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Financial Report 2025/26 Hartlepool Borough Council



CONTENTS	Page
SECTION 1: Narrative Report	1
SECTION 2: Statement of Responsibilities for the Statement of Accounts	12
SECTION 3 : Statement of Accounts	
Movement in Reserves Statement	13
Comprehensive Income and Expenditure Statement	14
Balance Sheet	15
Statement of Cash Flows	16
Note 1: Accounting Standards that have been issued but have not yet been adopted	17
Note 2: Critical Judgements in applying Accounting Policies	17
Note 3: Assumptions Made About the Future & Other Major Sources of Estimation Uncertainty	18
Note 4: Events after the Balance Sheet Date	18
Note 5: Adjustments between Accounting Basis and Funding Basis under Regulations	19
Note 6: Transfers to/(from) Earmarked Reserves	22
Note 7: Expenditure and Funding Analysis	23
Note 8: Other Operating Expenditure and Transfer of School Assets	26
Note 9: Financing and Investment Income and Expenditure	26
Note 10: Taxation and Non-Specific Grant Income	26
Note 11: Councillors' Allowances & Expenses	27
Note 12: Officers' Remuneration	28
Note 13: Termination Costs	30
Note 14: Non-Current Assets - Property, Plant & Equipment	31
Note 15: Non-Current Assets - Property, Plant & Equipment - Revaluations	35
Note 16: Right-of-Use Assets	36
Note 17: Operating Leases	37
Note 18: Non-Current Assets - Heritage Assets	38
Note 19: Non-Current Assets - Investment Property	39
Note 20: Non Current Assets - Intangible Assets	41
Note 21: Long Term Debtors	42
Note 22: Long Term Investments	42
Note 23: Short Term Debtors	42
Note 24: Debtors for Local Taxation	43
Note 25: Cash and Cash Equivalents	43
Note 26: Provisions	44
Note 27: Short Term Creditors	45
Note 28: Grant Income & Taxation	45
Note 29: Other Long Term Liabilities	47
Note 30: Unusable Reserves	48

Note 31: Related Party Transactions	52
Note 32: External Audit Costs	53
Note 33: Dedicated Schools Grant	54
Note 34: Capital Expenditure and Financing	55
Note 35: Financial Instruments	56
Note 36: Nature and Extent of Risks Arising from Financial Instruments	60
Note 37: Cash Flow Statement - Operating Activities	64
Note 38: Cash Flow Statement - Adjustments for non-cash movements	64
Note 39: Cash Flow Statement - Adjustments for Investing and Financing Activities	64
Note 40: Cash Flow Statement - Investing Activities	65
Note 41: Cash Flow Statement - Financing Activities	65
Note 42: Pensions Schemes Accounted for as Defined Contribution Schemes	66
Note 43: Defined Benefit Pension Schemes	67
Note 44: Contingent Liabilities	71
Note 45: Contingent Assets	71
Note 46: Financial Guarantees	71
Note 47: Pooled Budgets	72
Housing Revenue Account	73
Collection Fund	75
SECTION 4 : Annual Governance Statement	77
SECTION 5 : Independent Auditor's Report	84
SECTION 6 : Summary of Material Accounting Policies	88
SECTION 7 : Glossary	102

SECTION 1 : Narrative Report

INTRODUCTION

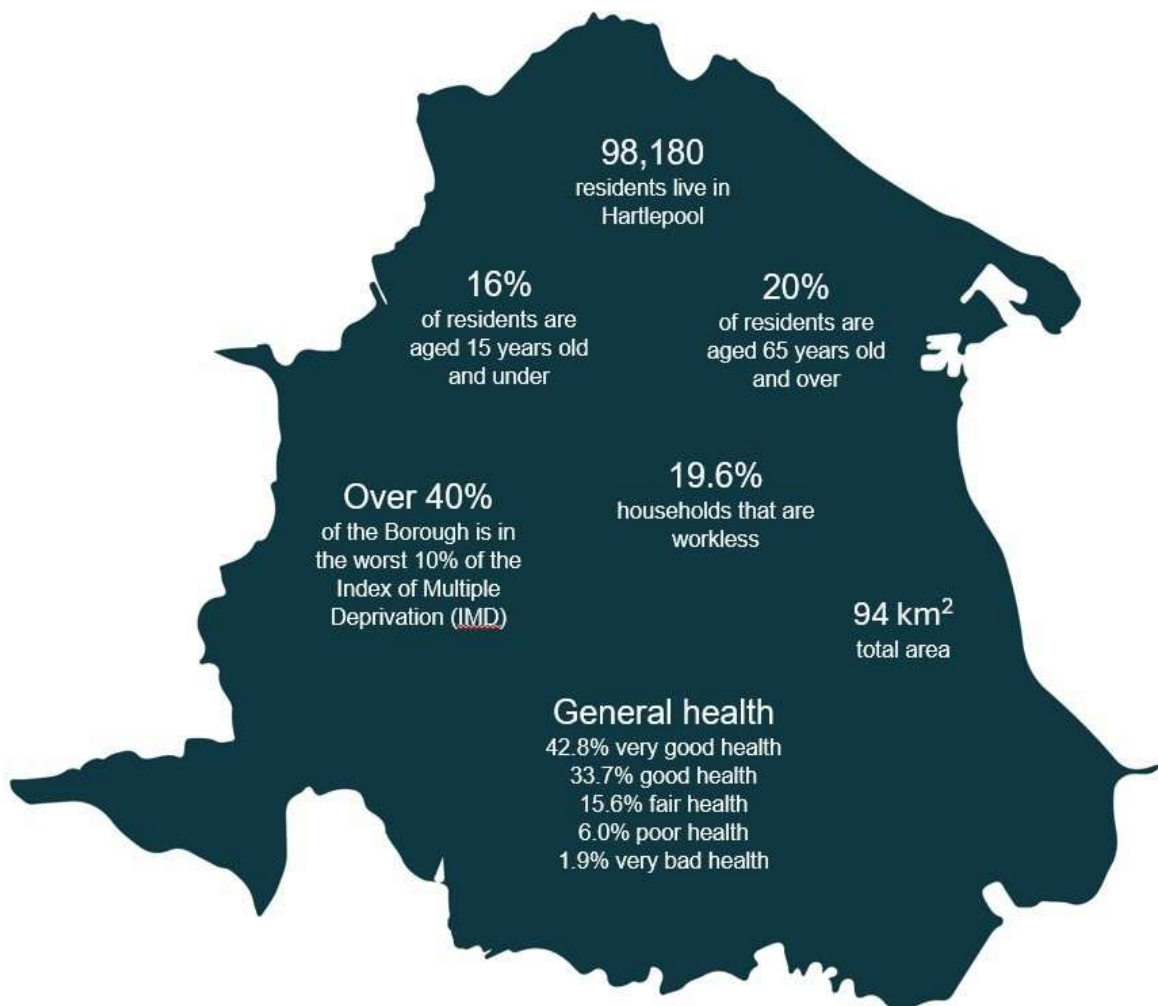
The narrative report provides an overall explanation of the Council's financial position, including major influences affecting the accounts. This will enable readers to understand and interpret the financial statements.

The narrative report covers the following:

- About Hartlepool
- Council Plan Vision
- Risk & Financial Risk Assessment
- Financial Performance 2025/26
- Financial Outlook – General Fund 2026/27 to 2029/30
- Borrowing Facilities and Investment Strategy
- Pensions
- Statement of Accounts

ABOUT HARTLEPOOL

Hartlepool Borough Council is a unitary authority covering the town of Hartlepool and the surrounding villages of Dalton Piercy, Elwick, Greatham, Hart, Newton Bewley and Wynyard. Hartlepool is on the North East coast of England at the northern end of the Tees Valley. Some key statistics for Hartlepool are:



SECTION 1 : Narrative Report

Political Structure

The Borough of Hartlepool is broken down into 12 wards represented by 36 Councillors. Following the May 2024 elections, the Council became a Labour-led administration after a period of no-overall control. During 2025/26 there were 2 by-elections and 3 Councillors changed their party affiliation. The political make up of the Council at the end of the financial year is set out below alongside the position directly following the May 2025 by-election:

May 2025	31 March 2026
Labour Group – 22	Labour Group – 22
Conservative Group - 5	Conservative Group - 2
Independents – 7	Independents – 8
Reform - 2	Reform - 4

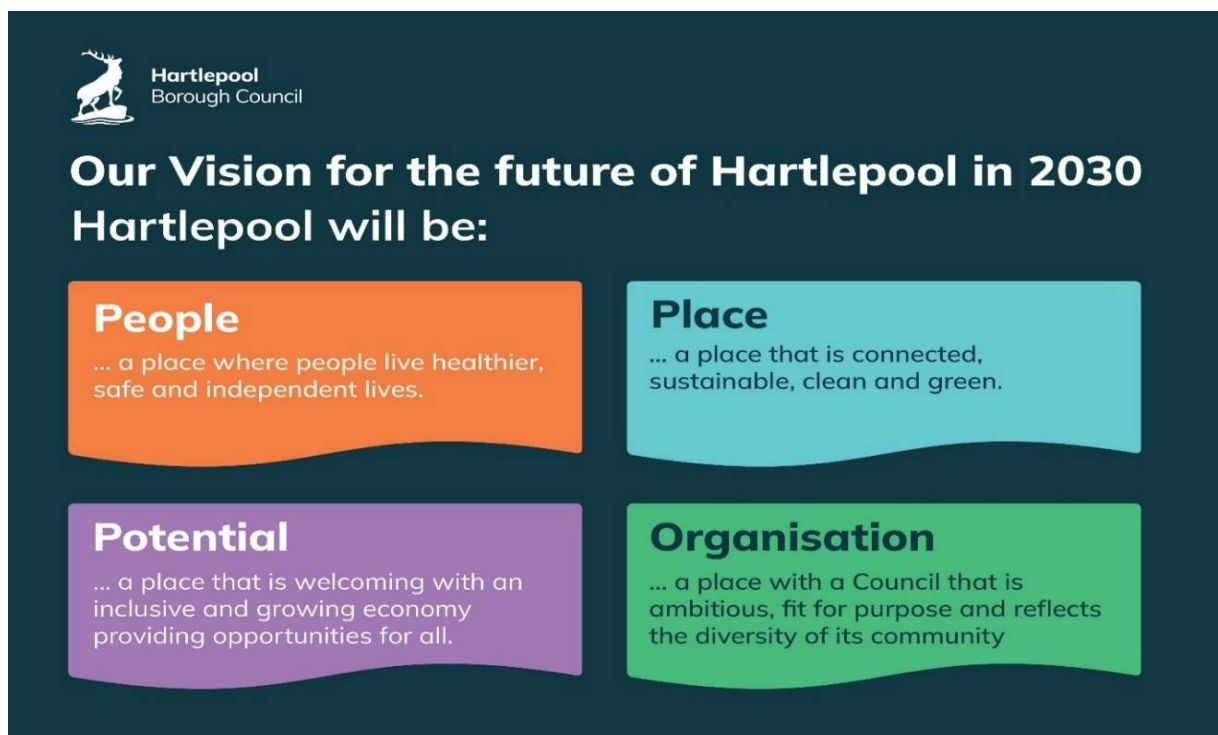
The Council operates a committee system of governance with five Policy Committees (Finance and Corporate Affairs, Children’s Services, Adult Services & Public Health, Housing, Growth & Communities and Neighbourhood & Regulatory Services) and a further four committees responsible for regulatory and other functions that are the responsibility of the Council (Audit and Governance, Appeals, Planning and Licensing).

