

Middlesbrough Council Draft Statement of Accounts 2024-25



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Narrative Report



Narrative Report

Introduction

Welcome to Middlesbrough Council's Draft Statement of Accounts for 2024/25. This document outlines the Council's financial statements, performance, and cashflows for the financial year ending 31 March 2025. It is the main source of external financial reporting produced by the Council each and discharges many of its responsibilities in terms of finances, governance and corporate activity.



Key Issues

The financial year 2024/25 presented significant challenges for Middlesbrough Council following the need to apply for exceptional financial support to balance the budget and being placed in government intervention by Ministry of Housing, Communities and Local Government (MHCLG) due to cultural and governance issues within the organisation. Despite these, the Council has made substantial progress, notably improving its overall financial position and resilience. The year started with critically low revenue reserves due to previous year's overspending, particularly in Children's Social Care and reserves being used to manage these positions. Consequently, it was crucial to maintain the strict financial controls implemented in the previous year to stay within the approved revenue budget and start rebuilding reserves.

Local authorities continue to face a challenging economic and financial environment, with increased demand for services, especially in children's social care and school transport for children with special educational needs and disabilities (SEND). Rising food and energy prices, along with high interest rates, exacerbating the national cost of living crisis, significantly impacting Middlesbrough's residents and businesses, particularly those in historically deprived areas. The Council has had to provide additional support and advice to the vulnerable in our communities. This is combined with a funding mechanism for local authorities that is outdated and does not match the spending needs, particularly of deprived areas. All of this makes the current challenges more difficult.

During 2024/25, the Council made significant strides in improving its culture, governance, and financial sustainability through its Culture and Governance Improvement Plan, satisfying both the MHCLG and the External Auditor's requirements. The Government particularly recognised the positive changes made, confirming that a 'Best Value Notice' would not be re-issued. This acknowledgment highlighted the Council's efforts to address serious issues, including personnel changes in key leadership positions, the delivery of the improvement plan, and the establishment of infrastructure for ongoing improvement. A new and updated Council Constitution is in development to ensure that the framework for consistent decision making and transparency

The withdrawal of the Best Value Notice during 2024/25, is a testament to the Council's hard work in resolving past issues, demonstrating its resolve and capability to manage its affairs responsibly. The Council aims to secure its long-term future by returning to a stable, effective, and financially resilient state, focusing on delivering priorities and adding value for the people of Middlesbrough.

This narrative report will provide readers with the following:

- An understanding of the Council and its strategic priorities.
- A summary of the Council's financial context and performance for 2024/25.
- Information on how the Council has performed against its key priorities.
- A commentary on the key elements of the financial statements and disclosure notes that make up the draft Statement of Accounts.

The Council is also required to publish an Annual Governance Statement to accompany the Draft Accounts. This statement outlines the arrangements the Council has put in place to manage and mitigate risks while meeting its legal and regulatory responsibilities.

Background to the Council and local circumstances

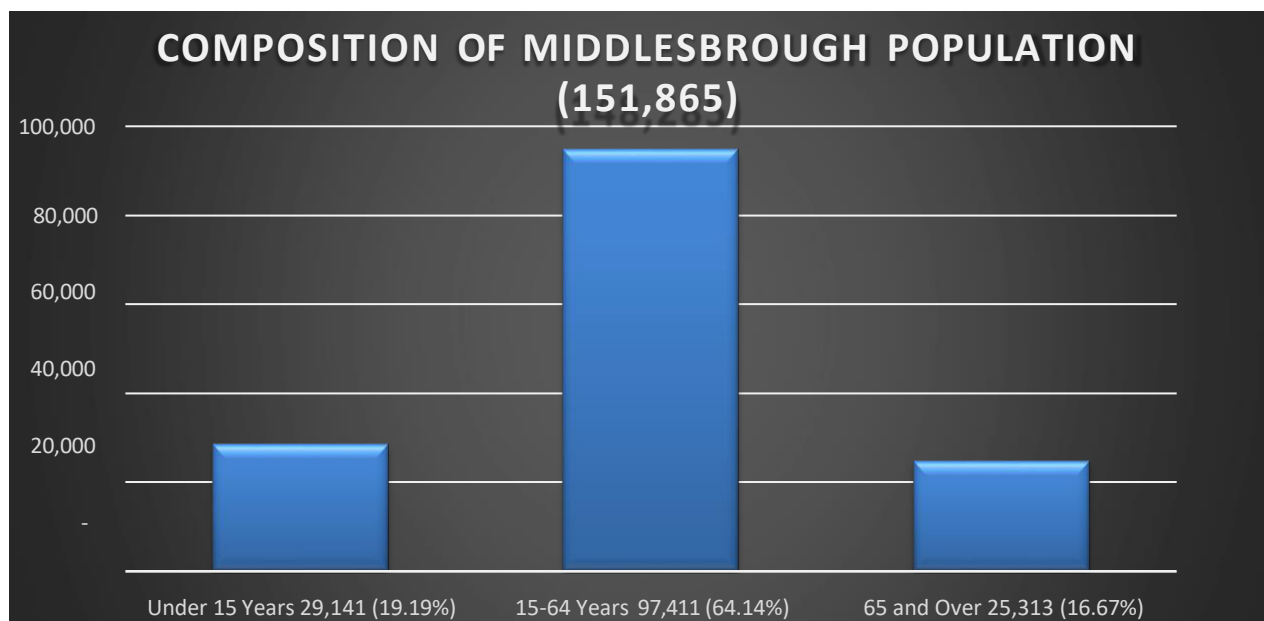
Middlesbrough Council is a diverse public sector organisation located in the Northeast of England. We are proud of our historic past and very excited for the future. Middlesbrough is nestled in an area that is the country's best-kept secret, with rivers, beaches, forests, and moors all on our doorstep.

The town is the natural centre or 'middle' of the Tees Valley, an area home to around 678,000 people. Our town centre continues to transform with modern urban living, leisure, and business facilities. The oldest part of town, close to the waterfront, is being revitalised. The leisure and cultural possibilities in and around Middlesbrough are significant, from our beautiful parks to the town's arts and heritage venues. Our location offers the best of all worlds: days out in stunning countryside, surfing at the coast, or hiking in the North Yorkshire Moors. On weekends, our independent bars and restaurants are lively and welcoming, and we are home to proud institutions including Middlesbrough Football Club and Teesside University.

Middlesbrough is a dynamic and evolving town. The Council was established in 1996 following the abolition of Cleveland County Council. As a small unitary local authority, it delivers hundreds of services that residents, businesses, and visitors rely on. It values its passionate and committed workforce, who strive to deliver the best possible service within finite resources and in the face of increasing demand for services to the vulnerable, for which the Council has a statutory duty to provide.

The Council is committed to collaborating effectively with residents, businesses, public sector partners, and the voluntary and community sector. Its goal is to enhance local social, economic, and environmental wellbeing for all, ensuring the long-term sustainability of the town. As one of the largest employers in the Tees Valley area, the Council provides jobs for over 3,000 people.

Population and Related Economic Statistics



Mid-year population estimates as at March 2023 ([Population estimates for England and Wales - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk/population-demography/population/population-estimates-for-england-and-wales)) indicate a local population of 151,865. With a total area of 5,387 hectares, Middlesbrough is the smallest and most densely populated local authority area in the Northeast.

The demographic composition of Middlesbrough's population significantly influences the demand for Council services, particularly in supporting the most vulnerable citizens who require Children's and Adult Social Care. In recent years, there has been an increased focus on regeneration and economic growth through developments in housing and the town centre. These initiatives not only enhance Middlesbrough as a place to live and work but are also crucial for generating long-term income streams through council tax and business rates, which fund the delivery of Council services.

Economic data from Nomis Official Labour Market Statistics (Latest data 2024) shows that pay levels in Middlesbrough are lower than the middle range for the Northeast and nationally, and unemployment levels are

higher than average.

[Labour Market Profile - Nomis - Official Census and Labour Market Statistics \(nomisweb.co.uk\)](https://nomisweb.co.uk)

| | Middlesbrough | Northeast | Great Britain |
|--|----------------------|------------------|----------------------|
| Gross Weekly Pay (Median) Full-Time workers | £626.10 | £650.60 | £729.60 |
| Unemployment rate (16-64) as a proportion of economically active | 6.1% | 4.5% | 3.8% |

The Council's various strategies are set around meeting the needs of its residents driven by the demographic profile of the town.

Financial Context at the beginning of 2024/25



Middlesbrough Council continues to navigate a volatile and challenging economic and financial environment. Like many local authorities, the Council faces significant financial challenges due to ongoing price increases, rising demand, and the complexity of needs for services for the most vulnerable in the community, particularly in adult and children's social care, where it must meet its statutory responsibilities.

To address these challenges, the previous interim S151 Officer and Director of Finance implemented several measures to enhance the Council's financial management during 2023/24, which have continued throughout the 2024/25 financial year. Monthly budget challenge sessions required Directors to develop financial recovery plans to control expenditure within the approved budget and make savings where appropriate. Additionally, quarterly budget challenge sessions (monthly in the case of Children's Care), led by the Executive Member for Finance, involving all relevant Executive Members and Directors in relation to their nominated portfolios.

The 2024/25 budget process was a difficult one given the challenges facing the Council. One that resulted in Middlesbrough asking for government support from MHCLG, known as Exceptional Financial Support (EFS). A total of £13.400m was approved in principle with £4.700m of that support being needed to set a balanced budget, and the remaining £8.700m of EFS provided to mitigate the potential risks of non-delivery of budget savings and the realisation of capital receipts to help fund transformation during 2024/25 under the Flexible Use of Capital Receipts strategy (FUoCR). The EFS was provided in the form of a capitalisation direction to be funded by external borrowing. The capital financing costs of this were fully incorporated into the Council's medium term financial plan.

The 2024/25 revenue budget, including savings totalling £15.302m, was approved on 8 March 2024 by Full Council. This was later than normal due to the need to have the EFS in place from central government before the financial plans were approved. The revenue and capital budgets for the financial year included growth for reinvestment in services aligned with the Recover, Reset, and Deliver plan as the Council continued its improvement journey and aimed to ensure the Council's financial stability and sustainability, addressing immediate budgetary needs while planning for long-term resilience and growth.

On 4 May 2023, Chris Cooke became the fourth directly elected Mayor of the town. The financial year 2024/25 is the second year under his leadership. The mayor is passionate about ensuring services work for and are accessible to everyone within the local community. He has worked with his Executive and the Leadership Management Team of the Council to develop his vision for Middlesbrough and the ambition to recover, reset, and deliver services to the residents, businesses, and visitors of Middlesbrough.

This vision is set out in the Council Plan, Budget, and Medium-Term Financial Plan approved by Full Council on 8 March 2024, and the Transformation Programme approved on 24 April 2024. The Council's approach to transformation aims to modernise and redesign service delivery to achieve improved efficiency and effectiveness in its operations, at a lower cost. It will also ensure that we invest appropriately in developing the skills and experience of our talented staff to adopt new ways of working and deliver better service outcomes.

Political Structure

Middlesbrough Council consists of 20 wards with between one and three Councillors representing each ward. All Councillors serve a maximum four-year term. The current political constitution of the Council is as follows, with a small labour majority:

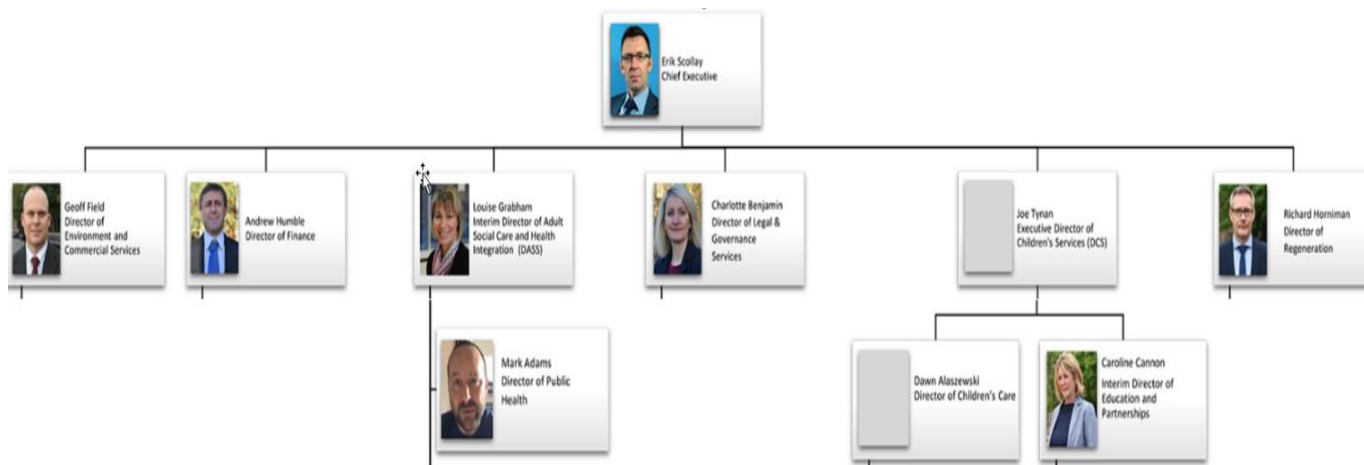
| Category | Number as at 31 March 2025 |
|--|----------------------------|
| Elected Mayor (Labour) | 1 |
| Conservative | 4 |
| Independent | 2 |
| Labour | 25 |
| Liberal Democrats | 2 |
| Marton East Independent Group | 2 |
| Middlesbrough Independent Councillor's Association | 12 |
| Total | 48 |

The Executive is the principal decision-making body of the organisation, operating within the overall policy direction set by the Full Council. The Executive addresses significant issues related to community safety, leisure, education, social services, highways, and the environment, and makes recommendations to Council on the annual revenue budget, capital programme, and Medium-Term Financial Plan.

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

Management Structure

The Leadership team of the Council on 31 March 2025 is set out below:



The Council is led by a Chief Executive and is organised into service directorates with a specific director managing operations in each of these areas.

The three statutory officers employed by the Council are the Chief Executive (Head of Paid Service), the Director of Legal and Governance Services (Monitoring Officer) and the Director of Finance and Transformation (S151/Chief Finance Officer).

Performance

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

As part of continuous improvement in performance and risk management, the Council's Leadership

Management Team (LMT) implemented monthly reviews of corporate performance using a Directorate Performance dashboard, drawing data from a range of performance systems. The output from these sessions was reflected through the quarterly updates to the Executive.

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

The Council's overall performance for the financial year 2024/25 can be accessed using the following link: [Corporate Performance 2024-2025](#).

Directorate Achievements

Adult Social Care

- The Sensory Team won the Middlesbrough Council Bright Spark Award for their innovative and impactful work in supporting residents with sight and hearing impairments, this included identifying a gap in local services leading to the development of a new drop-in session for individuals requiring help and assistance. These sessions are extremely well attended and valued by everyone that utilises them.
- Adult Social Care have introduced a new way of working, that emphasises listening and building relationships to support individuals to lead more independent lives, this strength-based approach, referred to as the three-conversation model, aims to move away from more traditional lengthy assessments, towards a more flexible person-centred approach. Feedback from residents to date has been extremely positive towards the change.
- A full quality audit of Adult Social Care safeguarding practices and procedures was undertaken which highlighted performance as "Good" across all areas. This demonstrates the safe and effective practice and procedures in operation to safeguard our most vulnerable adults.
- Efficiencies were gained during 2024/25 through the introduction of a scheme of delegation which now drives practice standards, and ensures consistency in approach, this has delivered efficiencies alongside focused work to address high-cost packages and overdue reviews. This approach has been instrumental in delivering on budget for 24/ 25 financial year.



Environment & Community Services

- Highways Services conducted extensive works to the A66 viaduct to ensure the Stack development went ahead.
- Highways Services achieved National Platinum status for their high standard in Local Street maintenance.
- Middlesbrough Traffic Signals utilised grant funding to install an intelligent transport system leading to a greater increase in traffic flow across the town.
- Implemented Selective Landlord Licensing Scheme
- Implemented a new Houses of Multiple Occupation licensing fee structure and application process.
- Successful prosecution of food business and sunbed shop due to health and safety issues.



Education and Partnerships

- We have completed our Delivering Better Value project and have seen an impact regarding the knowledge and skills gained by staff across the sector. This is leading to greater support for children and young people with a clear reduction in requests for an Education Health Care Plan (EHCP) assessment.
- After achieving a grade 1 (the highest grade) outcome for Special Educational Needs and Disabilities (SEND) in our Ofsted inspection, we were asked to become a sector led improvement partner for the Department for Education (DfE) and have been supporting other LAs to develop their practice and improve outcomes for children and young people with SEND. This has brought additional funding into the local authority.
- We were invited by the DfE to be part of the national trial of Supported Internships for young people who do not have an EHCP. This work will shape future reforms.

- We continue to deliver outstanding services through our PROCLAIM (Provide Rich Opportunities for Children Looked After In Middlesbrough) initiative which supports pupils and schools in the management of trauma – this work had led to excellent outcomes such as improved attendance and reduced exclusions in participating schools.
- Through the work with the DfE to launch an innovative attendance project to drive up attendance across all pupils in Middlesbrough we can see that this project is having an impact
- South Tees Youth Justice Service has secured funding for a further year to continue running the successful Custody Navigator project. It is hoped that external funding can be secured to ensure longevity of this important work. An external evaluation of this project concluded it provided value for money and has a significant impact on reducing arrest and re-offending.
- We are now in the fourth year of delivering the work of Family Hubs which is having a positive impact on children, young people, and their families.

Regeneration

- Levelling Up Partnerships - Middlesbrough Council was awarded £20.8m of Levelling Up Partnerships capital funding. The delivery programme commenced, in earnest, in this financial year. The programme includes a range of interventions to address deprivation and opportunity for Middlesbrough residents.
- Middlesbrough's Future High Street Fund has reached financial completion with only contracted works yet to conclude on Church House (completion due July 2025) and Captain Cook Square (Cinema Completion expected August 2025). The programme of interventions has gone some way to kick-starting the transformation of Central Middlesbrough's consumer economy.
- Southlands and Nunthorpe Community Centres - Preparatory work for the construction of both critical community facilities has progressed this year with significant local stakeholder engagement, involvement, and participation. Schemes are well advanced through planning and procurement processes and will be substantially complete through 2025/26. Management arrangements have been confirmed with Middlesbrough Football Club Foundation provides a respected and revered delivery partner at the Southlands site and Nunthorpe Parish Council will be charged with the operation of the facility in that area. The time and effort taken to secure the management partners will enhance the sustainability and longevity of the facilities.
- Housing Sites - Significant Strategic Housing Sites were brought forward for development in the financial year. Notably progress at Nunthorpe Grange and Newham Hall Farm means that the capital receipt pipeline, in support of Council financial objectives, were progressed both in year, and for the medium term. This progress unlocks significant growth in Housing for Middlesbrough which meets national targets and objectives, as well as a better mix of housing at all levels of the income spectrum.
- Sale of Tees Advanced Manufacturing Park - Middlesbrough's flagship commercial site was successfully sold in the financial year to provide the capital required for the Council's Transformation programme. The receipt secured reflected excellent value for the Council and is testament to the progress this proof-of-concept development has successfully addressed market failure and has stimulated the private sector to progress such schemes on a speculative basis.
- Middlesbrough Development Corporation - Council Regeneration staff continue to work with Middlesbrough Development Corporation under its mandate from the Mayor of the Tees Valley. The land at Gresham has progressed to disposal, without the requirement for Secretary of State edict of asset transfer. Regeneration teams will continue to support, challenge, and advise the ambitions of Middlesbrough Development Corporation.
- Middlesbrough Old Town Hall - £4.200m has been secured from the Heritage Lottery Fund to match Council resource for the transformation of Middlesbrough's old Town Hall. The patience shown in maximising the ambition and funding programme for this heritage asset is critical to delivering a bold and ambitious scheme for this symbolic asset. Planning permission is secured, and procurement is progressing to enable a construction phase to complete in the next financial year.



Public Health

- Co-designed Middlesbrough's first Health Impact Assessment for Planning Toolkit in collaboration with colleagues from planning, transport planning, and Cleveland Police.
- Middlesbrough Food Partnership awarded Sustainable Food Places Gold Award becoming one of only

five places Nationally and first town in the North of England to do so.

- Holiday Activities and Food Programme: Allocated £1.060m funding and successfully engaged with 30% of children in receipt of benefit related Free School meals at Easter, 46% at Summer and 29% at Christmas. With the support of additional funding from the Household Support Fund – the programme was opened to allow children and young people not in receipt of benefit related free school meals, to access the programme.
- There are 14 workplaces in Middlesbrough and 11 workplaces in Redcar and Cleveland engaged with and achieving the North East region's Better Health at Work Award with both Council's being one of these respectively. Over 31,000 employees across South Tees have been involved.
- The Stop Smoking Service continues to develop and achieve targets beyond expectations.
- All eight mainstream secondary schools and all alternative education provisions in Middlesbrough have had naloxone training and are engaged with the service which is an important step in proactively supporting student safety.
- The Substance misuse team has established a drop a drop in at Teesside University for international students on a Wednesday 2-4pm.
- Recovery Solutions received good across the board at CQC and outstanding in caring.
- 5,723 Children and Young People accessing HeadStart interventions to improve resilience and emotional well-being, the highest number in comparison to previous years.
- Public Health completed a 2024 Local Authority Annual Suspected Suicide Audit report and has shown that Middlesbrough has seen a consistent decrease in numbers of deaths by suicide since 2020 (50% reduction)
- 2 Care homes have achieved dementia friendly accreditation, and 4 Care Homes are working on the Dementia Friendly Care Home Guide self-assessment, which aims to improve the care home offer and to support Care Quality Commission inspections and regulations.
- The personalised South Tees Wellbeing Network for people who work or volunteer in South Tees to support others health and wellbeing has developed from strength to strength and approaches a thousand members and represents over 450 organisations from all sectors.
- Emotional Wellbeing Peer Support Resources, funded and developed by Teesside University and launched at Tees Valley Peer Support Network to best support the emotional wellbeing needs of peer supporters in our borough and to help them manage some of the challenges they face.
- South Tees Wellbeing Network hosted an event in April 2024, in partnership with Teesside University – Wellbeing Alternatives to the Medicalisation of Mental Health.
- A further 8 days of Mental Health First Aid training to further grow the 120 plus fully trained first aiders in both local authorities and over 80 LA staff on half day courses, largely managers, to upskill their ability to identify, manage and support good mental health recovery in both local authorities.
- We have seen an increase in Sexually Transmitted Infections testing are picking up positive infections which is an indication that the service is targeting the right cohorts to test.
- Learning from 2024 outbreak – captured in Final Measles Outbreak Report 2024 which commend the community engagement work led by Public Health South Tees during the Outbreak.
- Successful prosecutions in Middlesbrough – food hygiene and underage use of sunbeds
- Auto enrolment of Free School Meals (in partnership with Welfare Rights and Education) – almost £1m additional pupil premium to schools.
- Led the Poverty Sprint across the Council and with partners - a different approach to building our understanding of a complex set of issues and associated action plan.
- Care Quality Commission rating of "Good" with Outstanding for "Caring" for the in-house substance misuse service



Children's Social Care

- Staff have worked incredibly hard across Children's Social Care since the Inspecting Local Authority Children's Services inspection in March 2023 and the focused visit on Care Leavers in July 2024. The outcome of the inspection demonstrated some improvement however ongoing practice improvement is required. Following the inspections the DfE ceased with their improvement notice.
- For 2025 we will be welcoming 12 newly qualified social workers from our Social Work Academy into the wider teams. In recognising the benefit of 'grow your own' in the climate of a national shortage of social workers, we are training and developing a sustainable and stable permanent workforce for Middlesbrough.
- We have successfully recruited to permanent posts which includes Head of Service, Service Managers, Team Managers and Social Workers. We continue to have a higher amount of agency staff however the Memorandum of Understanding has successfully been implemented on 01.04.2025 which has resulted in agency costs decreasing.
- We have significantly improved the offer to our in-house foster carers, in terms of payments, support and training. This has encouraged more applications and assessments of potential carers in Middlesbrough, meaning children can remain more local with our own foster carers, within a model that offers best value for Children's Social Care.



Legal & Governance Services

- Closure of the discretionary Middlesbrough Independent Improvement Advisory Board and completion of delivery of the Corporate Governance Improvement Plan.
- The Council has made good progress to address control weaknesses, and this was reflected in the removal of the Best Value Notice and closure of the Section 24 Action Plan. The Council is maintaining an ongoing commitment to addressing corporate governance weaknesses through its Continuous Improvement Plan.
- Completion of a Local Government Association Corporate Peer Challenge review.
- Launch and review of the updated scrutiny process.
- Effective delivery of the General Election within the Middlesbrough area.
- Launch of the People Strategy.
- Successful permanent recruitment of the Chief Executive and Director of Finance and Transformation (Section 151 officer).

Finance

- Avoiding a s114 notice for 2024/25 through the development of a financial strategy and budget proposals, combined with securing Government support to set a legally balanced budget.
- Achieving a balanced draft budget for 2025/26 and 2026/27.
- Implementing a plan to rebuild fragile revenue reserves.
- Working with the Council's Executive, Leadership Management Team and colleagues to develop a £31m transformation and savings plan to be delivered from 2024/25 to 2026/27.
- Joint working with Finance Business Partnering and Service staff to minimise the amount of Exceptional Financial Support required during 2024/25.
- Successfully addressing all Section 24 recommendations in the external auditors' report relating to financial resilience and financial governance.
- Finalising the 2021/22, 2022/23 and 2023/24 financial statements and recovering the backlog for sign off at audit in accordance with the statutory 13 December 2024 and 28 February 2025 backlog dates



imposed by central government.

- Working with the Leadership Management Team to achieve an improvement in the internal audit assessment of the Council's financial control environment, from Limited Assurance in 2022/23 to Reasonable Assurance in 2023/24.
- Central Government intervention in relation to historical failures to deliver Best Value in September 2024 lifted.
- The value of the Teesside Pension Fund increased over the year to more than £5.5bn.
- In compliance with the Government directive on pooling, the Fund divested £672m of passive equity, 50% of the proceeds were invested in a Border to Coast Overseas Equity Fund.
- The Pension Fund Committee agreed to transfer the Fund's Direct Property portfolio, valued at £500m, to Border to Coast, work is ongoing to complete this by July 2025.
- The Fund continued to source 'Local Investments' and agreed a commitment of £20m to the Teesside Flexible Investment Fund, which will invest in local businesses and provide short term development loans.
- The Revenues and Benefits team have again been awarded with the 'Customer Service Excellence' national quality mark, achieving compliance plus in 30 areas, meaning that it has exceeded the requirements of the Standard against an element, demonstrated exceptional practice, or can be used as an exemplar for others within or beyond the sector.
- Capacity has been strengthened by investing in increasing staff numbers involved with the collection of all types of debt in recognition of the need for the Council to make financial savings and improve its rates of collection, including council tax and business rates that have both seen improved performance year on year as a result.
- Expanding the use of the Supplier Incentive Programme which delivers cash discount for the Council on supplies and services for prompt payment.
- Providing support to Children's Services in relation to placements for our Children in Care and have supported achieving cost reductions on placements spends over the year.
- The Brokerage Team continue to offer a wider service support offer to the Adult Social Care Directorate and now undertake provisioning activity, ensuring a greater degree of accuracy in system recording.
- The introduction of a Housing Co-ordinator post has provided a specific focus on the provision of vulnerable persons housing, ensuring best use of available capacity, minimising void loss and reassessing existing service delivery models to ensure value for money.

Governance Improvement



The previous interim Director of Finance led the development of strengthened governance and reporting arrangements during 2024/25. These were detailed in the Capital Programme Governance Improvement report, which was approved by the Executive on 13 November 2024.

The newly appointed Director of Finance and Transformation and the Director of Regeneration have implemented the revised arrangements for capital governance, management, and reporting. The Corporate Capital Board and the Strategic Capital Board were established and became operational for the development of the 2025/26 to 2028/29

capital programme for budget purposes.

In 2023/24, external auditors issued 11 statutory recommendations due to insufficient progress in improving the Council's culture and governance arrangements and the Council's serious financial position. Addressing the DLUHC Best Value Notice issued in January 2023 has been a corporate priority throughout 2024/25. The Government has indicated satisfaction with the progress made and the Best Value notice was not reissued.

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

The Council's Transformation Programme, approved by the Council in April 2024, is successfully implementing approved savings and income projects from the 2024/25 budget. It is also developing a new pipeline of projects to deliver further improvements and address the remaining budget gap for 2025-26 and the medium term.

The successful delivery of the Transformation Programme, along with the Culture and Governance Improvement Plan (CGIP) and the Section 24 Action Plan, have been critical steps to restoring the organisation's financial sustainability and developing a robust foundation for delivering the Council Plan.

Financial Review 2024/25

The 2024/25 financial year was marked by significant economic instability, with a weaker economy, prolonged exposure to high interest rates, and widespread unemployment. Inflation, as measured by the Consumer Price Index, was less volatile in 2024/25 compared to the previous year but still increased from 3.0% to 3.4%, exceeding the government target of 2%. Prolonged economic instability has created significant pressures on public sector finances, making it crucial for the Council to maintain sufficient levels of general fund reserves to remain financially buoyant and cope with unforeseen challenges.

Revenue Budget

In preparing the 2024/25 revenue budget and Medium-Term Financial Plan, the Section 151 Officer determined that:

- To set a legally balanced and robust budget whilst maintaining adequate revenue reserves for 2024/25, the Council was required to accept £13.400m Exceptional Financial Support (EFS) approved in principle from Central Government.
- Council Tax increase for 2024/25 of 4.99%, comprising 2% Adult Social Care Precept and 2.99% Core Council tax which is within the referendum limits set by Government.
- There is a risk that the financial position of the Council will be adversely affected by any non-achievement of the proposed budget savings, delivery of capital receipts, delivery of transformational plans that are required to redesign services from a lower cost base and other proposals for 2024/25.
- The budget development work undertaken to date has confirmed that without service transformation, further savings above those set out in the Medium Term Financial Plan (MTFP) will not be possible to be achieved without also putting at risk the Council's ability to safely meet its statutory responsibilities and/or preserve existing service standards for non-statutory services.

The revenue budget for 2024/25 was set at £143.190m, and was funded as follows in the table below:

| | £m |
|--|----------------|
| Revenue Support Grant | 15.122 |
| Business Rates Top Up Payment | 30.461 |
| Local Share of Business Rates | 17.844 |
| Council Tax | 71.438 |
| Collection Fund Balance | 8.325 |
| Total Net Revenue Budget (NRB) in 2025/26 | 143.190 |

Capital Programme for Middlesbrough

A new MTFP was approved by the Council on 8 March 2024. This plan includes a £174.980m Capital Programme for Middlesbrough, covering the period from 2024/25 to 2026/27, with £88.549m initially allocated for 2024/25. The funding for this Programme comes from a combination of external sources and Council resources.

The Capital Programme investment aims to support the mayor's commitment to enhancing Middlesbrough as a town and transforming service delivery for residents. This capital investment is designed to help achieve the objectives outlined in the Council Plan while adhering to the financial parameters set within the MTFP. The investment will facilitate the delivery of several major regeneration schemes and expand the affordable housing options in the area and include:

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



Budget Outturn 2024/25

The financial outturn position was reported to Executive on 11 June 2025 and summarised the Council's year-end spending against the revenue budget and capital programme. It also covered the impact of high inflation and increased demand for services on the Council's financial position.

Revenue

The Council's total net revenue outturn was £140.933m against an approved budget of £143.190m, an underspend of £2.257m (1.6% of the net revenue budget). This is a substantial improvement from the forecast overspend of £3.742m at Quarter One and a forecast overspend of £2.251m compared to Quarter Three. This was achieved by improved budgetary control measures introduced during 2024/25, and which will continue during 2025/26. The agreed actions from the budget challenge sessions held during 2024/25 also contributed to the improvement in financial performance and control.

The table below summarises the final revenue outturn position by directorate which illustrates that 80% of the Council's expenditure in 2024/25 was spent in Social Care (Children's and Adults).

| Directorate | Revised Full Year Net Budget | Outturn as per Council report | Over / (Under) spend |
|----------------------------|---------------------------------|-------------------------------------|----------------------------|
| | £m | £m | £m |
| Adult Social Care | 52.735 | 52.738 | 0.003 |
| Public Health | (0.508) | (0.508) | 0.000 |
| Children's Care | 56.242 | 60.085 | 3.843 |
| Education and Partnerships | 7.468 | 6.866 | (0.602) |
| Regeneration | 2.530 | 2.143 | (0.387) |
| Environment & Communities | 20.445 | 20.562 | 0.117 |
| Legal & Governance | 11.001 | 10.546 | (0.455) |
| Finance & Chief Executive | 4.398 | 3.912 | (0.486) |
| Central Budgets | (11.122) | (15.411) | (4.289) |
| Revenue Outturn | 143.190 | 140.933 | (2.257) |

The underspend of £2.257m comprises £6.457m of net underspends which were one-off in 2024/25 with the remainder being net overspends across services.

There is a £3.843m overspend on the Children's Care budget comprising of non-delivery of savings of £1.911m plus £1.932m of other income and expenditure pressures. This mainly arose due to the numbers of external residential placements increasing from 70 to 80 (14.3%) during the financial year, along with the average price for active placements increasing from £4,570 to £5,131 per week (12.3%). The number of highly complex placements has increased significantly during 2024/25 from 9 to 14 (55.6%), with these placements involving multiple complexities and links to other agencies, such as Health. The increase in external residential placements is despite a reduction in the overall number of Looked after Children, from 512 to 506 (1.1%) during 2024/25.

The overspend on the Children's Care budget has been offset by net underspends across other service directorates and large one-off underspends against budgets held centrally:

- Education and Partnerships; Underspend mainly due to a reassessment of demand for transport from the start of the academic year
- Regeneration: Mainly due to savings on running costs, a one-off rates refund, and additional grant income and fees associated with project work.
- Legal and Governance; staffing savings due to vacancies and recruitment delays and over achievement of income
- Finance; Higher than anticipated overhead recovery from grant funding and savings on staffing due to vacancies and delays in recruitment.

- Central Budgets: Unused contingency budgets where anticipated costs were reduced including local government pay award, inflation, and surplus on central grants.

| Summary of Revenue Budget Main Variances 2024-25 | £m |
|--|----------------|
| Adult Social Care – unachieved savings | 0.626 |
| Adult Social Care – mainly maximisation of one-off grants | (0.623) |
| Children's Social Care – increased numbers and complexity of external residential placements | 1.932 |
| Children's Social Care –unachieved savings | 1.911 |
| Central – one-off savings against centrally held inflation and contingency budgets | (4.289) |
| Other variances (Environment & Communities, Education & Partnerships, Regeneration, Legal and Governance, and Finance) | (1.811) |
| Total | (2.257) |

Normally an underspend against the net revenue budget would be transferred to earmarked reserves for future use. However, the Council received £4.700m of Exceptional Financial Support (EFS) in principle from central government as part of setting the revenue budget. As the underspend is less than this amount, it is the intention of government to reduce the EFS allocation to the actual amount required to balance the budget of £2.443m. In essence, this means that the Council has broken even for the financial year against the resources allocated to it rather than underspending. The underbudget position reported in the outturn report though demonstrates good financial management and control of the revenue position.

The remaining EFS allocation of £8.700m for non-delivery of savings and a shortfall on realising asset sales is no longer required. It should be noted that out of the £15.302m required as part of the setting of the 2024/25 revenue budget, £11.886m (78%) were delivered with £3.416m (22%) not delivered. These will become a pressure against the 2025/26 revenue budget and MTFP if not fully delivered or replaced with alternative savings, but do not require funding via EFS. Asset sales were generated in line with budgetary targets as part of the activity for the financial year.

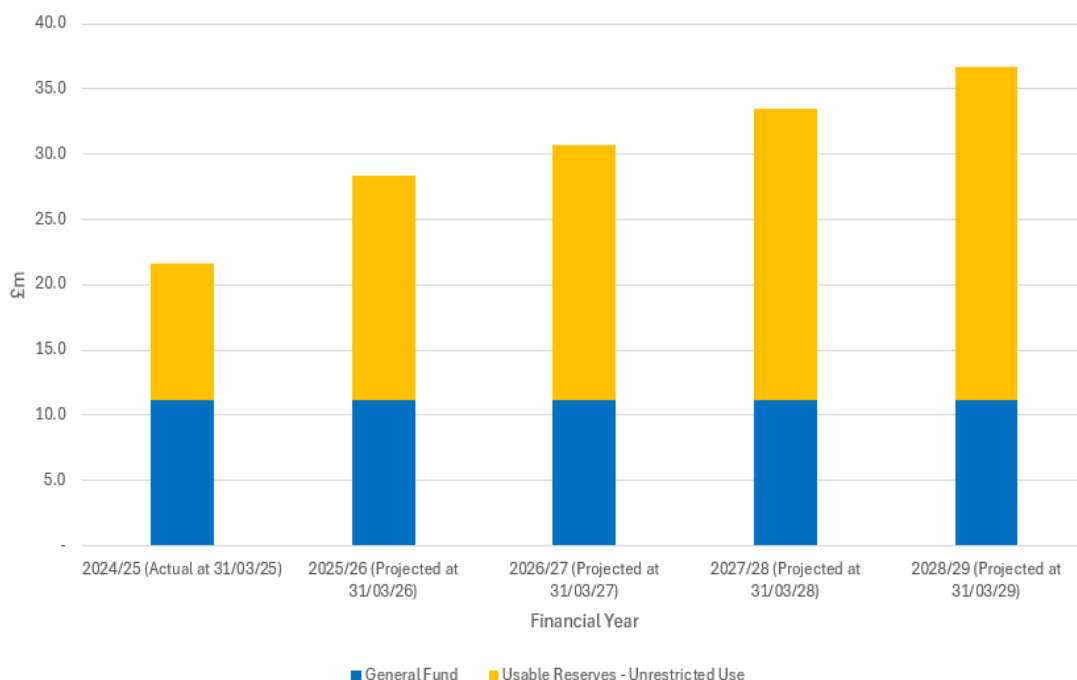
Given that the capital receipts generated from assets sales in 2024/25 cover the needs of both the capital programme and transformation programme, it has been decided in principle to fund the EFS needed of £2.443m from capital receipts rather than external borrowing. This is to avoid the capital financing costs associated with taking out a 20-year loan for this amount. This has been discussed with central government but still needs final approval from Ministers. The financial statements contained within the draft Statement of Accounts for 2024/25 have been prepared on this basis.

