Middlesbrough Council
Draft Statement of Accounts
2025-26

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Introduction

Welcome to Middlesbrough Council's draft Statement of Accounts for 2025/26. This document outlines the Council's financial statements, performance, and cashflows for the financial year ending 31 March 2026. It is the main source of external financial reporting produced by the Council each year and discharges many of its responsibilities in terms of finances, governance and corporate activity.

Key Issues

After a volatile period over the last few financial years, with the Council being subject to statutory external audit recommendations around governance and culture, government intervention by the Ministry of Housing, Communities and Local Government (MHCLG) and the use of Exceptional Financial Support (EFS) to balance the 2024/25 budget position, the last twelve months has been stable and relatively calm as the organisation has returned to a state of normality in terms of its service delivery and organisational direction.

The Council Plan has been revised to reflect the progress made in moving from the 'recovery' phase, towards the 'reset and delivery' stages. This has been helped by stability at senior management levels within the Council, a transition from a significant and ambitious transformation programme to a focus on continuous improvement within the service offered to the public, and by an improving financial position where the prioritised growth in the level of usable reserves was a core part of the budget strategy for 2025/26.

There is now no specific improvement plan in place, with governance arrangements working well within the Council and incorporated within business-as-usual processes. This was supported by the removal of the external audit qualification in this area as part of the 2024/25 value for money review. In addition, progress is being made in terms of introducing an integrated performance and financial planning framework. This establishes a clear way of ensuring that performance, finance and risk are managed in a joined-up, transparent way, supporting stronger alignment between resources, service delivery and strategic priorities

On external financial reporting, the Council now has four sets of disclaimed audit opinions covering its financial statements from 2021/22 to 2024/25. This is a consequence of the government's local audit backlog regime where audit processes on the Statement of Accounts have not been completed by the appropriate statutory dates. This is a common issue across the local authority sector. It does not mean that there are any issues or errors in the financial statements. The financial statements have been prepared in line with relevant accounting standards and guidance. The auditors have just not had enough time to complete their assurance work in relation to the accounts.

Local authorities continue to face a challenging economic and financial environment, with increased demand for services in many areas. Rising food and energy prices, along with high interest rates, exacerbating the national cost of living crisis, are significantly impacting Middlesbrough's residents and businesses, particularly those in historically deprived areas. The Council continues to provide additional support and advice to the vulnerable in our communities through appropriate policies.

One of the key strategic and financial issues facing the Council and other local authorities across the country is the continued and sustained demand within Children's Social Care. This reflects both the volume and complexity of cases, particularly the ongoing reliance on high-cost external residential placements and continued pressures in staffing. The demand led pressures are structural in nature and are expected to persist into 2026/27 and across the Medium Term Financial Planning (MTFP) period. This has been recognised with in the recently approved 2026/27 budget, which included additional recurring funding to reflect forecast demand, however, there remains significant financial risk if demand and complexity continue to exceed assumptions. The Section 25 statement from the Corporate Director of Finance (Section 151 Officer) highlights Children's Social Care as a key area of ongoing financial risk due to the high levels of demand, complexity of need, and the cost of placements.

The Section 25 statement stated that it is essential that all service directors maintain tight financial control, strengthen demand management, and continue to deliver and embed financial recovery and continuous improvement to mitigate any pressures and ensure financial sustainability. Although reserves are planned to increase significantly by the end of the decade as part of planned increases during the MTFP period, they are still relatively low compared to similar local authorities, and any unplanned use needs to be minimised.

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 2025/26.
- 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 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

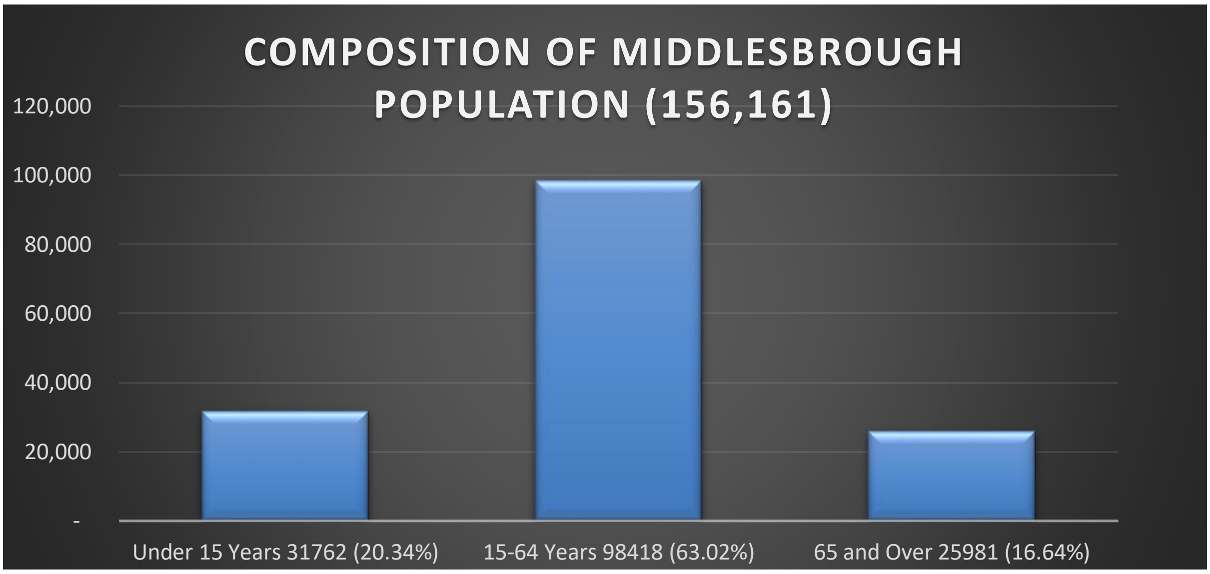
Middlesbrough Council is a diverse public sector organisation located in the Northeast of England. We are proud of our historic past and very excited for the future. Middlesbrough is nestled in an area that is the country's best-kept secret, with rivers, beaches, forests, and moors all on our doorstep.

The town is the natural centre or 'middle' of the Tees Valley, an area home to around 713,000 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



Latest Mid-year population estimates for 2024 Population estimates for England and Wales - Office for National Statistics indicate a local population of 156,161. 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 2025) 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)

	Middlesbrough	**Northeast**	**Great Britain**
Gross Weekly Pay (Median) Full-Time workers	£671.00	£692.10	£766.60
Unemployment rate (16-64) as a proportion of economically active	7.7%	4.6%	4.5%

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 2025/26

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.

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 Ministry of Housing, Communities & Local Government (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 (FUCR). The EFS was provided in the form of a capitalisation direction to be funded by external borrowing.

The final year end outturn position for 2024/25 was significantly better than expected with an underspend of £2.257m on the revenue budget, which was a significant improvement from the position reported earlier in the financial year. This meant that there was a requirement to use only £2.443m of the £13.400m Exceptional Financial Support (EFS) approved in-principle by MHCLG, and no requirement to borrow for the EFS as capital receipts already held were used. The main financial pressure was in children's social care, but because of strict financial controls being in place and a range of directorate underspends across the Council, principally on staffing and additional income, the impact of this pressure was mitigated. There were increased levels of usable unrestricted revenue reserves, with £21.654m available at 31 March 2025. The level of revenue reserves was still lower than the position of comparable unitary authorities and that required by the S151 Officer.

On 4 May 2023, Chris Cooke became the fourth directly elected Mayor of the town. The financial year 2025/26 is the third 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, and the 2025/26 Revenue Budget, Medium-Term Financial Plan and Council Tax setting report approved by Full Council on 19 February 2025. The Council's approach to continuous improvement 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 party majority:

Category	Number as at 31 March 2026
Elected Mayor (Labour)	1
Conservative	4
Independent	9
Labour	24
Liberal Democrats	1
Reform UK	2
Marton East Independent Group	2
Middlesbrough Independent Councillor's Association	4
Total	**47**

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 Corporate Director of Legal and Corporate Services (Monitoring Officer) and the Corporate Director of Finance (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 2025/26 can be accessed using the following link: [Corporate Performance 2025-26]

Directorate Achievements

Adult Social Care

- The Disabled Facilities Grant Quality Standard Report, carried out by Foundations, the Government-appointed national body for Home Improvement Agencies, has rated Middlesbrough's service as Exemplary in several key areas, including, person-centred delivery, housing options, value for money, and commissioning.

- The report also praised Middlesbrough for its Rekindle digital inclusion service and the Rekindle Co-Production Group, which have been nationally recognised for their commitment to making digital services accessible and inclusive for all.

- Completed significant joint commissioning for adult social care and health respite for individuals with learning disabilities, and our new service opened at Levick Court. This is a vital respite service supporting adults with complex learning disabilities which has secured its long-term future through its relocation. The service has been co-designed with families and carers, ensuring it meets the needs of individuals with high levels of complexity and risk.

- Launched our 10-year vision for adult social care in Middlesbrough, "Middlesbrough better Together" alongside our new workforce strategy setting. This recognises our long-term aim to enable residents of our town to live their best lives, Its sets out our overarching principles for the delivery of Adult Social care in Middlesbrough.

Environment & Community Services

- Removal of the Linthorpe Road cycle lane following feedback from local businesses and agreement with the funding body.
- Pedestrian and Cycleway Improvements to Stainton Way and Ormesby Beck, with the aim of improving traffic flow and reducing the number of accidents.
- Installation of traffic calming measures on Gunnergate Lane, Valley Road and Trimdon Avenue to improve safety on council roads.
- Completion of Newport Bridge Phase 2 Refurbishment works, including maintenance and safety works, in partnership with Stockton Borough Council.
- Repair of Ladgate Lane culvert. The interim fix will allow traffic to bypass the damage until a permanent, complex structural rebuild can be fully constructed.
- Completion of major refurbishment works to the Central Library. The 20-month project has modernised the Grade II-listed Carnegie building while protecting its heritage, delivering accessible facilities, improved digital spaces, and providing dedicated family areas.
- Secured new grant funding to improve the visitors experience at theatres and museums within the Borough.
- Delivery of a Youth Music “Musinc” programme to enable all school children to have the opportunity to learn a musical instrument.

Education and Partnerships

- We have successfully supported the DfE and an academy trust to successfully commence construction of a brand-new state of the art secondary school in the centre of town, which will serve Middlesbrough’s children for years to come.
- South Tees Youth Justice Service secured a further year of funding for the Custody Navigator programme up to 31 March 2027. An external evaluation is on-going alongside discussions to expand the project. This work is being conducted in partnership with the Cleveland Unit for the Reduction of Violence.
- Through the work with the DfE we launched an innovative attendance project to drive up attendance across all pupils in Middlesbrough and we can see that this project is having an impact.
- We are now in the fifth year of delivering the work of Family Hubs which is having a positive impact on children, young people, and their families.

Regeneration and Housing

- The Union Village scheme that was delivered by Thirteen Housing on the Council’s Gresham site won the Best Regeneration Scheme at the Northern Housing Awards in May 2026.
- The transformation of Captain Cook Precinct into a high-quality leisure destination continues to gather significant momentum. 2025/26 saw the opening of a boutique cinema, and the securing of a renowned world buffet experience restaurant. Operator interest in joining the transformation remains strong, with further tenancy agreements / announcements expected in the next twelve months

- MHCLG has awarded £20m of grant funding to each of the Park End and Thorntree Wards through the Pride in Place Fund. This funding will have a hugely positive impact upon the residents throughout the 10-year grant period and beyond.

- Southlands and Nunthorpe Community Centres – Work on the construction of both community facilities commenced during 2025/26 and is scheduled to complete by June and July 2026 respectively. Middlesbrough Football Club Foundation will relocate their headquarters to Southlands. Nunthorpe Parish Council will operate the other facility, which will meet the long-standing requirement for new community space in the area.

- There were 659 new homes delivered, which greatly exceeded the annual target of 450 units. Work has continued to bring forward strategic Council owned housing sites to deliver capital receipts to support the Council's financial objectives.

- At Newham Hall the construction of the new spine road commenced in June 2025 and will complete next financial year. The delivery of the spine road and other site infrastructure will maximise capital receipts from sales to developers. The Council also exchanged contracts with the preferred developer for Hemlington Grange South in December 2025.

- Middlesbrough Old Town Hall – Work on the refurbishment of the Old Town Hall commenced in January 2026. The project, which is part funded by a grant from the Heritage Lottery Fund, will restore the Grade II Listed building and provide a natural extension to the Boho Campus by providing flexible incubation spaces for digital companies.

- The Place Leaders Partnership has been formed, bringing together key stakeholders to work together to inform and co design our new Place Strategy. Working together with the University and Colleges, Cleveland Police, Arts & Cultural organisations, NHS and key businesses, the strategy is a long-term plan that sets out our priorities for economic growth, digital innovation, housing, transport, culture and community.

- Working in partnership with Tees Valley Combined Authority and Teesside University, the Tees Valley Investment Zone in Middlesbrough is a transformative £160m UK Government backed initiative focused on the digital and creative sectors. Alongside Hartlepool, Middlesbrough serves as a core geographical cluster designed to accelerate tech growth and innovation.

Public Health

- Introduced a Dementia Friendly Care Home Guide recognised as best practice and secured funding to relaunch Dementia Café sessions, enhancing support and social opportunities for residents, carers and families.

- Expanded community NHS Health Checks and targeted inclusion of underserved groups through community outreach and embedding screening within substance misuse services.

- Embedded social prescribing in secondary care - cardiology and delivered new community models.

- Increased cervical screening uptake in practices across South Tees (targeting non-responders).

- The Live Well Centre partnered with Teesside University to deliver a student-led sight clinic providing specialist vision assessments for all ages, with appointments fully booked due to high demand.

- South Tees Enhanced Case Worker model supported 200+ high-intensity users, improving engagement and reducing system demand across health, crisis and policing services.
- Middlesbrough's Recovery Solutions service, a unique, in-house clinical and care co-ordination substance use service, achieved 'Good' CQC rating, following its first inspection.
- Led development and refresh of key health protection plans, including severe weather planning and communicable disease preparedness, ensuring alignment with LRF and regional arrangements.
- Developed 0–11 Healthy Weight service (Growing Well, Growing Healthy Programme) embedded in the new 0-11 Healthy Child Programme to prevent and treat childhood obesity by supporting families to build healthy behaviours from early years onward.
- Secured 3-year Heritage Lottery funding for the Tees Urban Nature Network (TUNN), a partnership uniting community, local authorities and VCSE organisations to enhance and connect green and blue spaces, boosting sustainability, health, wellbeing and community ownership.
- Delivered the first northern regional homeless football tournament with partners, engaging 100+ participants facing homelessness and supporting national team selection.
- Re-launched standards for the Eat Well Early Years award with one nursery achieving gold standard.
- Commissioned £3.4m Healthy Child Programme for 0-11 years and advancing 11–19 service transformation.

Legal & Governance Services

- Continued to strengthen the Council's digital foundations, supporting the reliable and effective delivery of services to residents and staff.
- Rolled out the Council's AI Policy, complemented by training and awareness sessions to build staff confidence.
- Successfully delivered a Neighbourhood Plan Referendum in Coulby Newham and a By Election in Nunthorpe.
- Introduced a new constitution which was approved by Full Council in September 2025.
- The marketing and communications team was shortlisted for a national industry award. The team's work on the *Mamazing* breastfeeding campaign alongside Redcar and Cleveland Borough Council was nominated in the best collaboration category at the Comms 2.0 awards.

Finance

Achieved a balanced budget for 2026/27 with only a 2.99% council tax rise, no savings, and additional investment in front line services.

- Implemented a strategic reserves policy to rebuild the low-level of revenue reserves over the medium-term financial planning period.
- Provided advice on the fair funding review 2.0 from central government and the local government financial settlement to elected members and senior leaders within the Council

- Joint working between Finance Business Partnering and Service staff to minimise the level of the revenue overspend during 2025/26 and the impact on usable reserves.

- Finalised the 2024/25 financial statements and value for money audits, for both the Council and the Teesside Pension Fund, in accordance with the statutory 27 February 2026 backlog date imposed by central government.

- Undertook a review of staffing resources within the accountancy function, with most key staff appointed or new posts required in progress. This should ensure greater capacity for the future.

- Transfer of the internal audit provider contract from Veritau Tees Valley Ltd to Veritau Public Sector Ltd from the start of February 2026.

- Working with the Leadership Management Team to maintain internal audit's annual assessment of the Council's financial control environment at 'reasonable' assurance. In addition, many of the specific corporate, ICT, and material financial systems audits have also achieved the highest levels of assurance.

- The value of the Teesside Pension Fund increased over the year to more than £5.6bn.

- The Pensions team managed the transition of the pensions administration provider contract with minimal disruption to members and employers in the LGPS scheme.

- The Pension Fund team managed the transition of 29 directly held properties worth more than £396m to the Border to Coast Pension Partnership's UK Real Estate Main Fund to meet government expectations on pooling of Pension Fund assets.

- The Resident and Business Support 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.

- Embedding the use of the Supplier Incentive Programme within service directorates and delivering over £100k of cash discounts for the Council on prompt payment.

- Secured additional Supported Accommodation beds for 16+ children and young people with support needs secure financial savings and ensuring young people remain in Middlesbrough
- The procurement team undertook **299** procurements that equate to approximately £26 million pounds worth of contracts.

- £1.5m of grants allocated by the procurement and commissioning team to the voluntary sector to improve the quality of services and advice offered to the local community.

Governance Improvement

The Council operates in a challenging and evolving environment, including ongoing financial pressures, increasing demand for services and wider changes in the local government landscape. In previous financial years, the external auditors had identified weaknesses in the governance arrangements in place.

The Council has identified several key governance risks and priorities for the coming year, including:

- maintaining financial sustainability and strengthening medium-term financial resilience.
- embedding new performance and planning frameworks to support delivery of outcomes.
- ensuring effective governance of partnerships and collaborative arrangements.
- managing risks associated with data, digital transformation and emerging technologies, including artificial intelligence.

The Council is confident that its governance arrangements provide a sound basis for addressing these challenges and will continue to evolve them to ensure they remain effective.

Financial Review 2025/26

The financial year was largely dominated by two periods of significant uncertainty and volatility. The first being the US trade tariff 'Liberation Day' in April 2025 and the second was the US/Israel war with Iran at the end of February 2026.

Prior to the start of the war, headline UK consumer price inflation (CPI) inflation had generally been trending downwards, albeit the 3% in February 2026 was unchanged from January. Core CPI also stayed put at 3.1%. Inflation was expected to fall further over the coming months to the BoE's 2% target, but the war changed this. Inflation is now expected to rise again, but how quickly and by how much depends on the duration of the war and how long commodity prices are elevated.

The Office for National Statistics (ONS) reported the UK economy expanded by 0.1% in Q4 2025. This followed previous modest gains of 0.2% in Q2 and by 0.1% in Q3. Of the subsequent monthly figures, the ONS estimated that GDP showed no growth in January 2026. As this is from before the war started the impact on growth will not be seen formally in the data for a couple more months.

After cutting the Bank Base Rate to 3.75% in December 2025, the BoE's Monetary Policy Committee (MPC) voted 5-4 to hold rates in February 2026 and then unanimously to do so again in March 2026. In the short-term the risks are to the upside with the chance of higher Bank Rate should the MPC decide it wishes to quickly quash potential second-round effects from higher inflation.

The UK central government reviewed the Local Government Finance Settlement for the first time in 20 years and linked this directly to deprivation and under funding in previous years via their Fair Funding Review 2.0. The result of this for the Council are significant and the effects of this were incorporated into the budget setting process for 2026/27

Revenue Budget

In preparing the 2025/26 revenue budget and Medium-Term Financial Plan, the Section 151 Officer determined that:

- A legally balanced and robust budget within the Council's own available resources and without reference to Exceptional Financial Support (EFS) from central government.
- Budget proposals for savings and income generation of £7.036m in 2025/26 rising to £8.686m in 2028/29.
- Budget growth of £2.521m in 2025/26 rising to £2.918m in 2026/27 for re-investment in services aligned to the Recover, Reset, and Deliver plan.
- Budget provision of £0.311m in 2025/26 and a further £0.100m in 2026/27 to address the removal of previously approved savings in line with the priorities outlined in the Council Plan and after listening to residents' views.
- The creation of a Middlesbrough Priorities Fund totalling £4.367m for 2025/26 only.
- The creation of a Delivery Risk Budget of £2m on a one-off basis in 2025/26 only to protect against unplanned use of reserves
- Council Tax increase for 2025/26 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 2025/26.
- 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
- A financial reserves policy that sets the general fund balance at 7.75% of the net revenue budget (£11.100m) and that builds up the financial resilience reserve to £10.000m by the end of 2025/26 and to be at least £20.000m by the end of 2028/29

The revenue budget for 2025/26 was set at £143.304m, and was funded as follows in the table below:

	£m
Revenue Support Grant	15.444
Business Rates Top Up Payment	30.794
Local Share of Business Rates	18.232
Council Tax	75.782
Collection Fund Balance	3.052
Total Net Revenue Budget (NRB) in 2025/26	**143.304**

Capital Programme for Middlesbrough

- A new Capital Programme was approved by the Council on 19 February 2025. This plan includes a £170.290m Capital Programme for Middlesbrough, covering the period from 2025/26 to 2028/29, with £74.798m initially allocated for 2025/26. 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
- Community projects
- Disabled Facilities Grant scheme
- ICT related projects
- Environment & Community Services projects

2025/26 Budget Year End Outturn

The financial outturn position was reported to Executive on 10 June 2026 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 budget final year end outturn was £145.451m against an approved budget of £143.304m, an overspend of £2.147m (1.5% of the net revenue budget). This is a substantial improvement from the forecast overspend of £4.482m at Quarter One and illustrates strong financial controls are in place around the revenue budget position.

The main area of budget pressure for 2025/26 was around demand led and statutory service pressures within Children's Social Care (£7.455m) due to high-cost placements, workforce pressure and a reliance on agency staff. In addition to this, Adult Social Care overspent by £1.272m due to ongoing demand for complex care This has been offset by the planned use of central contingencies and budgets held centrally of £6.546m. Other service areas reported a mix of overspend and underspends, including underspends in Central budgets such as capital financing and one-off funds, making a significant contribution to offsetting the above pressures.

The initial position reported to Executive on 10 June of £1.793m overspent has been revised marginally to £2.147m overspent as part of the preparation of the financial statements for 2025/26. This relates to the interaction between the revenue budget, and the collection fund accounts, when the final position on assets and liabilities in the Council's balance sheet has been confirmed.

The table below summarises the final revenue outturn position by directorate which illustrates that 84.4% of the Council's net expenditure in 2025/26 was spent on Social Care (Children's and Adults).

Directorate	**Revised Full Year Net Budget £m**	**Outturn as per Council report £m**	**Over / (Under) spend £m**
Adult Social Care	56.283	57.555	1.272
Public Health	(0.326)	(0.722)	(0.396)
Children's Care	57.791	65.246	7.455
Education and Partnerships	6.712	7.060	0.348
Regeneration and Housing	3.991	3.606	(0.385)
Environment, Communities & Culture	20.598	21.706	1.108
Legal & Corporate Services	10.494	10.208	(0.286)
Finance	5.880	5.031	(0.849)
Chief Executives Department	1.929	1.849	(0.080)
Central Budgets	(20.048)	(26.088)	(6.040)
Revenue Outturn	**143.304**	**145.451**	**2.147**

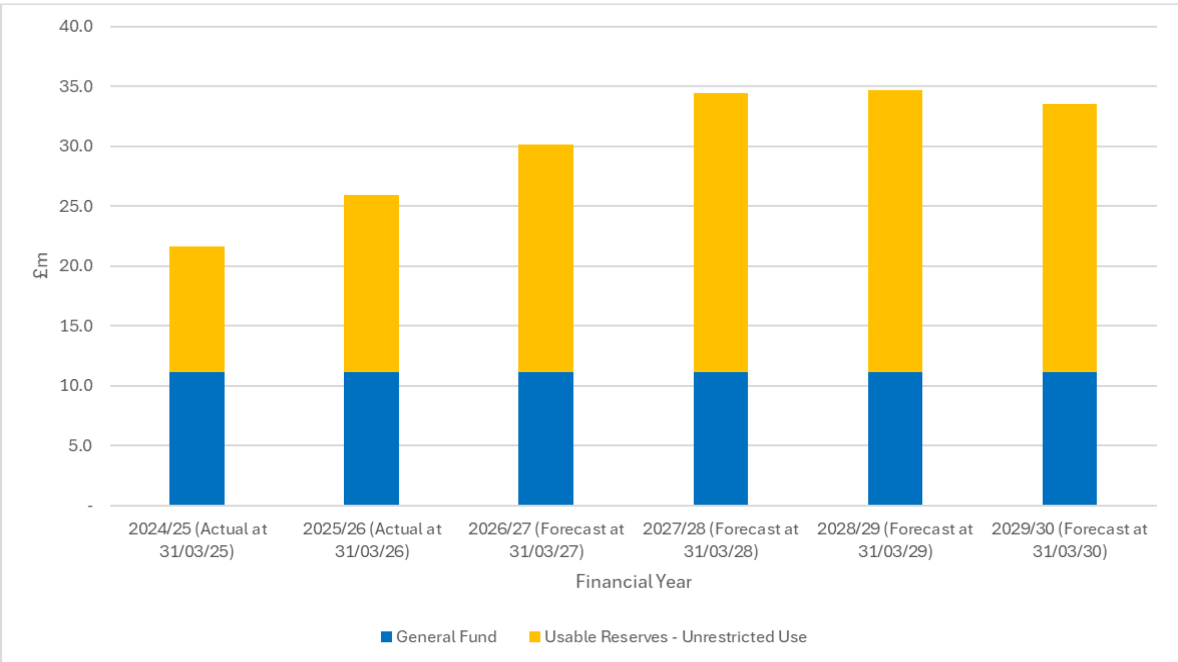
While the Council has achieved significant improvement in its financial position compared to that at the start of the 2024/25 financial year, supported by a significantly improved 2026/27 financial settlement relative to previous years, there remains an ongoing need to maintain strong financial discipline. The 2025/26 outturn demonstrates the importance of delivering approved savings in full and maintaining robust governance and financial control arrangements.

