop Road (Eston) completed and operational from August 2025.

Pride in Place Programme

In February 2025, the Government renamed the Long-Term Plans for Towns to Plans for Neighbourhoods, with a further name change to the Pride in Place Programme coming into effect in September 2025. Following the name change a revised prospectus was published which, broadened the original three themes to eight, to include:

- Regeneration, high streets and heritage.
- Housing.
- Work, productivity and skills.
- Cohesion.
- Health and wellbeing.
- Transport.
- Safety and security.
- Education and opportunity.

The TS6 Together Board request to Government to include Lazenby in the red line boundary was approved and as such the eligible wards which now form part of the TS6 Together Pride in Place Programme include:

Grangetown
South Bank
Eston including Lazenby
Normanby
Teesville

Council Performance

In November 2025 a 10-year Regeneration Plan and 4-year Implementation Plan, heavily informed by community engagement, was submitted to Government. In April 2026 this plan was approved, with the detail of the plan consisting of four themed priority areas, informed by said engagement, of:

- Education & Opportunity
- Safety & Security
- Cohesion
- Regeneration, High Streets & Heritage

Draft

Revenue Spending 2025/26

The Council's revenue budget for 2025/26 was £146.819 million which was resourced by the following funding sources:

Council Budget Summary	2025/26 £m
Revenue Support Grant	9.782
Council Tax Income	69.985
Adult Services Levy	13.422
Business Rates Income	53.630
Sub Total	146.819

The 2025/26 revenue budget was based upon the following key parameters:

- A council tax increase of 2.99%.
- An adult social care precept increase of 2.00%.
- Additional investment in our services of £30.764 million.
- Driving Efficiencies Programme of £8.848 million.

The Council's revenue budgets are allocated across operational budget managers, who receive support from colleagues in the finance function to manage and control the financial position. The Council's Directorate Management Teams and the Executive Management Team are regularly reported to regarding the financial position and a quarterly financial report is taken through to Cabinet. Any significant financial pressures which are identified as recurring are reflected in the ongoing Medium Term Financial Strategy of the Council.



How the Council is Funded and How It Performed in 2025/26

The Council's revenue budget with actual expenditure is summarised below.

Directorate	Revised Budget £m	Actual Outturn £m	Outturn Variance £m	Q3 Forecast Variance £m
Adults and Communities	59.221	61.005	1.784	1.705
Children and Families	74.159	81.291	7.132	8.035
Growth, Enterprise and Environment	46.782	45.483	(1.299)	(0.363)
Resources	13.675	12.490	(1.185)	(0.505)
Corporate Allocations	(43.331)	(49.683)	(6.352)	(5.737)
Total	150.506	150.586	0.080	3.135
Planned Use of Flexible Capital Receipts	(3.687)	(1.355)	2.332	2.187
Revised Total	146.819	149.231	2.412	5.322



The revenue budget outturn position for the 2025/26 was an overspend of £2.412 million.

At the end of the financial year, the Council is reporting an overspend of £2.412 million (which is an improvement when compared to the forecast outturn reported to Cabinet in March of £5.322 million).

The overspend is primarily driven by increased pressures within Children's Services. Additional pressures are also emerging from an increase in adult residential placements. These cost pressures are being partially offset in-year by savings and contingencies within Corporate Allocations. The most significant financial impact stems from the growing demand for the most expensive types of children's placements, exacerbated by both the overall increase in children entering care and the escalation of needs following existing placement disruptions.

To try to address this, delivery continues against the full Children's and Families action plan that was developed through the Council's transformation programme, Member led task and finish arrangements and sector led improvement input, which focuses on trying to manage demand, deescalate care packages and strengthen the local care market to improve capacity and value for money.

The package of control measures, introduced during 2024/25, including a focus on stopping non-essential recruitment, non-essential expenditure and optimising the use of external funding, were maintained during 2025/26. These measures have helped to mitigate the above pressures in part and reduced the extent of the overspend against the budget. However, not all mitigating measures are recurrent, including the significant amounts of reserves required to fund the residual overspend position. It is therefore important to consider how the final outturn position impacts the 2026/27 financial year.

The approved 2025/26 Budget included a £0.935 million top-up to the MTFs Reserve. However, a combination of factors, such as delays in delivering all planned transformation savings and the continuing in-year pressures contributing to the 2025/26 overspend of £2.412 million, mean that the Council has needed to draw down £1.309 million of the MTFs Reserve during 2025/26. The council has managed to reduce the draw down on the MTFs reserve through the targeted application of any additional grant funding received in-year, as well a release of some of the other reserves held to fund the outturn position.

The 2026/27 Budget approved by Full Council on 26 February 2026 catered for known pressures at the time it was set, along with estimates of some further growth and inflation. The expectation was that the MTFs reserve would need to be fully drawn down help cover an overspend of £5.300 million. Whilst the improved outturn position of £2.412 million leaves the MTFs reserve at £1.692 million, this is still extremely low (only 1.2% of net budget). Reflecting the high degree of uncertainty within some of the key financial pressures facing the Council, and with reserves now at critically low levels, the organisation is exposed to a heightened level of financial risk. Operating with such limited resilience significantly reduces the Council's ability to absorb shocks and increases the danger that essential services could be destabilised if further unplanned pressures emerge. For this reason, there is an urgent need to rebuild reserves, both immediately and incrementally over the MTFs period, to restore a safer and more sustainable level of financial protection.

How the Council is Funded and How It Performed in 2025/26

The 2026/27 Budget begins this process by allocating £6 million of the initial forecast business rates growth to replenish the MTFS reserve, which will operate as a budget-smoothing reserve. This will strengthen the Council's ability to manage unanticipated financial pressures and support the stable delivery of services during a period of volatility and transition.

With regard to the most significant pressures currently being experienced with children's care placements, initiatives continue aimed at trying to address the causes of children needing to be taken into care in the first instance, with a particular focus on more complex needs that often result in high-cost placements being required.

A key theme of the Transformation Programme is focused on increasing the level of in-house provision available to the Authority whilst the Authority continues to work closely with local suppliers to identify further opportunities to enhance the provision of locally based solo and dual placements to negate the need to incur a high premium cost for these types of placements, whilst seeking to minimise the length of time these placements are required for individual children. Whilst these plans are progressing, it is now envisaged they will take a little longer to implement leading to a forecast delay in the associated savings. Additional resources have been made available to strengthen this approach. Investment of £3 million has been included in the capital programme across the next two years to scale up the development of more in-borough children in care accommodation. Business cases to draw down this investment will be subject to established governance arrangements through Programme Management Group.

Receipts from asset sales are currently estimated to be slightly behind target, with work continuing to try to mitigate this across the remainder of the year. Latest information of freeport development has also informed some revised timings and estimates for business rates growth.

These adverse variances were key risks highlighted in the 2026/27 budget report, with some corporate contingencies created to help to mitigate them.

The reasons for the variances per Directorate are:

Adult and Community Services – Overspend of £1.784 million.

- The majority of the overspend related to increased demand for residential care, with the impact of the 2025 winter pressures still impacting as well as hospitals in crisis exasperating volume pressures nationally as well as here in Redcar and Cleveland. The pressure has somewhat levelled out with measures applied beginning to take effect. This is partly offset by a slight net reduction in demand for care at home and direct payment services combined.
- The increase in hospital activity over the 2025 winter period resulted in additional patients being placed in a short-term residential care bed on discharge, some of those patients eventually became permanent residents in the care home. A number of actions have been taken in response, including changes to the hospital discharge pathway to promote home first and further investment in hospital social work resource, the upward trend has been stemmed, and the critical winter period was in line with forecasts. Over the past year a small number

of very complex young people have transitioned into adulthood who require ongoing support through a specialist residential care placement, this is also causing a pressure on the budget.

- Within Public Health, the Service has continued to successfully identify opportunities to draw in one-off specific grants to fund specific services and optimise the use of funding to help mitigate wider financial pressures. Recurring savings have been achieved in the current public health joint arrangements.

Children and Families – Overspend of £7.132 million.

- The overspend consistently relates to significant placement costs for children in our care.
- Children in our care placement costs were £43.779 million, which was £8.452 million higher than budget. The worsening position relates to the increased number and cost of children in high-cost placements, specifically residential and supported accommodation, which was £7.172 million. On average, these placements cost £0.322 million each annually. Throughout the year, there was an average of 96.6 children in such placements, with the number rising to 104 by the end of March 2026. This overspend has been further amplified by the increasing complexity of some children's needs, necessitating additional supervisory staff to ensure their safety and appropriate care. Additionally, the overspend reflects challenges within the supplier market, where national demand surpasses available supply.
- The use of independent foster placements increased during 2025/26, resulting in an overspend of £0.881 million. Both the number of children placed and the average cost per placement were higher than anticipated.
- Other overspends relating to the provision of short breaks and agency staff pressures are offset with savings on vacant posts and the release of prior years unused grant income and the use of one-off grants.

Growth, Enterprise and Environment - Underspend of £1.299 million.

- The outturn position reflects a combination of in-year factors across both staffing and operational budgets. Variances have arisen primarily through recruitment challenges across a number of service areas, alongside fluctuations in demand-led and contract-related expenditure, including concessionary fares. In addition, targeted operational changes implemented earlier in the year, such as tagging of contaminated bins, have contributed to reducing spend in specific areas. These movements have been partly offset by cost pressures elsewhere within the Directorate, including additional security measures linked to anti-social behaviour, planning appeal costs, and increased costs associated with vehicle maintenance and replacement timescales. Overall, the Directorate has continued to deliver services within the resources available while contributing to the Council's wider financial position and supporting the sustainability of reserves.
- There are some variations within income levels achieved in 2025/26 as a result of the decision not to progress charging for parking in some locations and reduced cemetery income being partially offset by increased income in areas such as tenant occupancy levels.
- Utility costs have exceeded the Directorate's base budget in 2025/26; however, these costs remain within the overall available resources when factoring in the contingency provision currently held within corporate allocations.

Resources Directorate Underspend of £1.185 million.

- The Directorate outturn position is an underspend due to savings from in year vacant posts, savings on non-pay budgets relating to home to school transport and IT contracts, along with improvements in income levels.

Corporate Allocations Forecast Underspend of £6.352 million.

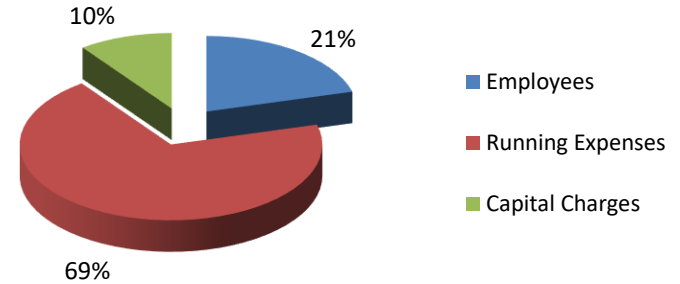
- Release of corporate contingencies held centrally of £3.202 million to offset pressures within other Directorates.
- A statutory override was due to expire on the 31 March 2025 for the Council's investment with CCLA. This has now been extended until 2029. The budget set aside for the anticipated loss on the fund of £1.642 million is no longer required.
- Forecast savings have been achieved on capital financing budgets on both interest payable, minimum revenue provision and premium repayments. This is partly due to the restructuring of long-term loans completed in July and planned borrowing being deferred due to the receipt of capital grants received in advance of spend.
- Grant allocations for national insurance contributions and extender producer responsibilities were higher than anticipated.
- A review of the provision held centrally has resulted in the release of funding set aside in earlier years.
- Pressures have also been forecast for the impact of a higher pay award than budgeted for, a shortfall in housing benefits due to an increase in temporary accommodation and a shortfall in grant income due to the reprofiling of business rates from Tees Works.

Flexible use of Capital Receipts - £1.355 million

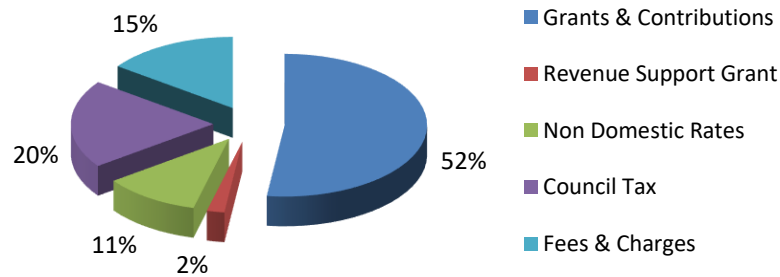
A shortfall against anticipated receipts was achieved in year. Whilst this has impacted on the final outturn position the receipts earmarked for sale continue to be marketed and they are expected to materialise over the MTFS period.

% of Revenue Expenditure by Type

This chart shows that most expenditure incurred by the Council relates to running expenses (69%), this includes premises, transport and external supplies and services.



Where the Council's Money Comes From



Only 20% of the Council's funding comes from local council taxpayers and 11% from localised business rates. Much of the remainder of the Council's funding comes in the form of specific grants from Central Government and other public sector bodies of 52%.

Medium Term Financial Strategy (MTFS)



In February 2026, the Council approved a five-year medium term financial plan between 2026/27 and 2030/31.

The 2025 Spending Review confirmed a move to a three-year funding settlement for local government, beginning in 2026/27. The local government finance settlement for 2026/27 represents the most significant redistribution of local government funding in at least 25 years, driven by a full baseline reset (first since 2013/14), major changes to the Relative Needs Formulas (RNFs), simplification and roll in of numerous grants, and the introduction of a three-year settlement framework.

In the face of immediate financial pressures and uncertainty, the Council will prioritise sustaining core operations and meeting statutory duties. The Council faces a continued responsibility to protect the essential services on which residents, particularly the most vulnerable, depend. It is therefore vital that short-term financial solutions support the continuity of these services while longer-term measures, including anticipated growth in business rates, strengthen the Council's financial position. As conditions improve, the focus will shift to strengthening financial resilience, rebuilding reserves, reducing the requirement for borrowing, and embedding greater contingency within the revenue budget to mitigate future risks. Ultimately, the aim is to build a robust foundation for long-term planning and improved outcomes for residents, service users, businesses, and visitors.

The Council's approach to the 2026/27 Budget will be guided by the following principles:

- **Proactive Management of Pressures:** demand and cost pressures will be actively managed, with resources directed to areas of greatest need.
- **Efficiency and Value:** efficiency opportunities will be pursued, recognising that the scope for further savings has narrowed following extensive programmes in recent years, and that such savings may be less predictable. Additional investment in transformation will aim to mitigate financial risks and manage within the budget forecasts, as well as improve operational efficiency to allow delivery of the best possible service outcomes for our residents within the resources available.
- **Service Sustainability:** recognition that further service reductions are increasingly difficult to implement, acknowledging the risk of false economies and adverse impacts on service quality, particularly during what is expected to be a temporary period of financial constraint.
- **Fair and Balanced Income Generation:** income from fees and charges will be optimised in a way that seeks to ensure a fair balance, with service users contributing appropriately to the cost of services they receive while balancing the subsidy burden on the wider council tax base.

The 2026/27 budget has been informed by a process of analysis and due diligence of the available evidence and intelligence, including the involvement of key service managers right across the Council. However, the uncertainty within the current economic climate and the unpredictable nature of some of the drivers causing pressures on the Council's budget, means it will be necessary to keep these assumptions under review and refine plans as required.

How the Council is Funded and How It Performed in 2025/26

The 2026/27 budget was set based on:

- raising council tax for 2026/27 by 2.99% and increasing the adult social care precept by 2%.
- Additional investment in our services of £32.739 million.
- Transformation savings of £4.513 million.

The Council's fees and charges for 2026/27 were approved by Cabinet in December 2025. The planned income increases from the fees and charges approved will help to support the 2026/27 budget.

As part of the approved MTFs, the Council updated its Capital and Treasury Strategy including the approval of an updated Capital Investment Plan.



How the Council is Funded and How It Performed in 2025/26

The Council's MTFS is summarised below as reported in February 2026:

Council Budget Summary	2026/27	2027/28	2028/29	2029/30	2030/31
	£m	£m	£m	£m	£m
Revenue Support Grant	39.336	41.892	44.645	45.896	47.023
Council Tax Income	72.792	76.112	79.364	82.790	86.400
Adult Services Levy	15.243	17.109	19.085	21.178	23.392
Business Rates Income	56.697	62.469	71.804	72.754	73.703
Sub Total	184.068	197.582	214.898	222.618	230.518
Education Funding	58.587	58.587	58.587	58.587	58.587
Housing Benefit Funding	23.723	23.723	23.723	23.723	23.723
Fees & Charges	24.428	24.428	24.428	24.428	24.428
Grants & Other Funding	85.779	88.919	87.606	87.606	87.606
Sub Total	192.517	195.657	194.344	194.344	194.344
Total Council Funding	376.585	393.239	409.242	416.962	424.862
Education Budget Allocation	58.587	58.587	58.587	58.587	58.587
Housing Benefit Payments	23.723	23.723	23.723	23.723	23.723
Base - Council Pay & Non-Pay Budget	284.500	308.726	317.980	325.047	332.878
MHCLG Additional Financial Flexibilities Schedule	(18.451)	-	-	-	-
Service Investments	32.739	10.068	7.748	7.913	8.380
Budget Reductions	(4.513)	(1.814)	(0.681)	(0.082)	(0.082)
Total Council Expenditure	376.585	399.290	407.357	415.188	423.486
Net Revenue Position	-	6.051	(1.885)	(1.774)	(1.376)

Capital Spending 2025/26

Spending on capital projects enhances the Council's assets, enables improved service delivery, and secures essential infrastructure. Capital expenditure can vary considerably between years depending on the way the projects are planned to be delivered. The Programme is financed in such a way as to even out the cost to Council taxpayers and spread it over the life of the asset being used. Capital expenditure during the year 2025/26 amounted to £61.774 million (2024/25 - £48.503 million) compared to a budget of £69.788 million.

The investment has been across a range of schemes and categories including:

- £25.297 million - Town Scape Investment - the majority of the spend is for the delivery of Levelling Up schemes, the refurbishment of Redcar Station, Loftus Future High Street and Redcar Town Deal. These are predominantly grant funded.
- £10.330 million - Visitor Attractions & Amenities – these capital costs are mainly in relation to the construction of Eston Pool and a sports facility in Loftus.
- £1.876 million - Business Infrastructure - this is for the boating lake at Coatham and infrastructure work at Skippers Lane Industrial Estate.
- £5.966 million – Transport and Neighbourhood Infrastructure – the investment is on the maintenance and replacement of highways and neighbourhood assets including roads, cycle paths, bridges, playgrounds and drainage systems.
- £1.362 million – Community Capacity – Grants to local sport clubs, building PlayZones and improvements to leisure centres.
- £2.757 million – Supported Housing – the majority of the spend is on disabled facilities grants. These allow residents to adapt their property to meet their needs.
- £1.835 million – Recycling & Waste Initiatives – costs including the purchase of new vehicles and caddies for food waste recycling which is funding mainly through grant, improvements to Dunsdale Household Waste and Recycling Centre, new waste receptacles and gas monitoring equipment for historic waste sites.
- £4.939 million – Children and Education – capital costs associated with the investments into the school estate, acquisition of homes for children in our care, the refurbishment of the Ridings and investment in youth spaces.
- £7.412 million – Council Investments – investment relating to the cost of maintaining and replacing the Council's assets and information technology improvements.

We continue to tightly control our external borrowing. Our strategy is to use capital receipts, grants and the effective use of cash flow to minimise external borrowing whilst enhancing our capital assets as planned in our Capital Investment Plan.

How the Council is Funded and How It Performed in 2025/26

The following table details the capital schemes for the financial year 2025/26:

Capital Spend by Cluster	2025/26 £'000	Capital Spend by Cluster	2025/26 £'000
Town Scape Investment		Supported Housing	
Redcar Central Station	5,144	CSDP Adaptations	147
Growth Plans	55	Aids & Adaptations	800
Saltburn Town Centre Revival	28	Assisted Technology	190
Loftus Future High Street	914	Disabled Facilities Grant	1,620
Redcar Town Deal	8,309		2,757
LUF Connecting People and Place - Guisborough	4,977	Recycling & Waste Initiatives	
LUF Eston	2,640	Recycling Initiatives	58
Levelling Up Partnership	3,217	Purchase of Refuse Bins	197
Smiths Dock Park – Formerly Kingsley Field	13	Procurement of Waste Facility	141
	25,297	Food Waste	1,137
Visitor Attractions & Amenities		Waste Management Infrastructure	302
Regent Cinema Development	3		1,835
Eston Sports Village	8,434	Children & Education	
Loftus MFCF Sports Project	1,816	School Estate Investment	2,857
Culture and Tourism	77	Devolved Formula Capital at LEA Level	65
	10,330	Kirkleatham School Expansion	432
Business Infrastructure		A Special Free School for the Tees Valley in Grangetown	53
Coatham Leisure	546	Wraparound and Early Years Expansion	19
Industrial Estates Programme	1,330	SuDs in Schools	250
	1,876	Better Youth Spaces	293
Transport Infrastructure		Children in Care Accommodation	888
Highways – City Regional Sustainable Transport Settlement Allocation	4,040	The Ridings - Renovation	82
Neighbourhood Assets	1,799		4,939
Flood Alleviation and Resilience Works	127	Council Investments	
	5,966	Business Premises Improvements	266
Community Capacity		Purchase of Vehicles (Fleet Replacement)	2,544
Grassroots Sport	186	Environment and Sustainability	1,011
Playzones	917	Tree Safety Strategy	73
Swimming Pool Support Fund	259	Information Technology Improvement Projects	1,594
	1,362	PFI Lifecycle Costs	56
		Business Transformation	1,355
		Asset Management – Capitalised Repairs	513
			7,412
		Total Expenditure	61,774

How the Council is Funded and How It Performed in 2025/26

Future Capital Programme

The Council has produced a Capital Investment Plan to support our long-term needs and help achieve our objectives. The remainder of this capital investment plan covers 5 years and has been approved by the Council as part of the Medium-Term Financial Strategy.

The objective of the Capital Investment Plan is to support the Council's corporate planning process by identifying and maximising available resources, supporting the delivery of our priorities, ensuring that all our resources are effectively managed, making best use of resources to deliver value for money for our residents, local businesses, visitors and employees.

The table below shows the Capital Investment Plan and how it has been allocated:

Cluster	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	Total £m
Townscape Investment	27.740	28.330	2.479	2.056	2.055	12.055	74.715
Visitor Attractions & Amenities	10.814	2.388	0.085	0.085	0.085	0.085	13.542
Business Infrastructure	1.991	1.514	-	-	-	-	3.505
Transport and Neighbourhood Infrastructure	7.025	8.186	6.569	6.219	6.372	9.522	43.893
Housing	-	0.356	-	-	-	-	0.356
Supported Housing	2.695	2.590	2.590	2.590	2.590	2.590	15.645
Community Capacity	1.810	0.801	0.026	-	-	-	2.637
Recycling & Waste Initiatives	2.130	0.721	0.158	0.159	0.160	0.160	3.488
Children & Education	5.114	6.248	1.957	0.457	0.457	0.457	14.690
Council Investments	10.469	25.755	6.710	4.850	4.482	4.508	56.774
Total	69.788	76.889	20.574	16.416	16.201	29.377	229.245

Statement of Financial Accounts

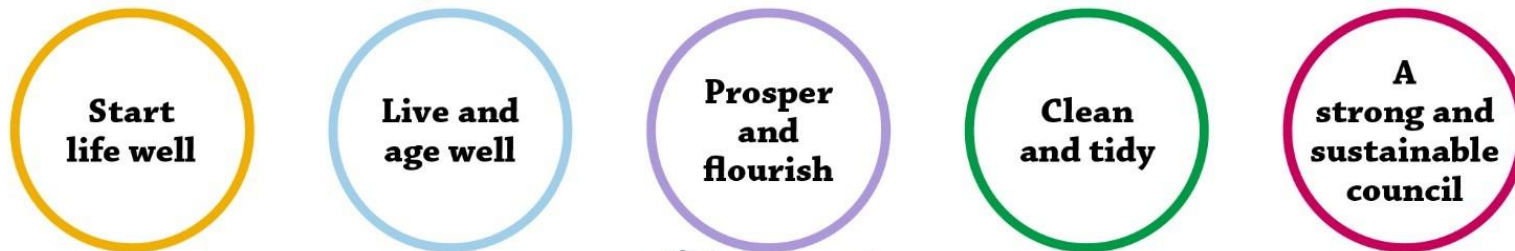
The Council's Statement of Financial Accounts is presented in a prescribed format which requires the Council to outline financial information through four core financial statements.

Movement in Reserves Statement (MIRS): This statement shows the change in the different types of reserves held by the Council over the financial year (see Page 37). These reserves can be analysed into usable reserves, those that can be applied to fund future expenditure or to reduce taxation, and other unusable reserves, held for statutory accounting purposes (see Note 35, page 122).

Comprehensive Income and Expenditure Statement (CIES): This statement records all the gains and losses experienced by the Council during the financial year and highlights an annual total increase in the net worth of the Council of £2.168 million. The primary purpose of the statement is to record revenue income and expenditure, including operational running costs such as employee costs, and supplies & services, and is financed from a combination of council tax, business rates, Government grants and other income. The CIES provides a breakdown over the reporting segments that the Council operates and makes decisions on during the year.

There is a deficit of £14.868 million on the CIES for the net cost of providing the Council's day to day revenue services. This includes various technical adjustments required by accounting standards such as capital accounting, pensions accounting and collection fund regulatory changes. Most of these technical adjustments are not chargeable against the funding from taxpayers and are excluded from the analysis of how the Council has performed against its revenue budget. When gains relating to pension fund performance of £1.396 million and capital assets of £15.640 million are added back in, the net increase in the value of the Council balance sheet for the financial year is £2.168 million.

Our priorities for Redcar and Cleveland



Balance Sheet

Balance Sheet Position

The Balance Sheet shows what the Council owns, what it is owed, and what it owes to others and how these amounts have been funded. A summary of the position at the end of the 2025/26 financial year (31 March 2026) is shown in the table below:

Balance Sheet	2024/25 £m	2025/26 £m	+/- £m
What the Council Owns	339.3	368.5	29.2
What the Council is Owed	51.5	62.9	11.4
Total Assets of the Council	390.8	431.4	40.6
What the Council Owes	(348.3)	(386.7)	38.4
Council Reserves	42.5	(44.7)	(2.2)

The Council has a positive equity balance sheet on 31 March 2026. This means that assets are more than liabilities by £44.710 million. This is a small improvement than the prior year due to a number of reasons which are highlighted in the sections below. A better indicator of the financial health of the Council is the level of usable and earmarked reserves which are at £38.343 million. The Movement in Reserves statement within the Core Financial Statements gives further details (see page 37).