Management Structure

During 2025/26 the management structure of the Council was revised. The current structure was agreed in August 2025 as follows:



COUNCIL PLAN VISION



Our Council Plan sets out our vision for Hartlepool and the priorities that we will be focussing on over the next 5 years across the four themes.

The Finance and Corporate Affairs committee receives quarterly updates on progress on the priorities identified within the Council Plan. Each quarterly report focuses on a different area of priority. During November 2025 a report was presented covering the Potential and Organisation profiles, whilst in February 2026 the report presented covered the Place priority. An update on People will be presented to a future meeting of this committee.

These committee reports present comprehensive updates on the progress we have already made during 2025/26 towards our vision and can be viewed online via our re-branded website.

To see the full plan please visit our website:



RISK & FINANCIAL RISK ASSESSMENT

The Council maintains a Strategic Risk Register (SRR) which highlights all major risk areas and includes details about the risk, existing controls and required actions. The SRR is reviewed regularly and updated versions are reported to Finance and Corporate Affairs Committee and the Audit and Governance Committee. There are specific strategic risks for finance and fraud:

Finance - Failure to deliver a balanced budget and sustainable Medium-Term Financial Plan (MTFP) leading to an unbalanced budget, use of reserves to support the budget and reductions to budgets in an uncontrolled way. Resulting in reduced service provision, risk to statutory services and increased costs incurred through entering Exceptional Financial Support Framework.

SECTION 1 : Narrative Report

Fraud - Failure to prevent fraud leading to financial loss for the organisation and potential non-compliance with the Economic Crime and Corporate Transparency Act (ECCTA) 2023 resulting in potential impact to the Council's financial position and regarding ECCTA, the Council committing a corporate offence and incurring unlimited fines.

The Council carefully manages these risks, and the others in the Strategic Risk Register (SRR), to ensure that they are mitigated appropriately. Further details on these risks and the others in the SRR can be found in Appendix 2 of the Council Plan report to Finance and Corporate Affairs Committee on 10th February 2026.

Future focus

The Council will continue to deliver against the priorities identified within our Council Plan 2030.

Transformation Plan

The Council has an agreed Transformation Plan which sets out our Target Operating Model (TOM) and the parameters for our transformation programme. Our focus is on opportunities to improve services and reduce costs. The Transformation Plan will be refreshed during 2026/27 to ensure that we meet the challenges of our revised MTFP.

FINANCIAL PERFORMANCE 2025/26

The Council spends money on a wide range of services to help support the people of Hartlepool to achieve and enjoy a better quality of life. This spending can be General Fund revenue or Housing Revenue Account spending which relates to day to day running costs such as staffing, purchasing goods/services from third parties and utilities; or capital spending on assets which are of benefit to residents over a longer period, such as buildings, operational vehicles and economic regeneration.

The following sections provide more detail in relation to these areas.

General Fund 2025/26 – Approved Budget

The Council prepared and approved a Medium-Term Financial Plan (MTFP) covering the period to 2027/28. This strategy reflected the decision to increase Core Council Tax in 2025/26 by 2.99% and the Adult Social Care precept by 2%. To support this plan the Council used reserves of £1.0m to underpin the budget in 2025/26 and recognised this deferred a budget deficit to be addressed in 2026/27 and subsequent years. By taking this phased approach the Council avoided significant service cuts being made earlier than potentially necessary.

The detailed 2025/26 budget decisions were finalised in late February by Council, when the final level of Government funding for 2025/26 was confirmed.

The budget shortfall to be addressed totalled £19.3m for 2025/26, which reflected a higher level of forecast inflation and continuing pressures in Children's Social Care. This was addressed through a combination of measures, including the above noted Council Tax increase:

• Savings	£2.8m
• Council Tax and ASC precept (including base increase)	£4.0m
• Business Rates	£1.0m
• Increase in Government Funding	£9.9m
• One-off funding	£0.6m
• Reserves	£1.0m

As highlighted above, reserves were required to balance the 2025/26 budget, with £1.0m earmarked for use from the Budget Support Fund.

General Fund 2025/26 – Actual Outturn

The 2025/26 financial year was another challenging year for the Council. During the year the Council continued to feel the significant demand and cost pressures within Children's Social Care and also the emergence of similar, but smaller pressures in Adult Social Care.

During the year a pay award of 3.2% was agreed, this was above that budgeted for when setting the 2025/26 budget, therefore providing a further in-year pressure.

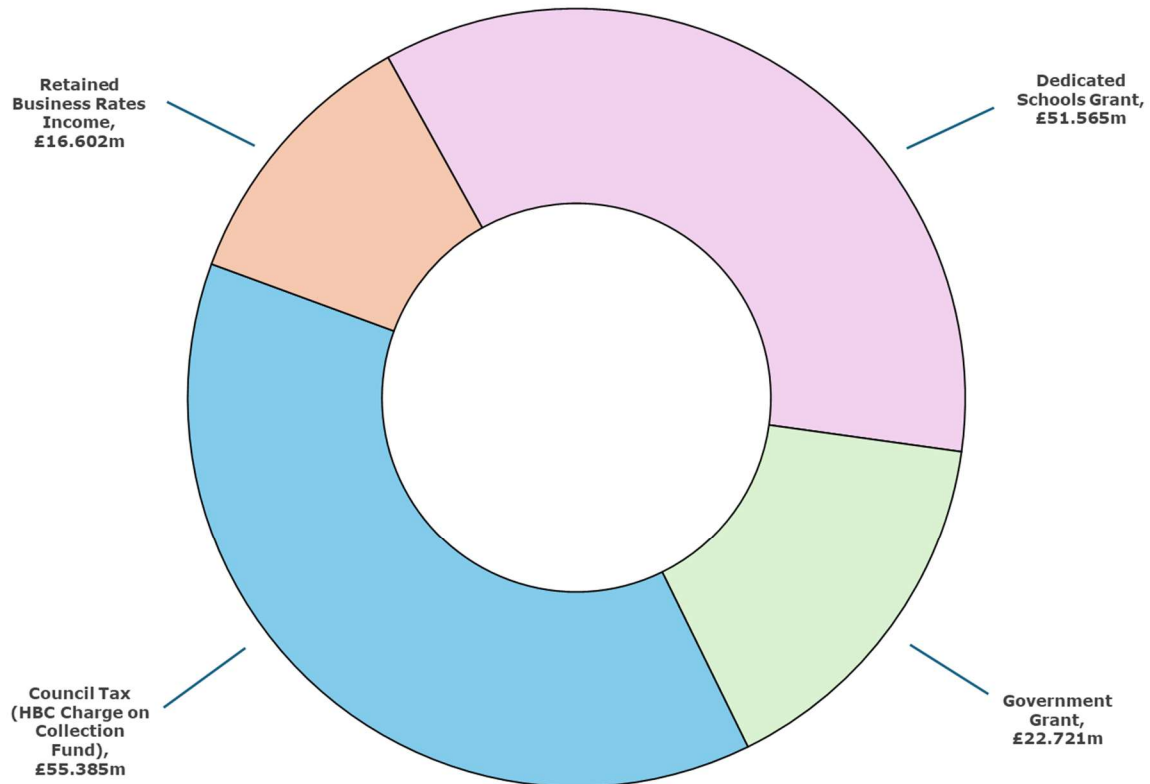
In response to the emerging forecast overspend reported early in the year, spending restrictions and controls were again introduced. These actions supported an improvement in financial position across a number of directorates, although the Children's Services position did continue to deteriorate. Critically the Council benefited from increased treasury investment returns, which supported the wider budget position, although an overspend of £1.195m was still recorded.

SECTION 1 : Narrative Report

The outturn position is summarised in the table below and shows a required additional financial contribution from the Budget Support Fund of £1.195m.

	2025/26 Approved Budget £000	2025/26 Actual Expenditure / (Income) £000	2025/26 Variance Adverse / (Favourable) £000
Departmental Expenditure			
Adult Services & Public Health	43,352	43,710	358
Children's Services	41,853	48,397	6,544
Neighbourhoods & Regulatory Services	23,585	22,915	(670)
Housing, Growth & Communities	3,924	3,817	(107)
Finance, IT and Digital	4,273	4,007	(266)
Legal, Governance and HR	2,244	2,101	(143)
Office of the Chief Executive	561	646	85
Dedicated Schools Grant Related Expenditure	51,565	51,565	-
Total Departmental Position	171,357	177,158	5,801
Non Departmental Expenditure	(25,084)	(29,690)	(4,606)
Final Outturn	146,273	147,468	1,195

The Council's budget of £146.273m, including the Dedicated Schools Grant of £51.565m, was funded from the following sources:



SECTION 1 : Narrative Report

Housing Revenue Account (HRA)

This is a separate account and contains the costs of owning and maintaining properties which are let to tenants. These costs are funded from rent paid by tenants.

The HRA shows the in-year economic cost of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

The HRA budgeted for a £0.008m surplus for the 2025/26 financial year. The net nil actual position at year end, results in a £0.008m adverse variance when compared to budget.

In 2025/26 the HRA has continued to experience the competing challenges of meeting customer targets and expectations, whilst managing a financially robust position. In particular, pressures have remained in maintenance costs in relation to damp and mould and there is an overspend against the budget for Council Tax charges due to increased void rates. General supervision and management expenditure has increased in line with the forecasted budget due to inflation, although there is a net saving from internal insurance.

These overspends were offset through a combination of favourable variances including income due from insurance claims, additional rental income and a revenue grant.

The HRA reserve remains at £0.500m. As at 31 March 2026 the HRA stock is 355 properties. One Right-to-Buy sale was processed during the year.

Dedicated Schools Grant (DSG)

The DSG is a ring-fenced grant and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2025. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

The DSG had a brought forward deficit balance of £4.932m as at 1 April 2025.

The 2025/26 in-year overspend on the DSG totalled £3.861m. The overspend was as a result of increases in expenditure in the high needs block element of activity.

Owing to this deficit position the Council previously produced a DSG Management Plan, which was agreed with the Department for Education (DFE). Following the publication of the Schools White Paper, the DFE issued a further requirement for local authorities to produce a Local SEND Reform Plan, this is to be submitted for approval in June 2026.

The DSG cumulative deficit balance totalled £8.793m as at 31 March 2026.

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 Government have announced that the statutory override will cease at the end of March 2028. Subject to the production of a compliant Local SEND Reform Plan, government are to provide 90% of the accrued DSG deficit balance 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 pressures on authorities from this deficit. Local authorities are required to fund the remaining 10% balance. A reserve has been created to cover Hartlepool's 10% requirement, including an estimate for the 2 further financial years 2026/27 and 2027/28 (£2m total earmarked reserve held as at 31 March 2026).

Government have indicated that they will manage the High Needs Block element of the DSG from 2028/29.

Pooled Budgets - Better Care Fund

The Better Care Fund (BCF) was established by the Government to support the introduction of a fully integrated health and social care system. Section 75 of the National Health Service Act 2006 gives powers to Local Authorities and Integrated Care Boards (ICBs) to establish and maintain pooled budgets to support the outcomes of the BCF. The Council has entered into a pooled budget arrangement with NHS North East and North Cumbria Integrated Care Board. Further details are provided in Note 47.

SECTION 1 : Narrative Report

Capital Expenditure

Capital expenditure relates to spend on the purchase of, or improvement of, assets that have a long-term value to the Council and our residents, such as highways and buildings.

In 2025/26 the Council had budgeted capital expenditure of £81.761m (including HRA). Reprofiling of expenditure and cost variations of £39.981m were reported to members during the financial year. Of the remaining £41.780m forecast to be spent, actual capital programme expenditure incurred totalled £32.861m. Recognition of Right-of-Use assets totalling £0.120m was also capitalised during 2025/26. Recognition of Donated Assets totalling £0.048m was also capitalised during 2025/26. A breakdown of the total £33.029m by expenditure type and financing source is detailed below.