Reserves and Provisions

The General Fund Balance on 31 March 2025 is £11.100m, a slight increase from the £10.986m balance on 31 March 2024. The balance on unrestricted usable earmarked reserves stood at £10.554m on 31 March 2025, an increase of £9.485m from the balance of £1.069m on 31 March 2024. The combined level of these unrestricted reserves was £21.654m on 31 March 2025. A further £5.739m of restricted usable earmarkedS balances covering school balances, public health grant carried forward, revenue grants unapplied, and better care funding was also held by the Council at the balance sheet date.

reserves over the period of the MTFP to strengthen the Council's financial resilience and to provide sufficient resilience to support the management of risks in the delivery of the revenue budget over the current MTFP period. Reserves will increase in future years due to planned contributions to reserves as set out in the Reserves Policy in the 2025/26 Revenue Budget, Medium Term Financial Plan 2025/26 to 2028/29, and Council Tax report.

The projected unrestricted usable reserves through to the end of 2028/29 after planned contributions are illustrated in the following chart, however this will depend on any unplanned drawdowns of reserves.



Dedicated Schools Grant (DSG)

There has been an overspend of £7.920m (12.4%) on the DSG budget against the available grant of £63.719m. This has increased the cumulative deficit to £22.213m as of 31 March 2025. The overspend is due to a £23.515m deficit on High Needs, offset by a total surplus of £1.303m on Early Years, the Schools Block and Central Schools Services Block.

The Council is engaged in the Delivering Better Value Programme with the Department for Education (DfE) and CIPFA to deploy measures to reduce expenditure over time as part of national measures led by Government to address the financial pressures being experienced by local authorities. Government

has implemented a statutory override on a temporary basis to the end of 2025/26 which directs Councils not to fund the DSG deficit from the General Fund. The temporary nature of the statutory override presents a medium to long term risk to the Council.

If a government solution is not implemented before the statutory override is removed, then this deficit would fall to be met by General Fund balances. This is a significant financial risk that exists for Middlesbrough and many other upper tier local authorities with education responsibilities. Further focus is required during 2025/26 and future years to address this issue given the significant increase in the overspend during 2024/25.

The table below sets out a summary of the total balances of the Council held in both reserves and provisions at the 1 April 2024 and how this has changed over the financial year. The closing balances as of 31 March 2025 are available to finance future revenue spend on a one-off basis.

| Reserves and Provisions 2024-25 | Adjusted Opening Balance 01/04/2024 | Amendments to Opening Balance from Collection Fund Surplus | Revised Opening Balance 01/04/2024 | In Year Movement | Closing Balance 31/03/2025 |
|--|--|---|---|-------------------------|---------------------------------------|
| | £m | £m | £m | £m | £m |
| General Fund Reserve | (10.986) | (0.114) | (11.100) | - | (11.100) |
| Usable Earmarked Reserves | | | | | |
| Unrestricted Usable Earmarked Reserves | (1.069) | (8.211) | (9.280) | (1.274) | (10.554) |
| Restricted Usable Earmarked Reserves | (1.880) | | (1.880) | (0.809) | (2.689) |
| Total Usable Earmarked Reserves | (2.949) | (8.211) | (11.160) | (2.083) | (13.243) |
| Unusable Earmarked Reserves | | | | | |
| Unusable Earmarked Reserve | 8.885 | | 8.885 | 7.928 | 16.813 |
| Schools Balances | (4.599) | | (4.599) | 1.549 | (3.050) |
| Provisions | (4.530) | | (4.530) | (0.975) | (5.505) |
| TOTAL RESERVES AND PROVISION | (14.179) | (8.325) | (22.504) | 6.419 | (16.085) |

It should be noted from the table above that if the negative DSG balance is removed, the total amount of reserve and provision balances held by the Council would be £33.298m, a marked improvement from previous financial years.

Council Tax and Business Rates Income

Income from Council Tax and Business Rates is accounted for within the Collection Fund, a separate legal entity. Due to the way this interacts with the General Fund and the associated legal prescriptions, any changes in forecast income do not immediately impact the 2024/25 financial position. Instead, this creates a surplus or pressure to be addressed in 2025/26 and this will be reflected in an updated Budget and MTFP.

The 2024/25 Medium-Term Financial Plan (MTFP) presented to Council in March 2024 included estimates for Council Tax and Business Rates income. Given the current economic climate and the continued cost-of-living pressures on households, there remains an ongoing risk to the collection levels of these taxes, which may adversely affect collection rates. The actual in-year collection rates for 2024/25 were improved in comparison to the previous year, at 93.03% for Council Tax and 97.29% for Business Rates.

Overall, collection rates remain respectable and have resulted in an overall surplus in the Collection

Fund, as precept amounts have been prudently lower than actual collection rates. There does though remain an ongoing pressure with business rates as total rateable values continue to form due to the range of challenges in the business sector.

The outturn position on the collection fund showing an overall surplus and benefit to the 2026/27 budget is set out in the table below:

| Collection Fund Balance | Council Tax £m | Business Rates £m | Total £m |
|---|---------------------------|----------------------------------|---------------------|
| Balance b/fwd at 1 April 2024 | (12.783) | (2.162) | (14.945) |
| Deficit / (surplus) for the year (as above) | 9.231 | 1.251 | 10.482 |
| Balance c/fwd at 31 March 2025 | (3.552) | (0.911) | (4.463) |
| Allocated to: | 83.4% | 49.0% | |
| Middlesbrough Council | (4.093) | 0.847 | (3.246) |
| ECL Provision adjustment to 2025-26 | 3.281 | (0.229) | 3.052 |
| Additional surplus available for 2026-27 | (0.812) | 0.618 | (0.194) |

Most of the surplus of £3.247m available from the 2024/25 collection fund performance was forecast as part of setting the 2025/26 budget setting process so there is only a small additional surplus of £0.195m available for future use. Most of the in-year surplus was due to further changes in relation to revising the bad debt provision methodology following agreement of the approach with external audit.

Group Accounts

The Council is not reporting a group situation for the 2024/25 financial year. In the previous three financial years, the Council has produced a set of group accounts and financial statements. This was in relation to a wholly owned subsidiary company created by the Council in 2019, Middlesbrough Development Company (MDC), which undertook projects related to housing growth and economic renewal.



In 2022, the Chartered Institute of Public Finance and Accountancy (CIPFA) developed guidance on wholly and partially owned companies within the public sector, following several high-profile failures of Council-owned companies nationally. This guidance sets out the standards of management and governance that should be expected for this type of company.

An initial review of MDC against this guidance by internal audit revealed that the company needed significant changes to its existing governance arrangements to comply with the best practice guidance. As MDC was nearing the end of its current range of projects, the decision was made by Executive in January 2023 to cease trading and close the company completely.

The Directors of MDC subsequently resolved to close the company via a Members Voluntary Liquidation route. This process is ongoing, and the company's major assets have now been distributed back to the Council. The liquidation process, managed by a specialist liquidator (FRP Advisory Ltd), is in the final stages of winding the company up with this expected by the end of September 2025.

Given the status of MDC on 31 March 2025 (with nearly all assets and liabilities transferred), there is no longer a material relationship between the council and the company and therefore group financial statements are no longer required under the CIPFA Accounting Code of Practice.

Capital Programme/Investment Strategy

On 8 March 2024 Council approved a capital programme for 2024/25 of £88.549m (the original 2024/25 capital budget). This was subsequently revised several times following the quarterly budget monitoring processes during the financial year to a final revised budget position of £107.463m.

The final capital expenditure outturn position at 31 March 2025 is £57.163m, an underspend of £50.300m (47%) against the final 2024/25 budget. The expenditure for the year was funded by £31.930m (56%) grants and external funding/contributions, £12.890m (23%) capital receipts and £12.343m (21%) borrowing.

The table below summarises the capital outturn position for 2024/25 for each directorate.

| Directorate | Latest Budget £m | Full Year Outturn £m | Over / (under) spend £m | Slippage £m | Underspend £m |
|------------------------------------|---------------------|-------------------------|----------------------------|-----------------|------------------|
| Regeneration | 29.657 | 17.753 | (11.904) | (11.809) | (0.095) |
| Environment and Community Services | 22.395 | 16.131 | (6.264) | (6.233) | (0.031) |
| Public Health | 0.689 | 0.489 | (0.200) | (0.192) | (0.008) |
| Adult Social Care | 3.938 | 3.457 | (0.481) | (0.481) | - |
| Education and Partnerships | 14.395 | 7.943 | (6.452) | (6.040) | (0.412) |
| Children's Care | 1.704 | 0.417 | (1.287) | (1.279) | (0.008) |
| Legal and Governance Services | 2.795 | 3.314 | 0.519 | 0.519 | - |
| Finance | 4.790 | 0.769 | (4.021) | (0.692) | (3.329) |
| Transformation Programme | 13.700 | 4.447 | (9.253) | (9.253) | - |
| Exceptional Financial Support | 13.400 | 2.443 | (10.957) | - | (10.957) |
| Total Directorates | 107.463 | 57.163 | (50.300) | (35.460) | (14.840) |

Capital slippage results from a delay in delivery of projects compared to the planned delivery. Whilst expenditure remains within the approved project budget, this results in an in-year underspend which is required to be carried forward to the new financial year. The confirmed amount of slippage from 2024/25 of £35.460m is reprofiled and carried forward to financial years 2025/26 to 2028/29 to reflect revisions to the expected delivery and expenditure timescales.

The main reasons for the underspend of £14.840m are that there was a reduction of £10.957m relating to Exceptional Financial Support (EFS) which was planned to be funded from borrowing. Also, the capital programme included an amount of £4.400m for capitalising property leases on transition to IFRS16, the new accounting standard in relation to leasing. The actual impact of IFRS 16 changing status of contracts from operating to finance leases has been much lower than expected at £0.771m. This amount again, like EFS, is not required for future purposes.

Balance Sheet

The Balance Sheet shows the value of assets and liabilities of the Council and sets out the revenue and capital reserves available for future investment. It also allows for comparison with the previous financial year-end and can be used to make judgements around the organisation's financial position.

A summary of the Balance Sheet at the 31 March 2025 is set out below:

| 31 March 2024 £'000 | | 31 March 2025 £'000 |
|--------------------------------------|-------------------------------|--------------------------------------|
| 505.772 | Long Term Assets | 487.048 |
| 87.780 | Current Assets | 101.018 |
| (77.812) | Current Liabilities | (80.333) |
| (236.477) | Long-Term Liabilities | (247.293) |
| 279.263 | Net Assets | 260.441 |
| (75.703) | Usable Reserves | (101.080) |
| (203.560) | Unusable Reserves | (159.362) |
| (279.263) | Total Long-Term Assets | (260.441) |

The key headline messages to note in relation to the Balance Sheet on 31 March 2025 are as follows:

- Long-term assets include property, plant and equipment, heritage assets, investment properties, intangible assets, long term investments and debtors. They have decreased by £18.724m mainly due to a reduction in investment property for capital receipts purposes.
- Current assets include short term investments, assets held for sale, inventories, debtors, and cash and have increased by £13.238m mainly due to increases in cash equivalent short-term investments and short-term debtors.
- Current liabilities include short term borrowing, creditors, receipts in advance and short-term provision. A minor increase of £2.521m which is made up of a decrease in short-term borrowing off-set by an increase in short term creditors.
- Long-term liabilities include long term provisions, external borrowing, and the pensions liability, and have remained static during the financial year.
- Usable reserves include capital and revenue reserves. The increase of £25.377m is due mainly to an increase of £18.608m in capital reserves and an increase of the Financial Resilience Reserve of £6.711m due to changes in the collection fund bad debt provision.
- Unusable reserves reflect the technical accounting adjustments required to comply with proper accounting practice and are therefore not available to support the council's revenue or capital expenditure plans. Most of the movements are unrealised in nature and do not have an immediate impact on the Council's revenue budget or medium-term financial plan.

The Council's balance sheet is in a positive net worth position of £260.441m (i.e., the assets are greater than the liabilities).

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

Annual Statement of Accounts

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

Narrative Report - this introductory section provides information on the format of the Statement of Accounts as well as a review of the financial position, performance, and cash flows of the Council for the financial year 2024/25.

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

Independent Auditor's Report to the Council - the external auditor, Forvis Mazars have prepared this report, following their audit of the accounts for the financial year.

Annual Governance Statement - the Council is required to carry out an annual review of the effectiveness of the system of internal control and to include a status report with the Statement of Accounts. This Statement explains how the Council has complied with the Code of Corporate Governance during the 2024/25 financial year.

The **Core Financial Statements** comprise:

- The **Comprehensive Income and Expenditure Statement** – shows the income and expenditure of the Council in line with statutory regulations, international financial reporting standards and CIPFA Accounting Code of Practice requirements. The resulting gains and losses during the year reconcile with the overall movement in net worth on the Balance Sheet.

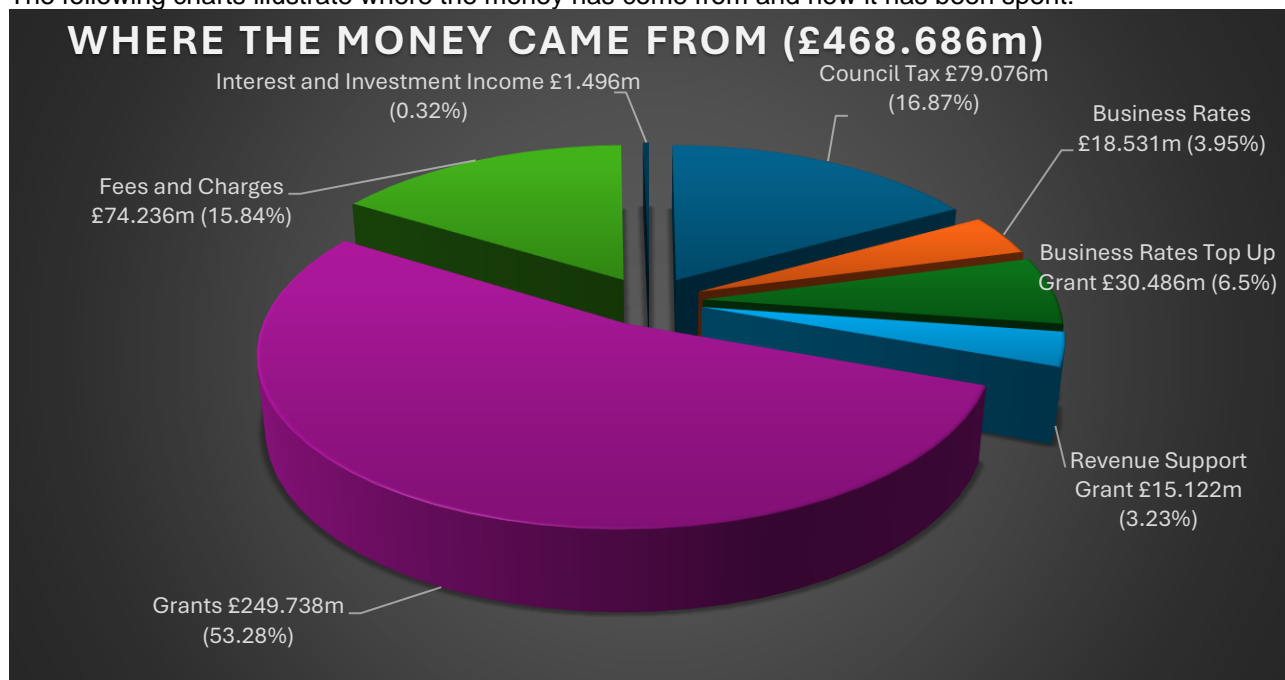
The statement consists of two sections:

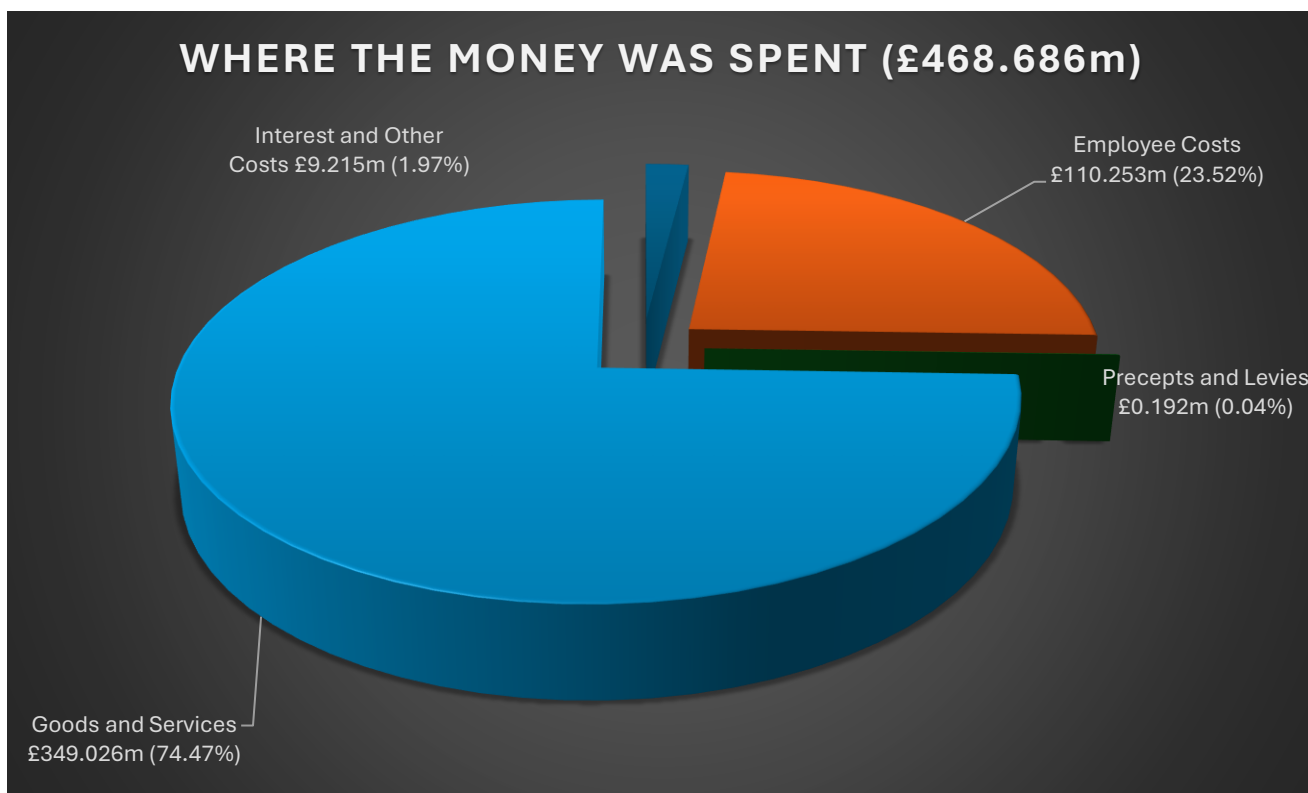
- Surplus or deficit on the provision of services, which represents the increase or decrease in the net worth of the authority because of incurring expenses and generating income.
- Other comprehensive income and expenditure, which shows any change in net worth which are not included in the surplus or deficit on provision of services, for example, movements in the fair value of assets and/or actuarial gains or losses on pension assets and liabilities.

The charts below and overleaf illustrate where the money has come from and how it has been spent.

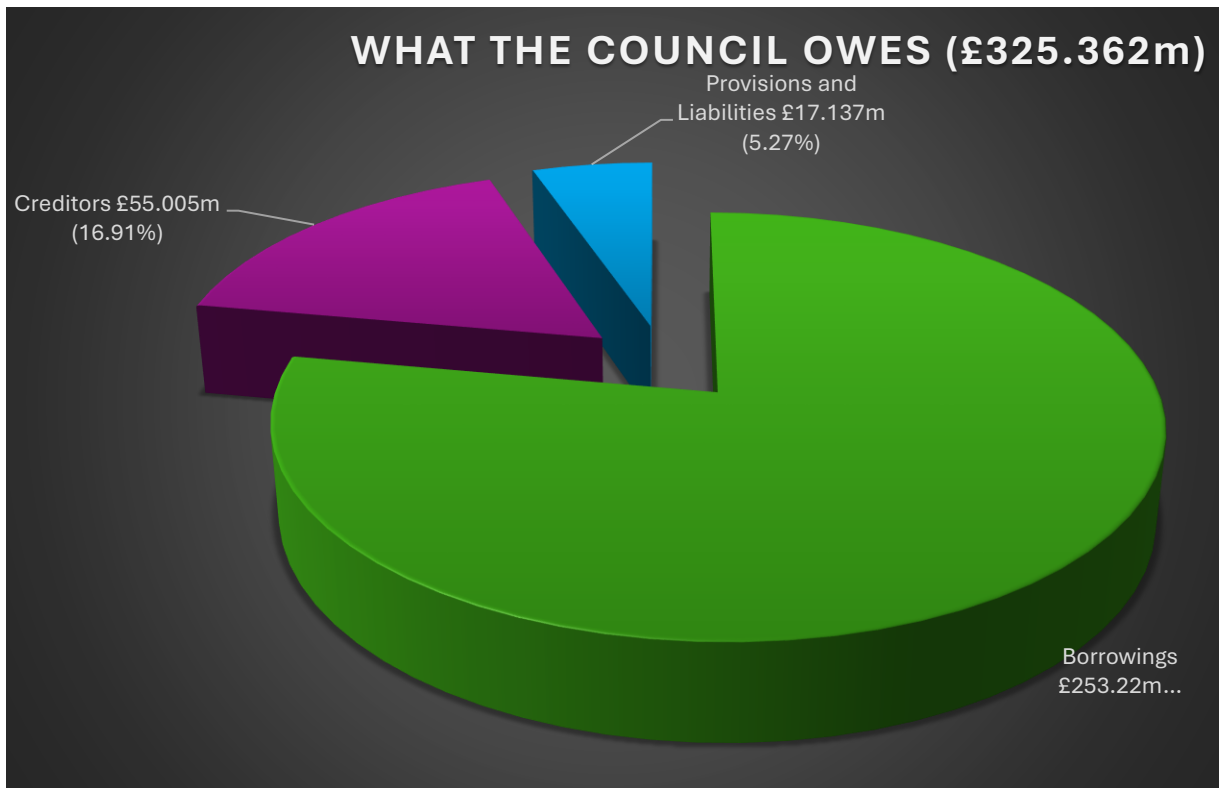
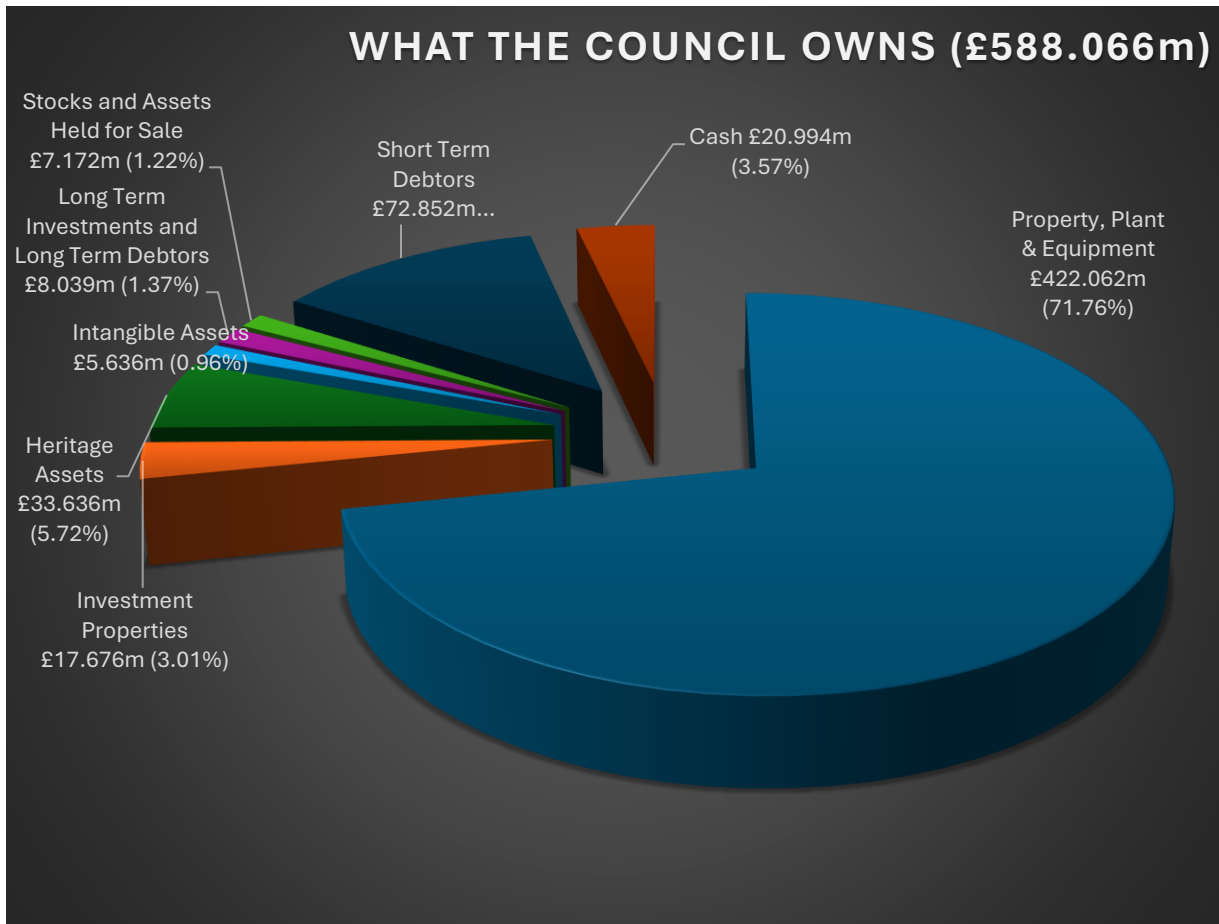
- The totals in the financial statement are higher/lower than those set out below, which relate to the management accounts of the authority, due to technical adjustments to comply with proper accounting practice, but which are not funded by the taxpayer. More details on this are set out in the notes to the accounts.

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





- The **Balance Sheet** – shows the value as at the Balance Sheet date of the assets owned and liabilities incurred by the Council. The total net assets (assets less liabilities) are equivalent to the revenue and capital reserves held by the Council. Reserves are reported in two categories.
- The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt).
- The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under Regulations'. The following charts gives summary information on what the Council owns and owes:



- The **Movement in Reserves Statement** - this statement shows the movement in the year on the different reserves held by the Council, split into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and unusable reserves (arising mainly as a result of technical and accounting

adjustments). This statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax [or rents] for the year. The Net increase/decrease line shows the statutory General Fund balance and Housing Revenue Account balance movements in the year following those adjustments.

- The **Cash Flow Statement** - this summarises the changes in cash and cash equivalents of the Council during the reporting period. Cash flows are analysed between operating, investing, and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

Accounting Policies Note - this note explains the basis for the recognition, measurement, and disclosure of transactions in the Accounting Statements.

Notes to the Accounts - provides supporting and explanatory information as to how the accounts have been prepared and support the understanding of the accounting policies applied in the accounts to present a true and fair view of the financial position.

Pension Fund Accounts - the Teesside Pension Fund is administered by Middlesbrough Council and is independently managed and legally separate from the Council's own finances. This statement forms an extract from the Teesside Pension Fund Annual Report and summarises the financial position of the Pension Fund, including all income and expenditure for 2024/25, assets, and liabilities as of 31 March 2025.

A **Glossary** – This helps to explain the technical jargon in the draft Statement of Accounts and make the document more understandable to the users of the accounts.

Statement of Responsibilities – Middlesbrough Council

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to nominate that one of its Officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer (Director of Finance and Transformation);
- manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets, and;
- approve the statement of accounts.

The Chief Finance Officer's Responsibilities

The Director of Finance and Transformation is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/ LASAAC Code of Practice on Local Authority Accounting (the Code).

In preparing the statement of accounts, the Director of Finance and Transformation has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority Code.

The Director of Finance and Transformation has also:

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

Confirmation of the Statement of Accounts

I certify that the draft Statement of Accounts present a true and fair view of the financial position of the Authority at 31 March 2025 and its income and expenditure for that year.

Andrew Humble
Director of Finance and Transformation (Section 151 Officer)

Middlesbrough Council

30 June 2025

Statement of Responsibilities – Teesside Pension Fund

Statement of Responsibilities

Middlesbrough Council Responsibilities

The Council is required to:

- Make arrangements for the proper administration of the financial affairs of the Teesside Pension Fund (the Fund) through a Pension Fund Committee;
- Secure that one of its officers has the responsibility for the administration of those affairs, namely the Chief Finance Officer of the Council (Director of Finance and Transformation); and
- Manage the Fund to secure economic, efficient, and effective use of resources and to safeguard its assets and approve the Fund's Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Director of Finance and Transformation is responsible for the preparation of the Fund's Statement of Accounts in accordance with proper practices set out in the Accounts and Audit Regulations (England) 2015.

In preparing the Statement of Accounts, the Director of Finance and Transformation has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonably prudent;
- Complied with the Code;
- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Confirmation of the Statement of Accounts

I confirm that the Teesside Pension Fund Draft Statement of Accounts gives a true and fair view of the financial position of the Fund at 31 March 2025 and of its income and expenditure for that year.

Andrew Humble

Director of Finance and Transformation (Section 151 Officer)

Middlesbrough Council

30 June 2025

Auditor's Report – Middlesbrough Council

To follow once the external audit of the Council's accounts is complete for 2024-25.

Auditor's Report – Teesside Pension Fund

To follow once the external audit of the Pension Fund accounts is complete for 2024-25.

Financial Statements



Movement in Reserves Statement

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

| 2024/25 | General Fund Balance | Earmarked Revenue Reserves | Capital Receipts Reserve | Direct Revenue Funding Unapplied | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Council Reserves |
|--|----------------------|----------------------------|--------------------------|----------------------------------|--------------------------|-----------------------|-------------------|------------------------|
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Balance at 1 April 2024 | (10.987) | (12.956) | - | - | (51.760) | (75.703) | (203.560) | (279.263) |
| <i>Movement in reserves during 2024/25</i> | | | | | | | | |
| Total Comprehensive Income and Expenditure | 28.262 | - | - | - | - | 28.262 | (9.441) | 18.821 |
| Adjustments between accounting basis & funding basis under regulation (Note 6) | (37.114) | - | (15.652) | - | 2.081 | (50.685) | 50.685 | - |
| Transfers to/(from) other reserves | 8.738 | (8.738) | (2.956) | - | - | (2.956) | 2.956 | - |
| Net Decrease / (increase) in year | (0.114) | (8.738) | (18.608) | - | 2.081 | (25.379) | 44.200 | 18.821 |
| Balance at 31 March 2025 carried forward | (11.101) | (21.694) | (18.608) | - | (49.679) | (101.082) | (159.360) | (260.442) |

Usable reserves are for both capital and revenue purposes. £68.285m of the total £101.082m usable reserves needs to be utilised against capital expenditure and therefore the remaining £32.795m is for revenue purposes. However, of these total revenue reserves £11.140m are restricted earmarked reserves, usually due to grant conditions or the nature of the reserve, leaving £10.554m as unrestricted. When this is added to the £11.101m General Fund balance, this gives a total of £21.655m available for future revenue purposes (15.1% of Net Revenue Budget for 2025/26).

| 2023/24 | General Fund Balance | Earmarked Revenue Reserves | Capital Receipts Reserve | Direct Revenue Funding Unapplied | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Council Reserves |
|--|----------------------------|----------------------------------|--------------------------------|---|-----------------------------|-----------------------------|----------------------|---------------------------|
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Balance at 1 April 2023 | (12.042) | (13.231) | - | - | (34.553) | (59.826) | (349.580) | (409.406) |
| <i>Movement in reserves during 2023/24</i> | | | | | | | | |
| Total Comprehensive Income and Expenditure | 12.857 | - | - | - | - | 12.857 | 117.286 | 130.143 |
| Adjustments between accounting basis & funding basis under regulation (Note 6) | (11.527) | - | - | - | (17.207) | (28.734) | 28.734 | - |
| Transfers to/(from) other reserves | (0.275) | 0.275 | - | - | - | - | - | - |
| Net Decrease / (increase) in year | 1.055 | 0.275 | - | - | (17.207) | (15.877) | 146.020 | 130.143 |
| Balance at 31 March 2024 carried forward | (10.987) | (12.956) | - | - | (51.760) | (75.703) | (203.560) | (279.263) |

Comprehensive Income and Expenditure Statement

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

| 2023/24 | | | Cost of Services by Service Area | Note | 2024/25 | | |
|-------------------|------------------|----------------------------|---|------|-------------------|------------------|----------------------------|
| Gross Expenditure | Gross Income | Net Expenditure / (Income) | | | Gross Expenditure | Gross Income | Net Expenditure / (Income) |
| £m | £m | £m | | | £m | £m | £m |
| 43.580 | (6.725) | 36.855 | Regeneration | | 34.393 | (8.177) | 26.216 |
| 19.394 | (19.525) | (0.131) | Public Health | | 23.024 | (20.883) | 2.141 |
| 100.499 | (86.931) | 13.568 | Education and Partnerships | | 115.232 | (90.409) | 24.823 |
| 65.307 | (7.294) | 58.013 | Children's Care | | 68.752 | (8.090) | 60.662 |
| 114.127 | (59.735) | 54.392 | Adult Social Care and Health Integration | | 120.737 | (64.801) | 55.936 |
| 42.040 | (5.822) | 36.218 | Environment and Communities | | 48.478 | (11.238) | 37.240 |
| 60.170 | (54.745) | 5.425 | Finance | | 60.493 | (52.552) | 7.942 |
| 15.404 | (2.260) | 13.144 | Legal & Governance Services | | 17.681 | (3.798) | 13.883 |
| 1.974 | (18.421) | (16.447) | Central Costs | | 0.929 | (20.032) | (19.104) |
| 462.495 | (261.458) | 201.037 | Total Cost of Service | | 489.719 | (279.980) | 209.739 |
| 3.158 | - | 3.158 | Other Operating Income and Expenditure | 9 | 0.192 | (20.965) | (20.774) |
| 14.053 | (16.842) | (2.789) | Financing & Investment Activities | 10 | 39.879 | (16.723) | 23.156 |
| - | (188.549) | (188.549) | Taxation and Non-Specific Grant Income | 11 | - | (183.859) | (183.859) |
| 479.706 | (466.849) | 12.857 | (Surplus) or Deficit on Provision of Services | | 529.790 | (501.528) | 28.262 |
| | | | <i>Items that will not be re-classified to the Surplus or Deficit on the Provision of Service</i> | | | | |
| | | (3.839) | (Surplus)/Deficit on revaluation of Property Plant and Equipment | 23 | | | (4.240) |
| | | 121.125 | Remeasurements of the net defined benefit liability / (asset) | 39 | | | (5.201) |
| | | 117.286 | Other Comprehensive Income and Expenditure | | | | (9.441) |
| | | 130.143 | Total Comprehensive Income and Expenditure | | | | 18.822 |

Balance Sheet

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

| 31 March 2024 £m | Note | 31 March 2025 £m |
|---------------------|--|---------------------|
| 427.787 | Property, Plant & Equipment 22 | 422.062 |
| 33.544 | Heritage Assets 24 | 33.636 |
| 31.462 | Investment Properties 25 | 17.676 |
| 3.656 | Intangible Assets 26 | 5.636 |
| 0.309 | Long-Term Investments 28 | 0.309 |
| 9.014 | Long-Term Debtors 32 | 7.730 |
| 505.772 | Total Long-Term Assets | 487.048 |
| 4.827 | Short-Term Assets Held for Sale 28 | 4.798 |
| 2.768 | Inventories | 2.374 |
| 68.042 | Short-Term Debtors 31 | 72.852 |
| 12.143 | Cash and Cash Equivalents 32 | 20.994 |
| 87.780 | Total Current Assets | 101.018 |
| (29.267) | Short-Term Borrowing 28 | (23.370) |
| (45.446) | Short-Term Creditors 33 | (46.980) |
| (1.051) | Revenue Grants Receipts in Advance 12 & 33 | (8.025) |
| (2.048) | Short-Term Provisions 34 | (1.958) |
| (77.812) | Total Current Liabilities | (80.333) |
| 9.968 | Net Current Assets / (Liabilities) | 20.685 |
| (2.482) | Long-Term Provisions 34 | (1.856) |
| (218.838) | Long-Term Borrowing 28 | (232.113) |
| (0.975) | Other Long-Term Liabilities 28 | (0.444) |
| (14.182) | Pension Liability 37 | (12.880) |
| (236.477) | Total Long-Term Liabilities | (247.293) |
| 279.263 | Net Assets/(Liabilities) | 260.441 |
| (75.703) | Usable Reserves 35 | (101.080) |
| (203.560) | Unusable Reserves 36 | (159.362) |
| (279.263) | Total Reserves | (260.441) |
| | | |

Cash Flow Statement

This Statement shows the changes in cash and cash equivalents held by the Council during the financial year. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows into operating, investing and financing activities. It is an integral part of the Comprehensive Income and Expenditure Statement and the Balance Sheet for the Council.

| 31 March 2024 £m | | 31 March 2025 £m |
|-----------------------------------|--|-----------------------------------|
| (12.856) | Surplus / deficit on provision of services | (28.262) |
| 20.935 | Adjustment to net surplus or deficit on the provision of services for non-cash movements (Note 44) | 42.518 |
| 2.942 | Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 44) | 4.049 |
| 11.021 | Net Cash Flows from Operating Activities | 18.305 |
| (27.977) | Investing Activities (Note 45) | (16.303) |
| 2.268 | Financing Activities (Note 46) | 6.847 |
| (14.688) | Net Increase or decrease in cash and cash equivalents | 8.849 |
| 26.831 | Cash and cash equivalents at the beginning at the reporting period (Note 32) | 12.143 |
| 12.143 | Cash and cash equivalents at the end at the reporting period (Note 32) | 20.992 |

Notes to the Accounts



Note 1 Accounting Policies

General Principles

The Statement of Accounts summarises the Council's financial transactions for the 2024/25 financial year and its position at the 31 March 2025.

The Council is required to prepare a Statement of Accounts for each financial year under the Accounts and Audit Regulations 2015 and in accordance with proper accounting practices. These proper accounting practices under Section 21 of the Local Government Act 2003 principally comprise:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) supported by International Financial Reporting Standards (IFRS).
- Statutory guidance issued under Section 12 of the 2003 Act.

The draft Statement of Accounts has been prepared using the 'going concern' concept (see below) and using the accruals basis of accounting such that transactions are recorded based on when they fall due and not necessarily when settled in cash.

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

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. A summary of this is in the following table.

| Classification | Measurement Basis |
|--|---|
| Property, Plant and Equipment – Land & Buildings | Current value based on Existing Use Value (EUV) for operational assets where there is an active market, or if there is no market-based evidence of current value because of the specialist nature of the asset and/or the asset is rarely sold, Depreciated Replacement Cost (DRC). |
| Property, Plant and Equipment – Infrastructure, Community Assets and Assets under Construction | Depreciated historical cost/Historical cost. |
| Property, Plant and Equipment – Surplus Assets | Fair value. |
| Property, Plant and Equipment – All Other Assets | Depreciated historical cost. |
| Investment Properties | Fair value. |
| Pension Assets | Fair value. |
| Pension Liabilities | Actuarial Basis |

The Council's over-arching accounting policies are set out in more detail below. Further details on the accounting treatment adopted for specific transactions and balances is included in relevant disclosure notes.