The Value of What the Council Owns

Balance Sheet	2024/25 £m	2025/26 £m	+/- £m
Property, Plant & Equipment	302.6	337.0	34.4
Heritage Assets	0.6	0.6	-
Investment Properties	11.6	13.1	1.5
Assets Held for Sale	2.3	2.1	(0.2)
Cash & Cash Equivalents	9.5	3.4	(6.1)
Long-term Investments	10.3	10.3	-
Others	2.4	2.0	(0.4)
Total	339.3	368.5	29.2

The main movement is on Property, Plant & Equipment which is due to investment in our assets during the financial year. Details can be found with the narrative on Capital Spending 2025/26 and within note 19- Property, Plant and Equipment.

What the Council is owed

Balance Sheet	2024/25 £m	2025/26 £m	+/- £m
Short Term Debtors	50.1	61.7	11.6
Long Term Debtors	1.4	1.2	(0.2)
Short Term Investments	-	-	-
Net Pension Asset	-	-	-
Total	51.5	62.9	11.4

The Council has an increase in short-term debtors at the end of 2025-26 of £11.479 million. This includes to an increase in arrears on Collection Fund debt of £4.317 million, a large NHS debtor of £3.685 million which was received in April 2026 and Housing Benefit grant income of £1.917 million received in May 2026.

Balance Sheet

What the Council Owes

Balance Sheet	2024/25 £m	2025/26 £m	+/- £m
PFI and Leases	(51.1)	(47.7)	(3.4)
Creditors	(46.7)	(59.7)	13.0
Pensions Liability	(14.1)	(13.1)	(1.0)
Provisions	(3.0)	(2.1)	(0.9)
Short Term Borrowing	(26.3)	(39.9)	13.6
Long Term Borrowing	(192.0)	(209.8)	17.8
Grant Income received in advance	(15.1)	(14.4)	(0.7)
Total	(348.3)	(386.7)	38.4

The Council has increased its total borrowing by £31.326 million. This is due to borrowing to fund the in-year and historic spend on the Capital Investment Plan. Further details are provided in Note 33. Another driver of the increase in debt is the DSG deficit of £21.083 million highlighted in Note 12. This represents cash paid over to education providers which exceeds the funding received from the Department of Education. It is anticipated that once the local SEND reform plan is secured, c£18.975 million of our forecast 2025/26-year end deficit should be addressed via the High Needs Stability Grant which will reduce the need to borrow in 2026/27.

There has also been an increase on short term creditors of £12.942 million. This is partly due to movements in the Collection Fund of £3.405 million and an increase in the creditors control account of £7.463 million. These are for invoices receipted but cash not due to be paid to the supplier.

Pension liabilities relate to unfunded obligation of £4.872 million (£5.113 million at 31 March 2025) relating to Teachers Pensions and £8.223 million (£8.940 million at 31 March 2025) relating to LGPS unfunded obligations.

Council Reserves

Balance Sheet	2024/25 £m	2025/26 £m	+/- £m
Schools Balances	(1.5)	(1.4)	0.1
Usable Reserves	(42.2)	(36.9)	5.3
Unusable Reserves	1.2	(6.4)	(7.6)
Total	(42.5)	(44.7)	(2.2)

There is a £5.385 million reduction in useable reserves as at the 31 March 2026. This is driven by a reduction in useable reserves of £1.685 million which is mainly due to the in year overspend of £2.412 million and a reduction in capital grants of £3.714 million. This is due to grants received in prior years that have been used during the financial year for the delivery of capital schemes highlighted earlier in this narrative statement.

Unusable Reserves are used to account for all the technical accounting adjustments that must be charged to comply with proper accounting practice but under regulation are not a charge to the Council's revenue budget.



Areas with Significant Financial Implications

Collection Fund (See Page 169)



The Collection Fund is an account that the Council maintains, in its statutory role as the Billing Authority, to record the income and expenditure from council tax and business rates. It is a separate legal fund from the Council's general fund and the transactions involved are defined by regulation. The Collection Fund is an income and expenditure statement only showing income receivable, precepts payable to relevant bodies, and any other associated costs involved in administering the Fund. All assets and liabilities are included within each precepting body's balance sheet. The Collection Fund shows a deficit of £3.396 million with £1.164 million deficit attributable to council tax and £2.232 million deficit in relation to business rates.

The deficit on council tax is due to a higher deficit carried forward from 2024/25 than anticipated and a higher contribution to the bad debt provision offset by a small increase in net liability. For business rates the deficit is also due to a higher deficit carried forward from 2024/25, reduced income due to refunds from appeals and delays to businesses coming into rating. This is offset by a reduction in the contribution to the appeals provision following the closure of the 2023 Valuation List and lower designated income.

The budget for 2025/26 was based on an increase in council tax of 4.99% with the Band D equivalent amount of £1,994.49 per annum (including the social care levy). The addition of the Cleveland Police and Crime Commissioner and Cleveland Fire Authority spending requirements resulted in a total Band D Council Tax of £2,406.68 for residents of the Borough in non-parish areas. Residents of areas with parish council responsibilities pay marginally more than this depending on their own parish council tax amount. Total income received for council tax in 2025/26 was £102.740 million. For more details refer to page 169.

Business rates income is a funding source for the Council with 49% of the income retained. The remainder is paid over to precepting bodies (Central Government 50% and Cleveland Fire Authority 1%). The total income collectable from business rates payers was £43.677 million.



Pensions (See Page 131)

The Council participates in the Local Government Pension Scheme (Teesside Pension Fund), administered by Tyne and Wear Pension Fund. The Tyne and Wear Pension Fund is administered by South Tyneside Council.

Retirement benefits are recognised when they are earned rather than when they are paid out. The value of future retirement benefits is professionally valued by an actuary resulting in either an asset or liability for the Council. At the 31 March 2026, the pension scheme valuation has resulted in a net pension scheme liability of £13.095 million and a negative pension reserve of £13.095 million.

The pension valuation varies significantly each year and is subject to fluctuations in the state of stock markets and expectations around the level of inflation and interest rates. Accounting standards require that a pension scheme asset is only recognised in an employer's accounts up to the value of the savings it can make in future contributions. This limit is known as the asset ceiling and is in place to highlight that a pension scheme asset is for the benefit of the pension scheme members.

At 31 March 2026, the liability of £13.095 million consists of unfunded LGPS pensions of £8.223 million and obligations for unfunded Teachers' pensions of £4.872 million. The net assets relating to funded LGPS pensions were valued at £336.244 million, however the actuary calculated that an asset ceiling should apply to reduce this to £nil as no savings in future contributions can be made by the employer.

At 31 March 2025, the pension scheme assets were valued at £222.256 million, however an asset ceiling was calculated by the actuary, reducing this to £nil. Unfunded pension liabilities at 31 March 2024 were £5.113 million in respect of Teacher's Pensions and £8.940 million in respect of LGPS.

The Pension Scheme has a long-term investment strategy in place to address the funding level requirements over a 20-year period, based on an appropriate level of employer's contributions to the fund. In addition, assumptions are reviewed regarding inflation levels, bank interest rates and the global economic outlook. On a three-yearly basis, the Teesside Pension Fund undertakes a Triennial Revaluation to review and determine the required level of employer pension fund contributions to be made by the Council on behalf of its employees.



Areas with Significant Financial Implications

Treasury Management

The Council borrows money to fund its Capital Investment Programme and operates within its own prudential limits set in accordance with the CIPFA Prudential Code for Capital Finance. This is seen as best practice in relation to local authorities and their treasury management activities. As at 31 March 2026, the Council's Capital Finance Requirement (the underlying need to borrow) was £289.205 million and its external debt was £298.890 million (this includes the outstanding PFI and lease liabilities).

The Council is currently over-borrowed by £9.685 million. The main driver of this over borrowed position is the DSG deficit of £21.083 million (See Note 12). It is anticipated that once the local SEND reform plan is secured, £18.975 million of our forecast 2025/26-year end deficit should be addressed via the High Needs Stability Grant reversing this over borrowed position. Although the CFR has been breached, the Council is still within its authorised operational limit.

The Council's policy on borrowing is set out in its Treasury Management and Investment Strategy approved by the Council each year in February.

The Council utilises a treasury management advisor, Arlingclose, to help develop its treasury management strategy and practices. Arlingclose advise the Council on all borrowing and investment decisions taken in the financial year and they have been under contract to the Council since September 2013.



Our People



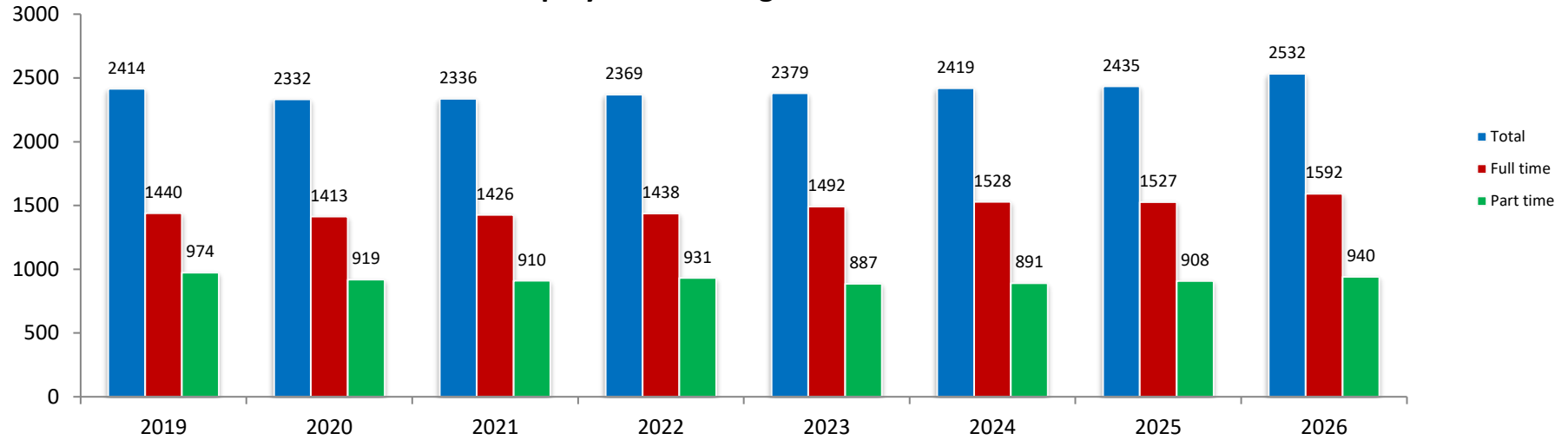
Our people are our most valuable asset, and their development, participation and motivation are critical to our success. Our culture, values and leadership behaviour all have a major influence on the quality of staff contribution and on the achievements to which individuals and teams can aspire. Our approach to valuing our people is ambitious and comprehensive. It will enable the Council to succeed as a vibrant, dynamic, high-performing organisation.

During 2025/26, the Redcar and Cleveland Management Team was made up of a Chief Executive and three Corporate Directors, responsible for the leadership of four Directorates. These were Resources; Children and Families; and Adults and Communities; and Growth, Enterprise and Environment.

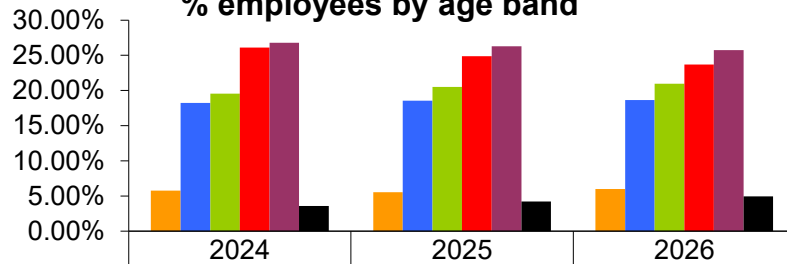
The Directors are joined by three other senior officers to form the Council's Executive Management Team (EMT), ensuring that the following corporate responsibilities are also represented; Head of Marketing and Communications, Governance Director (Monitoring Officer) and the Director of Finance (S151) Officer.

EMT are responsible for translating the Council's policies and plans into action. They also lead and encourage staff to develop services and improve delivery for the people of Redcar & Cleveland. Meeting regularly, EMT develops new policy, reviews, and challenges performance, leads on service improvements, and develops partnership opportunities to help the Council to deliver as effectively as possible. EMT makes recommendations to the Cabinet and Borough Council, which are our key decision-making groups and are made up of democratically elected councillors. EMT monitors the use of resources and makes sure the Council stays on track both in terms of priorities and spending.

Number of Employees including Full and Part Time

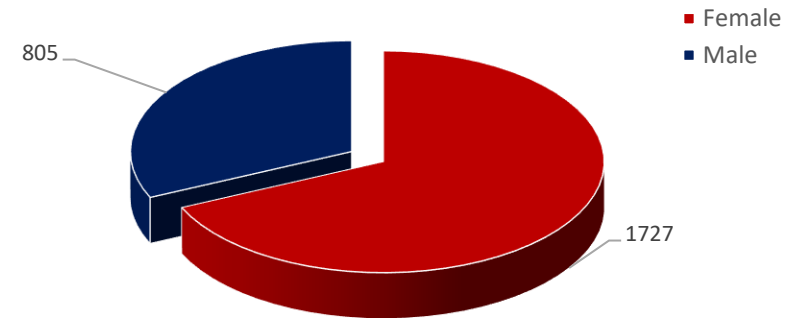


% employees by age band



Age Band	2024	2025	2026
Below 25	5.75%	5.53%	6.00%
Between 25 – 34	18.23%	18.57%	18.64%
Between 35 – 44	19.55%	20.53%	20.97%
Between 45 – 54	26.09%	24.88%	23.70%
Between 55 – 64	26.79%	26.27%	25.75%
65+	3.60%	4.22%	4.94%

Number of Employees by Gender 2026



Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Director of Finance (Section 151 Officer).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Director of Finance (Section 151 Officer Responsibilities)

The Director of Finance (Section 151 Officer) is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Finance (Section 151 Officer) has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code of Practice.

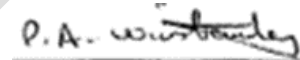
The Director of Finance (Section 151 Officer) has also:

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

I hereby state that the Statement of Accounts presents a true and fair view of the financial position of the Council as at 31 March 2026 and for its income and expenditure for the year ended 31 March 2026.

Phil Winstanley
Director of Finance (Section 151 Officer)

Signature:-



Date: 29/06/2026

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Governance Committee at the meeting held on 20/07/2026.

Councillor Carole Morgan
Chair of the Governance Committee

Signature:-

Date:-

2. Core Financial Statements



Movement In Reserves Statement

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

2025/26	Revenue Reserves			Capital Reserves		Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
	General Fund Balance £000	Other Earmarked Reserves £000	School Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000			
Balance at 31 March 2025	(6,626)	(11,002)	(1,468)	-	(24,632)	(43,728)	1,186	(42,542)
<u>Movement in reserves during 2025/26</u>								
Total Comprehensive Income and Expenditure	14,868	-	-	-	-	14,868	(17,036)	(2,168)
Adjustments between accounting basis & funding basis under regulations (Note 6)	(13,183)	-	-	(14)	3,714	(9,483)	9,483	-
Net (Increase)/Decrease in 2025/26 before transfer into other reserves	1,685	-	-	(14)	3,714	5,385	(7,553)	(2,168)
Transfers to/(from) other reserves	(2,400)	2,347	53	-	-	-	-	-
Net (Increase)/Decrease in year	(715)	2,347	53	(14)	3,714	5,385	(7,553)	(2,168)
Balance at 31 March 2026 carried forward	(7,341)	(8,655)	(1,415)	(14)	(20,918)	(38,343)	(6,367)	(44,710)

Movement In Reserves Statement

2024/25	Revenue Reserves			Capital Reserves		Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
	General Fund Balance £000	Other Earmarked Reserves £000	School Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000			
Balance at 31 March 2024 brought forward	(6,626)	(16,865)	(1,881)	-	(17,833)	(43,205)	(18,818)	(62,023)
<u>Movement in reserves during 2024/25</u>								
Total Comprehensive Income and Expenditure	8,668	-	-	-	-	8,668	10,813	19,481
Adjustments between accounting basis & funding basis under regulations (Note 6)	(2,391)	-	-	-	(6,799)	(9,190)	9,190	-
Net (Increase)/Decrease in 2024/25 before transfer into other reserves	6,277	-	-	-	(6,799)	(522)	20,003	19,481
Transfers to/(from) other reserves	(6,277)	5,863	413	-	-	(1)	1	-
Net (Increase)/Decrease in year	-	5,863	413	-	(6,799)	(523)	20,004	19,481
Balance at 31 March 2025 carried forward	(6,626)	(11,002)	(1,468)	-	(24,632)	(43,728)	1,186	(42,542)

Comprehensive Income and Expenditure Statement

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

2024/25*				2025/26		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
124,044	(72,420)	51,624	Adults and Communities	130,225	(72,075)	58,150
153,230	(76,750)	76,480	Children and Families	154,258	(77,078)	77,180
67,369	(27,310)	40,059	Growth, Enterprise and Environment	77,107	(30,409)	46,698
33,373	(33,226)	147	Housing Benefits	27,142	(26,849)	293
21,320	(8,348)	12,972	Resources	19,421	(5,685)	13,736
399,336	(218,054)	181,282	Net Cost of Services	408,153	(212,096)	196,057
1,238	-	1,238	Other Operating Expenditure (Note 9)	419	-	419
63,699	(39,888)	23,811	Financing and Investment Income and Expenditure (Note 10)	72,338	(48,796)	23,542
-	(197,663)	(197,663)	Taxation and Non-Specific Grant Income (Note 11)	-	(205,150)	(205,150)
464,273	(455,605)	8,668	(Surplus)/Deficit on Provision of Services	480,910	(466,042)	14,868
		(1,791)	(Surplus)/Deficit on revaluation of non-current assets (Note 35)			(15,640)
		12,604	Actuarial (gains)/losses on pension assets/liabilities (Note 37)			(1,396)
		10,813	Other Comprehensive Income and Expenditure			(17,036)
		19,481	Total Comprehensive Income and Expenditure			(2,168)

*As a result of a restructure of directorates during 2025/26, the 2024/25 directorate analysis figures (above Net Cost of Services) have been restated in order to ensure that they are comparable to the 2025/26 figures.

Balance Sheet

This is a statement of the financial position of the Council and shows the balances and reserves at its disposal, its long-term indebtedness, and the fixed and net current assets employed in its operation, as at 31 March 2026.

31 March 2025 £000		Note No.	31 March 2026 £000
302,578	Property, Plant & Equipment	19	336,958
589	Heritage Assets		589
11,633	Investment Property	21	13,100
2,333	Intangible Assets	22	2,049
10,275	Long Term Investments	33	10,275
1,356	Long Term Debtors	26	1,244
328,764	Long Term Assets		364,215
2,344	Assets Held for Sale	27	2,055
24	Inventories		23
50,178	Short Term Debtors	28	61,657
9,528	Cash and Cash Equivalents	29	3,442
62,074	Current Assets		67,177
(26,342)	Short Term Borrowing	33	(39,878)
(43,347)	Short Term Creditors	30	(56,289)
(924)	Short Term Provisions	31	(1,443)
(9,731)	Revenue Grants Receipts in Advance	34	(8,157)
(5,362)	Capital Grants Receipts in Advance	34	(6,208)
(85,706)	Current Liabilities		(111,975)
(3,334)	Long Term Creditors	32	(3,460)
(2,056)	Long Term Provisions	31	(668)
(192,040)	Long Term Borrowing	33	(209,830)
(51,107)	Other Long Term Liabilities - Private Finance Initiatives & Leasing	23/24	(47,654)
(14,053)	Other Long Term Liabilities – Pension Fund	37	(13,095)
(262,590)	Long Term Liabilities		(274,707)
42,542	Net Assets		44,710
(43,728)	Usable Reserves	8	(38,343)
1,186	Unusable Reserves	35	(6,367)
(42,542)	Total Reserves		(44,710)

Cash Flow Statement

This Statement shows the changes in cash and cash equivalents held by the Council during the financial year. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows into operating, investing and financing activities.

2024/25 £000		2025/26 £000
(8,668)	Net surplus/(deficit) to the provision of services (CIES)	(14,868)
32,660	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements (Note 38)	29,164
(51,325)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities (Note 38)	(39,002)
(27,333)	Net Cash Flows from Operating Activities (Note 38)	(24,706)
24,857	Net Cash Flows from Investing Activities (Note 39)	(9,951)
3,627	Net Cash Flows from Financing Activities (Note 40)	28,571
1,151	Net increase/(decrease) in cash and cash equivalents	(6,086)
8,377	Cash and cash equivalents at the beginning of the reporting period	9,528
9,528	Cash and cash equivalents at the end of the reporting period (Note 29)	3,442

3. Notes to the Accounts



Notes to the Accounts

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

Note No.	Note Description	Page	Note No.	Note Description	Page
1	Expenditure & Funding Analysis	44	21	Investment Properties	84
2	Accounting Standards That Have Been Issued But Have Not Yet Been Adopted	48	22	Intangible Assets	86
3	Critical Judgements in Applying Accounting Policies	49	23	Private Finance Initiatives and Similar Contracts	88
4	Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	51	24	Leases	92
5	Events after the Balance Sheet Date (31 March 2026)	52	25	Capital Expenditure and Capital Financing	94
6	Adjustments between Accounting Basis and Funding Basis under Regulations	53	26	Long Term Debtors	97
7	Expenditure and Income Analysed by Nature	57	27	Assets Held for Sale	98
8	Transfers to/from Earmarked Reserves	59	28	Short Term Debtors	99
9	Other Operating Expenditure	61	29	Cash and Cash Equivalents	100
10	Financing and Investment Income and Expenditure	62	30	Short Term Creditors	101
11	Taxation and Non Specific Grant Income	63	31	Provisions	102
12	Dedicated Schools Grant	64	32	Long Term Creditors	104
13	Members' Allowances	66	33	Financial Instruments	105
14	Officers' Remuneration	67	34	Grant Income, Contributions and Donations	118
15	Termination Benefits	70	35	Unusable Reserves	122
16	Trading Operations	71	36	Pensions Schemes Accounted for as Defined Contribution Schemes	130
17	Pooled Budgets	73	37	Defined Benefit Pension Schemes	131
18	Fees Payable to Auditors	76	38	Cash Flow Statement – Operating Activities	141
19	Property, Plant and Equipment (PPE)	77	39	Cash Flow Statement – Investing Activities	142
20	Impairment Losses	84	40	Cash Flow Statement – Financing Activities	142
			41	Related Party	143
			42	Contingent Assets and Liabilities	146
			43	Statement of Accounting Policies	147

Note 1 Expenditure & Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (Government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practice. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under generally accepted accounting practice is presented more fully in the Comprehensive Income and Expenditure Statement.

2024/25 *			2025/26			
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
47,388	4,236	51,624	Adults and Communities	55,048	3,102	58,150
55,853	20,627	76,480	Children and Families	71,588	5,592	77,180
24,969	15,091	40,059	Growth, Enterprise & Environment	24,308	22,390	46,698
147	-	147	Housing Benefits	293	-	293
10,932	2,040	12,972	Resources	11,909	1,827	13,736
139,288	41,994	181,282	Net Cost of Services	163,146	32,911	196,057
(139,810)	(32,804)	(172,614)	Other Income and Expenditure	(157,761)	(23,428)	(181,189)
(522)	9,190	8,668	(Surplus)/Deficit	5,385	9,483	14,868
(25,372)			Opening General Fund Balance	(19,096)		
6,276			Plus/Less (Surplus) or Deficit on General Fund Balance in Year	1,685		
(19,096)			Closing General Fund Balance at 31 March	(17,411)		
(24,632)			Capital Receipts and Grants Unapplied	(20,932)		
(43,728)			Closing Total Usable Reserves	(38,343)		

*As a result of a restructure of directorates during 2025/26, the 2024/25 directorate analysis figures (above Net Cost of Services) have been restated in order to ensure that they are comparable to the 2025/26 figures.

2025/26	Adjustments for Capital Purposes (1) £000	Net Change for Employee Benefits (2) £000	Other Differences (3) £000	Total Adjustments £000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:				
Adults and Communities	3,207	(105)	-	3,102
Children and Families	5,686	(94)	-	5,592
Growth, Enterprise & Environment	22,496	(106)	-	22,390
Resources	1,892	(65)	-	1,827
Net Cost of Services	33,281	(370)	-	32,911
Other Income and Expenditure from the Expenditure and Funding Analysis	(39,582)	796	15,358	(23,428)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(6,301)	426	15,358	9,483

2024/25*	Adjustments for Capital Purposes (1) £000	Net Change for Employee Benefits (2) £000	Other Differences (3) £000	Total Adjustments £000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:				
Adults and Communities	3,289	947	-	4,236
Children and Families	19,263	1,364	-	20,627
Growth, Enterprise & Environment	14,083	1,006	-	15,091
Resources	1,442	598	-	2,040
Net Cost of Services	38,077	3,915	-	41,994
Other Income and Expenditure from the Expenditure and Funding Analysis	(37,030)	(11)	4,239	(32,804)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	1,049	3,904	4,239	9,190

* As a result of a restructure of directorates during 2025/26, the 2024/25 directorate analysis figures have been restated in order to ensure that they are comparable to the 2025/26 figures.

Adjustments for Capital Purposes

- 1) Adjustments for Capital Purposes - this column adds in depreciation and impairment and revaluation gains and losses for non-current assets attributable to service lines, and for:
 - Other operating expenditure – adjustments for capital disposals with a transfer of income on disposal of assets and the amounts written off for the assets.
 - Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
 - Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pension Adjustments and other employee benefits

- 2) Net change for the removal of pension contributions and the addition of International Accounting Standard (IAS) 19 'Employee Benefits' pension related expenditure and income:
 - For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs (see note 37).
 - For Financing and investment income and expenditure the net interest on the defined benefit liability is charged to the CIES.

Other Differences

- 3) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
 - For financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts and changes to the fair value of investments.
 - The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.
 - Other differences also includes adjustments for the transfer of DSG over/underspends to the DSG Adjustment Account. DSG is a ring-fenced specific grant separate from the general funding of local authorities. Any deficit an authority may have on its DSG account is expected to be carried forward to the next year's schools budget and is not required to be covered by the authority's general reserves.

Income received by service is analysed below:

Income from Services 2024/25 £000	Services	Income from Services 2025/26 £000
(72,420)	Adults and Communities	(72,075)
(76,750)	Children and Families	(77,078)
(27,310)	Growth, Enterprise & Environment	(30,409)
(33,226)	Housing Benefits	(26,849)
(8,348)	Resources	(5,685)
(218,054)	Total income Analysed by Service	(212,096)



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

At the balance sheet date, the following new standards and amendments to existing standards have been published and will be introduced in the 2026/27 Code of Practice of Local Authority Accounting in the United Kingdom and are disclosed below in accordance with the Code.

- Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage assets) issued in March 2024.
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) issued in May 2024.
- Annual improvements to IFRS accounting standards – Volume 11 issued in July 2024.
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) issued in December 2024.

It is likely there will be limited application of the above standards although the Council will need to consider circumstances where any of these standards apply once adopted by the CIPFA Code of Practice.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies used to produce the Statement of Accounts, the Council has made certain critical judgements about complex transactions or those involving uncertainty about future events. In the accounts these are as follows:

Funding

There continues to be a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of future changes in levels of service provision.

Accounting for Schools – Consolidation

In line with accounting standards and the Code on group accounts and consolidation, all local education authority-maintained schools in the Borough are considered to be entities controlled by the Council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the Council's single entity accounts.

Accounting for Schools - Balance Sheet Recognition

The Council recognises the land and buildings used by schools in line with the Code of Practice on Local Authority Accounting. Property used by the Council's maintained schools has been assessed to determine whether the Council hold the school land and property on or off balance sheet. The Council recognises the schools land and buildings on its balance sheet where the Council directly owns the assets, the school or schools governing body own the

assets, or the rights to use the assets have been transferred from another entity.

Where the land and building assets used by the school are owned by an entity other than the Council, school or school governing body, then it is not included on the Council's balance sheet. The exception is where the entity has transferred the rights of use of the asset to the Council, school or school governing body.

There are currently 4 types of schools within the Borough:

- Community schools
- Foundation Trust schools
- Voluntary Controlled (VC) schools
- Academies

The Council has completed an assessment on the control of schools. Non-current assets of schools that have either transferred to academy status or are voluntary controlled in nature, are no longer included within the Council's balance sheet. The Council has determined that ability to control the service potential and/or flow of economic benefits associated with the assets does not rest with the Council.

Schools which are community-controlled or Foundation-status are held on the Council's Balance Sheet.

Investment Properties

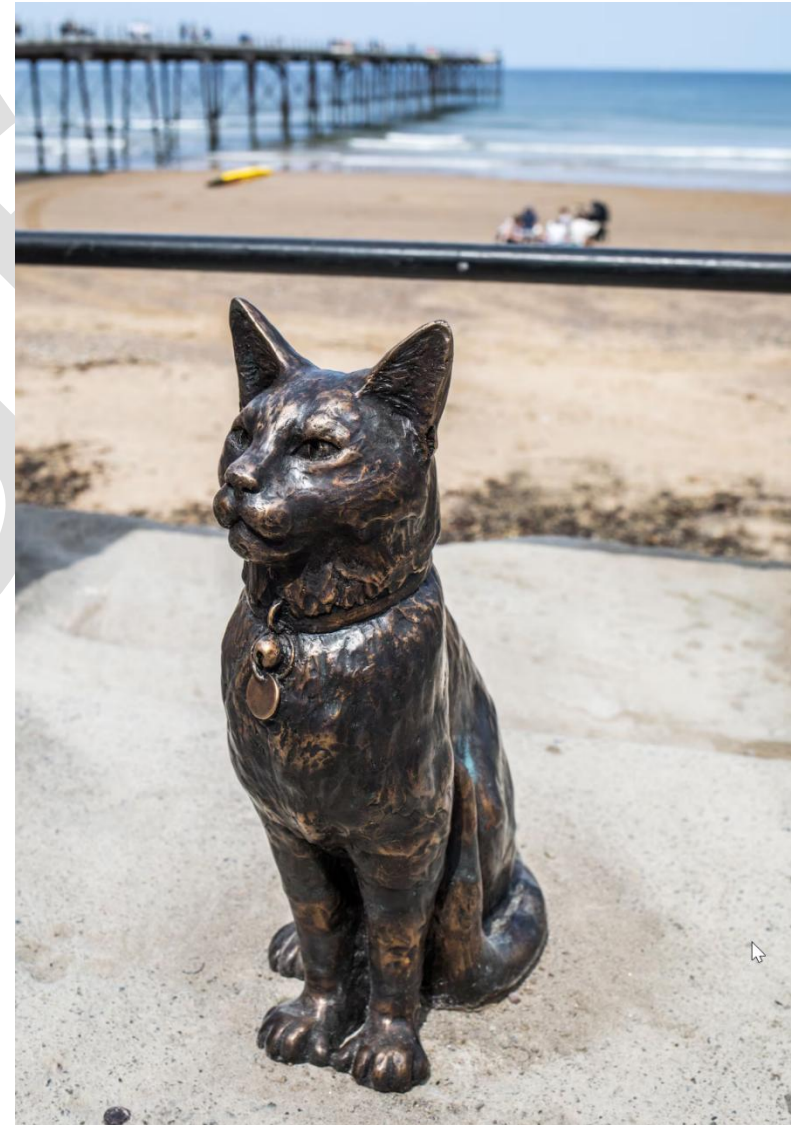
The Council has assessed the classification of investment properties. Investment properties are held to either earn a rental income, or for the purposes of gaining capital appreciation, or both. The Council does have properties that earn rentals but it has been determined that these assets are primarily held for regeneration purposes or wider socio-economic reasons. These properties are classed as Property, Plant and Equipment.

Pensions

The Council has made estimates of the net assets or liabilities to pay pensions to current and ex-employees of the Council. These estimates are based on a number of complex judgements and projections which are provided by a pension fund actuary, which include: the discount rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected future returns on Pension Fund Assets. These rates can fluctuate from year-to-year and result in material annual changes to the value of pension assets and liabilities.

Group Accounts

The Council has financial relationships with other related companies, joint ventures and joint arrangements. Details of these can be found under the related party section of these accounts. By applying certain criteria, the Council must determine whether its interests in such bodies are significant enough to be included in the Council's consolidated accounts. After consideration of these criteria, the Council has determined that the consolidation of related companies would have no material impact on the Council's financial position and therefore it is not necessary to produce group accounts for 2025/26. The Related Party Transactions Disclosure Note provides details of the group status of companies for which the Council has a close financial relationship.



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 other factors 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 as at 31 March 2026, for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Land and Buildings and Investment Properties	Valuations are carried out on a 5-year rolling programme, supported by indexation adjustments in year where assets are not valued. In addition, each asset has been reviewed to confirm that it sits within the correct categorisation and there have been no material effects (market or physical impairments/additions) that would affect its value.	At 31 March 2026, the Council had land and buildings to the value of £207.904 million, and investment properties to the value of £13.100 million. A 1% change in the estimation of property values would lead to a £2.079 million change in the value of the Council's land and buildings and £0.131 million change in the value of the Council's investment properties. These changes to valuations would not have a direct impact on the Council's general fund, since any effect charged to the CIES would be reversed to the Council's unusable reserves.
Net Pensions Valuation	<p>Estimation of the net pension valuation 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.</p> <p>A firm of consulting actuaries is engaged to provide the Council with expert advice about the rates to be applied.</p>	The effects on the net pension asset of changes in individual assessments can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension asset of £7.857 million. Note 37 provides further detail within a sensitivity analysis for other key assumptions.

Note 5 Events after the Balance Sheet Date (31 March 2026)

There are no events at the authorised for issue date that affect any of the values in either the Financial Statements for 2025/26 or in the Notes to the Accounts.



Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations

(CIES = Comprehensive Income and Expenditure Statement)

2025/26	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
<u>Reversal of items debited or (credited) to the CIES</u>				
Charges for depreciation and impairment of non-current assets	(13,034)	-	-	13,034
Revaluation gains/(losses) on Property, Plant and Equipment, Investment Properties and Assets Held for Sale	(16,963)	-	-	16,963
Amortisation of Intangible Assets	(761)	-	-	761
Capital grants and Contributions Applied	41,920	-	-	(41,920)
Revenue Expenditure Funded from Capital Under Statute	(11,309)	-	-	11,309
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	521	(1,369)	-	848
<u>Insertion of items not debited or (credited) to the CIES</u>				
Statutory provision for the financing of capital investment	5,940	-	-	(5,940)
Capital Expenditure charged against the General Fund	-	-	-	-
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	(3,714)	-	3,714	-
Adjustments involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	1,466	-	(1,466)
Other Adjustments involving the Capital Receipts Reserve	-	(111)	-	111

2025/26	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in year in accordance with statutory requirements	(211)	-	-	211
Adjustments against the Pooled Investment Fund Adjustment Account				
Amount by which the movement in fair value of pooled funds charged to the CIES are different from the amount chargeable in year in accordance with statutory requirements	(6)	-	-	6
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 37)	(10,223)	-	-	10,223
Employers Pension Contributions and direct payments to pensioners payable in the year	9,785	-	-	(9,785)
Adjustments involving the Collection Fund Adjustment Account (NDR and Council Tax):				
Amount by which the collection fund income credited to the CIES is different from the collection fund income calculated for the year in accordance with statutory requirements	(6,513)	-	-	6,513
Adjustments involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in year in accordance with statutory requirements	13	-	-	(13)
Adjustments involving the Delegated Schools Grant Adjustment Account				
Transfer of Dedicated Schools Grant (DSG) over/(underspend) to the DSG Adjustment Account	(8,628)	-	-	8,628
Total Adjustments	(13,183)	(14)	3,714	9,483

2024/25	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
<u>Reversal of items debited or (credited) to the CIES</u>				
Charges for depreciation and impairment of non-current assets	(13,650)	-	-	13,650
Revaluation gains/(losses) on Property, Plant and Equipment, Investment Properties and Assets Held for Sale	(10,090)	-	-	10,090
Amortisation of Intangible Assets	(661)	-	-	661
Capital grants and Contributions Applied	43,613	-	-	(43,613)
Revenue Expenditure Funded from Capital Under Statute	(23,035)	-	-	23,035
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	(2,822)	(958)	-	3,780
<u>Insertion of items not debited or (credited) to the CIES</u>				
Statutory provision for the financing of capital investment	5,598	-	-	(5,598)
Capital Expenditure charged against the General Fund	-	-	-	-
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	6,799	-	(6,799)	-
Adjustments involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	1,089	-	(1,089)
Other Adjustments involving the Capital Receipts Reserve	-	(131)	-	131

2024/25	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in year in accordance with statutory requirements	517	-	-	(517)
Adjustments against the Pooled Investment Fund Adjustment Account				
Amount by which the movement in fair value of pooled funds charged to the CIES are different from the amount chargeable in year in accordance with statutory requirements	167	-	-	(167)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 37)	(12,492)	-	-	12,492
Employers Pension Contributions and direct payments to pensioners payable in the year	8,747	-	-	(8,747)
Adjustments involving the Collection Fund Adjustment Account (NDR and Council Tax):				
Amount by which the collection fund income credited to the CIES is different from the collection fund income calculated for the year in accordance with statutory requirements	1,520	-	-	(1,520)
Adjustments involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in year in accordance with statutory requirements	(159)	-	-	159
Adjustments involving the Delegated Schools Grant Adjustment Account				
Transfer of Dedicated Schools Grant (DSG) over/(underspend) to the DSG Adjustment Account	(6,443)	-	-	6,443
Total Adjustments	(2,391)	-	(6,799)	9,190

Note 7 Expenditure and Income Analysed by Nature

Local authorities are required to provide a subjective analysis of expenditure and income analysed by nature, showing how the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement is comprised.

2025/26	Cost of Services £000	Other Operating Expenditure (Note 9) £000	Financing and Investment Income and Expenditure (Note 10) £000	Taxation and Non-specific Grant income (Note 11) £000	Surplus or Deficit on provision of Services £000
Expenditure/Income					
Expenditure					
Employee expenses	89,632	-	-	-	89,632
Other service expenses	284,593	-	32	-	284,625
Support service recharges	14,523	-	-	-	14,523
Depreciation, amortisation and impairment	19,405	-	8,788	-	28,193
Interest payments	-	-	62,617	-	62,617
Precepts & Levies	-	940	-	-	940
Expenditure relating to Rental Income from Investment Properties	-	-	895	-	895
Net (gains)/losses on fair value of financial instruments through P&L	-	-	6	-	6
Loss on Disposal of Fixed Assets	-	6	-	-	6
Total Expenditure	408,153	946	72,338	-	481,437
Income					
Fees, charges & other service income	(30,621)	-	-	-	(30,621)
Interest and investment income	-	-	(47,578)	-	(47,578)
Income from council tax and NDR	(2)	-	-	(129,826)	(129,828)
Government grants and contributions	(181,473)	(527)	-	(75,324)	(257,324)
Net rental income from Investment properties	-	-	(1,218)	-	(1,218)
Total Income	(212,096)	(527)	(48,796)	(205,150)	(466,569)
(Surplus)/Deficit on the Provision of Services	196,057	419	23,542	(205,150)	14,868

2024/25	Cost of Services £000	Other Operating Expenditure (Note 9) £000	Financing and Investment Income and Expenditure (Note 10) £000	Taxation and Non-specific Grant income (Note 11) £000	Surplus or Deficit on provision of Services £000
Expenditure/Income					
Expenditure					
Employee expenses	87,140	-	-	-	87,140
Other service expenses	284,711	-	13	-	284,724
Support service recharges	15,352	-	-	-	15,352
Depreciation, amortisation and impairment	12,133	-	9,359	-	21,492
Interest payments	-	-	50,693	-	50,693
Precepts & Levies	-	853	-	-	853
Expenditure relating to Rental Income from Investment Properties	-	-	1,198	-	1,198
Loss on Disposal of Fixed Assets	-	385	2,436	-	2,821
Total Expenditure	399,336	1,238	63,699	-	464,273
Income					
Fees, charges & other service income	(29,716)	-	-	-	(29,716)
Interest and investment income	-	-	(38,440)	-	(38,440)
Income from council tax and NDR	-	-	-	(125,630)	(125,630)
Government grants and contributions	(188,338)	-	-	(72,033)	(260,371)
Gain on Revaluation of Investment properties	-	-	(167)	-	(167)
Net rental income from Investment properties	-	-	(1,281)	-	(1,281)
Total Income	(218,054)	-	(39,888)	(197,663)	(455,605)
(Surplus)/Deficit on the Provision of Services	181,282	1,238	23,811	(197,663)	8,668

Note 8 Transfers to/from Earmarked Reserves

Earmarked Reserves are credit sums set aside to meet a liability expected to be met in the future, but for which the timing is uncertain.

Balance at 1 April 2024 £000	Transfers Out 2024/25 £000	Transfers In 2024/25 £000	Balance at 31 March 2025 £000		Balance at 1 April 2025 £000	Transfers Out 2025/26 £000	Transfers In 2025/26 £000	Balance at 31 March 2026 £000
(500)	-	-	(500)	MMI Reserve	(500)	-	-	(500)
(1,788)	198	-	(1,590)	Insurance Reserve	(1,590)	258	-	(1,332)
(1,120)	162	-	(958)	Private Finance Initiative - Schools	(958)	506	-	(452)
(121)	-	-	(121)	Private Finance Initiative – Street Lighting	(121)	-	(74)	(195)
(6,804)	4,800	(62)	(2,066)	MTFS Reserve	(2,066)	2,412	(2,039)	(1,693)
(36)	36	-	-	Brexit Funding	-	-	-	-
(541)	-	-	(541)	Business Rates Funding Reserve	(541)	541	-	-
(1,000)	1,000	-	-	Strategic Change and Resilience	-	-	-	-
(4,955)	400	(671)	(5,226)	Directorate Reserves	(5,226)	1,558	(815)	(4,483)
(16,865)	6,596	(733)	(11,002)	Total Excluding Schools and Business Rate Relief Accounting Reserve	(11,002)	5,275	(2,928)	(8,655)
(1,881)	413	-	(1,468)	Balances held by schools under a scheme of delegation	(1,468)	75	(22)	(1,415)
(18,746)	7,009	(733)	(12,470)	Total Including Schools and Business Rate Relief Accounting Reserve	(12,470)	5,350	(2,950)	(10,070)

- MMI Reserve - In March 2012 the Supreme Court on the Employers' Liability Policy Trigger Litigation relating to Mesothelioma Claims ruled that the insurer, Municipal Mutual Insurance (MMI) who was at risk at the time of the employee's exposure to asbestos was liable to pay compensation for the employee's Mesothelioma. A reserve was established to provide for potential future claims.
- Insurance Reserve - The Council operates a self-funding arrangement on its insurance liability policies. An Insurance Reserve has been established for potential future insurance claims not currently provided for within the insurance provision.
- PFI Street Lighting and Schools Reserve - The Council receives support from the Government in the form of PFI grant that is paid on an annuity basis. Where the funding available is in excess of the contract payments to be made in the year, the surplus is transferred to an earmarked PFI reserve and drawn down as required.
- The MTFS Reserve is used to manage the volatility of the assumptions around the Medium Term Financial Strategy.
- Brexit Reserve – this is funding received from central Government to fund the legal and operational impact of Brexit. This reserve is no longer required and has been transferred into the MTFS reserve.
- Business Rates Funding Reserve – this is a reserve created from income from refunds and grants which will be used to offset deficits to be funded by the Council.
- Strategic Change and Resilience – a reserve created to build the financial resilience of the Council. This has been merged with the MTFS reserve in 2024/25.

- Directorate Reserves – these have been created from grant income where there are no conditions attached to the funding, by income generated through trading operations or created by directorates to fund future year spending commitments.
- Balances held by schools represent the accumulated cash balances of schools within the Borough's control. In accordance with Government regulations and the Council's Scheme of Delegation for Schools, these funds are carried forward and specifically earmarked for use by schools in future years. This fund does not include cash balances held by schools which are under Multi-academy Trust control.

The earmarked reserves held by the Council at the 31 March 2026 have decreased by £2.400 million from the 2024/25 balance. This is primarily attributed to the need to absorb the overspend reported on the revenue outturn position of £2.412 million.



Note 9 Other Operating Expenditure

The line, Other Operating Expenditure, below the Cost of Services in the Comprehensive Income and Expenditure Statement can be analysed as follows:

2024/25 £000		2025/26 £000
664	Town and Parish council precepts	742
189	Northumbria Flood Defence and N.E. Sea Fisheries Levies	198
385	(Gains)/Losses on the disposal of non-current assets	(521)
1,238	Total	419



Note 10 Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure is analysed in the table below.

2024/25 £000		2025/26 £000
14,490	Interest payable and similar charges	15,626
(11)	Net interest on the defined pension liability	796
(2,213)	Interest receivable and similar income	(1,926)
2,436	Loss on disposal of academies	-
9,359	Net (gains)/losses on fair value of investment properties	8,788
-	(Discount)premium on early redemption of LOBO loan	575
(167)	Net (gains)/losses on fair value of financial instruments through profit & loss	6
(83)	Net rental income from investment properties	(323)
23,811	Total	23,542

Note 11 Taxation and Non Specific Grant Income

The line, Taxation and Non-Specific Grant Income, below the Net Cost of Services in the Comprehensive Income and Expenditure Statement holds a number of grants and contributions that are used on a corporate basis. The grants and contributions for 2025/26 are as follows:

2024/25 £000		2025/26 £000
	<u>Credited to Taxation and Non-Specific Grant Income</u>	
(78,627)	Council Tax Income	(83,819)
(47,003)	Distribution from Non-Domestic Rates	(46,007)
	<u>Non-Ring-Fenced Government Grants:</u>	
(9,288)	Revenue Support Grant	(9,783)
(5,790)	PFI Grant	(5,790)
(319)	New Homes Bonus Scheme	(945)
(38,968)	Capital Grants and Contributions	(29,417)
(17,668)	Other Grants	(29,389)
(197,663)	Total	(205,150)

Note 12 Dedicated Schools Grant

The Council's expenditure on schools is funded through the Dedicated Schools Grant (DSG) allocated by the Department for Education. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations [2025]. The Schools Budget includes elements for a range of educational

services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2025/26 is as follows:



	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
Final DSG for 2025/26 before academy and high needs recoupment			(169,521)
Academy and high needs figure recouped for 2025/26			115,950
Total DSG after academy and high needs recoupment for 2025/26			(53,571)
Agreed initial budgeted distribution in 2025/26	(22,358)	(31,213)	(53,571)
In year adjustments			
Early Years additional allocation re. 2024/25, recouped in 2025/26	-	14	14
Final budget distribution for 2025/26	(22,358)	(31,199)	(53,557)
Less: Actual central expenditure	30,853	-	30,853
Less: Actual ISB deployed to schools	-	31,332	31,332
In Year Carry-forward to 2026/27	8,495	133	8,628
Carry-forward to 2026/27	8,495	133	8,628
DSG unusable reserve at the end of 2024/25			12,455
Addition to DSG unusable reserve at the end of 2025/26			8,628
Total of DSG unusable reserve at the end of 2025/26			21,083
Net DSG position at the end of 2025/26			21,083

Note 13 Members' Allowances

2024/25 £000		2025/26 £000
674	Basic Allowances	780
182	Special Responsibility Allowances	140
4	Expenses	8
860	Total	928

During the year, the Council had a total of 59 elected Members. The cost of remuneration includes basic allowances, special responsibility allowance, dependents' carer's allowance, co-optees' allowance, travel and subsistence and telephone costs paid to Elected Members in 2025/26. This figure also includes employer's National Insurance contributions. The figures shown for 2024/2025 are a direct comparison with 2025/2026.



Note 14 Officers' Remuneration

The number of employees whose gross remuneration (being Basic Salary, employee pension benefits, expense allowances, redundancy and other severance payments) exceeded £50,000 is shown below in bands of £5,000.

2024/25 Total Employees	Remuneration Band (£)	2025/26 Total Employees
89	50,000 to 54,999	128
77	55,000 to 59,999	92
55	60,000 to 64,999	69
27	65,000 to 69,999	23
26	70,000 to 74,999	17
9	75,000 to 79,999	26
3	80,000 to 84,999	4
5	85,000 to 89,999	4
5	90,000 to 94,999	7
2	95,000 to 99,999	6
6	100,000 to 104,999	1
1	105,000 to 109,999	8
2	110,000 to 114,999	1
1	115,000 to 119,999	1
-	120,000 to 124,999	-
-	125,000 to 129,999	2
2	130,000 to 134,999	-
-	135,000 to 139,999	2
-	140,000 to 144,999	-
-	145,000 to 149,999	-
2	150,000 to 154,999	-
-	155,000 to 159,999	-
-	160,000 to 164,999	2
1	165,000 to 169,999	-
-	170,000 to 174,999	-
-	175,000 to 179,999	1
313	Total	394

In terms of statutory requirements any senior member of staff with a gross salary (not remuneration) in excess of £150,000 needs to be named. Only one officer of the Council met this requirement in 2025/26. John Sampson, Managing Director (Head of Paid Services).

Senior Officer posts with a gross salary (not full remuneration, i.e. not including expense allowances, redundancy and other severance payments) in excess of £50,000 included in the above table who are required to be separately identified are as follows:

2025/26	Salary (including Fees & Allowances) £	Recurring Payment £	One Off Payment £	Benefits in Kind £	Redundancy and other severance payments £	Gross Remuneration Excl. Pension Contributions £	Pension Contributions £	Total Remuneration Including Pension Contributions £
Chief Executive (Head of Paid Service) (2)	171,445	-	-	-	-	171,445	20,059	191,504
Executive Director for Children and Families	143,563	-	-	-	-	143,563	16,797	160,360
Executive Director for Growth, Enterprise & Environment (3)	153,404	-	-	-	-	153,404	17,948	171,352
Executive Director for Adults and Communities	143,563	-	-	-	-	143,563	16,797	160,360
Director for Finance (Section 151 Officer)	123,463	-	-	-	-	123,463	14,445	137,908
Governance Director	123,463	-	-	-	-	123,463	14,445	137,908
Director of Public Health (1)	-	-	-	-	-	-	-	-
Head of Marketing and Communications	68,699	-	-	-	-	68,699	8,038	76,737
Total	927,600	-	-	-	-	927,600	108,529	1,036,129

Items to note:

1. Employed by Middlesbrough Council
2. The post was previously known as Managing Director and was replaced in November 2025.
3. Change in the senior officer post during the year.

2024/25	Salary (including Fees & Allowances) £	Recurring Payment £	One Off Payment £	Benefits in Kind £	Redundancy and other severance payments £	Gross Remuneration Excl. Pension Contributions £	Pension Contributions £	Total Remuneration Including Pension Contributions £
Managing Director (Head of Paid Services)	151,558	-	-	-	-	151,558	16,201	167,759
Executive Director for Children and Families (2)	126,023	-	-	-	-	126,023	13,484	139,507
Executive Director for Growth, Enterprise & Environment	139,111	-	-	-	-	139,111	14,885	153,996
Executive Director for Adults and Communities	139,111	-	-	-	-	139,111	14,885	153,996
Director for Finance (Section 151 Officer)	119,767	-	-	-	-	119,767	12,801	132,568
Governance Director	119,615	-	-	-	-	119,615	12,801	132,416
Director of Public Health (1)	-	-	-	-	-	-	-	-
Head of Marketing and Communications	66,568	-	-	-	-	66,568	7,123	73,691
Total	861,753	-	-	-	-	861,753	92,180	953,933

Items to note:

1. Employed by Middlesbrough Council
2. There was a change in this Senior Officer post during the year.

Note 15 Termination Benefits

The Council terminated the contracts of 8 employees in the 2025/26 financial year, incurring liabilities of £0.015 million (£0.206 million for 2024/25). The payments were all for agreed voluntary arrangements. Of this total £0.008 million was payable to 5 officers in respect of various voluntary arrangements agreed and £0.007 million was paid to 3 officer who received compulsory redundancy.

The table below shows an analysis of the total cost incurred by Directorate during 2025/26.

Directorate	£000	Number of Employees
Resources	-	-
Adults and Communities	-	-
Children and Families (Schools)	2	1
Children and Families (Non Schools)	4	2
Growth, Enterprise and Environment	9	5
Total	15	8

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	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25 £000	2025/26 £000
0 to 20,000	1	3	3	5	4	8	12	15
20,001 to 40,000	-	-	1	-	1	-	25	-
40,001 to 60,000	-	-	3	-	3	-	169	-
60,001 to 80,000	-	-	-	-	-	-	-	-
80,001 to 100,000	-	-	-	-	-	-	-	-
100,001 to 150,000	-	-	-	-	-	-	-	-
Over 150,001	-	-	-	-	-	-	-	-
Total	1	3	7	5	8	8	206	15

Note 16 Trading Operations

Trading accounts are maintained where services are provided on a basis other than a straightforward recharge of costs. The following trading accounts are operated by the Council.