Reserves and Provisions

The General Fund Balance on 31 March 2026 is £11.101m, this is the same total as for the previous year and is at the level recommended for the Council by the Section 151 Officer. The balance on unrestricted usable earmarked reserves stood at £14.429m on 31 March 2026, an increase of £3.875m from the balance of £10.554m on 31 March 2025. The combined level of these unrestricted usable reserves was £25.529m on 31 March 2026. A further £8.269m of restricted usable earmarked balances including Public Health grant carried forward, revenue grants unapplied, and Better Care funding was also held by the Council at the balance sheet date.

The Council must continue to rebuild its unrestricted 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 2026/27 Revenue Budget, Medium Term Financial Plan 2026/27 to 2029/30, and Council Tax report.

The projected unrestricted usable reserves (at the time the accounts were prepared) to the end of 2029/30 after planned contributions are illustrated in the following chart, however this will depend on any unplanned drawdowns of reserves in future years.



The table below sets out a summary of the total balances of the Council held in both reserves and provisions at the 1 April 2025 and how this has changed over 2025/26. The closing balances as of 31 March 2026 are available to finance future revenue spend on a one-off basis.

Reserves and Provisions 2025/26	Adjusted Opening Balance 01/04/2025 £m	In Year Movement £m	Closing Balance 31/03/2026 £m
General Fund Reserve	**(11.100)**	**-**	**(11.100)**
Usable Earmarked Reserves			
Unrestricted Usable Earmarked Reserves	(10.554)	(3.875)	(14.429)
Restricted Usable Earmarked Reserves	(8.089)	(0.180)	(8.269)
Total Usable Earmarked Reserves	**(18.643)**	**(4.055)**	**(22.698)**
Unusable Earmarked Reserves			
Unusable Earmarked Reserve	22.213	7.104	29.317
Schools Balances	(3.050)	(0.987)	(4.037)
Total Usable Earmarked Reserves	**19.163**	**6.117**	**25.280**
Provisions	**(3.814)**	**(0.217)**	**(4.031)**
TOTAL RESERVES AND PROVISION	**(14.394)**	**1.845**	**(12.549)**

It should be noted from the table above that if the negative DSG balance is removed, the total amount of reserves and provisions balances held by the Council would be £41.867m, an increase of £5.26m from the previous financial year.

Dedicated Schools Grant (DSG)

Local authorities receive a ring-fenced grant from central government each year, which can only be used to fund education, and is accounted for separately from the main Revenue Budget.

The DSG comprises several funding blocks:

- Schools Block
- Central Schools Services Block
- High Needs Block
- Early Years Block

The table below summarises the final outturn position for the DSG budget. This shows an in-year overspend on the High Needs Block of £9.071m, partially offset by an underspend on the Early Years Block of (£1.967m), resulting in a net in-year overspend of £7.104m. The cumulative DSG deficit on 31 March 2026 is £29.317m.

Table 5 - Dedicated Schools Grant (DSG) after recoupment and deductions

	2025/26 Actual Income	2025/26 Actual Expenditure	2025/26 Year End Outturn	Balance as at 31/03/2025	Forecast Cumulative DSG Deficit as at 31/03/2026
	£m	£m	£m	£m	£m
Early years	25.741	23.774	(1.967)	(0.749)	(2.716)
Schools Block	13.277	13.277	0.000	(0.490)	(0.490)
High Needs	33.159	42.230	9.071	23.515	32.586
Central school services block	1.136	1.136	0.000	(0.063)	(0.063)
TOTAL	73.313	80.417	7.104	22.213	29.317

*The income figure inckudes the 0.5% transfer from schools block to High Needs Block agreed at School Management Forum January 2025

The Grant continues to be subject to a statutory override, requiring deficits to be held separately from the General Fund. The Government has confirmed that this override will now be extended to 31 March 2028, aligning with the transition to a reformed SEND system. In addition, local authorities will be eligible for a High Needs Stability Grant covering up to 90% of the DSG deficit accrued to March 2026, subject to approval of a Local SEND reform Plan by the Department of Education. The remaining 10% has been provided for within the reserves in the Medium-Term Financial Plan approved by Council in February 2026.

Middlesbrough Council is well advanced in developing a comprehensive and robust plan, working closely with partners to set out a sustainable approach to managing demand, improving outcomes and stabilising the High Needs Block. While the DSG deficit remains a significant financial pressure and is forecast to continue in the short term, these national reforms, alongside local delivery of the SEND Reform Plan, provide a clearer pathway towards long-term sustainability.

While national developments, including the extension of the statutory override and the introduction of the High Needs Stability Grant, provide a more structured pathway for managing DSG deficits, there remains a significant degree of financial risk. The current DSG deficit of £29.317m at 31 March 2026 exceeds the Council’s usable revenue reserves of £25.529m and is forecast to continue to grow over the medium term. Although the Council is progressing a robust SEND Reform Plan to support longer-term sustainability, the financial position remains dependent on the successful delivery of these reforms and continued Government support.

The DSG risk is included in the Council’s Strategic Risk Register and is reflected in the Annual Governance Statement for 2025/26.

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 2026/27 financial position. Instead, this creates a surplus or pressure to be addressed in 2027/28 and this will be reflected in an updated Budget and MTFP.

The 2025/26 MTFP presented to Council in February 2025 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 2025/26 were improved in comparison to the previous year, at 92.9% for Council Tax and 95.5% 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 fall due to the range of challenges in the business sector.

The outturn position on the collection fund showing an overall deficit of £0.404m to the 2027/28 budget is set out in the table below:

Collection Fund Balance	**Council Tax £m**	**Business Rates £m**	**Total £m**
Balance brought forward at 1 April 2025	(4.908)	1.728	(3.180)
Contribution for Previous Years Surplus / (Deficit)	3.934	(0.468)	3.466
Deficit / (Surplus) for the year	(2.231)	0.758	(1.473)
Balance c/fwd at 31 March 2025	**(3.205)**	**2.018**	**(1.187)**
Allocated to:	83.4%	49.0%	
Middlesbrough Council (precepting share)	(2.673)	0.989	(1.684)
Amount incorporated in budget for 2026/67	2.547	(0.459)	2.088
Additional deficit to factor into 2027/28 budget	**(0.126)**	**0.530**	**0.404**

Medium Term Financial Plan issues

The 2026/27 budget incorporated additional resources to support known demand pressures, however, underlying financial challenges remain. Whilst the year-end position demonstrates that a significant proportion of in-year pressures have been mitigated, the Council continues to face structural and demand-led pressures, particularly in statutory services. Since the budget was set, there has also been increased economic uncertainty, with continued inflationary pressures and global instability potentially increasing costs beyond original assumptions.

The Final Local Government Finance Settlement for 2026/27, published on 9 February 2026, provided additional funding which strengthened the Council's financial position, and provided support for service led demand and enabled budget growth to be provided in a number of areas. This additional funding, alongside improved financial governance, has contributed to an improved level of financial resilience compared to previous years.

Despite this, the final outturn confirmed that a number of in-year pressures persist, most notably within Children's Social Care. This continues to be a significant area of concern, driven by increasing demand, complexity of need, reliance on agency staffing, and a high cost of external residential placements. These pressures have been sustained over several years and represent a structural financial challenge, requiring continued intervention, demand management, and service transformation to ensure long-term sustainability.

The outturn position also reflects ongoing inflationary pressures, service demand volatility and uncertainty in income streams. Whilst the 2026/27 budget has been set on a balanced basis and is considered deliverable, this is dependent on strict adherence to financial discipline, including effective cost control, delivery of all approved savings, and robust in-year monitoring. Directors are required to manage expenditure within approved budgets without exception, as failure to do so would place additional pressure on already low reserve levels and undermine the Council's financial resilience.

Looking ahead to 2027/28 and beyond, several risks require continued monitoring. These include: sustained demand and cost pressures in Children's and Adults Social Care, continued reliance on agency staffing and challenges in maintaining sufficient permanent workforce capacity, delivery risk associated with existing savings programmes, income volatility across commercial and fee-generating services, the financial impact of planned capital activity, including the temporary closure of the Town Hall, ongoing pressures in areas such as waste disposal, homelessness and transport, and the continuing uncertainty surrounding Dedicated Schools Grant (DSG) deficits and future SEND reform

Although provision has been made within the MTFP for demand pressures and risk, the scale and persistence of these issues mean that further mitigating actions may be required as part of future financial planning cycles.

Group Accounts

The Council is not reporting a group accounts position for the 2025/26 financial year. In prior financial years (2021/22 to 2023/24) the Council had 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.

During 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 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 has been complex but is now nearing completion, and the company's major assets have now been distributed back to the Council. The wind-up process, managed by a specialist liquidator (FRP Advisory Ltd), is in the final stages with the company expected to be dissolved during the Autumn of 2026. Given the status of MDC on 31 March 2026 (with nearly all assets and liabilities transferred), there is no longer a material relationship between the council and the company.

All other group relationships for the Council outside of MDC are all classed as immaterial and therefore group financial statements for the 2025/26 financial year are no longer required under the CIPFA Accounting Code of Practice.

Capital Programme/Investment Strategy

On 19 February 2025 Council approved a Capital Programme for 2025/26 of £74.798m (the original 2025/26 capital budget). This was revised to £82.571m as approved by Executive within the 2024/25 Revenue and Capital Outturn report of 11 June 2025 to take account of 2024/25 programme slippage and some new externally funded schemes. Accounting for additional programme slippage and new externally funded schemes, the budget was revised to £87.575m at Quarter One and subsequently to £88.094m at Quarter Two and again to £88.451m from an additional £0.357m in Quarter Three to add new externally funded schemes / additional external funding to existing schemes.

The budget has been further revised at Quarter Four by the addition of a total of £1.057m of new externally funded schemes / additional external funding to existing schemes. The total additional funding of £1.057m has increased the capital programme for 2025/26 to £ 89.508m as at Quarter Four.

The final outturn on 31 March 2026 is expenditure of £56.477m, an underspend of £26.094m (31%) against the original budget adjusted for 2024/25 slippage, £31.974m (36%) against the Quarter Three 2025/26 revised budget, and £33.031m (37%) against the final 2025/26 budget.

The £56.477m of expenditure was funded by:

- £32.153m (57%) grants and external funding / contributions
- £11.659m (21%) capital receipts
- £12.665m (22%) borrowing

Summary of capital programme approved budget, revised budget, final outturn and variance

Table 6 - Summary of Capital Programme approved budget, revised budget and actual year end outturn and variance for 2025/26

Directorate	2025/26 Capital Programme Budget (as approved by Council 19/2/25)	2025/26 Revised Capital Programme Budget (as per Executive report 11/6/25)	2025/26 Revised Capital Programme Budget (as at Quarter Two)	2025/26 Revised Capital Programme (as at Quarter Three)	2025/26 Revised Capital Programme (as at Quarter Four)	2025/26 Year-end Actual Outturn	2025/26 Year-end Outturn Variance	2025/26 Year-end Outturn Variance against Revised Budget at Quarter Four	MEMO Explanation of Year-End Forecast Outturn Variance: Slippage	Underspend
	£m	£m	£m	£m		£m	£m	%	£m	£m
Regeneration	32.716	32.617	34.170	34.450	**34.450**	**24.953**	(9.497)	-27.57%	(9.497)	-
Environment and Community	20.198	24.774	26.628	26.657	**27.553**	**15.452**	(12.101)	-43.92%	(11.439)	(0.662)
Public Health	0.779	0.971	1.042	1.042	**1.034**	**0.933**	(0.101)	-9.77%	-	(0.101)
Education and Partnerships	7.553	10.241	12.176	12.264	**12.264**	**2.822**	(9.442)	-76.99%	(9.246)	(0.196)
Children's Care	0.550	0.711	0.821	0.821	**0.791**	**0.522**	(0.269)	-34.01%	(0.269)	-
Adult Social Care	3.701	3.925	3.925	3.925	**4.124**	**3.698**	(0.426)	-10.33%	(0.406)	(0.020)
Legal and Governance Services	1.610	1.629	1.629	1.979	**1.979**	**2.367**	0.388	19.61%	0.388	-
Finance	0.191	0.203	0.203	0.203	**0.203**	**0.071**	(0.132)	-65.02%	(0.132)	-
Transformation Programme	7.500	7.500	7.500	7.110	**7.110**	**5.659**	(1.451)	-20.41%	(1.451)	-
Total	**74.798**	**82.571**	**88.094**	**88.451**	**89.508**	**56.477**	**(33.031)**	**-36.90%**	**(32.052)**	**(0.979)**

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 future financial years. This is called slippage.

The confirmed amount of slippage from 2025/26 of £32.052m is reprofiled and carried forward to financial years 2026/27 to 2029/30 to reflect revisions to the expected delivery and expenditure timescales. £8.752m of the stated £32.052m slippage has been identified following reviews of the status of the projects within the capital programme during Quarter Four.

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 2026 is set out below:

31 March 2025 £'000		31 March 2026 £'000
487.049	Long Term Assets	497.389
101.018	Current Assets	93.407
(80.677)	Current Liabilities	(101.523)
(246.949)	Long-Term Liabilities	(248.665)
260.441	**Net Assets**	**240.608**
(101.079)	Usable Reserves	(91.957)
(159.362)	Unusable Reserves	(148.651)
(260.441)	**Total Long-Term Assets**	**(240.608)**

The key headline messages to note in relation to the Balance Sheet on 31 March 2026 are as follows:

- Long-term assets include property, plant and equipment, heritage assets, investment properties, intangible assets, long term investments and debtors have increased by £10.340m mainly due to spend on the capital programme, less assets disposals and revaluations.
- Current assets include short term investments, assets held for sale, inventories, debtors, and cash and have decreased by £7.611m. This is mainly due to a reduction in cash resources because of spending pressures in children's social care and on special educational needs.
- Current liabilities include short term borrowing, creditors, receipts in advance and short-term provision. There has been an increase of £21.183m which is made up predominantly of an increase in short-term borrowing due to a large amount of maturing public works loan board debt, plus an insurance in the provision for business rate appeals.
- 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 decrease of £9.115m is due mainly to a reduction of £14.164m in capital reserves due to their application against the current year's capital programme. This is offset by a planned net increase of £5.049m in revenue reserves, principally the financial resilience reserve, which is part of the budget strategy to build these over the medium-term financial planning period.
- 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 £240.608m (i.e., the assets are greater than the liabilities) as of 31 March 2026.

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 2025/26.

Statement of Responsibilities – this statement details the responsibilities of the Council and the Corporate Director of Finance (Section 151 Officer), concerning the Council's financial affairs and the 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 2025/26 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.

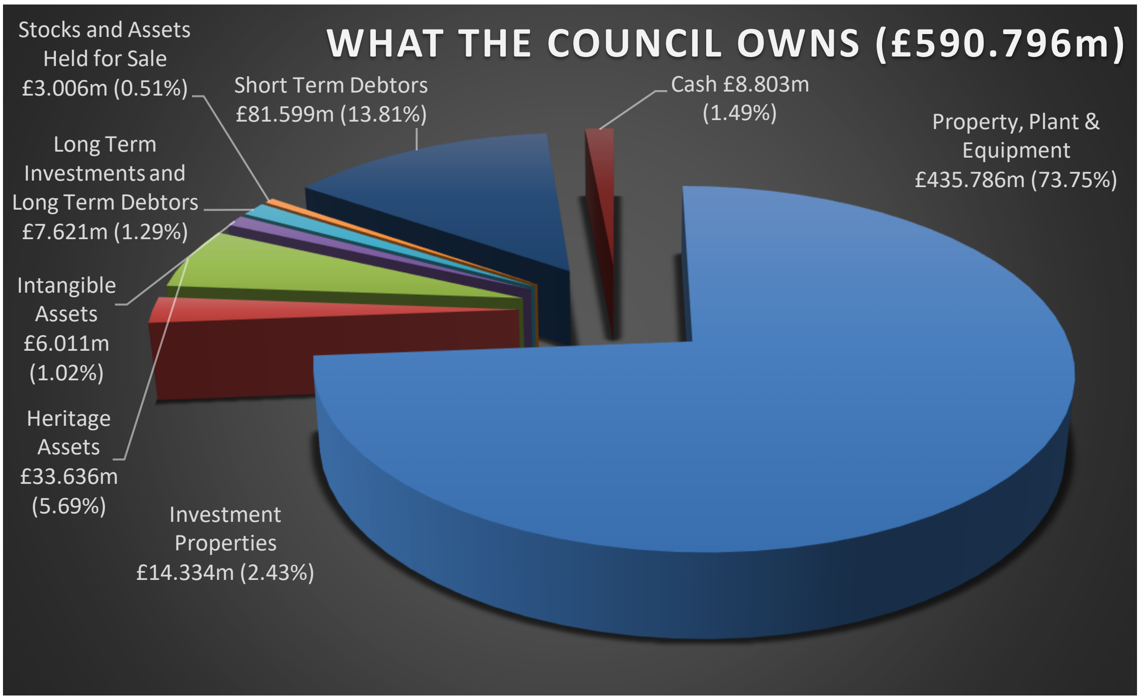
The charts below and overleaf illustrate where the money has come from and how it has been spent.

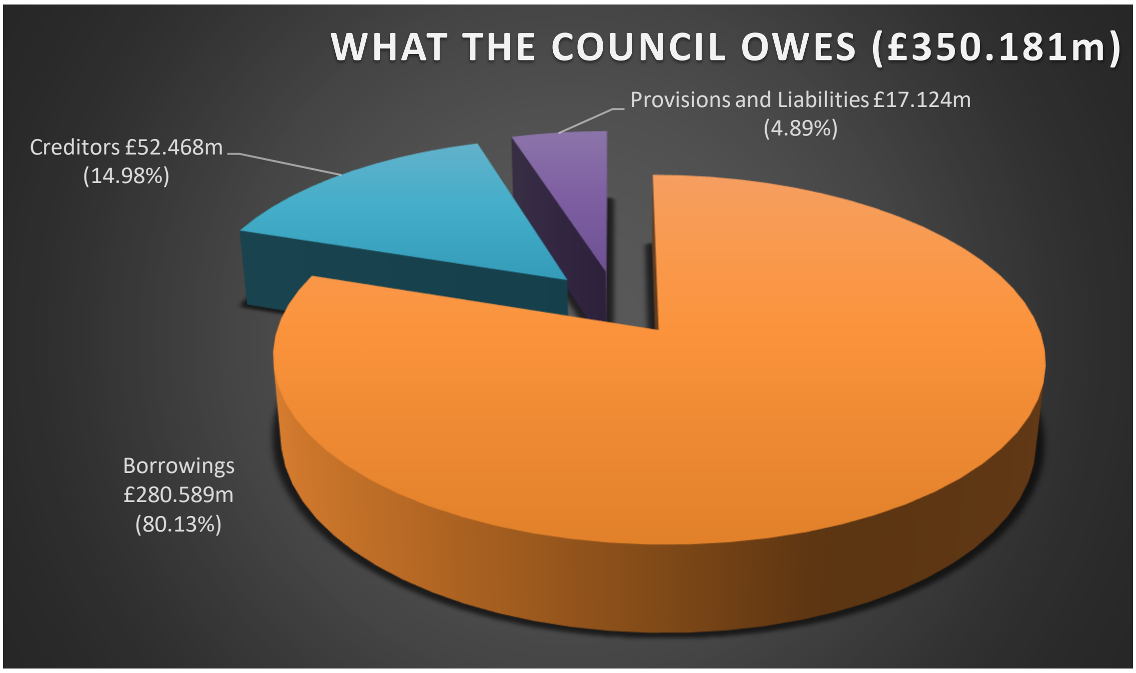
- The totals in the financial statement are higher/lower than those set out below, which relate to the management accounts of the authority, due to technical adjustments to comply with proper accounting practice, but which are not funded by the taxpayer. More details on this are set out in the notes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

- The **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 cannot 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 because 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 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 2025/26, assets, and liabilities as of 31 March 2026.

A **Glossary of Terms** – This helps to explain the technical jargon in the Statement of Accounts and makes the document more understandable and usable for 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 (Corporate Director of Finance).
- 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 Corporate Director of Finance 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 Corporate Director of Finance 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 Corporate Director of Finance 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 Statement of Accounts presents a true and fair view of the financial position of the Authority of 31 March 2026 and its income and expenditure for that year.

Andrew Humble
Corporate Director of Finance (Section 151 Officer)

Middlesbrough Council
30 June 2026

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 (Corporate Director of Finance); 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 Corporate Director of Finance 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 Corporate Director of Finance 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 Statement of Accounts gives a true and fair view of the financial position of the Fund of 31 March 2026 and of its income and expenditure for that year.

Andrew Humble

Corporate Director of Finance (Section 151 Officer)

Middlesbrough Council

30 June 2026

Auditor’s Report – Middlesbrough Council

Report on the audit of the financial statements

To follow once the financial statements have been through the external audit process.

Auditor's Report – Teesside Pension Fund

Report on the audit of the financial statements

To follow once the financial statements have been through the external audit process.

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.

2025/26	General Fund Balance £m	Earmarked Revenue Reserves £m	Capital Receipts Reserve £m	Direct Revenue Funding Unapplied £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Council Reserves £m
Balance at 1 April 2025	**(11.101)**	**(21.694)**	**(18.608)**	**-**	**(49.679)**	**(101.082)**	**(159.360)**	**(260.442)**
Movement in reserves during 2025/26								
Total Comprehensive Income and Expenditure	33.195					**33.195**	(13.361)	**19.834**
Adjustments between accounting basis & funding basis under regulation (Note 6)	(38.236)	-	6.679	-	7.485	**(24.072)**	24.072	**-**
Transfers to/(from) other reserves	5.041	(5.041)	-	-	-	**-**	-	**-**
Net Decrease / (increase) in year	**-**	**(5.041)**	**6.679**	**.**	**7.485**	**9.123**	**10.711**	**19.834**
Balance at 31 March 2026 carried forward	**(11.101)**	**(26.735)**	**(11.929)**	**-**	**(42.194)**	**(91.959)**	**(148.649)**	**(240.608)**

2024/25	General Fund Balance £m	Earmarked Revenue Reserves £m	Capital Receipts Reserve £m	Direct Revenue Funding Unapplied £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Council Reserves £m
Balance at 1 April 2024	**(10.987)**	**(12.956)**	**-**	**-**	**(51.760)**	**(75.703)**	**(203.560)**	**(279.263)**
Movement in reserves during 2024/25								
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)**

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.