External Audit Arrangements

In recent years there has been a growing national backlog of unaudited accounts. For financial year 2022-23, just one percent of councils and other local bodies published their audited accounts on time. In February 2024 the then Department of Levelling-Up Housing and Communities (DLUHC), now Ministry for Housing Local Government and Communities (MHCLG), consulted on proposals to tackle this backlog on unaudited

accounts. These proposals included setting a statutory backstop date to clear outstanding unaudited accounts up to 2022-23. They also including setting backstop dates for financial years 2023-24 to 2027-28 to enable the local audit system to recover. These proposals were confirmed these proposals and set the following statutory deadlines:

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

This created a situation where, to meet the statutory deadline date above, a number of Local Authorities including Middlesbrough Council received modified or disclaimed opinions. The government made it clear that where the backstop dates result in these types of opinion the Local Authority should not be unfairly judged. Middlesbrough Council received disclaimed opinions for 2021-22, 2022-23 and 2023-24 therefore the prior year comparators in these financial statements are published as final but remain unaudited.

Basis of Preparation - Going Concern

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

Accruals of Income and Expenditure

The Accounts have been prepared using the accruals basis of accounting such that transactions are recorded based on when they fall due and not necessarily when settled in cash. In particular:

- Whether paid on-account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that the grant will be received, and all conditions associated with the grant will be satisfied.
- Amounts recognised as grants and contributions for which conditions have not been satisfied are carried forward in the Balance Sheet as creditors.
- When all conditions are satisfied, the grant or contribution is credited to the relevant service line or taxation and non-specific grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.
- All other income and expenditure amounts are recognised on an accruals basis reflecting the date the service was provided.
- Expenditure in relation to services received by the Council (including services provided by employees) is recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for as income and expenditure respectively, based on the effective interest rate for the relevant financial instrument.
- Where income or expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.
- Accruals are generally recognised where the value exceeds £10,000.
- As per the Code (IFRS15) income and expenditure is recognised when performance obligations are satisfied.

The exception to this basis is external audit fees which is completed on a cash basis due to audit being undertaken in arrears of the financial year concerned and previous audit backlogs.

Comprehensive Income and Expenditure Account and the General Fund

The surplus or deficit on provision of services reported in the Comprehensive Income and Expenditure Statement is transferred to the General Fund. Amounts are then transferred to and from the General Fund under statutory provisions or to set aside specific amounts for future policy purposes or to cover contingencies. These amounts are shown in the Movement in Reserves Statement.

Amounts appropriated under Statutory Provisions

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution (Minimum Revenue Provision) in the General Fund, by way of an adjusting transaction to the Capital Adjustment Account through the Movement in Reserves Statement.

The written-off value of asset disposals is appropriated to the Capital Adjustment Account.

Amounts received for an asset sale in excess of £10,000 (or £5,000 for Investment Properties and Intangible Assets) are categorised as capital receipts and credited to the Capital Receipts Reserve. Amounts in the Capital Receipts Reserve can only be used to fund new capital investment or be set aside to reduce the Council's underlying need to borrow.

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

Capital grant values included in the Comprehensive Income and Expenditure Statement for which capital expenditure has been incurred are transferred to the Capital Adjustment Account.

Capital grant values included in the Comprehensive Income and Expenditure Statement for which capital expenditure has not yet been incurred are transferred to the Capital Grants Unapplied Reserve until such time that capital expenditure is incurred at which time the expenditure is transferred to the Capital Adjustment Account.

Statutory provisions require the General Fund balance is only charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. Accordingly, amounts charged and credited in determining the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement are replaced with amounts actually paid to the pension fund via an appropriation to the Pensions Reserve for the difference.

Amounts set aside

The Council sets aside specific amounts as reserves for future liabilities or to cover contingencies by transferring amounts out of the General Fund to Earmarked Reserves. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service and transferred back into the General Fund. Amounts set aside and transferred back are shown in the Movement in Reserves Statement.

Property, Plant and Equipment

Assets that have physical substance and are used in the production or supply of goods or services, or for

administrative purposes and that are expected to be held for more than one financial year are classified as Property, Plant and Equipment.

Recognition and Componentisation

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised provided that it exceeds a de minimus level of £5,000. Expenditure that is below the de minimus or maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g., repairs and maintenance) is charged as an expense.

Componentisation acknowledges that some assets are made up of different parts and that sometimes these parts have differing useful economic lives and should therefore be depreciated over different periods. Depreciating assets are subject to a review for componentisation where their individual carrying value is above 0.25% of the total carrying value of its asset class (Land and Buildings). On review, assets are componentised when by doing so would produce a depreciation charge of over £100,000 and more than double the difference compared with the depreciation charge if the asset is not componentised.

Measurement

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

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

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

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

- Land and Buildings are carried at current value. Current value is determined as the amount that would be paid for the asset in its existing use (existing use value - EUV) for assets for which there is an active market (e.g., offices) and Depreciated Replacement Cost (DRC) for assets for which there is not an active market (e.g., schools). They are revalued regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.
- Infrastructure assets are valued at depreciated historical cost. In addition, and in relation to highways infrastructure assets specifically there is an assumption that these assets are fully depreciated before being replaced.
- Community Assets and Assets under Construction are held at historical cost.
- Surplus assets are defined as those that are not being used to deliver services and do not fulfil the criteria to be classified as either Investment Properties or Assets Held for Sale. They are carried at fair value i.e., the price that would be received if an asset is sold or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. They are revalued regularly (every five years as a minimum) to ensure their carrying amount is not materially different from their fair value at the balance sheet date; and;
- All Other Assets are held at depreciated historical cost as a proxy for fair value.

Where assets are carried at fair value the treatment of changes to the valuation are accounted for as follows:

- Increases in valuations are generally credited to the Comprehensive Income and Expenditure Statement as 'other comprehensive income and expenditure' and matched by an increase to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains will be credited to the Comprehensive Income and Expenditure Statement as a reduction in service cost if they arise from the reversal of a loss previously charged to a service.
- Decreases in valuations (up to the amount of any previously accumulated gains specific to that asset) are charged to the Comprehensive Income and Expenditure Statement as 'other comprehensive

income and expenditure' and matched by a reduction to the Revaluation Reserve. Where the balance in the Revaluation Reserve is insufficient to absorb the decrease, the remaining amount is charged against the relevant service line(s) in the Comprehensive Income and Expenditure Statement; and

- The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date are a constituent part of the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Impairment relates to the reduction on a permanent basis of a non-current asset due to a specific event such as fire, flooding, accidental damage and an act of God and associated perils. Impairment does not relate to general decreases in property value or the use of an asset in a specific way where its value be less than its historic cost and these will be informed via revaluations.

Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Impairment losses are treated in the same way as downward revaluations for the purposes of allocating between the Revaluation Reserve and the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Discontinued Use

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is charged to other operating expenditure line in the Comprehensive Income and Expenditure Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account to offset this loss. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on provision of services. Depreciation is not charged on Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to other operating expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same part the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal).

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

Depreciation and Amortisation

Depreciation is provided for on all assets identified as Property, Plant and Equipment and Amortisation is charged on Intangible Assets by the systematic allocation of their balance sheet amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land), community assets and assets that are not yet available for use.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are recorded and depreciated separately.

Depreciation and Amortisation is charged over the useful life of the asset, using a method that reflects the pattern in which the asset's future economic benefits or service potential is expected to be consumed. The standard useful lives for new assets are as follows:

- Operational Buildings 30-60 Years
- Plant and Equipment 5-10 Years
- Vehicles 5-10 Years
- Infrastructure assets 15-65 Years
- Surplus Buildings 30-60 Years
- Intangible Assets 3-10 Years

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

Expected Credit Loss – Statutory Debt

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

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

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

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

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

Expected Credit Loss – Non-Statutory Debt

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

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

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

Under the simplified approach, at initial recognition of each accounts receivable balance and throughout its life, a lifetime expected credit loss should be recognised to arrive at the appropriate impairment under IFRS9. There are various methods to calculate a lifetime expected credit loss, but a suggested method in IFRS9 for trade receivables is using a provision matrix of considerations.

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

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

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

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

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

Post Employment Benefits (Pensions)

Employees of the Council are members of one of two separate pension schemes:

- The Local Government Pension Scheme, administered by Middlesbrough Council; and
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department of Education (DfE).
- NHS Pension Scheme, administered by the NHS Business Services Authority.

Both Schemes provide defined benefits to members (retirement lump sums and pensions), based on total years of service and salaries earned as employees working for the Council.

The arrangements for the Teachers' Pension Scheme are such that the liabilities for the benefits cannot be identified specifically to the Council so the scheme is accounted for as a defined contribution scheme. The assets and liabilities of the scheme are excluded from the Council's Balance Sheet and only the value of actual contributions made are charged to the Comprehensive Income and Expenditure Statement.

The Local Government Pension Scheme is accounted for as a defined benefit scheme. Accordingly, the net assets/ liabilities of the Scheme attributable to the Council (as determined annually by the Scheme's actuary) are included in the Council's Balance Sheet.

Liabilities are determined using the projected unit method. This is an assessment of the likely future payments that will be made in relation to retirement benefits earned to date by employees. Estimates are based on assumptions including retirement profiles, mortality rates and projected earnings for current employees. Estimated liabilities are then discounted to their value at current prices, using a discount rate based on the rate of return on high quality corporate bonds, which have been chosen to meet the requirements of IAS19.

The assets of the Scheme attributable to the Council are included in the Balance Sheet at their fair value as follows:

- Quoted securities - at current bid price and
- Unlisted securities, including partnerships, are valued with regard to latest dealings and other appropriate financial information as provided by their respective managers or those controlling the

- partnerships.
- Property - at market value.

The change in the Scheme's net liability from the previous year is analysed as follows:

Charged in the Comprehensive Income and Expenditure Statement

- Charged to Services
 - current service cost - the increase in liabilities as a result of additional service earned in the year.
- Charged as Central Costs
 - past service cost - the increase in liabilities arising from current year decisions whose effect relates to the years of service earned in earlier years.
 - gains or losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees.
- Charged as Financing and Investment Income and Expenditure
 - interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid.
 - expected return on assets - the annual investment return on the fund assets attributable to the Council based on an average of the expected long-term return.
- Charged as Other Comprehensive Income and Expenditure
 - actuarial gains and losses - changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.
- Charged to the Pension Reserve
 - contributions paid - cash paid as employer's contributions to the pension fund in the year.

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g., cars) for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g., time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable because of a decision by the Council to terminate a staff member's employment before the normal retirement date or a decision by a staff member to accept voluntary redundancy. Termination benefits are chargeable as non-distributed costs in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment or makes an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amount payable but unpaid at year end.

Financial Instruments

Financial Instruments are any contract that gives rise to a financial asset in one organisation's accounts and a financial liability in another's. These transactions can cover investments, cash, debtors, creditors, loans, derivatives and guarantees. For the Council these generally take the form of loans or similar borrowings and lendings. Gains and losses are separately identified in the Comprehensive Income and Expenditure Statement in accordance with IFRS9 on Financial Instruments.

Financial Liabilities (Borrowing)

Financial liabilities are recognised when the Council becomes party to the contractual provisions of a financial instrument. These are usually as loans at amortised cost rather than fair value.

Interest payable on these financial instruments is determined as the difference between the initial fair value and the total of the cash amounts repayable over the life of the instrument. These are allocated to the Comprehensive Income and Expenditure Statement in variable instalments over the life of the financial instrument concerned.

Financial Assets

The Council holds financial assets that are classified as held at amortised cost in that they have fixed or determinable payments but are not quoted in an active market. Financial assets held at amortised cost are recognised when the Council becomes party to the contractual provisions of a financial instrument. They are initially measured at fair value and are subsequently carried at their amortised cost.

Interest receivable is determined as the difference between the initial fair value and cash amounts to be recovered over the life of the instrument and is allocated to the Comprehensive Income and Expenditure Statement in variable instalments over the life of the assets. For short-term assets, this is charged each month and for longer term by year.

Leases

Recognition and Initial Measurement

At the commencement date of the lease, being when the asset is made available for use, the Council recognises a right of use asset and a lease liability.

The right of use asset is recognised at cost comprising the lease liability, any lease payments made before or at commencement, any direct costs incurred by the lessee, less any cash lease incentives received. It also includes any estimate of costs to be incurred restoring the site or underlying asset on completion of the lease term.

The lease liability is initially measured at the present value of future lease payments discounted at the interest rate implicit in the lease. Lease payments include fixed lease payments, variable lease payments dependent on an index or rate and amounts payable under residual value guarantees. It also includes amounts payable for purchase options and termination penalties where these options are reasonably certain to be exercised. Where an implicit rate cannot be readily determined, the Council's incremental borrowing rate is applied.

The Council does not apply the above recognition requirements to leases with a term of 12 months or less or to leases where the value of the underlying asset is below £10,000, excluding any irrecoverable VAT. Lease payments associated with these leases are expensed on a straight-line basis over the lease term. Irrecoverable VAT on lease payments is expensed as it falls due.

Subsequent measurement

As required by Code of Practice on Local Authority Accounting issued by CIPFA, the Council employs a revaluation model for subsequent measurement of right of use assets, unless the cost model is considered to be an appropriate proxy for current value in existing use or fair value, in line with the accounting policy for owned assets. Where consideration exchanged is identified as significantly below market value, the cost model is not considered to be an appropriate proxy for the value of the right of use asset.

The Council subsequently measures the lease liability by increasing the carrying amount for interest arising which is also charged to expenditure as a finance cost and reducing the carrying amount for lease payments made. The liability is also remeasured for changes in assessments impacting the lease term, lease modifications or to reflect actual changes in lease payments. Such remeasurements are also reflected in the cost of the right of use asset. Where there is a change in the lease term or option to purchase the underlying asset, an updated discount rate is applied to the remaining lease payments.

Initial application of IFRS 16

IFRS 16 Leases as adapted and interpreted by Code of Practice on Local Authority Accounting as been applied to these financial statements with an initial application date of 1 April 2024. IFRS 16 replaces IAS 17 Leases, and IFRIC 4 Determining whether an arrangement contains a lease and other interpretations.

The standard has been applied using a modified retrospective approach with the cumulative impact recognised in the income and expenditure reserve on 1 April 2024. Upon initial application, the provisions of IFRS 16 have only been applied to existing contracts where they were previously deemed to be a lease or contain a lease under IAS 17 and IFRIC 4. Where existing contracts were previously assessed not to be or contain a lease, these assessments have not been revisited.

The Council as lessee

For continuing leases previously classified as operating leases, a lease liability was established on 1 April 2024 equal to the present value of future lease payments discounted at the PWLB borrowing rate. A right of use asset was created equal to the lease liability and adjusted for prepaid and accrued lease payments and deferred lease incentives recognised in the statement of financial position immediately prior to initial application. Hindsight has been used in determining the lease term where lease arrangements contain options for extension or earlier termination.

No adjustments have been made on initial application in respect of leases with a remaining term of 12 months or less from 1 April 2024 or for leases where the underlying assets has a value below £10,000. No adjustments have been made in respect of leases previously classified as finance leases.

The Council as lessor

Leases of owned assets where the Council is lessor were unaffected by initial application of IFRS 16. For existing arrangements where the Council is an intermediate lessor, classification of all continuing sublease arrangements has been reassessed with reference to the right of use asset.

2023/24 comparatives

Comparatives for leasing transactions in these accounts have not been restated on an IFRS 16 basis. Under IAS 17 the classification of leases as operating or finance leases still applicable to lessors under IFRS 16 also applied to lessees. In 2024/25 lease payments made by the Council in respect of leases previously classified as operating leases were charged to expenditure on a straight-line basis.

Prior Period Adjustments

Prior period adjustments may arise because of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances

and comparative amounts for the prior period.

Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of March each year and the date when the Statement of Accounts is authorised for issue. Two types of events are possible:

- Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date the accounts are authorised for issue by the Director of Finance are not reflected in the Statement of Accounts.

Cash and Cash Equivalents

Cash and cash equivalents are represented by cash in hand and deposits with financial institutions. These deposits should not have a term of more than three months in total. Deposits are repayable within that three-month term without penalty on notice of more than 24 hours with insignificant risk of change in value. Overdrawn bank accounts are presented in the balance sheet net only where there is a right of offset.

Investment Property

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

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

Support Services and Overheads

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

Revenue Expenditure Funded by Capital Under Statute (REFCUS)

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

Rounding

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

and disclosure notes.

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

Schools

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

The table below shows the different type of schools within the Borough but only the Community Schools are owned and included on the Council's balance sheet:

| Type of School | No of Primary Schools | No of Secondary Schools | No of Special Schools | Total |
|-------------------|-----------------------|-------------------------|-----------------------|----------|
| Community | 3 | 0 | 3 | 6 |
| Foundation | 2 | 0 | 0 | 2 |
| Maintained | 5 | 0 | 3 | 8 |

Value Added Tax (VAT)

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



Note 2 Accounting Standards Issued but not yet adopted

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

At the balance sheet date, the following new standards and amendments to existing standards have been published and will be introduced by the 2025/26 Codes of Practice of Local Authority Accounting in the United Kingdom:

- **IAS 21 *The Effects of Changes in Foreign Exchange Rate (Lack of exchangeability)*** issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
- **IFRS 17 *Insurance Contracts*** issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.
- **IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*** -The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 and IAS 38. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy as confirmed in [paragraph 3.3.1.4](#).

It is likely there will be limited application of these items although consideration of the changes will be examined for the Council's individual circumstances where any of these apply.

Note 3 Critical Judgements in applying Accounting Policies

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

- All maintained schools are considered entities controlled by the Council but rather than produce group accounts, the income, expenditure, assets and liabilities are recognised in the Council's single entity accounts in line with accounting standards.
- The Council recognises school assets for community schools on its balance sheet because the Council has assessed that the rights and obligations associated with such schools rest with the Council.
- Judgement is required as to whether the conditions of specific grants received have been met before grant conditions require associated expenditure to be incurred, the grant monies will not be recognised as income in the financial year, until this expenditure is incurred. Grant income is not recognised until the conditions of the grant are met.
- Judgement is also required, in determining whether a lease is an operating or finance lease where substantially all the risks and rewards of ownership transfer to the lessee. This judgement depends on the balance of risks and rewards of ownership. See Notes 41 and 42 for more details of leases. With the adoption of IFRS 16 in 2024-25 however, there will be a single lessee accounting model, and this will remove the distinction between finance and operating leases. Under IFRS 16, the Authority will be required to recognise a right of use asset and a lease liability for all leases, unless the lease term is 12 months or less, or the underlying asset is of low value.

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

The draft Statement of Accounts includes some estimated figures, which are based on assumptions about the future that are otherwise uncertain. Estimates are made using historical experience, current trends and other relevant and appropriate criteria. These estimations cannot be determined with certainty therefore, actual results could be materially different from the assumptions and estimates used. The items in the Council's Balance Sheet on 31 March 2025 where there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|--|---|---|
| Valuation, where required of Property, Plant and Equipment, and Investment properties. | Valuation of property involves assessment of a number of variables such as market conditions, useful life, cost of reconstruction, assessment of condition, etc. Qualified Chartered Surveyors, or experts in the relevant field undertake valuations however, these can be subject to market uncertainties. Revaluations, in accordance with the local authority accounting code of practice are carried out on a 5-year rolling cycle or where there is evidence of a material change in value. | At 31 March 2025, the Council had land and buildings to the value of £217.52m, and investment properties to the value of £17.676m. A 1% change in the estimation of property values would lead to a £2.17m change in the value of the Council's land and buildings and £0.176m change in the value of the Council's investment properties. These changes to valuations would not have a direct impact on the Council's general fund, since any effect charged to the CIES would be reversed to the Council's unusable reserves. |
| Net Pension Liability | Estimation of the net liability of £12.880m to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates. The Council has engaged Hymans Robertson as its actuary to provide expert advice about the assumptions to be applied. | The effects on the net pension liability of changes in individual assessments can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £11.871m. Note 37 provides further details. |
| Insurance Provision | The insurance provision is estimated using data held on previous claims, outstanding claims at the balance sheet date and the latest actuarial valuation report. | The Council has a total insurance provision of £2.606m for public liability, vehicles and property. |

Note 5 Events after the Balance Sheet Date

There are no significant events at the authorised for issue date (30 June 2025), that affect any of the values in either the Financial Statements for the Council for 2024/25 or in the Notes to the Accounts.

Notes Supporting the Movement in Reserves Statement

Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations

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

| 2024/25 | General Fund Balance | Capital Receipts Reserve | Revenue Unapplied | Capital Grants Unapplied | Movement in Unusable Reserves |
|---|----------------------|--------------------------|-------------------|--------------------------|-------------------------------|
| | £m | £m | £m | £m | £m |
| Adjustments Affecting Capital Reserves | | | | | |
| Impairment and depreciation to Property, Plant and Equipment (Note 23) | (19.535) | - | - | - | 19.535 |
| Revaluation Losses on Property, Plant and Equipment (Note 23) | (11.228) | - | - | - | 11.228 |
| Revaluation of Investment Properties and Assets for Sale (Note 26,28) | (5.496) | - | - | - | 5.496 |
| Amortisation of Intangible Assets (Note 27) | (0.788) | - | - | - | 0.788 |
| Transfer between Capital grants Unapplied and General Fund | - | - | - | - | - |
| Total Capital Grants (Note 11) | 29.851 | - | - | (29.851) | - |
| Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure | - | - | - | - | - |
| Donated Assets (Note 23 & 25) | 4.753 | - | - | - | (4.753) |
| Revenue Expenditure Funded from Capital Under Statute (REFCUS) – Expenditure | (27.624) | - | - | - | 27.624 |
| Non-current assets written off on disposal or sale (Note 23,25,27,28) | (7.579) | - | - | - | 7.579 |
| Capital loans - principle repaid in year | 1.560 | - | - | - | (1.560) |
| Statutory provision for the financing of capital investment (Note 21) | 4.538 | - | - | - | (4.538) |
| Capital expenditure charged against the General Fund (Note 21) | (13.640) | - | - | - | 13.640 |
| Capital Receipts Reserve used to finance new capital spend (Note 21) | - | 12.891 | - | 31.932 | (44.823) |
| Total Adjustments Affecting Capital reserves | (45.189) | 12.891 | - | 2.081 | 30.216 |
| Amounts Affecting the Pension Reserve | | | | | |
| Reversal of Pension items in the Comprehensive Income and Expenditure Statement Note 39) | (16.411) | - | - | - | 16.411 |
| Employer's pension contribution payable in year (Note 39) | 12.512 | - | - | - | (12.512) |
| Amounts Affecting the Collection Fund Adjustments Account | | | | | |
| Difference in Collection Fund income credited to the Comprehensive Income and Expenditure Statement and that under statutory requirements (Note 38) | (8.454) | - | - | - | 8.454 |
| Amounts Affecting the Compensated Absences Adjustment Account | | | | | |

| | | | | | |
|---|-----------------|-----------------|----------|--------------|---------------|
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements | (0.197) | - | - | - | 0.197 |
| Amounts Affecting the DSG Adjustment Account | | | | | |
| Transfer schools deficit to the DSG adjustment account | (7.920) | - | - | - | 7.920 |
| Amounts between Usable Reserves | | | | | |
| Cash proceeds on disposal of Non-Current Assets | 28.544 | (28.544) | - | - | - |
| Total Adjustments for the year ended 31 March 2025 | (37.114) | (15.652) | - | 2.081 | 50.685 |

| 2023/24 | General Fund Balance | Capital Receipts Reserve | Revenue Unapplied | Capital Grants Unapplied | Movement in Unusable Reserves |
|---|----------------------|--------------------------|-------------------|--------------------------|-------------------------------|
| | £m | £m | £m | £m | £m |
| Adjustments Affecting Capital Reserves | | | | | |
| Impairment and depreciation to Property, Plant and Equipment (Note 23) | (19.473) | - | - | - | 19.473 |
| Revaluation Losses on Property, Plant and Equipment (Note 23) | (15.809) | - | - | - | 15.809 |
| Revaluation of Investment Properties and Assets for Sale (Note 26,28) | 0.031 | - | - | - | (0.031) |
| Amortisation of Intangible Assets (Note 27) | (0.186) | - | - | - | 0.186 |
| Total Capital Grants (Note 11) | 44.052 | - | - | (44.052) | - |
| Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure | - | - | - | 26.845 | (26.845) |
| Donated Assets (Note 23 & 25) | 2.700 | - | - | - | (2.700) |
| Revenue Expenditure Funded from Capital Under Statute (REFCUS) – Expenditure | (19.253) | - | - | - | 19.253 |
| Non-current assets written off on disposal or sale (Note 23,25,27,28) | (5.342) | - | - | - | 5.342 |
| Capital loans - principle repaid in year | (0.035) | - | - | - | 0.035 |
| Statutory provision for the financing of capital investment (Note 21) | 3.888 | - | - | - | (3.888) |
| Capital Receipts Reserve used to finance new capital spend (Note 21) | - | 2.399 | - | - | (2.399) |
| Total Adjustments Affecting Capital reserves | (9.427) | 2.399 | - | (17.207) | 24.235 |
| Amounts Affecting the Pension Reserve | | | | | |
| Reversal of Pension items in the Comprehensive Income and Expenditure Statement Note 39) | (12.198) | - | - | - | 12.198 |
| Employer's pension contribution payable in year (Note 39) | 11.751 | - | - | - | (11.751) |
| Amounts Affecting the Collection Fund Adjustments Account | | | | | |
| Difference in Collection Fund income credited to the Comprehensive Income and Expenditure Statement and that under statutory requirements (Note 38) | 3.125 | - | - | - | (3.125) |
| Amounts Affecting the Compensated Absences Adjustment Account | | | | | |

| | | | | | |
|---|-----------------|----------|----------|-----------------|---------------|
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements | 0.552 | - | - | - | (0.552) |
| Amounts Affecting the DSG Adjustment Account | | | | | |
| Transfer schools deficit to the DSG adjustment account | (7.729) | - | - | - | 7.729 |
| Amounts between Usable Reserves | | | | | |
| Cash proceeds on disposal of Non-Current Assets | 2.399 | (2.399) | - | - | - |
| Total Adjustments for the year ended 31 March 2024 | (11.527) | - | - | (17.207) | 28.734 |



Note 7 Earmarked Reserves

| | Balance at 1 April 2023 £m | Transfers Out £m | Transfers In £m | Balance at 1 April 2024 £m | Transfers Out £m | Transfers In £m | Transfers between reserves £m | Balance at 31 March 2025 £m |
|-------------------------------------|-------------------------------------|------------------------|-----------------------|-------------------------------------|------------------------|-----------------------|--|--------------------------------------|
| Schools Balances | (3.641) | (3.540) | 2.581 | (4.600) | 2.674 | (1.125) | - | (3.051) |
| Significant Revenue Reserves | | | | | | | | |
| Invest to Save / Change Programme | (0.756) | (0.730) | 0.450 | (1.036) | 0.017 | (1.730) | (0.017) | (2.766) |
| Revenue Grants Unapplied | (4.876) | (11.124) | 10.591 | (5.409) | 5.533 | (5.525) | - | (5.401) |
| Insurance Fund | (0.028) | (0.067) | 0.095 | - | - | (0.013) | - | (0.013) |
| Public Health Reserve | (0.129) | (1.043) | - | (1.172) | - | (0.514) | - | (1.686) |
| Financial Resilience Reserve | (1.798) | 1.798 | - | - | - | (3.820) | (2.891) | (6.711) |
| Total Significant Reserves | (7.587) | (11.166) | 11.136 | (7.617) | 5.550 | (11.602) | (2.908) | (16.578) |
| Other Revenue Reserves | (2.003) | (0.966) | 2.229 | (0.740) | 11.791 | (13.426) | 0.310 | (2.066) |
| Total Earmarked Reserves | (13.231) | (15.672) | 15.946 | (12.956) | 20.014 | (26.154) | (2.598) | (21.695) |

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

Schools Balances

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



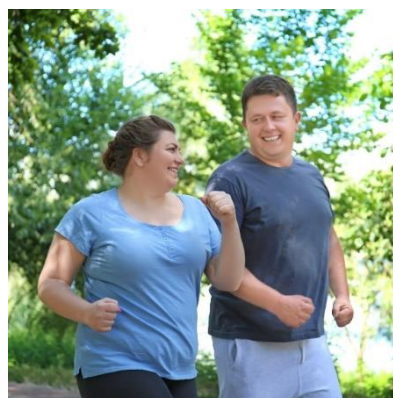
Invest to Save / Change Programme - the reserve has been set up to pay for the one-off costs associated with implementing change within services including the funding of investment to save projects, early retirements / voluntary redundancies and altering the way services are commissioned.

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

Public Health Reserve: The reserve reflects unused public health grants from previous financial years. As the public health grant is restricted to specific purposes, the unused amounts are carried forward for use in future years.

Financial Resilience Reserve: The reserve operates as a budget smoothing mechanism to meet unanticipated financial pressures and in order to strengthen the Council's financial resilience, given the uncertain environment within which the Council is managing its operations and with increasing demand for statutory services

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



Note 8 Expenditure and Funding Analysis

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

| Expenditure and Funding Analysis | | | | | | | | |
|--|--|--|---|--|--|--|--|---|
| 2023/24 | | | | Service Area | 2024/25 | | | |
| Net Expenditure at 31 March as reported to Council (Outturn) | Net Expenditure Chargeable to the General Fund Balance | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement | | Net Expenditure at 31 March as reported to Council (Outturn) | Net Expenditure Chargeable to the General Fund Balance | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| £m | £m | £m | £m | | £m | £m | £m | £m |
| (0.095) | (0.095) | 36.950 | 36.855 | Regeneration | 2.143 | 2.143 | 24.073 | 26.216 |
| (0.944) | (0.944) | 0.813 | (0.131) | Public Health | (0.508) | (0.508) | 2.649 | 2.141 |
| 6.551 | 6.551 | 7.017 | 13.568 | Education and Partnerships | 6.866 | 6.866 | 17.957 | 24.823 |
| 54.950 | 54.950 | 3.063 | 58.013 | Children's Care | 60.085 | 60.085 | 0.577 | 60.662 |
| 51.600 | 51.600 | 2.792 | 54.392 | Adult Social Care and Health Integration | 52.738 | 52.738 | 3.198 | 55.936 |
| 20.503 | 20.503 | 15.715 | 36.218 | Environment and Communities | 20.563 | 20.563 | 16.677 | 37.240 |
| 3.581 | 3.581 | 1.844 | 5.425 | Finance | 3.912 | 3.912 | 4.029 | 7.942 |
| 10.794 | 10.794 | 2.350 | 13.144 | Legal & Governance Services | 10.546 | 10.546 | 3.337 | 13.883 |
| (16.993) | (16.993) | 0.546 | (16.447) | Central Costs | (13.155) | (13.155) | (5.949) | (19.104) |
| 129.947 | 129.947 | 71.090 | 201.037 | Net Cost of Service | 143.190 | 143.190 | 66.548 | 209.739 |
| (126.354) | (126.354) | (61.826) | (188.180) | Other Income and Expenditure | (143.190) | (143.190) | (38.288) | (181.476) |
| 3.593 | 3.593 | 9.264 | 12.857 | Surplus or Deficit on Provision of Services | (0.000) | (0.000) | 28.260 | 28.262 |
| | (12.042) | | | Opening Uncommitted General Fund Balance | | (10.987) | | |
| | (3.593) | | | Surplus or (Deficit) on General Fund Balance in year | | - | | |
| | 4.648 | | | Contribution/(use) in year | | (0.114) | | |
| | (10.987) | | | Closing Uncommitted General Fund Balance | | (11.101) | | |

| Adjustments between Funding and Accounting Basis | | | | |
|---|----------------------------------|---|-------------------|-------------------|
| 2024/25 | | | | |
| Adjustments from General Fund to Comprehensive Income and Expenditure Statement amounts: | Adjustments for Capital Purposes | Net Change for the Pensions Adjustments | Other Differences | Total Adjustments |
| | £m | £m | £m | £m |
| Regeneration | 21.857 | 0.263 | 1.953 | 24.073 |
| Public Health | 3.002 | 0.264 | (0.617) | 2.649 |
| Education & Partnerships | 9.197 | 0.653 | 8.107 | 17.957 |
| Children's Care | 1.153 | 0.685 | (1.261) | 0.577 |
| Adult Social Care and Health Integration | 2.627 | 0.638 | (0.067) | 3.198 |
| Environment and Communities | 13.884 | 0.845 | 1.948 | 16.677 |
| Finance | 1.968 | 0.709 | 1.353 | 4.029 |
| Legal & Governance Services | 2.958 | 0.320 | 0.060 | 3.337 |
| Central Costs | 2.531 | (1.257) | (7.222) | (5.949) |
| Net Cost of Services | 59.176 | 3.119 | 4.254 | 66.548 |
| Other Income and Expenditure from the Expenditure and Funding Analysis | (37.994) | 0.780 | (1.073) | (38.288) |
| Difference between General Fund Surplus/ Deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services | 21.182 | 3.899 | 3.181 | 28.260 |

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

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

| | 2023/24 £m | 2024/25 £m |
|--|------------------|------------------|
| Expenditure | | |
| Employees | 134.267 | 141.313 |
| Other Service Expenditure | 280.248 | 302.166 |
| Depreciation and other Capital Charges | 57.741 | 76.871 |
| Interest Payments | 7.269 | 9.248 |
| Precepts and Levies | 0.180 | 0.192 |
| Total Expenditure | 479.706 | 529.790 |
| Income | | |
| Government Grants and Contributions | (329.709) | (327.218) |
| Income from Council Tax and Non-Domestic Rates | (85.950) | (89.154) |
| Interest and Investment Income | (1.031) | (1.509) |
| Fees, Charges and Other Service Income | (50.159) | (83.647) |
| Total Income | (466.849) | (501.528) |
| Deficit on the Provision of Services | 12.857 | 28.262 |

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

| Analysis of Fees and Charges | 2023/24 £m | 2024/25 £m |
|---|-----------------|-----------------|
| Rent Income | (10.509) | (8.836) |
| Capital Receipts | - | (28.545) |
| Parking | (1.864) | (2.370) |
| Finance and admin charges | (1.215) | (1.458) |
| Education Services to Academies | (5.913) | (6.124) |
| Licensing | (1.044) | (1.185) |
| Highways, Buildings and Streetlight Maintenance | (4.009) | (9.845) |
| Revenues and Benefits | (2.790) | (2.314) |
| Museums and Entertainment Venues | (2.907) | (2.485) |
| Catering | (4.613) | (3.951) |
| Commissioning | (1.252) | (1.662) |
| Bereavement Services | (2.252) | (2.188) |
| Fleet Management | (0.078) | (1.550) |
| Residential Care | (8.761) | (9.161) |
| Other Income | (2.951) | (1.974) |
| Total Fees, Charges and Other Service Income | (50.158) | (83.647) |

Note 9 Other Operating Income and Expenditure

| 2023/24 £m | | 2024/25 £m |
|---------------|--|-----------------|
| 0.180 | Town and Parish Council precepts | 0.192 |
| 2.978 | (Gains) / Losses on the disposal of net current assets | (20.965) |
| 3.158 | Total | (20.774) |

There has been a significant change in the total gains on disposal of non-current assets due to the council's asset rationalization program, which is part of the Council's transformation plans.

Note 10 Financing and Investment Activities

| 2023/24 £m | Financing & Investment Income | 2024/25 £m |
|----------------|--|---------------|
| 7.269 | Interest payable and similar charges | 9.248 |
| 11.788 | Trading Activities Expenditure (Note 16) | 12.275 |
| (0.031) | Charges in relation to Investment property and changes in their fair value (Note 26) | 17.576 |
| (4.974) | Net Pension Interest Costs (Note 39) | 0.780 |
| (1.031) | Interest receivable and similar income | (1.509) |
| (15.810) | Trading Activities Income (Note 16) | (15.214) |
| (2.789) | Total | 23.156 |

The large year on year change on investment properties relates to the disposal of a major investment property by the Council during the financial year.