	<u>£000</u>	<u>%</u>
Expenditure		
Regeneration and Other Schemes	23,074	69
Housing Investment Programme	5,513	17
Vehicle Purchase	1,538	5
Disabled Facility Grant	1,488	5
School Improvements	1,166	3
Highway Maintenance & Construction	250	1
Total Expenditure	33,029	100
	<u>£000</u>	<u>%</u>
Capital Financing		
Borrowing	15,363	46
Capital Grant	13,728	42
Direct Revenue Funding	3,358	10
Capital Funding Reserves	364	1
Capital Receipts	216	1
Total Capital Financing	33,029	100

The rephasing predominantly reflects the profile of expenditure in relation to major regeneration schemes that are to be completed over multiple financial years.

Capital Receipts

The Council received gross receipts of £0.162m in 2025/26 from the sale of assets.

FINANCIAL OUTLOOK – GENERAL FUND 2026/27 TO 2029/30

The Government carried out consultations during 2025 to inform the funding reform of local government finance. This process concluded with a three-year grant settlement for 2026/27 though to 2028/29.

The scale of the reforms to the Local Government Finance system were significant, with the changes arising resulting in the biggest redistribution of resources across the sector for 25 years. Hartlepool were a beneficiary, but not to the level a deprived northern borough would have expected from a Fair Funding reform package.

The provisional settlement provided an increase in core spending power (the Government's measure of resources available for local services) of £4.2 billion or a 5.7% increase in spending power nationally for 2026/27. Of this amount Government figures forecast 61% (£2.562 billion) coming from Council Tax and the Adult Social Care (ASC) precept. This underlines the continued reliance of the funding system on Council Tax and the ASC precept to fund local services.

The above allocations provided through the provisional settlement would provide Hartlepool with a £10.275m or 7.7% increase in core spending power based on an assumed full 4.99% Council Tax increase. Given the smaller Council Tax base in Hartlepool, 39% of the increase would be funded from Council Tax, with the balance from business rates (28%) and government grant (33%).

Inflationary pressures in the sector continue to have a significant impact on the cost of services, including the cost of Adult and Children's Social Care Services provided by external providers, with increases in the National Living Wage being a notable factor. Significant additional resources of £6.5m were directed into Children's Social Care, to meet demand and inflationary pressures.

SECTION 1 : Narrative Report

Subsequent to the provisional local government finance settlement issued by government in December 2025, Council voted to not impose the maximum Council Tax increase of 4.99% and instead approved a 1.98% increase. This decision necessitated further budget changes to balance the 2026/27 budget.

In total the Council faced a budget pressure of £16.1m when setting the 2026/27 budget, which was ultimately funded from:

• Increase in Government Funding	£4.4m
• Savings	£6.1m
• Council Tax and ASC precept	£1.9m
• Increase in Business Rates	£2.7m
• Reserves	£1.0m

The Council continues to face financial pressures during 2026/27, the position will continue to be closely monitored and proactively managed during the financial year. The 2026/27 budget and the MTFP are reliant on delivering both the approved savings plans, and over the medium-term, the Council's Transformation Plan. A number of transformation projects have now commenced, aligned to the following transformation principles which will underpin all of our transformation activities:

- **Commissioning and Procurement** – being efficient and commercially minded with a consistent approach across the Council.
- **Communications and Marketing** – ensuring clear and consistent messaging and branding from the Council. Actively promoting the Council and Hartlepool to residents, visitors and potential investors.
- **Data** – making the best use of available data to inform decisions and future service delivery. Ensuring that all decisions are based on appropriate data and evidence.
- **Digital** – promoting customer self-service through efficient and IT / Digital enabled processes. Giving employees access to digital infrastructure that will enable more efficient and effective service delivery and decision making. Utilising Artificial Intelligence in a controlled and responsible manner.
- **Employees / Organisational Culture** – ensuring employees are skilled and empowered to adapt and excel as the organisation evolves. Demonstrating our organisational values and behaviours in all that we do.
- **Equality, Diversity and Inclusion** – respecting and valuing everyone's differences and needs. Seeking to address inequalities including poverty and socio-economic disadvantage.
- **Governance** – being a lean organisation with appropriate delegations in place allowing Members to set the strategic direction and officers the space and freedom to enact. Ensuring an appropriate Performance Assurance Framework is in place that provides assurance at all levels of the organisation.
- **Income Generation** – ensuring we have a consistent and coherent policy on fees and charges. Undertaking trading activity where it is appropriate, adds value and covers costs. Ensuring that where commercial activity is considered that this is open, transparent and supported by a robust business plan.
- **Net Zero** – ensuring we take all available opportunities to reduce emissions and our carbon footprint.
- **Property / Assets** – making efficient use of Council land and property. This will include embedding hybrid working and reducing the need for physical office space. Also, reducing the carbon impact of Council activities.
- **Residents** - enabling residents to live independent lives through empowerment and signposting. Ensuring resident engagement and building trust between the Council and its community.
- **Resources** - making better use of resources / reducing financial costs.

The Council's MTFP, published March 2026, presented a cumulative shortfall of £6.020m over the 4 years to 2029/30. This position is predicated on the 3 year settlement position provided by Government, which is understood to be a minimum grant allocation. This position is reliant upon a number of assumptions and delivery of the savings and transformation plans. It also assumes a maximum Council Tax rise in each of the remaining 3 years. The position will continue to be reviewed and further savings plans developed as necessary to meet any budget shortfalls in future years.

BORROWING FACILITIES AND INVESTMENT STRATEGY

The Council's arrangements for borrowing accord with the approved Treasury Management Strategy, which was drawn up to comply with the Code of Practice for Treasury Management in Local Authorities published by the Chartered Institute of Public Finance and Accountancy.

The Council continues to keep under review the most opportune approach to borrowing. Given the increase in interest rates experienced since 2022, the Council has not entered into any new long term borrowing. The position will be kept under review, with the potential for shorter term borrowing options if these are determined to be most cost effective, when the need to borrow arises, pending a reduction in longer term rates.

SECTION 1 : Narrative Report

The increase in interest rates also presented the Council with an opportunity to maximise investment returns over the short to medium term. Detailed cash flow modelling has allowed investments to be placed for a longer time period (up to a year) with a number of institutions, to achieve the higher rates of investment interest now available. This proactive approach has enabled the Council to generate investment returns, making a significant one-off contribution to the MTFP.

PENSIONS

The Council has accounted for retirement benefits according to International Financial Reporting Standard (IFRS) IAS 19. In the accounts as at 31 March 2026 there was a deficit on the Pensions Reserve of £6.607m (a deficit of £6.938m in 2024/25). The net Pensions Asset has changed mainly owing to actuarial gains on financial assumptions.

Details of the 2025/26 asset values, funded and un-funded obligations, interest income and cost, cashflows, remeasurements and the asset ceiling have all been calculated by the Council's actuary, Hymans Robertson LLP, with the detail provided in Notes 42 and 43 to the Statement of Accounts. The market experienced a period of significant volatility around the reporting date of 31 March 2026. The actuary has therefore advised that the Council disclose that the financial market conditions (on which these accounting assumptions are based) and asset values may have changed materially since the reporting date.

A separate Pension Fund valuation is carried out every three years to determine the Council's contribution rate. Further information is included in Notes 42 and 43 to the Statement of Accounts.

STATEMENT OF ACCOUNTS

The core financial statements comprise of:

- The Movement in Reserves Statement
- The Comprehensive Income & Expenditure Statement
- The Balance Sheet
- The Statement of Cash Flows

A brief explanation of their purpose precedes each statement.

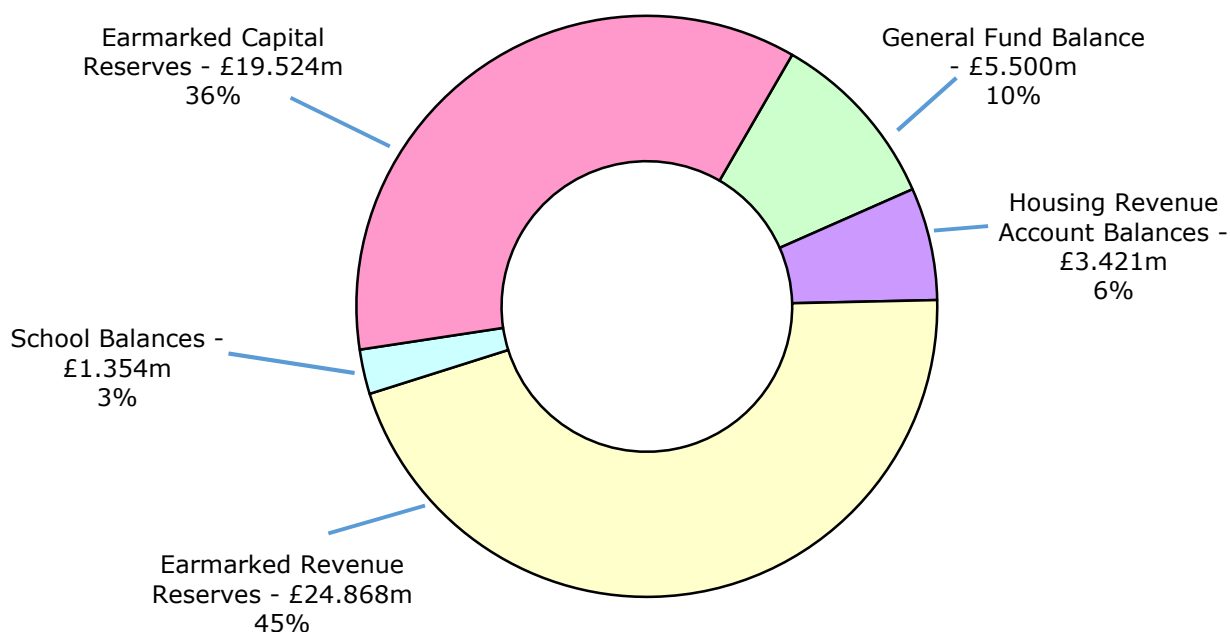
The major movements on the Balance Sheet are as follows:

- Property, Plant and Equipment, Investment Properties and Heritage Assets – the Council's total fixed assets have increased by £6.092m which includes expenditure on Highlight, revaluations of existing assets and less disposals.
- Short Term Investments – totalled £18.280m as at 31 March 2026 (£36.199m as 31 March 2025). The decrease mainly relates to a reduction in cash available to invest arising from use of reserves to support the revenue budget and delayed borrowings to finance capital programme expenditure.
- Short Term Creditors – totalled £31.870m as at 31 March 2026 (£34.984m as 31 March 2025). The decrease mainly relates to a reduction in trade creditors and amounts owed to Central Government Bodies.
- At the 31 March 2026 the Authority had usable reserves of £54.667m (£60.613m at 31 March 2025).

SECTION 1 : Narrative Report

Full details of the Council's usable reserves are provided in Note 6 and include the following key reserves:

Analysis of Reserves 31/03/26 - Total £54.667m



Collection Fund

The Collection Fund is a statutory fund, separate from the General Fund of the Council, which accounts independently for transactions relating to Council Tax and Non Domestic Rates (NDR). The Fund is operated and reported on under the same accounting policies as Hartlepool Borough Council.