2024/25			Cost of Services by Service Area	Note	2025/26		
Gross Expenditure £m	**Gross Income £m**	**Net Expenditure / (Income) £m**			**Gross Expenditure £m**	**Gross Income £m**	**Net Expenditure / (Income) £m**
34.393	(8.177)	26.216	Regeneration		33.221	(6.298)	26.923
23.024	(20.883)	2.141	Public Health		21.159	(22.932)	(1.773)
115.232	(90.409)	24.823	Education and Partnerships		125.284	(109.083)	16.201
68.752	(8.090)	60.662	Children's Care		78.099	(9.366)	68.733
120.737	(64.801)	55.936	Adult Social Care and Health Integration		132.112	(71.553)	60.559
48.478	(11.238)	37.240	Environment and Communities		56.729	(16.463)	40.266
60.493	(52.552)	7.942	Finance and Chief Executive		53.933	(45.075)	8.858
17.681	(3.798)	13.883	Legal & Governance Services		15.948	(2.907)	13.041
0.929	(20.032)	(19.103)	Central Costs		1.310	(33.192)	(31.882)
489.719	**(279.980)**	**209.739**	**Total Cost of Service**		**517.795**	**(316.869)**	**200.926**
0.192	(5.262)	(5.071)	Other Operating Income and Expenditure	9	2.608	-	**2.608**
39.879	(32.426)	7.453	Financing & Investment Activities	10	26.125	(16.750)	**9.375**
-	(183.859)	(183.859)	Taxation and Non-Specific Grant Income	11	-	(179.715)	**(179.715)**
529.790	**(501.528)**	**28.262**	**(Surplus) or Deficit on Provision of Services**		**546.528**	**(513.334)**	**33.194**
			Items that will not be re-classified to the Surplus or Deficit on the Provision of Service				
		(4.240)	(Surplus)/Deficit on revaluation of Property Plant and Equipment	23			(9.558)
		(5.201)	Remeasurements of the net defined benefit liability / (asset)	39			1.367
			Depreciation written out to the Revaluation Reserve				(5.170)
		(9.441)					**(13.361)**
		18.821	**Total Comprehensive Income and Expenditure**				**19.833**

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 2025 £m		Note	31 March 2026 £m
422.062	Property, Plant & Equipment	22	435.786
33.636	Heritage Assets	24	33.636
17.676	Investment Properties	25	14.334
5.636	Intangible Assets	26	6.011
0.309	Long-Term Investments	28	-
7.730	Long-Term Debtors	32	7.621
487.049	**Total Long-Term Assets**		**497.389**
4.798	Short-Term Assets Held for Sale	28	0.494
2.374	Inventories		2.512
72.852	Short-Term Debtors	31	81.599
20.994	Cash and Cash Equivalents	32	8.803
101.018	**Total Current Assets**		**93.407**
(23.714)	Short-Term Borrowing	28	(46.446)
(51.993)	Short-Term Creditors	33	(43.138)
(3.012)	Revenue Grants Receipts in Advance	12 & 33	(9.337)
(1.958)	Short-Term Provisions	34	(2.602)
(80.677)	**Total Current Liabilities**		**(101.523)**
20.341	**Net Current Assets / (Liabilities)**		**(8.116)**
(1.856)	Long-Term Provisions	34	(1.430)
(231.769)	Long-Term Borrowing	28	(234.143)
(0.444)	Other Long-Term Liabilities	28	(0.444)
(12.880)	Pension Liability	37	(12.649)
(246.949)	**Total Long-Term Liabilities**		**(248.665)**
260.441	**Net Assets/(Liabilities)**		**240.608**
(101.079)	Usable Reserves	35	(91.957)
(159.362)	Unusable Reserves	36	(148.651)
(260.441)	**Total Reserves**		**(240.608)**

Andrew Humble

Corporate Director of Finance (Section 151 Officer)
Middlesbrough Council **30 June 2026**

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 2025 £m		31 March 2026 £m
(28.262)	Surplus / deficit on provision of services	(33.194)
42.518	Adjustment to net surplus or deficit on the provision of services for non-cash movements (Note 44)	17.071
4.049	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 44)	4.875
18.305	**Net Cash Flows from Operating Activities**	**(11.248)**
(16.303)	Investing Activities (Note 45)	(27.326)
6.847	Financing Activities (Note 46)	26.384
8.849	**Net Increase or decrease in cash and cash equivalents**	**(12.190)**
12.143	**Cash and cash equivalents at the beginning at the reporting period (Note 32)**	**20.992**
20.992	**Cash and cash equivalents at the end at the reporting period (Note 32)**	**8.802**

Notes to the Accounts

Note 1 Accounting Policies

General Principles

The Statement of Accounts summarises the Council's financial transactions for the 2025/26 financial year and its position at the 31 March 2026.

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 2025/26 (the Code) supported by International Financial Reporting Standards (IFRS).
- Statutory guidance issued under Section 12 of the 2003 Act.

The 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 the 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 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, hundreds 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, 2023-24 & 2024/25 therefore the prior year comparators in these financial statements are published as final but remain unaudited.

The Council will follow the National Audit Office guidance, working with its external auditors, to recover this position and to gain assurance in its external financial reporting processes as soon as is practical.

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 Council's financial statements 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 accrual's 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 Statement (CIES) and the General Fund balance

The surplus or deficit on provision of services reported in the Comprehensive Income and Expenditure Statement is transferred to the General Fund balance. 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 that 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-minimis level of £5,000. Expenditure that is below the de-minimis 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. In the intervening years indexation is used where the asset has not been specifically revalued.

- 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 three 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.

These 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 and the NHS scheme are such that the liabilities for the benefits cannot be identified specifically to the Council, so the schemes are accounted for as defined contribution schemes. 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.

Application of IFRS 16

IFRS 16 Leases as adapted and interpreted by Code of Practice on Local Authority Accounting has been applied to these financial statement. This was applied from April 2024. IFRS 16 replaced IAS 17 Leases, and IFRIC 4 determining whether an arrangement contains a lease and other interpretations. The standard was applied is 2024/25 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 were 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 were 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.

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 in 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 totals exclude 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 2026/27 Codes of Practice of Local Authority Accounting in the United Kingdom:

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

It is likely there will be limited application of 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 to the accounts, 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:

- On the grounds of control and significant influence, Middlesbrough Development Company falls within the group boundary of the Council. The company is in the final stages of being wound up and should be dissolved before the financial statements have been audited. All other potential group relationships have been reviewed, and none are worthy of further disclosure.
- All maintained schools are considered entities controlled by the Council but rather than producing group accounts, the income, expenditure, assets and liabilities are recognised in the Council’s single entity accounts in line with appropriate 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 school’s rest with the Council.
- Judgement is required as to whether the conditions of specific grants and contributions received have been met. If these conditions require associated expenditure to be incurred, the grant monies will not be recognised as income in the appropriate financial year, until this expenditure is incurred. Grant income is also not recognised until the conditions of the grant are met in full.
- 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 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 2026 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 2026, the Council had land and buildings to the value of £267.779m, and investment properties to the value of £14.334m. A 1% change in the estimation of property values would lead to a £2.68m change in the value of the Council's land and buildings and £0.143m 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 £12.649m 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 £10.834m. Note 37 provides further details.
Insurance Provision	The insurance provision is estimated using data held on previous claims, outstanding claims at the balacne sheet date and the latest actuarial valuation report.	The Council has a total insurance provision of £2.007m 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 2026), that affect any of the values in either the Financial Statements for the Council for 2025/26 or in the Notes to the Accounts.

Notes Supporting 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.

2025/26	General Fund Balance £m	Capital Receipts Reserve £m	Revenue Unapplied £m	Capital Grants Unapplied £m	Movement in Unusable Reserves £m
Adjustments Affecting Capital Reserves					
Impairment and depreciation to Property, Plant and Equipment (Note 23)	(18.736)	-	-	-	18.736
Revaluation Losses on Property, Plant and Equipment (Note 23)	(11.494)	-	-	-	11.494
Revaluation of Investment Properties and Assets for Sale (Note 26,28)	(3.914)	-	-	-	3.914
Amortisation of Intangible Assets (Note 27)	(1.212)	-	-	-	1.212
Transfer between Capital grants Unapplied and General Fund	-	-	-	32.153	(32.153)
Total Capital Grants (Note 11)	24.668	-	-	(24.668)	-
Gains & Losses on disposal of Investment	(0.041)	-	-	-	0.041
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure					
Donated Assets (Note 23 & 25)	-	-	-	-	-
Revenue Expenditure Funded from Capital Under Statute (REFCUS) – Expenditure	(22.584)	-	-	-	22.584
Non-current assets written off on disposal or sale (Note 23,25,27,28)	(7.391)	-	-	-	7.391
Capital loans - principle repaid in year	-	-	-	-	-
Statutory provision for the financing of capital investment (Note 21)	4.828	-	-	-	(4.828)
Capital expenditure charged against the General Fund (Note 21)					
Capital Receipts Reserve used to finance new capital spend (Note 21)					
Transfer on receipt of cash					
Total Adjustments Affecting Capital reserves	**(35.876)**	**-**	**-**	**7.485**	**28.391**
Amounts Affecting the Pension Reserve					
Reversal of Pension items in the Comprehensive Income and Expenditure Statement Note 39)	(12.835)	-	-	-	12.835
Employer's pension contribution payable in year (Note 39)	14.433	-	-	-	(14.433)
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)	(1.681)	-	-	-	1.681
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	(0.153)	-	-	-	0.153
Amounts Affecting the DSG Adjustment Account					
Transfer schools deficit to the DSG adjustment account	(7.104)	-	-	-	7.104
Amounts between Usable Reserves					
Cash proceeds on disposal of Non-Current Assets	4.980	6.679	-	-	(11.659)
Total Adjustments for the year ended 31 March 2026	**(38.236)**	**6.679**	**-**	**7.485**	**24.072**

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 2026	**(37.114)**	**(15.652)**	**-**	**2.081**	**50.685**

Note 7 Earmarked Reserves

	Balance at 1 April 2024 £m	Transfers Out £m	Transfers In £m	Balance at 1 April 2025 £m	Transfers Out £m	Transfers In £m	Transfers between reserves £m	Balance at 31 March 2026 £m
Schools Balances	(4.600)	2.674	(1.125)	**(3.051)**	1.273	(2.259)	-	**(4.037)**
Significant Revenue Reserves								
Invest to Save / Change Programme	**(1.036)**	0.017	(1.747)	**(2.766)**	-	-	-	**(2.766)**
Revenue Grants Unapplied	**(5.409)**	5.533	(5.525)	**(5.401)**	5.526	(4.847)	-	**(4.722)**
Insurance Fund	**-**	-	(0.013)	**(0.013)**	0.013	-	-	**(0.000)**
Public Health Reserve	**(1.172)**	-	(0.514)	**(1.686)**	-	(0.606)	-	**(2.292)**
Better Care Fund Reserve	**-**	-	-	**-**	-	(0.284)		**(0.284)**
Savings Delivery Risk Reserve					1.657	(3.052)		**(1.395)**
Financial Resilience Reserve	**-**	**-**	**(6.711)**	**(6.711)**	**-**	**(2.836)**	**(0.452)**	**(9.999)**
Total Significant Reserves	(7.617)	5.550	(14.511)	**(16.578)**	7.196	(11.625)	(0.452)	**(21.459)**
Other Revenue Reserves	**(0.740)**	**12.100**	**(13.426)**	**(2.066)**	**2.802**	**(2.156)**	**0.181**	**(1.239)**

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.

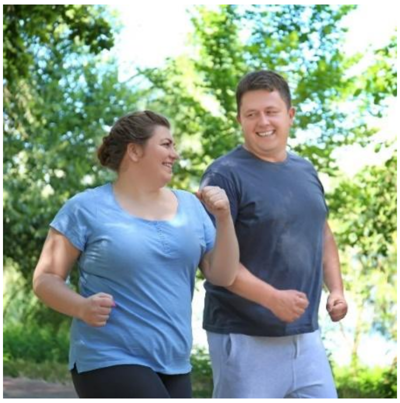
Invest to Save / Change Programme - the reserve has been set up to pay for the one-off costs associated with implementing change within services including the funding of investment to save projects, early retirements / voluntary redundancies and altering the way services are commissioned.

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 2024/25 Reserves Policy included a recommendation from the s151 Officer that in addition to the General Fund Reserve a Financial Resilience Reserve be built and maintained in order to strengthen the Councils financial resilience. This Reserve was established in 2024/25 and its purpose is to manage the volatility of actual income and expenditure against budget estimates without calling upon the General Fund Balance, given the uncertain environment which the Council is managing its operations and increasing demand for statutory services.

Other Earmarked Reserves – a collection of balances, individually less that £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								
2024/25					2025/26			
Net Expenditure at 31 March as reported to Council (Outturn) £m	Net Expenditure Chargeable to the General Fund Balance £m	Adjustments between the Funding and Accounting Basis £m	Net Expenditure in the Comprehensive Income and Expenditure Statement £m	Service Area	Net Expenditure at 31 March as reported to Council (Outturn) £m	Net Expenditure Chargeable to the General Fund Balance £m	Adjustments between the Funding and Accounting Basis £m	Net Expenditure in the Comprehensive Income and Expenditure Statement £m
2.143	2.143	24.073	26.216	Regeneration	3.605	3.605	23.318	**26.923**
(0.508)	(0.508)	2.649	2.141	Public Health	(0.722)	(0.722)	(1.051)	**(1.773)**
6.866	6.866	17.957	24.823	Education and Partnerships	7.061	7.061	9.140	**16.201**
60.085	60.085	0.577	60.662	Children's Care	65.246	65.246	3.487	**68.733**
52.738	52.738	3.198	55.936	Adult Social Care and Health Integration	57.556	57.556	3.003	**60.559**
20.563	20.563	16.677	37.240	Environment and Communities	21.706	21.706	18.560	**40.266**
3.912	3.912	4.029	7.942	Finance and Chief Executive	6.879	6.879	1.979	**8.858**
10.546	10.546	3.337	13.883	Legal & Governance Services	10.207	10.207	2.834	**13.041**
(13.155)	(13.155)	(5.949)	(19.104)	Central Costs	(26.087)	(26.087)	(5.795)	**(31.882)**
143.190	**143.190**	**66.548**	**209.739**	**Net Cost of Service**	**145.451**	**145.451**	**55.475**	**200.926**
(143.190)	(143.190)	(38.288)	(181.476)	Other Income and Expenditure	(143.304)	(143.304)	(24.428)	**(167.732)**
-	**-**	**28.260**	**28.263**	**Surplus or Deficit on Provision of Services**	**2.147**	**2.147**	**31.047**	**33.194**
	(10.987)			**Opening Uncommitted General Fund Balance**		**(11.101)**		
	-			Surplus or (Deficit) on General Fund Balance in year		**(2.147)**		
	(0.114)			Contribution/(use) in year		**2.147**		
	(11.101)			**Closing Uncommitted General Fund Balance**		**(11.101)**		

Adjustments between Funding and Accounting Basis				
2025/26				
Adjustments from General Fund to Comprehensive Income and Expenditure Statement amounts:	**Adjustments for Capital Purposes** £m	**Net Change for the Pensions Adjustments** £m	**Other Differences** £m	**Total Adjustments** £m
Regeneration	21.005	(0.083)	2.396	**23.318**
Public Health	0.255	(0.080)	(1.226)	**(1.051)**
Education & Partnerships	5.377	(0.188)	3.951	**9.140**
Children's Care	2.988	(0.208)	0.707	**3.487**
Adult Social Care and Health Integration	3.450	(0.207)	(0.240)	**3.003**
Environment and Communities	16.962	(0.256)	1.854	**18.560**
Finance	1.170	(0.003)	0.812	**1.979**
Legal & Governance Services	2.755	(0.082)	0.161	**2.834**
Central Costs	0.064	(1.159)	(4.700)	**(5.795)**
Net Cost of Services	**54.026**	**(2.266)**	**3.715**	**55.475**
Other Income and Expenditure from the Expenditure and Funding Analysis	(18.302)	0.668	(6.794)	**(24.428)**
Difference between General Fund Surplus/ Deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services	**35.724**	**(1.598)**	**(3.079)**	**31.047**

Adjustments between Funding and Accounting Basis				
2024/25				
Adjustments from General Fund to Comprehensive Income and Expenditure Statement amounts:	**Adjustments for Capital Purposes** £m	**Net Change for the Pensions Adjustments** £m	**Other Differences** £m	**Total Adjustments** £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**

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

	2024/25 £m	2025/26 £m
Expenditure		
Employees	141.313	146.814
Other Service Expenditure	302.166	325.302
Depreciation and other Capital Charges	76.871	65.373
Interest Payments	9.248	8.842
Precepts and Levies	0.192	0.197
Total Expenditure	**529.790**	**546.528**
Income		
Government Grants and Contributions	(327.218)	(344.412)
Income from Council Tax and Non-Domestic Rates	(89.154)	(95.002)
Interest and Investment Income	(1.509)	(1.248)
Fees, Charges and Other Service Income	(83.647)	(72.672)
Total Income	**(501.528)**	**(513.334)**
Deficit on the Provision of Services	**28.262**	**33.194**

Note 9 Other Operating Income and Expenditure

2024/25 £m		2025/26 £m
0.192	Town and Parish Council precepts	0.197
(5.262)	(Gains) / Losses on the disposal of net current assets	2.411
(5.071)	**Total**	**2.608**

Note 10 Financing and Investment Activities

2024/25 £m	Financing & Investment Income	2025/26 £m
9.248	Interest payable and similar charges	8.809
12.275	Trading Activities Expenditure (Note 16)	12.693
1.873	Charges in relation to Investment property and changes in their fair value (Note 26)	3.955
0.780	Net Pension Interest Costs (Note 39)	0.668
(1.509)	Interest receivable and similar income	(1.248)
(15.214)	Trading Activities Income (Note 16)	(15.502)
7.453	**Total**	**9.376**

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

2024/25 £m		2025/26 £m
(72.528)	Council Tax Income	(77.323)
(16.625)	Business rates Income	(18.062)
(60.102)	Non-Ring-fenced Government Grant (Note 12)	(59.661)
(4.753)	Value of Donated Property, Plant & Equipment Assets (Note 23)	-
(29.851)	Capital Grants / Contributions (Note 12)	(24.668)
(183.859)	**Total**	**(179.715)**

Note 12 Grant Income

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

31 March 2025 £m		31 March 2026 £m
(15.122)	Revenue Support	(15.444)
(30.461)	Business Rates Top-up	(30.794)
(0.499)	New Homes Bonus	(0.031)
(13.903)	Business Rates Section 31	(13.383)
(0.117)	Enterprise Zone Funding	0.046
(60.102)	**Total Taxation and Non-Specific Grant Income (Note 11)**	**(59.607)**
	Department for Education (DfE)	
(63.520)	Dedicated Schools Grant	(70.439)
(2.484)	Pupil Premium	(2.578)
(0.244)	Skills Funding Agency	(0.229)
-	Universal Infant Free School Meals	0.115
(0.216)	PE & Sport	(0.048)
(16.436)	Other DfE grants	(4.490)
	Ministry of Housing, Communities and Local Government (MHCLG)	
-	Independent Living	(0.127)
(22.518)	Adult Social Care Grant	(22.681)
(8.646)	Improved Better Care Fund	(1.441)
(1.210)	Troubled Families	-
(6.343)	Other DLUHC grants	(0.853)
	Home Office	
(0.123)	Youth Justice Good Practice Grant	(0.167)
(3.728)	Other Home Office	(3.240)
	Department for Business, Energy and Industrial Strategy (BEIS)	
-	BEIS grants	-
	Department for Digital, Culture, Media and Sport (DCMS)	
(0.577)	DCMS grants	(0.595)
	Department for Work and Pensions (DWP)	
(40.813)	Housing Benefit Subsidy	(32.265)
(0.574)	Housing Benefit Admin	(0.352)
(4.203)	Other DWP Grants	(3.751)
	Department of Health and Social Care (DHSC)	-
(19.472)	Public Health	(21.563)
(3.980)	Other DHSC grants	(4.084)
	Department for Environment, Food and Rural Affairs (DEFRA)	
(0.030)	DEFRA grants	(3.270)
	Department for Transport (DfT)	
(0.073)	DfT grants	(0.085)
	Cabinet Office	
(0.517)	Elections	0.481
(0.637)	**Other Grants**	(0.743)
(196.344)	**Total Revenue Grants Credited to Services**	**(172.404)**

31 March 2025 £m		31 March 2026 £m
	Other Contributions	
(0.136)	Tees, Esk and Wear Valleys NHS Foundation Trust	(0.084)
(0.187)	South Tees Hospitals NHS Foundation Trust	(0.183)
(1.146)	NHS Humberside & North Yorkshire ICB	0.757
(34.175)	NHS North East & North Cumbria ICB	(26.438)
(1.107)	Redcar and Cleveland Borough Council	(1.863)
(0.611)	Stockton-on-Tees Borough Council	(0.459)
(0.443)	Hartlepool Borough Council	(0.134)
(0.077)	Darlington Borough Council	(0.105)
(2.169)	Tees Valley Combined Authority	(1.501)
(0.132)	Police and Crime Commissioner	(0.506)
-	BCF Income	(9.181)
(0.739)	Other Contributions	(0.752)
(40.921)	**Total Revenue Contributions Credited to Services**	**(40.448)**
(297.366)	**TOTAL REVENUE GRANTS AND CONTRIBUTIONS**	**(272.458)**

2024/25 £m		2025/26 £m
	Department for Education (DfE)	
(0.494)	School Condition Allocation	(0.476)
(0.511)	Other DfE grants	(1.575)
	Ministry of Housing, Communities and Local Government (MHCLG)	
(2.814)	Disabled Facility	(3.012)
-	Future High Streets	-
-	Towns Fund	(2.978)
(11.349)	Other DLUHC grants	(0.407)
	Department of Health and Social Care (DHSC)	
(0.130)	Other DHSC grants	-
	Department for Transport (DfT)	
(3.687)	Local transport Plan	(4.404)
	Tees Valley Combined Authority	
(2.744)	Other TVCA Grants	(2.655)
(4.192)	**Other Grants**	0.096
	Other Contributions	
(2.307)	Housing Development	(0.322)
(1.623)	Other Contributions	(2.824)
(29.851)	**Total Capital Grants**	**(18.558)**
(327.217)	**TOTAL GRANTS 2025/26**	**(291.016)**

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 2025 £m		31 March 2026 £m
-	Youth Music	-
(0.190)	Energy Bill Support Scheme (BEIS)	-
-	Headstart Project	(0.229)
-	Health Inequalities Funding	(0.116)
(0.223)	Rough Sleeper Program	-
(0.107)	NE regional Gambling Fund	-
(0.385)	Hong Kong Welcome Grant	-
-	Turnaround Program Grant	(0.315)
-	ACE Cultural Development Fund	-
-	Adult Social Care Assessments	-
(1.390)	Adult Social Care Discharge Fund	-
(0.138)	Housing Support Grant	-
(0.245)	Other Revenue Receipts	(8.628)
(2.679)	**TOTAL REVENUE RECEIPTS IN ADVANCE**	**(9.288)**

31 March 2025 £m		31 March 2026 £m
(0)	TVCA Capital Funding	-
(0)	Other Capital receipts	(0.049)
(0)	**TOTAL CAPITAL RECEIPTS IN ADVANCE**	**(0.049)**
	Short Term - Less than 1 year	(0.049)
	Long Term - more than 1 year	
(0)	**TOTAL CAPITAL RECEIPTS IN ADVANCE**	**(0.049)**

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 2025/26 is set out below:

	Central Expenditure £m	Individual Schools Budget £m	Total £m
Final DSG for 2024/25 before Academy recoupment			219.482
Academy figure recouped for 2024/25			146.169
Total DSG after Academy recoupment for 2024/25			**73.313**
Plus: Brought forward from 2023/24			
Less: Carry Forward to 2025/26 agreed in advance			
Agreed initial budgeted distribution for 2024/25	**25.875**	**47.439**	**73.313**
In year adjustments	-	-	**-**
Final budgeted distribution for 2024/25	**25.875**	**47.439**	**73.313**
Less: Actual central expenditure	(19.984)		**(19.984)**
Less: Actual ISB deployed to schools		(46.226)	**(46.226)**
Plus: Local Authority contributions for 2024/25	-	-	**-**
In year carried forward for 2024/25	**5.891**	**1.213**	**7.104**
Plus: Carry-forward to 2025/26 agreed in advance			-
Carry-forward to 2025/26			-
DSG unusable reserve at the end of 2023/24			22.213
Addition to DSG unusable reserve at the end of 2024/25			7.104
Total of DSG unusable reserve at the end of 2024/25			**29.317**
Net DSG position at the end of 2024/25			**29.317**

The total level of reserves and balances held by the schools can be found in Note 36 (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).