Note 11 Taxation and Non-Specific Grant Income

| 2023/24 £m | | 2024/25 £m |
|------------------|---|------------------|
| (68.746) | Council Tax Income | (72.528) |
| (17.203) | Business rates Income | (16.625) |
| (55.849) | Non-Ring-fenced Government Grant (Note 12) | (60.102) |
| (2.700) | Value of Donated Property, Plant & Equipment Assets (Note 23) | (4.753) |
| (44.052) | Capital Grants / Contributions (Note 12) | (29.851) |
| (188.550) | Total | (183.859) |

Note 12 Grant Income

The following grants, contributions and donations were credited to the Comprehensive Income and Expenditure Statement in 2024-25.

| 31 March 2024 £m | | 31 March 2025 £m |
|------------------------|--|------------------------|
| (14.182) | Revenue Support | (15.122) |
| (29.347) | Business Rates Top-up | (30.461) |
| (1.102) | New Homes Bonus | (0.499) |
| (11.218) | Business Rates Section 31 | (13.903) |
| | Enterprise Zone Funding | (0.117) |
| (55.849) | Total Taxation and Non-Specific Grant Income (Note 11) | (60.102) |
| | Department for Education (DfE) | |
| (59.343) | Dedicated Schools Grant | (63.520) |
| (3.966) | Pupil Premium | (2.484) |
| (0.321) | Skills Funding Agency | (0.244) |
| (0.189) | Universal Infant Free School Meals | - |
| (0.234) | PE & Sport | (0.216) |
| (15.718) | Other DfE grants | (16.436) |
| | Ministry of Housing, Communities and Local Government (MHCLG) | |

| | | |
|------------------|---|------------------|
| - | Independent Living | |
| (18.766) | Adult Social Care Grant | (22.518) |
| (7.925) | Improved Better Care Fund | (8.646) |
| (1.202) | Troubled Families | (1.210) |
| (7.138) | Other DLUHC grants | (6.343) |
| | Home Office | |
| (0.288) | Youth Justice Good Practice Grant | (0.123) |
| (3.126) | Other Home Office | (3.728) |
| (0.161) | Department for Business, Energy and Industrial Strategy (BEIS) | |
| | BEIS grants | - |
| (0.697) | Department for Digital, Culture, Media and Sport (DCMS) | |
| | DCMS grants | (0.577) |
| | Department for Work and Pensions (DWP) | |
| (42.563) | Housing Benefit Subsidy | (40.813) |
| (0.594) | Housing Benefit Admin | (0.574) |
| (4.318) | Other DWP Grants | (4.203) |
| | Department of Health and Social Care (DHSC) | |
| (18.860) | Public Health | (19.472) |
| (3.159) | Other DHSC grants | (3.980) |
| (0.049) | Department for Environment, Food and Rural Affairs (DEFRA) | |
| | DEFRA grants | (0.030) |
| (0.175) | Department for Transport (DfT) | |
| | DfT grants | (0.073) |
| | Cabinet Office | |
| (0.042) | Elections | (0.517) |
| (0.698) | Other Grants | (0.637) |
| (189.532) | Total Revenue Grants Credited to Services | (196.344) |

| 31 March 2024 £m | | 31 March 2025 £m |
|---------------------|---|---------------------|
| | Other Contributions | |
| (0.132) | Tees, Esk and Wear Valleys NHS Foundation Trust | (0.136) |
| (0.211) | South Tees Hospitals NHS Foundation Trust | (0.187) |
| | NHS Humberside & North Yorkshire ICB | (1.146) |
| (32.259) | NHS North East & North Cumbria ICB | (34.175) |
| (2.172) | Redcar and Cleveland Borough Council | (1.107) |
| (1.404) | Stockton-on-Tees Borough Council | (0.611) |
| (0.554) | Hartlepool Borough Council | (0.443) |
| (0.119) | Darlington Borough Council | (0.077) |
| (2.365) | Tees Valley Combined Authority | (2.169) |
| (0.312) | Police and Crime Commissioner | (0.132) |
| (0.749) | Other Contributions | (0.739) |
| (40.277) | Total Revenue Contributions Credited to Services | (40.921) |
| (285.657) | TOTAL REVENUE GRANTS AND CONTRIBUTIONS | (297.367) |

| 2023/24 £m | | 2024/25 £m |
|---------------|--|---------------|
| | Department for Education (DfE) | |
| (0.635) | School Condition Allocation | (0.494) |
| (2.748) | Other DfE grants | (0.511) |
| | Ministry of Housing, Communities and Local Government (MHCLG) | |
| (2.466) | Disabled Facility | (2.814) |

| | | |
|------------------|--|------------------|
| (4.979) | Future High Streets | |
| (10.942) | Towns Fund | |
| (9.900) | Other DLUHC grants | (11.349) |
| | Department of Health and Social Care (DHSC) | |
| (0.084) | Other DHSC grants | (0.130) |
| | Department for Transport (DfT) | |
| (3.858) | Local transport Plan | (3.687) |
| | Tees Valley Combined Authority | |
| (3.692) | Other TVCA Grants | (2.744) |
| (1.434) | Other Grants | (4.192) |
| | Other Contributions | |
| (3.129) | Housing Development | (2.307) |
| (0.185) | Other Contributions | (1.623) |
| (44.052) | Total Capital Grants | (29.851) |
| (329.709) | TOTAL GRANTS 2024/25 | (327.218) |

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

| 31 March 2024 | | 31 March 2025 |
|----------------------|--|----------------------|
| £m | | £m |
| (0.037) | Youth Music | - |
| - | Energy Bill Support Scheme (BEIS) | (0.190) |
| (0.182) | Headstart Project | - |
| (0.302) | Health Inequalities Funding | - |
| (0.235) | Rough Sleeper Program | (0.223) |
| - | NE regional Gambling Fund | (0.107) |
| - | Hong Kong Welcome Grant | (0.385) |
| (0.095) | Turnaround Program Grant | - |
| (0.094) | ACE Cultural Development Fund | - |
| - | Adult Social Care Assessments | - |
| - | Adult Social Care Discharge Fund | (1.390) |
| - | Housing Support Grant | (0.138) |
| (0.106) | Other Revenue Receipts | (0.245) |
| (1.051) | TOTAL REVENUE RECEIPTS IN ADVANCE | (2.679) |

| 31 March 2024 | | 31 March 2025 |
|----------------------|--|----------------------|
| £m | | £m |
| - | TVCA Capital Funding | (0.330) |
| - | Other Capital receipts | (0.003) |
| - | TOTAL CAPITAL RECEIPTS IN ADVANCE | (0.333) |
| | Short Term - Less than 1 year | (0.333) |
| | Long Term - more than 1 year | |
| - | TOTAL CAPITAL RECEIPTS IN ADVANCE | (0.333) |

Note 13 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring fenced and can only be applied to meet expenditure properly included in the schools Budget, as defined in The School and Early Years Finance (England) Regulations 2024. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school.

Details of DSG funded expenditure for 2024/25 is set out below:

| | Central Expenditure £m | Individual Schools Budget £m | Total £m |
|---|------------------------------|---------------------------------------|-----------------|
| Final DSG for 2024/25 before Academy recoupment | | | 198.031 |
| Academy figure recouped for 2024/25 | | | 134.313 |
| Total DSG after Academy recoupment for 2024/25 | | | 63.719 |
| Plus: Brought forward from 2023/24 | | | - |
| Less: Carry Forward to 2025/26 agreed in advance | | | - |
| Agreed initial budgeted distribution for 2024/25 | 24.720 | 38.999 | 63.719 |
| In year adjustments | - | - | - |
| Final budgeted distribution for 2024/25 | 24.720 | 38.999 | 63.719 |
| Less: Actual central expenditure | (28.784) | | (28.784) |
| Less: Actual ISB deployed to schools | | (42.855) | (42.855) |
| Plus: Local Authority contributions for 2024/25 | - | - | - |
| In year carried forward for 2024/25 | (4.064) | (3.856) | (7.920) |
| Plus: Carry-forward to 2025/26 agreed in advance | | | - |
| Carry-forward to 2025/26 | | | - |
| DSG unusable reserve at the end of 2023/24 | | | (14.294) |
| Addition to DSG unusable reserve at the end of 2024/25 | | | (7.920) |
| Total of DSG unusable reserve at the end of 2024/25 | | | (22.214) |
| Net DSG position at the end of 2024/25 | | | (22.214) |

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



Note 14 Officers' Remuneration

Senior Employees' Remuneration

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

| 2024/25 | Salary (including fees and allowances) £ | Pension contributions paid for by the Council £ | Payment for loss of office £ | Total including pensions contribution £ |
|---|---|--|---|--|
| Chief Executive (1) | 56,865 | 6,824 | - | 63,689 |
| Director of Finance and Transformation (2) | 28,994 | 3,479 | - | 32,474 |
| Director Adult Social Care and Health Integration (3) | 76,352 | 9,162 | - | 85,514 |
| Director of Children's Care | 100,230 | 12,028 | - | 112,258 |
| Director of Environment and Community Services | 103,849 | 12,462 | - | 116,311 |
| Director of Regeneration | 103,849 | 12,462 | - | 116,311 |
| Executive Director of Children's Services | 135,281 | 16,234 | - | 151,515 |
| Director of Legal and Governance Services – Monitoring Officer | 115,978 | 13,917 | - | 129,895 |
| Director of Education and Partnerships | 103,849 | 12,462 | - | 116,311 |

1. Interim Chief Executive cost of service paid via consultancy (CIPFA) £200,150 Left November 2024
2. Interim Director of Finance paid via agency (Allen Lane) £167,050 until December 2024
3. Director of Adult Social Care post covered by Head of Commissioning and Procurement from December 2024

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

Other Employees' Remuneration

The number of employees (including teaching staff) whose gross remuneration, including benefits, expense allowances, redundancy and other severance payments, exceeding £50,000 is shown below in bands of £5,000. Those officers already shown in the Senior Officers note above are already disclosed and therefore not included in the table below:

** This post is the Senior Coroner, who is appointed by, and the salary is set by central Government. This is a joint arrangement and therefore funded by the four local authorities.*

Remuneration is all amounts receivable by an employee, including expenses and allowances chargeable to tax and the estimated money value of any other benefits received excluding pension contributions.

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

| 2023/24 | | | Remuneration | 2024/25 | | |
|---------------------------------|---------|-------|-----------------------|---------------------------------|---------|-------|
| Number of Employees at 31 March | | | | Number of Employees at 31 March | | |
| MBC | Schools | Total | | MBC | Schools | Total |
| 120 | 18 | 138 | £50,000 - £54,999 | 124 | 33 | 157 |
| 46 | 14 | 60 | £55,000 - £59,999 | 67 | 9 | 76 |
| 17 | 4 | 21 | £60,000 - £64,999 | 30 | 11 | 41 |
| 16 | 5 | 21 | £65,000 - £69,999 | 10 | 4 | 14 |
| 6 | 2 | 8 | £70,000 - £74,999 | 8 | 5 | 13 |
| 7 | 3 | 10 | £75,000 - £79,999 | 7 | 2 | 9 |
| 2 | 2 | 4 | £80,000 - £84,999 | 4 | 4 | 8 |
| - | 2 | 2 | £85,000 - £89,999 | 2 | 1 | 3 |
| - | 1 | 1 | £90,000 - £94,999 | - | - | - |
| - | 2 | 2 | £95,000 - £99,999 | - | 2 | 2 |
| - | - | - | £100,000 - £104,999 | 1 | 1 | 2 |
| - | - | - | £105,000 - £109,999 | 1 | 2 | 3 |
| - | - | - | £110,000 - £114,999 | - | - | - |
| 1 | - | 1 | £115,000 - £119,999 | - | - | - |
| - | - | - | £120,000 - £124,999 | - | - | - |
| - | - | - | £125,000 - £129,999 | - | - | - |
| - | - | - | £130,000 - £134,999 | - | - | - |
| - | - | - | £135,000 - £139,999 * | - | - | - |
| - | - | - | £140,000 - £144,999 | - | - | - |
| 1 | - | 1 | £145,000 - £149,999 * | 1 | - | 1 |
| - | - | - | £150,000 - £154,999 | - | - | - |
| - | - | - | £155,000 - £159,999 | - | - | - |
| - | - | - | £160,000 - £164,999 | - | - | - |
| - | - | - | £165,000 - £169,999 | - | - | - |
| - | - | - | £170,000 - £174,999 | - | - | - |
| 216 | 53 | 269 | Total | 255 | 74 | 329 |

Exit Packages

Details of exit packages are set out in the tables below in bands of £20,000 for amounts up to £100,000 and bands of £50,000 thereafter:

| Exit package cost band (including special payments) | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band | | Total cost of exit packages in each band | |
|--|-----------------------------------|-----------|-----------------------------------|------------|--|------------|--|---------------|
| | 2023/24 | 2024/25 | 2023/24 | 2024/25 | 2023/24 | 2024/25 | 2023/24 £m | 2024/25 £m |
| £0 – £20,000 | - | 8 | 55 | 107 | 55 | 115 | 0.135 | 0.216 |
| £20,001 – £40,000 | - | 2 | 2 | - | 2 | 2 | 0.067 | 0.044 |
| £40,001 – £60,000 | - | 1 | 1 | - | 1 | 1 | 0.055 | 0.043 |
| £60,001 – £80,000 | - | 2 | - | - | - | 2 | - | 0.123 |
| £80,001 – £100,000 | 1 | - | - | - | 1 | - | 0.098 | - |
| £100,000 – £150,000 | 1 | - | - | 1 | 1 | 1 | 0.120 | 0.126 |
| Over £150,001 | - | 2 | - | - | - | 2 | - | 0.459 |
| | | | - | | - | - | | |
| Total | 2 | 15 | 58 | 108 | 60 | 123 | 0.475 | 1.013 |

Note 15 Members' Allowances and Expenses

| 2023/24 £m | | 2024/25 £m |
|---------------|--|---------------|
| 0.351 | Basic Allowance Paid | 0.350 |
| 0.195 | Special Responsibility Allowances Paid | 0.190 |
| 0.004 | Expenses | 0.003 |
| 0.550 | Total | 0.544 |

Note 16 Trading Operations

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

| 2023/24 | | | | 2024/25 | | |
|-----------------|---------------|------------------------|---|-----------------|---------------|------------------------|
| Income | Expenditure | (Surplus) / Deficit | | Income | Expenditure | (Surplus) / Deficit |
| £m | £m | £m | | £m | £m | £m |
| (8.111) | 4.174 | (3.937) | Commercial and Industrial Properties | (7.405) | 4.975 | (2.429) |
| (2.139) | 2.379 | 0.240 | Building Maintenance, Cleaning and Security | (1.999) | 2.007 | 0.007 |
| (0.886) | 0.692 | (0.194) | Parking services (part of ringfenced account) | (1.135) | 0.724 | (0.411) |
| (4.674) | 4.543 | (0.131) | Schools Catering | (4.674) | 4.569 | (0.105) |
| (15.810) | 11.788 | (4.022) | Total | (15.214) | 12.275 | (2.938) |

Note 17 Audit Fees

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

| 2023/24 £m | | 2024/25 £m |
|---------------|---|---------------|
| 0.425 | Fees payable to the auditor EY, regarding their services carried out as appointed Auditor for 2021/-22 and 2022/-23 | 0.073 |
| 0.030 | Fees Payable to the Auditor, EY for the certification of Grant Claims and Returns | (0.005) |
| - | Fees payable to the auditor Forvis Mazars for 2023/24 audit | 0.191 |
| - | Fees payable to the auditor Forvis Mazars for the certification of Grant Claims and Returns | 0.020 |
| - | Income from central government due to the review of local audit | (0.045) |
| 0.455 | Total | 0.234 |

Note 18 Related Parties

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

Central Government

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from Government Departments are set out in Note 12. Debtor and Creditor balances for Central Government bodies are shown in Notes 31 and 33.

Senior Officers and Members

The Council's Senior Managers and Elected Members and their close relations may influence the Council's financial and operating policies. Using the Council's Register of Members' Declarations of Interest and a separate survey of both Members and Senior Officers, the following disclosures meet the criteria for related party transactions on behalf of the Council.

Teesside Pension Fund

Details of all transactions with the Pension Fund are shown in the Teesside Pension Fund section of the Statement of Accounts. Specifically, the Council made contribution payments as an employer of £16.760m (2023-24 - £14.174m) and made charges to the Fund for Support Services of £0.770m (2023-24 - £0.762m). A number of elected members and senior officers sit on the management committees or boards of local organisations. The significant transactions that the Council had with these organisations are listed below:

| Related Parties Year Ended 2024/25 | | | | |
|--|------------------------|-------------------|----------------------------------|--------------------------------|
| Organisation | Expenditure in year | Income in year | Year End Creditor Balances | Year End Debtor Balances |
| | £m | £m | £m | £m |
| Cleveland Combined Fire Authority | 4.002 | - | - | - |
| Cleveland Police and Crime Panel | 0.037 | (0.013) | 0.002 | (0.013) |
| Community Ventures (Middlesbrough) Ltd | 0.124 | 0.004 | 0.002 | 0.004 |
| Groundwork North East Tees Valley Advisory Board | 0.063 | 0.000 | - | - |
| Local Government Association | 0.036 | - | - | - |
| Middlesbrough Citizens Advice Bureau - Management Committee | 0.277 | - | - | - |
| Middlesbrough Environment City Trust Limited | 0.180 | 0.003 | - | 0.003 |
| Middlesbrough Voluntary Development Agency | 0.741 | - | 0.022 | - |
| North East Regional Employers' Organisation (NEREO) | 0.054 | - | 0.004 | - |
| South Tees Hospitals NHS Foundation Trust Council of Governors | 1.062 | (0.030) | 0.067 | (0.030) |
| Teesside Ability Support Centre (TASC) | 0.695 | - | - | - |
| Veritau | 0.270 | - | 0.007 | - |
| TOTAL | 7.538 | (0.037) | 0.104 | (0.037) |

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

Note 19 Pooled Budgets

A pooled budget (or fund) is an arrangement where two or more partners make financial contributions to a single fund to achieve specified and mutually agreed aims. It is a single budget, managed by a single host with a formal partnership or joint funding agreement that sets out aims, accountabilities and responsibilities. Middlesbrough Council has two Pooled Budgets, the Better Care Fund and Tees Community Equipment Service.

As host to the Better Care Fund and the Tees Community Equipment Service, the Council is required to include a memorandum account for both pooled budgets in its accounts. Only Middlesbrough's share of the pooled budget's expenditure and income is included in the Comprehensive Income and Expenditure Statement.

Better Care Fund

The Better Care Fund (BCF) has been established by the Government to provide funds to local areas to support the introduction of a fully integrated health and social care system. It is a requirement of the BCF that the Clinical Commissioning Group (CCG) and the Council establish a pooled fund for this purpose.

Section 75 of the National Health Service Act 2006 gives powers to local authorities and CCGs to establish and maintain pooled funds to support the outcomes of the BCF.

The Council has entered a pooled budget arrangement with NHS Tees Valley Clinical Commissioning Group (TVCCG) for the provision of health and social care services to meet the needs of the population of Middlesbrough. The services being commissioned or provided by the Council or TVCCG depend upon the needs of the service recipient. The Council and TVCCG have an ongoing Section 75 agreement in place for funding these services and this is reviewed annually. The Council is the host for this pooled budget and each partner's contribution is set out in the Better Care Fund Section 75 agreement.

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

- Improve the quality and efficiency of the services and in particular reduce the number of non-elective admissions to acute hospitals.
- Meet the national conditions and local objectives of the Government's Better Care Fund; and

- Make more effective use of available resources through the establishment and maintenance of a pooled fund for revenue and capital expenditure on the services.

| 2023/24 | | | | 2024/25 | | |
|------------------------|----------------------|------------------|---|------------------------|----------------------|------------------|
| Better Care Fund £m | Discharge Fund £m | Total Pool £m | | Better Care Fund £m | Discharge Fund £m | Total Pool £m |
| (0.896) | (0.174) | (1.070) | Balance Brought Forward | 0.587 | - | 0.587 |
| | | | Funding Provided to the Pooled Budget | | | |
| (2.766) | (1.212) | (3.978) | The Authority | (3.114) | (2.020) | (5.134) |
| (8.646) | - | (8.646) | IBCF | (8.646) | - | (8.646) |
| (14.209) | (0.780) | (14.989) | Tees Valley CCG | (15.013) | (1.557) | (16.570) |
| (25.621) | (1.992) | (27.613) | | (26.773) | (3.577) | (30.350) |
| | | | Expenditure Met from the Pooled Budget | | | |
| 14.332 | 1.386 | 15.718 | The Authority | 13.956 | 2.020 | 15.976 |
| 8.646 | - | 8.646 | IBCF | 8.646 | - | 8.646 |
| 3.604 | 0.780 | 4.384 | Tees Valley CCG | 3.771 | 1.557 | 5.328 |
| 26.582 | 2.166 | 28.748 | | 26.373 | 3.577 | 29.950 |
| 0.522 | - | 0.522 | Capital Amounts slipped into 20225/26 | 0.710 | - | 0.710 |
| 0.587 | - | 0.587 | Net surplus arising on the pooled budget to be carried forward | 0.897 | - | 0.897 |

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

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

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

| The outturn position for the year is: | 2023/24 | 2024/25 |
|--|----------------|----------------|
| | £m | £m |
| Balance Brought Forward | (0.552) | (0.358) |
| Gross Expenditure | 2.728 | 2.231 |
| Gross Income | (2.534) | (2.689) |
| Balance Carried Forward | (0.358) | (0.815) |
| Contributions from partners | | |
| Middlesbrough Council | (0.222) | (0.232) |
| Redcar & Cleveland Borough Council | (0.192) | (0.209) |
| Stockton Council | (0.257) | (0.277) |
| Hartlepool Council | (0.123) | (0.137) |
| NHS NE & NC ICB | (1.328) | (1.377) |
| | (2.123) | (2.231) |
| Other Income | (0.411) | (0.458) |
| | (2.534) | (2.689) |

Notes Supporting the Balance Sheet

Note 20 Capital Expenditure and Capital Financing

The total amount of capital expenditure in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

| 2023/24 £m | | 2024/25 £m |
|----------------|---|-----------------|
| 284.748 | Opening Capital Financing requirement | 299.330 |
| | Capital investment | |
| 27.633 | Property, Plant and Equipment (Note 23) | 28.322 |
| 1.019 | Heritage (Note 25) | 0.092 |
| 1.268 | Intangible Assets (Note 27) | 2.769 |
| | Assets Held for Sale | 0.027 |
| 1.090 | Investment Properties (Note 26) | 5.349 |
| 0.150 | Long Term Debtors | - |
| 19.253 | Revenue Expenditure Funded from Capital Under Statute - Expenditure | 27.625 |
| | Sources of finance | |
| (2.399) | Capital Receipts | (12.891) |
| (29.544) | Government Grants and other contributions applied in the year | (36.684) |
| | Other adjustments | |
| | Repayment of Capital Loans | (9.362) |
| | Sums set aside from revenue | |
| (3.888) | Minimum Revenue Provision | (4.537) |
| 299.330 | Closing Capital Financing Requirement | 300.041 |
| | Explanation of movements in year | |
| 18.469 | Increase in underlying need to borrowing | 5.248 |
| (3.888) | Minimum Revenue Provision | (4.537) |
| 14.581 | Increase in Capital Financing Requirement | 0.711 |

Note 21 Capital Commitments

The Council spend in 2024/25 was £57.164 million with a further £160.799 million planned for 2025/26, 2026/27 and 2027/28. Contracts for material capital spend already in place over £0.250 million in 2024/25 are shown below. This does not include works contracted prior to 2024/25.

| Project | 2025/26 Approved Budget £m |
|------------------------|----------------------------------|
| Cleveland Centre | 341.750 |
| Captain Cook Square | 441.000 |
| MIMA | 689.000 |
| Park End Family Hub | 464.000 |
| Cultural Accommodation | 1,000.000 |
| Central Library | 468.000 |
| Station Street | 884.000 |
| Total | 4,287.750 |

Note 22 Property, Plant and Equipment (PPE)

The definition of property, plant and equipment covers all assets with physical substance that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period. Service potential is of primary interest when managing public sector assets because the purpose of acquiring and holding assets within the public sector is to enable the delivery of services. The following tables present the accounting entries that impact on the value of PPE. Right of Use (ROU) assets are included as part of the transition to IFRS 16 for which the corresponding lease liability is outlined in Note 40 Leases and Note 28 Other Long-Term Liabilities.

| 2024/25 | Other Land and Buildings £m | Surplus Assets £m | Vehicles, Plant, Furniture and Equipment £m | Community Assets £m | Assets Under Construction £m | Total £m |
|---|--------------------------------|----------------------|--|------------------------|---------------------------------|-----------------|
| <i>Cost of valuation</i> | | | | | | |
| Balance at 1 April 2024 | 228.855 | 38.674 | 38.596 | 8.574 | 5.596 | 320.294 |
| Additions | 11.021 | 0.518 | 5.094 | 0.013 | 0.650 | 17.296 |
| Donations | 0.068 | - | - | - | - | 0.068 |
| Revaluation increases/(decreases) to Revaluation Reserve | (0.097) | 0.129 | - | - | - | 0.032 |
| Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services | (11.587) | (1.814) | - | - | - | (13.402) |
| Derecognition - Disposals | (0.037) | (7.262) | (4.183) | - | - | (11.483) |
| Assets reclassified (to)/from Held for Sale | (0.355) | - | - | - | - | (0.355) |
| Assets reclassified (to)/from Assets - other categories | (5.112) | 5.112 | - | - | - | - |
| Balance at 31 March 2025 | 222.755 | 35.356 | 39.506 | 8.587 | 6.245 | 312.450 |

| 2024/25 | Other Land and Buildings £m | Surplus Assets £m | Vehicles, Plant, Furniture and Equipment £m | Community Assets £m | Assets Under Construction £m | Total £m |
|---|--------------------------------|----------------------|--|------------------------|---------------------------------|-----------------|
| <i>Accumulated Depreciation and Impairment</i> | | | | | | |
| Balance at 1 April 2024 | (3.938) | (0.092) | (27.588) | - | - | (31.618) |
| Depreciation charge | (7.210) | (0.082) | (2.434) | - | - | (9.726) |
| Revaluation depreciation written out to Revaluation Reserve | 4.310 | 0.035 | - | - | - | 4.346 |
| Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services. | - | - | - | - | - | - |
| Impairment (losses)/reversals written out to the Revaluation Reserve | - | - | - | - | - | - |
| Revaluation depreciation written out to Provision of Services | 2.116 | 0.041 | - | - | - | 2.157 |
| Derecognition - Disposals | - | - | 4.157 | - | - | 4.157 |
| Assets reclassified (to)/from Assets Held for Sale | 0.038 | - | - | - | - | 0.038 |
| Assets reclassified (to)/from other categories | - | - | - | - | - | - |
| Balance at 31 March 2025 | (4.685) | (0.098) | (25.865) | - | - | (30.647) |
| Net Book Value at 31 March 2025 | 218.070 | 35.258 | 13.642 | 8.587 | 6.245 | 281.803 |



Highways Infrastructure Assets

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

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

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

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

| Infrastructure Assets | 2023/24 £m | 2024/25 £m |
|--------------------------------|----------------|----------------|
| Net book Value At 1 April | 136.438 | 139.111 |
| Additions | 10.618 | 9.433 |
| Donated Assets | 0.840 | 1.524 |
| Derecognition | - | - |
| Depreciation | (8.779) | (9.809) |
| Impairment | - | - |
| Other Movements in Cost | (0.006) | - |
| Net Book Value 31 March | 139.111 | 140.260 |

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

| | 2023/24 £m | 2024/25 £m |
|--------------------------------|----------------|----------------|
| Other PPE Assets | 288.676 | 281.803 |
| Infrastructure Assets | 139.111 | 140.260 |
| Net Book Value 31 March | 427.787 | 422.063 |

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

| 2023/24 | Other Land and Buildings £m | Surplus Assets £m | Vehicles, Plant, Furniture and Equipment £m | Community Assets £m | Assets Under Construction £m | Total £m |
|---|--|------------------------------|--|--------------------------------|---|---------------------|
| <i>Accumulated Depreciation and Impairment</i> | | | | | | |
| Balance at 1 April 2023 | (3.808) | (0.071) | (24.214) | - | - | (28.093) |
| Depreciation charge | (6.447) | (0.119) | (4.127) | - | - | (10.693) |
| Revaluation depreciation written out to Revaluation Reserve | 4.327 | 0.020 | - | - | - | 4.346 |
| Revaluation depreciation written out to Provision of Services | 1.593 | 0.072 | - | - | - | 1.664 |
| Derecognition - Disposals | 0.154 | 0.007 | 0.753 | - | - | 0.913 |
| Assets reclassified (to)/from Assets Held for Sale | 0.304 | - | - | - | - | 0.304 |
| Assets reclassified (to)/from other categories | (0.060) | - | - | - | - | (0.060) |
| Balance at 31 March 2024 | (3.938) | (0.092) | (27.588) | - | - | (31.618) |
| Net Book Value at 31 March 2024 | 224.917 | 38.581 | 11.008 | 8.574 | 5.596 | 288.675 |

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

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

| | 2022/23 £m | 2023/24 £m |
|--------------------------------|----------------|----------------|
| Other PPE Assets | 332.521 | 288.676 |
| Infrastructure Assets | 136.438 | 139.111 |
| Net Book Value 31 March | 468.959 | 427.787 |

Fair Value Hierarchy

All the Council's Surplus Assets have been assessed as level 3 for valuation purposes. These assets fall within the Council's 5-year property revaluation programme.. £27.973m of the total £35.258m have been revalued during 2024/25. The remaining £7.285m were revalued in prior years.

Valuation Techniques Used to Determine Level 3 Fair Values for Surplus Assets

The Council's Surplus Assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements and there is no reasonably available information that indicates that market participants would use different assumptions.

Highest and Best Use of Surplus Assets

In estimating the fair value of the Council's surplus assets, the highest and best use of the assets are considered.

Leisure Assets

Also included in the land and buildings totals are several leisure properties, which from 1 April 2016 were transferred to Sport & Leisure Management (SLM) under a Service Concession Arrangement. Under this arrangement, vehicles, plant and furniture and equipment transferred to SLM and were removed from the Council's balance sheet. Land and buildings remain on the balance sheet at their current value. Details of the value of land and building assets as at 31 March 2025 are included in the table below. All properties were last revalued in 2021/22 and will next be revalued in 2026/27..

| Leisure Assets | Net Book Value at 31 March 2025 £m |
|--------------------------------------|---|
| The Manor Youth and Community Centre | 0.252 |
| Neptune Centre | 8.494 |
| Rainbow Centre | 9.152 |
| Middlesbrough Sports Village | 15.938 |
| Total | 33.835 |

Note 23 Revaluations and Impairments of Property, Plant and Equipment (PPE)

The Council maintains a revaluation rolling programme which ensures that all Property, Plant and Equipment required to be measured at fair value are revalued at least every five years. All valuations were carried out by Align Property Partners, the Council's strategic partner. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The effective date of revaluation for most of the assets revalued during 2024/25 is 1 April 2024. The Council confirms, via discussion with its external valuers, that this valuation basis remains reasonable and that these values are appropriate for use as at 31 March 2025. The significant assumptions applied in estimating fair values at this date are:

- The estimated amount for which a property should exchange on the date of valuation and
- The transaction is at arm's length via willing parties acting knowledgeably and prudently.

Revaluation Analysis

The table below shows the value of assets that have been revalued during 2024/25 and the value of assets that have been revalued over the last four years. The table also identifies the value of assets held at historical cost and at fair value.

| | Other land and Buildings £m | Surplus land and buildings £m | Vehicles, Plant & Equipment £m | Infrastructure Assets £m | Community Assets £m | Assets under Construction £m | Total PPE £m |
|--------------------------------|--------------------------------------|--|---|--------------------------------|---------------------------|---------------------------------------|-----------------|
| Carried at historical cost | 8.217 | - | 13.642 | 140.260 | 8.587 | 6.245 | 176.951 |
| Valued at current value as at: | | | | | | | |
| 31 March 2025 | 50.499 | 27.974 | - | - | - | - | 78.473 |
| 31 March 2024 | 44.101 | 3.249 | - | - | - | - | 47.350 |
| 31 March 2023 | 37.236 | 3.274 | - | - | - | - | 40.510 |
| 31 March 2022 | 56.630 | 0.760 | - | - | - | - | 57.390 |
| 31 March 2021 | 20.839 | - | - | - | - | - | 20.839 |
| Total Cost or Valuation | 217.521 | 35.257 | 13.642 | 140.260 | 8.587 | 6.245 | 421.511 |

Larger assets which are carried at Historical Cost include the Resource Centre which will be revalued in 2025-26 and Middlehaven Land which is being reviewed in 2025-26 in preparation for revaluation following a transfer from Homes England.

| Asset | £m |
|------------------------------------|-------|
| Middlehaven Land | 6.209 |
| The Resource Centre, North Ormesby | 1.657 |

Impairment and Revaluation Losses

The Code requires disclosure by class of assets of the amounts for impairment and Revaluation losses and reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure.

These disclosures are consolidated in Notes [23](#) reconciling the movement over the year in Property, Plant and Equipment balances.

During 2024/25 the main increases/decreases following revaluation were:

- Captain Cook Square - Downward revaluation of £3.2m
- BOHO10 - Upward revaluation of £1.018m
- Cleveland Centre - Downward revaluation of £5.4m
- Dorman Museum - Downward revaluation of £1.9m
- Hemlington South - Upward revaluation of £1.7m
- Newham Hall - Downward revaluation of £1.9m

Note 24 Heritage Assets

Heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical, or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

The collections are managed by Museum curators in accordance with policies as detailed in the Museum's Collection Management Plan.

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

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

| | Ceramic | Art | Natural World | Other Cultural Interests | Total |
|--|--------------|---------------|---------------|--------------------------|---------------|
| | £m | £m | £m | £m | £m |
| Balance at 1 April 2023 | 3.363 | 12.385 | 9.012 | 7.766 | 32.526 |
| Additions: | | | | | |
| Donated | - | 0.328 | - | 0.690 | 1.018 |
| Transfers: | | | | | |
| Balance at 31 March 2024 | 3.363 | 12.713 | 9.012 | 8.456 | 33.544 |
| Balance at 1 April 2024 | 3.363 | 12.713 | 9.012 | 8.456 | 33.544 |
| Additions: | - | - | - | - | - |
| Purchases | - | - | - | - | - |
| Donated | - | - | - | 0.092 | 0.092 |
| Disposals | - | - | - | - | - |
| Net gains/(losses) from fair value adjustments | - | - | - | - | - |
| Transfers | | | | | |
| (To)/From Other asset classes | - | - | - | - | - |
| Other Changes | - | - | - | - | - |
| Balance at 31 March 2025 | 3.363 | 12.713 | 9.012 | 8.548 | 33.636 |

Valuation Methods

These assets are valued on an historical cost basis.

Museums' Collections

Ceramics, Porcelains and Figurines

The Council's British Ceramic Art collection is a growing collection and currently contains around 250 items.

Fine Art Collection

The Fine Art collection includes over 1,000 works drawn together from the Middlesbrough Art Gallery and Cleveland Gallery.

The Natural World Collection

The extensive natural science collections number approximately 250,000 specimens covering geology, vertebrate zoology, invertebrate zoology, and botany.

Other Heritage Assets

Other Cultural Interests

Items classified under this heading include the Bottle of Notes, statues and memorials including the Brian Clough statue, the William Kelly book collection and various medals and memorabilia at the Captain Cook Museum.

Note 25 Investment Properties

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

| 2023/24 £m | | 2024/25 £m |
|---------------|--|---------------|
| 31.116 | Balance at start of year | 31.462 |
| | Additions | |
| 1.090 | Purchases | 0.018 |
| - | Donated | 5.331 |
| 0.031 | Disposals | (13.640) |
| - | Net gains/(losses) from fair value adjustments | (5.496) |
| | Transfers | |
| (0.775) | (To)/From Property, Plant and Equipment | - |
| 31.462 | Balance at end of year | 17.676 |

There are currently 14 assets in total under this classification, which have all been revalued during the 2024/25 financial year due to them being held at fair/market value.

Fair Value Hierarchy

All the Council's investment portfolio has been assessed as level 3 for valuation purposes.

Valuation Techniques Used to Determine Level 3 Fair Values for Investment Properties

The Council's Investment assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements and there is no reasonably available information that indicates that market participants would use different assumptions.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is considered.

Rental income from Investment Properties and any associated operating expenses are included in the Financing and Investment Activities line in the Comprehensive Income and Expenditure Statement. Details are set out below.

| 2023/24 £000 | | 2024/25 £000 |
|-----------------|--|-----------------|
| (2.655) | Rental income from Investment Property | (1.552) |
| 1.103 | Direct operating expenses arising from Investment Property | 0.877 |
| (1.552) | Net Gain | (0.675) |

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

Note 26 Intangible Assets

The Council's Intangible Assets consist wholly of purchased IT licenses and software. A breakdown of The movement on Intangible Asset balances during the year is as follows:

| 2023/24 £m | | 2024/25 £m |
|-----------------|---|-----------------|
| 13.619 | Balance at start of year | 14.887 |
| 1.268 | Additions | 2.768 |
| - | Disposals | - |
| - | Regroup or Transfers | - |
| 14.887 | Gross Book Value @ 31 March | 17.655 |
| (11.045) | Accumulated Amortisation at 31 March | (11.231) |
| (0.186) | Amortisation in Year | (0.788) |
| - | Amortisation Written Out on Disposal | - |
| - | Amortisation Written Out on Regroups or Transfers | - |
| (11.231) | Accumulated Amortisation at 31 March | (12.019) |
| 3.656 | Net Book Value at 31 March | 5.636 |

Note 27 Assets Held for Sale

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

The Council currently has one asset held for sale – Land to the rear of Gables Public House

| 2023/24 £m | | 2024/25 £000 |
|---------------|--|-----------------|
| 0.125 | Balance outstanding at start of year | 4.827 |
| - | Transferred between Long-Term and Current Assets Held for Sale | - |
| | Assets newly classified as held for sale | |
| 4.705 | Transferred from Property, Plant and Equipment | 0.317 |
| - | Additions | 0.027 |
| - | Revaluation losses | (0.121) |
| | Assets declassified as held for sale: | |
| (0.003) | Assets sold | (0.252) |
| - | Transferred to Property, Plant and Equipment | - |
| 4.827 | Balance outstanding at year end | 4.798 |

Note 28 Financial Instruments

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at their amortised cost. Their fair values disclosed below have been estimated by calculating the net present value of the remaining contractual cash flows on 31 March 2025, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- Discount rates for “Lender’s Option Borrower’s Option” (LOBO) loans have been reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of financial guarantees have been estimated based on the likelihood of the guarantees being called and the likely payments to be made.
- The fair values of finance lease assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arms’-length transaction. Where liabilities are held as an asset by another party, such as the council’s borrowing, the fair value is estimated from the holder’s perspective.

Financial Liabilities: These are initially measured at fair value and are then subsequently valued at amortised cost. For the Council’s borrowing (Public Works Loan Board, Lender Option Borrower Option, and market loans), this means the amounts held in the accounts are based on the outstanding principal plus any accrued interest.

The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

Financial Assets: These again are initially measured at fair value and represent loans and loan type amounts where payments of principal and interest take place on set dates and to particular amounts.

The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

Two categories of financial asset introduced under IFRS9 are fair value through other comprehensive income and expenditure (FVOCI) and fair value through profit and loss (FVPL). These assets are carried at fair value in the balance sheet. FVOCI has a specific restriction meaning that any gains or losses can be reversed through statute, whereas FVPL gains, and losses are true charges to the Council’s general fund.

All the Council’s financial assets, except the long-term investments in Teesside Airport and Suez recycling and recovery, are held at amortised cost. The Council has elected to hold the two long-term investments at FVOCI given the risk of losses on these holdings having a negative effect on the Council’s financial position. These long-term investments are held as shares in company arrangements and are not equity shares.

Financial Assets:

| Financial Assets | Non-Current | | | | Current | | | | | | Total | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------------|---------------------|---------------------|---------------------|
| | Investments | | Debtors | | Investments | | Debtors | | Cash and Cash Equivalents | | | |
| | 31 March 2024 | 31 March 2025 | 31 March 2024 | 31 March 2025 | 31 March 2024 | 31 March 2025 | 31 March 2024 | 31 March 2025 | 31 March 2024 | 31 March 2025 | 31 March 2024 | 31 March 2025 |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Fair Value through Profit or Loss | - | - | - | - | - | - | - | - | - | - | - | - |
| Amortised Cost | - | - | 9.014 | 7.730 | - | - | 13.326 | 6.722 | 12.144 | 20.994 | 34.484 | 35.446 |
| Fair Value through Other Comprehensive Income (FVOCI) | 0.309 | 0.309 | - | - | - | - | - | - | - | - | 0.309 | 0.309 |
| Total Financial Assets | 0.309 | 0.309 | 9.014 | 7.730 | - | - | 13.326 | 6.722 | 12.144 | 20.994 | 34.793 | 35.755 |
| Non-Financial Assets | - | - | - | - | - | - | 54.716 | 66.130 | - | - | 54.716 | 66.130 |
| Total | 0.309 | 0.309 | 9.014 | 7.730 | - | - | 68.042 | 72.852 | 12.143 | 20.994 | 89.508 | 101.885 |

Financial Liabilities:

| Financial Liabilities | Non-Current | | | | Current | | | | Total | |
|------------------------------------|------------------|------------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|
| | Borrowings | | Creditors | | Borrowings | | Creditors | | | |
| | 31 March 2024 | 31 March 2025 | 31 March 2024 | 31 March 2025 | 31 March 2024 | 31 March 2025 | 31 March 2024 | 31 March 2025 | 31 March 2024 | 31 March 2025 |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Fair Value through Profit or Loss | - | - | - | - | - | - | - | - | - | - |
| Amortised Cost - Other | (218.837) | (232.113) | (0.975) | (0.444) | (29.267) | (23.370) | (14.186) | (18.121) | (263.265) | (274.047) |
| Total Financial Liabilities | (218.837) | (232.113) | (0.975) | (0.444) | (29.267) | (23.370) | (14.186) | (18.121) | (263.265) | (274.047) |
| Non-Financial Liabilities | - | - | - | - | - | - | (32.311) | (36.884) | (32.311) | (36.884) |
| Total | (218.837) | (232.113) | (0.975) | (0.444) | (29.267) | (23.370) | (46.497) | (55.005) | (295.576) | (310.931) |

Note 29 Financial Instruments: Fair Value and Risks

Fair Value of Assets and Liabilities

Financial Instruments are carried in the Balance Sheet at amortised cost except for Long Term Investments. Their fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments contractual life using the following assumptions:

- Where the instrument will mature in the next 12 months, the carrying amounts are assumed to be a good reflection of fair value.
- The fair value of PWLB and market loans have been calculated by reference to the 'premature repayment' set of rates as on 31 March 2025.
- The fair value of trade payables and other receivables is taken to be the invoiced or billed amount; and
- The carrying amounts of all other instruments are taken to be a reasonable approximation of fair value.