2024/25					2025/26					
Income £000	Expend- iture £000	(Surplus)/ Deficit £000	Less Technical Adjust- ments £000	Net (Surplus)/ Deficit £000	<u>Trading Operation</u>	Income £000	Expend- iture £000	(Surplus)/ Deficit £000	Less Technical Adjust- ments £000	Net (Surplus)/ Deficit £000
(893)	849	(44)	(7)	(51)	Trade Refuse Collection	(988)	1,066	78	1	79
(56)	44	(12)	(3)	(15)	Industrial Estates	(56)	42	(14)	3	(11)
(7)	10	3	-	3	Markets	(5)	7	2	-	2
(139)	190	51	-	51	Business Centres	(129)	217	88	-	88
(1,549)	1,666	117	(86)	31	Car Parking	(1,575)	1,821	246	(199)	47
(152)	194	42	(5)	37	Taxi Licensing	-	-	-	-	-
(164)	201	37	(8)	29	General Licensing	-	-	-	-	-
(2,960)	3,154	194	(109)	85	Total	(2,753)	3,153	400	(195)	205

All of the income and expenditure relating to the Council's trading operations is incorporated within headings in the Cost of Services in the Comprehensive Income and Expenditure Statement.

Technical adjustments in the table above are included within Note 6.

The Council's trading accounts are explained in more detail below:

- Trade Refuse Collection – contracted collection of waste from commercial properties, schools and other premises within the Borough.
- Industrial Estates – as part of the Council's priority theme to provide business space to attract and sustain businesses, the Council provides units in a range of sizes throughout the Borough.
- Markets – provision of a site for the operation of markets within the Borough, to boost retail and tourism for the local area.
- Business Centres – provision of workshop and office accommodation in a range of sizes at South Tees Business Centres, as part of the priority theme to provide business space to attract and sustain businesses for the local economy.
- Car Parking – provision of both on-street and off-street parking throughout the Borough. Any surpluses in the parking account are applied for the purposes of enforcement and the provision of highway or road improvement project in the local authority's area (Section 55 of the Road Traffic Regulation Act 1984).
- Taxi Licensing – following a review of the service a decision has been made to reclassify it as a non-trading service and has been removed from the schedule.
- General Licensing – following a review of the service a decision has been made to reclassify it as a non-trading service and has been removed from the schedule.

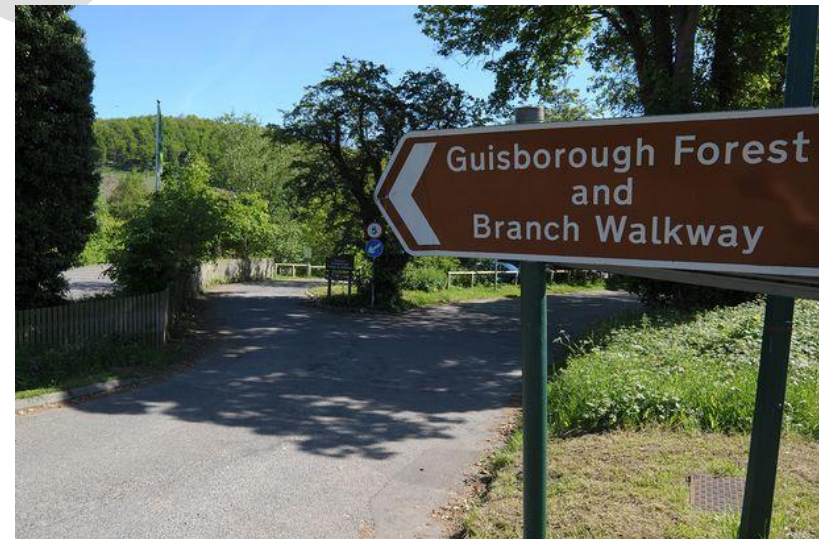
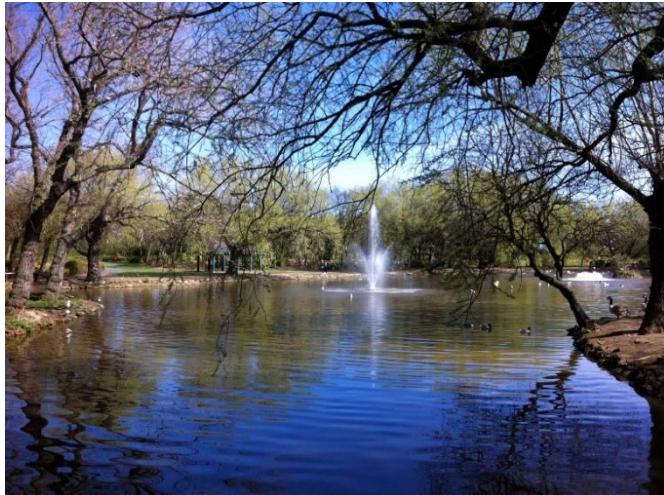


Note 17 Pooled Budgets

The Better Care Fund (BCF) has been established by the Government to support the introduction of a fully integrated health and social care system. Section 75 of the National Health Service Act 2006 gives powers to local authorities and Intergrated Care Boards (ICBs) to establish and maintain pooled funds to support the outcomes of the BCF. The Council has entered into a pooled budget arrangement with NHS North East & North Cumbria Intergrated Care Board (NE & NCICB) for the provision of health and social care services to meet the needs of the population of the borough of Redcar & Cleveland. The services being commissioned or provided by the Authority or the NE & NCICB depend upon the needs of the service recipient. The Council and the NE & NCICB have an ongoing Section 75 agreement in place for funding these services and this is reviewed annually. The Council is the host for this pooled budget and each partner's contribution is set out in the Better Care Fund Section 75 Agreement.

The aims and benefits for the Partners in entering into this Agreement are to:

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



2024/25 £000	Pooled Budgets	2025/26 £000
(1,026)	Balance brought forward - Revenue	(1,225)
(673)	Balance brought forward - Capital	(201)
(1,699)		(1,426)
<u>Funding Provided to the Pooled Budget</u>		
(3,840)	The Authority	(3,996)
(15,739)	North East & North Cumbria ICB	(16,077)
(19,579)		(20,073)
<u>Expenditure Met from Pooled Budget</u>		
15,868	The Authority	17,015
3,984	North East & North Cumbria ICB	4,029
19,852		21,044
(1,426)	Total surplus	(455)
(201)	Capital amounts carried forward into Future Years	(17)
(1,225)	Net revenue surplus arising on the Better Care Fund pooled budget to be carried forward	(438)

The Improved Better Care Fund (iBCF) is paid as a direct grant to local Government, with a condition that it is pooled into the local BCF plan. According to the grant determination, the funding can be spent on three purposes:

- a) Meeting adult social care needs.
- b) Reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready.
- c) Ensuring that the local social care provider market is supported.

2024/25 £000	Improved Better Care Fund	2025/26 £000
-	Balance brought forward	-
	<u>Funding Provided to the Pooled Budget</u>	
(6,928)	The Authority	(6,928)
	<u>Expenditure Met from Pooled Budget</u>	
6,928	The Authority	6,928
-	Net Balance Carried Forward	-



Note 18 Fees Payable to Auditors

For 2025/26 the following fees relating to external audit and inspection were payable by the Council:

2024/25 £000		2025/26 £000
358	Fees payable for services provided by the External Auditors	383
-	Fee valuation relating to previous years	38
23	Fees payable for the certification of grant claims	21
381	Total	442



Note 19 Property, Plant and Equipment (PPE)

(SDPS = Surplus/Deficit on Provision of Services)

(RR = Revaluation Reserve)

Movements in tangible non-current assets (excluding Infrastructure Assets) for the year 2025/26:

2025/26	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000	Assets Under Construction £000	Total PPE (excluding Infrastructure) £000	Included in Total PPE – Owned (excluding Infrastructure) £000	Included in Total PPE - Finance Leased £000	Included in Total PPE – PFI Assets £000
<u>Cost or Valuation</u>								
At 1 April 2025	151,975	33,638	7,369	28,189	221,171	209,904	5,049	6,218
Additions	8,635	5,617	695	23,846	38,793	33,161	5,193	439
Revaluation increases/(decreases) to Revaluation Reserve	15,640	-	-	-	15,640	15,297	-	343
Revaluation increases/(decreases) to Surplus or Deficit on Provision of Service	(16,173)	-	-	(766)	(16,939)	(16,806)	-	(133)
De-recognition - Disposals	(1)	(963)	-	(18)	(982)	(982)	-	-
Assets reclassified (to)/from Held for Sale	(497)	-	-	(3)	(500)	(500)	-	-
Assets reclassified (to)/from Investment Properties	(1,000)	-	-	(8,945)	(9,945)	(1,000)	(8,945)	-
Other movements	22,182	-	-	(22,182)	-	-	-	-
At 31 March 2026	180,761	38,292	8,064	20,121	247,238	239,074	1,297	6,867

2025/26	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Assets Under Construction	Total PPE (excluding Infrastructure)	Included in Total PPE – Owned (excluding Infrastructure)	Included in Total PPE - Finance Leased	Included in Total PPE – PFI Assets
	£000	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment								
At 1 April 2025	(6,048)	(19,460)	2	1	(25,505)	(25,291)	(214)	-
Depreciation charge for the year	(5,756)	(2,830)	-	-	(8,586)	(8,244)	(209)	(133)
Depreciation written out to the Surplus or Deficit on Provision of Service	8,704	-	-	-	8,704	8,571	-	133
De-recognition - Disposals	1	924	-	-	925	925	-	-
Other movements	-	-	-	-	-	-	-	-
At 31 March 2026	(3,099)	(21,366)	2	1	(24,462)	(24,039)	(423)	-
Net Book Value								
At 31 March 2026	177,662	16,926	8,066	20,122	222,776	215,035	874	6,867
At 31 March 2025	145,927	14,178	7,371	28,190	195,666	184,614	4,835	6,218

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Vehicles, Plant and Equipment – 3 to 10 years.
- Land is not depreciated.
- Buildings depreciated over the lifespan denoted by the valuer – majority 25 to 30 years

Movements in tangible non-current assets for the year 2024/25:

2024/25	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Assets Under Construction	Total PPE (excluding Infrastructure)	Included in Total PPE – Owned (excluding Infrastructure)	Included in Total PPE - Finance Leased	Included in Total PPE – PFI Assets
	£000	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation</u>								
At 1 April 2024	157,431	30,087	6,378	12,335	206,231	200,405	75	5,751
IFRS16 Restatement	-	-	-	-	-	(980)	980	-
Additions	6,570	5,147	991	15,854	28,562	23,257	3,991	1,314
Revaluation increases/(decreases) to Revaluation Reserve	1,791	-	-	-	1,791	2,493	30	(732)
Revaluation increases/(decreases) to Surplus or Deficit on Provision of Service	(1,639)	-	-	-	(1,639)	(1,497)	(27)	(115)
De-recognition - Disposals	(2,507)	(1,596)	-	-	(4,103)	(4,103)	-	-
Assets reclassified (to)/from Held for Sale	(944)	-	-	-	(944)	(944)	-	-
Assets reclassified (to)/from Investment Properties	(8,727)	-	-	-	(8,727)	(8,727)	-	-
Other movements	-	-	-	-	-	-	-	-
At 31 March 2025	151,975	33,638	7,369	28,189	221,171	209,904	5,049	6,218

2024/25	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Assets Under Construction	Total PPE (excluding Infrastructure)	Included in Total PPE – Owned (excluding Infrastructure)	Included in Total PPE - Finance Leased	Included in Total PPE – PFI Assets
£000	£000	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment								
At 1 April 2024	(2,022)	(18,304)	2	1	(20,323)	(20,248)	(75)	-
IFRS16 Restatement	-	-	-	-	-	21	(21)	-
Depreciation charge for the year	(5,009)	(2,616)	-	-	(7,625)	(7,365)	(145)	(115)
Depreciation written out to the Surplus or Deficit on Provision of Service	908	-	-	-	908	766	27	115
De-recognition - Disposals	70	1,460	-	-	1,530	1,530	-	-
Other movements	5	-	-	-	5	5	-	-
At 31 March 2025	(6,048)	(19,460)	2	1	(25,505)	(25,291)	(214)	-
Net Book Value								
At 31 March 2025	145,927	14,178	7,371	28,190	195,666	184,613	4,835	6,218
At 31 March 2024	155,409	11,783	6,380	12,336	185,908	180,157	-	5,751

Highways Infrastructure Assets

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

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

For depreciation of Highways Infrastructure assets useful life is between 10 to 40 years.

	31 Mar 2025	31 Mar 2026
	£000	£000
Net Book Value at 1 April	100,911	106,912
Additions	12,027	11,719
Derecognition	-	-
Depreciation	(6,026)	(4,449)
Other Movements in Cost	-	-
Net Book Value at 31 March	106,912	114,182

The Authority has determined in accordance with Regulation [30M England] of The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets where there is replacement expenditure on that asset should be nil.

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

	31 Mar 2025	31 Mar 2026
	£000	£000
Other PPE Assets	195,666	222,776
Infrastructure Assets	106,912	114,182
Net Book Value 31 March	302,578	336,958



Revaluations

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation and Principles Guidance notes, issued by the Royal Institution of Chartered Surveyors (RICS).

During the year land and building assets have been valued by qualified registered Valuers employed by the Council (the Valuations team).

The Council carries out a rolling revaluation programme that ensures that all items of PPE are revalued at least once every five years.

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.

The categories of assets revalued, and the net book value of assets revalued each year, in the rolling programme, are detailed below:

	Other Land and Buildings	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Total PPE
	£000	£000	£000	£000	£000
Carried at historical cost at 31 March 2026	100,159	16,937	6,662	20,121	143,879
Valued at current value as at:					
31 March 2026	98,343	-	-	3	98,346
31 March 2025	37,936	-	-	-	37,936
31 March 2024	138,372	-	-	-	138,372
31 March 2023	139,861	-	392	-	140,253
31 March 2022	127,909	-	3,307	-	131,216

Note 20 Impairment Losses

Paragraph 4.7.4.2(1) of the Code of Practice requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. There has been no impairment of assets in 2025/26.

Note 21 Investment Properties

The following items of income and expense have been accounted for in the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Account.

	2025/26
	£000
Rental income from investment property	(1,218)
Direct operating expenses arising from investment property	895
Net (gains)/loss	(323)

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.

2024/25 £000		2025/26 £000
11,775	Balance at start of the year	11,633
495	Additions - subsequent expenditure	245
(9,359)	Net gains/(losses) from fair value adjustments	(8,788)
-	Transfers (to)/from Assets Held for Sale	65
8,722	Transfers (to)/from Property, Plant and Equipment and Assets Held for Sale	9,945
11,633	Balance at end of the year	13,100

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.



Note 22 Intangible Assets

The Council accounts for its software as intangible assets as the software is not an integral part of a particular IT system. The hardware is accounted for within Property, Plant and Equipment. The intangible assets include both purchased licences and software.

All software is given a finite useful life, based on expert assessments of the period of use to the Council, and amortised on a straight-line basis. The useful lives assigned, amortisation charged for the year and carrying amounts of intangible assets are as follows:

Assets	Useful Life	Useful Life Remaining	31 March 2025 £000	Expenditure 2025/26 £000	Amortisation 2025/26 £000	31 March 2026 £000
Adult Services System	10 Years	7 Years	88	-	(12)	76
Agresso	10 Years	9 Years	688	172	(101)	759
Back Up Disaster Recover	5 Years	2 Years	95	-	(32)	63
Customer Relationship Management System	5 Years	0 Years	8	26	(6)	28
Xais Software	10 Years	9 Years	256	-	(28)	228
Corporate Web	5 Years	2 Years	63	-	(29)	34
Recovery CYBER	5 Years	4 Years	346	-	(202)	144
Route Optimisation	3 Years	2 Years	161	66	(63)	164
Civica Webpay	3 Years	2 Years	43	120	(14)	149
Ploxbox	3 Years	2 Years	48	48	(16)	80
Registrar's	3 Years	2 Years	19	-	(6)	13
Technology Forge	5 Years	2 Years	79	-	(41)	38
Other IT Software	Various	Various	439	45	(211)	273
			2,333	477	(761)	2,049

The movement on Intangible Asset balances during the year is as follows:

2024/25		2025/26
£000		£000
8,552	Gross carrying amounts	8,962
(6,129)	Accumulated amortisation	(6,629)
2,423	Net carrying amount at start of year	2,333
	Additions – internal development	
571	Additions - purchases	477
(161)	Disposals – gross carrying amount	-
161	Disposals – accumulated depreciation	-
(661)	Amortisation for the period	(761)
-	Other changes	-
2,333	Net carrying amount at end of year	2,049
	Comprising:	
8,962	Gross carrying amounts	9,439
(6,629)	Accumulated amortisation	(7,390)

Note 23 Private Finance Initiatives and Similar Contracts

This note details the Council's current commitments under its two PFI schemes on schools and street lighting.

Schools

The contract for the provision of schools relates to two primary schools (St Benedict's and South Bank) and three secondary schools (Sacred Heart, Outwood Academy Bydales and Outwood Academy Normanby).

The contract entered into is for a period of 30 years. The schools were completed and became operational in September 2006. The value of the contract over the 30 years is £214.319 million, excluding estimates of inflation. The original building value for the five schools was £48.049 million.

Classification of Schools

St Benedict's Primary School	Academy
South Bank Primary School	Council
Sacred Heart Secondary School	Academy
Outwood Academy Bydales	Academy
Outwood Academy Normanby	Academy

Where the school becomes an academy, the building is de-recognised on the Council's Balance Sheet as the economic benefits and service potential for the building rest with the governing body. However, as the PFI contract is an agreement between the Council and the contractor, the corresponding liability remains with the Council for the remaining period of the contract.

South Bank Primary School building is included in property, plant and equipment on the Council's Balance Sheet and is depreciated and revalued in line with Council policy on non-current assets. The corresponding liability is reflected in the Council's Balance Sheet.

Street Lighting

In 2007 the Council entered into a 25-year agreement for the replacement of 85% of its street lighting stock and 100% of its illuminated signs, to replace the existing obsolete infrastructure. Over the first 3 years of the scheme the contractor has provided replacement capital (approximately 15,000 lighting columns). For the remainder of the contract ongoing maintenance and life cycle replacements will be carried out. Energy costs are not included in the PFI contract and are payable directly by the Council to the appropriate provider.

The overall cost of the contract is £72.863 million, excluding estimates for inflation. The value of the street lighting infrastructure was £19.790 million.

Street lighting is recognised in the Council's Balance Sheet as an infrastructure asset and is depreciated in line with Council policy on non-current assets. The corresponding liability is also reflected in the Council's Balance Sheet.

Payments

The Council makes an agreed monthly payment on both PFI schemes for the services provided in each financial year which is increased by inflation. Payments are for an agreed level of service and can be amended if the contractor fails to meet availability and performance standards. Payments are either on behalf of capital (payment for the financing of the asset concerned) or for revenue (to pay for the day to day services provided), normally facilities management based.

Other reasons why costs might vary in future years are:

- The provision of facilities management services may be subject to benchmarking and/or market testing. Payments to

the contractor may be adjusted to reflect the outcome of these exercises and could reduce or increase costs.

- Once PFI contracts are operational it is sometimes possible to re-finance the contract which reduces the cost of borrowing incurred by the contractor. The contractor provides for the Council to receive some of the savings arising from re-financing. Re-financing is only possible if market conditions allow.
- The Council can vary the contract regarding services provided which may impact on the unitary charge.

Payments to be made over the life of the remaining two PFI contracts at 31 March 2026 (excluding any estimation of inflation and availability/performance deductions) are detailed below:

Payments due to be made under PFI Contracts (excluding inflation) - Outstanding as at 31 March 2026

	Repayment of leasing liability	Payment of interest	Provision of services	Total
	31 March 2026	31 March 2026	31 March 2026	31 March 2026
	£000	£000	£000	£000
Within 1 year	4,041	4,950	5,247	14,238
Within 2 - 5 years	20,923	15,360	20,668	56,951
Within 6 – 10 years	26,343	7,240	18,462	52,045
Total Future Payments	51,307	27,550	44,377	123,234

The contract payments are partially linked to inflation and increase each year in line with the PFI financial model. The estimates detailed below assume a forecast inflation factor increase for the remainder of the contract.



Payments due to be made under PFI Contracts (including estimated inflation) - Outstanding as at 31 March 2026

	Repayment of leasing liability	Payment of interest	Provision of services	Total
	31 March 2026	31 March 2026	31 March 2026	31 March 2026
	£000	£000	£000	£000
Within 1 year	4,112	5,035	5,337	14,484
Within 2 – 5 years	22,389	16,365	22,140	60,894
Within 6 – 10 years	30,679	8,319	21,378	60,376
Total Future Payments	57,180	29,719	48,855	135,754

The figures below represent the amount of debt outstanding with the PFI contractor for the assets held under contract as at 31 March 2026. This is repayable over the remaining term of the contracts. The opening balance is restated annually for the IFRS16 adjustment.

Value of liabilities held under PFI schemes

2024/25 £000	Outstanding PFI Liability	2025/26 £000
(42,363)	Opening Balance	(54,252)
(15,321)	IFRS 16 adjustment	(757)
3,432	Repayments	3,702
(54,252)	Closing Balance	(51,307)



Note 24 Leases

Council as Lessee

The Council leases land and buildings, equipment and a vehicle for operational purposes. All the leases held are individually immaterial.

The Council has adopted IFRS16 from 1 April 2024. Properties and other vehicles, plant and equipment that fall under the scope of IFRS16 have now been classified as right of use assets on the balance sheet. There are two specific exemptions for leases that don't require detailed accounting disclosure these are:

Short term leases - these are defined as leases that have a lease term of 12 months or less at the commencement date (or 12 months on transition)

Low value exemption - the Council has elected to not apply the lease accounting provisions where the underlying asset is less than £10,000.

Lease payments for both short-term and low value leases are charged to the relevant service area over the life of the lease.

The table below excludes both short-term assets and low value assets.

Right of Use Assets

2025/26	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Investments £000	Total £000	2024/25 Total £000
At 1 April 2025	4,740	95	675	5,510	1,655
Additions	5,194	-	-	5,194	3,991
Revaluation	-	-	(8,595)	(8,595)	30
Depreciation	(170)	(40)	-	(210)	(166)
Other Movements	(8,945)	-	8,945	-	-
At 31 March 2026	819	55	1,025	1,899	5,510

Transactions Under Leases

The Council incurred the following expenses and cash flows in relation to leases (including short-term and low value).

	2024/25 £000	2025/26 £000
Comprehensive Income and Expenditure Statement		
Interest expense on lease liabilities	25	29
Expense relating to short-term leases	13	-
Expense relating to exempt leases of low value	56	54
Donated Asset	(45)	-
Income from subletting right of use assets	(62)	(66)
Total	(13)	17
Movement in Reserves		
Minimum lease payments	136	188
Donated Asset	45	-
Total	181	188

Maturity analysis of lease liabilities (excluding short-term and low value leases)

The lease liabilities for leases in scope of IFRS16 are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments).

	2024/25 Total £000	2025/26 Total £000
Less than one year	185	126
One to five years	287	170
More than five years	218	218
Total undiscounted liabilities	690	514

Council as Lessor

The Council leases out land and building under operating leases for the following purposes:

- for the provision of community services such as sports facilities and community centres;
- for economic development purposes to provide suitable affordable accommodation for local businesses.

Rental income received in year is credited to the relevant service in accordance with the terms specified in the lease agreement unless the lease is for an investment property. Investment property lease income is credited to Financing & Investment Income and Expenditure within the CIES (Note 10). The total lease income earned in year was £0.891 million.

Note 25 Capital Expenditure and Capital Financing

The Capital Financing Requirement shows the underlying need of the Council to borrow to finance its Capital Investment Plan.

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement.

The capital investments in year includes IFRS16 adjustments which are not part of the capital investment program.

The movement in the Capital Financing Requirement is analysed as follows.

	2024/25		2025/26
£000	£000		£000
	261,602	Opening Capital Financing Requirement	
	16,185	Recognition of ROU Assets and PFI on transaction to IFRS16 on 1 April 2024	
	277,787	Restated Opening Capital Financing Requirement	275,990
		<u>Capital Investment</u>	
34,200		Property, Plant and Equipment	50,512
571		Intangible Assets	477
-		Loans & Advances Treated as Capital Expenditure	-
494		Investment Properties	245
-		Long Term Investment	-
13,238		Revenue Expenditure Funded from Capital under Statute	11,309
	48,503	Total Capital Investment	62,543
		<u>Sources of Finance</u>	
(1,089)		Capital Receipts	(1,466)
(43,613)		Government grants and other contributions	(41,922)
		Sums set aside from revenue:	-
-		Direct revenue contributions	-
(5,598)		MRP/Loans Fund Principal	(5,940)

	2024/25		2025/26
£000	£000		£000
	(50,300)	Total Sources of Finance	(49,328)
	275,990	Closing Capital Financing Requirement	289,205
	14,388	Movement in Year	13,215
		<u>Explanation of movement in year</u>	
		Increase in underlying need to borrow (supported by Government assistance)	
20,117		Increase in underlying need to borrow (unsupported by Government assistance)	19,266
		Assets acquired under finance leases	
(131)		Write down of long term debtor	(111)
-		Additional use of capital receipts	-
	19,986	Increase/(Decrease) in Capital Financing Requirement	19,155
	(5,598)	Reduced by Minimum Revenue Provision	(5,940)
	14,388	Total Movement in Year	13,215

Capital Commitments

As at 31 March 2026, there were five contracts for the construction or enhancement of Property, Plant and Equipment in future years in excess of £1.000 million. These were:

Scheme	Contractor	Estimated value £000	Spend to Date £000	Outstanding £000
Guisborough Active Travel	Esh Construction	3,879	10	3,869
Eston Precinct	Esh Construction	4,941	2,063	2,878
Guisborough Public Realm Improvements	Esh Construction	5,470	88	5,382
Skippers Lane Infrastructure	Esh Construction	2,140	997	1,143
The Lookout	CE Robertson	10,998	4,516	6,482
Total		27,428	7,674	19,754

The Council had two contracts for the construction or enhancement of Property, Plant and Equipment exceeding £1.000 million in 2024/25 of £12.334 million.



Note 26 Long Term Debtors

The Council has a number of loans exceeding one year. These include:

Loan to Leisure Service Provider - As part of the current leisure contract with Sports and Leisure Management Ltd (SLM) the Council agreed to use its prudential borrowing powers to finance the capital investment programme put forward by SLM as part of its successful bid. The rationale being that the Council could access cheaper long term external finance than SLM could obtain from the banking sector. This would result in savings to the Council as these capital borrowing costs are recharged back to the Council through the regular billing process. As the assets involved, principally leisure centres, are

owned by the Council in a freehold capacity, this process is similar to the Council investing in its own buildings.