A senior management restructuring was undertaken by the Council during the 2025/26 and implemented from 1 January 2026. The post titles in the table above are based upon the council structure in place on 31 March 2026.

2025/26	Salary (including fees and allowances) £	Pension contributions paid for by the Council £	Total including pensions contribution £
Chief Executive - Erik Scollay	171,761	22,329	**194,090**
Corporate Director of Finance	119,689	15,560	**135,249**
Executive Director Adult Social Care and Health Integration	117,097	15,782	**132,879**
Executive Director of Children's Services*	44,291	5,758	**50,049**
Corporate Director of Children's Services**	59,187	15,560	**74,747**
Corporate Director of Environment, Communities and Culture Services	118,646	15,424	**134,070**
Corporate Director of Regeneration and Housing	110,301	14,339	**124,640**
Director of Legal and Governance Services – Corporate Monitoring Officer	119,689	15,560	**135,249**
Total	**860,661**	**120,311**	**980,972**

*The Executive Director of Children's Services left the Council in late July 2026.
**The new Corporate Director of Children's Services started in October 2026

2024/25	Salary (including fees and allowances) £	Pension contributions paid for by the Council £	Total including pensions contribution £
Chief Executive	56,865	6,824	**63,689**
Director of Finance and Transformation	28,994	3,479	**32,474**
Director Adult Social Care and Health Integration	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**
Total	**825,248**	**99,029**	**924,277**

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.

2024/25 Number of Employees at 31 March			Remuneration	2025/26 Number of Employees at 31 March		
MBC	Schools	Total		MBC	Schools	Total
124	33	**157**	£50,000 - £54,999	159	32	**191**
67	9	**76**	£55,000 - £59,999	64	22	**86**
30	11	**41**	£60,000 - £64,999	52	10	**62**
10	4	**14**	£65,000 - £69,999	21	6	**27**
8	5	**13**	£70,000 - £74,999	7	4	**11**
7	2	**9**	£75,000 - £79,999	9	1	**10**
4	4	**8**	£80,000 - £84,999	6	2	**8**
2	1	**3**	£85,000 - £89,999	3	3	**6**
-	-	**-**	£90,000 - £94,999	2	2	**4**
-	2	**2**	£95,000 - £99,999	1	-	**1**
1	1	**2**	£100,000 - £104,999	1	3	**4**
1	2	**3**	£105,000 - £109,999	-	1	**1**
-	-	**-**	£110,000 - £114,999	-	1	**1**
-	-	**-**	£140,000 - £144,999	1	-	**1**
1	-	**1**	£145,000 - £149,999 *	-	-	**-**
255	**74**	**329**	**Total**	**326**	**87**	**413**

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	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25 £m	2025/26 £m
£0 – £20,000	8	-	107	107	115	107	0.216	0.108
£20,001 – £40,000	2	-	-	1	2	1	0.044	0.025
£40,001 – £60,000	1	-	-	-	1	-	0.043	-
£60,001 – £80,000	2	-	-	-	2	-	0.123	-
£80,001 – £100,000	-	-	-	-	-	-	-	-
£100,000 – £150,000	-	1	1	-	1	1	0.126	0.131
Over £150,001	2	-	-	-	2	-	0.459	-
		-	-	-	-	-		-
Total	**15**	**1**	**108**	**108**	**123**	**109**	**1.013**	**0.264**

Note 15 Members' Allowances and Expenses

2024/25 £m		2025/26 £m
0.350	Basic Allowance Paid	0.362
0.190	Special Responsibility Allowances Paid	0.215
0.003	Expenses	0.004
0.544	**Total**	**0.581**

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:

2024/25				2025/26		
Income	**Expenditure**	**(Surplus) / Deficit**		**Income**	**Expenditure**	**(Surplus) / Deficit**
£m	**£m**	**£m**		**£m**	**£m**	**£m**
(7.405)	4.975	**(2.429)**	Commercial and Industrial Properties	(8.993)	5.772	**(3.221)**
(1.999)	2.007	**0.007**	Building Maintenance, Cleaning and Security	(1.880)	2.138	**0.258**
(1.135)	0.724	**(0.411)**	Parking services (part of ringfenced account)	(0.972)	0.785	**(0.186)**
(4.674)	4.569	**(0.105)**	Schools Catering	(3.658)	3.998	**0.340**
(15.214)	**12.275**	**(2.938)**	**Total**	**(15.502)**	**12.693**	**(2.809)**

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:

2024/25 £m		2025/26 £m
0.073	Fees payable to the auditor EY, regarding their services carried out as appointed Auditor for 2021/-22 and 2022/-23	-
(0.005)	Fees Payable to the Auditor, EY for the certification of Grant Claims and Returns	-
0.191	Fees payable to the auditor Forvis Mazars for 2024/25 audit	0.207
0.020	Fees payable to the auditor Forvis Mazars for the certification of Grant Claims and Returns	0.043
(0.045)	Income from central government due to the review of local audit	(0.246)
0.234	**Total**	**0.004**

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.

Related Parties Year Ended 2025/26				
Organisation	**Expenditure in year**	**Income in year**	**Year End Creditor Balances**	**Year End Debtor Balances**
	£m	**£m**	**£m**	**£m**
Advantage Health Care	0.018	-	-	-
Breckon Hill Community Centre	0.049	0.006	-	-
Cleveland Combined Fire Authority	4.011	-	0.001	-
Cleveland Police	0.018	-	0.002	-
Local Government Association	0.363	-	-	-
Middlesbrough Citizens Advice Bureau	0.277	-	-	-
Middlesbrough Football Club	0.027	(0.075)	0.006	(0.075)
Middlesbrough Environment City Trust Limited	0.199	0.003	-	-
Middlesbrough Mela	0.006	(0.002)	-	-
Middlesbrough Voluntary Development Agency	0.174	-	0.006	-
North East Regional Employers' Organisation (NEREO)	0.070	-	0.004	-
North Ormesby Community Hub	0.007	-	-	-
PD Ports	0.006	-	-	-
Reach plc	0.062	-	0.008	-
Tees Valley combined authority board	3.420	0.033	-	0.014
Ubuntu Multicultural Centre CIC	0.123	-	-	-
Yatton House Day Centre for Adults with Learning and Physical Disabilities	0.027	-	-	-
TOTAL	**16.353**	**(0.026)**	**0.034**	**(0.074)**

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	-	-	-
Police and Crime Commissioner for Cleveland	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)**

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 Integrated Care Boards (ICB's) 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 ICBs 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 Integrated Care Board (TVICB) 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 TVICB depend upon the needs of the service recipient. The Council and TVICB 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 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.

2024/25				2025/26		
Better Care Fund £m	**Discharge Fund £m**	**Total Pool £m**		**Better Care Fund £m**	**Discharge Fund £m**	**Total Pool £m**
(1.112)	**-**	**(1.112)**	**Balance Brought Forward**	**(1.607)**	**-**	**(1.607)**
			Funding Provided to the Pooled Budget			
(5.134)	(2.020)	(7.154)	The Authority	**(3.312)**	**-**	(3.312)
(8.646)	-	(8.646)	IBCF	**(10.666)**	**-**	(10.666)
(16.570)	(1.557)	(18.127)	Tees Valley CCG	**(16.899)**	**-**	(16.899)
(30.350)	**(3.577)**	**(33.927)**		**(30.877)**	**-**	**(30.877)**
			Expenditure Met from the Pooled Budget			
15.881	2.020	17.901	The Authority	**15.596**	**-**	15.596
8.646	-	8.646	IBCF	**10.666**	**-**	10.666
5.328	1.557	6.885	Tees Valley CCG	**4.172**	**-**	4.172
29.855	**3.577**	**33.432**		**30.434**	**-**	**30.434**
0.710	-	0.710	Capital Amounts slipped into 20225/26	**0.824**	**-**	0.824
(0.897)	**-**	**(0.897)**	**Net surplus arising on the pooled budget to be carried forward**	**(1.226)**	**-**	**(1.226)**

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 Integrated Care Boards (ICBs). 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:	2024/25 £m	2025/26 £m
Balance Brought Forward	(0.358)	(0.352)
Gross Expenditure	2.695	2.731
Gross Income	(2.689)	(2.849)
Balance Carried Forward	**(0.352)**	**(0.470)**
Contributions from partners		
Middlesbrough Council	(0.232)	(0.255)
Redcar & Cleveland Borough Council	(0.209)	(0.218)
Stockton Council	(0.277)	(0.300)
Hartlepool Council	(0.137)	(0.151)
NHS NE & NC ICB	(1.377)	(1.420)
	(2.231)	**(2.346)**
Other Income	(0.458)	(0.503)
	(2.689)	**(2.849)**

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.

2024/25 £m		2025/26 £m
299.330	**Opening Capital Financing requirement**	**300.040**
	Capital investment	
28.322	Property, Plant and Equipment (Note 23)	32.306
0.092	Heritage (Note 25)	-
2.769	Intangible Assets (Note 27)	1.587
0.027	Assets Held for Sale	0.008
5.349	Investment Properties (Note 26)	0.613
-	Long Term Debtors	-
27.625	Revenue Expenditure Funded from Capital Under Statute - Expenditure	22.584
	Sources of finance	
(12.891)	Capital Receipts	(11.659)
(36.684)	Government Grants and other contributions applied in the year	(32.766)
	Other adjustments	
(9.362)	Repayment of Capital Loans	(0.025)
-	***Sums set aside from revenue***	
(4.538)	Minimum Revenue Provision	(4.828)
300.040	**Closing Capital Financing Requirement**	**307.860**
	Explanation of movements in year	
5.248	Increase in underlying need to borrowing	12.648
(4.537)	Minimum Revenue Provision	(4.828)
0.711	**Increase in Capital Financing Requirement**	**7.820**

Note 21 Capital Commitments

The Council spend in 2025/26 was £56.477 million with a further £198.705 million planned for 2026/27 to 2029/30. Contracts relating to spend in 2025/26 were already in place in 2024/25 therefore no new contracts were in place at 31 March 2026, however we anticipate that further contracts will be required during 2026/27 for the remainder of the planned spend.

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.

2025/26	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 2025	**222.755**	**35.356**	**39.506**	**8.587**	**6.245**	**312.450**
Additions	**9.438**	**1.273**	**5.013**	**0.323**	**5.974**	**22.022**
Donations	**-**	**-**	**-**	**-**	**-**	**-**
Revaluation increases/(decreases) to Revaluation Reserve	**0.890**	**8.629**	**-**	**-**	**-**	**9.520**
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	**(12.417)**	**(4.301)**	**-**	**-**	**-**	**(16.718)**
Derecognition - Disposals	**(4.201)**	**(2.939)**	**(1.682)**	**-**	**-**	**(8.822)**
Assets reclassified (to)/from Held for Sale	**(4.277)**	**-**	**-**	**-**	**-**	**(4.277)**
Assets reclassified (to)/from Assets - other categories	**(0.042)**	**8.401**	**-**	**-**	**0.042**	**8.401**
Balance at 31 March 2026	**212.147**	**46.418**	**42.838**	**8.911**	**12.262**	**322.575**

2025/26	Other Land and Buildings £m	Surplus Assets £m	Vehicles, Plant, Furniture and Equipment £m	Community Assets £m	Assets Under Construction £m	Total £m
Accumulated Depreciation and Impairment						
Balance at 1 April 2025	**(4.685)**	**(0.098)**	**(25.865)**	**-**	**-**	**(30.648)**
Depreciation charge	**(7.079)**	**(0.087)**	**(2.377)**	**-**	**-**	**(9.543)**
Revaluation depreciation written out to Revaluation Reserve	**5.063**	**0.107**	**-**	**-**	**-**	**5.170**
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	**4.656**	**0.569**	**-**	**-**	**-**	**5.226**
Derecognition - Disposals	**0.182**	**0.024**	**1.504**	**-**	**-**	**1.711**
Assets reclassified (to)/from Assets Held for Sale	**0.474**	**-**	**-**	**-**	**-**	**0.474**
Assets reclassified (to)/from other categories	**-**	**(0.532)**	**-**	**-**	**-**	**(0.532)**
Balance at 31 March 2026	**(1.388)**	**(0.016)**	**(26.738)**	**-**	**-**	**(28.141)**
Net Book Value at 31 March 2026	**210.759**	**46.402**	**16.100**	**8.911**	**12.262**	**294.435**



Highways Infrastructure Assets

In accordance with the temporary relief offered by the Code on Infrastructure Assets and the statutory over-ride 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	**2024/25 £m**	**2025/26 £m**
Net book Value At 1 April	139.111	140.260
Additions	9.433	10.284
Donated Assets	1.524	-
Derecognition	-	-
Depreciation	(9.809)	(9.191)
Impairment	-	-
Other Movements in Cost	-	-
Net Book Value 31 March	**140.260**	**141.353**

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

	2024/25 £m	**2025/26 £m**
Other PPE Assets	281.803	294.434
Infrastructure Assets	140.260	141.353
Net Book Value 31 March	**422.063**	**435.786**

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
Cost of valuation						
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
Accumulated Depreciation and Impairment						
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**
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)**	**-**	**-**	**(30.648)**
Net Book Value at 31 March 2025	**218.070**	**35.258**	**13.642**	**8.587**	**6.245**	**281.802**

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)
Other Movements in Cost	-	-
Net Book Value 31 March	**(0.006)**	**-**

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	139.111	281.803
Infrastructure Assets	139.111	140.260
Net Book Value 31 March	**278.222**	**422.063**

Fair Value Hierarchy

All the Council's Surplus Assets have been assessed as level 3 for valuation purposes. These assets fall within the Councils 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 on 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 2026
	£m
The Manor Youth and Community Centre	0.296
Neptune Centre	8.379
Rainbow Centre	8.313
Middlesbrough Sports Village	13.126
Total	**30.114**

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 the revaluation for most of the assets that were revalued during 2025/26 was 1st April 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 2025/26 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	1.320	-	16.100	141.353	8.911	12.262	**179.945**
Valued at current value as at:							
31 March 2026	127.890	41.803	-	-	-	-	**169.694**
31 March 2025	16.627	0.698	-	-	-	-	**17.325**
31 March 2024	38.205	0.075	-	-	-	-	**38.280**
31 March 2023	25.453	3.114	-	-	-	-	**28.567**
31 March 2022	0.664	0.712	-	-	-	-	**1.377**
Total Cost or Valuation	**210.160**	**46.402**	**16.100**	**141.353**	**8.911**	**12.262**	**435.187**

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 2025/26 the main increases/decreases following revaluation were:

- BOHO 1 - Downward revaluation of £1.433m
- Middlesbrough Bus Station - Downward revaluations o4 1.467m
- Beech Grove Primary School - Downward revaluation of £1.308m
- Priory Woods Primary School - Downward revaluation of £1.101m
- Cleveland Centre - Upward revaluation of £2.408m
- Middlehaven Land - Downward revaluation of £5.561m
- Town Hall - Upward revaluation of £2.562m
- Newham Hall/Lingfield Farm Land - Upward revaluation of £5.697m
- Hemlington Grange - Downward revaluation of £3.437m
- Hemlington Grange South - Downward revaluation of £1.709m

Change to CIPFA Code of Practice 2025/26
In the new Code of Practice, Authorities are now required to use a suitable index to revalue PPE in intervening years, when no revaluation by our External Values has taken place.
This new method has been introduced in 2025/26 and current values of PPE have been updated to reflect this change.

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 assets 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 2024	**3.363**	**12.713**	**9.012**	**8.456**	**33.544**
Additions:					
Donated	**-**	**-**	**-**	**0.092**	0.092
Transfers:					
Balance at 31 March 2025	**3.363**	**12.713**	**9.012**	**8.548**	**33.636**
Balance at 1 April 2025	**3.363**	**12.713**	**9.012**	**8.548**	**33.636**
Additions:					-
Purchases	-	-	-	-	-
Donated	-	-	-	-	-
Disposals	-	-	-	-	-
Net gains/(losses) from fair value adjustments	-	-	-	-	-
Transfers					
(To)/From Other asset classes	-	-	-	-	-
Other Changes	-	-	-	-	-
Balance at 31 March 2026	**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.

2024/25 £m		2025/26 £m
31.462	**Balance at start of year**	**17.676**
	Additions	
0.018	Purchases	0.001
5.331	Donated	0.612
(13.640)	Disposals	(0.041)
(5.496)	Net gains/(losses) from fair value adjustments	(3.914)
	Transfers	
-	(To)/From Property, Plant and Equipment	-
17.676	**Balance at end of year**	**14.334**

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.

2024/25 £000		2025/26 £000
(1.552)	Rental income from Investment Property	(2.050)
0.877	Direct operating expenses arising from Investment Property	1.139
(0.675)	**Net Gain**	**(0.911)**

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:

2024/25 £m		2025/26 £m
14.887	**Balance at start of year**	**17.655**
2.768	Additions	1.587
-	Disposals	-
-	Regroup or Transfers	-
17.655	**Gross Book Value @ 31 March**	**19.242**
(11.231)	Accumulated Amortisation at 31 March	(12.019)
(0.788)	Amortisation in Year	(1.212)
-	Amortisation Written Out on Disposal	-
-	Amortisation Written Out on Regroups or Transfers	-
(12.019)	**Accumulated Amortisation at 31 March**	**(13.232)**
5.636	**Net Book Value at 31 March**	**6.011**

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.

2024/25 £m		2025/26 £000
4.827	**Balance outstanding at start of year**	**4.798**
-	Transferred between Long-Term and Current Assets Held for Sale	-
	Assets newly classified as held for sale	
0.317	Transferred from Property, Plant and Equipment	0.043
0.027	Additions	0.008
(0.121)	Revaluation losses	0.032
	Assets declassified as held for sale:	-
(0.252)	Assets sold	(0.280)
-	Transferred to Property, Plant and Equipment	(4.106)
4.798	**Balance outstanding at year end**	**0.495**

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 2026, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- Discount rates for “Lender’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		Debtors		Cash and Cash Equivalents			
	31 March 2025 £m	31 March 2026 £m	31 March 2025 £m	31 March 2026 £m	31 March 2025 £m	31 March 2026 £m	31 March 2025 £m	31 March 2026 £m	31 March 2025 £m	31 March 2026 £m
Fair Value through Profit or Loss	-		-		-		-		-	-
Amortised Cost	-		7.730	7.621	6.722	6.934	20.994	8.803	35.446	23.359
Fair Value through Other Comprehensive Income (FVOCI)	0.309	-	-		-	-	-	-	0.309	-
Total Financial Assets	0.309	**-**	7.730	**7.621**	6.722	**6.934**	20.994	**8.803**	35.755	**23.359**
Non-Financial Assets	-	-	-		66.130	74.665	-	-	66.130	74.665
Total	**0.309**	**-**	**7.730**	**7.621**	**72.852**	**81.599**	**20.994**	**8.803**	**101.885**	**98.023**

Financial Liabilities:

Financial Liabilities	Non-Current				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors			
	31 March 2025 £m	31 March 2026 £m	31 March 2025 £m	31 March 2026 £m	31 March 2025 £m	31 March 2026 £m	31 March 2025 £m	31 March 2026 £m	31 March 2025 £m	31 March 2026 £m
Fair Value through Profit or Loss	-	-	-	-	-	-	-	-	**-**	**-**
Amortised Cost - Other	(231.769)	(234.143)	(0.444)	(0.444)	(23.714)	(46.446)	(18.121)	(16.480)	**(274.047)**	**(297.513)**
Total Financial Liabilities	**(231.769)**	**(234.143)**	**(0.444)**	**(0.444)**	**(23.714)**	**(46.446)**	**(18.121)**	**(16.480)**	(274.047)	(297.513)
Non-Financial Liabilities	-	-	-	-	-	-	(36.884)	(35.988)	**(36.884)**	**(35.988)**
Total	**(231.769)**	**(234.143)**	**(0.444)**	**(0.444)**	**(23.714)**	**(46.446)**	**(55.005)**	**(52.468)**	**(310.931)**	**(333.501)**

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 2026:

2024/25			2025/26	
Carrying Amount	**Fair Value**		**Carrying Amount**	**Fair Value**
£m	**£m**		**£m**	**£m**
		Financial Assets – Loans and Receivables		
21.303	21.303	Held as Investments	8.803	8.803
14.452	14.452	Held as Debtors	14.555	14.555
35.755	**35.755**	**Financial Assets – Loans and Receivables**	**23.359**	**23.359**
		Financial Liabilities – as Amortised Cost		
(255.483)	(222.997)	Held as Borrowings	(280.589)	(243.863)
(18.564)	(18.564)	Held as Creditors	(16.924)	(16.924)
(274.047)	**(241.561)**	**Financial Liabilities – at Amortised Cost**	**(297.513)**	**(260.787)**

The carrying values above are those listed as total financial assets and total financial liabilities in Note 30.

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.

<u>Overall Procedures for Managing Risk</u>

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 5 February 2025 and is available on the Council's website. The key issues within the strategy were:

- The Authorised Limit for 2025//26 was set at £331m. This is the maximum legal limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £321m. 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 2025-26 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.

<u>Credit Risk</u>

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 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:

	2024/25		**2025/26**	
	Long Term	**Short Term**	**Long Term**	**Short Term**
Credit Rating	**£m**	**£m**	**£m**	**£m**
AA	-	-		-
AA-	-	20.000		8.500
AA+	-	1.500		-
Total	**-**	**21.500**	**-**	**8.500**
Credit Risk not applicable	0.309	-	-	-
Total Investments	**0.309**	**21.500**	**-**	**8.500**

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 retail an investment grade credit rating. They are determined to be credit impaired when awarded a "D" credit rating or below. At 31 March 2026, 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, £8.637m 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:

2024/25 £m		2025/26 £m
2.936	Less than 3 months	2.915
0.965	Between 3 to 6 months	0.942
1.748	Between 6 months to 1 year	1.684
3.178	More than 1 year	3.095
8.828	**TOTAL**	**8.637**

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 2026 was £1.091m (31 March 2025 - £0.935m).

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:

2024/25 £m		2025/26 £'000
(23.719)	Less than 1 Year	£m
(54.920)	Between 1 – 2 Years	(46.473)
(44.428)	Between 2 – 5 Years	(46.422)
(49.767)	Between 5 – 10 Years	(54.076)
(14.764)	Between 10 – 15 Years	(54.524)
(8.092)	Between 15 – 20 Years	(12.630)
(4.700)	Between 20 – 25 Years	(7.791)
(12.655)	Between 25 – 30 Years	(4.709)
(17.438)	Between 30 – 35 Years	(14.009)
(25.000)	Between 35 – 40 Years	(19.956)
-	More than 40 Years	(20.000)
(255.483)	**TOTAL**	**(280.589)**

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:

2024/25				2025/26		
Financial Assets	Financial Liabilities	Net Expenditure for the year		Financial Assets	Financial Liabilities	Net Expenditure for the year
£m	£m	£m		£m	£m	£m
			Income			
(1.509)	-	(1.509)	Interest Income	(1.248)	-	(1.248)
			Expenditure			
-	9.247	9.247	Interest Expense	-	8.791	8.791
-	0.357	0.357	Fee Expense	-	0.363	0.363
(1.509)	**9.604**	**8.095**	**Total Net for the year**	**(1.248)**	**9.154**	**7.907**

Note 31 Debtors

31 March 2025 £m	Long-Term Debtors	31 March 2026 £m
5.062	Cleveland Mall – Holiday Inn	4.929
0.870	Other Long-Term Debtors	0.895
1.797	The Welding Institute	1.797
7.730	**Total**	**7.621**

31 March 2025 £m	Short-Term Debtors	31 March 2026 £m
9.706	Trade Receivables	3.295
2.642	Prepayments	3.821
39.688	Other Receivables	54.619
40.683	Council Tax Receivables	42.589
8.508	Business Rates Receivables	7.201
(28.375)	Expected Credit Loss Provision	(29.925)
72.852	**Total**	**81.598**

Note 32 Cash and Cash Equivalents

31 March 2025 £m	Cash and Cash Equivalents	31 March 2026 £m
0.007	Cash held by the Council	0.009
(0.513)	Bank current accounts	0.294
21.500	Short-term deposits	8.500
20.994	**Total**	**8.803**

Note 33 Short Term Creditors

31 March 2025 £m	Short Term Creditors	31 March 2026 £m
(16.550)	Trade Payables	(10.175)
(27.751)	Other Payables	(32.957)
(10.703)	Receipts in Advance	(9.337)
(55.005)	**Total**	**(52.468)**

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 - The Council's share of the Collection Fund Business Rates Appeals Provision of £1,856,604 all relating to short term as projected using the Council's Business Rates 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 £2,007,300 is split between £577,764 Short Term (less than 12 months) and £1,429,536 long term.