Fair values can be analysed by their level in the fair value hierarchy or how reliable their basis of calculation is:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g., bond prices.
- Level 2 – fair value is calculated from inputs that are observable for the asset or liability, other than quoted prices, e.g., interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g., non-market data such as cash flow forecasts or estimated creditworthiness.

All Middlesbrough financial instruments, assets and liabilities are rated as level two in the fair value hierarchy. The fair value of borrowings is calculated by ascertaining a fair value from the market price. The calculation applies a discounted cash flow using the rate of the asset and applies it over its life. For investments, debtors, and creditors their transaction price is the best proxy for their fair value.

The fair values of the Council's financial instruments are as follows. These are higher than their carrying amounts due to the low value of the bank base rate on 31 March 2025:

| 2023/24 | | | 2024/25 | |
|-----------------------|------------------|--|-----------------------|------------------|
| Carrying Amount £m | Fair Value £m | | Carrying Amount £m | Fair Value £m |
| 12.453 | 12.455 | Financial Assets – Loans and Receivables | 21.303 | 21.303 |
| 22.340 | 22.340 | Held as Investments | 14.452 | 14.452 |
| | | Held as Debtors | | |
| 34.793 | 34.795 | Financial Assets – Loans and Receivables | 35.755 | 35.755 |
| | | Financial Liabilities – as Amortised Cost | | |
| (248.104) | (249.962) | Held as Borrowings | (255.483) | (222.997) |
| (15.161) | (15.161) | Held as Creditors | (18.564) | (18.564) |
| (263.265) | (265.123) | Financial Liabilities – at Amortised Cost | (274.047) | (241.561) |

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

Financial Instruments: Risks

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

Nature and Extent of Risks Arising from Financial Instruments

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

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

Overall Procedures for Managing Risk

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

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

These are required to be reported and approved at the Council's annual budget setting meeting. The items above reported with the Annual Treasury Management Strategy Report which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The Annual Treasury Management Strategy Report, which incorporates the prudential indicator amounts was approved by the Council on 8 March 2024 and is available on the Council's website. The key issues within the strategy were:

- The Authorised Limit for 2024/25 was set at £372m. This is the maximum legal limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £352m. This is the expected maximum level of debt and other long-term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 25%, respectively, based on the Council's net debt.

These policies were implemented by the Council's accountancy team and at no point during the 2024-25 financial year were any of these key indicators breached. The Council also maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Treasury Management Code of Practice and were also updated on 27 February 2023. No changes have been made since.

Credit Risk

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

This risk is minimised through the Annual Treasury Report, which requires that deposits are not made with

banks and financial institutions unless they meet minimum credit criteria, as laid down by Fitch and Moody's Ratings Services. This report also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Details of the Treasury Management Strategy can be found on the Council's website.

The Council's maximum exposure to credit risk in relation to its deposits with banks and building societies of £21.5m cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution.

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

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

| Credit Rating | 2023/24 | | 2024/25 | |
|----------------------------|-----------------|------------------|-----------------|------------------|
| | Long Term £m | Short Term £m | Long Term £m | Short Term £m |
| AA | - | 1.000 | - | - |
| AA- | - | 3.000 | - | 20.000 |
| AA+ | - | 3.100 | - | 1.500 |
| Total | - | 7.100 | - | 21.500 |
| Credit Risk not applicable | 0.309 | - | 0.309 | - |
| Total Investments | 0.309 | 7.100 | 0.309 | 21.500 |

Loss allowances on treasury investments are normally calculated by reference to historic default data published by credit rating agencies and adjusted for current economic conditions. A two-year delay in cash flows is assumed to arise in the event of a default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating grades or equivalent since initial recognition unless they retain an investment grade credit rating. They are determined to be credit impaired when awarded a "D" credit rating or below. At 31 March 2025, none of the Council's investments are captured by this and therefore it is felt that the most likely loss allowances applicable is nil.

In addition, the Council does not generally allow credit for customers. However, £8.828m invoiced debtors balance is past its due date for payment relating principally to the Council's Public Health responsibilities. The Council maintains an expected credit loss provision to offset any collection losses. The past due amount can be analysed by age as follows:

| 2023/24 £m | | 2024/25 £m |
|---------------|----------------------------|---------------|
| 3.627 | Less than 3 months | 2.936 |
| 0.909 | Between 3 to 6 months | 0.965 |
| 1.507 | Between 6 months to 1 year | 1.748 |
| 2.404 | More than 1 year | 3.178 |
| 8.447 | TOTAL | 8.828 |

Collateral - The Council initiates a legal charge on property where, for instance, Adult Social Care service users require residential care but cannot afford to pay immediately. The total collateral as on 31 March 2025 was £0.935m (31 March 2024 - £1.04m).

Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:

| 2023/24 £m | | 2024/25 £'000 |
|-----------------------|-----------------------|--------------------------|
| (29.776) | Less than 1 Year | (23.719) |
| (38.622) | Between 1 – 2 Years | (54.920) |
| (41.426) | Between 2 – 5 Years | (44.428) |
| (43.005) | Between 5 – 10 Years | (49.767) |
| (26.581) | Between 10 – 15 Years | (14.764) |
| (8.662) | Between 15 – 20 Years | (8.092) |
| (4.445) | Between 20 – 25 Years | (4.700) |
| (13.166) | Between 25 – 30 Years | (12.655) |
| (12.421) | Between 30 – 35 Years | (17.438) |
| (25.000) | Between 35 – 40 Years | (25.000) |
| (5.000) | More than 40 Years | - |
| (248.104) | TOTAL | (255.483) |

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

Re-financing Risk

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

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

Market Risk

Market Risk - Interest Rate Risk

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

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

Market Risk - Price Risk

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

in share prices.

Market Risk - Foreign Exchange Risk

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

Note 30 Financial Instruments: Income and Expenditure

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

| 2023/24 | | | | 2024/25 | | |
|------------------|-----------------------|------------------------------|-------------------------------|------------------|-----------------------|------------------------------|
| Financial Assets | Financial Liabilities | Net Expenditure for the year | | Financial Assets | Financial Liabilities | Net Expenditure for the year |
| £m | £m | £m | | £m | £m | £m |
| (1.031) | - | (1.031) | Income | (1.509) | - | (1.509) |
| | | | Interest Income | | | |
| | | | Expenditure | | | |
| - | 7.269 | 7.269 | Interest Expense | - | 9.247 | 9.247 |
| - | 0.025 | 0.025 | Fee Expense | - | 0.357 | 0.357 |
| (1.031) | 7.294 | 6.263 | Total Net for the year | (1.509) | 9.604 | 8.095 |

Note 31 Debtors

| 31 March 2024 | | 31 March 2025 |
|---------------|-----------------------------------|---------------|
| £m | Long-Term Debtors | £m |
| 5.196 | Cleveland Mall – Holiday Inn | 5.062 |
| 0.988 | Other Long-Term Debtors | 0.870 |
| 2.242 | The Welding Institute | 1.797 |
| 0.588 | Middlesbrough Development Company | - |
| 9.014 | Total | 7.730 |

| 31 March 2024 | | 31 March 2025 |
|---------------|--------------------------------|---------------|
| £m | Short-Term Debtors | £m |
| 3.905 | Trade Receivables | 9.706 |
| 2.615 | Prepayments | 2.642 |
| 43.312 | Other Receivables | 39.688 |
| 36.773 | Council Tax Receivables | 40.683 |
| 8.391 | Business Rates Receivables | 8.508 |
| (26.954) | Expected Credit Loss Provision | (28.375) |
| 68.042 | Total | 72.852 |

Note 32 Cash and Cash Equivalents

| 31 March 2024 | | 31 March 2025 |
|---------------|---------------------------|---------------|
| £m | Cash and Cash Equivalents | £m |
| 0.044 | Cash held by the Council | 0.007 |
| 5.000 | Bank current accounts | (0.513) |
| 7.100 | Short-term deposits | 21.500 |
| 12.144 | Total | 20.994 |

Note 33 Short Term Creditors

| 31 March 2024 | | 31 March 2025 |
|-----------------|----------------------|-----------------|
| £m | Short Term Creditors | £m |
| (3.446) | Trade Payables | (16.550) |
| (37.192) | Other Payables | (27.751) |
| (5.859) | Receipts in Advance | (10.703) |
| (46.497) | Total | (55.005) |

Note 34 Provisions

A provision is recognised in the accounts where the Council has a legal or constructive obligation arising from a past event and a reliable estimate can be made of the amount of the obligation if not the timing of when the Council will have to settle the obligation.

| | Business Rates Appeals | Captain Cook Precinct / Cleveland Centre Service Charge Provision | Insurance Claims | Early Retirement / Voluntary Redundancy | Total |
|---------------------------------|-------------------------------|--|-------------------------|--|----------------|
| | | £m | £m | £m | £m |
| Short Term Provisions | | | | | |
| Balance at 1 April 2024 | (1.034) | (0.167) | (0.830) | (0.017) | (2.048) |
| Additional provisions | (1.222) | - | - | - | (1.222) |
| Amounts used | 1.215 | - | 0.080 | 0.017 | 1.313 |
| Unused amounts reversed | - | - | - | - | - |
| Unwinding of discounting | - | - | - | - | - |
| Balance at 31 March 2025 | (1.041) | (0.167) | (0.750) | 0.000 | (1.958) |
| Long Term Provisions | | | | | |
| Balance at 1 April 2024 | (0.305) | - | (2.177) | - | (2.482) |
| Additional provisions | - | - | - | - | - |
| Amounts used | 0.305 | - | 0.322 | - | 0.626 |
| Unused amounts reversed | - | - | - | - | - |
| Unwinding of discounting | - | - | - | - | - |
| Balance at 31 March 2025 | (0.000) | - | (1.855) | - | (1.856) |
| Total Provisions | | | | | |
| Balance at 1 April 2024 | (1.339) | (0.167) | (3.007) | (0.017) | (4.530) |
| Additional provisions | (1.222) | - | - | - | (1.222) |
| Amounts used | 1.520 | - | 0.402 | 0.017 | 1.939 |
| Unused amounts reversed | - | - | - | - | - |
| Unwinding of discounting | - | - | - | - | - |
| Balance at 31 March 2025 | (1.041) | (0.167) | (2.605) | 0.000 | (3.813) |

Business Rates Appeals – The Council's share of the Business Rates Appeals Provision of £1.041m as projected using the Council's Business Rate Appeals tool. These are based on the Council's 49% share of business rates retention scheme.

Insurance Fund - The Council's Insurance Fund Provision of £2.608m is split between £0.750m Short Term (less than 12 months) and £1.855m long term.

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

Note 35 Usable Reserves

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

| 31 March 2024 £m | | 31 March 2025 £m |
|---------------------|---|---------------------|
| (41.740) | Capital Grants Unapplied Reserve | (36.395) |
| (10.020) | Capital Contributions Unapplied Reserve | (13.282) |
| - | Capital Receipts Reserve | (18.608) |
| (10.986) | Uncommitted General Fund | (11.100) |
| (12.956) | Earmarked Reserves | (21.694) |
| (75.702) | Total | (101.079) |

The increase of £25.377m in usable reserves is due to an increase in capital receipts from the sale of land and buildings of £18.608m and an increase in Earmarked Reserves of £8.852m to form the Financial Resilience Reserve

The purpose of each Reserve is as follows:

Capital Grants and Contributions Unapplied Reserves

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

Capital Receipts Reserve

This reserve holds amounts received from the disposal of assets and is only available to fund either future capital projects or the flexible use of capital receipts strategy.

General Fund

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

Earmarked Revenue Reserves

Funding received in previous financial years and classified as income regarding the terms and conditions of the grant awarded. This income is rolled forward in reserves to meet the future revenue commitments under the grant. Details of the balances on individual earmarked reserves is contained in [note 7](#). Whilst earmarked revenue reserves total £21.694m, only £10.554m of this reserve is unrestricted with the remaining £11.140m restricted to specific purposes.

Note 36 Unusable Reserves

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

| 31 March 2024 £m | | 31 March 2025 £m |
|---------------------|--|---------------------|
| (98.425) | Revaluation Reserve | (96.984) |
| (122.390) | Capital Adjustment Account | (94.901) |
| 14.182 | Pensions Reserve | 12.880 |
| (11.700) | Collection Fund Adjustment Account | (3.246) |
| 0.480 | Accumulating Absences Adjustment Account | 0.677 |
| 14.293 | Dedicated Schools Grant Adjustment Account | 22.213 |
| (203.560) | Total | (159.362) |

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

Revaluation Reserve

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

| 31 March 2024 £m | 31 March 2024 £m | | 31 March 2025 £m | 31 March 2025 £m |
|------------------------|------------------------|--|------------------------|------------------------|
| | (98.151) | Balance at 1 April | | (98.425) |
| 10.213 | | Upward revaluation of assets | 9.658 | - |
| (14.051) | | Downwards revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services | (13.897) | - |
| | (3.838) | Surplus or Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Services | | (4.240) |
| 2.133 | | Difference between fair value depreciation and historical cost depreciation | 2.225 | - |
| 1.431 | | Accumulated (gains) / losses on assets sold or scrapped | 3.457 | - |
| - | | Adjustment between Revaluation Reserve and Capital Adjustment Account | - | - |
| | 3.564 | Amount written off to Capital Adjustment Account | | 5.682 |
| | (98.425) | Balance at 31 March | | (96.983) |

Capital Adjustment Account

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

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

| 31 March 2024 £m | 31 March 2024 £m | | 31 March 2025 £m | 31 March 2025 £m |
|------------------------|------------------------|--|------------------------|------------------------|
| | (143.060) | Balance at 1 April | | (122.388) |
| | | Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| 19.473 | | Charges for depreciation and impairment of non-current assets | 19.534 | - |
| 0.186 | | Amortisation of intangible assets | 0.787 | - |
| 19.253 | | Revenue Expenditure Funded from Capital Under Statute | 27.624 | - |
| 5.342 | | Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Account | 21.219 | - |
| | 44.254 | Subtotal - debited or credited to the CIES | | 69.164 |
| (2.133) | | Historic Cost depreciation transfer from Revaluation Reserve | (2.225) | |
| (1.431) | | Revaluation Reserve balances written off on disposed assets | (3.457) | |
| 15.809 | - | Movement in Non-current assets recognised in year | 11.227 | |
| 0.035 | | Amounts of non-current assets written off on Loan Repayments as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Account | 0.025 | |
| | 12.280 | Net written out amount of the cost of non-current assets consumed in the year | | 5.570 |
| | | Capital Financing applied in the year: | | |
| (2.399) | | Use of the Capital Receipts Reserve to finance new capital expenditure | (11.743) | |
| (26.844) | | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (31.931) | |
| (3.888) | | Statutory provision for the financing of capital investment charged against the General Fund and HRA Balance | (4.316) | |
| | (33.131) | Subtotal - Capital financing applied in the year | | (47.990) |
| | (0.031) | Movement in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement | | 5.496 |
| | (2.700) | Movement in the donated assets account credited to the Comprehensive Income and Expenditure Statement | | (4.753) |
| | (122.388) | Balance at 31 March | | (94.901) |

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pension for which it is directly responsible. Under the International Accounting Standard (IAS 19) the Council must disclose the lower of the pension surplus or Asset Ceiling calculation.

| 31 March 2024 £m | | 31 March 2025 £m |
|---------------------|--|---------------------|
| (107.390) | Balance at 1 April | 14.182 |
| 12.198 | Remeasurement of net defined liability | 16.411 |
| (79.043) | Reversal of items relating to the retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (318.543) |
| 200.168 | Asset Ceiling Adjustment | 313.342 |
| (11.751) | Employer's pension contributions payable in the year | (12.512) |
| 14.182 | Balance at 31 March | 12.880 |

Collection Fund Adjustment Account

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

| 31 March 2024 £m | | 31 March 2025 £m |
|---------------------|---|---------------------|
| (8.575) | Balance at 1 April | (11.700) |
| (1.467) | Amount by which Council Tax income credited to the Comprehensive Income and expenditure Statement is different from the council tax income calculated for the year in accordance with statutory arrangements | 6.547 |
| (1.658) | Amount by which Business Rates income credited to the Comprehensive Income and expenditure Statement is different from the council tax income calculated for the year in accordance with statutory arrangements | 1.906 |
| (11.700) | Balance at 31 March | (3.246) |

Accumulated Compensated Absences Adjustment Account

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

| 31 March 2024 £m | | 31 March 2025 | |
|------------------------|--|----------------|--------------|
| | | £m | £m |
| 1.031 | Balance at 1 April | | 0.479 |
| (1.032) | Settlement or cancellation of accrual made at the end of the preceding year | (0.479) | |
| 0.480 | Amounts accrued at the end of the current year | | 0.677 |
| (0.552) | Amounts by which officer remuneration charged to the Comprehensive income and expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements | (0.479) | 0.677 |
| 0.479 | Balance at 31 March | | 0.677 |

Dedicated Schools Grants Adjustment Account

From November 2020 the Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations) established new accounting practices in relation to the treatment of local authorities' schools budget deficits such that, where a local authority has a deficit on its schools' budget relating to its accounts for a financial year beginning on 1 April 2020, 1 April 2021, 1 April 2022 or 1 April 2023, it must not charge the amount of that deficit to a revenue account. The local authority must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its school's budget. The CIPFA local authority accounting code has determined this as the 'Dedicated Schools Grant Adjustment Account'. The new accounting practice has the effect of separating schools budget deficits for a period of six financial years.

| 31 March 2024 £m | | 31 March 2025 £m |
|---------------------|---|---------------------|
| 6.564 | Balance at 1 April | 14.293 |
| 7.729 | School budget deficit transferred from General Fund in accordance with statutory requirements | 7.920 |
| 14.293 | Balance at 31 March | 22.213 |

Note 37 Pension Schemes Accounted for as Defined Benefit Scheme

The Local Government Pension Scheme is accounted for as a defined benefit scheme. As part of the terms and conditions of employment of its staff, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted out defined benefit scheme, and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact to the liabilities or if it can be reliably estimated. As a result, Middlesbrough Council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

Funded Benefits

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

Unfunded Benefits

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

Transactions relating to Post-Employment Benefits

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

Comprehensive Income and Expenditure Statement

| Funded 2023/24 £m | Unfunded 2023/24 £m | Comprehensive Income and Expenditure Statement Charged to the Surplus or Deficit on the Provision of Services | Funded 2024/25 £m | Unfunded 2024/25 £m |
|----------------------------------|------------------------------------|--|----------------------------------|------------------------------------|
| 17.126 | - | As cost of Service: | 16.669 | - |
| 0.046 | - | Current Service cost | (0.438) | - |
| 2.583 | 2.391 | Settlements and Curtailments | 0.400 | - |
| - | | As Financing and Investment Income and Interest on net defined benefit | 0.502 | 0.278 |
| 19.755 | 2.391 | Total charged to the Deficit on the Provision of Services | 17.133 | 0.278 |
| | | Charged to Other Comprehensive Income and Expenditure | | |
| (52.417) | - | Return on plan assets (excluding the amount included in the net interest expense) | 20.379 | - |
| (44.892) | - | Actuarial (gains) and losses arising on changes from financial assumptions | (119.919) | - |
| (4.942) | - | Actuarial (gains) and losses arising on changes from demographic assumptions | (1.451) | - |
| 23.208 | - | Other actuarial (gains) and losses | (7.676) | - |
| 200.168 | - | Asset Ceiling Adjustment | 103.466 | - |
| 121.125 | - | Total to the Comprehensive Income and Expenditure Statement | (5.201) | |
| | | Movement in reserves Statement | | |
| (9.807) | (2.391) | Reversal of total charged to the Deficit on the Provision of Service | (16.133) | (0.278) |
| - | - | Actual Amount charged for pensions in the year: | | |
| 10.278 | - | Employers contributions payable to scheme | 10.932 | - |
| 0.471 | (2.391) | Total amount included in the General Fund for the year | (5.201) | (0.278) |

Assets and Liabilities in Relation to Post-Employment Benefits

| Funded 2023/24 £m | Unfunded 2023/24 £m | Comprehensive Income and Expenditure Statement | Funded 2024/25 £m | Unfunded 2024/25 £m |
|----------------------------------|------------------------------------|--|----------------------------------|------------------------------------|
| (812.682) | (18.046) | Opening Balance at 1 April | (813.894) | (14.182) |
| (17.126) | - | Current service cost | (15.669) | - |
| | | Effect of Settlement | 1.428 | |
| (41.495) | 2.391 | Interest cost | (39.513) | - |
| (5.644) | - | Contributions by scheme participants | (5.841) | (0.278) |
| 44.892 | - | Actuarial gains (losses) for changes in financial assumptions | 119.919 | - |
| 4.942 | - | Actuarial gains (losses) for changes in Demographic assumptions | 1.451 | - |
| (23.208) | - | Actuarial gains (losses) Other Experience | 7.676 | - |
| 36.473 | 1.473 | Benefits paid | 34.025 | - |
| (0.046) | - | Past service curtailments | (0.400) | 1.580 |
| (813.894) | (14.182) | Closing Balance at 31 March | (710.818) | (12.880) |

Reconciliation of Fair Value of Scheme Assets

| Funded 2023/24 £m | Unfunded 2023/24 £m | Comprehensive Income and Expenditure Statement | Funded 2024/25 £m | Unfunded 2024/25 £m |
|-------------------------|---------------------------|---|-------------------------|---------------------------|
| 938.118 | - | Opening Balance at 1 April | 1,014.062 | - |
| | | Effects of Settlements | (0.990) | - |
| 44.078 | - | Expected return on plan assets | 48.719 | - |
| 52.417 | - | Actuarial Gains | (20.379) | - |
| 10.278 | 1.473 | Employer contributions | 10.932 | 1.580 |
| 5.644 | - | Contributions by scheme participants | 5.841 | - |
| (36.473) | (1.473) | Benefits paid | (34.025) | (1.580) |
| 1,014.062 | - | Closing Balance at 31 March | 1,024.160 | - |

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

The actual return on scheme assets in the year was £28.340 million gain (2023/24 £96.495 million gain).

| 2023/24 £m | | 2024/25 £m |
|-----------------|-----------------------------------|-----------------|
| (828.076) | Present value of liabilities | (723.698) |
| 1,014.062 | Fair value of assets | 1,024.160 |
| (200.168) | Asset Ceiling Adjustment | (313.342) |
| (14.182) | Scheme (Deficit) / Surplus | (12.880) |

The scheme surplus shown above includes £12.880 million in respect of unfunded defined benefit obligations (2023/24 £14.182 million).

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

Change in financial assumptions - £119.919 million gain on the balance sheet)

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

| Period ended | 31 March 2024 | 31 March 2025 |
|--|---------------|---------------|
| Rate of Inflation (CPI) | 2.75% | 2.75% |
| Rate of increase in salaries | 3.75% | 3.75% |
| Rate of discounting scheme liabilities | 4.85% | 5.80% |

The change in financial assumptions adopted for the period ending 31 March 2025 can be approximately broken down as follows:

Pension Increase Rate – Market derived CPI inflation has fallen over the period, which has led to a 0.20% reduction in this assumption. The change in the CPI inflation assumption is a result of underlying changes in market implied RPI (after allowance for the inflation risk premium adjustment), coupled with any changes in the RPI-CPI gap from the previous year and the adjustment to CPI to reflect observed inflation since 30 September 2024 (more detail on this is set out in the accompanying covering report). This has had no impact on the Employer's obligations on the balance sheet.

Salary Increase Rate – the salary increase assumption has remained the same as last year. This has had no impact on the Employer's obligations or on the balance sheet

Discount rate – The corporate bond yield (upon which the discount rate is derived) has risen over the period, which has led to a 0.95% increase in this assumption. This served to reduce the Employer's obligations and led to a gain of around £119,920,000 on the balance sheet.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2025 is £11.843 million.

Asset Ceiling

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

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

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The Council's actuary calculated the asset ceiling as the net present value of future service costs less net present value of future contributions. The Council has therefore limited the Pension asset recognised in its balance sheet to the asset ceiling, which was nil in 2024-25. The remaining represents the unfunded liabilities which are not included in the asset ceiling adjustment and any liabilities as a result of past contributions. The adjustment has been recognised within other comprehensive income and expenditure of the CIES.

Therefore, the asset ceiling calculation is as follows:

Based on the actuary's calculation as the asset ceiling is negative the net pension asset has been limited to £0m as the calculation indicates that no pension asset should be recognised. The adjustment taken through the CIES and movement in reserves to reflect the asset ceiling adjustment in the pension reserve of £313.342m.

Independent Actuary and Latest Valuation

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits Liabilities have been assessed by Hymans Roberts an independent firm of actuaries, estimates for the Teesside Pension Fund being based on latest full valuation of the scheme as at 31 March 2022.

The calculations have also been done over the duration of the Scheme - which has been forecast at 17 years. The principal assumptions used by the actuary have been:

| 2023/24 | Mortality Assumptions | 2024/25 |
|---------|--|---------|
| | Longevity at 65 for current pensioners | |
| 20.5 | Men | 20.4 |
| 23.5 | Women | 23.4 |
| | Longevity at 65 for future pensioners | |
| 21.3 | Men | 21.2 |
| 25 | Women | 24.9 |
| 2.75% | Pension Rate Increase (CPI) | 2.75% |
| 3.75% | Salary Rate Increase | 3.75% |
| 4.85% | Discount Rate | 5.80% |
| 80% | Take up of option to convert annual pension into retirement lump sum | 80.00% |

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

| 2023/24 | | | | Pension Scheme Assets | 2024/25 | | | |
|----------------|----------------|------------------|----------------|---|--------------|------------------|------------------|----------------|
| Quoted £m | Unquoted £m | Total £m | % | | Quoted £m | Unquoted £m | Total £m | % |
| - | 36.834 | 36.834 | 3.63% | Cash and Cash Equivalents | - | 83.609 | 83.609 | 8.16% |
| 5.336 | 89.811 | 95.147 | 9.38% | Property | - | 107.603 | 107.603 | 10.51% |
| 5.278 | - | 5.278 | 0.52% | UK | - | 4.593 | 4.593 | 0.45% |
| | | | | Overseas | - | | | |
| | | | | Private Equity | | | | |
| 101.193 | 2.225 | 103.418 | 10.20% | All | - | 120.853 | 120.853 | 11.80% |
| | | | | Equity Security | | | | |
| | | | | Other | 0.508 | 0.015 | 0.523 | 0.05% |
| | | | | Investment Funds and Trust Units | | | | |
| 617.752 | - | 617.752 | 60.92% | Equities | - | 553.104 | 553.104 | 54.01% |
| 96.034 | 2.193 | 98.227 | 9.69% | Infrastructure | - | 122.692 | 122.692 | 11.98% |
| 48.248 | 9.158 | 57.406 | 5.66% | Other | - | 31.179 | 31.179 | 3.04% |
| 873.841 | 140.221 | 1,014.062 | 100.00% | Total Assets | 0.508 | 1,023.648 | 1,024.156 | 100.00% |

Sensitivity Analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2025 and the projected service cost is set out below, sensitivity on unfunded benefits have not been included on materiality grounds:

| Change in assumptions at 31 March 2025 | Approximate % increase to Employer Liability | Approximate monetary amount (£000) |
|--|--|------------------------------------|
| 0.1% decrease in Real Discount Rate | 2.00% | 11.871 |
| 1 year increase in member life expectancy | 4.00% | 28.948 |
| 0.1% increase in the Salary Increase Rate | 0.00% | 0.514 |
| 0.1% increase in the Pension Increase Rate | 2.00% | 11.685 |

The principal demographic assumption is the longevity assumption (i.e., member life expectancy). For sensitivity purposes, Hymans Robertson estimate that a one-year increase in life expectancy would approximately increase the Employers Defined Benefit Obligation by around 3-5%. In practice, the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e., if improvements to survival rate predominantly apply to younger or older ages).

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

Note 38 Pensions Schemes Accounted for as Defined Contribution Scheme

Teachers' Pension Scheme

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

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

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

In 2024/25 the Council paid £3.364m (2023/24 £3.012m) to Teachers Pensions in respect of teacher's retirement benefits, representing an average of 23.70% (2023/23 23.68%) of pensionable pay. The contributions due to be paid in the 2025/26 financial year are estimated to be £3.255m on the basis of employer contributions of 28.68%

NHS Pension Scheme

A number of Public Health staff transferred to the Council from the NHS and as part of the conditions of their transfer have remained in the NHS Pension Scheme.

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

In 2024/25 the Council paid £43,176 (2023/24 £47,749) to NHS Pensions in respect of the Public Health employees retirement benefits, representing 25.55% (2023/24 118.30%) of pensionable pay. The contributions due to be paid in the 2025/26 financial year are estimated to be £40,635 on the basis of an employer contribution rate of 25.55%.

Note 39 Leases – Council as Lessor

Operating Leases

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

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

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

| 31 March 2024 £m | | 31 March 2025 £m |
|---------------------|--|---------------------|
| 6.147 | No Later than 1 year | 5.745 |
| 10.969 | Later than 1 year and not later than 5 years | 13.078 |
| 36.881 | Later than 5 years | 33.244 |
| 53.997 | Total | 52.067 |

The amount at 31st March 2025 has decreased due to the sale of Tees AMP however properties relating to BOHO 1, 5, 8 and 10 have been added alongside Newbridge Court, Tollesby.

Note 40 Leases – Council as Lessee

Operating Leases

The Council has entered into operating leases for the use of land and buildings, with lives ranging from 10 to 100 years. The minimum lease payments due under non-cancellable leases in future years are:

| 31 March 2024 £m | | 31 March 2025 £m |
|------------------------|--|---------------------|
| 0.425 | No Later than 1 year | 0.326 |
| 0.656 | Later than 1 year and not later than 5 years | 0.291 |
| 0.382 | Later than 5 years | 0.313 |
| 1.463 | Total | 0.930 |

Finance Leases

In 2024/25, the Council applied IFRS 16 Leases as required by the CIPFA Code of Practice for Local Authority Accounting. The main impact of the new requirements is that lease arrangements previously accounted for as operating leases are now classed as a Right of Use Asset and a lease liability is brought into the Balance Sheet at 01/04/2024. Leases of low value (value less than £10,000) and leases that expire on or before 31st March 2025 are exempt from the new arrangements. Previous lease arrangements under IAS17 are now included within IFRS16 calculations.

Centre Square (Investment Property)

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

Right to Use Assets (Operational Land and Buildings/Vehicles Plant and Equipment)

The Council has identified 3 former operating leases which will now be classed as finance leases under IFRS16. The identified assets are Daniel Court, Whorlton Road, and various Multi Functional Devices (MFD's)

The table below shows the change in value of the Right to Use assets held by the Council due to the implementation of IFRS16.

| Right of use assets 2024/25 | | | | |
|--|--|---|---------------------------------------|---------------------|
| | Operational Land and Buildings £m | Vehicles, Plant & Equipment £m | Investment Property £m | Total £m |
| Valuation/ gross cost at 1 April 2024 | - | - | 15.478 | 15.478 |
| IFRS 16 implementation- reclassification of existing finance leased assets from PPE or Intangible assets | - | - | - | - |
| IFRS 16 implementation- reclassification of existing operating leases/ subleases | - | - | - | - |
| Additions | 0.712 | 0.059 | 2.278 | 3.049 |
| Impairments to operating leases | - | - | - | - |
| Revaluation to revaluation reserve | - | - | (5.278) | (5.278) |
| Valuation/ gross cost at 31 March 2025 | 0.712 | 0.059 | 12.478 | 13.249 |
| Accumulated depreciation at 1 April 2024 | | | | |
| Provided during the year | (0.174) | - | - | (0.174) |
| Revaluation to revaluation reserve | - | (0.048) | - | (0.048) |
| Accumulated depreciation at 31 March 2025 | (0.174) | - | - | (0.222) |
| Net Book value 31 March 2025 | 0.538 | 0.059 | 12.478 | 13.027 |

| Transactions Under Leases | |
|---|-----------------------|
| The Authority incurred the following expenses and cashflows in relation to leases | 2024/25 £m |
| Comprehensive income and expenditure statement | |
| Interest expense on lease liabilities | 0.702 |
| Expense relating to short term leases | - |
| Expense relating to exempt leases of low value items | 0.015 |
| Variable lease payments not included in the measure of lease liabilities | 0.311 |
| Income from subletting Right of Use assets | - |
| Gains or losses arising from sale and leaseback transactions | - |
| Cash Flow Statement | |
| Minimum lease payments | 1.422 |

Reconciliation of the carrying value of lease liabilities

Lease liabilities are included within borrowings in the Comprehensive Income and Expenditure position. A breakdown of borrowings is disclosed in notes 28 and 29.

| | 2024/25 £m |
|---|---------------|
| Carrying value at 31 March 2024 | 10.546 |
| Adjustment for Prior years | 0.877 |
| Adjustments for existing Finance leases converting from IAS17 to IFRS16 (Centre Square) | 2.263 |
| Lease additions (IFRS16) | 0.771 |
| Principal repayment | (0.394) |
| | |
| Carrying value at 31 March 2025 | 14.063 |

| Maturity analysis of future lease payments at 31 March 2025 | |
|---|---------------|
| | Mar-25 £m |
| Undiscounted future lease payments payable in : | |
| - not later than one year | 1.073 |
| - later than one year and not later than five years; | 3.769 |
| - later than five years | 20.992 |
| Total gross future lease payments | 25.834 |
| Finance charges allocated to future periods | (11.770) |
| Net lease liabilities at 31 March 2025 | 14.063 |

| Maturity analysis of future lease payments at 31 March 2024 (IAS17 basis) | |
|--|---------------|
| | Mar-24 £m |
| Undiscounted future lease payments payable in : | |
| - not later than one year | 0.711 |
| - later than one year and not later than five years; | 3.555 |
| - later than five years | 17.420 |
| Total gross future lease payments | 21.686 |
| Finance charges allocated to future periods | (11.140) |
| Net lease liabilities at 31 March 2024 | 10.546 |



Note 41 Contingent Liabilities

At 31 March 2025, the Council had the following contingent liabilities:

Home House Guarantee

An agreement was entered into with Home House, which guaranteed an initial liability of £2.400m. This was increased to £4.010m in 1996/1997 because of further development at St Johns Gate. The assets of Home Housing are considered sufficient to meet their liabilities without calling upon the guarantee and no provision has been made in the accounts.

Deprivation of Liberty Safeguards

A Supreme Court case judgement has resulted in the Council potentially facing more applications to the Court of Protection regarding Deprivation of Liberty cases. Liabilities may exist which will not be confirmed until claims are made, or cases settled. The Deprivation of Liberty Safeguards are due to be replaced by the Liberty Protection Safeguards; the financial ramifications remain unclear at this time.

Jap Euro Claim

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

Note 42 Contingent Assets

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

Note 43 Trust Funds

The Council administers a number of Trust Funds, which are varied in nature and relate principally to legacies left by local inhabitants of the area over a number of years. Assets of the funds are invested in external marketable securities; with any cash either being invested internally at 7-day interest rates or externally in the money market. None of the funds are included in the Balance Sheet of the Council.