Children and Families Social Care Loans – loans to assist foster carers and special guardianships with essential adaptations to their homes and other capital purchases. These loans are repaid by deductions to allowances over an agreed number of years.

Redcar and Cleveland Legal Services Ltd Loan – A loan to the Council's subsidiary to acquire 100% share capital of Cygnet Family Law.

	Balance 31 March 2025 £000	Total Spend £000	Disposals/ Transfers £000	Amounts Written Off/ Repaid £000	Balance 31 March 2026 £000
Loan to Leisure Service Provider - SLM	111	-	-	(111)	-
Cygnet Family Law	1,227	-	-	-	1,227
Children and Families Social Care Loans	18	4	-	(5)	17
Total	1,356	4	-	(116)	1,244

Note 27 Assets Held for Sale

Assets held for sale are properties that are currently marketed. It is anticipated that they will be sold within 12 months of the reporting period.

2024/25 £000		2025/26 £000
2,600	Balance outstanding at start of year	2,344
944	Assets newly classified as held for sale	655
-	Assets declassified as held for sale: PPE/Investment properties	(160)
(1,200)	Assets sold	(784)
2,344	Balance outstanding at year end	2,055

Note 28 Short Term Debtors

31 March 2025 £000		31 March 2026 £000
4,200	Central Government Bodies	6,879
10,299	Other Local Authorities	9,836
1,319	NHS Bodies	5,750
457	Public Corporation and Trading Funds	228
34,850	Council Taxpayers	38,659
1,454	Business Rates	1,963
2,206	Housing Benefits Overpayments	2,049
8,253	Other Entities and Individuals	10,132
63,038	Total	75,496
	<u>Provisions for Doubtful Debts</u>	
(1,553)	Directorate Contribution to Bad Debt Provision	(2,078)
(10,246)	Council Taxpayers	(11,147)
(565)	Business Rates	(606)
(496)	Housing Benefits Overpayments	(9)
50,178	Total debtors including provision for doubtful debt	61,657

Note 29 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2025 £000		31 March 2026 £000
45	Cash held by the Council	46
1,352	Bank current accounts – school accounts	1,229
(915)	Bank current accounts – main Council	(2,356)
9,046	Short term deposits with Financial Institutions	4,523
9,528	Total Cash and Cash Equivalents	3,442



Note 30 Short Term Creditors

31 March 2025 £000		31 March 2026 £000
(4,129)	Central Government Bodies	(3,566)
(6,922)	Other Local Authorities	(13,846)
(1,403)	NHS Bodies	(1,322)
(530)	Public Corporation and Trading Funds	(1,697)
(857)	Short Term Accumulating Compensated Absences	(844)
(25,496)	Other Entities and Individuals	(29,887)
(4,010)	Local Taxation	(5,127)
(43,347)	Total	(56,289)



Note 31 Provisions

	Balance at 1 April 2025	Provisions made in 2025/26	Provisions utilised in 2025/26	Balance at 31 March 2026	Short Term Provisions	Long Term Provisions
	£000	£000	£000	£000	£000	£000
Insurance Provision	(826)	(556)	462	(920)	(252)	(668)
Business Rates Appeals	(1,745)	(1,192)	1,746	(1,191)	(1,191)	-
Childrens' Social Care Provision	(409)	-	409	-	-	-
Total Provisions	(2,980)	(1,748)	2,617	(2,111)	(1,443)	(668)

A provision is a monetary sum set aside in respect of a known event which may occur and for which the timing is uncertain, but the actual financial liability is known with some degree of confidence.

Insurance Provision:

The insurance provision was established in 1996 to provide for all payments that fall within the policy excess on claims for property, motor and liability. Claims can be quite historic and take time to investigate and settle.

The value of the provision is underpinned by the latest actuary report and the best estimate of the financial liability of existing claims outstanding at 31 March 2026.

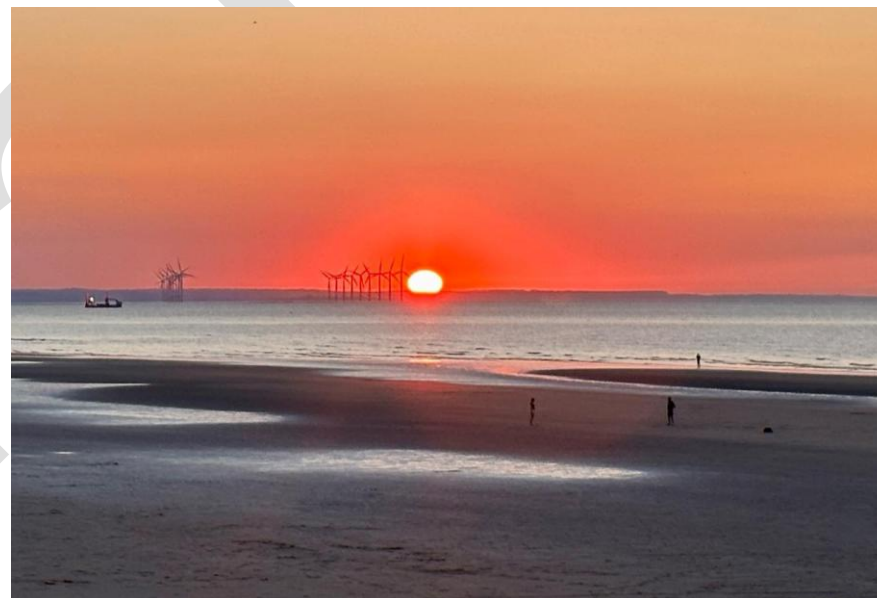
Business Rates Appeals:

The level and value of appeals within particular localities is maintained by the Valuations Office Agency (VOA) and are significant in both value and volume. As there is a degree of uncertainty regarding whether appeals will be successful and the timing of any refunds to business rate payers, and the appeals relate to bills already issued, a provision has been established within the Collection Fund for the estimated cost. Although this reduces the surplus in year, it will act as protection against reductions in future years' income.

The value of the provision has been established based on discussions with the Council's own staff, the outsourced provider, Liberata, and the VOA. This is based on the value of appeals outstanding, past experience of appeals being successful, and adjusted for any significant appeals that are in progress. The total value of the provision is £2.432 million with the 49% share in the Council's own accounts being £1.192 million.

Children Social Care Provision:

Provision is made for possible claims for back-dated financial payments for some children's social care activities.



Note 32 Long Term Creditors

	Balance at 31 March 2025 £000	Income £000	Expenditure £000	Balance at 31 March 2026 £000
Section 38 / 278 Agreements	(220)	(72)	10	(282)
Section 106 Agreements	(2,895)	(329)	265	(2,959)
Commutated Sums	(110)	-	-	(110)
Trust Funds	(109)	-	-	(109)
Total	(3,334)	(401)	275	(3,460)

Section 38 / 278 agreements relate to the creation of new highways upon land in the ownership of anyone other than the Highway Authority. It is an agreement between the land owner and the Council for the construction of new highways and the ultimate adoption by the Council as a public highway. The agreement secures a bond for the cost of the works, to enable completion of the works by the Council upon default by the developer. There are currently 16 agreements in place.

Section 106 Agreements provide Councils with the power to enter into a legally binding agreement with a person with an interest in land. The agreement may restrict development or use of the land, require operations or activities to be carried out on the land or require land to be used in a particular way. There are currently 17 agreements in place.

Commutated sums are a payment made by a developer to the Council which will cover the future maintenance of an asset which will be adopted by the Council. There are currently 4 agreements in place.

The Council is the custodian of three trust funds. The Council decides on how the funds are used whilst ensuring that the conditions in the trust deed is fulfilled.

Note 33 Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

Financial Liabilities

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus the accrued interest.

Financial Assets

To meet the Code requirements, financial assets are now classified into one of three categories:

- Financial assets measured at amortised cost. These represent loans and loan-type agreements where repayments of interest and principal take place on set dates and at specified amounts. The amounts presented in the Balance Sheet represent the outstanding principal received plus accrued interest. Interest credited to the Income and Expenditure account relates to the amount receivable as per the loan agreement.
- Fair Value through Other Comprehensive Income (FVOCI). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through an unusable reserve, with the balance debited or credited to the CIES when the asset is disposed of. The Council has elected to designate the shareholding in Durham Tees Valley Airport Ltd, Redcar and Cleveland Legal Services Ltd and Veritau (Tees Valley) Ltd to FVOCI. The equity holdings are strategic investments and are not held for trading.
- Fair Value through Profit and Loss. These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are generally recognised in the CIES. The exception to this are pooled investments which can be accounted for by using a temporary statutory override issued by the Ministry for Housing, Communities and Local Government (MHCLG). This is for a period of seven years commencing on the 1 April 2018. This has now been extended until the 1 April 2029 for investments taken out before 1 April 2024. The Council has opted to use this override to account for any changes in the fair value on its pooled property funds in an unusable reserve.

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Financial Instruments: Balances

Financial Liabilities

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long-term		Current	
	31 March 2025 £000	31 March 2026 £000	31 March 2025 £000	31 March 2026 £000
Loans at amortised cost:				
- Principal sum borrowed – PWLB	(109,210)	(144,108)	(23,678)	(24,475)
- Principal sum borrowed – LOBO	(18,500)	(18,500)	-	-
- Principal sum borrowed – Market	(48,750)	(31,500)	-	-
- Principal sum borrowed – Local Authority	(15,844)	(15,985)	-	(12,500)
- Principal sum borrowed – Other	-	-	(363)	-
Accrued interest				
- Accrued interest – PWLB	-	-	(1,002)	(1,596)
- Accrued interest – LOBO	-	-	(320)	(323)
- Accrued interest – Market	-	-	(776)	(550)
- Accrued interest – Local Authority	-	-	(203)	(434)
EIR adjustments - PWLB	264	263	-	-
Total Borrowing	(192,040)	(209,830)	(26,342)	(39,878)
Liabilities at amortised cost:				
- PFI arrangements	(51,107)	(47,654)	-	-
Other Long Term Liabilities	(51,107)	(47,654)	-	-
At amortised cost:	-	-	-	(1,081)
Total Cash & Cash Equivalents	-	-	-	(1,081)
Liabilities at amortised cost:				
- Trade payables	(3,334)	(3,460)	(27,903)	(34,839)
- PFI arrangement and leases	-	-	(3,834)	(4,167)
Included in Creditors *	(3,334)	(3,460)	(31,737)	(39,006)
Total Financial Liabilities	(246,481)	(260,944)	(58,079)	(79,965)

* The creditors lines on the Balance Sheet includes £18.320 million (2025 £11.610 million) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

Financial Assets

Financial Assets	Long-term		Current	
	31 March 2025 £000	31 March 2026 £000	31 March 2025 £000	31 March 2026 £000
At amortised cost:				
- Principal	-	-	-	-
- Accrued interest	-	-	-	-
At fair value through other comprehensive income:				
- Equity investments elected FVOCI	1,742	1,742	-	-
At fair value through profit and loss				
- Fair value	8,533	8,533	-	-
Total Investments	10,275	10,275	-	-
At amortised cost:				
- Principal	-	-	3,190	1,100
- Accrued interest	-	-	1	1
At fair value through profit and loss				
- Fair value	-	-	6,337	3,422
Total Cash & Cash Equivalents	-	-	9,528	4,523
At amortised cost:				
- Short-term debtors	-	-	17,658	23,994
- Loans made for service purposes and employees	1,356	1,244	135	95
Included in Debtors **	1,356	1,244	17,793	24,089
Total Financial Assets	11,631	11,519	27,321	28,612

** The debtors lines on the Balance Sheet include £49.071 million (2025 £45.245 million) short term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions. The debtors line also includes a credit of £12.860 million for the bad debt provision.

Equity Instruments Elected to Fair Value Through Other Comprehensive Income

The Council has elected to account for the following equity instruments at fair value through other comprehensive income because they are long-term strategy holdings and changes in fair value are not considered to be part of the Council's annual financial performance.

	Fair Value		Dividend	
	31 March 2025 £000	31 March 2026 £000	31 March 2025 £000	31 March 2026 £000
Teesside International Airport Limited	-	-	-	-
Redcar and Cleveland Legal Services Limited	1,722	1,722	(700)	(700)
Veritau Tees Valley Limited	20	20	-	-
	1,742	1,742	(700)	(700)

Financial Instruments: Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to Financial Instruments are made up as follows:

2025/26	Financial Liabilities	Financial Assets		2025/26 Total	2024/25 Total
	Liabilities measured at amortised cost	Amortised Cost	Fair Value through Profit & Loss		
	£000	£000	£000	£000	£000
Interest expense	15,594	-	-	15,594	14,477
Losses from changes in fair value	-	-	-	-	-
Fees paid	32	-	-	32	13
Interest payable and similar charges	15,626	-	-	15,626	14,490
Interest income *	-	(404)	(822)	(1,226)	(1,513)
Dividend income	-	-	(700)	(700)	(700)
Impairment loss reversals	-	-	6	6	(167)
Interest and investment income	-	(404)	(1,516)	(1,920)	(2,380)
Net impact on surplus/deficit on provision of services	15,626	(404)	(1,516)	13,706	12,110

* The interest earned from treasury management activities was £1.074 million. The additional income over this amount is in respect of other activities which have earned interest.

Financial Instruments: Fair Value of Assets and Liabilities

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. The Council holds investments in various money market funds and the CCLA Property Funds and their fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2026, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- Discount rates for "Lender Option Borrower Option" (LOBO) loans have reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair value of short-term instruments, including trade payables and receivables is assumed to approximate to the carrying amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 - fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.

- Level 2 - fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 - fair value is only determined using unobservable inputs, e.g. non-market data such as cash flow forecast or estimated credit worthiness.

31 March 2025			Fair Value Level	31 March 2026	
Balance Sheet £000	Fair Value £000			Balance Sheet £000	Fair Value £000
<u>Financial liabilities held at amortised cost:</u>					
(133,626)	(125,755)	Loans from PWLB	2	(169,916)	(162,220)
(18,820)	(24,031)	LOBO loans	2	(18,823)	(23,580)
(65,936)	(70,172)	Other loans	2	(60,969)	(64,802)
(218,382)	(219,958)	Total		(249,708)	(250,602)
(54,941)		Lease payables and PFI Liabilities		(51,821)	
(31,237)		Liabilities for which fair value is not disclosed*		(39,380)	
(304,560)		Total financial liabilities		(340,909)	
Recorded on Balance Sheet as:					
(31,737)		Short-term creditors		(39,006)	
(26,342)		Short-term borrowing		(39,878)	
-		Cash & Cash Equivalents		(1,081)	
(3,334)		Long-term creditors		(3,460)	
(192,040)		Long-term borrowing		(209,830)	
(51,107)		Other long- term liabilities		(47,654)	
(304,560)		Total financial liabilities		(340,909)	

* The fair value of short-term financial liabilities including short-term creditors is assumed to approximate to the carrying amount.

31 March 2025			Fair Value Level	31 March 2026	
Balance Sheet £000	Fair Value £000			Balance Sheet £000	Fair Value £000
<u>Financial assets held at fair value:</u>					
1,742	1,742	Shares in limited companies	3	1,742	1,742
8,533	8,533	Pooled Property Fund	1	8,533	8,533
6,337	6,337	Money Market Funds	1	3,422	3,422
<u>Financial assets held at amortised cost:</u>					
-	-	Loans and receivables over 90 days	2	-	-
3,191	3,191	Loans and receivables under 90 days and cash in hand	2	1,101	1,101
19,803	19,803	Total		14,798	14,798
19,149		Assets for which fair value is not disclosed*		25,333	
38,952		Total financial assets		40,131	
<u>Recorded on balance sheet as:</u>					
9,528		Cash and cash equivalents		4,523	
-		Short-term investments		-	
10,275		Long-term investments		10,275	
17,793		Short-term debtors		24,089	
1,356		Long-term debtors		1,244	
38,952		Total financial assets		40,131	

* The fair value of short-term financial assets, including short-term debtors is assumed to be approximate to the carrying amount.

Financial Instruments: Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in 2021.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the MHCLG Investments. This guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- (a) Credit risk - the possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a monetary loss to the Council.
- (b) Liquidity and Refinancing risk - the possibility that the Council might not have the cash available to make contracted payments on time and that the Council may need to renew a financial instrument at disadvantageous rates or terms.
- (c) Market risk - the possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates on equity prices.

(a) Credit Risk - Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of a high credit quality, as set out in the annual Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK Government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice.

The Council uses the creditworthiness service provided by Arlingclose, the Council's Treasury Management Advisors. This service uses a sophisticated modelling approach with credit ratings from all three major rating agencies, Fitch, Moodys and Standard and Poors, which form the core element of any given rating.

However, the Council does not rely solely on the current credit ratings of counterparties but also uses the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2025/26 was approved by Full Council on 27 February 2025 and is available on the Council's website. The Investment Strategy for 2026/27 was approved by Full Council on 26 February 2026 and it became operational immediately. It is therefore the 2026/27 Strategy that governed the investment decisions on 31 March 2026.

The Council sets an investment limit for individual counterparties and a total limit per category of investment. The only exception to this is for money deposited with the UK government. No more than £25.000 million in total can be invested for periods longer than one year.

The table below summarises the credit risk exposures of the Council's investment by credit rating.

<u>Deposits with banks and financial institutions (not including accrued interest)</u>	Amount at 31 March 2025 £000	Amount at 31 March 2026 £000
AAA rated counterparties - The rated institution has an exceptional degree of creditworthiness	6,300	3,400
AA+ rated counterparties - Very low expectation of credit risk	-	-
AA rated counterparties - Very low expectation of credit risk	-	-
AA- rated counterparties - Very low expectation of credit risk	2,100	1,100
A+ rated counterparties – Low expectation of credit risk	608	-
A rated counterparties - Low expectation of credit risk	-	-
A- rated counterparties - Low expectation of credit risk	-	-
BBB rated counterparties – Adequate capacity to meet financial commitments	-	-
Credit Risk not applicable *	10,000	10,000
Total	19,008	14,500

* Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money upon request by the Council to redeem the cash instruments.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies and adjusted for current and economic conditions. A two year delay in cash flows is assumed to arise in the event of a default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless

they retail an investment grade credit rating. They are determined to be credit impaired when awarded a "D" credit rating or equivalent. At the 31 March 2026 there was no loss adjustment related to treasury investments. This was due to the majority of the cash being held in Money Market Funds.

Credit Risk - Receivables

The Council does not generally allow credit for customers, although £5.343 million of the £22.514 million debtors invoices balance is past its due date for payment. The overdue amount can be analysed by age as follows:

	31 March 2025 £000	31 March 2026 £000
Less than one month	2,372	17,171
One to three months	521	627
Three to six months	1,032	829
Six months to one year	1,802	1,241
More than one year	2,741	2,646
Total	8,468	22,514

As the Council maintains a bad debt provision for debts based on age of debt and nature of dispute, no further assessment of the fair value has needed to be made. The amounts are carried on the Balance Sheet at their amounts outstanding and no amounts have been included in the table above for the Council's exposure to default. The £22.514 million above relates to invoiced debt only and is an element of the Debtor total in Note 28.

Credit Risk – Loans

The Council has debtor loans outstanding as at 31 March 2026 of £1.356 million to support either the achievement of the Council's objectives or to its employees. The amounts recognised on the balance sheet, and the Council's total exposure to credit risk is as follows:

	31 March 2025 £000	31 March 2026 £000
Charity	111	-
Business	1,230	1,230
Employees	124	163
Other	(8)	(37)
Total	1,457	1,356

The Council manages the credit risk inherent in its loans for service purposes in line with its published Investment Strategy. A loss allowance has only been calculated on the loan outstanding with Redcar and Cleveland Legal Services Limited. The remainder are either immaterial or secured on assets that will revert to the Council on company failure.

(b) Liquidity and Refinancing Risk

The Council has ready access to borrowings at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of

unfavourable high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 50% of the Council's borrowing matures in any one financial year.

The maturity analysis of financial liabilities (excluding PFI/Leases) is as follows, with the maximum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

Period	Approved Maximum Limits	Actual 31 March 2025 £000	%	Actual 31 March 2025 £000	%
Less than 1 year	50%	(24,041)	11%	(36,976)	15%
Between 1 and 2 years	60%	(21,678)	10%	(49,475)	20%
Between 2 and 5 years	70%	(36,964)	18%	(37,496)	16%
Between 5 and 10 years	90%	(49,664)	23%	(52,482)	21%
More than 10 years	100%	(65,498)	30%	(52,140)	21%
Uncertain date *		(18,500)	8%	(18,500)	7%
Total		(216,345)	100%	(247,069)	100%

* The Council has £18.500 million of "Lender Option, Borrower's Option" (LOBO) loans where the lender has the option to propose an increase in the rate payable on a call date; the Council will then have the option to accept the new rate or repay the loan without penalty. The maturity date is therefore uncertain.

Creditors are paid in accordance with supplier's terms which, for liquidity risk purposes to the Council, are less than one year and are

not shown in the table above. The Council utilises "call accounts" that provide sufficient liquidity to meet its short-term creditor and cash payment commitments. Further analysis of creditors can be found in Note 30.

c) Market Risk

(i) Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effect:

- Borrowings at variable rates - the interest expense charges to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates - the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates - the interest income credited to the Income and Expenditure Statement will rise; and
- Investments at fixed rates - the fair value of the assets will fall (no impact on revenue balances).

Investments and loans measured at amortised cost are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. 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. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income on the surplus or deficit on the provision of services depending on the accounting treatment for the investment.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposure to fixed and variable interest rates. At 31 March 2026 100% of the net principal borrowed was exposed to fixed rates.

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

	£000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(218)
Decrease in fair value of investments held at FVPL	-
Impact on Surplus or Deficit on the Provision of Services	(218)
Decrease in fair value of fixed rate investment held at FVOCI	-
Impact on Comprehensive Income and Expenditure	-
Decrease in fair value of fixed rate investment assets	(58)
Decrease in fair value of fixed rate borrowings	645
No Impact on Comprehensive Income and Expenditure Statement	587

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

The Council has £18.500 million of LOBO loans where the lender has the option to propose an increase in the rate payable. The Council will then have the option to accept the new rate or repay the loan without penalty. Due to interest rates still remaining high, there is a possibility of the lender increasing the rate. There is one LOBO loans with a value of £5.500 million with a call period in 2026/27. Due to the uncertainty of a potential call all LOBO loans are currently classified as fixed rate borrowings for the above assessment.

(ii) Price Risk

The Council's £10.000 million investment in a pooled property fund is subject to the risk of falling commercial property prices. A 5% fall in commercial property prices at the 31 March 2026 would result in a £0.403 million charge to the surplus or deficit on the provision of services which is then reversed out of the account through the movement in reserves statement.

The Council does not generally invest in equity shares or marketable bonds but does have a shareholding in companies of £1.742 million.

Whilst these holdings are generally illiquid, the Council is consequently exposed to losses arising from movements in the value of the asset.

(iii) Foreign Currency 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 34 Grant Income, Contributions and Donations

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2025/26

2024/25 £000		2025/26 £000
	Credited to Services	
-	Arts Council England	(156)
(476)	Council Tax and Business Rates Administration (DWP)	(479)
(47,049)	Dedicated Schools Grant	(53,571)
-	Department for Business, Energy and Industrial Strategy	(123)
(130)	Department for Business, Innovation and Skills	(98)
(79)	Department for Environment, Food and Rural Affairs	(308)
(241)	Department for Transport	(101)
(2,578)	Department for Works & Pensions	(2,357)
(2,920)	Department of Health and Social Care	(2,324)
(1,953)	Diocese Contributions	(1,961)
(7,260)	Education and Skills Funding Agency/Department for Education	(4,637)
(31,943)	Health Authorities	(31,140)
(2,813)	Home Office	(3,535)
(33,247)	Housing Benefits Subsidy and Admin Grant (DWP)	(26,588)
(11,337)	Ministry of Housing, Communities and Local Government	(12,475)

-	National Lottery	(848)
(3,116)	Other Grants, Contributions and Donations	(1,697)
(5,051)	Other Local Authorities	(4,333)
(205)	Police Authorities	(251)
(15,290)	Public Health Grant	(15,375)
(1,970)	Pupil Premium Grant	(1,873)
(167,658)	Total	(164,230)

Draft

The Council has 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. These are treated as revenue and capital receipts in advance in the Council's balance sheet. The totals at the year-end are as follows:

31 March 2025		31 March 2026
£000		£000
Revenue Receipts in Advance		
(3,657)	Education & Skills Funding Agency / Department for Education	(2,657)
(2,565)	Ministry of Housing, Communities and Local Government	(2,706)
(247)	Health Authorities	(186)
(15)	Department for Works and Pensions	-
(259)	Department for Environment, Food and Rural Affairs	(152)
(2,283)	Home Office	(1,076)
(51)	Public Health England	-
(535)	Other Local Authorities	(456)
-	Department of Health	(29)
-	Department of Business, Energy & Industrial Strategy	(824)
(119)	Other Contributions	(71)
(9,731)	Total	(8,157)

31 March 2025	Capital Receipts in Advance	31 March 2026
£000		£000
(16)	Devolved Formula Capital Grant	(8)
-	Department for Culture, Media and Sport	(11)
-	Department for Environment, Food and Rural Affairs	(505)
-	Education and Skills Funding Agency/Department of Education	(94)
-	Environment Agency	(57)
(4,414)	Redcar Growth Fund	-
-	Tees Valley Combined Authority	(5,303)
(54)	Department of Transport	(54)
(57)	SEND Reform Grant	-
(192)	Arts Council England	(176)
(566)	Flood and Water Management	-
(63)	Coronation Living Heritage	-
(5,362)	Total	(6,208)

Note 35 Unusable Reserves

31 March 2025 £000		31 March 2026 £000
(70,950)	Revaluation Reserve	(83,902)
24,228	Capital Adjustment Account	15,239
17,162	Financial Instruments Adjustment Account	17,373
14,053	Pensions Reserve	13,095
1,814	Collection Fund Adjustment Account	8,327
857	Accumulating Compensated Absences Adjustment Account	845
1,567	Pooled Fund Adjustment Account	1,573
12,455	DSG Adjustment Account	21,083
1,186	Total Unusable Reserves	(6,367)

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 (CAA).

2024/25 £000	Revaluation Reserve	2025/26 £000
(72,395)	Balance at 1 April	(70,950)
	Opening balance adjustment written off to CAA	
(4,213)	Upward revaluation of assets and impairment	(19,658)
2,422	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	4,018
(1,791)	(Surplus)/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(15,640)
2,272	Difference between fair value depreciation and historic cost depreciation	2,249
964	Accumulated gains on assets sold or scrapped	439
-	Non-current assets transferred direct to Capital Adjustment Account	-
3,236	Amounts written off to the Capital Adjustment Account	2,688
(70,950)	Balance at 31 March	(83,902)

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 and depreciation, impairment losses and amortisations which are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

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

Note 6 provides details of the source of transactions posted to the account, apart from those involving the Revaluation Reserve.