	Business Rates Appeals	Captain Cook Precinct / Cleveland Centre Service Charge Provision £m	Insurance Claims £m	Early Retirement / Voluntary Redundancy £m	Total £m
Short Term Provisions					
Balance at 1 April 2025	**(1.041)**	**(0.167)**	**(0.750)**	**0.000**	**(1.958)**
Additional provisions	(1.665)	-	(0.426)	-	**(2.091)**
Amounts used	0.849	-	0.598	-	**1.447**
Unused amounts reversed	-	-	-	-	**-**
Unwinding of discounting	-	-	-	-	**-**
Balance at 31 March 2026	**(1.857)**	**(0.167)**	**(0.578)**	**0.000**	**(2.602)**
Long Term Provisions					
Balance at 1 April 2025	**(0.000)**	**-**	**(1.855)**	**-**	**(1.856)**
Additional provisions	-	-	-	-	**-**
Amounts used	-	-	0.426	-	**0.426**
Unused amounts reversed	-	-	-	-	**-**
Unwinding of discounting	-	-	-	-	**-**
Balance at 31 March 2026	**(0.000)**	**-**	**(1.429)**	**-**	**(1.430)**
Total Provisions					
Balance at 1 April 2025	**(1.041)**	**(0.167)**	**(2.605)**	**0.000**	**(3.813)**
Additional provisions	(1.665)	-	(0.426)	-	**(2.091)**
Amounts used	0.849	-	1.024	-	**1.873**
Unused amounts reversed	-	-	-	-	**-**
Unwinding of discounting	-	-	-	-	**-**
Balance at 31 March 2026	**(1.857)**	**(0.167)**	**(2.007)**	**0.000**	**(4.031)**

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 2025 £m		31 March 2026 £m
(36.395)	Capital Grants Unapplied Reserve	(30.626)
(13.282)	Capital Contributions Unapplied Reserve	(11.565)
(18.608)	Capital Receipts Reserve	(11.930)
(11.100)	Uncommitted General Fund	(11.101)
(21.694)	Earmarked Reserves	(26.736)
(101.079)	**Total**	**(91.957)**

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.

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 2025 £m		31 March 2026 £m
(96.984)	Revaluation Reserve	(106.158)
(94.901)	Capital Adjustment Account	(83.723)
12.880	Pensions Reserve	12.649
(3.246)	Collection Fund Adjustment Account	(1.565)
0.677	Accumulating Absences Adjustment Account	0.830
22.213	Dedicated Schools Grant Adjustment Account	29.317
(159.362)	**Total**	**(148.651)**

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 2025 £m	31 March 2025 £m		31 March 2026 £m	31 March 2026 £m
	(98.425)	**Balance at 1 April**		**(96.983)**
9.658		Upward revaluation of assets	17.316	-
(13.897)		Downwards revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(32.044)	-
	(4.240)	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Services		**(14.728)**
2.225		Difference between fair value depreciation and historical cost depreciation	2.366	-
3.457		Accumulated (gains) / losses on assets sold or scrapped	3.187	-
-		Adjustment between Revaluation Reserve and Capital Adjustment Account	-	-
	5.682	Amount written off to Capital Adjustment Account		5.553
	(96.983)	**Balance at 31 March**		**(106.158)**

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 2025 £m	31 March 2025 £m		31 March 2026 £m	31 March 2026 £m
	(122.388)	**Balance at 1 April**		**(94.901)**
		Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
19.534		Charges for depreciation and impairment of non-current assets	18.736	-
0.787		Amortisation of intangible assets	1.212	-
27.624		Revenue Expenditure Funded from Capital Under Statute	22.584	-
21.219		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	7.432	-
	69.164	**Subtotal - debited or credited to the CIES**		**49.964**
(2.225)		Historic Cost depreciation transfer from Revaluation Reserve	(2.366)	
(3.457)		Revaluation Reserve balances written off on disposed assets	(3.187)	
11.227	-	Movement in Non-current assets recognised in year	11.492	
0.025		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	-	
	5.570	**Net written out amount of the cost of non-current assets consumed in the year**		**5.939**
		Capital Financing applied in the year:		
(11.521)		Use of the Capital Receipts Reserve to finance new capital expenditure	(11.659)	
(31.931)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(32.153)	
(4.538)		Statutory provision for the financing of capital investment charged against the General Fund and HRA Balance	(4.828)	
	(47.990)	**Subtotal - Capital financing applied in the year**		**(48.640)**
	5.496	Movement in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		3.914
	(4.753)	Movement in the donated assets account credited to the Comprehensive Income and Expenditure Statement		-
	(94.901)	**Balance at 31 March**		**(83.724)**

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 2025 £m		31 March 2026 £m
14.182	**Balance at 1 April**	**12.880**
(318.543)	Remeasurement of net defined liability	(437.513)
16.411	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	12.385
313.342	Asset Ceiling Adjustment	439.330
(12.512)	Employer's pension contributions payable in the year	(14.433)
12.880	**Balance at 31 March**	**12.649**

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 2025 £m		31 March 2026 £m
(11.700)	**Balance at 1 April**	**(3.246)**
6.547	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	1.420
1.906	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	0.260
(3.246)	**Balance at 31 March**	**(1.566)**

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 2025 £m		31 March 2026 £m	£m
0.479	**Balance at 1 April**		**-**
(0.479)	Settlement or cancellation of accrual made at the end of the preceding year	(0.677)	
-	Amounts accrued at the end of the current year		0.830
(0.479)	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	**(0.677)**	**0.830**
-	**Balance at 31 March**		**0.153**

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 2025 £m		31 March 2026 £m
14.293	**Balance at 1 April**	**22.213**
7.920	School budget deficit transferred from General Fund in accordance with statutory requirements	7.104
22.213	**Balance at 31 March**	**29.317**

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.

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 contrasts with 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 2024/25 £m	Unfunded 2024/25 £m	Comprehensive Income and Expenditure Statement Charged to the Surplus or Deficit on the Provision of Services	Funded 2025/26 £m	Unfunded 2025/26 £m
		As cost of Service:	-	
15.669	-	Current Service cost	12.152	-
(0.438)	-	Settlements and Curtailments	(0.066)	-
0.400	-	As Financing and Investment Income and Interest on net defined benefit	0.081	-
0.502	0.278	As Financing and Investment Income and Interest on net defined benefit	(0.694)	1.362
16.133	**0.278**	**Total charged to the Deficit on the Provision of Services**	**11.473**	**1.362**
		Charged to Other Comprehensive Income and Expenditure		
20.379	-	Return on plan assets (excluding the amount included in the net interest expense)	(69.583)	-
(119.919)	-	Actuarial (gains) and losses arising on changes from financial assumptions	(16.339)	-
(1.451)	-	Actuarial (gains) and losses arising on changes from demographic assumptions	0.993	-
(7.676)	-	Other actuarial (gains) and losses	(21.531)	-
103.466	-	Asset Ceiling Adjustment	107.827	-
(5.201)	**-**	**Total to the Comprehensive Income and Expenditure Statement**		
	-	**Movement in reserves Statement**		
(16.133)	(0.278)	Reversal of total charged to the Deficit on the Provision of Service	(11.473)	(1.362)
		Actual Amount charged for pensions in the year:		
10.932	1.580	Employers contributions payable to scheme	12.840	1.593
(5.201)	**1.302**	**Total amount included in the General Fund for the year**	**1.367**	**0.231**

Assets and Liabilities in Relation to Post-Employment Benefits

Funded 2024/25 £m	Unfunded 2024/25 £m	Comprehensive Income and Expenditure Statement	Funded 2025/26 £m	Unfunded 2025/26 £m
(813.894)	**(14.182)**	**Opening Balance at 1 April**	**(710.818)**	**(12.880)**
(15.669)	-	Current service cost	(12.152)	-
1.428	-	Effect of Settlement	0.385	-
(39.513)		Interest cost	(41.547)	(1.362)
(5.841)	(0.278)	Contributions by scheme participants	(4.986)	-
119.919	-	Actuarial gains (losses) for changes in financial assumptions	16.339	-
1.451	-	Actuarial gains (losses)for changes in Demographic assumptions	(0.993)	-
7.676	-	Actuarial gains (losses) Other Experience	0.018	-
34.025	-	Benefits paid	31.150	1.593
(0.400)	1.580	Past service curtailments	(0.081)	-
(710.818)	**(12.880)**	**Closing Balance at 31 March**	**(722.685)**	**(12.649)**

Reconciliation of Fair Value of Scheme Assets

Funded 2024-25 £m	Unfunded 2024-25 £m	Comprehensive Income and Expenditure Statement	Funded 2025-26 £m	Unfunded 2025-26 £m
1,014.062	**-**	**Opening Balance at 1 April**	**1,024.160**	**-**
(0.990)		Effects of Settlements	(0.319)	
48.719	-	Expected return on plan assets	59.040	
(20.379)	-	Actuarial Gains	69.583	
-	-	Actuarial gains (losses) Other Experience	21.513	
10.932	1.580	Employer contributions	12.840	1.593
5.841		Contributions by scheme participants	6.348	
(34.025)	(1.580)	Benefits paid	(31.150)	(1.593)
1,024.160	**-**	**Closing Balance at 31 March**	**1,162.015**	**-**

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.

2024/25 £m		2025/26 £m
(723.698)	Present value of liabilities	(735.334)
1,024.160	Fair value of assets	1,162.015
(313.342)	Asset Ceiling Adjustment	(439.330)
(12.880)	**Scheme (Deficit) / Surplus**	**(12.649)**

The scheme surplus shown above includes £12.649 million in respect of unfunded defined benefit obligations (2024/25 £12.880 million).

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

Change in financial assumptions - 43.970 million gain on the balance sheet)
The financial assumptions adopted for preparing the latest accounting disclosures are summarised below:

Period ended	31 March 2025	31 March 2026
Rate of Inflation (CPI)	2.75%	3.00%
Rate of increase in salaries	3.75%	4.00%
Rate of discounting scheme liabilities	5.80%	6.20%

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 risen over the period, which has led to a 0.25% increase 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 2025 (more detail on this is set out in the accompanying Accounting

Covering Report). This has served to increase the Employer's obligations and led to a loss of around £26,370,000 on the balance sheet.

Salary Increase Rate – the salary increase assumption has risen over the period by 0.25%. This has served to increase the Employer's obligations and led to a loss of around £1,260,000 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 0.40% increase in this assumption. This served to reduce the Employer's obligations and led to a gain of around £43,970,000 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 2027 is £11.270 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 2026 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 2025-26. 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 £439.330m.

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:

2024/25	Mortality Assumptions	2025/26
	Longevity at 65 for current pensioners	
20.4	Men	21.0
23.4	Women	24.0
	Longevity at 65 for future pensioners	
21.2	Men	21.8
24.9	Women	25.3
2.75%	Pension Rate Increase (CPI)	3.00%
3.75%	Salary Rate Increase	4.00%
5.80%	Discount Rate	6.20%
80%	Take up of option to convert annual pension into retirement lump sum	75.00%

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

2024/25				Pension Scheme Assets	2025/26			
Quoted £m	Unquoted £m	Total £m	%		Quoted £m	Unquoted £m	Total £m	%
-	83.609	**83.609**	8.16%	Cash and Cash Equivalents	86.237	-	**86.237**	7.42%
-	-		0.00%	**Property**				
-	107.603	**107.603**	10.51%	UK	88.106	19.223	**107.329**	9.24%
-	4.593	**4.593**	0.45%	Overseas	3.328	-	**3.328**	0.29%
-	-		0.00%	**Private Equity**				
-	120.853	**120.853**	11.80%	All	132.707	4.436	**137.143**	11.80%
-	-		0.00%	**Equity Security**				
0.508	0.015	**0.523**	0.05%	Other	-	-	**-**	0.00%
-	-		0.00%	**Investment Funds and Trust Units**				
-	553.104	**553.104**	54.01%	Equities	656.837	-	**656.837**	56.53%
-	122.692	**122.692**	11.98%	Infrastructure	137.164	2.297	**139.461**	12.00%
-	31.179	**31.179**	3.04%	Other	-	31.679	**31.679**	2.73%
0.508	**1,023.648**	**1,024.156**	**100.00%**	**Total Assets**	**1,104.379**	**57.635**	**1,162.014**	**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 2026	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	1.00%	10.834
1 year increase in member life expectancy	4.00%	29.413
0.1% increase in the Salary Increase Rate	0.00%	0.493
0.1% increase in the Pension Increase Rate	1.00%	10.331

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 cannot 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 2025/26 the Council paid £3.326 million (2024/25 £3.364 million) in respect of teacher's retirement benefits, representing an average of 23.68% (2024/25 23.70%) of pensionable pay.

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 2025/06 the Council paid £51,986 (2024/25 £43,176) to the NHS Pensions in respect of the Public Health employees retirement benefits, representing 24.78% (2024/05 25.55%) of pensionable pay.

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 2025 £m		31 March 2026 £m
5.745	No Later than 1 year	5.870
13.078	Later than 1 year and not later than 5 years	12.446
33.244	Later than 5 years	31.773
52.067	**Total**	**50.089**

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
0.326	No Later than 1 year	0.326
0.291	Later than 1 year and not later than 5 years	0.232
0.313	Later than 5 years	0.302
0.930	**Total**	**0.860**

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 entered into on the buildings are for a 35-year term with rentals paid on a quarterly basis to CBRE Property Management UK. Due to the interest rate implicit in the lease, most of the early year's rental payments are heavily weighted towards interest rather than principal with this position reversing in the latter years of the contract.

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 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 2025/26				
	Operational Land and Buildings	**Vehicles, Plant & Equipment**	**Investment Property**	**Total**
	£m	£m	£m	£m
Valuation/ gross cost at 1 April 2025	**0.538**	**0.011**	**12.478**	**13.027**
IFRS 16 implementation- reclassification of existing finance leased assets from PPE or Intangible assets				
IFRS 16 implementation- reclassification of existing operating leases/ subleases				
Additions	0.001	0.063	0.613	
Impairments to operating leases				
Revaluation to revaluation reserve			(3.956)	
Valuation/ gross cost at 31 March 2026	**0.539**	**0.074**	**9.135**	**13.027**
				-
Accumulated depreciation at 1 April 2025	(0.174)	(0.048)		(0.222)
Provided during the year	(0.013)			(0.013)
Revaluation to revaluation reserve				
Accumulated depreciation at 31 March 2026	**(0.013)**	**-**	**-**	**(0.013)**
Net Book value 31 March 2026	**0.525**	**0.074**	**9.135**	**13.013**

Note 41 Contingent Liabilities

At 31 March 2026, 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 1996/97 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.

Note 42 Contingent Assets

These refer to either; a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non- occurrence of one or more uncertaim future events not wholly within the control of the authority.

The Council has a deficit position on its Dedicated Schools Grant. Accounting regulations covering the period up to 31 March 2026 do not allow this balance to be included in the General Fund. In accordance with accounting regulations this balance is subject to a statutory override and transferred to the Dedicated Schools Grant Adjustment Account which is an unusable reserve.

The DSG cumulative deficit balance totalled 29.316m as at 31 March 2026.

Owing to this deficit position the Council previously produced a DSG management Plan, which was agreed with the Department for Education. Folloeing ther publication of the Schools White Paper, the DfE issued a further reqwuirem,ent for local authorities to produce a Local SEND Reforn Plan, this is to be submitted for approval in June 2026.

The Governement have announced that the statutory override will cease at the end of the 2027/28 financial year. Subject to the production of a compliaby Local SEND reforn Plan, government are to provide 90% of the accrued DSG Deficitbalance to 31 March 2026 as a High Needs Block Stability Grant. This grant is expected to be received during 2026/27 and will significantly support the cash flow pressure on authorities from the deficit. Local Authorities are required to fund the remaining 10% balance. A reserve has been created to cover Middlesbrough’s 10% requirement, includinf an estimate for the 2 further financial years 2026/27 and 2027/28.

A Local SEND Reform Plan has been drafted and subjected to internal and peer review. The plan was submitted to the Department for Education before the 19 June 2026 deadline. If the plan is approved the 90% High Needs Block Stability Grant will be paid to the Council in the autumn of 2026. The grant value is calculated at £26.384m

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:

2025/26	Income £	Expenditure £	Short-Term Assets £	Long-Term Assets £	Total Assets £
Teesside Education Endowment	(259)	-	8,233	-	8,233
Capt J.V. Nancarrow Trust – Educational support	(3,854)	-	122,438	-	122,438
Middlesbrough Educational Trust	(2,273)	-	72,201	2,326	74,527
Hustler Playing Fields Trust – Sport	(1,724)	-	54,769	1,474,496	1,529,265
W.M.Anderton Trust – Kings Manor School and Acklam 6th Form College	(48)	-	1,527	-	1,527
Teesside Relief in Sickness	(137)	-	4,361	-	4,361
Lady Crosswaite Bequest – support for the older people	(15,415)	14,955	482,244	-	482,244
Home Independence Trust	(11,222)	-	100,110	19,240	119,350
Wilson & Marwood Trust – support for disadvantaged people	(524)	-	16,657	428	17,085
Stewart Park Trust – Recreation	(304)	-	9,658	-	9,658
Levick Trust – accommodation for over 60's	(213)	-	6,779	332,535	339,314
Dorman Museum and Art Gallery Appeal Trust	(115)	-	3,647	-	3,647
Total	**(36,088)**	**14,955**	**882,624**	**1,829,025**	**2,711,649**

2024/25	Income £	Expenditure £	Short-Term Assets	Long-Term Assets	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	-	9,354
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**	**2,690,516**

Notes Supporting the Cash Flow Statement

Note 44 Cash Flow Statement – Operating Activities

2024/25 £m		2025/26 £m
(1.509)	Interest Received	(1.248)
9.215	Interest Paid	9.154
-	Dividends Received	-

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

2024/25 £m		2025/26 £m
19.535	Depreciation	18.734
11.245	Impairment and downward valuations	11.492
0.788	Amortisation	1.212
(0.717)	Increase / (decrease) in impairment for bad debts	1.100
10.923	Increase / decrease in creditors	(2.537)
(3.550)	Increase / decrease in debtors	(8.747)
0.394	Increase / decrease in inventories	(0.138)
3.899	Movement in Pension Liability	(3.415)
-	Other non-cash items charged to the net surplus or deficit on the provision of services	(0.630)
42.518	**Net cash flows from operating activities**	**17.071**

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

2024/25 £m		2025/26 £m
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-
19.700	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9.855
(15.651)	Any other items for which the cash effects are investing or financing cash flows	(4.980)
4.049		**4.875**

Note 45 Cash Flow Statement – Investing Activities

The table below shows detail of Investing Activities

2024/25 £m		2025/26 £m
(31.955)	Purchase of property, plant and equipment, investment property and intangible assets	(32.306)
-	Purchase of short-term and long-term investments	-
15.652	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4.980
(16.303)	**Net cash flows from investing activities**	**(27.326)**

Note 46 Cash Flow Statement – Financing Activities

The table below shows detail of Financing Activities

2024/25 £m		2025/26 £m
(0.531)	Amounts applied to Finance Lease Repayments (Capital Element)	(0.251)
7.379	Repayments of short- and long-term borrowing	26.635
6.847	**Net cash flows from financing activities**	**26.384**

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.

2024/25 Total £m		2025/26 Council Tax £m	2025/26 Business Rates £m	2025/26 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:			
66.573	Middlesbrough Council	71.400	-	71.400
10.463	Cleveland Police and Crime Commissioner	10.976	-	10.976
3.074	Cleveland Fire Authority	3.233	-	3.233
	Business Rates			
16.515	Payments to Central Government	-	17.821	17.821
0.330	Payments to Cleveland Fire Authority	-	0.356	0.356
16.185	Payments to Middlesbrough Council	-	17.464	17.464
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	0.066	27
A	18108	6/9	45.593	18,336
B	8217	7/9	19.463	7,827
C	9352	8/9	22.875	9,199
D	4947	9/9	12.895	5,186
E	2495	11/9	7.912	3,182
F	941	13/9	3.542	1,425
G	536	15/9	2.274	915
H	32	18/9	0.157	63
	44,654		**114.776**	**46,159**
Less: Adjustments for assumed non-collection based on budgets assumption of 97.4% collection rate			(1.570)	(0.027)
Total			**113.206**	**46,159**

A* - Band A properties receiving Disabled Relief

The average Council Tax for band D dwellings for Middlesbrough Council was £2,486.54

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 at 31 March 2026 was £103,517,464 (£103,032,968 at 31 March 2025) and the national non-domestic multiplier for the year was 55.5p (54.6p in 2024/25).

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:

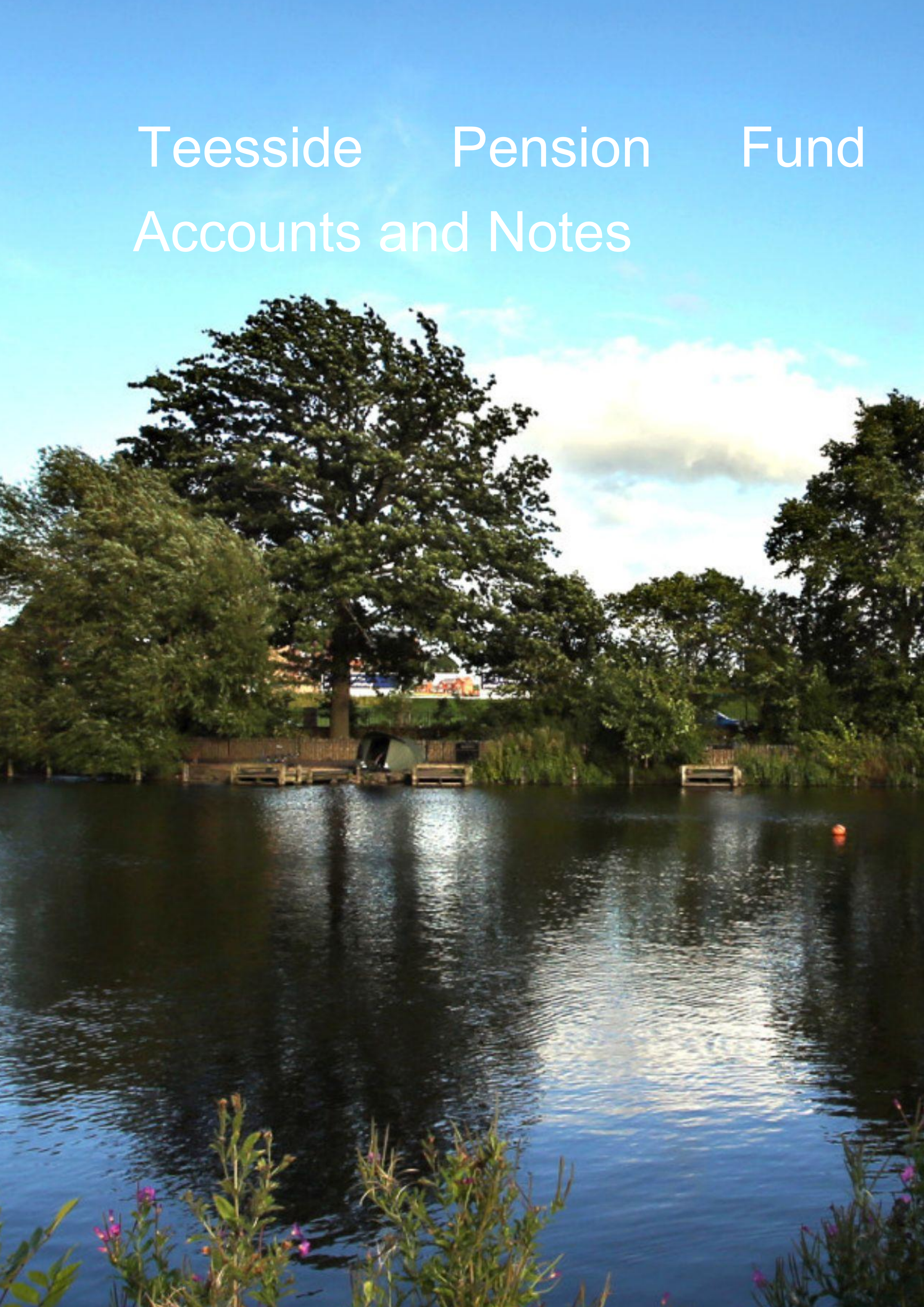
2024/25 £m		2025/26 £m
(3.052)	Middlesbrough Council	(2.547)
(0.504)	Cleveland Police and Crime Commissioner	(0.392)
(0.144)	Cleveland Fire Authority	(0.115)
(3.700)	**Total Deficit / (Surplus)**	**(3.054)**

Note C4 Council Tax and Business Rates Provisions

The total provisions held for the Collection Fund on 31 March 2026 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 2025	(18.024)	(7.128)	(2.124)	**(27.276)**
Reductions in the provision in year	-	-	-	**-**
Increase in the provision in year	(1.124)	(0.066)	(1.665)	**(2.856)**
Closing balance at 31 March 2026	**(19.149)**	**(7.194)**	**(3.789)**	**(30.132)**

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 Corporate 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 dependents of these individuals, collectively referred to as members. The benefits include retirement pensions, dependents pensions, death grants and lump sums.