A summary of the Trust Funds administered by the Council is as follow:

| 2024/25 | Income £ | Expenditure £ | Short-Term Assets £ | Long-Term Assets £ | Total Assets £ |
|---|-----------------|------------------|---------------------------|--------------------------|----------------------|
| Teesside Education Endowment | (251) | - | 7,974 | - | 7,974 |
| Capt J.V. Nancarrow Trust – Educational support | (3,733) | - | 118,584 | - | 118,584 |
| Middlesbrough Educational Trust | (2,201) | - | 69,928 | 2,326 | 72,254 |
| Hustler Playing Fields Trust – Sport | (1,670) | - | 53,045 | 1,474,496 | 1,527,541 |
| W.M.Anderton Trust – Kings Manor School and Acklam 6th Form College | (47) | - | 1,479 | - | 1,479 |
| Teesside Relief in Sickness | (133) | - | 4,224 | - | 4,224 |
| Lady Crosswaite Bequest – support for the older people | (15,254) | 5,666 | 481,784 | - | 481,784 |
| Home Independence Trust | (3,277) | - | 88,888 | 19,240 | 108,128 |
| Wilson & Marwood Trust – support for disadvantaged people | (508) | - | 16,133 | 428 | 16,561 |
| Stewart Park Trust – Recreation | (294) | - | 9,354 | - | 9,353 |
| Levick Trust – accommodation for over 60's | (207) | - | 6,566 | 332,535 | 339,101 |
| Dorman Museum and Art Gallery Appeal Trust | (111) | - | 3,532 | - | 3,532 |
| Total | (27,686) | 5,666 | 861,491 | 1,829,025 | 2,690,515 |

| 2023/24 | Income | Expenditure | Short-Term Assets | Long-Term Assets | Assets |
|---|-----------------|--------------------|--------------------------|-------------------------|------------------|
| | £ | £ | | | £ |
| Teesside Education Endowment | (243) | - | 7,723 | - | 7,723 |
| Capt J.V. Nancarrow Trust – Educational support | (3,615) | - | 114,851 | - | 114,851 |
| Middlesbrough Educational Trust | (2,132) | - | 67,727 | 2,326 | 70,053 |
| Hustler Playing Fields Trust – Sport | (1,617) | - | 51,375 | 1,474,496 | 1,525,871 |
| W.M.Anderton Trust – Kings Manor School and Acklam 6th Form College | (45) | - | 1,432 | - | 1,432 |
| Teesside Relief in Sickness | (129) | - | 4,091 | - | 4,091 |
| Lady Crosswaite Bequest – support for the older people | (15,416) | 11,711 | 472,196 | - | 472,196 |
| Home Independence Trust | (3,231) | 2,280 | 85,611 | 19,240 | 104,851 |
| Wilson & Marwood Trust – support for disadvantaged people | (492) | - | 15,625 | 428 | 16,053 |
| Stewart Park Trust – Recreation | (285) | - | 9,059 | - | 9,059 |
| Levick Trust – accommodation for over 60's | (200) | - | 6,359 | 332,535 | 338,894 |
| Dorman Museum and Art Gallery Appeal Trust | (108) | - | 3,421 | - | 3,421 |
| Total | (27,513) | 13,991 | 839,470 | 1,829,025 | 2,668,495 |

Notes Supporting the Cash Flow Statement

Note 44 Cash Flow Statement – Operating Activities

| 2023/24 £m | | 2024/25 £m |
|---------------|--------------------|---------------|
| (1.031) | Interest Received | (1.509) |
| 7.269 | Interest Paid | 9.215 |
| - | Dividends Received | - |

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

| 2023/24 £m | | 2024/25 £m |
|---------------|---|---------------|
| 19.473 | Depreciation | 19.535 |
| 15.810 | Impairment and downward valuations | 11.245 |
| 0.186 | Amortisation | 0.788 |
| (0.664) | Increase / (decrease) in impairment for bad debts | (0.717) |
| (10.325) | Increase / decrease in creditors | 10.923 |
| (1.363) | Increase / decrease in debtors | (3.550) |
| 0.103 | Increase / decrease in inventories | 0.394 |
| 0.447 | Movement in Pension Liability | 3.899 |
| (2.733) | Other non-cash items charged to the net surplus or deficit on the provision of services | - |
| 20.934 | Net cash flows from operating activities | 42.518 |

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

| 2023/24 £m | | 2024/25 £m |
|---------------|--|---------------|
| - | Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries) | - |
| 5.342 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 19.700 |
| (2.400) | Any other items for which the cash effects are investing or financing cash flows | (15.651) |
| 2.942 | | 4.049 |

Note 45 Cash Flow Statement – Investing Activities

The table below shows detail of Investing Activities

| 2023/24 £m | | 2024/25 £m |
|-----------------|--|-----------------|
| (30.376) | Purchase of property, plant and equipment, investment property and intangible assets | (31.955) |
| - | Purchase of short-term and long-term investments | - |
| 2.399 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 15.652 |
| (27.977) | Net cash flows from investing activities | (16.303) |

Note 46 Cash Flow Statement – Financing Activities

The table below shows detail of Financing Activities

| 2023/24 £m | | 2024/25 £m |
|---------------|---|---------------|
| (0.163) | Amounts applied to Finance Lease Repayments (Capital Element) | (0.531) |
| 2.431 | Repayments of short- and long-term borrowing | 7.379 |
| 2.268 | Net cash flows from financing activities | 6.847 |



Collection Fund Accounts and Notes



Collection Fund Income and Expenditure Account

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

| 2023/24 | | | 2024/25 | |
|-------------|---|----------------------|-------------------------|-------------|
| Total £m | | Council Tax £m | Business Rates £m | Total £m |
| | Income | | | |
| (82.740) | Council Tax receivable | (88.307) | | (88.307) |
| (31.983) | Business Rates receivable | | (32.980) | (32.980) |
| (114.723) | Total Income | (88.307) | (32.980) | (121.287) |
| | Expenditure | | | |
| | Precepts and Demands: | | | |
| 82.758 | Middlesbrough Council | 71.400 | 17.464 | 88.865 |
| 16.515 | Central Government | - | 17.821 | 17.821 |
| 10.463 | Cleveland Police and Crime Commissioner | 10.976 | - | 10.976 |
| 3.404 | Cleveland Fire Authority | 3.233 | 0.356 | 3.589 |
| 0.169 | Costs of Collection | | 0.169 | 0.169 |
| | Bad & Doubtful Debts | | | |
| 0.031 | Write Offs | 0.032 | 0.090 | 0.121 |
| (2.121) | Provision for Bad Debts | 1.310 | 0.326 | 1.637 |
| (1.266) | Provision for Appeals | - | (0.608) | (0.608) |
| 109.953 | Total Expenditure | 86.951 | 35.619 | 122.571 |
| | Contributions towards previous year's estimate | | | |
| (0.417) | Collection Fund Deficit / (Surplus) | 9.231 | 1.251 | 10.482 |
| (5.187) | Deficit / (Surplus) for the Year | 7.875 | 3.890 | 11.766 |
| | COLLECTION FUND BALANCE | | | |
| (9.758) | Balance brought forward at 1 April | (12.783) | (2.162) | (14.945) |
| (5.187) | Deficit / (Surplus) for the year (as above) | 7.875 | 3.890 | 11.766 |
| (14.945) | Balance carried forward at 31 March | (4.908) | 1.728 | (3.179) |
| | Allocated to: | | | |
| (11.682) | Middlesbrough Council | (4.093) | 0.847 | (3.246) |
| (1.670) | Cleveland Police and Crime Commissioner | (0.629) | - | (0.629) |
| (0.512) | Cleveland Fire Authority | (0.185) | 0.017 | (0.168) |
| (1.081) | Central Government | | 0.864 | 0.864 |
| (14.945) | Balance carried forward at 31 March | (4.908) | 1.728 | (3.179) |

Notes to the Collection Fund

Note C1 Income from Council Tax

Calculation of the Council Tax base

The Council Tax is a tax based on property valuation bandings (A to H). There is a basic tax for the middle band (Band D) with proportionately higher and lower taxes for the other bands. The Council's tax base i.e., the number of chargeable dwellings in each band (adjusted for discounts where applicable), converted to an equivalent number of Band D dwellings was calculated as follows:

| Band | Estimated No. of Taxable Properties after Discounts | Ratio | Band D Equivalent Council Tax £m | Band D Equivalent Dwellings |
|---|---|-------|-------------------------------------|-----------------------------|
| A* | 27 | 5/9 | 0.029 | 15 |
| A | 18108 | 6/9 | 23.851 | 12,072 |
| B | 8217 | 7/9 | 12.627 | 6,391 |
| C | 9352 | 8/9 | 16.423 | 8,312 |
| D | 4947 | 9/9 | 9.774 | 4,947 |
| E | 2495 | 11/9 | 6.024 | 3,049 |
| F | 941 | 13/9 | 2.687 | 1,360 |
| G | 536 | 15/9 | 1.766 | 894 |
| H | 32 | 18/9 | 0.124 | 63 |
| | 44,654 | | 73.306 | 37,103 |
| Less: Adjustments for assumed non-collection based on budgets assumption of 97.4% collection rate | | | (2.180) | (965) |
| Total | | | 71.126 | 36,138 |

A* - Band A properties receiving Disabled Relief

The average Council Tax for band D dwellings for Middlesbrough Council was £1,975.76

Note C2 Income from Business Rates

Middlesbrough's local share of Business Rates is 49%. The remainder is distributed to the preceptors, which for Middlesbrough are Central Government (50%) and Cleveland Fire Authority (1%).

The total non-domestic rateable value on 31 March 2025 was £103,032,968 (£101,883,283 at 31 March 2024) and the national non-domestic multiplier for the year was 54.6p (51.2p in 2023/24).

Note C3 Previous Years Council Tax Deficit / Surplus

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

| 2023/24 £m | | 2024/25 £m |
|----------------|---|----------------|
| (7.675) | Middlesbrough Council | (3.052) |
| (1.198) | Cleveland Police and Crime Commissioner | (0.504) |
| (0.358) | Cleveland Fire Authority | (0.144) |
| (9.231) | Total Deficit / (Surplus) | (3.700) |

Note C4 Council Tax and Business Rates Provisions

The total provisions held for the Collection Fund at 31 March 2025 are set out in the table below:

| | Council Tax BDP £m | Business Rates BDP £m | Provision for Appeals £m | Total £m |
|---|--------------------------|-----------------------------|-----------------------------------|-----------------|
| Opening Balance at 1 April 2024 | (16.714) | (6.801) | (2.731) | (26.246) |
| Reductions in the provision in year | - | - | 0.608 | 0.608 |
| Increase in the provision in year | (1.310) | (0.326) | - | (1.637) |
| Closing balance at 31 March 2025 | (18.024) | (7.128) | (2.124) | (27.276) |

Teesside Pension Fund Accounts and Notes



Teesside Pension Fund Statement of Accounts

Introduction

The Teesside Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS). The Fund is administered by Middlesbrough Council and the Council is the reporting entity for the Fund.

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016.

The Council has delegated decision making in relation to the Fund to the Pension Fund Committee. The day-to-day administration of the Fund and the operation of the management arrangements and investment portfolio is the responsibility of the Director of Finance (Section 151 Officer) of the Council.

The Pension Fund Committee consists of representatives of the employers of the Fund (specifically Councillors of the Local Authority employers together with one representative chosen from the other scheme employers), and employee representatives (from relevant Trade Unions) and makes decisions without reference to the Council. The Pension Fund Committee sets investment strategy and recommends investment decisions. An independent Pensions Board exists and operates as a scrutiny panel to ensure the Pension Fund Committee acts within the statutory and regulatory framework.

Operation

The Fund operates as a funded, defined benefit occupational pension scheme providing benefits to employees and former employees of the Teesside local authorities and admitted bodies. In certain circumstances it also provides benefits to dependants of these individuals, collectively referred to as members. The benefits include retirement pensions, dependant's pensions, death grants and lump sums.

The Fund is financed by contributions from members, employers, and the income from the Fund's investment portfolio of some £5.580b. The funding policy aims to ensure that the assets held by the scheme are adequate to meet the future liabilities (members' pensions and lump sums) of the Fund allowing for future changes to pensions and pay.

Financial Statements

The Fund's accounts provide information on the financial position, membership, investment performance and risks associated with the Fund. They show the results of the Fund's stewardship in managing the resources entrusted to it and provide information on the income and expenditure of the Fund and the investments it controls.

While membership rose in the year to 31 March 2025, the Fund continued to pay more in benefits than it received in contributions as more members are drawing pensions. Net withdrawal of funds was £87.000m (year to 31 March 2024 80.500m). During the year, the overall value of the Fund increased by £87m to £5.58b.

Membership

Membership of the LGPS is voluntary and employees, including non-teaching staff, are free to choose whether to join the scheme, remain in the scheme or make their own arrangements. Teaching staff have access to their own defined benefit scheme the details of which are provided in the Councils financial statements.

The tables overleaf summarise the membership of the scheme over recent years showing an overall increase in all categories of members: active members, members who have deferred rights and those who are drawing pensions.

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Membership of the Fund | | | | | |
| Active | 24,238 | 25,937 | 26,198 | 26,220 | 26,341 |
| Deferred | 23,332 | 26,350 | 27,225 | 28,180 | 28,492 |
| Pensioner | 25,336 | 26,254 | 26,915 | 27,813 | 28,885 |
| Total | 72,906 | 78,541 | 80,338 | 82,213 | 83,718 |

| Summary of Changes in Membership | Active Members | Deferred Members | Pensioner Members | Dependants | Total |
|----------------------------------|----------------|------------------|-------------------|------------|---------|
| At 01-APR-2024 | 26,220 | 28,180 | 24,384 | 3,429 | 82,213 |
| Adjustments | 312 | (271) | 256 | 25 | 322 |
| New Members | 2,316 | 1,523 | 1,318 | 223 | 5,380 |
| Change in Status | (298) | (37) | (48) | - | (383) |
| Leavers | (2,209) | (903) | (543) | (159) | (3,814) |
| At 31-MAR-2025 | 26,341 | 28,492 | 25,367 | 3,518 | 83,718 |
| % of Total Membership | | | | | 100.00% |

Employers participating in the Teesside Pension Fund Accounts include:

- Scheduled bodies - local authorities or similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies - organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary and charitable organisations and private contractors that are undertaking a local authority function following outsourcing to the private sector.



Fund Accounts for the year ended 31 March 2025

| 2023/24 £m | | Note | 2024/25 £m |
|--------------------|--|-----------|--------------------|
| | Dealings with members, employers and others directly involved in the Fund | | |
| (116.328) | Contributions | 6 | (125.283) |
| (8.055) | Transfers in from other pension funds | 8 | (10.977) |
| (2.060) | Other income | 9 | (2.573) |
| (126.443) | Total Income from Members | | (138.833) |
| 182.512 | Benefits payable | 7 | 200.488 |
| 12.318 | Payments to and on account of leavers | 10 | 16.881 |
| 194.830 | Total Expenditure to Members | | 217.369 |
| 68.387 | Net / withdrawals from dealings with members | | 78.536 |
| 12.126 | Management expenses | 11, 20 | 8.456 |
| 80.513 | Net withdrawals including fund management expenses | | 86.992 |
| | Returns on investment | | |
| (70.293) | Investment income | 12 | (98.377) |
| (467.735) | Profits and losses on disposal of investments and changes in the market value of investments | 13 | (75.744) |
| (538.028) | Net returns on investment | | (174.121) |
| (457.515) | Net (increase)/decrease in the net assets available for benefits during the year | | (87.129) |
| (5,032.352) | Net assets of the scheme as at 1 April | | (5,489.867) |
| (5,489.867) | Net assets of the scheme as at 31 March | | (5,576.996) |
| | Net Assets Statement as at 31 March | | |
| 5,481.614 | Investments Assets | 13 | 5,568.307 |
| 16.027 | Current Assets | 16 | 16.158 |
| (7.774) | Current liabilities | 17 | (7.469) |
| 5,489.867 | Net assets of the Fund at 31 March | | 5,576.996 |
| | | | |

Notes to Teesside Pension Fund Accounts

Note 1 Basis of Preparation

The financial statements are prepared in line with the requirements of the CIPFA Code of Practice on Local Authority Accounting, which states that as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. The Council is established under the Local Government Regulations 2013 as an Administering Authority of the Local Government Pensions Scheme and is therefore a statutory body expected to be a going concern until notification is given that the body will be dissolved, and its functions transferred. The financial statements have been prepared on the assumption that the functions of the Fund will continue in operational existence for the foreseeable future and management is not aware of any material uncertainties in relation to this.

The statement of accounts summarises the Funds' transactions for the 2024/25 financial year and its position at year end as at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, which is based upon international Financial Reporting Standards (IFRS), as amended for the UK local government sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits, which fall due after the end of the financial year.

Note 2 Accounting standards issued but not yet been adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published and will be introduced by the 2025/26 Codes of Practice of Local Authority Accounting in the United Kingdom:

- **IAS 21 *The Effects of Changes in Foreign Exchange Rate (Lack of exchangeability)*** issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
- **IFRS 17 *Insurance Contracts*** issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.
- **IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*** -The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 and IAS 38. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy as confirmed in [paragraph 3.3.1.4](#).

Note 3 Summary of Significant Accounting Policies

Accruals

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

Fund Account – Revenue Recognition

Contributions Income

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

Employer deficit funding contributions are accounted for on the due dates set by the actuary, or on receipt if earlier.

Employer strain on the fund and any augmentation contributions are accounted for in the period in which the liability arises. Amounts due in the year but still outstanding at the year-end are accrued, according to the accruals threshold.

Transfer Values

Transfer values represent the sums receivable in respect of members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations.

Individual transfer values in and out have been accounted for in the period in which they were paid or received.

Transfers in from members wishing to use the proceeds from their additional voluntary contributions to purchase scheme benefits, are accounted for on a receipts basis within transfers in.

Bulk transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Investment Income

Interest Income

Interest income is recognised in the Fund account on an accruals basis, using the effective interest rate of the financial instrument as at the date of acquisition.

Dividend Income

Dividend income is recognised at receipt of funds from the custodian.

Distributions from Pooled Investment Vehicles and Pooled Property Investments

Distributions from Pooled Funds are recognised on the date of issue. Any amount not received at the year-end is disclosed in the net assets statement as a current financial asset.

Property Related Income

Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the Fund is accounted for on an accruals basis.

Interest on Cash Balances

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

Fund Account – Expense Items

Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Taxation

The Fund is a registered public service scheme under section 1 (1) of schedule 36 of the Finance Act 2004 and, as such, is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Any withholding tax recovered is credited on receipt.

Management Expenses

The Code requires that management expenses be categorised into administrative expenses, oversight and governance expenses and investment management expenses. To enhance transparency, the Fund discloses its pension fund management expenses in accordance with CIPFA's guidance, "Accounting for Local Government Pension Scheme Management Expenses (2016)".

Administrative Expenses

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

Oversight and Governance Costs

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

Investment Management Expenses

All investment management expenses are accounted for on an accruals basis. Fees of external investment managers and the Fund's custodians are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

The costs of the Council's in house fund management team are charged direct to the Fund and a proportion of the Council's costs representing management time spent by officers on investment management is also charged to the Fund.

Property Expenses

Property expenses have been recorded gross and shown as a deduction from the gross rental income received in determining net rents from properties.

Net Assets Statement

Financial Instruments

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

IFRS9 Financial Instruments

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

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

IFRS 13 Fair Value Measurement

The standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The Fund currently complies with this standard.

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

Foreign Currency Transactions

Foreign currency transactions are translated into sterling at the rate applicable at the date of conversion.

Income due at the year-end is translated at the rate applicable as at 31 March 2025.

Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at 31 March 2025. A financial asset is recognised in the net assets statement on the date the Fund becomes a party to the contractual acquisition of an asset. From this date, any gains and losses arising from changes in the fair value of assets are recognised in the Fund account. Assets with contractual terms that give rise to cash flows on specified dates, consisting solely of payments of principal and interest on the principal amount outstanding, are valued at amortised cost and recognised in the Fund account. The value of investments as shown in the net assets statement have been determined as follows

Market Quoted Investments

Investments are valued at fair value as at 31 March 2025, as provided by the Fund's custodian. Quoted UK securities are valued at the bid price based on quotations in the Stock Exchange Daily Official List. Overseas quoted securities are, similarly, valued at the bid price from overseas stock exchanges, translated at closing rates of exchange.

Pooled Investment Vehicles

Pooled investment vehicles are valued at closing bid prices if both bid and offer prices are published, otherwise at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income, which is reinvested in the Fund, net of applicable withholding tax.

Fixed Interest Securities

The value of fixed income investments excludes interest earned but not paid over at the year end.

The interest earned is accrued within the investment income receivable.

Unquoted Investments

Unlisted securities, including partnerships, are valued regarding latest dealings and other appropriate financial information as provided by their respective managers or those controlling the partnerships.

Loans

Cash is invested with investment managers for a fixed term at a fixed interest rate. Loan repayment terms are agreed upon at the outset, with repayments including both the initial capital and interest over the agreed fixed term period.

Freehold and Leasehold Properties

Properties are valued at 31 March 2025. An independent external valuer conducts annual valuations on a fair value basis, in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition). These valuations are professional opinions based on stated assumptions. It is important to note that a valuation is an estimate, not a fact. The degree of subjectivity and certainty involved can vary from case to case.

Outstanding Commitments

The Fund has made commitments to investments, which are not included in the accounts of the Fund until the monies have been drawn down by the relative manager. These are shown in Note 13.

Cash and Cash Equivalents

Cash comprises of cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS26 (Accounting and Reporting by Retirement Benefit Plans) and relevant actuarial standards. As permitted under the Code, the Fund has adopted to disclose the actuarial present value of promised retirement benefits by way of a note, refer to Note 15 and 16.

Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed the Prudential Assurance Co Ltd as the current provider. AVCs are paid to the AVC provider by the employers and are specifically for providing additional benefits for the individual contributors. Each AVC contributor receives an annual statement showing the value of their account and any movements in the year. AVCs are not included in the accounts in accordance with Regulation 4 (1) b of the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016 but are disclosed as a note only (Note 19).

Value Added Tax

Expenses and property purchase costs are charged net to the Pension Fund. The VAT is reclaimed via Middlesbrough Council's VAT regime.

Note 4 Critical Judgements, Sensitivities and Accounting Estimates

The Code of Practice on Local Authority Accounting requires disclosure of judgements made by management that affect the application of accounting policies. The Fund can confirm it has made no such critical judgements during 2024/25.

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

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

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---------------------------------|--|---|
| Pooled Investment Vehicles | The fair value of these assets is determined using the most recently available valuation reports and financial statements provided by the general partners, adjusted for cash flows between the date of the reports and the accounting date. As these valuations are based on a combination of estimation techniques and unobservable puts, management judgement is therefore required and there is significant estimation uncertainty in the valuations. Consequently, reliance is placed on general partners to perform the valuations and the Fund performs due diligence to maintain confidence in the valuation provided. | Unobservable market values amount to £1,415m and are relating to infrastructure, real estate, and pooled equity vehicles. The effect in of variations in the factors supporting the valuation would be an increase or decrease 7.20% in the value of unobservable market values of £101.900m. |
| Freehold and leasehold property | The Fund uses independent external valuers (Cushman and Wakefield) to value freehold and leasehold properties. Valuations are based on market yields, calculated by Cushman and Wakefield, which are informed by a combination of expertise and market awareness on behalf of the valuer. The valuations are therefore subject to estimation uncertainty due to the judgements involved. Consequently, reliance is placed on the surveyor's report provided by Cushman and Wakefield and the Fund due diligence to maintain confidence in the valuation provided. | The effect of variations in the factors supporting the valuation would be an increase or decrease 17.4% in the value of directly held property £91.300m, on a fair basis of £524.700m. |

Note 6 Contributions

Contributions from both members and employers are accounted for on an accrual basis in the payroll period. The employers' percentage rate is set by the actuary, whilst the employees' rate is determined by the Local Government Pension Scheme (LGPS) Regulations.

| 2023/24 £m | | 2024/25 £m |
|------------------|--------------------------------|------------------|
| | Employers | |
| (79.548) | Normal | (87.011) |
| (0.016) | Additional Contributions | (0.015) |
| (0.050) | Deficit Recovery Contributions | (0.012) |
| | Members | |
| (36.714) | Normal | (38.245) |
| (116.328) | Total | (125.283) |

Analysis of Total Contributions

| 2023/24 £m | | 2024/25 £m |
|------------------|---|------------------|
| (15.676) | Administering Authority – Middlesbrough Council | (16.760) |
| (87.999) | Scheduled Bodies | (95.393) |
| (12.653) | Admitted Bodies | (13.130) |
| (116.328) | Total | (125.283) |

Note 7 Benefits Payable

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

| 2023/24 £m | | 2024/25 £m |
|----------------|---|----------------|
| 150.993 | Pensions | 164.845 |
| 27.950 | Commutations and lump sum retirement benefits | 33.222 |
| 3.569 | Lump sum death benefits | 2.421 |
| 182.512 | Total | 200.488 |

Analysis of Total Benefits

| 2023/24 £m | | 2024/25 £m |
|----------------|---|----------------|
| 29.051 | Administering Authority – Middlesbrough Council | 32.197 |
| 113.846 | Scheduled Bodies | 123.675 |
| 39.615 | Admitted Bodies | 44.616 |
| 182.512 | Total | 200.488 |

Note 8 Transfers in from Other Pension Funds

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

| 2023/24 £m | | 2024/25 £m |
|----------------|--|-----------------|
| (8.055) | Individual transfers in from other schemes | (10.977) |
| (8.055) | Total | (10.977) |

Note 9 Other Income

| 2023/24 £m | | 2024/25 £m |
|----------------|------------------------------------|----------------|
| (1.255) | Capital Costs of Early Retirements | (2.293) |
| (0.805) | Other income | (0.280) |
| (2.060) | Total | (2.573) |

Note 10 Payments to and on account of leavers

| 2023/24 £m | | 2024/25 £m |
|---------------|---|---------------|
| 0.259 | Refunds to members leaving scheme | 0.234 |
| 0.239 | Payments for members joining state scheme | 0.124 |
| 11.820 | Individual transfers to other schemes | 16.523 |
| 12.318 | Total | 16.881 |

Note 11 Management Expenses

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

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

| 2023/24 £m | | 2024/25 £m |
|---------------|--------------------------------|---------------|
| 2.234 | Administrative costs | 1.953 |
| 9.269 | Investment management expenses | 6.062 |
| 0.623 | Oversight and governance costs | 0.441 |
| 12.126 | Total | 8.456 |

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

| 2023/24 £m | | 2024/25 £m |
|---------------|--|---------------|
| 8.671 | Management fees | 5.267 |
| 0.019 | Custody fees | 0.025 |
| 0.579 | Loans & investment support service charges | 0.770 |
| 9.269 | Total | 6.062 |

Note 12 Investment Income

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

| 2023/24 £m | | 2024/25 £m |
|-----------------|--|-----------------|
| (32.278) | Income from pooled investment vehicles | (52.749) |
| (27.631) | Net rents from properties (see note below) | (27.840) |
| (10.384) | Interest on cash deposits | (17.788) |
| (70.293) | Total | (98.377) |

Rental Income and Property Expenses

| 2023/24 £m | | 2024/25 £m |
|-----------------|----------------------------------|-----------------|
| (30.641) | Gross Rental income | (28.825) |
| 3.010 | Property Expense / (Income) | 0.985 |
| (27.631) | Net Rents from Properties | (27.840) |

Note 13 Investment Assets

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

| 2024/25 | Value at 1 April 2024 £m | Reclassified Assets £m | Purchases at Cost £m | Sale Proceeds £m | Change in Market Value £m | Value at 31 March 2025 £m |
|--------------------------------|-----------------------------------|------------------------------|----------------------------|------------------------|---------------------------------------|------------------------------------|
| Equities | 2.013 | - | 0.142 | (0.569) | 0.958 | 2.544 |
| Pooled Investment Vehicles | 4,678.596 | (49.827) | 619.885 | (959.406) | 79.979 | 4,369.227 |
| Pooled Property Investments | 59.518 | 49.827 | 0.014 | (12.271) | (1.310) | 95.778 |
| Properties | 484.300 | - | 40.254 | - | 0.171 | 524.725 |
| Loans | 49.535 | - | 43.139 | (1.466) | 0.300 | 91.508 |
| Directly Held – Private Equity | 12.000 | - | 15.800 | - | (4.354) | 23.446 |
| | 5,285.962 | - | 719.234 | (973.712) | 75.744 | 5,107.228 |
| Cash Deposits | 193.440 | | | | | 456.190 |
| Other Investment Balances | 2.212 | | | | | 4.889 |
| Net Investment assets | 5,481.614 | | | | | 5,568.307 |

| 2023/24 | Value at 1 April 2023 | Reclassified Assets | Purchases at Cost | Sale Proceeds | Change in Market Value | Value at 31 March 2024 |
|--------------------------------|-----------------------------|------------------------|----------------------|------------------|---------------------------------|------------------------------|
| | £m | £m | £m | £m | £m | £m |
| Equities | 2.119 | - | - | - | (0.106) | 2.013 |
| Pooled Investment Vehicles | 4,187.376 | - | 338.170 | (329.918) | 482.968 | 4,678.596 |
| Pooled Property Investments | 65.438 | - | 1.149 | - | (7.069) | 59.518 |
| Properties | 403.615 | - | 86.858 | (0.002) | (6.171) | 484.300 |
| Loans | 24.534 | - | 25.746 | (0.746) | 0.001 | 49.535 |
| Directly Held – Private Equity | 9.924 | - | 3.964 | - | (1.888) | 12.000 |
| | 4,693.006 | - | 455.887 | (330.666) | 467.735 | 5,285.962 |
| Cash Deposits | 334.350 | | | | | 193.440 |
| Other Investment Balances | 3.226 | | | | | 2.212 |
| Net Investment assets | 5,030.582 | | | | | 5,481.614 |

Change in Market Value

The change in the market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. Realised profit was £314,687,153 and unrealised loss was £238.943m. Prior year realised profit was £27.368m and unrealised gain was £0.489m.

Transaction Costs

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs for 2024-25 are £1.956m. (2023-24 £3.988m).

Investments Analysed by Fund Manager

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

- for 2024-25 the value at 31 March 2025 of the direct property portfolio was: £524.724m.
- for 2023-24 the value at 31 March 2024 of the direct property portfolio was: £484.300m.

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

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

| Market Value 31 March 2024 | % of net assets of the scheme | Security | Market Value 31 March 2025 | % of net assets of the scheme |
|----------------------------------|--|---------------------------------------|----------------------------------|--|
| £m | | | £m | |
| 1,833.038 | 33.15% | Border to Coast PE Overseas Dev Mkts | 2,086.661 | 37.51% |
| 612.789 | 11.08% | Border to Coast PE UK Listed Equity | 609.891 | 10.96% |
| 336.531 | 6.09% | SSGA MPF Pacific Basin Ex-Japan Index | - | 0.00% |

In addition, the following investments represent more than 5% of any class or type of security. The asset classes used for this note are not the CIPFA classifications, but those represented in the Fund's valuation by its Custodian and reported to the Teesside Pension Fund and Investment Panel.

Pooled Investment Vehicles and Properties

| 31 March 2024 £m | | 31 March 2025 £m |
|---------------------|--|---------------------|
| 612.789 | UK Equity | 609.891 |
| 59.518 | Pooled Property investment Vehicle | 95.778 |
| 555.182 | Private Equity | 672.994 |
| 531.706 | Infrastructure | 688.215 |
| 194.369 | Other Alternative Investments | - |
| 68.169 | Other Debt | 83.312 |
| 2,021.733 | UK Unit and Investment Trusts Total | 2,150.190 |
| 2,716.381 | Overseas Equities | 2,314.815 |
| 2,716.381 | Overseas Unit and Investment Trusts Total | 2,314.815 |
| 4,738.114 | Total | 4,465.005 |

UK Properties

| 31 March 2024 £m | | 31 March 2025 £m |
|---------------------|--------------|---------------------|
| 347.275 | Freehold | 388.325 |
| 137.025 | Leasehold | 136.400 |
| 484.300 | Total | 524.725 |

The properties were valued at Fair Value as of 31 March 2025 by Cushman and Wakefield LLP, acting as an External Valuer. The valuer's opinion on the Fair Value of the Fund's interests in the properties has been reported in accordance with VPS4 item 7 of the RICS Red Book. According to these provisions, "Fair Value" is defined by the International Accounting Standards Board (IASB) in IFRS 13, as "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

Outstanding Commitments

As at 31 March 2025, the Fund had the following outstanding commitments.

| | Initial Commitment | Capital Payments made | Outstanding commitments at 31 March 2025 |
|--|-----------------------|-----------------------------|---|
| Private Equity | | | |
| | GBP | GBP | GBP |
| Border to Coast Private Equity Series 1A | 100.000 | 67.639 | 32.361 |
| Border to Coast Private Equity Series 1B | 50.000 | 34.856 | 15.144 |
| Border to Coast Private Equity Series 1C | 50.000 | 42.077 | 7.923 |
| Border to Coast Private Equity Series 2A | 100.000 | 37.736 | 62.264 |
| Border to Coast Private Equity Series 2B | 100.000 | 20.839 | 79.161 |
| Capital Dynamics LGPS Collective for Pools 18/19 | 10.000 | 8.068 | 1.932 |
| Foresight Regional Investments IV | 5.000 | 1.609 | 3.391 |
| Hermes Innovation Fund | 20.000 | 15.743 | 4.257 |
| Total GBP | 435.000 | 228.567 | 206.433 |
| | EUR | EUR | EUR |
| Access Capital Fund VIII Growth Buy-Out Europe | 30.000 | 19.344 | 10.656 |

| | | | |
|--|----------------|----------------|----------------|
| Access Capital Co-Investment Fund Buy-Out Europe II | 25.000 | 14.017 | 10.983 |
| Capital Dynamics Mid-Market Direct V | 20.000 | 16.568 | 3.432 |
| Crown Growth Global Opportunities III | 30.000 | 25.097 | 4.903 |
| Unigestion Direct II | 25.000 | 22.420 | 2.580 |
| Unigestion Secondary V | 50.000 | 25.000 | 25.000 |
| Unigestion Direct III | 37.500 | 16.560 | 20.940 |
| Total EUR | 217.500 | 139.006 | 78.494 |
| | USD | USD | USD |
| Blackrock Private Opportunities Fund IV | 25.000 | 19.454 | 5.546 |
| Capital Dynamics Global Secondaries V | 22.000 | 13.825 | 8.175 |
| Crown Co-Investment Opportunities II | 30.000 | 9.633 | 20.367 |
| Crown Co-Investment Opportunities III | 30.000 | 22.380 | 7.620 |
| Crown Global Opportunities VII | 40.000 | 22.474 | 17.526 |
| Crown Secondaries Special Opportunities II | 25.000 | 18.458 | 6.542 |
| Pantheon Global Co Investment Opportunities IV | 30.000 | 21.005 | 8.995 |
| Total USD | 202.000 | 127.229 | 74.771 |
| Infrastructure | | | |
| | GBP | GBP | GBP |
| Border to Coast Infrastructure Series 1A | 100.000 | 70.210 | 29.790 |
| Border to Coast Infrastructure Series 1B | 50.000 | 36.582 | 13.418 |
| Border to Coast Infrastructure Series 1C | 50.000 | 40.420 | 9.580 |
| Border to Coast Infrastructure Series 2A | 150.000 | 79.279 | 70.721 |
| Border to Coast Infrastructure Series 2B | 150.000 | 42.866 | 107.134 |
| Border to Coast Climate Opportunities Series 2A | 80.000 | 36.024 | 43.976 |
| Capital Dynamics Clean Energy Infrastructure UK | 20.000 | 5.110 | 14.890 |
| Capital Dynamics Clean Energy Infrastructure Fund VIII | 20.000 | 18.734 | 1.266 |
| Capital Dynamics Clean Energy Infrastructure Fund VIII - Co Investment | 10.000 | 9.367 | 0.633 |
| Gresham House, British Strategic Investment Infrastructure Fund | 20.000 | 17.533 | 2.467 |
| Gresham House, British Strategic Investment Infrastructure Fund II | 25.000 | 24.740 | 0.260 |
| Innisfree PFI Continuation Fund | 10.000 | 9.708 | 0.292 |
| Innisfree PFI Secondary Fund 2 | 10.000 | 8.353 | 1.647 |
| Total GBP | 695.000 | 398.926 | 296.074 |
| | EUR | EUR | EUR |
| Access Capital Infrastructure Fund | 23.000 | 13.381 | 9.619 |
| Access Capital Infrastructure Fund II | 20.000 | 15.729 | 4.271 |
| Access Capital Infrastructure Fund II (Fund 2) | 15.000 | 11.836 | 3.164 |
| Ancala Infrastructure Fund II | 23.000 | 17.978 | 5.022 |
| Foresight Energy Infrastructure | 17.000 | 15.853 | 1.147 |
| Total EUR | 98.000 | 74.777 | 23.223 |
| | USD | USD | USD |
| Blackrock Global Energy & Power Infrastructure Fund III | 25.000 | 16.888 | 8.112 |
| Blackrock Global Renewable Power III | 25.000 | 21.124 | 3.876 |
| Total USD | 50.000 | 38.012 | 11.988 |
| Property Funds | | | |
| | GBP | GBP | GBP |
| Bridges Evergreen TPF Housing Co-Investment LP | 5.000 | 0.807 | 4.193 |

| | | | |
|---|---------------|---------------|---------------|
| Gresham House BSI Housing LP | 20.000 | 19.546 | 0.454 |
| Total GBP | 25.000 | 20.353 | 4.647 |
| Other Debt | | | |
| | GBP | GBP | GBP |
| St Arthur Homes | 27.500 | 17.388 | 10.112 |
| Total GBP | 27.500 | 17.388 | 10.112 |
| | EUR | EUR | EUR |
| La Salle Real Estate Debt Strategies IV | 25.000 | 20.148 | 4.852 |
| Total EUR | 25.000 | 20.148 | 4.852 |
| | USD | USD | USD |
| Pantheon Senior Debt Secondaries II | 25.000 | 18.916 | 6.084 |
| Total USD | 25.000 | 18.916 | 6.084 |

Note 14 Financial Instruments

Net Gains and Losses on Financial Instruments

| 2023/24 | | 2024/25 |
|------------------|--|-----------------|
| £m | Financial Assets | £m |
| (467.735) | Fair Value through profit and loss account | (75.744) |

Fair Value of Financial Instruments

| Fair Value through profit and loss | Assets at amortised cost | Liabilities at amortised cost | | Fair Value through profit and loss | Assets at amortised cost | Liabilities at amortised cost |
|------------------------------------|--------------------------|-------------------------------|--------------------------------|------------------------------------|--------------------------|-------------------------------|
| 31 March 2024 | | | | 31 March 2025 | | |
| £m | £m | £m | Financial Assets | £m | £m | £m |
| 2.013 | - | - | Equities | 2.544 | - | - |
| 4,678.596 | - | - | Pooled Investments | 4,369.227 | - | - |
| 59.518 | - | - | Pooled Property Investments | 95.777 | - | - |
| - | 49.535 | - | Loans | - | 91.508 | - |
| 12.000 | - | - | Directly Held - Private Equity | 23.446 | - | - |
| - | 193.440 | - | Cash | - | 456.190 | - |
| | 2.212 | | Other investment balances | | 4.889 | |
| | 16.027 | | Sundry debtors and prepayments | | 16.144 | |
| 4,752.127 | 261.214 | - | - | 4,490.994 | 568.731 | - |
| | | | Financial Liabilities | | | |
| - | - | (7.774) | Sundry creditors | - | - | (7.469) |
| - | - | (7.774) | | - | - | (7.469) |
| 4,752.127 | 261.214 | (7.774) | Net Financial Assets | 4,490.994 | 568.731 | (7.469) |

Valuation of Financial Instruments Carried at Fair Value

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

Level 1

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

Level 2

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

Level 3

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

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

Teesside Pension Fund has no investments in hedge funds.

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

Valuation of Financial Instruments

| Value as at 31 March 2025 | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|--|----------------|------------------|------------------|------------------|
| Financial assets at fair value through profit and loss account | 6.406 | 2,924.706 | 1,559.882 | 4,490.994 |
| Financial Assets at amortised cost | 568.731 | - | - | 568.731 |
| Financial Liabilities at amortised cost | (7.469) | - | - | (7.469) |
| Total Financial Assets | 567.668 | 2,924.706 | 1,559.882 | 5,052.256 |

| Value as at 31 March 2024 | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|--|----------------|------------------|------------------|------------------|
| Financial assets at fair value through profit and loss account | 9.038 | 3,329.170 | 1,413.919 | 4,752.127 |
| Loans and Receivables | 261.214 | - | - | 261.214 |
| Financial Liabilities at amortised cost | (7.774) | - | - | (7.774) |
| Total Financial Assets | 262.478 | 3,329.170 | 1,413.919 | 5,005.567 |

Sensitivity of Assets at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation classification described above are likely to be accurate to within, the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2025.

