



Summary Statement of Accounts 2025/26

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.

Statement of Financial Accounts

The revenue budget for 2025/26 was built based upon the priorities outlined in the Strategic Planning section in the Statement of Accounts 2025/26. It was also 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 officers with budget management responsibility continued to work with the Financial Services team to ensure a robust budget monitoring process existed throughout 2025/26. As in previous years, this has been supported by monthly monitoring to Directorate Management Teams and the Executive Management Team, and quarterly reporting of the financial position to Cabinet.

At the end of the financial year, the Council reported an overspend of £2.412 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.

The table below details the Directorate year end positions against approved budget. The recently approved medium-term financial strategy for 2026/27 to 2030/31 sought to address these additional demand and inflationary pressures.



Statement of Financial Accounts

Directorate	Revised Budget £m	Actual Outturn £m	Variance to Revised Budget £m
Adults and Communities	59.221	61.005	1.784
Children and Families	74.159	81.291	7.132
Growth, Enterprise and Environment	46.782	45.483	(1.299)
Resources	13.675	12.490	(1.185)
Corporate Allocations	(43.331)	(49.683)	(6.352)
Planned Use of Flexible Capital	(3.687)	(1.355)	2.332
Receipts			
Total	146.819	149.231	2.412

The variances highlighted in the table above are due to the following:

- **Adults and Communities** – 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** – The overspend 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** – 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 outturn position exceeded the Directorate's base budget; however, they remain within the overall available resources when factoring in the contingency provision within corporate allocations. The majority of the Council's property portfolio is within the GEE Directorate.

- **Resources** - The Directorate experiences an 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** – An underspend of £6.352 million was achieved. This was predominantly due to the release of corporate contingencies held centrally of £3.202 million to offset pressures within other Directorates and a resource set aside to fund the anticipated removal of the statutory override on the CCLA investment held by the Council (£1.642 million).

Forecast savings were also achieved on capital financing budgets for 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.

Other areas of saving were due to higher than anticipated grant allocations and the release of provisions held centrally.

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** - 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 the are expected to materialise over the MTFS period.

Statement of Financial Accounts

The Statement of Accounts is underpinned by the key 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. These reserves are analysed between usable reserves (those that fund future expenditure) and other unusable reserves, held for accounting purposes.

Comprehensive Income and Expenditure Statement (CIES). This statement records all the gains and losses experienced by the Council during the financial year and equates to a movement in the net worth on the balance sheet of £2.168 million. To make the annual accounts more understandable, the CIES is split into reporting segments that mirror service delivery.

The primary purpose of the CIES is to record revenue income and expenditure, which is generally spent on items such as employee costs, and supplies & services. This is financed from a combination of council tax, business rates, Government Grants and other income.



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.

Statement of Financial Accounts

The Comprehensive Income and Expenditure Statement within the Statement of Accounts shows the cost of delivering services within the 2025/26 financial year. This includes unrealised gains and losses on non-current assets and pensions. The following table provides this information.



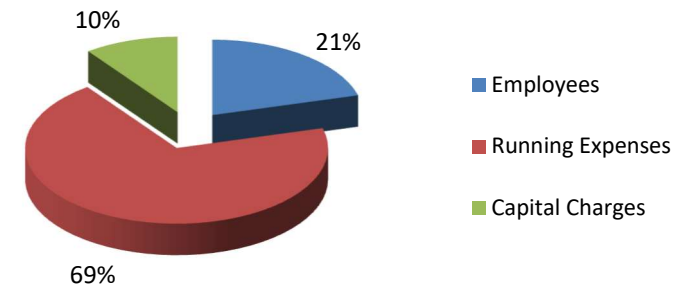
Comprehensive Income and Expenditure Statement	Gross Spend £'000	Income £'000	Net Spend £'000
Adults and Communities	130,225	(72,075)	58,150
Children and Families	154,258	(77,078)	77,180
Growth, Enterprise and Environment	77,107	(30,409)	46,698
Housing Benefits	27,142	(26,849)	293
Resources	19,421	(5,685)	13,736
Net Cost of Services	408,153	(212,096)	196,057
Other Operating Expenditure	419	-	419
Financing and Investment	72,338	(48,796)	23,542
Income and Expenditure	-	(205,150)	(205,150)
Taxation and Non-specific Grant Income	-	(205,150)	(205,150)
(Surplus) or Deficit on Provision of Services	480,910	(466,042)	14,868
(Surplus)/Deficit on Revaluation of Non-current Assets			(15,640)
Actuarial (Gains)/Losses on Pension Assets/Liabilities			(1,396)
Other Comprehensive Income and Expenditure			(17,036)
Total Comprehensive Income and Expenditure			(2,168)

Statement of Financial Accounts

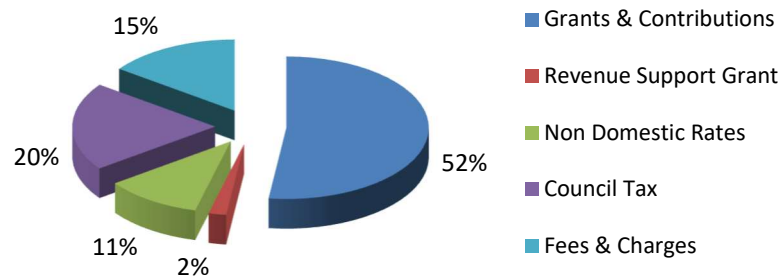
These diagrams show what we spend our money on, and where we get our money from as shown in the Comprehensive Income and Expenditure Statement.

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

% of Revenue Expenditure by Type



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%.

Balance Sheet

The Council's Balance Sheet at 31st March 2026

The Balance Sheet presents the financial position of the Council at the end of March 2026. It shows what assets and balances the Council holds, what it is owed and what it owes.

The Council has more assets than liabilities, which results in what is technically called a positive equity balance sheet (at 31 March 2026). Assets outweigh its liabilities by £44.710 million. This is a slightly improved position on the previous years due to an increase in Building, Land and Equipment which is offset by an increase in borrowing. A better indicator of the financial health of the Council is the level of usable and earmarked reserves which are at £38.343 million.

Balance Sheet 2025/26	£'000
Assets	
Buildings, Land and Equipment	352,702
Other Long-term Assets	2,049
Money owed to the Council	62,901
Cash, Investments and Stocks	13,740
Total Assets	431,392
Liabilities	
Borrowing	(297,362)
Amounts owed by the Council	(59,749)
Provisions	(2,111)
Other Long Term Liabilities – Pension Fund	(13,095)
Capital and Revenue Government Grants not yet applied	(14,365)
Total Liabilities	(386,682)
Assets less Liabilities	44,710
Financed By: -	
Usable reserves	(38,343)
Unusable Reserves	(6,367)
Total Net Worth	(44,710)

Capital Expenditure

Capital Expenditure

Capital expenditure represents money spent on land, buildings, equipment, infrastructure and grants. In 2025/26, the Council spent £61.744 million on capital. The areas of capital investment in 2025/26 were:

Capital Spend by Cluster

	2025/26 £'000
Town Scape Investment	25,297
Visitor Attractions & Amenities	10,330
Business Infrastructure	1,876
Transport Infrastructure	5,966
Community Capacity	1,362
Supported Housing	2,757
Recycling & Waste initiatives	1,835
Children & Education	4,939
Council Investments	7,412
Total Capital Spend	61,774

Collection Fund

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 write off 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 paid 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.

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.

Further Information

If you have any comments or queries regarding this summary, please contact the Director of Finance by e-mail to financialmanagementsupport@redcar-cleveland.gov.uk.

Draft