The Fund is financed by contributions from members, employers, and the income from the Fund's investment portfolio. 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 2026, the Fund continued to pay more in benefits than it received in contributions as more members are drawing pensions. Net withdrawal of funds was £83.311m (year to 31 March 2025 £86.992m). During the year, the overall value of the Fund increased by £606m to £6.183bn.

Membership

Automatic enrolment is a government initiative to help more people save for later life through a pension scheme at work. It requires employers to enrol their eligible workers into a pension scheme automatically and to pay towards their pensions.

Automatic enrolment was rolled out in stages between October 2012 and February 2018. All employers have been required to offer a workplace pension to eligible workers since February 2018.

For the purpose of automatic enrolment, workers are put into three different categories depending on how much they earn and their age. The categories are eligible jobholders, non-eligible jobholders and entitled workers. Your employer will tell you which category you belong to and what this means for you. Automatic enrolment will mainly affect eligible jobholders.

If you are a new employee who is eligible to join the LGPS, you will generally join the Scheme when you start your job. If you opt out, your employer will be required to re-enrol you into the LGPS approximately every three years on a set re-enrolment date, if you are an eligible jobholder.

Teaching staff have access to their own defined benefit scheme the details of which are provided in the Councils financial statements.

The table below summarise the membership of the scheme over recent years showing an overall increase in all active members and those who are drawing pensions, and a slight decrease in members who have deferred rights

	2022	2023	2024	2025	2026
Membership of the Fund					
Active	25,937	26,198	26,220	26,341	28,119
Deferred	26,350	27,225	28,180	28,492	27,532
Pensioner	26,254	26,915	27,813	28,885	30,211
Total	**78,541**	**80,338**	**82,213**	**83,718**	**85,862**

- 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 2026

31 March 25 £m		Note	31 March 26 £m
	Dealings with members, employers and others directly involved in the Fund		
(125.283)	Contributions	**6**	(134.096)
(10.977)	Transfers in from other pension funds	**8**	(9.928)
(2.573)	Other income	**9**	(0.820)
(138.833)	**Total Income**		**(144.844)**
200.488	Benefits payable	**7**	206.415
16.881	Payments to and on account of leavers	**10**	10.436
217.369	**Total Expenditure**		**216.851**
78.536	**Net withdrawals from dealings with members**		**72.007**
8.456	Management expenses	**11**	11.304
86.992	**Net withdrawals including fund management expenses**		**83.311**
	Returns on investment		
(98.377)	Investment income	**12**	(177.228)
(90.461)	Profits and losses on disposal of investments and changes in the market value of investments	**13**	(511.623)
(188.838)	**Net returns on investment**		**(688.851)**
(101.846)	**Net (increase)/decrease in the net assets available for benefits during the year**		**(605.540)**
(5,475.150)	**Net assets of the scheme as at 1 April**		**(5,576.996)**
(5,576.996)	**Net assets of the scheme as at 31 March**		**(6,182.536)**

Net Asset statement for the year ended 31 March 2026

31 March 25 £m			31 March 26 £m
	Net Assets Statement as at 31 March		
5,568.307	Investments Assets	**13**	6,144.934
16.158	Current Assets	**17**	43.898
(7.469)	Current liabilities	**18**	(6.296)
5,576.996	**Net assets of the Fund at 31 March**		**6,182.536**

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 2025/26 financial year and its position at year end as at 31 March 2026. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, 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 2026/27 Codes of Practice of Local Authority Accounting in the United Kingdom:

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

Note 3 Summary of Significant Accounting Policies

Accruals

The accounts have been prepared on an accrual's basis, and the accruals threshold set by management is £100,000. There are a couple of exceptions to this, one of those being individual transfer values which are recognised on a cash transfer basis.

Certain investments in pooled vehicles, predominantly in private markets and alternatives have investments costs charged directly by the investment managers to the Fund Account on cash receipt rather than accruals basis.

Foreign currency transactions in relation to purchases and sales on investments are accounted for at settlement date.

Fund Account – Revenue Recognition

Contributions Income

Normal contributions, from both the members and the employers, are accounted for on an accrual's 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 accrual's 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 receipt's basis within transfers in.
Bulk transfers are accounted for on an accrual's 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 cash receipt. 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 accrual's 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 accrual's 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 accrual's 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 accrual's 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.

Certain investments in pooled vehicles, predominantly in private markets and alternatives have investments costs charged directly by the investment managers to the Fund Account on an as paid rather than an accruals basis.

External manager Border to Coast Pensions Partnership fee is based on an agreed budget.

External property manager CBRE management fee is based market value of property investments. These transferred to Border to Coast from 31st July 2025.

External property fund manager for 'stay behind' properties managed by Aberdeen from 1st August 2025, their fees are taken as agreed from rental income.

All employee costs of the investment section are charged directly to the fund and a proportion of associated Council 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.

<u>IFRS9 Financial Instruments</u>

Under IFRS9 Financial Instruments, a financial asset or 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).

<u>IFRS 13 Fair Value Measurement</u>

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

<u>Foreign Currency Transactions</u>

Dividends and purchases and sales of investments in foreign currencies have been accounted for at the spot market rate at the settlement date of the transaction. Currency is bought and sold at the spot market rate for future dates through NatWest Agile Markets. During the year foreign currencies are transacted as follows:

- Proceeds of sales of foreign assets are translated into sterling at the exchange spot rate on the settlement date and recorded in our investment book of records in sterling and local currency.

- Purchases of foreign investments are translated into sterling using the exchange spot rate at the settlement date and recorded in our investment book of record at the book cost in sterling and local currency.

- Dividends from foreign investments are translated into sterling using the mid-market rate on the date of receipt.

Financial Assets

Financial assets at fair value through profit or loss are included in the net assets statement on a fair value basis as at 31 March 2026. Financial assets at amortised cost are included in the net assets statement at amortised cost. 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 net assets statement. The value of investments as shown in the net assets statement has been determined as follows

Market Quoted Investments
Investments are valued at fair value as at 31 March 2026, 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 2026. 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.

Leases
The Fund recognises a lease to be any agreement which transfers the right to use an asset for an agreed period in exchange for payment, or a series of payments. The Fund accounts for all leases in line with IFRS 16 (Leases), except where adaptations to fit the public sector are detailed in the Code. This accounting policy was applied from 1 April 2024. In line with the provisions of the Code, retrospective restatement of prior-period comparative information has not been undertaken.

Finance Leases
A Finance lease is where substantially all the risks and rewards relating to ownership transfer to the lessee. Tests to give an indication of the transfer of risk and rewards are.

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. hire purchase)
- If the lessee has an option to purchase the asset at a sufficiently favourable price that is reasonably certain, at the inception of the lease, that it will be exercised.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.
- If the lessee cancels the lease, the losses of the lessor associated with the cancellation are borne by the lessee.
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).

- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent. See Note 13 for finance leases.

Operating Leases
The Fund recognises an operating lease to be a lease which is not a finance lease under IFRS 16. Where the Fund is the lessor for an operating lease, normally the asset is classified as an Investment Property. Any rental income is credited to income.
The lifespan of each operating lease in investment properties is generally between 5 and 10 years. See Note 13 for operating leases.

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. Please refer to note 13 for contractual commitments at 31 March 2026 and 31 March 2025.

Cash and Cash Equivalents

Cash comprises 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 an annual 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 2025/26.

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 and Property Vehicles	The fair value of these assets is determined by using the most recently available valuation reports and financial statements provided by the general partners, adjusted for cash flow between the date of the reports and the accounting date. As these valuations are based on a combination of estimation techniques and unobservable inputs, 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 £1,993.837m. The effect of variations in the factors supporting the valuation would be an increase or decrease of between 5.80% and 11.50%, split below. <u>5.80%</u> Infrastructure - £737.099 Private Equity - £701.402 Other Debt - £72.079 <u>11.50%</u> Real Estate - £483.257 See Note 14 - Sensitivity Analysis of Assets at level 3 for further breakdown.
Freehold and leasehold property	The Fund uses independent external valuers (Knight Frank LLP) to value freehold and leasehold properties. Valuations are based on market yields, calculated by Knight Frank, 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 Knight Frank 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 of 11.50% in the value of directly held property £8.073m, on a fair value basis of £70.200m.

Note 6 Contributions

Contributions from both members and employers are accounted for on an accrual's 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.

2024/25 £m		2025/26 £m
	Employers	
(87.023)	Normal	(94.106)
(0.015)	Deficit Recovery Contributions	(0.047)
(38.245)	Members	(39.943)
(125.283)	**Total**	**(134.096)**

Analysis of Total Contributions

2024/25 £m		2025/26 £m
(16.760)	Administering Authority – Middlesbrough Council	(19.170)
(95.393)	Scheduled Bodies	(102.546)
(13.130)	Admitted Bodies	(12.380)
(125.283)	**Total**	**(134.096)**

Note 7 Benefits Payable

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

2024/25 £m		2025/26 £m
164.845	Pensions	169.106
33.222	Commutations and lump sum retirement benefits	34.354
2.421	Lump sum death benefits	2.955
200.488	**Total**	**206.415**

Analysis of Total Benefits

2024/25 £m		2025/26 £m
32.197	Administering Authority – Middlesbrough Council	32.900
123.675	Scheduled Bodies	125.904
44.616	Admitted Bodies	47.611
200.488	**Total**	**206.415**

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.

2024/25 £m		2025/26 £m
(10.977)	Individual transfers in from other schemes	(9.928)
(10.977)	**Total**	**(9.928)**

Note 9 Other Income

2024/25 £m		2025/26 £m
(2.293)	Capital Costs of Early Retirements	(0.805)
(0.280)	Other income	(0.015)
(2.573)	**Total**	**(0.820)**

Note 10 Payments to and on account of leavers

2024/25 £m		2025/26 £m
0.234	Refunds to members leaving scheme	0.332
0.124	Payments for members joining state scheme	0.001
16.523	Individual transfers to other schemes	10.103
16.881	**Total**	**10.436**

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.

2024/25 £m		2025/26 £m
1.953	Administrative costs	3.687
6.062	Investment management expenses	6.722
0.441	Oversight and governance costs	0.895
8.456	**Total**	**11.304**

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

2024/25 £m		2025/26 £m
5.267	Management fees	6.044
0.025	Custody fees	0.025
0.770	Support service recharges	0.653
6.062	**Total**	**6.722**

Note 12 Investment Income

2024/25 £m		2025/26 £m
(52.749)	Income from pooled investment vehicles	(146.362)
(27.840)	Net rents from properties (see note below)	(12.576)
(17.788)	Interest on cash deposits	(18.290)
(98.377)	**Total**	**(177.228)**

Rental Income and Property Expenses

2024/25 £m		2025/26 £m
(28.825)	Gross Rental income	(13.754)
0.985	Property Expense / (Income)	1.178
(27.840)	**Net Rents from Properties**	**(12.576)**

Note 13 Investment Assets

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

2025/26	Value at 1 April 2025 £m	Reclassified Assets	Purchases at Cost £m	Sale Proceeds £m	Change in Market Value £m	Value at 31 March 2026 £m
Equities	**2.544**	-	-	-	0.344	**2.888**
Pooled Investment Vehicles	**4,369.226**	-	5,123.515	(5,078.422)	564.971	**4,979.290**
Pooled Property Investments	**95.779**	428.525 -	411.518	(30.251)	(422.314)	**483.257**
Properties	**496.725**	(428.525)	114.444	(478.631)	366.187	**70.200**
Finance Lease Receivable	**28.000**	-	0.025	-	3.375	**31.400**
Loans	**91.508**	-	5.571	(1.783)	0.060	**95.356**
Directly Held – Private Equity	**23.446**	-	1.000	-	(1.000)	**23.446**
	5,107.228	**0.00**	**5,656.073**	**(5,589.087)**	**511.623**	**5,685.837**
Cash Deposits	456.190					455.789
Other Investment Balances	4.889					3.308
Net Investment assets	**5,568.307**					**6,144.934**

2024/25	Value at 1 April 2024 (Restated) £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	4,619.504	617.570	(959.406)	91.558	**4,369.226**
Pooled Property Investments	107.329	2.329	(12.271)	(1.608)	**95.779**
Properties	456.550	39.766	-	0.409	**496.725**
Finance Lease Receivable	27.750	0.488	-	(0.238	**28.000**
Loans	49.535	43.139	(1.466)	0.300	**91.508**
Directly Held – Private Equity	8.564	15.800	-	(0.918)	**23.446**
	5,271.245	**719.234**	**(973.712)**	**90.461**	**5,107.228**
Cash Deposits	193.440				456.190
Other Investment Balances	2.212				4.889
Net Investment assets	**5,466.897**				**5,568.307**

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 £434.006m and unrealised gain was £77.617m. Prior year realised profit was £249.806m and unrealised loss was £159.345m.

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 2025/26 are zero as there were no purchases in year (2024/25 £1.956m).

Analysis by Investment Manager

Teesside Pension Fund is one of eleven equal partners in the Border to Coast Pension Partnership Ltd (BCPP) which has been formed as a result of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. These regulations require all Local Government Pension Scheme Funds (LGPS) in England and Wales to combine their assets into a small number of investment pools.

It is anticipated that all assets belonging to the Fund will be transferred to BCPP as and when BCPP launch investment funds which match our investment strategy and satisfy due diligence. BCPP will be responsible for investment management and oversight, in line with the Fund's Investment Strategy and asset allocation requirements.

In line with the Fund's strategic asset allocation, as at 31 March 2026 the Fund had pooled Overseas Equities, UK Equities, Emerging Markets Equities and UK Real Estate as well as continued investment into Private Markets and Infrastructure through BCPP. At 31 March 2026 74.24% (62.96% 31 March 25) of the Fund's assets are now invested through BCPP pooled investment vehicles.

Market Value 31 March 2025 £m	%	Investment Manager	Market Value 31 March 2026 £m	%
		Investments managed by BCPP asset pool		
2,086.661	37.47		**2,464.716**	**40.11**
609.891	10.95	Overseas Equities	**721.003**	**11.73**
228.154	4.10	UK Equities	**282.991**	**4.61**
250.928	4.51	Emerging Markets Equities	**302.609**	**4.92**
294.909	5.30	Private Equity	**343.251**	**5.59**
35.347	0.63	Infrastructure	**46.265**	**0.75**
-	-	Climate Opportunities	**401.432**	**6.53**
		UK Real Estate		
3,505.890	**62.96**		**4,562.267**	**74.24**
		Investments managed outside of BCPP asset pool		
496.725	8.92		**70.200**	**1.14**
28.000	0.50	Direct Property	**31.400**	**0.51**
456.190	8.19	Finance Lease Receivable	**455.789**	**7.42**
2.536	0.05	Cash	**2.880**	**0.05**
0.080	0.00	Unquoted UK Equity	**0.008**	**0.00**

125.272	2.25	Unquoted Overseas Equity	**124.365**	**2.02**
93.234	1.67	LGT Capital Partners	**49.482**	**0.81**
86.382	1.55	Darwin Alternatives	**76.955**	**1.25**
86.340	1.55	Gresham House	**93.162**	**1.52**
86.039	1.55	Unigestion	**87.930**	**1.43**
83.655	1.50	Capital Dynamics	**82.001**	**1.33**
83.339	1.50	Access Capital Partners	**87.465**	**1.42**
50.731	0.91	JP Morgan IIF UK LP	**50.341**	**0.82**
48.769	0.88	Insight Investments	**43.244**	**0.70**
46.446	0.83	Blackrock Fund Managers Ltd	**36.922**	**0.60**
35.173	0.63	Pantheon Ventures UK	**19.638**	**0.32**
27.554	0.49	Hermes	**27.529**	**0.45**
26.369	0.47	Hearthstone	**17.588**	**0.29**
25.000	0.45	Aberdeen Standard Life	**25.000**	**0.41**
23.446	0.42	Verdant Regeneration Ltd	**23.446**	**0.38**
22.719	0.41	GB Bank Ltd	**20.080**	**0.33**
19.759	0.35	Innisfree	**21.304**	**0.35**
19.716	0.35	Ancala	**19.867**	**0.32**
18.896	0.34	Greyhound Retail Park	**18.896**	**0.31**
16.913	0.30	Titan - Preston East	**20.610**	**0.34**
15.986	0.29	St Arthur Homes	**10.319**	**0.17**
13.743	0.25	La Salle	**16.944**	**0.28**
10.983	0.20	Foresight Group	**10.983**	**0.18**
-	-	Titan - Templar’s Way	**16.038**	**0.26**
-	-	Legal and General	**12.381**	**0.20**
3.863	0.07	ABT Leisure Fund	**-**	**-**
2.968	0.05	CCLA Investment Management Ltd	**5.770**	**0.09**
0.772	0.01	FW Capital	**0.821**	**0.01**
4.889	0.09	Bridges Fund Management	**3.308**	**0.05**
2,062.487	**37.04**	Other Investment Balances	**1,582.666**	**25.76**
5,568.307	**100.00**		**6,144.934**	**100.00**

The funds contractual commitments at 31 March 2026 are £1,789.997m (31 March 2025 1,681.976m). Undrawn commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity, infrastructure and other debt parts of the portfolio. The amounts ‘called’ by these funds are irregular in both size and timing over the life span of their intended investment period.

Pooled Investment Vehicles and Properties

31 March 2025 £m		31 March 2026 £m
609.891	UK Equity	721.003
95.778	Pooled Property investment Vehicle	81.825
672.994	Private Equity	724.848
688.215	Infrastructure	737.099
83.312	Other Debt	72.079
2,150.190	**UK Unit and Investment Trusts Total**	**2,336.854**
2,314.815	Overseas Equities	2,747.707
2,314.815	**Overseas Unit and Investment Trusts Total**	**2,747.707**
4,465.005	**Total**	**5,084.561**

UK Properties

31 March 2025 £m		31 March 2026 £m
388.325	Freehold	54.000
108.400	Leasehold	16.200
496.725	**Total**	**70.200**

The properties were valued at Fair Value as of 31 March 2026 by Knight Frank 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 VPS3 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."

Leases

The Fund had one asset under a finance lease at 31 March 2026, the note below provides a reconciliation of the undiscounted lease payments due to be received by the Fund over the 35-year lease period

31 March 2025		31 March 2026
£m		£m
28.000	Finance Lease receivable	28.000
56.939	Unearned Finance income	55.383
84.939	**Undiscounted Lease Payments**	**83.383**

Finance Leases – Maturity Analysis

31 March 2025		31 March 2026
£m		£m
1.556	Less than 1 year	1.598
1.598	1 – 2 years	1.641
1.641	2 – 3 years	1.685
1.685	3 – 4 years	1.731
1.731	4 – 5 years	1.778
76.728	Later than 5 years	74.950
84.939	**Total**	**83.383**

Operating Leases – Maturity Analysis

31 March 2025 (Restated)		31 March 2026
£m		£m
23.926	Less than 1 year	6.729
23.657	1 – 2 years	6.655
22.594	2 – 3 years	6.379
19.941	3 – 4 years	5.924
18.498	4 – 5 years	5.924
114.656	Later than 5 years	67.379
223.271	**Total**	**98.990**

The future minimum lease payments due to the Fund under non-cancellable operating and finance leases are stated in the above table. Only direct properties have been included.

Operating Leases at 31 March 2025 has been restated to include all direct properties.

Note 14 Financial Instruments

Net Gains and Losses on Financial Instruments

31 March 2025 £m	Financial Assets	31 March 2026 £m
(90.461)	Fair Value through profit and loss account (gain)/loss	**(511.623)**

Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenditure, including fair value gains and losses, are recognised.
The following table analyses the carrying amounts of financial assets and liabilities by category

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 2025				**31 March 2026**		
		£m				**£m**
			Financial Assets			
2.544	-	-	Equities	2.888	-	-
			Pooled Investment Vehicles			
672.994	-	-	Private Equity	701.402	-	-
688.215	-	-	Infrastructure	737.099	-	-
83.312	-	-	Other Debt	72.079	-	-
609.891	-	-	UK Equities	721.003	-	-
2,314.815	-	-	Overseas Equities	2,747.707	-	-
496.725			Direct Property	70.200	-	-
-	28.000	-	Finance Lease receivable	-	31.400	-
95.778	-	-	Pooled Property Investments	483.257	-	-
-	91.508	-	Loans	-	95.356	-
23.446	-	-	Directly Held – Private Equity	23.446	-	-
-	456.190	-	Cash		455.789	-
-	4.889	-	Other investment balances	-	3.308	-
-	5.049	-	Sundry debtors and prepayments	-	34.557	-
4,987.719	**585.636**	**-**	**Total**	**5,559.081**	**620.410**	**-**
			Financial Liabilities			
-	-	(2.729)	Sundry creditors	-	-	(2.742)
4,987.719	**585.636**	**(2.729)**	**Net Financial Assets**	**5,559.081**	**620.410**	**(2.742)**

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 investment 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 2026	**Level 1** **£m**	**Level 2** **£m**	**Level 3** **£m**	**Total** **£m**
Financial assets at fair value through profit and loss account	2.888	3,468.710	2,087.483	**5,559.081**
Total Financial Assets	**2.888**	**3,468.710**	**2,087.483**	**5,559.081**

This table excludes financial assets and financial liabilities at amortised cost. Please refer to the fair value of financial instruments table at the beginning of this note for the total net financial assets

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	2,056.607	**4,987.719**
Total Financial Assets	**6.406**	**2,924.706**	**2,056.607**	**4,987.719**

This table excludes financial assets and financial liabilities at amortised cost. Please refer to the fair value of financial instruments table at the beginning of this note for the total net financial assets.

Sensitivity Analysis 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 2026.

Valuation of Financial Instruments carried at fair value – 31 March 2026

	Assessed valuation range (+/-)	Value as at 31 March 2026 £m	Value on increase £m	Value on decrease £m
Pooled Investments - Private Equity	5.80%	701.402	742.083	660.721
Directly Held – Private Equity	5.80%	23.446	24.806	22.086
Pooled Investments - Infrastructure	5.80%	737.099	779.851	694.347
Pooled Investments - Other Debt	5.80%	72.079	76.260	67.898
Pooled Investments - Property	11.50%	483.257	538.832	427.682
Direct Property	11.50%	70.200	78.273	62.127
Total		**2,087.483**	**2,240.105**	**1,934.861**

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
Direct Property	17.40%	496.725	583.155	410.295
Total		**2,056.607**	**2,264.723**	**1,848.419**

Reconciliation of Fair Value Measurements within level 3 during 2025/26

	Market Value at 1 April 2025 £m	Purchases £m	Sales £m	Unrealised Gains/ Losses £m	Realised Gains/ Losses £m	Market Value at 1 April 2026 £m
Total	**2,056.607**	**594.775**	**(163.610)**	**(388.856)**	**(11.433)**	**2,087.483**

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

	Market Value at 1 April 202(Restated) £m	Purchases £m	Sales £m	Unrealised Gains/ Losses £m	Realised Gains/ Losses £m	Market Value at 1 April 2025 £m
Total	**1,855.751**	**280.585**	**(82.372)**	**(3.611)**	**6.254**	**2,056.607**

Fair Value – Basis of Valuation

Description of assets	**Valuation basis/technique**	**Observable and unobservable inputs**	**Key sensitivities affecting the valuations**
Quoted Equities and Listed Pooled Investment Vehicles **(Level 1)**	Pricing from market data providers based on observable bid price quotations.	Use of pricing source-bid prices on stock exchange.	Not Required
Pooled investments - unitised funds with underlying assets in quoted equity (UK and Overseas) **(Level 2)**	Quoted equities held at BCPP that are listed on a recognised stock exchange but are not actively traded daily. These are valued using bid prices at the valuation date published by the investment manager at the pooled fund.	NAV – based pricing set on a forward pricing basis.	Not Required
Unquoted Equity Investments **(Level 2)**	Shareholdings in BCPP have been valued at cost i.e. transaction price as an appropriate estimate of fair value.	No market for shares held in BCPP. Disposal of shares is not a matter in which any shareholder can make a unilateral decision.	Not required

		Company is structured so as not to make a profit.	
Private Equity and other private market assets (Pooled funds in infrastructure, private equity, private debt, unit trusts) **(Level 3)**	Investments in private equity funds and unquoted limited partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.	Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the general partners own reporting date by changes to expected cashflows and by any differences between audited and unaudited accounts.
Investment Properties: Freehold and leasehold properties and pooled property funds **(Level 3)**	The properties are valued at fair value at the year-end using the investment method of valuation by independent valuers Knight Frank LLP in accordance with the RICS Valuation Global Standards (incorporating the International Valuation Standards) and the UK national supplement ('the red book') current as at the valuation date.	Existing lease terms and rentals Independent market research Nature of tenancies Covenant strength for existing tenants Assumed vacancy levels Estimated rental growth Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.