Valuation of Financial Instruments carried at fair value – 31 March 2025

| | Assessed valuation range (+/-) | Value as at 31 March 2025 £m | Value on increase £m | Value on decrease £m |
|-------------------------------------|--------------------------------------|---|--------------------------------|--------------------------------|
| Pooled Investments - Private Equity | 7.20% | 672.995 | 721.451 | 624.539 |
| Directly Held – Private Equity | 7.20% | 23.446 | 25.134 | 21.758 |
| Pooled Investments - Infrastructure | 7.20% | 688.215 | 737.766 | 638.664 |
| Pooled Investments - Other Debt | 7.20% | 83.312 | 89.310 | 77.314 |
| Pooled Investments - Property | 17.40% | 91.914 | 107.907 | 75.921 |
| Total | | 1,559.882 | 1,681.568 | 1,438.196 |

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

| | Assessed valuation range (+/-) | Value as at 31 March 2024 £m | Value on increase £m | Value on decrease £m |
|---|--------------------------------------|---|--------------------------------|--------------------------------|
| Pooled Investments - Private Equity | 11.40% | 555.182 | 618.473 | 491.891 |
| Directly Held - Private Equity | 11.40% | 12.000 | 13.368 | 10.632 |
| Pooled Investments - Infrastructure | 11.40% | 531.706 | 592.320 | 471.092 |
| Pooled Investments - Other Alternatives | 11.40% | 194.369 | 216.257 | 172.211 |
| Pooled Investments - Other Debt | 11.40% | 68.169 | 75.940 | 60.398 |
| Pooled Investments - Property | 18.30% | 52.493 | 62.099 | 42.887 |
| Total | | 1,413.919 | 1,578.457 | 1,249.111 |

Reconciliation of Fair Value Measurements within level 3 during 2024-25

| | Market Value as at 1 April 2024 £m | Transfer between asset categories £m | Purchases £m | Sales £m | Unrealised Gains/ Losses £m | Realised Gains/ Losses £m | Market Value as at 1 April 2025 £m |
|---|--|--|---------------------|-----------------|--|--|--|
| Pooled Investments – Private Equity | 555.182 | 62.400 | 94.779 | (44.280) | 4.913 | - | 672.994 |
| Directly Held - Private Equity | 12.000 | - | 15.800 | 0.000 | (4.354) | - | 23.446 |
| Pooled Investments – Infrastructure | 531.706 | 73.480 | 120.323 | (32.507) | (4.787) | - | 688.215 |
| Pooled Investments – Other Alternatives | 194.369 | -194.369 | - | 0.000 | 0.000 | - | - |
| Pooled Investments - Other Debt | 68.169 | 10.678 | 7.588 | (2.861) | (.262) | - | 83.312 |
| Pooled Investments – Property | 52.493 | 47.811 | 2.329 | (2.724) | (14.248) | 6.254 | 91.915 |
| Total | 1,413.919 | - | 240.819 | (82.372) | (18.738) | 6.254 | 1,559.882 |

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

| | Market Value as at 1 April 2023 £m | Purchases £m | Sales £m | Unrealised Gains/Losses £m | Realised Gains/Losses £m | Market Value as at 1 April 2024 £m |
|---|---------------------------------------|-----------------|-----------------|-------------------------------|-----------------------------|---------------------------------------|
| Pooled Investments – Private Equity | 442.431 | 104.942 | (24.495) | 32.304 | - | 555.182 |
| Directly Held - Private Equity | 9.924 | 3.964 | - | (1.888) | - | 12.000 |
| Pooled Investments – Infrastructure | 402.107 | 122.550 | (16.592) | 23.641 | - | 531.706 |
| Pooled Investments – Other Alternatives | 179.599 | 38.368 | (3.628) | (19.970) | - | 194.369 |
| Pooled Investments - Other Debt | 67.023 | 3.448 | (0.022) | (2.280) | - | 68.169 |
| Pooled Investments – Property | 58.095 | 1.149 | - | (6.751) | - | 52.493 |
| Total | 1,159.179 | 274.421 | (44.737) | 25.056 | - | 1,413.919 |

Nature and Extent of Exposure to Risk Arising from Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that its assets may fall short of its liabilities which includes promised benefits payable to members. Consequently, the aim of investment risk management is to minimise the risk of an overall reduction in the Fund's value while maximising the opportunity for gains across the entire portfolio. The Fund achieves this through asset diversification, which reduces exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. Additionally, the Fund manages its liquidity risk to ensure sufficient liquidity to meet forecasted cash flows

Market Risk

Market risk refers to the potential for loss due to fluctuations in equity and commodity prices, interest rates foreign exchange rates and credit spreads. The Fund is exposed to market risk through its investment activities, particularly its equity holdings. The level of risk exposure is influenced by market conditions, expectations of future price and yield movements, and the asset mix.

The Fund identifies, manages, and controls market risk exposure within acceptable parameters while optimising the return on risk.

Excessive volatility in market risk is generally managed through portfolio diversification across geographical regions, industry sectors, and individual securities. To mitigate market risk, the Fund and its investment advisors conduct appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in three ways:

1. The actuarial valuation of the Fund which is carried out every three years and resets the employer contribution rates.
2. The asset liability study which is carried out every three years or more frequently if required considers alternative asset allocations for the Fund and the long-term impact on employer contribution rates.
3. Quarterly monitoring of the performance of the Fund against selected benchmarks, and annual performance reports to the Pension Fund Committee.

Other Price Risk

Other price risk refers to the risk that the value of a financial instrument will fluctuate because of changes in the market prices, excluding those arising from interest rate risk or foreign exchange risk. These fluctuations can be caused by factors specific to the individual instrument or its issuer, or by broader market factors affecting all such instruments

The Fund is exposed to share price risk, which arises from investments held by the Fund with uncertain future prices. All securities investments carry a risk of capital loss, with the maximum risk determined by the fair value of the financial instrument

The Fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored by the Council to ensure compliance with the limits specified in the Fund Strategy Statement and the Investment Strategy Statement.

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year and in consultation with Portfolio Evaluation Ltd, the Fund has determined that the following movements in market price risk are reasonably possible for the 2024-25 reporting period.

| 2024/25 Price Risk | | Value as at 31 March 2025 | Change | Value on Increase | Value on Decrease |
|--------------------------------|---------------------|---------------------------|----------|-------------------|-------------------|
| Asset Type | Region | £m | % | £m | £m |
| Equities | UK | 2.536 | 10.90% | 2.812 | 2.260 |
| | Non-UK | 0.008 | 10.90% | 0.009 | 0.007 |
| | Total | 2.544 | | 2.821 | 2.267 |
| Managed and Unitised Funds | UK Equities | 609.891 | 10.90% | 676.369 | 543.413 |
| | UK Alternatives | 428.598 | 7.20% | 459.457 | 397.739 |
| | Non-UK Equities | 2,314.815 | 10.90% | 2,567.130 | 2,062.500 |
| | Non-UK Alternatives | 1,107.432 | 7.20% | 1,187.167 | 1,027.697 |
| Directly Held - Private Equity | UK | 23.446 | 0 | 25.134 | 21.758 |
| Total | | 4,486.726 | 0 | 4,918.078 | 4,055.374 |

| 2023/24 Price Risk | | Value as at 31 March 2024 | Change | Value on Increase | Value on Decrease |
|--------------------------------|---------------------|---------------------------|----------|-------------------|-------------------|
| Asset Type | Region | £m | % | £m | £m |
| Equities | UK | 2.005 | 10.50% | 2.216 | 1.794 |
| | Non-UK | 0.008 | 11.00% | 0.009 | 0.007 |
| | Total | 2.013 | | 2.225 | 1.801 |
| Managed and Unitised Funds | UK Equities | 612.789 | 10.50% | 677.131 | 548.446 |
| | Uk Alternatives | 421.361 | 11.40% | 469.396 | 373.326 |
| | Non-UK Equities | 2,716.383 | 11.00% | 3,015.185 | 2,417.581 |
| | Non-UK Alternatives | 987.582 | 11.40% | 1,100.166 | 874.997 |
| Directly Held - Private Equity | UK | 12.000 | 0 | 13.368 | 10.632 |
| Total | | 4,752.128 | | 5,277.471 | 4,226.783 |

Interest Rate Risk

Interest rate risk is the risk to which the Fund is exposed to changes in interest rates and relates to its holdings in cash. The Fund's direct exposure to interest rate movements as at 31 March 2024 and 31 March 2025 is set out below:

| 2023/24 £m | Asset Type at 31 March | 2024/25 £m |
|----------------|---------------------------|----------------|
| 193.440 | Cash and cash equivalents | 456.190 |
| 2.212 | Other Investment balances | 4.889 |
| 195.652 | Total | 461.079 |

Sensitivity Analysis

The Fund recognises that fluctuations in interest rates can impact both its income and the value of the net assets available to pay benefits. The following analysis assumes that all other variables, particularly exchange rates, remain constant. It illustrates the effect of a +/- 75 basis points (BPS) change in interest rates on the net assets available to pay benefits in the year.

| Asset Type Carrying value at 31 March 2025 | £m | + 75 BPS £m | - 75 BPS £m |
|---|----------------|----------------|----------------|
| Cash and cash equivalents | 456.190 | 3.421 | (3.421) |
| Other Investment balances | 4.889 | 0.037 | (0.037) |
| Total | 461.079 | 3.458 | (3.458) |

| Asset Type Carrying value at 31 March 2024 | £m | + 100 BPS £m | - 100 BPS £m |
|---|----------------|-----------------|-----------------|
| Cash and cash equivalents | 193.440 | 1.934 | (1.934) |
| Other Investment balances | 2.212 | 0.022 | (0.022) |
| Total | 195.652 | 1.956 | (1.956) |

Currency Risk

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

The following tables summarise the Fund's currency exposure as at 31 March 2024 and as at 31 March 2025, showing the sensitivity analysis of foreign exchange movements.

| Currency Risk 31 March 2025 | Value £m | Change % | Value on Increase £m | Value on Decrease £m |
|-----------------------------|----------------|----------|----------------------|----------------------|
| Australian Dollar | 0.008 | 6.50% | 0.009 | 0.007 |
| Euro | 262.244 | 6.90% | 280.339 | 244.149 |
| US Dollar | 327.180 | 9.20% | 357.281 | 297.079 |
| Total | 589.432 | | 637.629 | 541.235 |

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

Based on an analysis of historical data conducted in consultation with Portfolio Evaluation Ltd, the Fund has assessed the likely volatility associated with foreign exchange rate movements. A percentage strengthening or weakening of the pound against the various currencies in which the Fund holds investments would correspondingly decrease or increase the net assets available to pay benefits as illustrated above

Expected Credit Loss Allowance

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The Fund is exposed to credit risk on its investment portfolio, including its cash deposits, and on the contribution's receivable from the Fund's participating employers.

The market values on investments typically reflect an assessment of credit risk in their pricing, implicitly accounting for the risk of loss in the fair value of the Fund's investments. Credit risk on cash deposits is managed by Middlesbrough Council's in-house Treasury Management Team, in accordance with the Council's Treasury Management Policy. This policy is described in detail in Middlesbrough Council's Annual Report.

Credit risk on receivables from employers is minimised through regular monitoring of monthly payments from employees. As of 31 March 2025, there is no provision for doubtful debts against the amounts due from employers. The LGPS Regulations require that a risk assessment be conducted of any new transferee admission body, and that a bond or guarantee is obtained where necessary

The Teesside Pension Fund Committee must approve the admission of any new body. Bonds or guarantees have been obtained for the Fund's admission body employers, where possible. The Fund is potentially exposed to credit risk from certain scheduled employers that have neither tax-raising powers nor a guarantee from central government.

Collateral and other Credit Enhancement

The pension fund does not use collateral and other credit enhancement.

Liquidity Risk

Liquidity risk is the risk that the Fund will be unable to meet its financial obligations as they fall due. To manage this risk, the Fund holds in-house cash resources to meet the day-to-day needs and to pay pensions. If there is insufficient cash available to meet immediate needs, there are sufficient other assets available which can be liquidated at short notice and at minimal cost. Apart from investments in private equity, infrastructure partnerships and other alternatives, there are no commitments to contribute further capital to existing fund investments. When capital calls for private equity, infrastructure partnership and other alternatives are received, payments are made from cash or, if necessary, by liquidating other assets.

Note 15 Actuarial Valuations

Contributions are paid to the Fund by the employers to provide for the benefits which will become payable to Scheme members when they fall due. The funding objectives are to meet the cost of Scheme members' benefits whilst they are working and to build up assets to provide adequate security for the benefits as they accrue.

To assess that the funding objectives are being met the Fund is required to carry out an Actuarial Valuation

every 3 years, The Triennial Valuation. Typically, each final triennial valuation report is published around a year after the effective date. An Actuarial Valuation was carried out as at 31 March 2022 using the 'Projected Unit Method' which produced the following results;

| | 2019 Valuation £m | 2022 Valuation £m |
|-----------------|------------------------------|------------------------------|
| Net Liabilities | 3.561 | 4.351 |
| Assets | 4.088 | 5.036 |
| Surplus | 0.527 | 0.685 |
| Funding Level | 115% | 116% |

The actuarial assumptions used to calculate the promised value of benefits at 31 March 2025 were:

Funding Assumptions

| | 2019 Valuation | 2022 Valuation |
|-------------------------------|----------------|----------------|
| Pension Increase Rate (CPI %) | 2.10% | 2.70% |
| Salary Increase Rate (%) | 3.10% | 3.70% |
| Discount Rate (%) | 4.45% | 4.25% |

The assumed life expectancy from age 65 (years) assumptions

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

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

Note 16 Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits at 31 March 2025 was £3.983bn (31 March 2024 £4.554bn). The promised retirement benefits at 31 March 2025 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The promised retirement benefits at 31 March 2025 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022, but taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and uses different assumptions to those used for a triennial funding valuation. The net assets of the Scheme available to pay benefits at 31 March 2025 was £5.577bn (31 March 2024 £5.490bn). The fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

| | 31 March 2024 | 31 March 2025 |
|--------------------------------|---------------|---------------|
| Pensions Increase rate (CPI %) | 2.75% | 2.75% |
| Salary Increase Rate (%) | 3.75% | 3.75% |
| Discount Rate (%) | 4.85% | 5.80% |

Virgin Media Limited v NTL Pension Trustees II Limited

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

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

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

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

Note 17 Current Assets

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

| 31 March 2024 £m | Debtors | 31 March 2025 £m |
|---------------------|----------------------------------|---------------------|
| 1.105 | Other Debtors | 2.615 |
| 1.530 | Sundry Debtors | 2.752 |
| - | Contributions due in respect of: | |
| 6.823 | Employers | 6.720 |
| 3.102 | Members | 2.965 |
| 3.467 | Cash balances | 1.106 |
| 16.027 | Total | 16.158 |

| 31 March 2024 £m | Analysis of Debtors | 31 March 2025 £m |
|---------------------|--------------------------------|---------------------|
| 4.718 | Other local authorities | 5.095 |
| 7.842 | Other entities and individuals | 9.957 |
| 3.467 | Add cash balances | 1.106 |
| 16.027 | Total | 16.158 |

Note 18 Current Liabilities

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

| 31 March 2024 £m | Amounts due within one year | 31 March 2025 £m |
|---------------------|-----------------------------|---------------------|
| (2.859) | Rents received in advance | (2.915) |
| (3.210) | Accrued expenses | (2.729) |
| (1.705) | Other payables | (1.825) |
| (7.774) | Total | (7.469) |

| 31 March 2024 £m | Analysed by | 31 March 2025 £m |
|---------------------|--------------------------------|---------------------|
| (1.136) | Other local authorities | (1.001) |
| (0.020) | Public Corp & Trading Funds | - |
| (6.618) | Other entities and individuals | (6.468) |
| (7.774) | Total | (7.469) |

Note 19 Additional Voluntary Contributions (AVC's)

Scheme members may make Additional Voluntary Contributions that are invested with the Fund's nominated AVC providers, the Prudential Assurance Co Ltd. These contributions are not part of the Pension Fund and are not reflected in the Fund's accounts in accordance with regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The value of AVC investments are as follows:

Prudential AVC balances

| 2023/24 £m | Prudential AVC balances | 2024/25 £m |
|---------------|-----------------------------------|---------------|
| 5.504 | With Profits and Deposit Accounts | 7.041 |
| 5.171 | Unit Linked Accounts | 6.443 |
| 10.675 | Total | 13.484 |

Note 20 Related Party Transactions

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

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

The Teesside Pension Fund is administered by Middlesbrough Council. During the financial year, the Council incurred costs of £1.701m (2023-24 £1.475m) comprising of pensions administration costs of £0.946m (2023-24 £0.896m) and investment management costs of £0.770m (2023-24 £0.579m). The Council was subsequently reimbursed by the Fund for these expenses. Middlesbrough Council is one of the largest members of the pension fund and, during the financial year, made employer contribution payments of £10.926m (2023-24 - £10.059m). As at 31 March 2025, the Council was a net debtor to the Fund of £1.336m (2023-24 £1.138m).

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

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

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

Note 21 External Audit Costs

The external fees payable to the Fund's external auditors Forvis Mazars.

| 2023/24 £m | External Audit Costs | 2024/25 £m |
|---------------|---|---------------|
| 0.102 | Scale Fee from Forvis Mazars | 0.118 |
| 0.010 | IAS 19 procedure fees (recurring) (2021/22) | 0.000 |
| 0.112 | Total Fees | 0.118 |

*Notional Note Figures are included in Note 11 Management expenses - oversight & governance.

Note 22 Senior Employees' Remuneration

| 2023/24 £m | Key Management Personnel | 2024/25 £m |
|---------------|--------------------------|---------------|
| 0.068 | Short Term Benefits | 0.070 |
| 0.008 | Post-Employment Benefits | 0.008 |
| 0.076 | Total | 0.078 |

Note 23 Events after the Balance Sheet Date

There are no specific events to report after the balance sheet date (30 June 2025) for the Teesside Pension Fund accounts.

The Compliance Statement

The Compliance Statement Local Government Pension Scheme Regulations

Middlesbrough Council administers the Teesside Pension Fund in accordance with:

The Local Government Pension Scheme Regulations 2013 (as amended)

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

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

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

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

Investment Strategy Statement

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

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

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

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

The Funding Strategy Statement

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

- The purpose of the statement:
 - Establishes a clear and transparent strategy which identifies how employers' pension liabilities are best met going forward;

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

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

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

Governance Policy

Under the Local Government Pension Scheme Regulations 2013 Middlesbrough Council, the Administering Authority to the Teesside Pension Fund, is required to draw up a Governance Policy which sets out the procedures for the governance of the Fund. In summary, the policy sets out that the administering authority delegates its functions under the above Regulations to the XPS group (previously Kier Business Services Ltd) as administrator and the Pension Fund Committee to act in a similar manner to a Board of Trustees

The Policy also sets out the:

- Terms of reference of the Pension Fund Committee
- Structure of meetings
- Membership
- Principles of governance.

The latest policy document can be viewed at:

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

Communications Policy

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

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

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

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

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

Statement of the Actuary for the year ended 31 March 2025

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

Description of Funding Policy

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

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

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

Funding Position as at the last formal funding valuation

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

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

Principal Actuarial Assumptions and Method used to value the liabilities

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

Method

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

Assumptions

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

| The key financial assumptions adopted for the 2022 valuation were as follows: Financial assumptions | 31 March 2022 |
|---|---------------|
| Discount rate | 4.25% pa |
| Salary increase assumption | 3.70% pa |
| Benefit increase assumption (CPI) | 2.70% pa |

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

| | __Males | Females |
|--------------------|----------------|----------------|
| Current Pensioners | 20.9 years | 23.9 years |
| Future Pensioners* | 21.9 years | 25.5 years |

*Aged 45 at the 2022 Valuation.

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

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. Asset performance improved in 2024 and early 2025; however the recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however, generally lower than expected asset returns were experienced in the month immediately prior to this

High levels of inflation in the UK (compared to recent experience) have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, inflation has reduced towards historical levels and the Bank of England's target (2% pa), with LGPS benefits increasing by 1.7% in April 2025.

There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025, and will be finalised by 31 March 2026. The FSS will also be reviewed at that time, and a revised version will come into effect from 1 April 2026.

Jamie Baxter FFA C.Act

14 May 2025

For and on behalf of Hymans Robertson LLP

Schedule of Contribution Rates

Net rate of contribution payable by each employing Organisation for the period 1 April 2024 to 31 March 2025 under regulation 62 of the Local Government Pension Scheme Regulations 2013.

| | Employers Rate % | Employees £0 | Employers £0 |
|--|---------------------------------|-------------------------|-------------------------|
| Ad Astra Academy Trust | 17.50% | (291.927) | (875.192) |
| All Saints Academy | 17.50% | (47.748) | (140.781) |
| Ash Trees Academy | 17.50% | (70.537) | (212.207) |
| Aspens - Dales | 17.50% | (2.608) | (9.376) |
| Aspens Services Ltd - Green Lane (LLT) | 17.50% | (4.577) | (3.066) |
| Atomix Educational Trust | 17.50% | (178.489) | (504.209) |
| Badger Hill Academy | 17.50% | (18.033) | (52.958) |
| Beamish Museum Ltd | 15.70% | (180.787) | (435.617) |
| Beyond Housing | 23.40% | (407.202) | (1,441.874) |
| Bikeability – Middlesbrough BC | 11.50% | (2.109) | (3.731) |
| Bikeability – Stockton BC | 13.10% | (0.826) | (1.968) |
| Billingham Town Council | 17.70% | (8.000) | (23.000) |
| Bullough's - Outwood | 17.50% | (2.825) | (8.990) |
| Bullough's - Priory Woods | 11.50% | (4.146) | (8.669) |
| Bulloughs - 1Excellence | 17.50% | (20.156) | 0.000 |
| Bulloughs - Outwood Bishopsgarth | 17.50% | (2.244) | (7.485) |
| Bulloughs - TVCT | 17.50% | (1.523) | (6.620) |
| Bulloughs Cleaning Services | 17.90% | (3.233) | (10.522) |
| Bulloughs Cleaning Services - VALT | 18.90% | (7.080) | (24.969) |
| Caldicotes Primary Academy | 17.50% | (11.094) | (35.762) |
| Care and Custody Health Ltd | 19.40% | (2.329) | (6.951) |
| Care Quality Commission | 17.90% | (747.988) | (1,730.797) |
| Carmel Education Trust | 17.50% | (496.535) | (1,497.972) |
| Catcote Academy | 17.50% | (176.892) | (527.275) |
| Caterlink - NPCAT | 18.90% | (81.459) | (265.614) |
| Caterlink - Priory Woods - Outwood Ormesby | 11.50% | (17.369) | (16.926) |
| Caterlink - St Oswald's | 27.90% | (3.685) | (18.454) |
| Caterlink - VALT | 17.50% | (75.137) | (12.462) |
| Chartwells - One Excellence | 18.90% | (5.749) | (21.602) |
| Churchill's (Outwood Grange) | 20.60% | (0.256) | 0.000 |
| Churchills AET | 20.60% | (1.920) | (5.935) |
| Cleaning & Support Services (LLT) | 15.20% | (8.201) | (17.697) |
| Cleveland College of Art and Design | 15.70% | (162.392) | (405.114) |
| Cleveland Fire Brigade | 14.20% | (282.941) | (623.847) |
| Conyers School | 17.50% | (80.164) | (241.978) |
| Creative Management Services (Galileo) | 29.40% | (11.278) | (34.273) |
| Creative Management Services Ltd | 16.90% | (1.712) | (9.150) |
| Dolce LLT | 17.50% | (10.371) | (34.819) |

| | | | |
|--|--------|-------------|-------------|
| Dyke House Academy | 17.50% | (98.908) | (287.611) |
| Easterside Academy | 17.50% | (37.783) | (114.254) |
| Eden Academy Trust Limited | 17.50% | (95.483) | (283.605) |
| Egglescliffe Primary School | 17.50% | (12.425) | (39.021) |
| Emmanuel Schools Foundation | 17.50% | (99.673) | (298.240) |
| Endeavour Academies Trust | 17.50% | (151.346) | (439.370) |
| Enquire Learning Trust (Central) | 17.50% | (135.896) | (274.618) |
| Extol Academy Trust (Eldon Grove) | 17.50% | (181.907) | (544.031) |
| Fabrick Housing Group | 22.80% | (877.514) | (2,896.296) |
| Frederick Nattrass Primary Academy | 17.50% | (25.818) | (74.936) |
| Freebrough Academy | 17.50% | (62.487) | (184.766) |
| Future Regeneration of Grangetown | 32.60% | (3.468) | (11.265) |
| Galileo Multi Academy Trust | 17.50% | (232.043) | (681.334) |
| Grangefield Academy | 17.50% | (66.674) | (197.054) |
| Guisborough Town Council | 17.70% | (5.208) | (23.491) |
| Hardwick Green Primary Academy | 17.50% | (34.977) | (75.686) |
| Harrow Gate Primary Academy | 17.50% | (46.027) | (138.280) |
| Hartlepool Borough Council | 12.90% | (3,996.613) | (8,074.507) |
| Hartlepool College of Further Education | 15.70% | (211.119) | (558.118) |
| Hartlepool Free School | 17.50% | (5.402) | (16.228) |
| Hartlepool Sixth Form College | 15.70% | (28.973) | (78.821) |
| High Clarence Primary | 17.50% | (13.727) | (41.886) |
| Holy Trinity Primary School | 17.50% | (13.180) | (39.918) |
| Horizons Specialist Academy Trust | 17.50% | (358.495) | (1,046.968) |
| Hutchison Catering - AET | 38.90% | (9.616) | (96.499) |
| Hutchison Catering - Extol | 38.90% | (0.553) | (11.908) |
| Ingleby Barwick Town Council | 17.70% | (3.860) | (7.447) |
| Ingleby Manor Free School & Sixth Form | 17.50% | (43.579) | (125.489) |
| Ironstone Academy Trust - Ormesby Primary School | 17.50% | (11.099) | (34.997) |
| Ironstone Academy Trust - Zetland Primary School | 17.50% | (19.393) | (60.830) |
| Ironstone Central | 17.50% | (26.918) | (47.565) |
| ISS Mediclean | 18.90% | (1.316) | (4.423) |
| Kader Academy | 17.50% | (1.978) | (5.925) |
| KTS Academy | 17.50% | (117.795) | (367.726) |
| Legacy Learning Trust | 17.50% | (351.536) | (1,044.892) |
| Liberata UK Ltd | 0.00% | (48.264) | 0.000 |
| Lingfield Academy Trust | 17.50% | (218.319) | (665.103) |
| Lockwood Parish Council | 17.70% | (1.494) | (4.637) |
| Loftus Town Council | 17.70% | (8.405) | (16.574) |
| Manor Community Academy | 17.50% | (82.147) | (246.744) |
| Maxim - NPCAT | 17.50% | (72.952) | (39.479) |
| Maxim - Steel River | 17.50% | (13.838) | 0.000 |
| Mbro and Stockton Mind | 28.70% | (0.775) | (3.836) |
| Mellors - Steel River | 17.50% | (45.848) | (13.715) |
| Mellors - Thornaby Academy | 18.90% | (15.723) | (2.409) |
| Mellors Catering Services Ltd (Central) | 17.90% | (7.067) | (1.365) |

| | | | |
|--|--------|-------------|--------------|
| Mellors Catering Services Ltd (Normanby) | 17.90% | (0.419) | (10.443) |
| Mellors Dales | 18.90% | (3.344) | 0.000 |
| Mellors Ironstone | 17.90% | (1.865) | (5.886) |
| Mellors Riverdale | 18.60% | (0.503) | (1.701) |
| Mellors Skelton | 40.60% | (0.803) | 24.381 |
| Melrose Learning Trust | 17.50% | (85.970) | (250.214) |
| Middlesbrough College | 15.70% | (432.497) | (1,040.679) |
| Middlesbrough Council | 12.00% | (5,834.022) | (10,926.142) |
| Mitie Cleveland Fire | 25.70% | (1.083) | (6.799) |
| NEAT Academy Trust | 17.50% | (64.212) | (184.767) |
| Nicholas Postgate Catholic Academy Trust | 17.50% | (826.757) | (2,409.872) |
| NMRN Trading | 28.10% | (1.119) | (5.422) |
| Normanby Primary School | 17.50% | (31.628) | (96.952) |
| North East Learning Trust | 17.50% | (61.641) | (183.182) |
| North Ormesby Primary Academy | 17.50% | (20.145) | (60.164) |
| North Shore Academy | 17.50% | (62.133) | (181.739) |
| Northern Lights Learning Trust | 17.50% | (214.324) | (326.733) |
| Norton Primary Academy | 17.50% | (30.190) | (88.887) |
| Nunthorpe Academy | 17.50% | (78.263) | (226.858) |
| Nunthorpe Academy - Areté Learning Trust | 17.50% | (25.773) | (75.739) |
| Nunthorpe Primary Academy | 17.50% | (19.168) | (59.108) |
| Oak Tree Primary Academy | 17.50% | (30.607) | (90.428) |
| Oakdene Primary School | 17.50% | (19.859) | (61.074) |
| One IT Services and Solutions Ltd | 18.70% | (58.607) | (132.343) |
| One IT Services Ltd - Porter | 15.90% | (2.745) | (6.716) |
| ONsite Building Trust | 28.30% | (2.024) | (9.874) |
| Our Children 1st Academy Trust | 17.50% | (50.965) | (151.631) |
| Outwood Academy Acklam | 17.50% | (86.560) | (256.997) |
| Outwood Academy Bishopsgarth | 17.50% | (67.549) | (200.952) |
| Outwood Academy Bydales | 17.50% | (42.672) | (125.825) |
| Outwood Academy Normanby | 17.50% | (87.648) | (257.459) |
| Outwood Academy Ormesby | 17.50% | (61.047) | (184.510) |
| Outwood Academy Redcar | 17.50% | (54.188) | (160.893) |
| Outwood Riverside | 17.50% | (53.030) | (159.542) |
| Overfields Primary School | 17.50% | (18.080) | (54.275) |
| Pentland Academy | 17.50% | (23.645) | (70.865) |
| Police & Crime Commissioner for Cleveland | 15.50% | (110.174) | (228.801) |
| Prince Regent Street Trust | 17.50% | (127.364) | (383.566) |
| Pristine Cleaning | 17.50% | (2.528) | (7.445) |
| Redcar & Eston CIC | 17.90% | (19.127) | (52.344) |
| Redcar and Cleveland Borough Council | 10.70% | (4,261.428) | (7,110.939) |
| River Tees Multi Academy Trust | 17.50% | (121.006) | (340.812) |
| Riverdale Primary School | 17.50% | (12.475) | (38.824) |
| Rose Wood Academy | 17.50% | (27.242) | (83.393) |
| Saltburn, Marske & New Marske Parish Council | 17.70% | (2.841) | (8.558) |
| Samsic UK - Green Lane (LLT) | 17.50% | (0.340) | (0.773) |

| | | | |
|--|--------|--------------|--------------|
| Skelton and Brotton Parish Council | 17.70% | (4.557) | (13.369) |
| Skelton Primary School | 17.50% | (32.650) | (93.021) |
| SLM Charitable Trust (MBC) | 12.00% | (48.141) | (86.373) |
| SLM Community Leisure Charitable Trust | 13.30% | (24.302) | (53.467) |
| SLM Fitness & Health Ltd (MBC) | 12.00% | (5.836) | (11.118) |
| SLM Fitness and Health Ltd | 13.30% | (3.205) | (6.826) |
| SLM Food & Beverage Ltd (MBC) | 12.00% | (1.474) | (3.050) |
| SLM Food and Beverage Ltd | 13.30% | (1.954) | (3.998) |
| South Tees Development Corporation | 16.30% | (67.360) | (123.882) |
| St Aidan's Primary School | 17.50% | (21.023) | (63.133) |
| St Francis of Assisi | 17.50% | (24.581) | (73.553) |
| St Mark's Academy | 17.50% | (45.481) | (134.587) |
| St Mary's CE Primary School | 17.50% | (8.609) | (26.349) |
| Steel River Academy Trust | 17.50% | (97.330) | (295.907) |
| Steria Ltd | | (22.007) | 0.000 |
| Stockton Borough Council | 13.60% | (6,490.686) | (13,877.467) |
| Taking Care | 12.90% | (6.652) | (13.202) |
| Tascor Services Ltd - PFI | 18.00% | (0.561) | (1.835) |
| Tees Active Limited | 18.20% | (91.840) | (244.167) |
| Tees Valley Combined Authority | 16.60% | (528.595) | (1,248.512) |
| Tees Valley Education Trust | 17.50% | (181.088) | (541.160) |
| Teesside University | 16.50% | (2,662.381) | (6,523.700) |
| Teesville Primary School | 17.50% | (20.860) | (64.393) |
| The Chief Constable for Cleveland | 15.50% | (2,195.316) | (5,201.388) |
| The Education Training Collective | 15.70% | (536.975) | (1,352.805) |
| Thornaby Academy NET | 17.50% | (48.668) | (144.580) |
| Thornaby C of E Primary | 17.50% | (24.749) | (75.921) |
| Thornaby Town council | 17.70% | (1.420) | (5.676) |
| Unity City Academy | 17.50% | (91.619) | (265.879) |
| Veritau Tees Valley | 10.70% | (3.172) | (5.253) |
| Vision Academy Learning Trust | 17.50% | (479.338) | (1,416.665) |
| Ward Jackson Church of England Primary Schoo | 17.50% | (11.977) | (37.385) |
| Whitecliffe Academy | 17.50% | (14.180) | (42.513) |
| XPS Administration Ltd | 12.00% | (33.925) | (45.231) |
| Yarm Primary School | 17.50% | (17.641) | (54.282) |
| | | (38,320.117) | (86,948.289) |

A photograph of a bronze statue of a man in a long coat, standing on a stone pedestal. The pedestal has two plaques on its sides. In the background is a large, classical-style building with columns and a mansard roof. A large tree is on the left, and a modern light pole is on the right. The sky is blue with some clouds.

Annual Governance Statement

Annual Governance Statement 2024-25

1. Introduction

- 1.1 Middlesbrough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. The Council has in place a [Code of Corporate Governance](#), which sets out its corporate governance framework and is reviewed annually. This framework comprises the culture, values, systems and processes of the Council, which if in place and complied with, will ensure that it does the right things, at the right time and in the right way.
- 1.2 The Council's Code of Corporate Governance aligns with the current Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) guidance, which sets out the following principles of good governance:
- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
 - Ensuring openness and comprehensive stakeholder engagement;
 - Defining outcomes in terms of sustainable economic, social and environmental benefits;
 - Determining the interventions necessary to optimise the achievement of the intended outcomes;
 - Developing the entity's capacity, including the capability of its leadership and the individuals within it;
 - Managing risks and performance through robust internal control and strong public financial management; and
 - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
- 1.3 The purpose of the AGS is to assess the extent to which the Council complies with its Code of Corporate Governance, how it has monitored and improved the effectiveness of its governance arrangements in 2024/25 and how it has identified actions to strengthen these arrangements going forward.

2. Scope of responsibility

- 2.1 The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and its arrangements for the management of risk.
- 2.2 Middlesbrough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 2.3 The AGS sets out how the Council is compliant with Council's Local Code of Corporate Governance, which reflects the seven principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 Edition and the Code of Practice for Governance of Internal Audit in UK Local Government, which came into force on 1 April 2025.
- 2.4 This AGS also sets out how it meets the requirements of regulations 6(1) (a) and (b) of The Accounts and Audit Regulations 2015 and subsequent amended regulations in 2022 and 2024, which requires all relevant bodies to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement.

3. Overview of the Council's governance arrangements in place during 2024/25 and their effectiveness

- 3.1 The Committee structure in place within the Council during 2024/25 is published on the Council's [committee papers](#) website, along with terms of reference, minutes of meetings and agenda items.
- 3.2 Committees take decisions in line with the Council's approved strategies and policies. The Council Plan is the Council's overarching business plan for the medium-term 2024 - 2027 and was agreed by Council in March 2024.
- 3.3 In making decisions, the Mayor and councillors are supported by a senior management structure that is designed to support effective compliance with the Council's legal and governance responsibilities, led by the three statutory officers (Head of Paid Service, Section 151 Officer and Monitoring Officer). Some decisions are delegated to senior officers. All delegated decisions are required to be published on the Council's [website](#).
- 3.4 There is a 'golden thread' which runs from the Council Plan and its ambitions and throughout of the Council's governance and policy frameworks.
- 3.5 The Council's [Constitution](#) defines the respective roles of councillors and officers, outlines expected standards and behaviours and provides a framework to enable effective working relationships across the Council. The Constitution also provides direction on the various roles in place to ensure effective corporate governance within the Council.
- 3.6 The section below summarises the committees, officer roles and functions of Internal and External Audit in relation to corporate governance:

| Body | Governance function |
|-----------------|---|
| Council | <p>Full Council is the formal meeting of all councillors and the Mayor. It is required by law to take certain important decisions, including setting the Budget and Council Tax, and approving several key plans and strategies (which together form the Policy Framework). It is responsible for all the functions that are not Executive Functions. It carries out some of those functions itself, and others are delegated to Committees or named Officers.</p> <p>Council sets the Council's Constitution and agrees any plan or strategy that sits within the policy framework. This includes the Mayor's Vision and the Medium-Term Financial Plan.</p> |
| Audit Committee | <p>The Committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective. The Committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.</p> |
| Executive | <p>Executive is appointed to carry out all the Council's functions which are not the responsibility of any other part of the Council, whether by law or under the Council's Constitution.</p> <p>Executive and its Executive Members agree many of the policies and procedures which form part of the Council's Corporate Governance framework.</p> |

| | |
|-----------------------------|--|
| Overview and Scrutiny Board | <p>Overview and Scrutiny reviews and challenges decisions made by the Executive and other bodies. It undertakes all call-in functions and acts as a vehicle by which the effectiveness of scrutiny is monitored.</p> <p>It is supported by Scrutiny Panels that undertake investigations within their areas of responsibility.</p> |
| Internal Audit (Veritau) | <p>Internal Audit provides assurance that the organisation's risk management, governance and internal control processes are operating effectively.</p> <p>The service will ensure it operates in line with the Code of Practice for the Governance of Internal Audit in UK Local Government 2025, as well as the Global Internal Audit Standards (UK Public Sector). The Head of Internal Audit fulfils the role of Chief Audit Executive.</p> |
| External Audit | <p>Under the Code of Audit Practice 2024, the Council's External Auditors are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.</p> <p>The 2024 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.</p> |
| Leadership Management Team | <p>The Leadership Management Team, led by the Chief Executive and comprised of the Directors, Strategic Directors and Executive Directors of the Council, meets on a weekly basis. The team is responsible for ensuring their staff comply with the Council's Corporate Governance framework and regularly considers reports on its content and data on compliance with the requirements of the framework.</p> |

4. **Significant governance related events during 2024/25**

4.1 The Council is expected to set out significant governance events that have occurred during the reporting period, and their impact on the Council's governance arrangements.

| Event | Date |
|--|----------------|
| Cessation of intervention in Children's Safeguarding Services following improvements to service delivery. | September 2024 |
| Cessation of the Best Value Notice following improvements to the Council's financial position, governance and culture. | September 2024 |
| Permanent appointments to the Chief Executive and Section 151 Officer posts. | November 2024 |
| Completion of a Local Government Association Corporate Peer Challenge review. | January 2025 |
| Successful closure of the Section 24 Action Plan following delivery of all actions. | January 2025 |
| Care Quality Commission Adult Social Care Inspection published | February 2025 |
| Care Quality Commission Live Well South LAP Assessment Report | February 2025 |
| Closure of the Council's Corporate Governance Improvement Plan following successful delivery of improvement activity. | March 2025 |
| Closure of the Council's Independent Improvement Advisory Board following improvements to the Council's financial position, governance and culture | March 2025 |
| Creation of a Continuous Improvement Plan | March 2025 |

| |
|--|
| Set a balanced budget for the next 2 years and reduced its reliance on Exceptional Financial Support |
|--|

| |
|------------|
| March 2025 |
|------------|

Cessation of intervention in Children's Safeguarding Services

4.2 During 2024/25 government intervention was withdrawn from the Council's childrens services following delivery of four years of scrutiny, support and challenge. This followed a successful focussed visit from [Ofsted](#) that was held in July 2024.