The total Council Tax charge for the year was £2,495.63 (£2,377.61 in 2024/25) for Band D properties, excluding parish precepts where these applied. This comprised £2,083.44 for the Council's own services, £317.73 for the Police and Crime Commissioner and £94.46 for Cleveland Fire Authority. Each Authority determined its own tax and made a precept on the Collection Fund.

The Council Tax for the Council's services was determined on the basis of an equated number of 26,858 Band D properties. When setting the charge a 1.5% allowance for non-collection was made. The Council Tax Base for the year was 26,455.

Further details on the income and expenditure of the Fund are shown in the Collection Fund notes.

	<u>£000</u>	<u>%</u>
Expenditure		
Hartlepool Council Precept	55,194	56
Police and Crime Commissioner Precept	8,406	8
Cleveland Fire Authority Precept	2,499	3
Central Government's Share NDR	16,252	16
Hartlepool Council NDR Precept	15,927	16
Cleveland Fire Authority NDR Precept	325	-
Other	504	1
	99,107	100
Income		
Council Tax	67,568	68
NDR from Rate Payers	31,857	32
Other	(37)	-
	99,388	100
Net Deficit / (Surplus) in Year	(281)	

SECTION 1 : Narrative Report

ACCOUNTING POLICIES

The accounting policies adopted by the Council comply, except where specific reference is made, with the relevant recommended accounting practice.

The Council's policies are explained fully in the Statement of Accounting Policies.

INSPECTION OF ACCOUNTS

Members of the public have a statutory right to inspect the accounts before the audit is completed, question the auditor and make objections at audit. The availability of the accounts for inspection was advertised on the Council's website and in relation to the 2025/26 financial year the inspection period is 5 June 2026 to 16 July 2026.



James Magog
Director of Finance, IT and Digital
Date: 4 June 2026

SECTION 2 : Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance, IT and Digital;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

I confirm that the accounts set out in this document were approved by the Audit and Governance Committee at the meeting held on XX January 2027.

Chair of Audit and Governance Committee

Date: XX/01/2027

The Director of Finance, IT and Digital Responsibilities

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

In preparing this Statement of Accounts, the Director of Finance, IT and Digital has:

- selected suitable accounting policies, and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice on Local Authority Accounting.

The Director of Finance, IT and Digital 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.

Certification of the Accounts by the Director of Finance, IT and Digital

In accordance with the requirements of the Accounts and Audit Regulations 2015, I certify that Section 1 to 3 of the Financial Report 2025/26, which includes the Statement of Accounts, gives a true and fair view of the financial position of Hartlepool Borough Council at the accounting date and its income and expenditure for the year ended 31 March 2026.

James Magog CPFA

Director of Finance, IT and Digital

Date: XX/01/2027

SECTION 3 : Statement of Accounts

Movement in Reserves Statement for the year ended 31 March 2026

The statement shows the movement in year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2024 carried forward	5,501	45,349	500	2,167	249	16,212	69,977	176,417	246,394
<u>Movement in reserves during 2024/25</u>									
Surplus or (deficit) on provision of services	1,113	-	(325)	-	-	-	788	-	788
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	8,705	8,705
Total Comprehensive Income and Expenditure	1,113	-	(325)	-	-	-	788	8,705	9,493
Adjustments between accounting basis & funding basis under regulations (note 5)	(2,566)	(3,935)	519	48	312	(4,532)	(10,154)	10,154	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(1,453)	(3,935)	194	48	312	(4,532)	(9,366)	18,859	9,493
Transfers to/(from) Earmarked Reserves	1,452	(1,449)	(194)	192	-	-	-	-	-
Increase/(Decrease) in Year	(1)	(5,384)	-	240	312	(4,532)	(9,366)	18,859	9,493
Balance at 31 March 2025 carried forward	5,500	39,965	500	2,407	561	11,680	60,613	195,276	255,889
<u>Movement in reserves during 2025/26</u>									
Surplus or (deficit) on provision of services	(16,308)	-	454	-	-	-	(15,854)	-	(15,854)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(589)	(589)
Total Comprehensive Income and Expenditure	(16,308)	-	454	-	-	-	(15,854)	(589)	(16,443)
Adjustments between accounting basis & funding basis under regulations (note 5)	11,146	(3,545)	(128)	188	(54)	2,301	9,908	(9,908)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(5,162)	(3,545)	326	188	(54)	2,301	(5,946)	(10,497)	(16,443)
Transfers to/(from) Earmarked Reserves	5,162	(5,162)	(326)	326	-	-	-	-	-
Increase/(Decrease) in Year	-	(8,707)	-	514	(54)	2,301	(5,946)	(10,497)	(16,443)
Balance at 31 March 2026 carried forward	5,500	31,258	500	2,921	507	13,981	54,667	184,779	239,446

For detail on Usable and Unusable Reserves see Notes 6 and 30.

SECTION 3 : Statement of Accounts

Comprehensive Income and Expenditure Statement for the year ended 31 March 2026

This statement shows the economic cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

RESTATED							
2024/25			2025/26				
£000s	£000s	£000s	£000s	£000s	£000s		
Expenditure	Income	Net	Expenditure	Income	Net	Note	
87,160	(50,077)	37,083	Adult Services and Public Health	90,306	(51,364)	38,942	7
114,325	(67,381)	46,944	Children's Services	134,263	(75,421)	58,842	7
40,245	(45,442)	(5,197)	Corporate	38,409	(50,481)	(12,072)	7
7,317	(2,423)	4,894	Finance, IT and Digital	7,653	(2,511)	5,142	7
17,157	(12,915)	4,242	Housing, Growth and Communities	16,083	(12,045)	4,038	7
1,827	(1,944)	(117)	HRA	1,278	(2,092)	(814)	7
2,771	(557)	2,214	Legal, Governance and HR	2,570	(218)	2,352	7
42,119	(19,244)	22,875	Neighbourhoods and Regulatory Services	46,093	(19,610)	26,483	7
682	(38)	644	Office of the Chief Executive	845	(23)	822	7
313,603	(200,021)	113,582	Cost of Services	337,500	(213,765)	123,735	
5,934	(482)	5,452	Other Operating Expenditure	10,484	(302)	10,182	8
34,018	(34,011)	7	Financing and Investment Income and Expenditure	41,215	(39,491)	1,724	9
-	(119,829)	(119,829)	Taxation and Non-Specific Grant Income	-	(119,787)	(119,787)	10
353,555	(354,343)	(788)	(Surplus) / Deficit on Provision of Services	389,199	(373,345)	15,854	
		(5,543)	(Surplus) / Deficit on Revaluation of Property, Plant and Equipment				(169) 30 Table 1
		(3,162)	Remeasurement of net defined benefit liability / (asset)				758 30 Table 3
		(8,705)	Other Comprehensive Income and Expenditure			589	
		(9,493)	Total Comprehensive Income and Expenditure			16,443	

The 2024/25 figures above have been restated to reflect the revision to the Council's management structure which was agreed in August 2025.

SECTION 3 : Statement of Accounts

Balance Sheet as at 31 March 2026

The Balance Sheet shows the value of the assets and liabilities at 31 March 2026. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are classified in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserve 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.'

31 March 2025 £000s		31 March 2026 £000s	Note
293,435	Property, Plant & Equipment	300,417	14
19,366	Heritage Assets	19,404	18
9,625	Investment Property	8,697	19
-	Intangible Assets	67	20
<u>2,837</u>	Long Term Debtors	<u>2,673</u>	21
325,263	Long Term Assets	331,258	
576	Inventories	526	
39,891	Short Term Debtors	39,477	23
8,491	Cash & Cash Equivalents	7,001	25
<u>36,199</u>	Short Term Investments	<u>18,280</u>	35
85,157	Current Assets	65,284	
(2,828)	Bank Overdraft	(9,833)	25
(2,597)	Provisions	(1,273)	26
(34,984)	Short Term Creditors	(31,870)	27
(9,710)	Capital Grants Receipts in Advance	(12,039)	28
(2,221)	Revenue Grant Receipts in Advance	(2,682)	28
<u>(1,639)</u>	Short Term Borrowing	<u>(1,692)</u>	35
(53,979)	Current Liabilities	(59,389)	
(1,131)	Provisions	(1,131)	26
(9,679)	Capital Grants Receipts in Advance	(8,317)	28
(8,278)	Other Long Term Liabilities	(7,999)	29
<u>(81,464)</u>	Long Term Borrowing	<u>(80,260)</u>	35
(100,552)	Long Term Liabilities	(97,707)	
<u>255,889</u>	Net Assets	239,446	
60,613	Usable Reserves	54,667	6
195,276	Unusable Reserves	184,779	30
<u>255,889</u>	Total Reserves	239,446	

SECTION 3 : Statement of Accounts

Statement Of Cash Flows For The Year Ended 31 March 2026

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

<u>2024/25</u> <u>£000s</u>		<u>2025/26</u> <u>£000s</u>	<i>Note</i>
788	Net Surplus / (Deficit) on the Provision of Services	(15,854)	
25,044	Adjustments to Net Surplus / (Deficit) on the Provision of Services for Non-cash Movements	15,594	38
(16,660)	Adjustments for items included in the Net Surplus / (Deficit) on the Provision of Services that are Investing and Financing Activities	1,728	39
<u>9,172</u>	Net Cash (Outflow) / Inflow from Operating Activities	<u>1,468</u>	
(5,714)	Investing Activities	(7,648)	40
(1,437)	Financing Activities	(2,315)	41
<u>2,021</u>	Net Increase / (Decrease) in Cash and Cash Equivalents	<u>(8,495)</u>	
3,642	Cash and Cash Equivalents at the beginning of the reporting period	5,663	
<u><u>5,663</u></u>	Cash and Cash Equivalents at the end of the reporting period	<u><u>(2,832)</u></u>	25

SECTION 3 : Statement of Accounts

Note 1: Accounting Standards that have been issued but have not yet been 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 an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2025/26 Code. The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would, therefore result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2026/27 Code are:

- 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.

These changes are not expected to have a material impact on the Council's financial statements.

Note 2: Critical Judgements in applying Accounting Policies

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgement made in the Statement of Accounts is:

- The Council has undertaken a review of all schools in Hartlepool and their accounting treatment. There are 38 schools in Hartlepool;
 - One Foundation School which is owned by the School Governing Body.
 - Four Community Schools owned by the Council.
 - Thirty-two Academy Schools which the Council have transferred to the Academies under 125 year leases.
 - One Pupil Referral Unit owned by the Council.

Below is an analysis of the accounting treatment for the Schools within the Authority, indicating whether the asset is held on or off the Balance Sheet:

School Type	Land & Buildings	School Playing Field	Equipment
Foundation	Off	Off	Off
Community	On	On	On
Academy	Off	Off	Off
Pupil Referral Unit	Off	Off	On

The income and expenditure of all Foundation, Community Schools and the Pupil Referral Unit is included in the Council's Comprehensive Income and Expenditure Statement. Academies are not included as they produce their own statutory accounts.

SECTION 3 : Statement of Accounts

Note 3: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2026 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Funding challenges facing local authorities makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	At 31 March 2026, the Council had land and buildings to the value of £134.716m. A 1% change in the estimation of property values would lead to a £1.347m change in the value of the Council's land and buildings. 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.
Pensions Asset / Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effect on the net pensions asset of changes in individual assumptions can be measured. The Gross Carrying Amount (GCA) of the net pension liability is £6.607m. For example, a 0.1% increase in the discount rate assumption would result in a decrease in liability of £6.879m, however, the assumptions interact in complex ways. During 2025/26, there was a reduction in liabilities of £10.285m as a result of updating financial assumptions, an increase of £4.165m as a result of changes in demographic assumptions and a reduction of £18.309m attributable to liability experience. Actual pension rates are determined on an actuarial basis every three years. The latest valuation has determined the employer's contribution for three years from 31 March 2025. A 0.1% increase in this rate would increase the Council's revenue budget requirement for pension costs by £58,000.