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.

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 Hymans Roberston, the Fund has determined that the following movements in market price risk are reasonably possible for the 2025/26 reporting period.

2025/26 Price Risk **Asset Type**	**Region**	**Value as at 31 March 2026** **£m**	**% Change**	**Value on Increase** **£m**	**Value on Decrease** **£m**
Equities	UK	2.880	10.20%	3.174	2.586
	Non-UK	0.008	10.70%	0.009	0.007
Managed and Unitised Funds	UK Equities	721.003	10.20%	794.546	647.461
	UK Alternatives	416.935	5.80%	441.117	392.753
	Non-UK Equities	2,747.707	10.70%	3,041.711	2,453.702
	Non-UK Alternatives	1,189.001	5.80%	1,257.963	1,120.038
Directly Held - Private Equity	UK	23.446	5.80%	24..806	22.086
Direct Property	UK	70.200	11.50%	78.273	62.127
Pooled Property	UK	465.669	11.50%	519.221	412.117
Pooled Property	Non-UK	17.588	11.50%	19.611	15.565
Total		**5,654.437**		**6,180.431**	**5,128.442**

2024/25 Price Risk Asset Type	Region	Value as at 31 March 2025 £m	% Change	Value on Increase £m	Value on Decrease £m
Equities	UK	2.536	10.90	2.812	2.260
	Non-UK	0.008	10.90	0.009	0.007
Managed and Unitised Funds	UK Equities	609.891	10.90	676.369	543.413
	UK Alternatives	428.008	7.20	458.825	397.192
	Non-UK Equities	2,314.815	10.90	2,567.130	2,062.500
	Non-UK Alternatives	1,108.022	7.20	1,187.799	1,028.244
Directly Held - Private Equity	UK	23.446	7.20	25.134	21.758
Direct Property	UK	496.725	17.40	583.155	410.295
Pooled Property	UK	69.409	17.40	81.486	57.332
Pooled Property	Non-UK	26.369	17.40	30.957	21.780
Total		**5,079.229**		**5,613.676**	**4,544.781**

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 2025 and 31 March 2026 is set out below:

2024/25 £m	Asset Type at 31 March	2025/26 £m
456.190	Cash and cash equivalents	455.789
4.889	Other Investment balances	3.308
461.079	**Total**	**459.097**

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 2026	 £m	+ 75 BPS £m	- 75 BPS £m
Cash and cash equivalents	455.789	3.418	(3.418)
Other Investment balances	3.308	0.025	(0.025)
Total	**459.097**	**3.443**	**(3.443)**
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)**

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.

Currency risk – Sensitivity Analysis

Based on an analysis of 3 years of historical data conducted in consultation with Hymans Robertson, the Fund has assessed the likely volatility associated with foreign exchange rate movements to be 9%. 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 below.

Asset Type	Value as at 31st March 26 £m	Value on Increase 8.7% £m	Value on Decrease 8.7% £m
Pooled Funds - Overseas Equities	2,464.716	2,679.146	2,250.286
Pooled Funds - Emerging Markets	282.991	307.611	258.371
Pooled Funds - Overseas Private Equity	612.321	665.593	559.049
Pooled Funds - Overseas Infrastructure	509.526	553.855	465.198
Pooled Funds - Overseas Property	17.588	19.118	16.058
Pooled Funds - Overseas Other Debt	67.153	72.996	61.311
Total	**3,954.295**	**4,298.319**	**3,610.273**

Other Alternatives asset class has been disbanded and the funds transferred to other suitable asset classes.

Asset Type	Value as at 31st March 25 £m	Value on Increase 9.0% £m	Value on Decrease 9.0% £m
Pooled Funds - Overseas Equities	2,086.661	2,274.461	1,898.862
Pooled Funds - Emerging Markets	228.153	248.688	207.620
Pooled Funds - Overseas Private Equity	566.785	617.796	515..774
Pooled Funds - Overseas Infrastructure	468.152	510.286	426.018
Pooled Funds - Overseas Property	26.369	28.742	23.995
Pooled Funds - Overseas Other Debt	73.084	79.662	66.507
Total	**3,449.204**	**3,759.635**	**3,138.776**

Credit Risk

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 2026, there is no provision for expected credit losses 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.

Deposits are not made with banks and financial institutions unless they are rated independently and meets the administering authorities, credit criteria. The fund has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, the fund invests an agreed percentage of its funds in the money markets to provide diversification. Money market funds chosen all had an ‘AAA’ rating from a leading ratings agency

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.

The fund believes it has managed its exposure to credit risk and has had no experience of default or uncollectable deposits, with no balances written off during the period. The funds cash holding under its Treasury Management arrangements at 31 March 2026 was £455.790m (31 March 2025 £456.190m). This was held with the following institutions:

Summary	**Rating**	**31March 2025 £m**	**31March 2026 £m**
Money Market Funds			
Aberdeen	AAA	20.000	20.000
CCLA	AAA	20.000	20.000
Federated	AAA	20.000	20.000
Banks			
Lloyds Bank	A+	20.000	20.000
NatWest Bank	A+	12.400	17.600
Local Authorities & Public Bodies	N/A	363.790	358.189
Total		**456.190**	**455.789**

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.

31 March 2025	Liquidity Terms	31 March 2026
£m		£m
3,380.896	Assets realisable within 7 days	3,924.499
-	Assets realisable in 8 -30 days	-
-	Assets realisable in 31 – 90 days	-
2,182.521	Assets taking more than 90 days to realise	2,217.127
5,563.417	**Total**	**6,141.626**

Management prepares cash flow forecasts to understand and manage the timing of cash flow to ensure there is an appropriate level of cash available on a daily basis. The appropriate strategic level of cash to be held is a central consideration when preparing the fund's investment strategy.

With fewer employee members and more pensioners and deferred members the funds liabilities are increasing year on year. However, when income from investments is taken into account the fund is expected to continue to be cash flow positive for the foreseeable future and it will not be a forced seller of investments to meet its pension obligations.

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 2025 using the 'Projected Unit Method' which produced the following results.

	2022 Valuation	2025 Valuation
	£m	£m
Net Liabilities	4.351	3.983
Assets	5.036	5.609
Surplus	**684**	**1.626**
Funding Level	**116%**	**141%**

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

Funding Assumptions

	2022 Valuation	2025 Valuation
Pension Increase Rate (CPI %)	2.70%	2.30%
Salary Increase Rate (%)	3.70%	3.30%
Discount Rate (%)	4.25%	5.60%

The assumed life expectancy from age 65 (years) assumptions

Mortality Assumptions (Years)	2022 Valuation	2025 Valuation
Longevity at 65 for current pensioners:		
● Men	20.9	20.9
● Women	23.9	23.9
Longevity at 65 for future pensioners:		
● Men	21.9	21.7
● Women	25.5	25.2

The next triennial valuation is due as at 31 March 2028 and any change in employers' contribution rates because of that valuation will take effect from 1 April 2029.

Note 16 Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits at 31 March 2026 was £4.257bn (31 March 2025 £3.983bn). The promised retirement benefits at 31 March 2026 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2025 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 2026 was £6.183bn (31 March 2025 £5.577bn). The fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

Present value of promised retirement benefits

	31 March 2025 £m	31 March 2026 £m
Active members	1,579	1,454
Deferred members	654	699
Pensioners	1,750	2,104
Total	**3,983**	**4,257**

Note 17 Current Assets

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

31 March 2025 £m	Debtors	31 March 2026 £m
2.615	Other Debtors	24.774
2.752	Sundry Debtors	4.886
	Contributions due in respect of:	
6.720	Employers	7.376
2.965	Members	3.144
	Capital cost of early retirements	0.694
1.106	Cash balances	3.024
16.158	**Total**	**43.898**

31 March 2025 £m	Analysis of Debtors	31 March 2026 £m
5.095	Other local authorities	5.783
9.957	Other entities and individuals	35.091
1.106	Add cash balances	3.024
16.158	**Total**	**43.898**

The Other Debtors total includes an accrual for £22.418 million. This relates to quarter 4 income distributions for equity funds that are yet to be received from Border to Coast at 31st March 26.

Note 18 Current Liabilities

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

31 March 2025 £m	Amounts due within one year	31 March 2026 £m
(2.915)	Rents received in advance	0.000
(2.729)	Accrued expenses	(2.742)
(1.825)	Other payables	(3.554)
(7.469)	**Total**	**(6.296)**

31 March 2025 £m	Analysed by	31 March 2026 £m
(1.001)	Other local authorities	(1.224)
(6.468)	Other entities and individuals	(5.072)
(7.469)	**Total**	**(6.296)**

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

2024/25 £m	Prudential AVC balances	2025/26 £m
7.041	With Profits and Deposit Accounts	8.822
6.443	Unit Linked Accounts	7.849
13.484	**Total**	**16.671**

The total value of AVC contributions paid to Prudential during the year, was £5.022m (2024/25 was £3.967m restated).

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 £2.497m (2024/25 £1.716m) comprising of pensions administration costs of £1.844m (2024/25 £0.946m) and investment management costs of £0.653m (2024/25 £0.770m). 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 £12.770m (2024/25 - £10.926m). As at 31 March 2026, the Council was a net debtor to the Fund of £1.169m (2024/25 £1.336m).

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 Corporate Director of Finance, who is also the S151 officer. Please refer to Note 22 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 and Ernst Young.

2024/25 £m	External Audit Costs	2025/26 £m
0.118	Scale Fee from Forvis Mazars	0.120
0.000	Forvis Mazars PSAA - Additional Audit Fees 24/25	0.060
0.000	23/24 fee variation PSAA 23/24	(0.069)
0.000	EY Variation of scale fees 22/23	0.065
0.000	IAS 19 procedure fees (recurring) (2021/22)	0.089
0.000	EY rebuilding reassurance as part of the backstop process	(0.024)
0.118	**Total Fees**	**0.240**

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

Note 22 Senior Employees' Remuneration

2024/25 £m	Key Management Personnel	2025/26 £m
0.070	Short Term Benefits	0.048
0.008	Post-Employment Benefits	0.006
0.078	**Total**	**0.054**

Note 23 Events after the Balance Sheet Date

There are no specific events after the reporting period (31 March 2026) for the Teesside Pension Fund account.

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 allowed 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:

Teesside Pension Fund Investment Strategy Statement 2024

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 2026

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 Tyne and Wear Pension Fund 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:

2025_Teesside_PF_Governance_Policy_and_Compliance_Statement.pdf

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.

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:

Communication_Policy_2025.pdf

Statement of the Actuary for the year ended 31 March 2026

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2018. 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 April 2026.

In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the overall Fund
- to ensure the solvency of each individual employers' share of the Fund based on their expected term of participation in the Fund
- to maximise the returns from investments within reasonable and considered risk parameters, and hence minimise the cost to the employer
- to minimise the degree of short-term change in employer contribution rates
- to ensure that sufficient cash is available to meet all liabilities as they fall due for payment
- to help employers manage their pension liabilities
- where practical and cost effective, to make allowance for the different characteristics of different employers and groups of employers

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 80% 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 2025. This valuation revealed that the Fund's assets, which at 31 March 2025 were valued at £5,609 million, were sufficient to meet 141% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2025 valuation was £1,626 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 2026 to 31 March 2029 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 2025 valuation report.

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 2025 valuation were as follows:

The key financial assumptions adopted for the 2025 valuation were as follows: Financial assumptions	31 March 2025
Discount rate	5.6%
Salary increase assumption	3.3%
Benefit increase assumption (CPI)	2.3%

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 2024 model, with core parameterisation, except, initial addition 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*	21.7 years	25.2 years

**Aged 45 at the 2025 Valuation.*

Copies of the 2025 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 2025
The increase in US tariffs on imports since March 2025 and the recent conflict in the Middle East have caused significant market volatility which feeds through to the investment returns achieved by the Fund's assets. The Fund's overall investment returns since March 2025 have been positive.

Observed inflation has been higher than anticipated over 2026, resulting in LGPS benefit increases of 3.8% in April 2026 and an increase in the value placed on the Fund's liabilities.

Overall, we estimate that the funding position is likely to be weaker than at the previous formal valuation at 31 March 2025.

The next actuarial valuation will be carried out as at 31 March 2028 and will be finalised by 31 March 2029. The Funding Strategy Statement will also be reviewed during the valuation, and a revised version will come into effect from 1 April 2029.

Prepared by:

Julie Baillie 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 2025 to 31 March 2026 under regulation 62 of the Local Government Pension Scheme Regulations 2013.

	Employers Rate	Employees	Employers
	%	£000	£000
Ad Astra Academy Trust	17.50%	289	864
Arete Learning Trust	17.50%	102	296
Ascent Academies Trust - (Ash Trees Academies)	17.50%	79	236
Aspen - Dales	17.50%	2	5
Aspens - Green Lane Primary - Legacy Learning Trust	17.50%	1	3
Aspens-Services Limited (St Hilds	17.50%	3	11
Aspens-Services Limited – (Tees Valley)	17.50%	1	2
Atomix Educational Trust	17.50%	196	549
Beamish Museum Limited	15.70%	184	444
Beyond Housing	23.40%	391	1,356
Bikeability – Middlesbrough BC	11.50%	2	3
Bikeability – Stockton BC	13.10%	1	2
Billingham Town Council	17.70%	9	24
Bishop Hogarth Catholic Education Trust	17.50%	518	1,549
Bullough’s - Outwood	17.50%	3	8
Bullough’s - Priory Woods	11.50%	3	8
Bulloughs - (Cleaning Services) Hartlepool 6th form	17.90%	2	7
Bulloughs – TVCT	17.50%	1	5
Bulloughs Clean Serv - VALT	18.90%	6	20
Bulloughs-Outwood Bishopsgarth	17.50%	2	8
Care and Custody Health Ltd	19.40%	0	1
Care Quality Commission	17.90%	707	1,629
CASS - LLT	17.50%	9	29
Catcote Academy	17.50%	184	550
Caterlink	26.30%	20	99
Caterlink - OGAT - Ormesby	11.50%	6	12
Caterlink – St Oswalds	27.90%	3	16
Caterlink - VALT	17.50%	4	13
Chief Constable for Cleveland	15.50%	2,405	5,645
Churchill Contract Services Limited (Lift Unity School)	17.00%	1	4
Churchill Services Limited – (Bishop Hogarth)	18.80%	10	33
Clevelend Fire Brigade	14.20%	303	664
Compass Contract Services (UK) Ltd (Chartwells - One Excellence)	18.90%	2	7
Creative Management Serv Ltd	29.40%	1	8
Creative Management Services (Galileo)	16.90%	12	35
Crime Commissioner Cleveland	15.50%	135	214

Dales Academies Trust - (St Francis of Assisi)	17.50%	24	74
Dales Academies Trust - (Thornaby C of E Primary)	17.50%	25	78
Dales Acaemies Trust (MAT) - (All Saints Academy)	17.50%	60	161
Delta Academies Trust - (Ingleby Manor Free School)	17.50%	45	129
Dolce LLT	17.50%	8	27
Durham & Newcastle Diocesan Learning Trust - (Egglescliffe Primary School)	17.50%	14	44
Durham & Newcastle Diocesan Learning Trust - (St Aidens Primary School)	17.50%	22	67
Durham & Newcastle Diocesan Learning Trust - (St Marys CE Primary School)	17.50%	7	21
Durham & Newcastle Diocesan Learning Trust - (Ward Jackson C of E Primay School)	17.50%	14	45
Durham & Newcastle Diocesan Learning Trust (MAT) - (Holy Trinity Primary School)	17.50%	13	40
Eden Academy Trust Limited	17.50%	104	303
Emmannuel Schools Foundation	17.50%	98	293
Endeavour Academies Trust	17.50%	160	462
Enquire Learning Trust Central	17.50%	142	286
Enquire LT - (Easterside Academy)	17.50%	36	108
Enquire LT - (Hardwick Green)	17.50%	35	104
Enquire LT - (Harrow Gate Primary Academy)	17.50%	52	154
Enquire LT - (High Clarence Primary Academy)	17.50%	15	45
Enquire LT - (Oakdene Primary School)	17.50%	22	68
Enquire LT - (Rose Wood Academy)	17.50%	27	81
Enquire LT - (Yarm Primary School)	17.50%	19	57
Extol MAT	17.50%	218	650
Future Regenern of Grangetown	32.60%	2	12
Galileo Multi Academy Trust	17.50%	235	684
Guisborough Town Council	17.70%	8	22
Hartlepool 6th Form College	15.70%	26	73
Hartlepool Borough Council	13.90%	4,151	9,078
Hartlepool College of FE	15.70%	234	609
Horizons Specialist Academy Tr	17.50%	383	1,114
Hutchinson Catering Limited (Eden Academy)	17.50%	1	4
Hutchinsons Catering - (Lifts School)	38.90%	8	87
Hutchison Catering - Extol	38.90%	1	13
Ingleby Barwick Town Council	17.70%	4	10
Ironstone Academy Trust	17.50%	23	48
Ironstone Academy Trust - (Overfields Primary School	17.50%	19	56
Ironstone Academy Trust - (Normanby Primary)	17.50%	32	98
Ironstone Academy Trust - (Nunthorpe Primary Academy)	17.50%	20	60
Ironstone Academy Trust - (Ormanby Primary)	17.50%	12	37
Ironstone Academy Trust - (Riverdale Primary)	17.50%	10	31
Ironstone Academy Trust - (Zetland Primary)	17.50%	18	56
ISS Mediclean	18.90%	2	5

KTS Academy	17.50%	119	363
Legacy Learning Trust	17.50%	391	1,148
Liberata UK Ltd	0.00%	43	0
Lift Caldicotes	17.50%	10	31
Lift North Ormesby	17.50%	18	54
Lift Unity City	17.50%	97	281
Lingfield Education Trust	17.50%	347	1,047
Lockwood Parish Council	17.70%	1	4
Loftus Town Council	17.70%	9	16
Make It Different (Hartlepool Free School)	17.50%	11	33
Maxim - Steel River	17.50%	4	12
Maxim NPCAT	17.50%	19	65
Mellors - Steel River	17.50%	5	14
Mellors - Thornaby Academy	18.90%	0	1
Mellors Catering - Central	17.90%	0	1
Mellors Catering Services Ltd	17.90%	3	11
Mellors Ironstone	39.10%	2	11
Mellors Riverdale	18.60%	0	1
Mellors Skelton	29.00%	1	4
Melrose Learning Trust	17.50%	86	251
Middlesbrough College	15.70%	458	1,090
Middlesbrough Council	13.00%	6,361	12,770
Middlesbrough Municipal Golf CIC	13.00%	4	8
Mitie Cleaning & Environmental Services Limited (Cleveland Fire)	25.70%	1	6
NEAT Academy Trust	17.50%	61	173
Nicholas Postgate CA Trust	17.50%	783	2,258
NMRN Operations	28.10%	1	3
North East Learning Trust	17.50%	62	182
Northern Education Trust - (Freebrough Academy)	17.50%	77	223
Northern Education Trust - (Badger Hill Academy)	17.50%	19	55
Northern Education Trust - (Dyke House Academy)	17.50%	103	297
Northern Education Trust - (Frederick Nattrass Academy)	17.50%	29	85
Northern Education Trust - (Manor Community Academy)	17.50%	84	249
Northern Education Trust - (North Shore Academy)	17.50%	68	198
Northern Education Trust - (Norton Academy)	17.50%	32	96
Northern Education Trust - (Oak Tree Academy)	17.50%	30	89
Northern Education Trust - (The Grangefield Academy)	17.50%	71	209
Northern Education Trust - (Thornaby Academy)	17.50%	62	181
Northern Education Trust - (Whitecliff Academy)	17.50%	14	41
Northern Lights Learning Trust	17.50%	115	341
One Excellence MAT - (Pentland Primary School)	17.50%	23	71
One Excellence MAT - (St Marks Church of England Primary School)	17.50%	40	122
One IT Services & Solutions (Porter TVED)	15.90%	3	7

One IT Solutions Ltd	18.80%	59	133
Our Children 1st Academy Trust	17.50%	53	158
Outwood Academy - Ormesby	17.50%	74	217
Outwood Academy Acklam	17.50%	95	276
Outwood Academy Bishopsgarth	17.50%	75	219
Outwood Academy Bydales	17.50%	45	135
Outwood Academy Normanby	17.50%	103	300
Outwood Academy Redcar	17.50%	56	162
Outwood Riverside	17.50%	63	189
Park Homes UK Ltd.	32.90%	1	4
Prince Regent Street Trust	17.50%	148	447
Pristine Cleaning	12.00%	7	14
Redcar & Eston School Sport Partnership CIC	17.90%	17	45
Redcar and Cleveland BC	11.70%	4,537	8,241
River Tees Multi Academy Trust	17.50%	119	394
Saltburn and Marske PC	17.70%	3	9
Skelton and Brotton PC	17.70%	4	12
Skelton Primary School	17.50%	35	98
SLM Charitable Trust (MBC)	13.00%	41	79
SLM Community Leis Char Trust	13.30%	22	49
SLM Fitness and Health (MBC)	13.00%	5	12
SLM Fitness and Health Limited	13.30%	3	7
South Tees Development Corp	16.30%	45	85
Spark Education Trust	17.50%	584	1,721
Steel River Academy Trust	17.50%	105	320
Stockton Borough Council	14.60%	6,782	15,449
Taking Care Personal Alarms Limited	13.90%	7	15
Tascor Services Ltd – PFI	18.00%	1	2
Tees Active Ltd	18.20%	90	242
Tees Valley Combined Authority	16.60%	616	1,418
Tees Valley Education Trust	17.50%	202	601
Teesside University	16.50%	2,681	6,503
Teesville Primary School.	17.50%	25	75
The Education Training Collective (Stockton Riverside)	15.70%	566	1,431
The Northern School of Art	15.70%	179	446
Thirteen Group	22.80%	834	2,768
Thornaby Town Council	17.70%	2	8
Wynyard Parish Council	17.70%	0	1
XPS Administration Ltd	13.00%	6	11
		39,905	**94,153**

Annual Governance Statement

Annual Governance Statement (AGS) 2025/2026

1. Executive Summary

This Annual Governance Statement provides a summary of the Council's assessment of the effectiveness of its governance arrangements during 2025/26 and sets out the actions being taken to ensure they remain fit for purpose.

Overall conclusion

The Council concludes that its governance arrangements were **operating effectively during 2025/26** and that they are **fit for purpose** in supporting the delivery of the Council's objectives and its responsibilities for securing continuous improvement and best value in the use of its resources and delivery of services.

This conclusion is based on a comprehensive, evidence-based review drawing on internal and external assurance, including the annual opinion of the Head of Internal Audit, reports to members, statutory officer assurances and external audit findings. These sources provide **reasonable assurance** that governance arrangements are operating as intended.

The review has confirmed that the governance arrangements set out in the Council's Local Code of Corporate Governance, including those underpinning the seven principles of good governance, were **in place and operating effectively in practice**.

Key strengths

During 2025/26, the Council has continued to strengthen its governance arrangements. Key areas of effective governance include:

- Strengthened performance and financial governance, with the introduction of a refreshed Performance and Financial Management Policy, improving alignment between resources, priorities and delivery
- Clearer strategic planning and outcomes framework, through a refreshed Council Plan and the commencement of the development of directorate plans
- A systematic approach to continuous improvement, embedding improvement activity within core business processes rather than time-limited programmes
- Effective audit, scrutiny and assurance arrangements, including an enhanced Audit Committee work programme and the introduction of a formal review of its effectiveness
- A strong governance framework, underpinned by an up-to-date Local Code of Corporate Governance and an actively managed Constitution.