2024/25 £000	Capital Adjustment Account	2025/26 £000
26,416	Balance at 1 April	24,228
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</u>	
11,378	Charges for depreciation and impairment of non-current assets	10,785
10,090	Revaluation (gains)/losses on Property, Plant and Equipment, Investment Properties and Assets Held for Sale	16,963
661	Amortisation of intangible assets	761
23,036	Revenue expenditure funded from capital under statute	11,309
2,808	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	403
47,973	Net amount written out of the cost of non-current assets consumed in the year	40,221
	<u>Capital financing applied in the year</u>	
(1,089)	Use of the Capital Receipts Reserve to finance new capital expenditure and loan repayments	(1,466)
-	Direct Revenue Financing	-
131	Write down long term debtor/capital receipt deferred	111
(43,613)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(41,922)
(5,598)	Statutory provision for the financing of capital investment charged against the General Fund in year (MRP)	(5,940)
8	Disposal expenses	7
(50,161)	Total Capital Financing	(49,210)
24,228	Balance at 31 March	15,239

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the account to manage premiums paid on the early redemption of debt. Premiums are debited to the Comprehensive

Income and Expenditure Statement when they are incurred. The Council then uses a statutory override to reverse this entry through the Movement in Reserves Statement. The cost of the transaction is then posted back to the Movement in Reserves Statement over the life of the replacement borrowing taken. This spreads the burden on council tax payers.

2024/25 £000	Financial Instruments Adjustment Account	2025/26 £000
17,679	Balance as at 1 April	17,162
-	Premium incurred in the year and charged to the Comprehensive Income and Expenditure Statement	2,567
-	Discount incurred in the year and charged to the Comprehensive income and Expenditure Statement	(1,992)
(517)	Proportion of discounts incurred in the previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	(563)
-	Proportion of premiums incurred in the previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	199
17,162	Balance as at 31 March	17,373

Pensions Reserve

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

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The balance on the pension scheme is a debit balance due to the application of an asset ceiling to reduce the reported surplus in the scheme to £nil (see note 37). The debit balance on the Pensions Reserve is equal to the unfunded obligations relating to Teachers Pensions and LGPS Pensions. Statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2024/25 £000	Pensions Reserve	2025/26 £000
(2,296)	Balance at 1 April	14,053
(75,296)	Actuarial (gains)/losses on pensions assets and liabilities	(102,502)
87,900	Asset ceiling applied	101,106
12,492	Reversal of items relating to retirement benefits debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	10,223
(8,747)	Employer's pensions contributions and direct payments to pensioners	(9,785)
14,053	Balance at 31 March	13,095

Collection Fund Adjustment Account

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

2024/25 £000	Collection Fund Adjustment Account	2025/26 £000
3,334	Balance at 1 April	1,814
(1,520)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	6,513
1,814	Balance at 31 March	8,327

Accumulating Compensating Absences Adjustment Account

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

2024/25 £000	Accumulating Compensating Absences Adjustment Account	2025/26 £000
698	Balance at 1 April	857
(698)	Settlement or cancellation of accrual made at the end of the preceding year	(857)
857	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	845
857	Balance at 31 March	845

Pooled Investment Fund Adjustment Account

The Ministry for Housing, Communities and Local Government (MHCLG) has granted a statutory override for fair value movements in pooled property investment funds. This has been extended until the 1st April 2029 for investments taken out before 1st April 2024. The reserve contains the gains and losses from movements in fair value through the Comprehensive Income and Expenditure Statement. The balance is reduced and the General Fund is charged when either, a gain in fair value is realised, the investment is sold or the statutory override is discontinued

2024/25 £000	Pooled Investment Fund Adjustment Account	2025/26 £000
1,734	Balance at 1 April	1,567
(167)	Upward revaluation of investments	-
-	Downward revaluation of investments	6
-	Change in impairment loss allowances	-
1,567	Balance at 31 March	1,573

DSG Adjustment Account

The DSG Adjustment Account records any deficits held by the Authority which relate to the Dedicated Schools Grant.

The new accounting practice had the effect of separating Early Years and High Needs deficits from the local authorities' general fund until March 2028. Any deficit previously held as a usable reserve, had been transferred to the unusable reserve and any in year deficit added to it.

2024/25 £000	DSG Adjustment Account	2025/26 £000
6,012	Balance at 1 April	12,455
6,443	In year DSG deficit	8,628
12,455	Balance at 31 March	21,083

Note 36 Pensions Schemes Accounted for as Defined Contribution Schemes

The Council employs teachers and former NHS staff who are members of the Teachers and NHS pension schemes.

The schemes provide these employees with specified benefits upon their retirement and the Council contributes towards the costs by making contributions, based on a percentage of members' pensionable costs.

The arrangements for these schemes mean that the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2025/26, the Council paid £1.822 million to Teachers' Pensions Agency in respect of teachers' retirement benefits, representing 28.68% of pensionable pay. The figures for 2024/25 were £1.890 million and 26.68%.

The contributions the Council made to NHS Pensions was £0.206 million, representing 15.72% of pensionable pay. The figures for 2024/25 were £0.199 million and 16.88%.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' and NHS schemes. These costs are accounted for on a defined benefit basis and detailed in Note 37.



Note 37 Defined Benefit Pension Schemes

The disclosures below relate to the funded and unfunded liabilities within the Teesside Pension Fund which is part of the Local Government Pension Scheme.

The Council participates in the following post-employment scheme:

The Local Government Pension Scheme (LGPS), was administered by Tyne and Wear Pension Fund. The Tyne and Wear Pension Fund is administered by South Tyneside Council. The scheme is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits earned after 31 March 2014 are based on a Career Average Revalued Earnings Scheme. Details of the benefits earned over the period covered by this disclosure are set out in 'The Local Government Pension Scheme Regulations 2013' and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014'.

The unfunded pension arrangements relate to termination benefits made on a discretionary basis upon early retirement in respect of members of the Local Government Pension Scheme under the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations.

The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2025 and the contributions to be paid until 31 March 2029 resulting from the valuation are set out in the Fund's Rates and Adjustment Certificate.

Transactions Relating to Post-Employment Benefits

The Council recognises 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 the Council is 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:



2024/25 £000		2025/26 £000
Comprehensive Income and Expenditure Statement		
<u>Cost of Services</u>		
12,347	Current service cost	9,427
451	Past service costs (including curtailments)	-
(295)	Settlements	-
<u>Financing and Investment Income and Expenditure</u>		
30,062	Interest cost on liabilities	31,574
6,154	Interest income on the effect of the asset ceiling	12,882
(36,227)	Interest income on assets	(43,660)
12,492	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	10,223
<u>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</u>		
23,985	Actual return on assets	(44,639)
87,900	Movement in Asset ceiling	101,106
(91,792)	Actuarial (gains)/losses on liabilities – financial assumptions	(16,078)
(1,104)	Actuarial (gains)/losses on liabilities – demographic assumptions	5,238
(6,385)	Actuarial (gains)/losses on liabilities - experience	(47,023)
12,604	Total Actuarial (gains) and losses	(1,396)
25,096	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	11,619
<u>Movement in Reserves Statement</u>		
(12,492)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(10,223)
<u>Actual amount charged against General Fund Balance for pensions in the year</u>		
8,747	Employers' contributions payable to scheme	9,785

The liabilities used for accounting purposes are calculated using a discount rate set with reference to corporate bond yields. If assets underperform, this yield will create a deficit in the accounts. The Fund holds a significant proportion of growth assets which while expected to outperform corporate bonds in the long term, creates volatility and risk in the short-term in relation to the accounting figures.

A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes although this will be marginally offset by the increase in the assets as a result.

The majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are either unaffected or loosely correlated with inflation meaning that an increase in inflation will increase the level of the deficit.

The majority of the Pension Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

Employers who leave the Fund may have to make an exit payment to meet any shortfall in assets against their pension liabilities. If the employer is not able to meet this exit payment the liability may, in certain circumstances fall on the other employers in the Fund. Further, the assets at exit in respect of these 'orphan liabilities' may, in retrospect, not be sufficient to meet the liabilities. This risk may fall on other employers. 'Orphan liabilities' are currently a small proportion of the overall liabilities in the Fund.

Guaranteed Minimum Pension (GMP) Indexation and Equalisation

Following a high court ruling that confirmed pension fund trustees had a duty to equalise benefits for men and women, allowance has been made for full indexation on all GMPs for members who state pension age is on or after 6 April 2016. This represents a change to the approach taken previously, whereby public sector schemes had an alternative method to equalise GMPs.



Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

31 March 2025 £000		31 March 2026 £000
(632,475)	Opening balance at 1 April	(550,431)
(12,347)	Current Service Cost	(9,427)
(30,062)	Interest Cost	(31,574)
(4,277)	Contributions by scheme participants	(4,535)
(672)	Unfunded obligations for Teacher's Pensions separately disclosed	-
91,792	Actuarial gains/(losses) on liabilities – financial assumptions	16,078
1,104	Actuarial gains/(losses) on liabilities – demographic assumptions	(5,238)
6,385	Actuarial gains/(losses) on liabilities - experience	7,128
29,750	Benefits paid	26,224
(451)	Past Service Cost including Curtailments	-
822	Settlements	-
(550,431)	Closing balance at 31 March	(551,775)

Reconciliation of fair value of the scheme (plan) assets:

31 March 2025 £000		31 March 2026 £000
768,602	Opening balance at 1 April	758,634
36,227	Interest Income on assets	43,660
(23,985)	Re-measurement gains/(losses) on assets	84,534
(4,957)	Unfunded obligations for Teacher's pension brought forward	-
(527)	Service cost – Effect of Settlements	-
8,747	Contributions by the Employer	9,785
4,277	Contributions by scheme participants	4,535
(29,750)	Net Benefits paid out	(26,224)
758,634	Closing balance at 31 March	874,924

Scheme History

	2025/26 £000	2024/25 £000	2023/24 £000	2022/23 £000	2021/22 £000	2020/21 £000	2019/20 £000
Present Value of Funded Scheme Liabilities	(538,680)	(536,378)	(617,534)	(610,789)	(824,491)	(874,891)	(730,838)
Present Value of Unfunded Scheme Liabilities (LGPS)	(13,095)	(14,053)	(9,984)	(15,360)	(18,904)	(20,387)	(21,256)
Fair Value of Scheme Assets	874,924	758,634	763,645	708,487	712,838	671,143	545,373
Movement in pension net asset value due to application of an asset ceiling	(336,244)	(222,256)	(128,202)	-	-	-	-
Surplus/(Deficit) in the scheme	(13,095)	(14,053)	7,925	82,338	(130,557)	(224,135)	(206,721)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The movement between years of £0.958 million in pension net liabilities is driven by an increase in the value of the asset ceiling of £113.988 million combined with an increase in the scheme liabilities of £2.302 million and an increase in the value of pension assets of £116.290 million. The net pension liability consists of £8.223 million in respect of LGPS unfunded pensions and £4.872 million in respect of Teachers' unfunded pensions.

IAS19 requires that the pension scheme asset is measured as the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling being calculated as the net present value of future service costs less the net present value of future contributions. At 31 March 2026, the asset ceiling calculation showed the net present value of future contributions was in excess of the net present value of future service costs, indicating that there is no asset the Council can benefit from and an asset ceiling should be applied to reduce the net asset value to £nil. The net pension scheme liability represents unfunded liabilities of £13.095 million.

The unfunded pension arrangements relate to termination benefits made on a discretionary basis upon early retirement in respect of members of the Local Government Pension Scheme under Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations.

Any deficit on the scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2027 is £7.176 million

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the roll forward approach, an estimate of the pension fund assets and liabilities by adjusting the results of the last full actuarial valuation exercise using financial, demographic and experience assumptions. The scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2025.

The principal assumptions used by the actuary have been:

2024/25		2025/26
<u>Mortality assumptions (years)</u>		
Member aged 65 at accounting date:		
20.4	Men	21.0
23.4	Women	24.0
Member aged 45 at accounting date:		
21.2	Men	21.8
24.9	Women	25.3
2.80%	Rate of Inflation (Consumer Price Index)	3.00%
3.80%	Rate of increase in salaries	4.00%
2.80%	Rate of increase in pensions	3.00%
5.80%	Rate for discounting scheme liabilities	6.20%

The assets allocated to the Employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence, there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole (based on data supplied by the Administering Authority) is shown below. The Administering Authority may invest a small proportion of the Fund's investments in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy.

Year to 31 March 2025		Year to 31 March 2026
%	Assets	%
65.8	Equities	65.8
11.0	Property	11.0
8.2	Cash	8.2
15.0	Other*	15.0
100.0	TOTAL	100.0

* Other holdings may include hedge funds, currency holdings and other financial instruments.

Estimated Pension Expense in Future Periods

Year to 31 March 2025 £000	Analysis of Amount Charged to Profit and Loss	Year to 31 March 2026 £000
8,929	Current Service Cost	9,427
(12,091)	Interest on Net Defined Benefit Liability	796
(3,162)	Total Estimated Pension Expense	10,223

Sensitivity Analysis

The results shown in this report are sensitive to the assumptions used. The approximate impact of changing the key assumptions on the present value of the funded benefit obligation as at 31 March 2026 is set out below.

In each case, only the assumption mentioned is altered; all other assumptions remain the same. The sensitivity of unfunded benefits is not included on materiality grounds.

Funded LGPS Benefits			
Discount rate assumptions			
Adjustments to discount rate	+0.1% p.a.	Base Figure	-0.1% p.a.
Present Value of total obligation (£M's)	530,823	538,680	546,537
% change in present value of total obligation	-1.5%		1.5%
Rate of general increase in salaries			
Adjustment to salary increase rate	+0.1% p.a.	Base Figure	-0.1% p.a.
Present Value of total obligation (£M's)	539,019	538,680	583,341
% change in present value of total obligation	0.1%		-0.1%
Rate of increase to pensions in payment and deferred pensions assumptions, and rate of revaluation of pension accounts assumption			
Adjustment to pension increase rate	+0.1% p.a.	Base Figure	-0.1% p.a.
Present Value of total obligation (£M's)	546,191	538,680	531,169
% change in present value of total obligation	1.4%		-1.4%
Post retirement mortality assumption			
Adjustment to mortality age rating assumption *	-1 year	Base Figure	+1 year
Present Value of total obligation (£M's)	560,751	538,680	516,609
% change in present value of total obligation	4.1%		-4.1%

*a rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

Virgin Media Limited v NTL Pension Trustees II Limited

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal. The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these

financial statements, the full assessment is not complete. Until this analysis is complete, the Council is unable to conclude whether there is any impact on the assessed actuarial present value of promised retirement benefits under IAS 19, or if it can be reliably estimated. As a result, the Council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements. The Council will keep this issue under review.

Draft

Note 38 Cash Flow Statement – Operating Activities

This note shows the cash inflow from operating activities. This adjusts the surplus/deficit on provision of services for non-cash items, and removes other items relating to financing or investing activities. This leaves the cash movement arising from taxation, grant income and payments from service users.

2024/25 £000		2025/26 £000
(8,668)	Surplus/(Deficit) on Provision of Services	(14,868)
	<u>Adjust net surplus/(deficit) on the provision of services for non-cash movements</u>	
14,311	Depreciation/Amortisation	13,795
10,090	Revaluation losses on Property, Plant & Equipment, Investment Property and Assets Held for Sale	16,963
(2,847)	Other non-cash items charged to the net surplus/(deficit) on the provision of services in year	(1,437)
3,071	Increase/(Decrease) in Creditors	9,476
509	(Increase)/Decrease in Debtors	(10,918)
1	(Increase)/Decrease in Inventories	(1)
3,745	Pension Liability	438
3,780	Carrying amount of non-current assets sold	848
32,660	Total	29,164
	<u>Adjust for items included in the net surplus/deficit on the provision of services that are investing or financing activities</u>	
(50,367)	Capital Grants Credited	(37,633)
(958)	Proceeds from Sale of Assets	(1,369)
(51,325)	Total	(39,002)
(27,333)	Net Cash flow from Operating Activities	(24,706)

Memo Item – Operating Activities – Interest

Operating activities within the Cash Flow Statement include the following cash flows relating to interest:

2024/25 £000		2025/26 £000
2,219	Interest Received	1,936
(14,643)	Interest Paid	(15,024)
(12,424)	Total	(13,088)

Note 39 Cash Flow Statement – Investing Activities

The note below details cash flows arising from investing activities. 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.

2024/25 £000		2025/26 £000
(25,469)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(50,486)
-	(Purchase)/Disposal of short- and long-term investments	-
-	Other Payments for Investing Activities	-
949	Capital Receipts	1,369
49,377	Other receipts for investing activities	39,166
24,857	Net cash flows from investing activities	(9,951)

Note 40 Cash Flow Statement – Financing Activities

The note below details cash flows arising from financing activities. This shows the movement in cash flows that arise from the council's borrowing and other debt activities. 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.

2024/25 £000		2025/26 £000
(3,619)	Other payments for financing activities	(3,891)
10,808	(Repayment)/New short term/long term borrowing	30,724
(3,562)	Financing activities	1,738
3,627	Net cash flows from financing activities	28,571

Note 41 Related Party Transactions and Group Arrangements

In accordance with IAS 24 on Related Parties Disclosures, the financial statements should contain a disclosure necessary to draw attention to the possibility that the reported financial position of the Council may have been affected by the existence of related parties and by material transaction within them. In accordance with the requirement, those related parties are set out in this note.

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes many of the transactions that the Council has with other parties. Grants received from Government departments are set out in the subjective analysis in Note 7 on expenditure and income analysed by nature. Grant receipts outstanding at 31 March 2026 are also set out in Note 34.

Of the 59 Elected Members and 53 Chief and senior officers' posts, 49 Members and 51 Officers have provided details of any 'related party transactions', as required by the latest Code of Practice. There are no items declared that are material to the activities of the Council and its related parties apart from those details separately disclosed below. A number of Elected Members serve on community groups and associations who receive grants from the Council. All interests are declared in the Register of Members Interests. The Members have direct control over the financial and operating policies of the Council. The total of Members allowances for the 2025/26 financial year is shown in Note 13.

The Council's Assistant Director of Finance, the Commercial and Legal Manager, and the Director of Growth, Enterprise and Environment are the Treasurer, the Chief Legal Officer and the Chief Executive respectively, for River Tees Port Health Authority. Five Members also hold positions on the Board of River Tees Port Health Authority. The

Council's financial contribution to River Tees Port Health Authority for 2025/26 was £0.080 million.

The Council's Governance Director (Monitoring Officer) and Assistant Director - Governance (Deputy Monitoring Officer) are the Directors of Redcar and Cleveland Legal Services Company which holds 100% shareholding in Cygnet Family Law. These two officers are also Directors of Cygnet Family Law.

The Council's Section 151 Officer is a Director of Veritau – Tees Valley Ltd.

Some services are provided to bodies which seek to advance aims which the Council would support such as community development, economic regeneration and charitable purposes. Some of these services, such as payroll preparation and professional advice and support are provided without charge – but the total cost is no significant.

Entities Controlled or Significantly Influenced by the Council

The Code of Practice requires local authorities to produce Group Accounts to reflect significant activities provided to council taxpayers by other organisations in which the Council has an interest. The Council has considered its interests in its subsidiaries, associates, joint ventures and other bodies, and has concluded all entities are not considered to be material and therefore have not been consolidated into the Group Financial Statements.

In determining the Group Boundary, the Council has gone through a process to identify the following potential relationships with other individual entities, through the following assessment:

- Is the organisation a separate legal entity for accounting purposes?
- Does Redcar and Cleveland Borough Council have an interest in the organisation?
- Does Redcar and Cleveland Borough Council control the entity – and therefore does it have the power to govern its financial and operating policies to benefit from its activities?
- Does Redcar and Cleveland Borough Council have significant influence over the organisation, and therefore does it have the power to participate in its financial and operating policies?
- Is Redcar and Cleveland Borough Council party to the contractual and binding agreement sharing control over the organisation, so strategic financial and operating decisions require the unanimous consent of the parties sharing control.

The Council has financial relationships with a number of related companies. Those which are considered significant, for example due to the level of investment or level of governance and oversight, are detailed as follows:

Redcar and Cleveland Legal Services Limited and Cygnet Family Law:

In July 2021, the Council completed the acquisition of 100% of the shareholding of Cygnet Family Law (company reference number 07000449). As part of this acquisition, the Council has set up a company called Redcar and Cleveland Legal Services Limited (company reference number 13165156) to hold 100% of the share capital held in Cygnet Family Law. The Council therefore owns 100% of Redcar and Cleveland Legal Services.

The Council has acquired Cygnet Family Law, to preserve the provision of children's family law, reduce procurement risk for these services and avoid the challenges of bringing this service in-house. Cygnet Family Law also provides a range of services to other customers in areas including wills, probate, divorce, adult mental health and conveyancing.

Redcar and Cleveland Legal Services continue to hold a loan with the Council for principal of £1.300 million which has accrued interest increasing the value of this loan at 31 March 2026 to £1.834 million. During 2025/26 Redcar and Cleveland Legal Services made a profit of £0.572 million which was comprised of accrued interest payable on the loan from the Council of £0.128 million and investment income (dividends received) from Cygnet Family Law's Long-Term Investment of £0.700 million. The company paid a dividend to the Council of £0.700 million, resulting in a net decrease in shareholder equity of £0.128 million at the end of 2025/26. Redcar and Cleveland Legal Services Limited have net assets of £3.085 million, underpinned by equity of £1.700 million and a cumulative profit account of £1.385 million.

The Family Law prepared financial accounts for the 12 months to 31 March 2025 with turnover of £5.145 million and made a profit before taxation of £1.372 million; and profit after tax of £1.077 million. Cygnet Family Law had net assets on 31 March 2025 of £2.211 million. Cygnet Family Law's external auditors are Clive Owen LLP. Clive Owen LLP

have qualified the financial accounts of Cygnet Family Law to 31 March 2025 due to the inability to obtain sufficient evidence on the estimation of accrued income of £1.635 million. Whilst undertaking the audit of accrued income it has become apparent that the legal aid cases which are included within this number have been valued at historic rates rather than the current agreed rates for the specific part of each legal case assignment. In addition, there are a number of ongoing legal aid cases which overlap the year end which it has not been possible to value. It is therefore estimated that accrued income is underestimated at 31 March 2025.

The reporting date for financial accounts for Cygnet Family Law is 31 March 2026 and these are currently unaudited and in draft. Initial indications are a 12-month turnover £4.565 million and made an unaudited pre-tax profit of £0.787 million.

During 2025/26, the Council made payments to Cygnet Family Law of £1.951 million, with no closing creditor balance outstanding at 31 March 2026.

Veritau – Tees Valley Limited

The Council owns a 25% shareholding in Veritau – Tees Valley Limited (company reference number 12363643). Veritau – Tees Valley is jointly owned by Middlesbrough Council (25%) and Veritau Limited (50%) (Company Reference Number 06794890). Veritau – Tees Valley provide internal audit and information governance services to the Council.

Veritau – Tees Valley Limited's managements accounts show the company has turnover of £0.220 million (£0.300 million 24/25) and made a loss before tax of £0.001 million (£0.000 million profit in 24/25).

During 2025/26, the Council made payments to Veritau - Tees Valley Limited of £0.282 million, with no closing creditor balance outstanding at 31 March 2026.

Tees Valley Energy Recovery Limited

The Council owns a 14.3% shareholding in Tees Valley Energy Recovery Limited (Company Reference Number 16918795). Tees Valley Energy Recovery Limited is jointly owned with six other local authorities, Middlesbrough Borough Council (14.3%), Stockton Borough Council (14.3%), Darlington Borough Council (14.3%), Hartlepool Borough Council (14.3%), Newcastle City Council (14.3%) and Durham County Council (14.3%). The company was incorporated on 18 December 2025 to commission, build and operate a waste treatment centre. The company had no financial activity in the period to 31 March 2026.

Other Group Interests

As part of the assessment of the group boundary, the Council has identified other group interests which it classifies as simple investments due to the fact it has only a small shareholding or provides representation on the Board but is unable to influence financial and operational decisions. These include:

- North East Procurement Organisation (NEPO) – a jointly owned company set up by the twelve north east local authorities to deliver value for money in local authority procurements.
- Teesside International Airport – The Council has a small shareholding and board representation in the organisation.

Note 42 Contingent Assets and Liabilities

CONTINGENT LIABILITY

A contingent liability is where there is a possible obligation to transfer economic benefit resulting from a past event, but the possible obligation will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the Council.

There are no contingent liabilities pertaining to the Council's activities at 31 March 2026.

CONTINGENT ASSET

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.

Subsequent to the year end, the council submitted a SEND Reform plan to the Department for Education under the High Needs Stability Grant scheme. At the date of approval of these financial statements, the claim remains subject to the Department's quality assurance procedures and final approval. It is probable that the claim will be approved and that funding will be received however, the amount and timing of any grant funding remains uncertain. Accordingly, no asset or income has been recognised in these financial statements. The expected grant income is approximately £18.975 million.

Note 43 Statement of Accounting Policies

GENERAL

The Statement of Accounts summarises the Council's financial transactions for the 2025/26 financial year and its financial position at the year ended 31 March 2026, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2026/26, produced under International Financial Reporting Standards. It also complies with the Service Code of Accounting Practice which constitutes proper practice under Part IV of the Local Government and Housing Act 1989.

ROUNDINGS

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

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

ESTIMATION TECHNIQUES

These are the methods adopted by a Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- Methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a non-current asset consumed in a period.
- Different methods used to estimate the proportion of debtor balances that will not be recovered, particularly where such methods consider the debts as a whole rather than individual balances.

ACCRUALS OF INCOME & EXPENDITURE (DEBTORS & CREDITORS)

Financial transactions are accounted for in the year in which the activity takes place, not simply when cash payments are made and received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods and services.
- Supplies and services are recorded as expenditure when they are received. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet where appropriate.
- Interest payable on borrowing and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debt will be settled, the balance of debtors is written down and a charge is made to revenue for the income that might not be collected.

A few exceptions to this are periodic payments in respect of gas, electricity and telephone charges where amounts have not been accrued. However, the accounts do include the equivalent of a full year's expenditure in respect of these items.

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. A change is only made when material and 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.

REVENUE

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.

Revenue is measured at the fair value of the consideration received or receivable except for a financial asset that is measured in accordance with financial instruments.