This list does not include assets and liabilities that are carried at fair value based on recently observed market prices.

Note 4: Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance, IT and Digital on 4 June 2026. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2026, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

SECTION 3 : Statement of Accounts

Note 5: Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practices to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2025/26	Usable Reserves						Movement in Unusable Reserves £000s
	Unearmarked General Fund Balance £000s	Earmarked Revenue & Capital Reserves £000s	Housing Revenue Account £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	
Adjustments primarily involving the Capital Adjustment Account:							
<i>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement</i>							
Charges for Depreciation and Impairment of Non-current Assets	9,632	-	320	-	-	-	(9,952)
Charges for Revaluation losses / gains on Property Plant and Equipment	2,086	-	(155)	-	-	-	(1,931)
Movements in the Market Value of Investment Properties	929	-	-	-	-	-	(929)
Capital Grants and Contributions	(11,788)	-	-	-	-	(1,941)	13,729
Direct Revenue Funding	(29)	(3,329)	-	-	-	-	3,358
Revenue Expenditure Funded from Capital Under Statute	4,195	-	-	20	-	-	(4,215)
Use of Corporate Reserves to fund new Cap Expenditure		(216)					216
Amounts of Non-current Assets written off on Disposal or Sale as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement	10,224	-	44	-	-	-	(10,268)
Reversal of Lease Liability	(7)	-	-	-	-	-	7
Movement in the Indexation of Assets	(254)	-	-	-	-	-	254
<i>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement</i>							
Provision for the Financing of Capital Investment (MRP)	(2,569)	-	-	-	-	-	2,569
Adjustments primarily involving the Capital Grants Unapplied Account:							
Transfer to Capital Grants Unapplied Account	(4,242)	-	-	-	-	4,242	-
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of Cash Sale Proceeds Credited as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement	(162)	-	-	-	162	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	(216)	-	216
Adjustments primarily involving the major Repairs Reserve:							
Transfer to Major Repairs Reserve	-	-	(316)	316	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	(148)	-	-	148

SECTION 3 : Statement of Accounts

Note 5: Adjustments between Accounting Basis and Funding Basis under Regulations

2025/26	Usable Reserves						Movement in Unusable Reserves £000s
	Unearmarked General Fund Balance £000s	Earmarked Revenue & Capital Reserves £000s	Housing Revenue Account £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	8,780	-	1	-	-	-	(8,781)
Employer's Pension Contributions and Direct Payments to Pensioners payable in year	(9,848)	-	(22)	-	-	-	9,870
Adjustments Primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax and income calculated for the year in accordance with statutory requirements	(112)	-	-	-	-	-	112
Adjustments primarily involving the Accumulated Absences Adjustment Account:							
Amount by which Officer Remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	450	-	-	-	-	-	(450)
Adjustments Primarily involving the Dedicated Schools Grant Adjustment Account:							
Amount transferred to the DSG Account under statute	3,861	-	-	-	-	-	(3,861)
Total Adjustments	11,146	(3,545)	(128)	188	(54)	2,301	(9,908)

2024/25	Usable Reserves						Movement in Unusable Reserves £000s
	Unearmarked General Fund Balance £000s	Earmarked Revenue & Capital Reserves £000s	Housing Revenue Account £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	
Adjustments primarily involving the Capital Adjustment Account:							
<u>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement</u>							
Charges for Depreciation and Impairment of Non-current Assets	8,678	-	358	-	-	-	(9,036)
Charges for Revaluation losses on Property Plant and Equipment	696	-	99	-	-	-	(795)
Movements in the Market Value of Investment Properties	368	-	-	-	-	-	(368)
Capital Grants and Contributions	(23,965)	-	-	-	-	(4,532)	28,497
Direct Revenue Funding	(288)	(3,935)	-	-	-	-	4,223
Revenue Expenditure Funded from Capital Under Statute	5,614	-	-	-	-	-	(5,614)
Amounts of Non-current Assets written off on Disposal or Sale as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement	5,562	-	132	-	-	-	(5,694)
<u>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement</u>							
Provision for the Financing of Capital Investment (MRP)	(2,810)	-	-	-	-	-	2,810

SECTION 3 : Statement of Accounts

Note 5: Adjustments between Accounting Basis and Funding Basis under Regulations

2024/25	Usable Reserves						Movement in Unusable Reserves £000s
	Unearmarked General Fund Balance £000s	Earmarked Revenue & Capital Reserves £000s	Housing Revenue Account £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	
Adjustments primarily involving the Capital Grants Unapplied Account:							
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of Cash Sale Proceeds Credited as part of the Gain/(Loss) on Disposal to the Comprehensive Income & Expenditure Statement	(436)	-	-	-	436	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	(124)	-	124
Use of Capital Receipts to repay Prudential borrowing	-	-	-	-	-	-	-
Adjustments primarily involving the major Repairs Reserve:							
Transfer to Major Repairs Reserve	-	-	(311)	311	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	(263)	-	-	263
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	11,187	-	11	-	-	-	(11,198)
Employer's Pension Contributions and Direct Payments to Pensioners payable in year	(8,842)	-	(26)	-	-	-	8,868
Adjustments Primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax and income calculated for the year in accordance with statutory requirements	(144)	-	-	-	-	-	144
Adjustments primarily involving the Accumulated Absences Adjustment Account:							
Amount by which Officer Remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	(1,529)	-	-	-	-	-	1,529
Adjustments Primarily involving the Dedicated Schools Grant Adjustment Account:							
Amount transferred to the DSG Account under statute	3,343	-	-	-	-	-	(3,343)
Total Adjustments	(2,566)	(3,935)	263	48	312	(4,532)	10,410

SECTION 3 : Statement of Accounts

Note 6 : Transfers to / (from) Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2025/26.

	Balance at 31 March 2024	Transfer Between Reserves	Transfers Out 2024/25	Transfers In 2024/25	Balance at 31 March 2025	Transfer Between Reserves	Transfers Out 2025/26	Transfers In 2025/26	Balance at 31 March 2026
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
General Fund Balance									
Revenue Reserve	5,501	(1)	-	-	5,500	-	-	-	5,500
	5,501	(1)	-	-	5,500	-	-	-	5,500
Earmarked Revenue Reserves									
Budget Support Fund (BSF)	7,947	3,147	(3,422)	-	7,672	10	(2,208)	12	5,486
Revenue Grants Unapplied	6,299	(577)	(472)	3,856	9,106	(93)	(5,629)	1,140	4,524
Insurance Fund	2,965	-	(63)	-	2,902	-	(12)	113	3,003
BSF - Transformation Costs	2,000	-	-	-	2,000	-	-	-	2,000
Children in our Care Reserve	1,230	-	-	-	1,230	(1,005)	(225)	-	-
Treasury Management Income	1,150	-	(500)	-	650	-	(650)	-	-
BSF - Invest to Save	1,000	750	(350)	-	1,400	-	(121)	-	1,279
DSG Deficit - 10%	-	-	-	-	-	2,000	-	-	2,000
Earmarked Revenue Reserves under £1m	11,661	(3,337)	(2,260)	1,815	7,879	(912)	(1,544)	1,153	6,576
	34,252	(17)	(7,067)	5,671	32,839	-	(10,389)	2,418	24,868
Earmarked Capital Reserves									
Capital Grants Unapplied	16,212	-	(4,552)	20	11,680	-	(1,941)	4,242	13,981
Capital Funding Reserve	9,358	-	(6,215)	2,599	5,742	-	(3,415)	2,709	5,036
Capital Receipts Unapplied	249	-	(124)	436	561	-	(216)	162	507
	25,819	-	(10,891)	3,055	17,983	-	(5,572)	7,113	19,524
School Balances									
Balances Held by Schools under the Scheme of Delegation	1,690	-	(1,887)	1,557	1,360	-	(1,453)	1,378	1,285
Ringfenced Reserve - Held in Trust for Schools	48	-	(77)	51	22	-	(29)	74	67
Dedicated School Grant Reserve	1	19	(279)	261	2	-	(849)	849	2
	1,739	19	(2,243)	1,869	1,384	-	(2,331)	2,301	1,354
Housing Revenue Account Balance									
HRA Major Repairs Reserve	2,167	-	(264)	504	2,407	-	(148)	662	2,921
HRA Balance	500	-	-	-	500	-	-	-	500
	2,667	-	(264)	504	2,907	-	(148)	662	3,421
Total Usable Reserves	69,978	1	(20,465)	11,099	60,613	-	(18,440)	12,494	54,667

General Fund Balance

The General Fund Balance of £5.500m is held as a reserve of last resort to meet unforeseen commitments not funded from Earmarked Reserves and to support cashflow requirements of the Council. Any use of this reserve will need to be repaid to ensure the Council can continue to manage unforeseen commitments.

Earmarked Revenue Reserves

Budget Support Fund

This reserve will be used to support the overall MTFP position.

Revenue Grants Unapplied

This reserve holds grant funding received to be spent in future years. Grants are only held in this reserve where there are no repayment conditions.

Insurance Fund

This reserve provides for all payments that fall within policy excesses or relate to self-insured risks. The reserve currently covers the estimated value of unpaid outstanding claims.

BSF – Transformation Costs

This reserve will be used to meet any one-off transformation costs.

Children in our Care Reserve

This reserve was used to contribute towards financial pressures arising from increases in the number and costs of looked after children over and above the budgeted allocation.

Treasury Management Income

This reserve was used to support the budget in 2025/26.

BSF - Invest to Save

This reserve was used to invest in transformation initiatives to generate ongoing savings for the Council.

DSG Deficit - 10%

This reserve was created to cover the Council's 10% contribution towards the DSG deficit between 2025/26 and 2027/28.

Earmarked Revenue Reserves under £1m

Numerous revenue reserves individually under £1m set aside for specific purposes.

Earmarked Capital Reserves

These reserves are earmarked for future capital commitments.

School Balances

These balances are held on behalf of schools.

Housing Revenue Account Balance

HRA Major Repairs Reserve

This reserve is ringfenced to the HRA and can only be used to fund major repairs or repayments of borrowing.

HRA Balance

This is a ringfenced reserve accumulated from surpluses in previous years and is held to fund pressures of the Housing Revenue Account (HRA) such as government rent restrictions, Right to Buy sales and increasing repairs costs.

SECTION 3 : Statement of Accounts

Note 7: Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, Council Tax and Business Rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

RESTATED				2025/26		
Net Expenditure Chargeable to the General Fund and HRA	2024/25 Adjustments Between the General Fund and the Comprehensive Income and Expenditure Statement	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA	Adjustments Between the General Fund and the Comprehensive Income and Expenditure Statement	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000s	£000s	£000s		£000s	£000s	£000s
39,905	(2,822)	37,083	Adult Services and Public Health	43,710	(4,768)	38,942
41,437	5,507	46,944	Children's Services	48,397	10,445	58,842
(22,168)	16,971	(5,197)	Corporate	(29,690)	17,618	(12,072)
3,404	1,490	4,894	Finance, IT and Digital	4,007	1,135	5,142
3,661	581	4,242	Housing, Growth and Communities	3,817	221	4,038
-	(117)	(117)	HRA	-	(814)	(814)
1,973	241	2,214	Legal, Governance and HR	2,101	251	2,352
20,505	2,370	22,875	Neighbourhoods and Regulatory Services	22,915	3,568	26,483
552	92	644	Office of the Chief Executive	646	176	822
46,675	(46,675)	-	Schools	51,565	(51,565)	-
135,944	(22,362)	113,582	Net Cost of Services	147,468	(23,733)	123,735
(135,688)	21,318	(114,370)	Other Income and Expenditure	(146,273)	38,392	(107,881)
256	(1,044)	(788)	(Surplus) or Deficit	1,195	14,659	15,854
6,001			Opening General Fund & HRA Balance	6,000		
(256)			Less/Plus Surplus or (Deficit) on General Fund Balance in Year	(1,195)		
255			Transfer Between Earmarked & General Fund Reserves	1,195		
-			Less/Plus Surplus or (Deficit) on HRA Balance in Year	-		
-			Transfer Between Earmarked & HRA Reserves	-		
6,000			Closing General Fund & HRA Balance at 31 March*	6,000		

* For a split of this balance between the General Fund and the HRA, see the Movement in Reserves Statement.