These developments demonstrate continued progress in strengthening governance and embedding a culture of accountability, transparency and continuous improvement.

Areas for continued focus

While governance arrangements are operating effectively, the Council recognises the importance of ongoing development to ensure they remain robust and resilient in a changing environment.

The improvement actions identified in this Statement reflect the Council's commitment to continuous improvement, rather than significant weaknesses in governance arrangements. Key areas of focus for 2026/27 include:

- further embedding integrated performance, financial and risk management
- strengthening partnership and place-based governance arrangements
- enhancing member development and organisational capacity
- continuing to develop information governance, digital and data management arrangements, including the governance of emerging technologies.

Governance outlook

The Council operates in a challenging and evolving environment, including ongoing financial pressures, increasing demand for services and wider changes in the local government landscape.

The Council has identified a number of key governance risks and priorities for the coming year, including:

- maintaining financial sustainability and strengthening medium-term financial resilience;
- embedding new performance and planning frameworks to support delivery of outcomes
- ensuring effective governance of partnerships and collaborative arrangements
- managing risks associated with data, digital transformation and emerging technologies, including artificial intelligence.

The Council is confident that its governance arrangements provide a sound basis for addressing these challenges and will continue to evolve them to ensure they remain effective.

2. Scope of Responsibility and Governance Framework

Scope of Responsibility

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. In discharging this responsibility, the Council must put in place proper arrangements for the governance of its affairs, the effective exercise of its functions and the management of risk.

Under the Local Government Act 1999, the Council has a statutory duty to secure continuous improvement in the way its functions are exercised, having regard to economy, efficiency and effectiveness. The Council is also required by the Accounts and Audit Regulations 2015 to conduct, at least annually, a review of the effectiveness of its system of internal control and to prepare and publish an Annual Governance Statement (AGS) alongside its Statement of Accounts.

The purpose of this AGS is to provide an honest and transparent assessment of whether the Council's governance arrangements were fit for purpose during the year, based on a review of their effectiveness in practice, and to identify any actions required to strengthen governance going forward. The AGS also looks ahead, reflecting on whether the Council's governance arrangements are sufficiently resilient to address current and emerging challenges.

Governance Framework

The Council's governance framework is underpinned by its Local Code of Corporate Governance (LCCG), which was reviewed, updated and adopted by Full Council in April 2026. The LCCG sets out how the Council applies the seven principles of good governance established in *Delivering Good Governance in Local Government* (CIPFA/SOLACE, 2016), together with the requirements of the 2025 addendum to that guidance.

The LCCG describes the culture, values, structures, processes and assurance mechanisms through which governance is delivered across the Council, including arrangements relating to ethical conduct, decision-making, risk management, performance management, financial management, audit, scrutiny and accountability. The detail of these arrangements is set out in the Code and supporting policies and procedures and is therefore not repeated in this Statement.

This AGS uses the Local Code of Corporate Governance as its primary benchmark. It assesses whether the arrangements described in the Code were operating effectively during the year and whether they supported the achievement of the Council's objectives and its responsibilities for best value.

Roles and Responsibilities

Overall responsibility for governance rests with those charged with governance, namely Full Council. Full Council sets the Council's Constitution and approves the policy framework, including the Council Plan and the Medium-Term Financial Plan.
The Executive is responsible for discharging the Council's executive functions in accordance with the Constitution and for implementing policies and plans approved by Council.

The Audit Committee provides independent assurance to those charged with governance on the adequacy of the Council's governance, risk management and internal control arrangements. It oversees the work of both internal and external audit and plays a key role in scrutinising financial and governance reporting, supporting transparency and public accountability.

Oversight and challenge of Executive decision-making is provided through the Overview and Scrutiny function, which supports effective accountability and constructive challenge.

The Council's statutory officers are the Head of Paid Service (Chief Executive), the Section 151 Officer (Corporate Director of Finance) and the Monitoring Officer (Corporate Director of Legal and Corporate Services). They have specific responsibilities for maintaining effective governance arrangements. Together with the wider Leadership Management Team, they are responsible for embedding the governance framework within day-to-day operations and ensuring that staff comply with the Council's policies, procedures and values.

Internal Audit provides independent and objective assurance on the adequacy and effectiveness of governance, risk management and internal control arrangements.

External Audit provides independent assurance on the Council's financial statements and on whether the Council has put in place proper arrangements to secure value for money, in accordance with the Code of Audit Practice.

<u>Relationship Between the AGS and the LCCG</u>

The Local Code of Corporate Governance (LCCG) is the Council's standing statement of how good governance is designed and delivered. The Annual Governance Statement is the Council's annual assurance report on whether those arrangements are working effectively in practice.

The AGS does not seek to repeat descriptions of governance processes. Instead, it:

- assesses effectiveness against the seven governance principles;
- draws on a range of internal and external sources of assurance;
- identifies significant governance issues and areas for improvement; and
- sets out actions to strengthen governance where required.

Taken together, the LCCG and the AGS provide a coherent and transparent framework through which the Council demonstrates accountability, promotes continuous improvement and maintains public confidence in the way it governs its affairs.

3. The Local Code of Corporate Governance – How It Is Used

Middlesbrough Council's Local Code of Corporate Governance (LCCG) sets out how the Council applies the principles of good governance in practice. It describes the key arrangements, policies, systems and assurance mechanisms that together form the Council's governance framework and demonstrates alignment with the seven principles of good governance established by CIPFA and SOLACE.

The LCCG is a standing document and provides the baseline description of governance arrangements. It is supported by the Council's Constitution, strategies, policies, frameworks and procedures, which collectively embed governance requirements into the Council's culture and day to day operations. The LCCG is reviewed annually and updated where changes to the Council's operating environment, legislation or guidance require this.

The Annual Governance Statement (AGS) does not restate the contents of the LCCG. It uses the Code as a reference point against which the Council undertakes its annual review of governance effectiveness. This ensures that the AGS focuses on whether governance arrangements are operating effectively in practice, rather than on whether they simply exist.

In preparing this Statement, the Council has assessed:

- whether the arrangements described in the LCCG were in place and operating effectively during the year
- whether those arrangements supported the delivery of the Council's objectives and its responsibilities for economy, efficiency and effectiveness
- whether there were any significant gaps, weaknesses or barriers that limited the effectiveness of governance arrangements
- whether governance arrangements remain sufficiently robust and resilient to address current and emerging challenges.

Where the AGS identifies that there are significant gaps in governance arrangements as set out in the LCCG and they are not operating as intended, these matters are explicitly reported in this AGS together with the actions being taken to address them. This approach reflects the Council's commitment to openness, self-assessment and continuous improvement. The AGS will also continue to capture wider corporate governance improvement actions planned in the coming year.

4. Annual Review of Governance – Methodology

The Council undertakes an annual review of the effectiveness of its governance arrangements to meet the requirements of the Accounts and Audit Regulations and to provide assurance to members, stakeholders and the public that governance arrangements are operating as intended.

<u>Sources of Assurance</u>

The review drew on a wide range of assurance sources, including:

- reports and updates considered by the Audit Committee during 2025/26 as part of its approved work programme
- the Audit Committee's review of its own effectiveness, completed during 2025/26 and reported to Full Council for the first time
- reports to Executive, Overview and Scrutiny and Full Council on governance, performance, finance and risk
- 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

- Internal Audit reports (21 were issued in 2025/26. Of those 9 had substantial assurance, 9 had reasonable assurance, 2 had limited assurance and no opinion was given in 1)
- External Audit reports
- statutory officer assurances
- delivery of the Council's Continuous Improvement Plan
- outcomes from external challenge, peer reviews and inspection activity where relevant.

This approach ensured that the review reflected a range of perspectives and sources of evidence and was proportionate to the Council's scale, complexity and risk profile.

Audit Committee Oversight

During 2025/26, Audit Committee received and considered a comprehensive programme of reports across its full remit, enabling it to form a view on the adequacy of the Council's governance, risk management and internal control arrangements in line with its terms of reference that adhere to the CIPFA standard terms of reference. Reports considered included:

- corporate governance and compliance with the Local Code of Corporate Governance
- financial management, treasury management and budget monitoring
- risk management and strategic risks
- corporate governance assurance reports
- internal audit plans, progress and outcomes
- external audit findings and value for money commentary
- counter fraud and information governance
- Agreement of the Governance and Assurance Mapping Policy
- progress against improvement and assurance actions.

Delivery of the work programme provided the Committee with assurance that governance arrangements were subject to regular, structured scrutiny and challenge during the year.

In addition, the Audit Committee completed a formal review of its own effectiveness during 2025/26 for the first time. The review was led by an experienced former Section 151 Officer. The review concluded that the Committee was operating effectively and in line with its terms of reference, with key findings including:

- it had improved clarity of focus on governance and assurance
- it had increased visibility and transparency of the Committee's work programme
- recommendations for areas for further development to strengthen effectiveness.

An action plan arising from the review was agreed by the Committee and is being progressed to support continued improvement.

The results of the annual review were considered by senior officers and the Audit Committee before being reflected in this AGS.

The conclusions set out in this Statement therefore represent a corporate assessment of governance effectiveness, informed by assurance, challenge and evidence.

5. Assessment of Effectiveness Against the Governance Principles

Overall Assessment

Based on the review undertaken and the sources of assurance set out in Section 4, the Council concludes that **its governance arrangements were operating effectively during 2025/26.**

The review has confirmed that the governance arrangements set out in the Council's Local Code of Corporate Governance, including the core arrangements underpinning each of the seven principles of good governance, were in place and operating effectively in practice and supported the achievement of the Council's objectives and its responsibilities for economy, efficiency and effectiveness.

This conclusion is informed by a comprehensive and evidence-based assessment drawing on internal audit's annual opinion, external audit findings, reports to members, statutory officer assurances and wider sources of independent challenge and scrutiny. Taken together, these sources provide reasonable assurance that the Council's governance framework is fit for purpose.

The Council has continued to strengthen its governance arrangements during the year, particularly in relation to performance and financial management, and has embedded a clear and systematic approach to continuous improvement within its governance and assurance framework.

The improvement actions identified within this Statement reflect the Council's ongoing commitment to continuous improvement and strengthening of governance arrangements, rather than significant weaknesses or failures in the operation of the governance framework.

Strengthening Performance and Financial Governance

During 2025/26, the Council took significant steps to strengthen its approach to performance and financial governance. This resulted in Executive approving a refreshed Performance and Financial Management Policy in April 2026. This concluded a review that reset the Council's approach and established the policy foundation for integrating performance and financial management and reporting. This reflects best practice and directly addressed a long-standing recommendation from the Council's former Independent Improvement Advisory Board, which had highlighted the need for clearer alignment between performance, finance and decision-making during the period when the Council was subject to a Best Value Notice.

The refreshed policy supports:

- clearer articulation of outcomes and priorities
- improved alignment between financial planning and performance management
- more consistent, transparent reporting to members and senior leaders.

Council Plan

In March 2026, Executive approved a refreshed Council Plan, which clarified the Council's outcomes. The Council then set out the activities required to deliver them, and identified the key performance indicators that will be used to measure progress. These are articulated in Directorate Service Plans that are being developed for 2026/7.

Completion of this work addressed a concern raised by the Council's external auditors, Forvis Mazars, in their Audit Completion Report for 2024/25. The auditors noted that, while significant progress had been made, further work was required to fully embed the Council Plan and strengthen the links between the Mayor's priorities, performance management and value for money arrangements.

The refreshed Council Plan, together with the new Performance and Financial Management Policy, provides a clearer and more coherent framework for demonstrating economy, efficiency and effectiveness and strengthens the Council's overall best value arrangements.

Transition to Continuous Improvement

During 2025/26, Executive also approved:

- a revised Programme and Project Management Policy
- the cessation of the Council's formal transformation programme.

This marked a deliberate transition towards a best-practice model of continuous improvement, embedding improvement activity across all aspects of the Council's business rather than delivering it through a time-limited programme.

During 2026/27, the Council is re-establishing Directorate Plans to demonstrate a clear and explicit link between the Council Plan, directorate activities and individual appraisal objectives. These plans will also capture statutory obligations, improving visibility and accountability for both members and stakeholders. The Council has embedded the emerging Local Outcomes Framework (LOF) within its directorate planning and performance and financial management arrangements to ensure that it can demonstrate grip on the outcomes within the LOF.

In line with the Council's commitment to embedding continuous improvement within its governance frameworks, action has been taken to embed the remaining actions from the current plan within this AGS and, where relevant within Directorate Plans. Future continuous improvement activity requirements will be systematically considered, identified and implemented within both the integrated performance and financial management cycle being put in place during 2026/27 and the Governance and Assurance Mapping policy which was agreed by Audit Committee in April 2026.

Financial Position and Ongoing Financial Risk

The Council's financial position continued to improve during 2025/26; however, financial sustainability remains a key area of focus.

The final revenue outturn for 2025/26 was a slight overspend of £2.147m after the application of corporate contingencies and other central resources.

There continued to be significant budget pressures within both Children's and Adults Social Care, with overspends of £7.455m and £1.272m respectively. There were also overspends within Environment, Communities and Culture and Education and Partnerships (£1.108m and £0.348m). While the overall budget outturn represents a more stable position than in previous years, the incidents of overspending reinforces the need for continued financial discipline, robust monitoring and early corrective action.

Whilst the level of usable unrestricted reserves increased from £21.654m to £25.529m at year-end, there remains a need to further increase reserves to target levels as set out in the Council's Medium Term Financial Plan.

The Council is committed to growing the reserves during the medium term which is reflected in budget strategy. The Council is fully sighted on the potential impact of poor budget management and the effects that overspends on budgets would have on reserves.

The Council recognises that ongoing caution is required given continued demand pressures, inflationary impacts and uncertainty in the wider funding environment. Financial governance and medium-term financial planning therefore remain priority areas within the governance framework. Implementation of integrated financial and performance management arrangements during 2026/27 will support concerted action to identify pressures, their drivers and agreement of corrective actions.

Working with Tees Valley Combined Authority

The Council continues to work constructively with the Tees Valley Combined Authority (TVCA) while it remains subject to a Best Value Notice. The Council acknowledges the challenges this has created but also recognises the progress that has been made in strengthening governance and assurance arrangements within the Combined Authority. Middlesbrough Council remains committed to playing a positive and supportive role as a constituent authority and to contributing to the continued improvement of governance, transparency and decision-making at a regional level.

Effective partnership working with the Combined Authority remains important to the delivery of economic growth and regeneration outcomes for the borough, and the

Council will continue to engage actively and constructively as improvement activity progresses.

Maintaining a Fit-for-Purpose Constitution

In May 2026, Full Council considered the annual review of the Constitution. The review concluded that the Constitution remains fit for purpose, with no major changes required.

The review demonstrated good practice in:

- actively managing the Constitution as a living document
- ensuring that governance arrangements remain current, accessible and understood.

The Council will continue to undertake annual constitutional reviews to ensure governance arrangements evolve in line with legislation, guidance and organisational change. The principle of annual reviews has been embedded within the Council's standing agenda for Annual Meetings of Full Council.

Ongoing strategic commitment to embedding the values and Nolan principles within the organisation

During 2025/26 the Council maintained its positive direction of travel on work to ensure its Values and the Nolan Principles are embedded within the organisation. It continued to deliver the People Strategy, which sets its strategic ambitions around staff engagement. Within its April 2026 report to Audit Committee, it reported extensively on the initiatives delivered and the impact of the strategy. Impacts included further reductions in sickness and reductions in turnover for the third year in a row. The number of staff who engaged with the latest staff survey also increased significantly.

6. Significant Governance Issues and Improvement Actions

The Council recognises that effective governance requires continual review and development. While governance arrangements were generally operating effectively during 2025/26, the annual review has identified a number of areas where further strengthening is required to ensure governance arrangements remain robust, proportionate and fit for the future. This review provides a practical opportunity for the Council to evidence the impact of its commitment to Continuous Improvement and as such the planned improvement actions set out for 2026/27 at the end of this statement are wider than the content in this document.

7. Progress Against Prior-Year Governance Actions

The table below sets out those actions which were identified in previous AGSs and their status:

Issue	Action	Lead officer	Status
(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 the right decisions and actions to be able to deliver the best outcomes for our residents.	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	Initial commitment has been amended to put in place a more detailed set of plans for each directorate. In January 2026 Leadership Management Team agreed a programme of actions to implement workforce plans for each department by March 2028.
(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 August 2026 within the Continuous Improvement Plan to reflect the plan to develop this organically, alongside the emerging place strategy and then codify it formally.
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	In line with the Council's commitment to embedding continuous improvement within its governance frameworks, action has been taken to embed the remaining actions from the current plan within this AGS and, where relevant within the Directorate Plans that will be put in place during 2026/27. Future continuous improvement activity requirements will be systematically considered, identified and implemented within the integrated performance and financial management cycle being put in place during 2026/27.

Issue	Action	Lead officer	Status
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	To be delivered by August 2026. Work is underway to deliver this within the Neighbourhoods model.
Liquidation and closure of the Middlesbrough Development 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	Reprofiled from October 2025 to February 2026. Further reprofiled to October 2026 to allow technical steps that need to be taken by Government as part of the standard process of liquidating a company.

8. Governance Outlook and Emerging Risks

The Council recognises that effective governance requires not only assurance over past arrangements but also a clear understanding of the governance challenges and risks that may impact on its ability to deliver outcomes in the future. This section highlights the key strategic governance risks that are expected to shape the Council's operating environment over the medium term and the actions being taken to manage them.

This section does not duplicate the Council's strategic risk register. Instead, it focuses on those risks with a direct governance dimension that require continued oversight by members and senior leadership.

<u>Local Elections 2027</u>

The May 2027 local elections represent a significant governance milestone for the Council. There is potential for changes in political leadership, priorities and governance arrangements, which will require careful management to ensure continuity of good governance and service delivery.

<u>Financial Sustainability and Budgetary Pressures</u>

While the Council's financial position has stabilised in recent years, financial sustainability remains one of the most significant governance risks facing the organisation.

The Council will maintain a laser focus on the budget, supported by the introduction of an integrated performance and financial management approach. This will enable:

- earlier identification of emerging financial pressures
- improved understanding of the drivers of overspends
- use of predictive analytics to support forecasting and scenario planning
- more timely corrective action where performance or financial outcomes are not at the required level.

Financial governance, medium-term financial planning and disciplined budget management will therefore remain priority areas of focus.

Performance Management and Delivery of Outcomes

The Council has made significant progress in strengthening its performance and financial governance framework. The key challenge now is to ensure that these arrangements are fully embedded and consistently applied across the organisation. The re-establishment of Directorate service plans during 2026/27 will be a critical component of this.

Partnership and Place-Based Governance

Partnership working will continue to be central to the delivery of improved outcomes for residents. The Council recognises that partnership arrangements bring both opportunity and governance risk, particularly in relation to accountability, transparency and decision-making.

Workforce Capacity, Capability and Organisational Resilience

The Council's ability to deliver good governance and high-quality services is dependent on having a skilled, engaged and resilient workforce.

Investing in delivery of the People Strategy remains a key mechanism for mitigating governance risk. The Council recognises that workforce resilience is a critical enabler of effective governance and sustainable improvement.

Information Governance, Data Quality, AI and Digital Risks

The increasing reliance on data, digital systems and technology presents both opportunity and risk from a governance perspective. Ongoing implementation of the Council's Information Strategy and Digital Strategy during 2026/27 will be essential to:

- maintaining compliance with information governance and data protection requirements
- ensuring the quality, accuracy and integrity of data used to support decision-making
- providing secure platforms that enable innovation and improved efficiency and effectiveness in service delivery.

Effective governance of digital change, records management, cyber risk and data quality will therefore remain an important area of focus for members and senior officers. In addition, the rapidly evolving development of Artificial Intelligence (AI) creates both risks and opportunities that will need to be carefully balanced to ensure lawful use of emerging technologies while also exploiting opportunities to improve processes and outcomes, while reducing costs. The Council put in place an AI Policy during 2025/26 as a foundation step to ensure there is a controlled approach to this. The Policy forms part of the Information Governance Framework.

9. Conclusion and Approval

In summary, the Council has had a generally effective set of control measures in place during 2025/6, alongside a methodology in place to identify and deliver improvements where there have been weaknesses. It has taken steps to embed continuous improvement within its corporate planning and performance frameworks to ensure it has systems in place to continue to be able to effectively identify and address areas where improvements are required to improve outcomes and compliance.

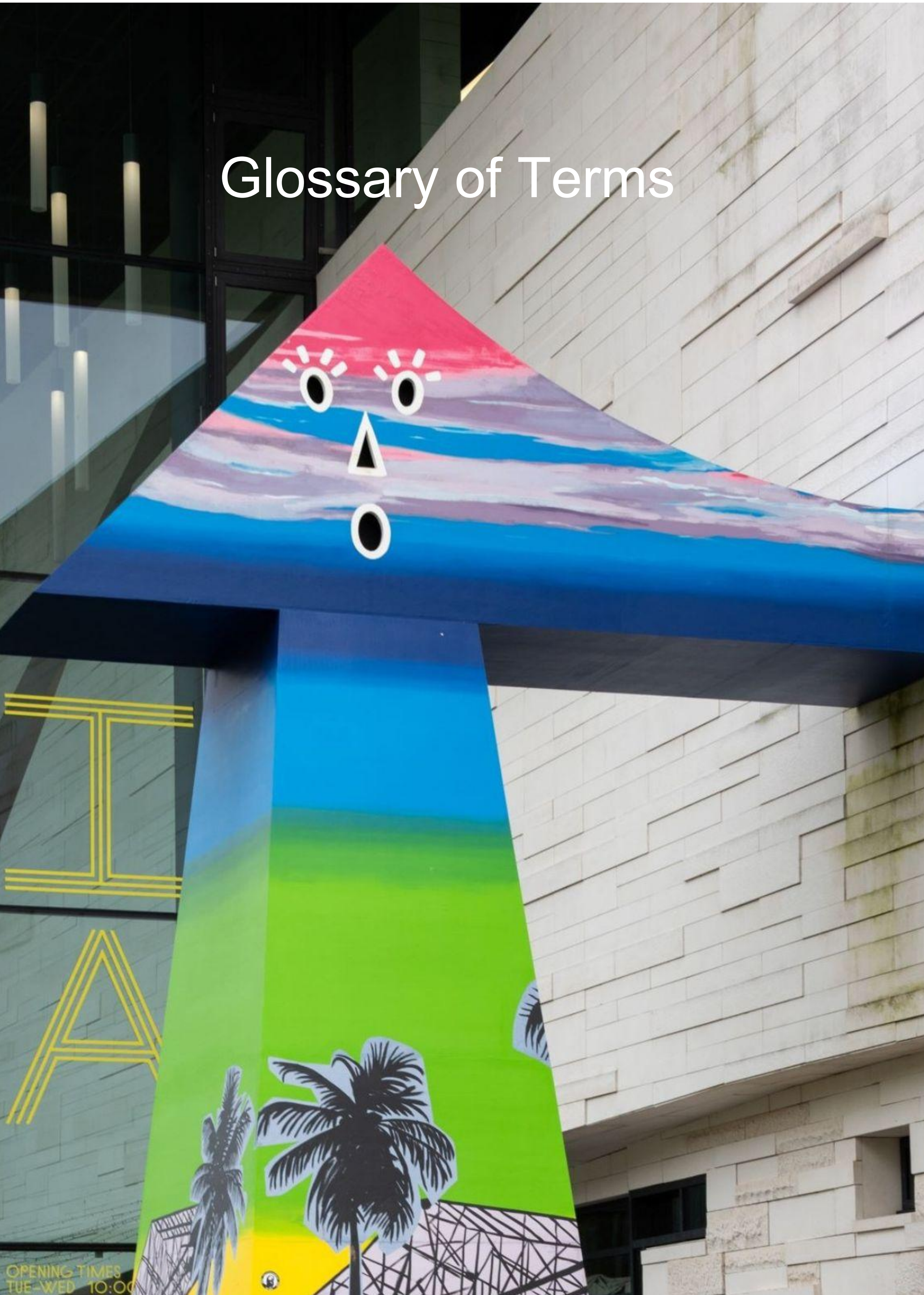
Mayor, Chris Cooke

Chief Executive, Erik Scollay

Section 151 Officer, Andrew Humble CPFA

This document will be formally signed by the above when it is finalised as part of the statement of accounts, following completion of the inspection period.

Glossary of Terms



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 lessee for the hire of a specific asset with the ownership of the asset being retained by the lessor. There are two main types of leases, 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.