In most cases, the consideration receivable is in the form of cash and cash equivalents and the amount of revenue is the amount of cash and cash equivalents receivable. However, if payment is on deferred terms (i.e. beyond normal credit terms), the consideration receivable is recognised initially at the cash price equivalent (that is, the discounted amount). The difference between this amount and the total payments received is recognised as interest revenue in Surplus or Deficit on the Provision of Services.

TAX INCOME (COUNCIL TAX AND NON-DOMESTIC RATES (NDR))

Non-Domestic Rates (NDR)

Retained business rates, top up and safety net grant income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

Council Tax

Council tax income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

Both NDR, top up and safety net grant income and council tax will be recognised in the Comprehensive Income & Expenditure Statement in the line Taxation & Non-Specific Grant Income. Due to the Council having billing authority status, the difference between the NDR and council tax included in the Comprehensive Income & Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement. Each major preceptor's share of the accrued NDR and council tax Income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

The income for council tax and NDR is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority and the amount of the revenue can be measured reliably.

RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service reserve account in that year to be set off against the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund resulting in no charge against council tax for the expenditure. Reserves are an accumulation of previous years surpluses, deficits, and transfers and are categorised as either 'usable' or unusable' and are detailed in the notes to the accounts.

Usable reserves may be utilised by the Council to fund revenue or capital expenditure as permitted.

Unusable reserves are non-distributable reserves and are disclosed in Note 35 to the Statement of Accounts. These represent 'technical non-cash' reserves which are statutorily held to manage the accounting processes and other statutory accounting adjustments. These reserves do not represent usable cash resources available to the Council, they do not impact upon the level of local taxation required and are not able to be utilised in support of service delivery.

A new statutory instrument was introduced into The Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations) and came into effect from 29 November 2020. The new accounting practice has the effect of separating Early Years and High Needs deficits from the local authorities' general funds. This is scheduled to end in March 2026.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified as:

Adjusting Events

Those events that provide evidence of conditions that existed at the end of the reporting period: – the Statement of Accounts (in particular the Balance Sheet and Comprehensive Income & Expenditure Statement) are adjusted to reflect such events.

Non-Adjusting Events

Those events that are indicative of conditions that arose after the reporting period – the Statement of Accounts are 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 either their estimated financial effect or a statement that such an estimate cannot be made reliably.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ACQUIRED OPERATIONS

All operations acquired in year will be treated in line with the Council's accounting policies.

TRUST FUNDS

Trust Funds administered by the Council are included in the Balance Sheet. However, ownership does not sit with the Council and forms part of the Council's stewardship role. The amounts involved are immaterial.

GRANTS AND CONTRIBUTIONS

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement as income, unless the grant or contribution has a condition that the Council has not satisfied, in which case they will be recognised as receipts in advance on the Balance Sheet before ultimately being recognised as income in the Comprehensive Income and Expenditure Statement once the condition has been met.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve.

EMPLOYEE BENEFITS

Benefits payable during employment

Benefits payable during employment cover two classes:

- Short-term benefits - short-term employee benefits (other than post-employment benefits and termination benefits) that are due to be settled within 12 months after the end of the financial reporting period.
- Long-term benefits - long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are due to be settled after 12 months after the end of the financial reporting period.

Short-term employee benefits include wages, salaries and social security contributions, compensated absences and non-monetary benefits.

Short-term compensated absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid. Compensated absences may be accumulating or non-accumulating.

Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. Annual leave, flexi-time, and time in lieu are usually accumulating. Accumulating absences may be either vesting or non-vesting. Where vesting, employees who leave are entitled to a cash payment in respect of any unused entitlement. Where non-vesting, benefits lapse if an employee leaves before the vesting date.

Non-accumulating absences are those that cannot be carried forward for use in future periods if the current period entitlement is not used

in full. Sick leave, maternity leave, paternity leave and jury service will usually be non-accumulating. Non-accumulating compensated absences are recognised when the absence occurs.

The cost of providing non-monetary benefits (i.e. benefits in kind), including housing, cars and free or subsidised goods or services, is recognised according to the same principles as benefits payable in cash. The amount recognised as a liability and an expense is the cost to the employer of providing the benefit.

Long-term employee benefits are not usually significant for local authorities and include long-term paid absences such as long service or sabbatical leave, long-term disability benefits and bonuses.

Termination benefits

Termination benefits are dealt with separately from other employee benefits because the event which gives rise to an obligation is the termination rather than employee service. Termination benefits are payable as a result of either:

- a) An employer's decision to terminate an employee's employment before the normal retirement date, or
- b) An employee's decision to accept voluntary redundancy in exchange for those benefits.

Termination benefits are often lump-sum payments, but also include:

- a) Enhancement of retirement benefits, and
- b) Salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the organisation.

Voluntary early retirement benefits under scheme rules are not termination benefits since such benefits are a right of all scheme members. They are accounted for as post-employment benefits rather than termination benefits.

Post-employment benefits

Employees of the Council are entitled to membership of one of the following three pension schemes, dependent on the posts held:

- The Teachers' Pension Scheme administered by Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme administered by NHS Pensions.
- The Local Government Pension Scheme was hosted by the Teesside Pension Fund until 31 May 2025. From 1 June 2025, the administration of the scheme was transferred to the Tyne and Wear Pension Fund, administered by South Tyneside Council.

These schemes provide defined benefits to members in the form of retirement lump sums and pensions.

The arrangements for the teachers' and NHS schemes mean that liabilities for these benefits do not belong to the Council. These schemes are therefore accounted for as a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

These are charged against the appropriate service within the Comprehensive Income and Expenditure Statement.

Local Government Pension Scheme

The Teesside Pension Fund is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits earned after 31 March 2014 are based on a Career Average Revalued Earnings Scheme. The Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Estimating the benefit that employees have earned

Actuarial techniques are used to:

- a) Estimate the variables that will determine the ultimate cost of providing post-employment benefits. The main actuarial assumptions for pension benefits include financial and demographic. Demographic assumptions include mortality, employee turnover and expected early retirement. In addition, financial assumptions are made including applying a suitable discount rate and estimations of future salary levels.
- b) Determine how much benefit is attributable to the current and prior periods. Benefits are attributed to periods of service in accordance with the plan's benefit formula.

Actuarial assumptions are unbiased and mutually compatible. They are unbiased as they are neither imprudent nor excessively conservative. Financial assumptions are based on market expectations at the end of the reporting period for the period over which the obligations are to be settled.

Discounting the benefit to determine the present value of the defined benefit obligation

The liabilities of the 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 actuarial assumptions about mortality rates, employee turnover rates, etc., and projections of future earnings for current employees. This method views each period of service as giving rise to an additional unit of benefit entitlement, with each unit being measured separately to build up the obligation.

The rate used to discount post-employment benefit obligations is determined by reference to market yields at the Balance Sheet date on high quality corporate bonds. The currency and term of the corporate bonds are consistent with the currency and estimated term of the post-employment benefit obligations. The interest cost is computed by multiplying the discount rate as determined at the start of the period by the present value of the defined benefit obligation throughout that period, taking account of any material changes in the obligation.

Determining the fair value of any pension fund assets

The fair value of any pension fund assets is deducted in determining the defined benefit liability. When no market price is available, the fair value of pension fund is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the pension fund assets and the maturity or expected disposal date of those assets. The pension fund assets exclude unpaid contributions due from the Council to the fund and are reduced by any liabilities of the fund that do not relate to employee benefits, for example, trade and other payables and liabilities resulting from derivative financial instruments.

Determining the re-measurement of actuarial gains and losses

Re-measurement of actuarial gains and losses comprise of:

- The return on plan assets – recognised in the pensions reserve.

- Actuarial gains and losses – changes in the net pensions liability that arise from differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions – recognised in the pensions reserve.

Past Service cost:

Past service cost usually arises when the benefits payable for past service under an existing defined benefit pension plan are changed - for example where an employee enters into an agreement with the employer to receive their pension in full before the normal retirement age. In this situation the amendment becomes immediately payable, and the past service costs are recognised in full regardless of the fact that the cost refers to employee service in previous periods.

Where an employee retires and they choose to draw down an element of their pension as a lump sum, the benefits payable are changed so that the present value of the defined benefit obligation decreases, with the resulting reduction in the defined benefit liability recognised as a negative past service cost.

Where a plan has been curtailed or settled, determining the resulting gain or loss

Curtailments and settlements are events that change the liabilities relating to a defined benefit plan and that are not covered by normal actuarial assumptions.

A curtailment occurs when the Council either:

- a) Is demonstrably committed to making a significant reduction in the number of employees covered by a plan; or

- b) Amends the terms of a defined benefit plan so that a significant element of future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

When a planned amendment reduces benefits, only the effect of the reduction for future service is a curtailment. The effect of any reduction for past service is a negative past service cost.

A curtailment may arise from an isolated event, such as the discontinuance of an activity, or a reduction in the extent to which future salary increases are linked to the benefits payable for past service. Curtailments are often linked with a restructuring. When this is the case a curtailment is accounted for at the same time as for a related restructuring.

A settlement arises when a transaction is entered into that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan. Settlements have the effect of extinguishing a portion of the plan liabilities, usually by transferring plan assets to or on behalf of plan members to their new employer or an insurance company in settlement of the obligation.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised in the Surplus or Deficit on the Provision of Services when the curtailment or settlement occurs. The gain or loss comprises:

- a) Any resulting change in the present value of the defined benefit obligation;
- b) Any resulting change in the fair value of the plan assets;
- c) Any unamortised related past service costs.

Before determining the effect of a curtailment or settlement, the obligation is re-measured (and the related plan assets) using current

actuarial assumptions (including current market interest rates and other current market prices).

Balance Sheet recognition

The amount recognised as a defined benefit liability is the net total of the following amounts:

- a) the present value of the defined benefit obligation at the Balance Sheet date;
- b) minus any past service cost not yet recognised (i.e. past service costs that have not become due at the Balance Sheet date);
- c) minus the fair value at the Balance Sheet date of plan assets out of which the obligations are to be settled directly.

The present value of defined benefit obligations and the fair value of any plan assets are formally valued every three years as part of the Triennial Revaluation - which determine the appropriate level of employer contribution rate.

Surplus or deficit on the provision of services

The net total of the following amounts is recognised in Surplus or Deficit on the Provision of Services:

- a) Current service cost.
- b) Interest cost.
- c) The expected return on any plan assets and on any reimbursement rights.

d) Past service cost.

e) The effect of any curtailments or settlements.

CHARGES TO REVENUE FOR THE USE OF NON-CURRENT ASSETS OR INTANGIBLE ASSETS

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the non-current assets used by the relevant service.
- Revaluation and impairment losses on non-current 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 assets attributable to the service.

The Council is not required to raise council tax to cover these charges and they are subsequently reversed out in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account. However, they are replaced with an annual charge to the General Fund, which is known as the Minimum Revenue Provision (MRP), and this contributes towards the reduction in the Council's overall borrowing requirement.

VAT

All amounts presented in the Council's financial statements exclude any amounts relating to VAT except to the extent that it is irrecoverable.

PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment are non-current assets (assets with physical substance) that are held for use in the supply of goods and services, for rental to others or for administrative purposes and are expected to be used during more than one accounting period. The Council maintains a detailed asset register of all non-current assets, above de minimis levels, which it owns, or recognises under PFI arrangements and leases.

Recognition

Expenditure on land, property, plant and equipment is capitalised and recognised on the Balance Sheet when it is probable that future economic benefits or service potential associated with the asset will flow to the Council over more than one year.

Subsequent costs arising from day-to-day servicing of a non-current asset such as repairs and maintenance, are not recognised as additions to property, plant and equipment because the expenditure does not add to the future economic benefits or service potential of the asset. Rather the expenditure maintains the asset's potential to deliver future economic benefits or service potential that it was expected to provide when originally acquired. This type of expenditure is charged to the relevant service revenue account when it is incurred.

Where a component of a non-current asset is replaced or restored (i.e. enhancements), the carrying amount of the old component is derecognised to avoid double counting and the new component reflected in the carrying amount, subject to the recognition principles as set out above being met.

The Council applies the following de Minimis levels for the recognition of expenditure on the acquisition, creation or enhancement of property, plant and equipment:

Land acquisition and building and development works	£20,000
Vehicles, plant and equipment	£10,000
IT Equipment	£10,000
Items held by Schools	£3,000

Measurement

An item of property, plant and equipment is initially measured at cost, comprising the purchase price and all expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequently, an item of property, plant and equipment is carried in the Balance Sheet using the following measurement bases:

- Land and buildings: Fair value (the amount that would be paid for land and buildings in their existing use) or depreciated replacement costs using the instant build approach if fair value cannot be determined.
- Items of a specialised nature, where no market-based evidence is available: Depreciated replacement cost (current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation).
- Community assets: Depreciated historical cost (cost of acquisition adjusted for subsequent depreciation or impairment).

- Infrastructure assets: Generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.
- Non-property assets with short useful lives and/or low values: Depreciated historical cost (cost of acquisition adjusted for subsequent depreciation or impairment).
- All other classes of property, plant and equipment: Fair value (the amount for which an asset could be exchanged in an arms-length transaction).

Revaluation

Assets that are held in the Balance Sheet at fair value are revalued by professionally qualified valuers on a rolling basis at intervals of no more than five years.

From 1 April 2025 the Council will review the impact of annual indexation applied to assets during the four intervening years. Where the Council cannot obtain appropriate indices without undue cost or effort, the Council revalue those assets using a quinquennial revaluation, with a desktop revaluation in year three.

Where the carrying amount of an item of property, plant and equipment is increased as a result of a revaluation, the increase is recognised in the Revaluation Reserve. This is the case unless the increase is reversing a previous impairment loss charged to the cost of services on the same asset or reversing a previous revaluation decrease charged to the cost of services on the same asset.

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, (i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset) as opposed to an impairment, the decrease is recognised in the Revaluation Reserve. This will be up to the credit balance existing in respect of the asset (i.e. up to its historical cost) and thereafter in surplus or deficit on the cost of services.

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

Impairment

At the end of each reporting period, an assessment is made of whether there is any indication that an item of property, plant and equipment may be impaired. If there is indication of impairment, the recoverable amount of the asset is estimated to determine any impairment loss.

If there has been an impairment loss, the asset is written down to its recoverable amount. The impairment loss is charged to the Revaluation Reserve, to the extent that it does not exceed the amount in the Revaluation Reserve for the same asset and, thereafter, to the Surplus or Deficit on the Provision of Services.

Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the carrying amount that would have been determined had there been no initial impairment loss. Any excess of the impairment loss reversed above this carrying amount is charged to the Revaluation Reserve.

Depreciation

All Directorates that use tangible assets in the provision of their services are charged with an annual provision for depreciation. Depreciation applies to all items of property, plant and equipment whether held at historical cost or re-valued amount.

The depreciation charge is based on the depreciable amount allocated over an asset's useful life. The methods of depreciation that reflect the pattern in which the future economic benefits or service potential of different assets are expected to be consumed, are determined as follows:

- Land: No depreciation.
- Buildings: Straight-line allocation over the life of the property as estimated by the valuer. The lifespan of property ranges from between 1 - 60 years.
- Vehicles, plant and equipment: Straight line allocation generally between 5 and 10 years.
- Infrastructure: Straight-line allocation between 5 – 100 years.
- Community assets: No depreciation as generally in the form of land. The valuer assesses the useful life of any building included in this category.

Items of property, plant and equipment are not depreciated until the year after spend has occurred unless it relates to an Asset Under Construction when depreciation commences the year after completion (i.e. when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management). Depreciation ceases at the earlier of the date

that items of property, plant and equipment are classified as held for sale and the date they are derecognised.

The residual value of an item of property, plant and equipment, their useful life and depreciation methods are to be reviewed at least at each financial year-end. If expectations differ from previous reviews or there has been a significant change in the pattern of consumption of the future economic benefits or service potential, the change is accounted for as a change in accounting estimate.

Componentisation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item should be depreciated separately.

To be separately identified as a component, an element of an asset must meet the following criteria:

- the asset must have a value in excess of £500,000; and
- the component should have a cost of at least 20% of the cost of the overall asset; and
- have a materially different useful life (at least 20% different); and/or
- have a different depreciation method that materially affects the amount charged.

Where individual assets are beneath the de minimis threshold but collectively are above, they should be considered for componentisation where they are generally treated together elsewhere.

Where components are identified, they will be set up separately in the asset register and have individual values, useful lives and depreciation methods recorded.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

The carrying amount of the asset in the Balance Sheet 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 the disposal).

The written-off amounts of disposals are 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 transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

HERITAGE ASSETS

Heritage assets are those assets that are intended to be preserved in trust for future generations, because of their cultural, environmental or historic significance. Heritage assets can include

historic buildings, archaeological sites, civic regalia, museums, gallery collections and works of art.

The Council is required to carry heritage assets in the Balance Sheet at valuation. However, the Code of Practice acknowledges that it may not be possible to establish a valuation.

Assets that are used mainly for service delivery purposes are accounted for as operational regardless of whether they have historical or other heritage qualities.

In 1996 Kirkleatham Museum became the principal museum site for the Council. The Museum service also supports the other four independent museums in the borough. The museums hold items of local historical interest relating to social and industrial history and a number of these items have been identified as heritage assets.

The Museum follows a code of practice in collecting and managing its collection. Kirkleatham Museum has a number of collection policies which deals with all areas of conservation, storage, and recording. These policies were updated during 2014/15 as part of the process of achieving accreditation status. These deal with all areas of conservation, storage and recording.

The Museum stores its collection in a purpose-built building located close to the main museum. Most of the collection is wrapped, stored and recorded on the Museum's Modes system.

INVESTMENT PROPERTY

An investment property is one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an

investment property and is accounted for as property, plant and equipment.

An investment property is measured initially at cost. After initial recognition, investment property is measured at fair value, based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A gain or loss arising from a change in the fair value of an investment property is recognised in the surplus or deficit on the cost of services for the period in which it arises. An investment property held at fair value is not depreciated.

INTANGIBLE ASSETS

An intangible asset is an identifiable non-monetary asset without physical substance. It is controlled by the Council, as a result of past events, and future economic or service benefits are expected to flow from the intangible asset to the Council. The most common class of intangible asset are computer software.

An intangible asset is measured initially at cost. After initial recognition, an intangible asset may be carried at a revalued amount where its fair value can be determined by reference to an active market. Otherwise, an intangible asset will be carried at historical cost less any accumulated amortisation and any accumulated impairment loss.

The depreciable amount of an intangible asset with a finite useful life is amortised on a straight-line basis over its useful life. Any Directorate that has the use of intangible assets in the provision of their services is charged with an annual amount for amortisation

within their service revenue account. The amortisation period and method are reviewed at least at the end of each reporting period.

PRIVATE FINANCE INITIATIVE

A Private Finance Initiative (PFI) arrangement involves a private sector operator constructing or enhancing an asset with which it is contractually obliged to deliver, on behalf of the Council, and to operate and maintain it for a specified period of time. A PFI arrangement can include infrastructure (including roads and street lighting) schools and office and administrative buildings, which contribute to the delivery of public services.

The Council controls or regulates what services the private sector operator must provide with the asset, to whom it must provide them and at what price. The Council also controls any significant residual interest in the asset at the end of the term of the arrangement.

The asset is recognised in the Balance Sheet as property, plant and equipment when it is made available for use and its value can be measured reliably. It is depreciated over its estimated useful economic life. A related liability is recognised in the Balance Sheet at the same time and accounted for as a finance lease.

Subsequent to initial recognition, the asset is measured at fair value in the same way as other items of property, plant and equipment of that generic type. Revaluations of the asset following initial recognition do not affect the carrying value of the related liability.

The private sector operator is paid for its services over the period of the arrangement by means of an annual unitary charge which is allocated between a construction element (comprising repayment of the finance lease liability and the finance charge) and a service element. The finance charge and service element are charged to the relevant service revenue account, based on the life of the asset.

Where a PFI arrangement makes use of existing assets of the Council, enhancements are recognised in accordance with the recognition requirements of property, plant and equipment.

Private Finance Initiatives (also known as Service Concession Arrangements) were previously accounted for in accordance with IFRIC12. With effect from 1 April 2024, PFI contracts need to be accounted for under IFRS16. Under IFRS16, where indexation affects future service concession costs, the lease liability requires remeasurement. Instead of expensing the increased payment, the net present value of future payments that comprise the liability is recalculated based on the revised level of payments, with an equal increase in the finance lease liability. The balance sheet asset will be revalued back to the fair value of the asset resulting in an accounting loss which will be reversed out of the Movement in Reserves Statement.



The Council as Lessee

The Council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

The Council adopted IFRS 16 (Leases) with effect from 1 April 2024. The main impact of the requirements of IFRS16 is that for arrangements previously accounted for as operating leases (i.e. without recognising the leased vehicle, plant, equipment, property and land as an asset, and future rents as a liability), a right of use asset and a lease liability are now included on the balance sheet. The Council has elected to apply recognition exemptions to low value assets (below £10,000 when new) and to short-term leases (those that expire on or before 31 March 2025, and new leases with a duration of less than 12 months. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

Initial Measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS16 transition date). The leases are typically for fixed periods more than one year but may have extension options.

The Council initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the Council's incremental borrowing rate whenever the interest rate

implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability are:

- fixed payments, including in-substance fixed payments,
- variable lease payments that depend on an index or rate, initially measured using the prevailing index as at the adoption date,
- amounts expected to be payable under a residual value guarantee,
- the exercise price under a purchase option that the Council is reasonably certain to exercise,
- lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option,
- penalties for early termination of a lease, unless the Council is reasonably certain not to terminate early.

The right of use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset on the site on which it is located, less any lease incentive received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent Measurement

The right of use asset is subsequently measured using the fair value model. The Council considers the cost model to be a reasonable proxy except for:

- assets held under a non-commercial lease,
- leases where rent review do not necessarily reflect market conditions,
- leases where rent review will be a period of more than five years.

For these leases, the asset is carried at a revalued amount. The right of use assets held under index linked leases are adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases are valued using market prices or rentals equivalent land and properties.

The right of use asset is depreciated straight line over the shorter period of the remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate,
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee,
- the Council changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed leased payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right of use asset, with any further adjustment required from remeasurement recorded in the CIES.

Lease Expenditure

Expenditure in the CIES includes interest, depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against Council Tax, as the cost of non-current assets is fully provided under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

IFRS16 impacts on lessee accounting only. Lessor accounting remains unchanged and will be accounted as either a Finance Lease or an Operating Lease.

The Council as lessor

Operating leases

The Council accounts for these leases as operating leases. These assets are held on the Council's Balance Sheet according to the nature of the asset and rental income is recognised, in the surplus or deficit on the cost of services, on a straight-line basis over the lease term.

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to other operating expenditure in the CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal asset in the Balance Sheet.

Lease rentals received is apportioned between:

- a charge for the acquisition of the interest in the property,
- applied to write down the lease debtor,

- finance income.

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt.

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

EXPENDITURE FOR CAPITAL PURPOSES THAT DOES NOT RELATE TO TANGIBLE OR INTANGIBLE ASSETS

Expenditure for capital purposes that does not relate to tangible or intangible assets may be capitalised under statutory provisions although it does not result in the creation of an asset. Such expenditure is referred to as Revenue Expenditure Funded from Capital Under Statute (REFCUS) and is defined by regulation or by direction of the Minister of State to enable expenditure to be funded from capital resources (e.g. grants to outside bodies, redundancy costs).

The expenditure is initially charged to the revenue cost of services within the Comprehensive Income and Expenditure Statement and is subsequently funded from capital resources via the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account, therefore having a neutral impact on the amount required through local taxation.

NON-CURRENT ASSETS HELD FOR SALE

A non-current asset is classified as held for sale if the asset's carrying amount will be recovered principally through a sale transaction rather than through continued use and meets the following criteria:

- the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- the sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;
- the asset must be actively marketed for a sale at a price that is reasonable in relation to its current fair value;
- the sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

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 in 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 previous losses 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 re-classified back to non-current assets and valued

at the lower of their carrying amount before they were classified as Assets held for Sale; adjusted for depreciation or revaluation 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.

CAPITAL RECEIPTS

Capital receipts from the disposal of assets are invested temporarily until such time as they are used to finance capital expenditure or to repay debt.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value and held on the Balance Sheet.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with any financial institution repayable without penalty on notice of not more than twenty-four hours.

Cash equivalents are highly liquid investments that mature in 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.

Bank overdrafts which are repayable on demand and which form an integral part of the Council's cash management are also included as a component of cash and cash equivalents.

PROVISIONS

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. A provision is recognised when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

FINANCIAL INSTRUMENTS

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

Financial Assets

Typical financial assets include a variety of instruments, including:

- Cash
- Money Market Funds
- Property Funds
- Shares in other organisations
- Loans to third party organisations
- Finance leases where the Council is lessor
- Financial guarantees and commitments to lend below market rate
- Trade Receivables

Financial Liabilities

Financial liabilities include trade payables and other payables, borrowings and financial guarantees.

Recognition

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the instrument.

In the case of a financial asset, the Council becomes a party to the contractual provisions when it becomes committed to the purchase (i.e. the contract date) and is usually referred to as the trade date. The sale of a financial asset is also recognised on the trade date. Trade receivables are an exception. The receivable is not recognised when the Council becomes committed to supply the goods or services but when the ordered goods or services have been delivered or rendered.

In the case of a financial liability, the Council becomes a party to the contractual provisions when one of the parties has performed their obligation under the financial instrument. For example, a loan debt contract is recognised when the cash is received rather than when the Council becomes committed to the loan agreement. A trade payable is recognised when the ordered goods or services have been received.

Classification & Measurement

Financial Assets

Financial assets are classified based on a classification and measurement approach which reflects the Council's business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised costs
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

The Council has equity instruments designated at fair value through other Comprehensive Income (FVOCI). This was previously classified as an Available for Sale asset at 31 March 2018.

The Council has made an irrevocable election to designate its equity instruments in Durham Tees Valley Airport and Redcar and Cleveland Legal Services Ltd as FVOCI on the basis that they are held for non-contractual benefits, it is not held for trading but for strategic purposes. The asset was transferred to the new asset category on 1 April 2018.

Changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on the Provision of Services.

The same accounting treatment was adopted in the prior year when the asset was classified as Available for Sale, except that accumulated gains and losses on the available for sale asset were previously held in an Available-for-Sale Financial Instruments Reserve at 31 March 2018. The balance on this reserve was transferred to the new Financial Instruments Revaluation Reserve as at 1 April 2018.

Financial Assets Measured at Fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL 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. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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 line in the Comprehensive Income and Expenditure Statement.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

The Council classifies their holding of Pooled Property Funds and Money Market Funds under FVPL. The Council has applied the Government's statutory override to its accounts which allows a reversal of gains/losses from the CIES to an unusable reserve. This override is currently due to expire on the 1 April 2029 at which point any balance in the reserve will need to be charged to the CIES.