SECTION 3 : Statement of Accounts

Note 7A: Note to the Expenditure and Funding Analysis

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	2025/26				
	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Statutory Differences (Note 3)	Other Non-Statutory Difference (Note 4)	Total Adjustments
	£000s	£000s	£000s	£000s	£000s
Adult Services and Public Health	439	(156)	1	(5,052)	(4,768)
Children's Services	1,344	(902)	128	9,875	10,445
Corporate	1,694	-	-	15,924	17,618
Finance, IT and Digital	-	(71)	-	1,206	1,135
Housing, Growth and Communities	462	(76)	1	(166)	221
HRA	(131)	(2)	-	(681)	(814)
Legal, Governance and HR	-	(23)	26	248	251
Neighbourhoods and Regulatory Services	5,316	(203)	294	(1,839)	3,568
Office of the Chief Executive	-	(9)	-	185	176
Schools	-	-	-	(51,565)	(51,565)
Net Cost of Services	9,124	(1,442)	450	(31,865)	(23,733)
Other Income and Expenditure from the Expenditure and Funding Analysis	(1,256)	353	(112)	39,407	38,392
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	7,868	(1,089)	338	7,542	14,659

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	RESTATED 2024/25				
	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Statutory Differences (Note 3)	Other Non-Statutory Difference (Note 4)	Total Adjustments
	£000s	£000s	£000s	£000s	£000s
Adult Services and Public Health	55	401	(251)	(3,027)	(2,822)
Children's Services	1,533	521	(325)	3,778	5,507
Corporate	2,494	-	-	14,477	16,971
Finance, IT and Digital	-	178	(38)	1,350	1,490
Housing, Growth and Communities	927	183	197	(726)	581
HRA	402	8	-	(527)	(117)
Legal, Governance and HR	-	58	(7)	190	241
Neighbourhoods and Regulatory Services	5,012	529	(1,102)	(2,069)	2,370
Office of the Chief Executive	-	20	(3)	75	92
Schools	-	-	-	(46,675)	(46,675)
Net Cost of Services	10,423	1,898	(1,529)	(33,154)	(22,362)
Other Income and Expenditure from the Expenditure and Funding Analysis	(16,203)	432	(144)	37,233	21,318
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(5,780)	2,330	(1,673)	4,079	(1,044)

Note 1 This is the net change for the removal of depreciation and impairment and other capital costs from services and the addition of other operating costs and capital grants received.

Note 2 This is the net change for the removal of employer pension contributions made by the authority as allowed by statute and the replacement with current and past service costs.

Note 3 This is the net change in relation to statutory adjustments for accumulated absences and in relation to the Collection Fund.

Note 4 This is the net change in relation to non-statutory adjustments for amounts included in the management accounts but not in the Comprehensive Income and Expenditure Statement.

SECTION 3 : Statement of Accounts

Note 7B: Expenditure and Income Analysed by Nature

The Council's income and expenditure is analysed as follows:

2024/25 £000s	Expenditure/Income	2025/26 £000s
	Expenditure	
124,012	Employee Benefits Expenses	134,068
210,411	Other Services Expenses	229,261
10,425	Depreciation, Impairment, Revaluation Gains and Losses	12,558
2,774	Interest Payments	2,828
209	Precepts and Levies	224
5,724	Gain/Loss on the Disposal of Assets	10,260
<u>353,555</u>	Total Expenditure	<u>389,199</u>
	Income	
(56,339)	Fees Charges and Other Service Income	(61,052)
(34,011)	Interest and Investment Income	(39,491)
(66,715)	Income from Council Tax and Non Domestic Rates	(71,987)
<u>(197,278)</u>	Government Grants and Contributions	<u>(200,815)</u>
<u>(354,343)</u>	Total Income	<u>(373,345)</u>
<u>(788)</u>	Surplus or deficit on the provision of services	<u>15,854</u>

Note 7C: Segmental Income

Income received on a segmental basis is analysed below.

RESTATED 2024/25			2025/26	
Fees & Charges Restated £000s	Interest & Investment Income Restated £000s		Fees & Charges £000s	Interest & Investment Income £000s
(28,116)	-	Adult Services and Public Health	(27,527)	-
(45,771)	-	Children's Services	(45,616)	-
(10,685)	(2,976)	Corporate	(9,582)	(1,840)
(4,137)	(25)	Finance, IT and Digital	(4,298)	(25)
(6,004)	-	Housing, Growth and Communities	(7,345)	-
(2,007)	(124)	HRA	(2,152)	(123)
(605)	-	Legal, Governance and HR	(507)	-
(37,715)	(353)	Neighbourhoods and Regulatory Services	(38,143)	(357)
(377)	-	Office of the Chief Executive	(434)	-
<u>(135,417)</u>	<u>(3,478)</u>		<u>(135,604)</u>	<u>(2,345)</u>

SECTION 3 : Statement of Accounts

Note 8: Other Operating Expenditure

This note provides a breakdown of the various components included within the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement.

2024/25 £000s		2025/26 £000s
209	Parish council precepts and levies	224
(45)	Receipts from Sale of Former Council Houses	(140)
5,224	Loss resulting from Transfer of School Assets	8,876
64	(Gain) or loss on the disposal of non-current assets	1,222
<u>5,452</u>		<u>10,182</u>

Note 9: Financing and Investment Income and Expenditure

This note provides a breakdown of the various components included within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

2024/25 £000s		2025/26 £000s	Note
(561)	Net (Gain) / Loss on Investment Properties	(432)	19
368	Changes in fair values of investment properties	929	19
2,774	Interest payable and similar charges on borrowing	2,828	35
(3,006)	Interest Receivable and Similar Income	(1,954)	35
432	Pensions Interest Cost/(Income) & Expected Return on Pensions Assets	353	43
<u>7</u>		<u>1,724</u>	

Note 10: Taxation and Non-Specific Grant Income

Taxation and Non-Specific Grant Income comprises of the following:

2024/25 £000s		2025/26 £000s	Note
51,593	Council Tax Income	55,385	
15,122	NNDR Distribution	16,602	
31,240	Non-Ringfenced Government Grants	35,493	
21,874	Capital Grants and Contributions	12,307	
<u>119,829</u>		<u>119,787</u>	28

SECTION 3 : Statement of Accounts

Note 11 - Councillors' Allowances & Expenses

The Council paid the following amounts to members of the Council during the year.

The value of the Basic Allowance paid by the Council is based on recommendations made by the Independent Remuneration Panel (IRP). Following a Council decision, Special Responsibility Allowances were suspended on 1 April 2024, therefore none were payable during 2025/26.

Councillors' Allowances & Expenses

Councillor	Basic Allowance £	Special Responsibility Allowance £	General Travel £	General Subsistence £	Total 2025/26 £
Allen G	8,330	-	-	-	8,330
Bailey-Fleet Q	8,330	-	-	-	8,330
Boddy M	8,330	-	-	-	8,330
Buchan B	8,330	-	-	-	8,330
Clayton B	8,330	-	-	-	8,330
Cook F	8,330	-	-	-	8,330
Cranney G	8,330	-	-	-	8,330
Creevy R	8,330	-	-	-	8,330
Darby R	8,330	-	-	-	8,330
Dodds M	8,330	-	-	-	8,330
Doyle E (11.07.25 - 31.03.26)	6,024	-	-	-	6,024
Dunbar M	8,330	-	-	-	8,330
Feeney T	8,330	-	-	-	8,330
Hall G	8,330	-	-	-	8,330
Hargreaves P	8,330	-	-	-	8,330
Harrison B	8,330	-	-	-	8,330
Holbrook P	8,330	-	-	-	8,330
Jorgeson M	8,330	-	-	-	8,330
Leedham J	8,330	-	-	-	8,330
Lindridge J	8,330	-	-	-	8,330
Little S	8,330	-	-	-	8,330
Male C	8,330	-	-	-	8,330
Martin-Wells A	8,330	-	-	-	8,330
Moore S	8,330	-	-	-	8,330
Morley M	8,330	-	-	-	8,330
Napper A (02.05.25 - 31.03.26)	7,636	-	-	-	7,636
Nelson J	8,330	-	-	-	8,330
Oliver K	8,330	-	-	-	8,330
Reeve S	8,330	-	-	-	8,330
Riddle O	8,330	-	-	-	8,330
Roy A	8,330	-	-	-	8,330
Scarborough M	8,330	-	-	-	8,330
Smith L	8,330	-	-	-	8,330
Thompson C	8,330	-	-	-	8,330
Wallace C	8,330	-	-	-	8,330
Wallace S (01.04.25 - 30.05.25)	1,366	-	-	-	1,366
Young M	8,330	-	-	-	8,330
Totals for 2025/26	298,246	-	-	-	298,246
Totals for 2024/25	298,802	-	-	-	298,802

SECTION 3 : Statement of Accounts

Note 12 - Officers' Remuneration

In accordance with the requirements of the Accounts and Audit Regulations 2015 the Council is required to disclose details of remuneration for Senior Employees and those earning more than £50,000. Senior Employees are defined as the Chief Executive, statutory Chief Officers and all other senior managers reporting directly to the Chief Executive (formerly Managing Director). Details of the remuneration for these officers are provided below.

Departures during 2025/26 necessitated interim arrangements for two senior roles within the leadership team. This enabled continuity of service provision, but also ensured statutory and regulatory requirements were met. These short term arrangements have resulted in costs higher than otherwise would have been incurred.

A restructure was progressed during the year which led to the deletion of the Executive Director of Development, Neighbourhoods and Regulatory Services post and the establishment of two additional director posts as part of a wider redistribution of roles and responsibilities within the Council.