Cessation of the Best Value Notice

4.3 In September 2024 the Council's Best Value Notice ceased. In a letter to the Council's Mayor, Jim McMahon MP, Minister for Local Government, wrote: "The department recognises the steps Middlesbrough Council has taken to address the serious issues at the authority since the revised notice was issued, including making positive changes to personnel in key leadership positions, the delivery of the improvement plan and the establishment of infrastructure for ongoing improvement in culture, governance and financial sustainability."

Permanent appointments to the Chief Executive and Section 151 Officer posts

4.4 During 2024/25, as part of the Council's improvement journey, recruitment was completed to the key posts of Chief Executive and Section 151 Officer, to ensure that permanent appointees occupied both posts providing strategic leadership, direction, and stability.

Completion of a Local Government Association (LGA) Corporate Peer Challenge review, closure of the discretionary Independent Improvement Advisory Board and completion of delivery of the Corporate Governance Improvement Plan

4.5 The corporate peer challenge is an improvement and assurance tool and is something that is owned by the local government sector. Experts from other councils are invited by the LGA to form a team of peers to deliver the review. Peers used their expertise, experiences and technical knowledge to assess the Council across five areas of focus. To support the team, they were provided with a self-assessment and a range of documents. The LGA Corporate Peer Challenge Team were invited to visit the Council in January 2025 to complete their peer assessment. The outcome of that visit was reported to Full Council in March 2025, alongside a Continuous Improvement Plan which set out actions the Council would be taking in response to the Peer Team's recommendations.

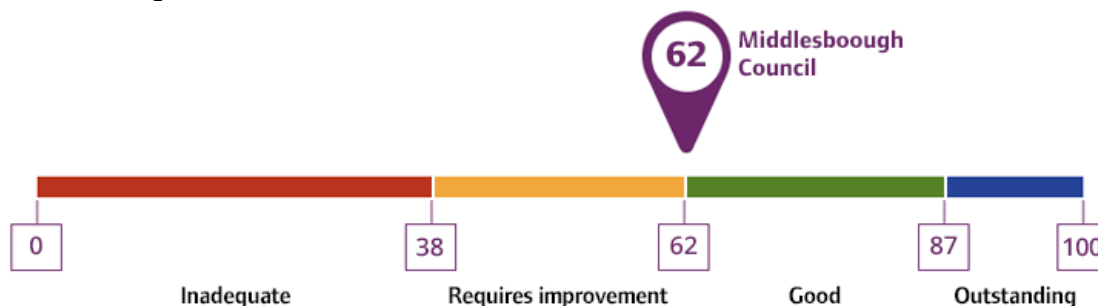
Closure of the Section 24 Action Plan

4.6 As set out in previous AGSs, on 18 August 2023, the Council's then External Auditor, EY, issued [a report](#) to update on the Council's Value for Money arrangements that had been in place in 2022/23 and issued 11 statutory recommendations in relation to required improvement in the Council's governance arrangements.

4.7 The statutory recommendations were unanimously accepted at a Council meeting in September 2023 and an action plan agreed to address them at pace. Progress against that action plan was reported to all members regularly at business meetings of Council and meetings of the Audit Committee. It was also reported to the Independent Improvement Board. The statutory recommendations have now been fully responded to and the plan was closed in January 2025 by Full Council. Delivery of the actions was reported in detail in the 2023/24 AGS.

Care Quality Commission Adult Social Care inspection

4.8 In February 2025, the Care Quality Commission published the outcome of its inspection of Middlesbrough Council's Adult Social Care provision. Middlesbrough Council was given the following score:



4.9 A detailed improvement plan was developed in response to this, with key actions to be encompassed within the Council's Continuous Improvement Plan during 2025/26. The outcome of the inspection was reported to Councillors during 2024/25 at the People Scrutiny Panel and progress against the action plan will be reported to that body on a quarterly basis.

Care Quality Commission Live Well South LAP Assessment Report

4.10 In February 2025, the CQC completed a review of the Council's Live Well South Substance Misuse service and rated it as Good, with an outstanding rating for the quality of care provided.

Set a balanced budget for 2025/26 and 2026/27 and reduced reliance on Exceptional Financial Support (EFS)

4.11 In February 2025, full Council agreed a balanced budget for 2025/26 and 2026/27, with a funding gap of £2.726m in 2027/28, rising to £5.170m by 2028/9.

4.12 During 2024/25, the Council worked to reduce its reliance on exceptional financial report. The Council's year-end financial outturn for 2024/25 resulted in:

- an underspend of £2.257m on the revenue budget
- a requirement to use only £2.443m of the previously requested £13.400m Exceptional financial Support (EFS), that had been approved in principle by the Ministry of housing, Communities and Local Government (MHCLG)
- no requirement to borrow for the EFS, as capital receipts already held were used to fund it
- increased levels of usable unrestricted revenue reserves, with £21.654m available at 31 March 2025.

5. Position statement against the Council's Code of Corporate Governance

Self-assessment

5.1 The Council undertakes a self-assessment against its Local Code of Corporate Governance and identifies where actions are required to address significant weaknesses. Those required actions are set out at [Appendix 2](#).

Internal Audit opinion

5.2 The overall [opinion](#) of the Head of Internal Audit on the framework of governance, risk management and control operating at the Council will be provided to Audit Committee formally by Internal Audit in July 2025 and it will state that "The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the Council is that it provides Reasonable Assurance."

External Audit judgement

5.3 The Council's External Audit function was provided by Forvis Mazars during 2024/25.

6. Conclusion

In summary, the Council has made good progress to address control weaknesses and this was reflected in the removal of the Best Value Notice and closure of the Section 24 Action Plan. The Council is maintaining an ongoing commitment to addressing corporate governance weaknesses through its Continuous Improvement Plan which will be reported to Executive and Overview and Scrutiny Board on a quarterly basis.

be signed by the Mayor, Chief Executive and Section 151 officer upon finalisation.

Appendix 1 Self-Assessment of Compliance with the Local Code of Corporate Governance

| Local Code of Corporate Governance Principle | 2024/25 Assessment |
|--|--|
| <p>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.</p> <ul style="list-style-type: none"> Behaving with integrity Demonstrating strong commitment to ethical values Respecting the rule of law | <p>The Council's governance arrangements in this area are generally operating effectively, with some actions identified to further strengthen arrangements during 2025/26 in relation to reviewing the effectiveness of the Audit Committee and reviewing the Constitution and Schemes of delegations and sub-delegations.</p> <p>In 2024/25 the Council had in place a People Strategy, Member Development Strategy and supporting set of values that set out expectations and requirements in relation to standards of behaviour. In 2024/25 a series of training events were delivered to Members and Officers to support compliance with the above through the Corporate Governance e-learning, Member development training programme and the wider Organisational Development offer for Members and Officers that is shaped around the Council's Values and the Nolan Principles.</p> <p>The Council had in place a Standards Committee which received regular reports from the Monitoring Officer on the volume and nature of standards complaints.</p> <p>It also had in place registers in place for interests, gifts and hospitality for members.</p> <p>It had a Constitution in place, including Codes of Conduct for Members and Officers and supporting Scheme of Delegation, Financial and Contract procedure rules and in 2024/25 undertook a review of that Constitution. A small number of changes were recommended, along with cosmetic changes to improve readability. Plans to complete the constitution review in 2024/25 were slightly delayed in order to lengthen consultation time with Councillors. The revised draft, alongside the outstanding Scheme of Sub-Delegations will be submitted to Full Council in 2025/26.</p> <p>In 2024/25 the Council worked to deliver activity against the priorities set out within the Council Plan 2024-27 which reflected the Mayor's priorities and had been put in place in March 2024.</p> <p>The Audit Committee considered a suite of reports on internal controls in place to ensure good governance. This included consideration of items on Counter Fraud which were delivered by the Veritau Counter Fraud team. There was a Counter Fraud Policy that set out the Council's zero tolerance approach to fraud, bribery and corruption.</p> <p>The Council also had a Whistleblowing Policy in place.</p> <p>A review of the effectiveness of the Audit Committee was due to be completed in 2024/25, this was delayed slightly to the first quarter of 2025/26 in order to facilitate the Committee's request for that review to be independently facilitated by the LGA. This is in line with the Council's commitment to continuous improvement and will identify a development plan for the committee to ensure it aligns with best practice.</p> |

| Local Code of Corporate Governance Principle | 2024/25 Assessment |
|--|---|
| | <p>The Council had a Scheme of delegation in place and constitutional arrangements to ensure transparent decision making in place including public access to meetings, agendas and minutes. It also had report formats in place to ensure consistent approaches to provision of reports for decision that met required standards for good public law decision making.</p> <p>The above were underpinned by a Complaints Policy and procedure to enable complaints to be made and fairly considered where there may be a breach of this principle. Audit Committee received the Annual Complaints Report setting out statistics, trends, outcomes and lessons learned in 2023/24. In 2024/25 the Local Government Ombudsman made a recommendation that this procedure was amended to ensure complaints were fully considered in line with its standard process. Learning from that case will be reported to the Audit Committee during 2025/26.</p> <p>In 2024/25 the Council completed delivery of its Corporate Governance Improvement Plan and Section 24 Action Plan and transitioned into 'business as usual' Continuous Improvement activity. This was captured in a Continuous Improvement Plan reported to Council in March 2025.</p> <p>The Council continued to publish data on its Open Data page during 2024/25, in line with its commitment to being open and transparent and complying with Freedom of Information requirements.</p> <p>The Council adopted a Social Value Charter in 2024 that included commitments to promote fair employment practices, ensure ethical sourcing practices and promote environmental sustainability.</p> |
| <p>Ensuring openness and comprehensive stakeholder engagement.</p> <ul style="list-style-type: none"> • Openness • Engaging comprehensively with institutional stakeholders • Engaging with individual citizens and service users effectively | <p>The Council's governance arrangements in this area are generally operating effectively, with some actions identified to improve the Council's approach to community engagement. The Council had a range of measures in place to document and operate a culture of openness and transparency within the organisation. In addition to publishing information on its Open Data page, it took a suite of reports that provide information on its governance processes and compliance to Audit Committee.</p> <p>It set out its stated commitments to transparency within the Council Plan. Planned future decisions were published on the Executive Forward Work Programme in line with legislative requirements. All public Executive and committee agendas, papers and minutes were published via the Council's website. Officer-delegated decisions were also published. Full Council meetings were broadcast online.</p> <p>During 2024/25 Overview and Scrutiny Board and Executive received quarterly reports on the delivery of activity against the Council Plan and the Council's performance against its agreed budget.</p> <p>A refreshed Consultation Policy was agreed in May 2025. In 2024/25 the Council continued to develop its Transformation approach, including its Customer Strategy which aims to provide high quality and modern customer services, and its Neighbourhood Working model which has been designed to expand community engagement and capacity. These were agreed by Executive in February 2025 and April 2025 respectively.</p> |

| Local Code of Corporate Governance Principle | 2024/25 Assessment |
|---|---|
| | <p>As previously set out, a Complaints policy was in place and complaints information and lessons learned was reported to Audit Committee during 2024/25. The Annual Report of the Senior Information Risk Owner (SIRO) was also considered. That report set out an overview of compliance with good practice and legislation in relation to information governance. In 2024/25 senior officers received regular reports on compliance with information rights of citizens at Leadership team and this data was also shared with Members within the quarterly performance outturn reports.</p> <p>During 2024/25 the Council continued to progress with the liquidation process for the Middlesbrough Development Company, which had been closed in 2023. During 2024/25 assets continued to be moved out of the Company and back into the Council. The vast majority of transfers had been completed in 2024/25.</p> |
| <p>Defining outcomes in terms of sustainable economic, social and environmental benefits.</p> <ul style="list-style-type: none"> Defining outcomes Sustainable economic, social and environmental benefits. | <p>The Council's governance arrangements in this area are operating effectively. The Council clearly set out its contribution to delivery of the Mayor's priorities for Middlesbrough and used this as the basis for its overall strategy, planning and other decisions. It defined outcomes it aimed to achieve through robust consideration of appropriate evidence bases, such as the Joint Strategic Needs Assessment. The Council had a committee report template in place to identify the impact of proposed decisions on Council Plan ambitions and to ensure standardised consideration of the impact of proposed decisions and also had an Impact Assessment Policy in place.</p> <p>It had in place an effective Risk and Opportunity Management policy and during 2024/25, an internal audit of risk management identified no improvement actions and gave a rating of substantial assurance.</p> <p>During 2024/25 the Council put in place a Customer Strategy to ensure it had a framework in place to manage customer expectations effectively.</p> <p>It had in place robust budget and performance reporting during 2024/25, including monthly budget clinics. This resulted in an underspend against the 2024/25 budget, significantly reducing reliance on the previously identified need for Exceptional Financial Support (EFS). Progress against delivery of the Council Plan and budget outturns were reported to Executive and Overview and Scrutiny Board. Further work is planned during 2025/26 to refresh the Council's Performance Management Framework.</p> <p>In 2024/25 the Council undertook further work to develop its Transformation programme, agreeing a Customer Strategy and developing a Neighbourhood Model, which were agreed formally by Executive in February 2025 and April 2025 respectively. The Council also undertook work to review its approach to transformation in 2024/25 and a reset approach was agreed by Executive in April 2025, alongside additional resourcing.</p> |
| <p>Determining the interventions necessary to optimise the achievement of the intended outcomes.</p> <ul style="list-style-type: none"> Determining interventions | <p>The Council's governance arrangements in this area are operating effectively. As set out above, the Council had in place a number of measures in place to support evidence based decision making including a central data team, coordinated data hub of key evidence sources to support decision-making, data modelling (with work agreed in 2024/25 to explore predictive analytics solutions) and needs assessments.</p> |

| Local Code of Corporate Governance Principle | 2024/25 Assessment |
|--|---|
| <ul style="list-style-type: none"> Planning interventions Optimising achievement of intended outcomes | <p>The Council had in place a robust Programme and Project Management Framework, led by a Portfolio Management Office to ensure good governance.</p> <p>There was a Risk and Opportunity Management Policy in place. The Council also operated a Performance management approach with regular performance reporting against delivery of the Council Plan ambitions. During 2025/26 the Council will refresh its Performance Management Policy and Framework to widen and deepen this process.</p> <p>A Social Value Charter was in place and progress made during 2024/25 was reported to Executive in April 2025. In 2024/25 the Council identified actions in its response to the LGA Corporate Peer Challenge to reset its approach to partnership working and in 2025/26 it committed to reestablishing a Towns Board as part of steps to agree a vision for the Town to ensure the Council has visions for both itself as an organisation and for the Town.</p> |
| <p>Developing the Council's capacity, including the capability of its leadership and the individuals within it.</p> <ul style="list-style-type: none"> Developing the Council's capacity Developing the capability of the Council's leadership and other individuals | <p>The Council's governance arrangements in this area are operating effectively with actions in place to further develop the capacity and capability of its leadership and wider staff groups in 2025/26</p> <p>The Council had in place a People Strategy in 2024/25 and had commenced development of an Organisational Development offer as part of this covering mandatory compliance, values, inductions, coaching, management development, insights and a school work experience offer. This will be delivered in 2025/26</p> <p>In 2024/25 the Council had in place an appraisal process and guidance to ensure appraisals were performance focussed and set objectives that linked to corporate priorities.</p> <p>Officers and Members worked together to agree the Member Development Strategy which was in place in 2024. This included provision for bespoke personal development plans and provision of role specific training. Regular reports were considered by Standards Committee throughout 2024/25 on standards complaints and statistics. Roles and responsibilities of Officers and Members are defined within the Constitution.</p> <p>During 2024/25 the Council continued to seek independent external views of its arrangements. This included external challenge from the Independent Improvement Advisory Board, LGA Corporate Peer Challenge and the EFS process. Recommendations from those bodies were used to inform the Council's approach to a Continuous Improvement Plan which was presented at Council in March 2025.</p> |
| <p>Managing risks and performance through robust internal control and strong public financial management.</p> <ul style="list-style-type: none"> Managing risk Managing performance Robust internal control | <p>The Council's governance arrangements in this area are generally operating effectively, with actions identified to strengthen its approach to performance management during 2025/26. The Council had in place a Risk and Opportunity Management Policy, supported by a Strategic Risk Register which was regularly reported to Audit Committee, Overview and Scrutiny Board and Executive. Compliance data on progress against actions to manage those risks was reviewed by senior leaders on a monthly basis within departments and by the Leadership Management Team on a quarterly basis as well as reviewing registers to assess whether additional risks required recording and managing. An Internal audit on risk management conducted in 2024/25 gave substantial assurance and had no actions. Consideration of risk is embedded in committee report format templates.</p> |

| Local Code of Corporate Governance Principle | 2024/25 Assessment |
|--|---|
| <ul style="list-style-type: none"> Managing data Strong public financial management | <p>The Council had in place a Local Code of Corporate Governance that set out internal control arrangements. Schemes of delegation were in place; however, the Council continues to require a Scheme of sub-delegations to be put in place and a planned review of the Schemes of delegation as part of the Constitution review had been delayed slightly in order to allow for additional consultation and will not be delivered until 2025/26.</p> <p>The Council continued to work with Veritau during 2024/25 to provide its internal audit service. A review of that arrangement was recommended within the LGA Corporate Peer Challenge and will be progressed in 2025/26. The Section 151 Officer meets with Internal Audit officers on a monthly basis.</p> <p>Audit Committee agreed a risk based internal audit plan for the year and progress against that plan was reported to the Committee. The Council has robust oversight of delivery of audit actions by senior management and also reported to Audit Committee. Delivery of actions was reported within quarterly performance outturn reports during 2024/25.</p> <p>The Council also operated a Performance management approach with regular performance reporting against delivery of the Council Plan ambitions. During 2025/26 the Council will refresh its Performance Management Policy and Framework to widen and deepen this process.</p> <p>The Council's Programme and Project Management Framework was last reviewed by Internal Audit during 2023 which identified there was a sound system of governance. Throughout 2024/25 Internal Audit was provided with monthly transformation progress reports for further assurance.</p> <p>Strong financial management and oversight was delivered during 2024/25 resulting in a significant underspend against the approved budget, minimising the Council's reliance on EFS funding. Progress against the Budget was reported to both Executive and Overview and Scrutiny Board on a quarterly basis.</p> <p>During 2024/25, the Council commenced public reporting of its previously internally held Forward Work Programme for Audit Committee, increasing visibility of planned agenda items. The Work Programme enabled oversight of the Council's approach to risk, governance and audit functions. Training was delivered to the Committee to support its understanding of key items of business. Action to produce an annual report from the Committee had been planned during 2024/25 however that had been delayed slightly to allow for the completion of the self-assessment by the Committee and for that self-assessment to be reflected in that annual report.</p> |
| <p>Implementing good practices in transparency, reporting, and audit to deliver effective accountability.</p> <ul style="list-style-type: none"> Implementing good practice in transparency | <p>The Council's governance arrangements in this area are operating effectively. In 2024/25 the Council had in place standard report templates, designed to advance propositions logically and simply, using evidence to underpin proposals and assess the impact of proposed decisions to ensure alignment with good public law decision-making. These templates were further reviewed in 2024/25 and revised versions rolled out in May 2025 to improve the way reports evidence their impact on delivery of the Council Plan ambitions.</p> |

| Local Code of Corporate Governance Principle | 2024/25 Assessment |
|--|---|
| <ul style="list-style-type: none"> Implementing good practices in reporting Assurance and effective accountability | <p>Transparency and open data was regularly published in 2024/25 on the Council's Open Data site. The Council reported progress against its Council Plan ambitions and its outturn budget positions to both Executive and Overview and Scrutiny Board on a quarterly basis and these reports were underpinned by monthly oversight by the Leadership Management Team.</p> <p>In March 2025 the Council established a Continuous Improvement Plan to ensure it continues to focus on achievement of Best Value and continuous improvement activity following the successful delivery of its Corporate Governance Improvement Plan and Section 24 action plan which resulted in the cessation of its Best Value Notice and closure of its Independent Improvement Advisory Board.</p> <p>The Council had in place a comprehensive programme of reporting to Audit Committee of the effectiveness of its arrangements that were in place in relation to Corporate governance. During 2025/26 the output of the committee's self-assessment will be reflected in the committee's future work programme and development plan.</p> <p>In 2024/25 a pre-scrutiny protocol was put in place to support the effectiveness of the Council's scrutiny arrangements and a Member led review of scrutiny was completed and implemented for the 2025/26 set of committees.</p> <p>The Council continued to have Complaints and whistleblowing mechanisms in place. Audit Committee received an annual report on the effectiveness of the Council's complaints process.</p> <p>The Information Governance Policy framework continued to be in place to ensure compliance with information rights and transparency good practice. An Internal audit review of information governance gave a judgement of substantial assurance with no recommendations.</p> |

Appendix 2: Corporate Governance Priorities for 2025/26

The following table consolidates actions from previous AGSs which were outstanding when last reported within the 2023/24 Annual Governance Statement and provides an overview of their status:

| Issue | Action | Lead officer | Deadline |
|--|--|--|--|
| (2020/21 AGS) Ensuring that decisions which can be exercised by officers within the Council are supported by an effective scheme of sub-delegations and that decisions | A robust officer scheme of delegations and sub-delegations is required to ensure effective, appropriate and timely taking of decisions that can be taken by officers. (20/21 action). This will be | Director of Legal and Governance Services (Monitoring Officer) | May 2025. Overdue, deadline revised to September 2025 to enable a longer period of consultation with all members on proposed amendments to the Constitution. |

| Issue | Action | Lead officer | Deadline |
|---|--|---|---|
| taken through this route are properly recorded and publicised. | addressed following the fundamental review of the Constitution in 2024. | | |
| (2022/23 AGS) The Council should be regularly engaging its residents and businesses in order to understand their views on its operation and address areas of weakness. | Refreshed approach to consultation and community engagement to be developed in 2024. A revised supporting policy will then be developed | Head of Policy, Governance and Information | Complete. A Consultation Policy was agreed 22 May 2025. A new action has been captured within the Transformation Strategy to ensure the Neighbourhoods model develops an approach to community engagement. |
| (2022/23 AGS) Robust information governance is necessary to ensure the Council not only appropriately safeguards the extensive data it holds, but that it is also able to effectively use that data to inform service delivery and decision making. | Refresh the Information Strategy during 2024. | Head of, Policy, Governance and Information | Deadline revised to enable the emerging needs of the Council's transformation journey to be captured – July 2025. A draft strategy is currently being consulted upon. |
| (2023/24 AGS) The Council continues to be on an improvement journey in relation to its culture, governance and financial resilience. | During 2023/24 the Council put in place a refreshed Corporate Governance Improvement Plan, a response to the statutory Section 24 recommendations of its auditors and an Independent Improvement Advisory Board to provide guidance, support and oversight on the Council's improvement journey. This has resulted in the removal of the Best Value Notice. In 2024/25 the Council will continue to deliver against its improvement plan and move towards BAU practices that provide assurance to government that the Council is maintaining a culture of good governance. | Chief Executive | Complete. Plans delivered and formally closed and reported to Council during 2024/25. |
| (2023/24 AGS) The Council needs to ensure that as it transforms, it ensures that it has the right staff, in the right roles who are able to take | Development of a Workforce Plan to ensure staff at all levels have the skills and capabilities to be successful in their roles | Head of Human Resources | Reprofiled to April 2025 to able the plan to align to a revised Senior Management Structure and the |

| Issue | Action | Lead officer | Deadline |
|--|--|--|--|
| the right decisions and actions to be able to deliver the best outcomes for our residents. | | | emergency transformation programme. |
| | Complete the first annual review of the People Strategy | Head of Human Resources | Complete |
| (2023/24 AGS) A stable leadership team with the capacity and capabilities to lead the Council's workforce is essential. One step in the process for managing this is to ensure use of agency staff is minimised in business as usual management of the organisation. | Complete recruitment process for all interim appointments in a Leadership Management Team position | Head of Human Resources | Completed with appointments to the Chief Executive and Section 151 Officer roles during 2024/25. |
| (2023/24 AGS) It is good practice for the Audit Committee Chair to report annually to provide all members with information on how the committee discharges its responsibilities and assesses its performance. | Commence reporting annually on how the Audit Committee has complied with CIPFA good practice, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public. | Director of Legal and Governance Services and Head of Policy, Governance and Information | March 2025. Delayed and in progress. This has been reprofiled to enable completion of the self-assessment of the Audit Committee to enable the outcome of this to be reported in the first report. Revised deadline is September 2025. |
| (2023/24 AGS) CIPFA good practice guidance states that Audit Committees should include independent members and it recommends two independent members to provide appropriate technical expertise | Review current governance arrangements for Audit Committee and make recommendations in relation to inclusion of co-opted independent members for Committee consideration | Director of Legal and Governance Services (Monitoring Officer) | In progress. The outcome of the review of Audit Committee will be reported in July. |
| (2023/24 AGS) As the public sector continues to manage service delivery within significant pressures, joined up partnership working across the system will be key to delivery of improved outcomes for residents. | Put in place a strategic Partnerships Strategy. | Chief Executive | Reprofiled to December 2025 within the Continuous Improvement Plan following delays in progress by the previous Chief Executive and a desire to develop this in partnership with the reestablished Towns Board. |
| (2023/24 AGS) Analysis of the purchase of the former Crown Public House identified a weakness in the Council's governance arrangements where the facts within a report change between publication and | Review the process for managing any changes to reports that occur between publication and meetings | Director of Legal and Governance Services (Monitoring Officer) | Complete |

| Issue | Action | Lead officer | Deadline |
|---|--------|--------------|----------|
| report consideration. A review will be undertaken to codify the process for such a situation in the future. | | | |

New actions for delivery in 2025/26:

The following table sets out additional improvement activity planned for delivery in 2025/26:

| Issue | Action | Lead officer | Deadline |
|--|--|---|-------------------|
| Following successful delivery of actions to address serious weaknesses in the Council's corporate governance arrangements, the Council recognised the need to maintain momentum and establish a cycle of continuous improvement activity. In March 2025 Council was presented with the first version of the Continuous Improvement Plan. | Continue to implement the Continuous Improvement Plan, which includes actions that will strengthen the Council's corporate governance arrangements and commence reporting on progress against the plan on a quarterly basis to Executive and Overview and Scrutiny Board from July 2025 onwards. | Chief Executive | July 2025 onwards |
| Action is needed to widen and deepen the Council's approach to performance management. | Refresh the Performance Management Policy and the supporting Performance Management Framework to embed a 'golden thread' of Performance Management from the Council Plan down to departmental level. | Director of Legal and Governance Services | December 2025 |
| Ensure the Council's Complaint Procedure was refreshed to align with best practice. | Revised the Complaints Procedure | Governance and Information Manager | Complete |
| The Council has an ongoing commitment within its Neighbourhood model to reset its approach to community engagement. As part of this, the Council will articulate its revised approach within a Community Engagement policy. | Community Engagement policy and approach to be developed | Head of Neighbourhoods | November 2025 |

| Issue | Action | Lead officer | Deadline |
|---|--|---|----------------|
| Liquidation and closure of the company has been more complex than originally anticipated, as a result, while the Council has addressed the key governance issues associated with use of the company, it still needs to complete the formal closure of the company. | Ensure the Company is fully liquidated during 2025/26. | Deputy 151 Officer, Head of Corporate Finance | October 2025 |
| The Council has a 10-year partnership in place with Veritau to deliver Internal Audit functions. This is now 5 years old. A review is required to ensure the partnership is continuing to meet the Council's needs and has the necessary capacity to support an organisation going through a period of improvement. | Review of the Internal Audit function | 151 Officer, Director of Finance | September 2025 |

Glossary of Terms



OPENING TIMES
TUE-WED 10:00
THU 10:00

Glossary of Terms

Accounting Period

The period of time covered by the accounts; normally a period of 12 months commencing on 1 April and ending as at the balance sheet date of 31 March.

Accrual

A sum included in the accounts to cover income or expenditure attributable to the accounting period covered by the accounts but for which payment had not been received/made at the balance sheet date.

Accrued Benefits

The benefits for service up to a given point in time, whether vested rights or not.

Actuarial Gains and Losses

For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.

Actuarial Valuation

A valuation of assets held, an estimate of the present value of benefits to be paid and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

Accumulated Absences Account

A requirement under IFRS is that the Council must make an accrual in its accounts at year end for any annual leave earned but not taken by employees at the end of the financial year.

Admitted Bodies

Organisations that participate in the Teesside Pension Fund under an admission agreement between the Fund, and the relevant organisation.

Admitted bodies include voluntary and charitable organisations and private contractors that are undertaking a local authority function following an outsourcing to the private sector.

Annual Governance Statement

The Annual Governance Statement is compiled following the review by the Council of the effectiveness of the systems of internal control and governance arrangements.

Assets Held for Sale

Assets held for sale are those where the value of the asset will be recovered by selling the asset rather than through usage. To be classed as held for sale the asset must meet the following criteria:

- be available for immediate sale in its present condition.
- Its sale must be highly probable.
- management expects the sale to take place within twelve months.

Assets Under Construction

At any time, some projects will be incomplete and will need to be classified as 'fixed assets under construction. It is usual for assets under construction to be recognised but recorded as non-operational until they are available for use, at which point they are recognised as operational assets.

Audit

An independent examination of the Council's activities, either by internal audit or the Council's external auditor.

Balance Sheet

A statement of the balances and reserves at the Local Authority's disposal, the net current assets employed in its operation and the value of fixed assets held.

Budget

A statement reflecting the Council's spending plans for a specific period. The annual revenue budget is normally finalised and approved in February prior to the commencement of the new financial year.

Capital Charges

A charge to service revenue accounts to reflect the cost of utilising fixed assets in the provision of services.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or which adds to the value of an existing fixed asset.

Capital Adjustment Account

The Capital Adjustment Account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

Capital Financing

The methods of financing capital expenditure. This includes borrowing, direct revenue financing, leasing, the use of capital receipts, capital grants and external contributions.

Capital Grant

Grant from Central Government used to finance specific schemes in the capital programme.

Capital Receipts

Proceeds from the sale of capital assets. Such income may only be used for capital purposes, i.e., to repay outstanding borrowing or to finance new capital expenditure. Any receipts which have not yet been utilised, are referred to as "Capital Receipts Unapplied".

Cash and Cash Equivalents

Cash equivalents are - "short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value". They are shown in the Balance Sheet along with cash under the heading "Cash and Cash equivalents".

Collection Fund Account

This account records the income received by the Council in relation to local taxation and non-domestic rates. It also shows how the income has been distributed to the preceptors and to the general fund.

Community Asset Transfer

A change in management and/or ownership of land or buildings from public bodies (most commonly local authorities) to communities (community and voluntary sector groups, community enterprises, social enterprises, etc.)

Component Accounting

Where assets can be broken down into different components which have a material value and substantially different economic lives, then each component should be separately valued.

Contingency

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

Contingent Asset

A contingent asset arises in a situation where a potential inflow or economic benefit to the authority will only be confirmed by the occurrence or otherwise of some future event but where the value of the benefit cannot be measured reliably.

Contingent Liability

A contingent liability is either:

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

Creditors

Amounts owed by the Council for work done, goods received, or services provided by the end of the financial year for which payment has not yet been made.

Current Assets

An asset which will be consumed or cease to have material value within the following financial year (e.g., stocks and debtors).

Current Liabilities

These are amounts owed by the Council due for payment within the following financial year (e.g., creditors or cash overdrawn).

Current Service Costs (Pensions)

The increase in the present value of a defined benefit pension scheme's liabilities arising from an employee's service in the current financial year.

Curtailment (Pensions)

An event that reduces the expected years of future service of present employees in a defined benefit pension scheme or reduces the defined benefits for some or all of their future service.

Debtors

Income due to the Council for services carried out or grants/contributions due in the financial year for which payment has not been received by the end of that year.

Deferred Pensions

Individuals who have ceased to be active members of a pension scheme but are entitled to benefits payable at a later date.

Defined Benefit Scheme

A pension scheme which calculates benefits due from the scheme independently to the contributions payable and the return on the investments made by the scheme.

De-minimis

For capital accounting, a de-minimis value is set below which any items of expenditure are excluded from the capital accounts and instead treated as revenue expenditure. The Council's de-minimis levels are outlined in the statement of accounting policies.

Depreciation

The allocation of the cost of consuming a tangible asset over its useful life. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Direct Revenue Financing

The financing of capital projects from revenue resources.

Discretionary Benefits

Retirement benefits, which the employer has no legal, contractual, or constructive obligation to award, and which are awarded under the authority's discretionary powers.

Earmarked Reserves

Funding set-aside to be used for a specific purpose at some point in the future.

Expected Rate of Return on Pension Assets

The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Extraordinary Items

Transactions that fall outside of the ordinary activities of the council and are not expected to reoccur.

Non-Current Assets

Assets that have a useful life and yield benefits to the Council and the services it provides for a period of more than one year.

General Fund

The main revenue account used to fund the cost of providing Council services. The main sources of income

credited to the fund are the council tax and business rates precepts and the revenue support grant (RSG) from central government.

Heritage Assets

A tangible asset with historical, artistic, scientific, technological, geophysical, or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Impairment

The diminishing in quality, strength, amount, or value of an asset.

IFRS - International Financial Reporting Standards

International Financial Reporting Standards (IFRS) are a set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board and specify exactly how organisations must maintain and report their accounts. Local Authorities have had to prepare their accounts in accordance with IFRS requirements since April 2010.

Intangible Assets

An asset that is not physical in nature. Examples of this type of asset include IT software and other licences and patents and trademarks.

Investment Property

An investment property is defined as a property, which is held exclusively for revenue generation or for the capital gains that the asset is expected to generate.

Leases

A lease is a contract between a lessor and leasee for the hire of a specific asset with the ownership of the asset being retained by the lessor. There are two main types of lease, operating and finance leases.

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee and the minimum lease payments amount to substantially all (90% or more) of the fair value of the leased asset. An operating lease is a lease other than a finance lease.

Local Management of Schools

Under the Local Management of Schools Funding arrangements, the Council is required to pass on the calculated share of each funding stream budget directly to all its schools. Individual schools have direct responsibility for managing their budgets and any surplus or deficit incurred in the financial year is carried forward to the following financial year as part of the schools' balances earmarked reserve.

Materiality

A figure is classified as material if its omission or misstatement could influence decisions users take on the basis of the financial statements.

Minimum Revenue Provision (MRP)

The minimum amount Local Authorities are required to set aside each year for the repayment of outstanding long-term debt.

Movement in Reserves Statement

This statement highlights the movement in the year for the earmarked reserves held by the Council. This is split between 'usable reserves' (those held to fund future expenditure) and unusable reserves (technical accounting adjustments).

Non-Domestic Rates (also known as Business Rates)

Charges paid by occupiers of non- domestic properties for council services. The charge is calculated by multiplying the rateable value of a property by a multiplier set by Central Government.

Net Book Value

The current value of a fixed asset after taking account of depreciation.

Non-Operational Assets

Fixed assets owned by the Council but not currently being used in the delivery of services. They include surplus properties awaiting disposal, investment properties and assets under construction.

Operational Assets

Fixed assets owned by the Council and used in the delivery of Council services.

Operating Segments

The breakdown of the Council's activities into distinct service divisions/ outcome areas.

Past Service Cost

The increase in the present value of a defined pension scheme liabilities relating to employee service in prior periods arising as a result of the introduction of, or improvement to, retirement benefits.

Pension Asset Ceiling Adjustment

The pension asset ceiling adjustment is made to ensure sure that the Council's balance sheet properly reflects how the value of any defined benefit deficit or surplus is affected by the pensions scheme's rules and funding requirements.

Post Balance Sheet Events

There are two types of post balance sheet events. Adjusting events are those events that provide additional evidence of conditions that existed at the balance sheet date and require adjustments to be made to the accounts. Non adjusting events are those events after the balance sheet date which provide evidence of conditions not existing at the balance sheet date. These may require disclosure in the accounts stating the nature of the event and an estimate of the financial impact.

Precept

The levy made on the council by other bodies for income collected from Council taxpayers on their behalf e.g., Fire or Police Authority.

Provisions

Funds set aside to cover liabilities which are likely or certain to be incurred at a future date but where the exact amount and timing of the liability is currently not known.

Prudence

The **accounting** principle that requires liabilities and expenses to be recorded as soon as they occur, but revenues only when they are assured or realised.

Related Parties

Two or more parties are considered to be related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same sources; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interest; or the parties in entering a transaction are subject to influence from the same source to such an extent that one of the parties to the transactions has subordinated its own separate interests.

Related Party Transactions

A related party transaction is the transfer of assets or liabilities or the performance of services by, or for, a related party irrespective of whether a charge is made.

Revaluation Reserve

The balance sheet reserve that records increases in the valuation of fixed assets that have not yet been realised through the disposal of the asset. Decreases in asset valuations are also taken to the revaluation reserve if an asset has previously had an increase in valuation.

Revenue Expenditure

The day-to-day costs incurred in providing Council services. This includes staffing, supplies & services, transport, and utility costs etc.

Revenue Support Grant

The main source of Central Government grant funding for Local Authorities.

Scheduled Bodies

Local authorities or similar organisations whose staff are automatically entitled to become members of the

Teesside Pension Fund.

Specific Grants

Government grants awarded to Local Authorities and earmarked for specific services, e.g., Standards Fund Grant for Children's Services.

Stocks (Inventories)

Goods or merchandise available for sale or distribution held at the balance sheet date. This can include the following:

- goods or other assets purchased for resale.
- consumable stores.
- raw materials and components purchased for incorporation into products for sale.
- products and services in intermediate stages of completion.
- long-term contract balances and finished goods.

Unusable Reserves

Reserves that are held by the Council for accounting purposes. The gains or losses in these reserves are unrealised and as a result are not available for future use by the Council.

Usable Reserves

Unutilised resources set aside to allow planning for future Revenue & Capital expenditure.

Useful Life

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

Work in Progress

The total value of the materials and labour costs incurred to date on unfinished projects.