Expected Credit Loss Model:

The Council recognises expected credit losses on all its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing loans. Where there is tangible evidence that risk has increased significantly since the instrument was initially recognised, losses are assessed on a lifetime basis.

Financial Liabilities:

Financial liabilities are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings which the Council has on balance sheet, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums have been charged to the CIES, 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. The reconciliation of amounts charged to the CIES, 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.

CONTINGENT ASSETS & LIABILITIES

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.

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

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

Interests in companies and other entities

The Code requires local authorities to produce group accounts to reflect significant activities provide to council tax payers by other organisations in which an authority has an interest. The Council has reviewed its interests in companies and other entities that have the nature of subsidiaries, associates and joint arrangements against this criteria, as set out in the Code, and has concluded that there are no such material interests that require the preparation of group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

4. Collection Fund Accounts and Explanatory Notes

Guisborough Town Hall



Collection Fund Income and Expenditure Account

2024/25			2025/26			
Council Tax £000	Non-Domestic Rates £000	Total £000		Council Tax £000	Non-Domestic Rates £000	Total £000
INCOME						
(96,169)	-	(96,169)	Council Tax Receivable	(102,740)	-	(102,740)
-	-	-	Council Tax Support Fund	2	-	2
-	(42,121)	(42,121)	Business Rates Receivable	-	(43,677)	(43,677)
(96,169)	(42,121)	(138,290)		(102,738)	(43,677)	(146,415)
Apportionment of previous year's surplus/(deficit)						
-	62	62	Central Government	-	(428)	(428)
(862)	61	(801)	Billing Authority	207	(419)	(212)
(41)	1	(40)	Cleveland Fire Authority	10	(8)	2
(137)	-	(137)	Cleveland Police & Crime Commissioner	33	-	33
(1,040)	124	(916)		250	(855)	(605)
Precepts, Demands and Shares						
-	20,582	20,582	Central Government	-	20,908	20,908
78,803	20,171	98,974	Billing Authority (RCBC)	83,942	20,490	104,432
3,680	412	4,092	Cleveland Fire Authority	3,941	418	4,359
12,492	-	12,492	Cleveland Police & Crime Commissioner	13,254	-	13,254
94,975	41,165	136,140		101,137	41,816	142,953
Charges to the Collection Fund						
-	(1,961)	(1,961)	Less: refunds written off against the appeals provision	-	(1,354)	(1,354)
1,404	(135)	1,269	Less: (Decrease)/Increase in Bad Debt Provision	1,749	168	1,917
-	(1,995)	(1,995)	Less: (Decrease)/Increase in Provision for Appeals	-	224	224
-	95	95	Less: Interest	-	181	181
-	165	165	Less: Cost of Collection	-	165	165
-	3,510	3,510	Less: Disregarded amounts	-	3,722	3,722
-	(998)	(998)	Less: Transitional Protection	-	(454)	(454)
1,404	(1,319)	85		1,749	2,652	4,401
(830)	(2,151)	(2,981)	(Surplus)/Deficit arising during the year	398	(64)	334
1,596	4,447	6,043	(Surplus)/Deficit brought forward 1 April	766	2,296	3,062

Collection Fund Income and Expenditure Account

2024/25				2025/26		
Council Tax £000	Non-Domestic Rates £000	Total £000		Council Tax £000	Non-Domestic Rates £000	Total £000
-	-	-	Adjustment to previous years surplus	-	-	-
766	2,296	3,062	(Surplus)/Deficit carried forward 31 March	1,164	2,232	3,396

Notes to the Collection Fund

GENERAL INFORMATION

The Council, as a billing authority, is statutorily required to maintain a separate Collection Fund account, into which all transactions relating to the collection of business rates and council tax income from taxpayers and distribution to local Government bodies and central Government are made. The Collection Fund account is held separately from the General Fund.

Surpluses or deficits on the council tax income and distributions are apportioned to the relevant pre-empting authorities in the following financial year in proportion to each preceptor's Band D council tax amount.

Business rates surpluses or deficits are distributed in accordance with the relevant proportions set out in the localised business rate regulations.

For 2025/26, the proportions are as follows:

	Council Tax	Business Rates
Redcar and Cleveland Borough Council (General Fund)	83.00%	49.00%
Cleveland Police and Crime Commissioner	13.11%	0.00%
Cleveland Fire Authority	3.89%	1.00%
Central Government	0.00%	50.00%
Total	100.00%	100.00%

NOTE 1 – COUNCIL TAX LEVELS AND TAX BASE

Council tax income comes from a charge made on residential properties. The income is used to support the Council's General Fund revenue expenditure, as detailed in the Comprehensive Income and Expenditure Statement. It is also used to finance the Police and Fire Authorities expenditure, through precepts made on the Council's Collection Fund.

The level of council tax in any year is determined by estimating the income required by the Council and the Police and Fire Authorities and dividing this by the council tax base, which comprises residential properties banded by value and charged accordingly.

To allow for comparison between financial years and local authorities, the tax base is expressed as the number of Band D equivalent properties in the Borough, which is calculated by multiplying the number of properties in a band by an appropriate weighting, ranging from 5/9 to 18/9 (A to H). Within the table the band D equivalent is adjusted for the local council tax support scheme.

Set out in the table are the Band D weightings, property numbers and income from each band level, as per the council tax base, which was set by the Council in February 2025. The council tax base for 2025/26 was 41,714.9 (41,132 in 2024/25). The increase is mainly due to property growth in the area and the introduction of new powers to charge premiums on second homes and empty properties.

Band	Property Value	Weighting to Band D	Number of Chargeable Dwellings	Band D Equivalent Incl. Council Tax Support	Redcar & Cleveland Demand Excluding Parishes	Police Authority Demand Per Property	Fire Authority Demand Per Property	Total Demand Per Property
			No.	No.	£	£	£	£
A	Entitled to disabled relief	5/9	162	49.00	1,108.05	176.52	52.48	1,337.04
A	Up to £40,000	6/9	26,087	10,968.30	1,329.66	211.82	62.97	1,604.45
B	£40,001 - £52,000	7/9	13,553	8,383.30	1,551.27	247.12	73.47	1,871.86
C	£52,001 - £68,000	8/9	14,472	11,229.70	1,772.88	282.42	83.96	2,139.26
D	£68,001 - £88,000	9/9	5,935	5,436.70	1,994.49	317.73	94.46	2,406.68
E	£88,001 - £120,000	11/9	3,528	4,077.90	2,437.71	388.34	115.45	2,941.50
F	£120,001 - £160,000	13/9	1,041	1,413.40	2,880.93	458.94	136.44	3,476.31
G	£160,001 - £320,000	15/9	414	652.00	3,324.15	529.55	157.43	4,011.13
H	Over £320,000	18/9	19	32.60	3,988.98	635.46	188.92	4,813.36
			65,211	42,242.90				
	Less non collection 1.25%			528.00				
	Council Tax Base			41,714.90				

NOTE 2 – COUNCIL TAX INCOME

The calculation of the council tax base takes into account an assumed number of exempt dwellings, disabled reductions and discounts. However, the opening liability does not take these assumptions into account. All exemptions, disabled reductions and discounts during the year are shown within the table to show the actual income collectable from council taxpayers.

The income is determined from the following sources:

2024/25		2025/26
£000		£000
(125,962)	Opening Liability	(132,915)
229	Disabled Band Reduction	245
26,837	Discount	27,042
2,727	Exemptions	2,890
(96,169)	Income collectable from Council Taxpayers	(102,738)



NOTE 3 – INCOME FROM NON-DOMESTIC RATES

Non-Domestic Rates are determined on a national basis by central government which specifies a rating multiplier and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2025/26 the amount was 55.5p (54.6p in 2024/25) and 49.9p for small businesses (49.9p in 2024/25).

The Council is responsible for collection rates from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. The Council also has a local arrangement with the Tees Valley Combined Authority. The total rateable value at 31 March 2026 was £110.103 million (at 31 March 2025 it was £110.750 million).

2024/25		2025/26
£000		£000
(58,987)	Estimated Gross Liability	(73,115)
(55,735)	Actual Gross Liability	(55,972)
6,290	Reduced Assessments	6,163
998	Transitional Protection	454
6,312	Mandatory Relief	5,518
-	Discretionary Relief	152
14	Part Occ Charge S44a	8
13,614		12,295
(42,121)	Net Liability	(43,677)

Notes to the Collection Fund

NOTE 4 – COLLECTION FUND (SURPLUS)/DEFICIT DUE TO PRECEPTS

Details of the major precepts on the Collection Fund are shown in the following table for council tax and business rates in respect of the year end (surplus)/deficit:

2024/25		2025/26		
Total £000		Council Tax £000	Non-Domestic Rates £000	Total £000
100	Cleveland Police & Crime Commissioner	152	-	152
53	Cleveland Fire & Rescue Authority	45	22	67
1,148	Central Government	-	1,116	1,116
1,761	Redcar & Cleveland Borough Council	967	1,094	2,061
3,062		1,164	2,232	3,396



NOTE 5 – COLLECTION FUND GLOSSARY OF TERMS

A number of technical terms are used in compiling the Collection Fund and supporting notes. These are explained below:

Council Tax Support Scheme - Council Tax Support (CTS) is a reduction to a council tax bill and can be awarded to people on low incomes.

Disabled Reduction – Reduction in charge by one council tax band due to a resident meeting certain criteria due to their disability.

Discount – The Local Government Finance Act 2012 provides local authorities with the power to allow discounts on their council tax liability.

Disregarded Amounts – designation of certain hereditaments which are disregarded from levy calculations in the rates retention scheme.

Discretionary Relief – Relief which the Council has discretionary power to grant under the Local Government Finance Act 1988. The cost to the Council is generally 25% of the relief granted unless it is used to top up mandatory charity relief where the cost to the Council is 75%

Enterprise Zone – A specific geographical area that has been designated by Central Government. Businesses within the enterprise zone are entitled to receive various types of financial aid. These include tax benefits, business rates relief and other incentives to encourage businesses to establish and maintain a presence within the zone.

Exemptions – Certain classes of property are exempt as laid down in the Local Government Finance Act 1992, i.e. properties empty less than six months, properties undergoing structural alteration (maximum one year), solely occupied by students etc.

Hereditament – Refers to a property that is assessed for business rates.

Mandatory Relief – Relief where the ratepayer has a mandatory entitlement. Under the Local Government Finance Act 1988, offset is in full against the Council's contribution to the pool.

Reduced Assessments – Reductions in liability due to changes in rateable value as directed by the valuation office.

Section 44A – A ratepayer is liable for the full non-domestic rate whether the property is fully or only partly used. Where a property is partly occupied for a short time with an intention to fully occupy the whole property again, in certain circumstances, we can use discretionary powers to apply to the Valuation Office Agency to award a temporary reduction for the part that is not in use. This can be awarded for a maximum of 3 months, or 6 months in the case of industrial properties.

Transitional Relief – Mandatory Government scheme to phase in the effects to liability over a number of years caused by the issue of a new valuation list.

5. Auditor's Report

Wildflowers

TO BE ADDED ON COMPLETION OF THE AUDIT

Draft

6. Glossary of Terms

ACCOUNTING PERIOD

The period covered by the accounts, normally a period of twelve months commencing on 1 April and ending as at the Balance Sheet date of 31 March.

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through

- (a) Recognising
- (b) Selecting measurement bases for, and
- (c) Presenting

Assets, liabilities, gains, losses, and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the income and expenditure account or Balance Sheet it is to be presented.

ACCRUAL

A sum included in the final accounts attributable to that accounting period but for which payment has yet to be made or income received. Accruals are made for revenue and capital expenditure and income.

ACTUARIAL GAINS & LOSSES

For a defined benefit pension scheme the changes in actuarial deficits or surpluses that arise because:

- (a) Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- (b) The actuarial assumptions have changed.

AMORTISED COST

A measure of the real cost that the Council bears by entering into a financial liability. This is not necessarily based on the contractual term but on the effective rate of interest within the contract.

AGENCY

The provision of services by one body (the Agent) on behalf of, and generally reimbursed by, the responsible body.

ASSET

An item having value in monetary terms. Assets are defined as current or non-current.

- a current asset will be consumed or cease to have value within the next financial year e.g. stock and debtors.
- a non-current asset provides benefits to the Council and to the services it provides for a period of more than one year.
- an asset held for sale is an asset that is currently in the process of being sold. They must be actively marketed, with the sale expected within 12 months.

ASSET CEILING (PENSIONS)

The present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

AUDIT

An independent examination of the Council's activities, either by Internal Audit or the Council's External Auditor, Mazars.

BALANCE SHEET

A Statement of the recorded assets, liabilities and other balances at a specified date usually at the end of an accounting period.

BALANCES

The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the general fund or any other fund.

BUDGET

The forecast of revenue and capital expenditure over the accounting period.

CAPITAL CHARGES

A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a non-current asset or expenditure which increases the benefit in service to the Council and not merely maintains the non-current asset.

CAPITAL FINANCING

The raising of money to pay for capital expenditure. This includes borrowing, leasing, direct revenue financing (DRF), usable capital receipts, capital grants, capital contributions and revenue reserves.

CAPITAL FINANCING REQUIREMENT (CFR)

A calculation to show the Council's underlying need to borrow to fund capital resources.

CAPITAL GRANT

Grant used to finance specific schemes in the capital programme. Where capital grants are receivable, and all conditions are met and expenditure incurred, they are released to the Comprehensive Income & Expenditure Statement. Where conditions to the funder exist, or the Council may be required to repay the grant, it is held as a creditor. Where there are no conditions but the funding is not spent, it is carried forward as a usable reserve.

CAPITAL PROGRAMME

The capital schemes the Council intends to carry out over a specific time period.

CAPITAL RECEIPT

Income received from the disposal of land or other capital assets. Capital receipts can be utilised to finance new capital expenditure or on qualifying revenue spend that is forecast to generate ongoing savings to the Council. Any use of receipts on revenue spend must be approved by Council within the budget setting report.

CARRYING AMOUNT

The Balance Sheet value recorded of either an asset or a liability.

CASH AND CASH EQUIVALENTS

Cash held by the Council, along with short term investments held for periods of less than 90 days.

CASH FLOW STATEMENT

A statement summarising the inflows and outflows of cash, arising from transactions between the Council and third parties, for revenue and capital purposes.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code sets out the accounting concepts and accounting principles, which underpin the statement of accounts.

COLLECTION FUND

A fund administered by the Council, which records all the income received in relation to local taxation and non-domestic rates. It also shows how the income has been distributed to the preceptors and the general fund.

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 are parks and historic buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement brings together the income and expenditure relating to all the Council's functions and identifies how this is financed from local taxation and Government grants.

CONSISTENCY

The principle that the accounting treatment of like items within an accounting period, and from one period to another, is the same.

CONTINGENCY

The sum of money set aside to meet unforeseen expenditure or liability.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

CONTINGENT LIABILITY

A contingent liability is either:

- (a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or
- (b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities is 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.

COST OF CARRY

This is the difference between the interest received from investments against the interest paid for borrowing.

COUNCIL TAX

The form of local taxation in use since April 1993, based on property values.

CREDITORS

Amounts owed by the Council for work done, goods received or services rendered within the accounting period but for which payment was not made at the Balance Sheet date.

CURRENT ASSETS

Assets which can be expected to be consumed, or realised, during the next accounting period, e.g. debtors and stocks.

CURRENT LIABILITIES

Amounts which will become payable or could be called in within the next accounting period e.g. creditors, cash overdrawn.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

CURTAILMENT

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number

Glossary of Terms

of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- (a) termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- (b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEBT OUTSTANDING

Amounts borrowed to finance capital expenditure which is still to be repaid.

DEBTORS

Amounts due to the Council for works done, goods received or services rendered before the end of the accounting period, but for which payments have not been received by the end of that accounting period.

DEFERRED CAPITAL RECEIPTS

Amounts due to the Council from the sale of fixed assets which are not receivable immediately on sale. The amounts will usually be received in instalments over an agreed period.

DEFERRED LIABILITIES

Liabilities which, by arrangement, are payable beyond the next year, at some point in the future or paid off by an annual sum over a period.

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEDICATED SCHOOLS GRANT (DSG)

A ring-fenced central Government grant paid direct to the education service as fundamental support for its revenue expenditure.

Glossary of Terms

DE MINIMIS

A de minimis level is adopted to only reflect material transactions in the capital accounts. The Council's policy on de Minimis levels are outlined in the statement of accounting policies.

DEPRECIATION

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passing of time or obsolescence through either change in technology or demand for the goods and services produced by the asset.

DERECOGNISED

The process of removing a financial asset or financial liability from the Balance Sheet once performance under the contract is complete or the contract is terminated.

DIRECT REVENUE FINANCING

Resources provided from the Council's revenue budget to finance the cost of capital projects.

DISCRETIONARY BENEFITS

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers, such as The Local Government (Discretionary

Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

EARMARKED RESERVES

These reserves represent monies set aside that can only be used for a specific purpose.

EFFECTIVE RATE OF INTEREST

The rate of interest that will discount all the cash flows that take place throughout the expected life of a financial instrument down to the fair value of the asset calculated at initial measurement.

ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM

An ERP system consists of integrated software allowing the Council to record, report and process transactions to facilitate the management and planning of important parts of the organisation including human and financial resources. The Council's current ERP system is Unit 4 Business World (UBW).

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

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

EXPECTED RATE OF RETURN ON PENSION ASSETS

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXTRAORDINARY ITEMS

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.

FINANCIAL INSTRUMENT

Any contract that gives rise to a financial asset of one entity and a financial liability of another.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee. Such a transfer of risks and reward 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.
- The Council will hold the asset for substantially all of its useful life
- There will be little residual value in the asset at the end of the lease term.

GENERAL FUND

The main revenue account of the Council, which summarises the cost of all services provided by the Council which are paid for from Government grants, non-domestic (business) rates contributions, council tax and other income.

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 the Council in return for past or future compliance with certain conditions relating to the activities of the Council.

HERITAGE ASSET

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for

Glossary of Terms

its contribution to knowledge and culture. Heritage assets include civic regalia, museum and gallery collections and works of art.

IMPAIRMENT

A reduction in the value of an asset below its carrying amount on the statement caused by a specific event or reason.

INCOME

Amounts which the Council receives or expects to receive from any source, including fees, charges, sales and grants.

INDEXATION

A tool used to apply an inflationary increase to assets in the years between professional valuations. Indexation works by considering the relative change in value using indices based on a range of factors – for example, normal inflation, local cost pressures and, for some assets, the scarcity of resources for replacing the assets.

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

Expenditure which may properly be capitalised, but which does not result in an asset with substance. Examples of this type of expenditure are software and other licences, patents and trademarks and artistic originals.

INTERNATIONAL ACCOUNTING STANDARDS (IAS)

These standards are developed by the International Accounting Standards Board and regulate the preparation and presentation of financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS)

These standards are developed by the International Accounting Standards Board and regulate the preparation and presentation of financial statements. The Companies Act 1985 requires compliance to these Standards or disclosures in the notes if there are any material departures from those Standards.

INVENTORIES

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Inventories comprise the following categories:

- (a) Goods or other assets purchased for resale;
- (b) Consumable stores;

Glossary of Terms

- (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.

INVESTMENT PROPERTIES

Properties that are held by the Council for the purpose of generating income, whether through:

- Rental income
- Capital appreciation, or where an asset is declared surplus but is not yet marketed for sale.

INVESTMENTS

A long-term investment is one that is intended to be 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 should be classified as current assets.

INVESTMENTS (PENSION FUND)

The investments of the pension fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the

attributable share of pension scheme assets associated with their underlying obligations.

LEASING

A method of financing capital expenditure where a rental charge is paid for the asset over a specified period of time.

LIABILITY

A liability is where the Council owes payment to an individual or another organisation. Liabilities are usually classed as contingent or current.

- A **contingent liability** is a potential liability at the Balance Sheet date which arises as the result of a condition which exists where the outcome will be confirmed only on the occurrence or non-occurrence of one or more future events. The financial liability is included in the Balance Sheet where it can be reasonably estimated. Where the contingency is material but a financial estimate cannot be made, the existence of the liability is disclosed as a note to the accounts.
- A **current liability** is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn.

LENDER OPTION BORROWER OPTION (LOBO)

A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every 5 years), the lender has the ability to alter the interest rate. Should the lender make this offer, the borrower then has the option to continue

Glossary of Terms

with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum with no other penalty.

LOANS OUTSTANDING

The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the Balance Sheet date.

LONG TERM CONTRACTS

A contract entered into for the design, manufacture or construction of a single 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 substantially to 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.

MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE II (MIFID II)

Introduced in January 2018, to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection. Under the Directive the Council has chosen to opt up to professional status to enable access to certain financial instruments and improved yields. To meet this status the Council needs to meet both qualitative and quantitative criteria which include maintaining an investment balance of £10.000 million.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements.

MEDIUM TERM FINANCIAL STRATEGY (MTFS)

A five-year forward assessment of the Council's expenditure strategy for both revenue and capital expenditure. This is produced as part of the Council's annual budget process.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

MOVEMENT IN RESERVES STATEMENT

This statement shows movement in the year on the different reserves held by the Council analysed into 'usable reserves' and 'unusable reserves'.

NON-DOMESTIC RATES (NDR)

NDR is the levy on a business property, based on a national rate in the pound applied to the rateable value of the property. The Government determines national rate poundage each year which is applicable to all local authorities. NDR income is collected by the

Glossary of Terms

billing authority and then distributed to central Government and other pre-empting bodies.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their 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 cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET DEBT

The Council's borrowings less cash and cash equivalents. Where cash and cash equivalents exceed borrowings, reference should be made to net funds rather than net debt.

NET REALISABLE VALUE

The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NON-CURRENT ASSET

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

NON-DISTRIBUTED COSTS

These are overheads for which no user of the Council benefits and should not be apportioned to services.

OPERATIONAL ASSETS

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

PAST SERVICE COST

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PENSIONS INTEREST COST

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one year closer to settlement.

Glossary of Terms

PRECEPT

The amount levied by various Authorities that is collected by the Council on their behalf, e.g. Central Government, Parish Councils, Police and Fire Authorities.

PREMIUMS

These are costs that have arisen following the early redemption of long-term debt, which are written down over the lifetime of replacement loans where applicable.

PRIOR PERIOD ADJUSTMENTS

Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PRIVATE FINANCE INITIATIVE

A partnership arrangement whereby a private sector provider provides purpose-built buildings/equipment etc. for long term rental by public sector users.

PROJECTED UNIT METHOD

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- (a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
- (b) The accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

PROVISION

Funds set aside to cover potential liabilities or losses which are likely or certain to be incurred at a future date but where the exact amount and timing of the liability or loss is currently not known.

PRUDENCE

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

Glossary of Terms

PUBLIC WORKS LOAN BOARD (PWLB)

A Government agency which lends money to public bodies for capital purposes.

RATEABLE VALUE

The annual assumed rental of a hereditament (property) which is used for NDR purposes.

RELATED PARTIES

Two or more parties are related parties when one party has the ability to control the other party or exercise significant influence in making financial and operating decisions, or if the related party entity and another entity are subject to common control. Related parties include:

- (a) entities that the authority directly, or indirectly through one or more intermediaries, controls, has an interest in, that gives it significant influence over the entity or has joint control over
- (b) associates
- (c) joint ventures in which the authority is a venture
- (d) an entity that has an interest in the authority that gives it significant influence over the authority
- (e) key management personnel, and close members of the family of key management personnel
- (f) entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, key management personnel, and close members of the family of key management personnel

- (g) post-employment benefit plan (pension fund) for the benefit of employees of the authority, or of any entity that is a related party of the authority

RELATED PARTY TRANSACTIONS

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- (a) the purchase, sale, lease, rental or hire of assets between related parties;
- (b) the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the Pension Fund;
- (c) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- (d) the provision of services to a related party, including the provision of Pension Fund administration services;
- (e) transactions with individuals who are related parties of a Council or a Pension Fund, except those applicable to other members of the community or the Pension Fund, such as council tax, rents and payments of benefits.

The above examples are not intended to be comprehensive. The materiality of related party transactions should be judged not only in terms of their significance to the Council, but also in relation to its related party.

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- (a) an employer's decision to terminate an employee's employment before the normal retirement date, or
- (b) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVALUATION RESERVE

The revaluation reserve was introduced as part of the changes included within the 2006 SORP. The purpose of the reserve is to record the gains on revaluation of fixed assets that have not been realised through the disposal of the asset. The balance on the reserve represents the revaluation gains accumulated since 1 April 2007.

REVENUE EXPENDITURE

The day-to-day expenses of providing services. This comprises staff costs, other operating costs and capital charges.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Revenue expenditure funded by capital under statute. This is expenditure that can be properly capitalised, but which does not result in an asset for the Council. Expenditure is therefore charged to the CIES.

REVENUE SUPPORT GRANT (RSG)

A general Central Government grant paid to the Income and Expenditure Account in support of the Council's revenue expenditure.

Glossary of Terms

SAFETY NET

A mechanism that protects local authorities on NDR income by paying additional Government grant when actual income is less than 92.5% of the funding baseline position.

SCHEME LIABILITIES

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit methods reflect the benefits that the employer is committed to provide for service up to the valuation date.

SERVICE REPORTING CODE OF PRACTICE

A Chartered Institute of Public Finance and Accountancy (CIPFA) guide to accounting for local Government services which provides a consistent and comparable calculation of the total costs of services.

SETTLEMENT

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to affect the settlement. Settlements include:

- (a) A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- (b) The purchase of an irrevocable annuity contract sufficient to cover vested benefits and

- (c) The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

SPECIFIC GRANTS

Government grants given to local authorities and earmarked for specific services.

SUPPORT SERVICES

The costs of Directorates which provide professional and administrative assistance to services.

TANGIBLE ASSETS

Expenditure which may properly be capitalised and results in an asset with physical substance. Examples of this type of expenditure are Land and Buildings, Infrastructure, Vehicle Plant and Equipment.

TOP UP GRANT

A grant payable by central Government when a local authority's business rate income is less than that generated by the local Government finance settlement methodology.

TREASURY MANAGEMENT

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

TREASURY MANAGEMENT STRATEGY (TMS)

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

TRUST FUNDS

Funds administered by the Council for such purposes as prizes, charities, specific projects, and on behalf of minors.

UNOBSERVABLE INPUTS

Unobservable inputs are based on the reporting entity's own assumptions where market data is unavailable.

USEFUL LIFE

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

WORK IN PROGRESS

The value of work done on an uncompleted project which has not been recharged to the appropriate account at the Balance Sheet date.