2025/26 - TABLE A

Post Holder Information (Post Title)	Salary (including fees and allowances)	Pension Contributions	Total Remuneration including Pension Contributions 2025/26	Note
	£	£	£	
Chief Executive - Denise McGuckin	171,760	23,875	195,635	1
Executive Director of Children's and Joint Commissioning Services (left 15 June 2025)	31,481	3,921	35,402	2
Interim Executive Director of Children's and Joint Commissioning Services (appointed 10 June 2025 - left 26 October 2025)	79,800	-	79,800	2
Executive Director of Children's Services (Appointed 1 October 2025)	64,067	8,519	72,586	2
Executive Director of Adult Services & Public Health	135,406	17,520	152,926	2
Executive Director of Development, Neighbourhood and Regulatory Services (left 29 June 2025)	35,842	4,090	39,932	2
Director of Neighbourhoods & Regulatory Services (appointed 6 October 2025)	54,968	7,640	62,608	3
Director of Housing, Growth & Communities (appointed 6 October 2025)	54,968	7,503	62,471	3
Director of Finance, IT and Digital	108,525	14,077	122,602	3
Director of Legal, Governance and HR	110,283	14,064	124,347	3
Director of Public Health (left 9 November 2025)	63,020	8,651	71,671	3
Interim Director of Public Health (seconded from 24 November 2025)	47,480	-	47,480	4
	957,600	109,860	1,067,460	

2024/25 - TABLE B

Post Holder Information (Post Title)	Salary (including fees and allowances)	Pension Contributions	Total Remuneration including Pension Contributions 2024/25
	£	£	£
Managing Director - Denise McGuckin	166,434	21,470	187,904
Executive Director of Children's and Joint Commissioning Services	131,207	16,926	148,133
Executive Director of Adults and Community Based Services	131,207	15,718	146,925
Executive Director of Development, Neighbourhood and Regulatory Services	127,842	14,758	142,600
Director of Finance, IT and Digital	102,772	13,102	115,874
Director of Legal, Governance and HR	104,229	12,120	116,349
Director of Public Health	99,132	12,788	111,920
	862,823	106,882	969,705

SECTION 3 : Statement of Accounts

Note 12 - Officers' Remuneration

Notes to Table A & B

- 1 The single point salary scale for the Chief Executive for 2025/26 is £171,760 (£166,434 in 2024/25).
- 2 The salary scale for the Executive Director posts for 2025/26 is £123,289 to £135,406 (£119,466 to £131,207 in 2024/25). Post holders are usually appointed at the bottom of the pay scale and receive annual increments until they reach the top of the pay scale. The Interim Executive Director of Children's and Joint Commissioning Services was paid an agreed daily rate.
- 3 The salary scale for the Director Posts for 2025/26 is £108,936 to £118,680 (£100,783 to £105,558 in 2024/25).
- 4 The Director of Public Health does not report directly to the Chief Executive. The post is defined as a statutory Chief Officer under the Health and Social Care Act 2012 and is therefore included. The salary scale for the Director of Public Health for 2025/26 is £95,623 to £102,304 (£92,658 to £99,132 in 2024/25). The current Director of Public Health was seconded from another Local Authority but is now employed by the Council.

Employees with a salary of £50,000 or more

In accordance with the Accounts and Audit Regulations 2015, the number of employees including school employees employed by the Council whose remuneration was £50,000 or greater is detailed in the table below in bands of £5,000. This table excludes details of senior officers set out in the previous tables. The bandings have been used since 2002/03 and are not indexed and therefore do not make any adjustment for inflationary increases each year. If the starting banding had been indexed for cost of living increases for Council employees then it would be £80,894. As a result, the number of employees requiring disclosure has increased.

Remuneration is measured as gross pay (before deduction of employee pension contributions), plus compensation for loss of office and any other payments receivable on the termination of employment in line with the Code guidance.

TABLE C - NON-SCHOOLS EMPLOYEES

2024/25			Remuneration Band (£)	2025/26		
No. of Non-School Employees				No. of Non-School Employees		
<i>Non School</i>	<i>Left in Year</i>	<i>Total</i>		<i>Non School</i>	<i>Left in Year</i>	<i>Total</i>
51	1	52	50,000 to 54,999	88	2	90
25	-	25	55,000 to 59,999	37	-	37
26	-	26	60,000 to 64,999	33	1	34
11	-	11	65,000 to 69,999	9	-	9
2	1	3	70,000 to 74,999	6	-	6
5	-	5	75,000 to 79,999	2	-	2
1	-	1	80,000 to 84,999	2	-	2
1	-	1	85,000 to 89,999	2	-	2
-	1	1	90,000 to 94,999	1	-	1
4	-	4	95,000 to 99,999	1	-	1
-	-	-	100,000 to 104,999	3	-	3
126	3	129		184	3	187

TABLE D - SCHOOL EMPLOYEES

2024/25			Remuneration Band (£)	2025/26		
No. of School Employees				No. of School Employees		
<i>School</i>	<i>Left in Year</i>	<i>Total</i>		<i>School</i>	<i>Left in Year</i>	<i>Total</i>
15	-	15	50,000 to 54,999	26	-	26
7	-	7	55,000 to 59,999	7	-	7
6	-	6	60,000 to 64,999	3	-	3
3	-	3	65,000 to 69,999	3	-	3
-	-	-	70,000 to 74,999	2	-	2
1	-	1	75,000 to 79,999	-	-	-
1	-	1	80,000 to 84,999	-	-	-
-	-	-	85,000 to 89,999	2	-	2
3	-	3	90,000 to 95,000	-	-	-
-	-	-	95,000 to 99,999	1	-	1
-	-	-	100,000 to 104,999	1	-	1
36	-	36		45	-	45

SECTION 3 : Statement of Accounts

Note 13: Termination Costs

Termination Costs are employee benefits provided in exchange for the termination of an employee's employment as a result of either:

- an authority's decision to terminate an employee's employment before the normal retirement date, or
- an employee's decision to accept an offer of benefits in exchange for the termination of employment.

In 2025/26, there were 2 Compulsory Redundancies (nil in 2024/25). The 2025/26 termination costs were £0.069m (£0.042m in 2024/25) in payments to employees and £0.043m (nil in 2024/25) to the pension fund in respect of retirement benefits.

The following tables provide details by band and the number and total cost of Termination Costs for non-school and school employees. Termination Costs are analysed across Compulsory Redundancies and Other Terminations of Employment.

TABLE E - NON-SCHOOLS EMPLOYEES

2024/25				Remuneration Band (£)	2025/26			
No of Compulsory Redundancies	Other Terminations of Employment	Total no of Terminations of Employment by band	Total cost of Termination Payments by band £		No of Compulsory Redundancies	No of Other Terminations of Employment	Total no of Terminations of Employment by band	Total cost of Termination Payments by band £
-	5	5	31,743	0 to 60,000	2	8	10	112,480
-	5	5	31,743		2	8	10	112,480

TABLE F - SCHOOLS EMPLOYEES

2024/25				Remuneration Band (£)	2025/26			
No of Compulsory Redundancies	Other Terminations of Employment	Total no of Terminations of Employment by band	Total cost of Termination Payments by band £		No of Compulsory Redundancies	No of Other Terminations of Employment	Total no of Terminations of Employment by band	Total cost of Termination Payments by band £
-	2	2	10,340	0 to 40,000	-	-	-	-
-	2	2	10,340		-	-	-	-

Decisions in relation to school employees are made by individual School Governing Bodies and not by the Council. Foundation school employees are excluded from Table F as the Governing Body, not the Council, is the Employer.

SECTION 3 : Statement of Accounts

Note 14: Non-Current Assets - Property, Plant & Equipment

This note shows the movements in the value of Non-Current assets (Property, Plant and Equipment) during 2025/26.

In accordance with the temporary relief offered by the update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The Council has chosen not to disclose this information as it would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Movements in 2025/26

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Right-of-Use Assets	Total
	£000s	£000s	£000s	NBV £000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation									
As at 1 April 2025	14,765	142,626	44,691	77,278	7,843	8,138	32,168	519	328,028
Additions	205	4,484	2,615	5,859	279	105	15,042	120	28,709
Accumulated Depreciation Written Off to Gross Carrying Amount	(185)	(1,365)	-		-	(62)	-	-	(1,612)
Accumulated Impairment Written Off to Gross Carrying Amount	(5)	(551)	-		-	-	-	-	(556)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	35	(2,532)	-		-	768	-	-	(1,729)
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	154	(2,042)	-		-	(43)	-	-	(1,931)
Indexation Increases/(decreases)	-	2,191	-		-	(39)	-	-	2,152
Derecognition-Disposals	(47)	(9,037)	(972)		-	(60)	(1,249)	(9)	(11,374)
Other movements in Cost or Valuation	58	4,187	11	1,173	-	-	(5,429)	-	-
At 31 March 2026	14,980	137,961	46,345	84,310	8,122	8,807	40,532	630	341,687
Accumulated Depreciation and Impairment									
As at 1 April 2025	(600)	(1,918)	(31,921)		-	(49)	-	(105)	(34,593)
Depreciation Charge	(294)	(1,591)	(2,112)	(3,932)	-	(13)	-	(127)	(8,069)
Depreciation written out to the Revaluation Reserve	(20)	(1,310)	-		-	(16)	-	-	(1,346)
Accumulated Depreciation Written Off to Gross Carrying Amount	185	1,365	-		-	62	-	-	1,612
Accumulated Impairment Written Out to Gross Carrying Amount	1	18	-		-	-	-	-	19
Derecognition - Disposals	3	191	911		-	-	-	2	1,107
At 31 March 2026	(725)	(3,245)	(33,122)	(3,932)	-	(16)	-	(230)	(41,270)
Net Book Value									
At 31 March 2026	14,255	134,716	13,223	80,378	8,122	8,791	40,532	400	300,417
Nature of Asset Holding									
Owned	14,255	134,716	13,223	80,378	8,122	8,791	40,532	-	300,017
Leased	-	-	-	-	-	-	-	400	400
Total	14,255	134,716	13,223	80,378	8,122	8,791	40,532	400	300,417

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

SECTION 3 : Statement of Accounts

Note 14: Non-Current Assets - Property, Plant & Equipment

Movements in 2024/25

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Right-of-Use Assets	Total
	£000s	£000s	£000s	NBV £000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation									
As at 1 April 2024	14,873	145,294	42,523	76,644	7,843	7,885	11,404		306,466
IFRS16 implementation recognition	-	-	-	-	-	-	-	542	542
Restated as at 1 April 2024	14,873	145,294	42,523	76,644	7,843	7,885	11,404	542	307,008
Additions	514	1,381	3,328	2,963	-	-	24,024	15	32,225
Accumulated Depreciation Written Off to Gross Carrying Amount	(189)	(3,724)	-		-	(6)	-	-	(3,919)
Accumulated Impairment Written Off to Gross Carrying Amount	(66)	(30)	-		-	-	-	-	(96)
Revaluation									
Increases/(decreases) recognised in the Revaluation Reserve	(86)	4,581	-		-	498	-	-	4,993
Revaluation									
Increases/(decreases)	(355)	(279)	-		-	(382)	-	(38)	(1,054)
Derecognition-Disposals	(227)	(5,273)	(1,159)		-	(140)	(2)	-	(6,801)
Reclassified (to)/from Investment Property	-	(245)	-		-	-	-	-	(245)
Other movements in Cost or Valuation	301	921	(1)	1,468	-	283	(3,258)	-	(286)
At 31 March 2025	14,765	142,626	44,691	81,075	7,843	8,138	32,168	519	331,825
Accumulated Depreciation and Impairment									
As at 1 April 2024	(509)	(2,842)	(31,151)		-	(27)	-	-	(34,529)
Depreciation Charge	(285)	(1,674)	(1,783)	(3,797)	-	(16)	-	(105)	(7,660)
Depreciation written out to the Revaluation Reserve	(25)	(1,258)	-		-	(15)	-	-	(1,298)
Accumulated Depreciation Written Off to Gross Carrying Amount	189	3,725	-		-	6	-	-	3,920
Accumulated Impairment Written Out to Gross Carrying Amount	18	-	-		-	-	-	-	18
Derecognition - Disposals	12	115	1,013		-	3	-	-	1,143
Reclassified (to) / from Investment Property	-	16	-		-	-	-	-	16
At 31 March 2025	(600)	(1,918)	(31,921)	(3,797)	-	(49)	-	(105)	(38,390)
Net Book Value									
At 31 March 2025	14,165	140,708	12,770	77,278	7,843	8,089	32,168	414	293,435
Nature of Asset Holding									
Owned	14,165	140,708	12,770	77,278	7,843	8,089	32,168	-	293,021
Leased	-	-	-	-	-	-	-	414	414
Total	14,165	140,708	12,770	77,278	7,843	8,089	32,168	414	293,435

SECTION 3 : Statement of Accounts

Note 14: Non-Current Assets - Property, Plant & Equipment

Depreciation

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

- Council Dwellings - 50 years.
- Other Land and Buildings - straight-line allocation over the useful life of the property as estimated by the valuer, between 25 and 40 years.
- Vehicles, Plant, Furniture & Equipment - straight-line allocation over the useful life of the asset, up to 15 years.
- Infrastructure

Bus Shelters	15 years
Bridges	25 years
Car Parks / Traffic Calming	25 years
Classified Roads	25 years
Footpaths	25 years
General Improvement Areas	25 years
Greenways / Cycle Routes	25 years
Infrastructure	25 years
Misc Highways	25 years
Principal Roads	25 years
Street Lighting	25 years
Traffic Signals	25 years
Unclassified Roads	25 years
Roads and Sewers	25 years
Sea Walls	100 years

Revenue Expenditure Funded from Capital Under Statute

The cost of Revenue Expenditure Funded from Capital Under Statute is charged to the Comprehensive Income and Expenditure Account. An amount of £4.215m (£5.614m in 2024/25) has been charged to Services and is shown as a reconciling item within Note 5 (Adjustments between Accounting Basis and Funding Basis under Regulations). This was financed by corporate resources of £0.029m (£0.288m in 2024/25), capital grants of £4.048m (£5.232m in 2023/24), prudential borrowing of £0.118m (£0.094m in 2024/25) and Major Repair Reserves of £0.020m (Nil in 2024/25).

Capital Commitments

At 31st March 2026 the Council had entered into a contract for the construction of Highlight Active Wellbeing Hub. The total project budget is £35.868m, expenditure to 31 March 26 is £33.558m with an outstanding commitment of £2.310m.

Surplus Assets - Fair Value Disclosures

Details of the Authority's surplus assets and information about the fair value hierarchy at 31 March 2026 are as follows:

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobserva ble inputs (Level 3)	Fair Value as at 31 March 2026
	£000s	£000s	£000s	£000s
Recurring fair value measurements using:				
Surplus Assets	-	6,089	2,702	8,791
Total	-	6,089	2,702	8,791

One property transferred between Level 2 and Level 3 during the year. This occurred because a lesser degree of valuer judgement was employed in this valuation. There were no other transfers between levels during the year.

Note 14: Non-Current Assets - Property, Plant & Equipment

Significant Observable Inputs – Level 2

The surplus assets within this input level are mainly measured using sales and valuations of comparable properties to establish market values. Market conditions are such that there are similar properties that are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy. Assets with development potential are measured to reflect potential development value.

Significant Unobservable Inputs – Level 3

The surplus assets within this input level are measured as in Level 2. However, they are 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.

Change in Valuation Method

In 2025/26 the estimation of the fair value of the Council's Surplus Assets is based on Fair Value Market Value. In line with changes to the Code, assets which have not been revalued in the current year are subject to indexation.

Revaluation and Indexation

Revaluation

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment is revalued at least every five years. All valuations are carried out internally and valuations are based on certificates issued by the Council's Strategic Asset Manager, Mr T Wynn, a member of the Royal Institute of Chartered Surveyors. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost.

The significant assumptions applied in estimating the fair values unless otherwise noted in the valuation reports are that properties:

- are in good condition and repair;
- are freehold and with vacant possession;
- will continue to be used by the Council into the foreseeable future;
- do not contravene planning and other statutory matters.

Indexation

Indexation reflects market-based movements applied in intervening periods. Although the valuation approaches differ, both are treated equally for accounting purposes under the revaluation model.

From 1 April 2025, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requirements changed in respect of revaluations of property, plant and equipment, those assets not subject to a formal in year revaluation as part of the five-year rolling programme will be subject to indexation in the four intervening years.

The significant assumptions applied in estimating the current values of property, plant and equipment are that the Council:

- Has applied a range of indices to reflect movements in asset values by asset class. Construction-based indices have been applied to operational property, while market-based indices have been applied to land and other property assets. Indices have been selected based on their relevance to the asset characteristics and the availability of reliable data.
- Considers that indexation provides a reasonable approximation of current value for the majority of assets. However, as indexation is based on general market data, it may not fully reflect asset-specific or localised variations.

SECTION 3 : Statement of Accounts

Note 14: Non-Current Assets - Property, Plant & Equipment

Index	Average Change %	Valuation Change £000s
Building Cost Information Service - All In Tender Price Index	2.8	1,645
HM Land Registry Open Data House Price Index Hartlepool	2.7	333
Industrial - Costar - Capital Value Index Tees Valley	5.4	187
Offices - Costar - Capital Value Index Tees Valley	2.5	132
HM Land Registry Open Data House Price Index North Yorkshire	1.8	6
Retail - Costar - Capital Value Index Tees Valley	(3.0)	(58)
Farmland - Carter Jonas - Market Update North East	(2.5)	(93)
Total indexation applied in 2025/26		2,152

The following statement shows the progress of the Council's rolling programme for the revaluation of non-current assets. The basis for the valuation is set out in the Statement of Accounting Policies.

	Operational Assets					
	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Surplus Assets £000s	Right-of-Use £000s	Total £000s
Valued at Historical Cost	-	-	13,223	-	396	13,619
Valued as at:						
2025/2026	14,255	49,823	-	5,697	-	69,775
2024/2025	-	30,152	-	405	4	30,561
2023/2024	-	31,118	-	399	-	31,517
2022/2023	-	20,790	-	-	-	20,790
2021/2022	-	642	-	2,329	-	2,971
Indexation Applied to Valuations above		2,191		(39)		2,152
Total	14,255	134,716	13,223	8,791	400	171,385

Note 15: Non-Current Assets - Property, Plant & Equipment - Revaluations

The following is an analysis of the Revaluation Reserve by asset type.

2024/25 £000s		2025/26 £000s
1,591	Council Dwellings	1,603
62,627	Other Land & Buildings	58,263
7	Community Assets	7
4,242	Surplus Assets	4,979
1,649	Investment Properties	1,649
9,040	Heritage Assets	9,040
79,156		75,541

SECTION 3 : Statement of Accounts

Note 16: Non-Current Assets - Right-of-Use Assets

The Council adopted IFRS16 Leases with effect from 1 April 2024. The main impact of the requirements of IFRS16 is that, for some arrangements previously accounted for as an operating lease, a Right-of-Use asset and lease liability are now included on the balance sheet.

The lease liability was measured at the present value of the lease payment, discounted at the rate uplift in the lease. If this was not readily determined, the Council applied an incremental borrowing rate specific to the term and start date of the lease using PWLB rates.

The Council has decided to apply recognition exemptions to short term leases that have a term of less than 12 months (including leases that expire within 12 months of 31 March 2026) and low value items of less than £0.010m. This expenditure continues to be expensed to the Comprehensive Income and Expenditure Statement.

Gym equipment has been leased in 2025/26 and 1 printer disposed as the school has converted to an Academy. These are included within Note 14 - Non-Current Assets - Property, Plant & Equipment.

Council as Lessee

Change in value of Right-of-Use assets held under leases by the Council:

2024/25				2025/26		
Land and Buildings	Vehicle, Plant and Equipment	Total		Land and Buildings	Vehicle, Plant and Equipment	Total
£000s	£000s	£000s		£000s	£000s	£000s
503	39	542	Opening Balance	373	41	414
-	15	15	Additions	-	120	120
-	-	-	Disposals	-	(7)	(7)
(38)	-	(38)	Revaluations	-	-	-
(92)	(13)	(105)	Depreciation and amortisation	(93)	(34)	(127)
373	41	414	Closing Balance	280	120	400

Transactions under leases

The Council incurred the following expenses and cash flows in relation to leases:

2024/25 £000s		2025/26 £000s
	Comprehensive Income and Expenditure Statement	
15	Interest expenses on lease liabilities	24
6	Expenses relating to exempt leases of low value items	3
	Cash Flow Statement	
136	Minimum lease payments	126

Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time periods (measured at the undiscounted amounts of expected cash payments):

2024/25 £000s		2025/26 £000s
109	Not later than one year	116
256	Later than one year & not later than five years	240
76	Later than five years	74
289	Finance costs payable in the future	280
730	Total undiscounted liabilities	710

SECTION 3 : Statement of Accounts

Note 17: Operating Leases

Vehicles for staff are still classified as operating leases, with a typical life of three years. The future minimum lease payments due under non-cancellable leases in future years are:

Council as lessee

<u>2024/25</u> <u>£000s</u>	Future minimum lease payments due	<u>2025/26</u> <u>£000s</u>
487	Not later than one year	625
429	Later than one year & not later than five years	527
-	Later than five years	-
<u>916</u>		<u>1,152</u>

Council as lessor

<u>2024/25</u> <u>£000s</u>	Future minimum lease payments receivable	<u>2025/26</u> <u>£000s</u>
1,136	Not later than one year	1,251
1,884	Later than one year & not later than five years	2,187
1,752	Later than five years	1,191
<u>4,772</u>		<u>4,629</u>

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 purposes to provide suitable affordable accommodation for local businesses;
- for the provision of housing accommodation as a result of leasing 22 of its renovated former empty properties to Mears, 10 to Community Campus, three to Nacro and six to New Walk.

At 31 March 2026 the minimum payments expected to be received under non-cancellable sub-leases was nil (nil as at 31 March 2025).

The expenditure charged to the Comprehensive Expenditure Statement during the year in relation to these leases was:

<u>2024/25</u> <u>£000s</u>		<u>2025/26</u> <u>£000s</u>
	Payments recognised as an expense	
471	Minimum lease payments	596
(471)	Sub-lease payments	(596)
<u>-</u>	Total	<u>-</u>

SECTION 3 : Statement of Accounts

Note 18: Non-Current Assets - Heritage Assets

Reconciliation of the carrying value of Heritage Assets held by the Council:

2025/26 Cost or Valuation	Museum Exhibits & Art Collection	Civic Collection	Sculptures, Monuments & War Memorials	Total
	£000s	£000s	£000s	£000s
At 1 April 2025	17,494	461	1,411	19,366
Additions	38	-	-	38
Disposals	-	-	-	-
Revaluations	-	-	-	-
At 31 March 2026	17,532	461	1,411	19,404

2024/25 Cost or Valuation	Museum Exhibits & Art Collection	Civic Collection	Sculptures, Monuments & War Memorials	Total
	£000s	£000s	£000s	£000s
At 1 April 2024	16,938	461	1,411	18,810
Additions	3	-	-	3
Disposals	-	-	-	-
Revaluations	553	-	-	553
At 31 March 2025	17,494	461	1,411	19,366

Museum Exhibits & The Art Collection

The Council's Museum Service possesses a collection of historical objects, information and artworks. These are displayed within the Museum of Hartlepool, the Hartlepool Art Gallery and selected buildings such as the Civic Centre and Borough Buildings, either as part of the permanent historical displays or as changing exhibitions. When not on display they are held in secure storage.

The collections are used as a valuable reference collection for researching the history and cultural identity of the town.

Hartlepool has an impressive and important collection of over 1,000 pieces of fine art. The collection is mainly Victorian and Edwardian in period, largely as a result of the founding collection by Sir William Gray. With few exceptions, most subsequent collecting has been the work of artists living or working at least part of their lives in the Hartlepool area. In 2025/26, a collection of artwork by Lionel Bulmer was acquired for £0.002m and a selection of artwork by various artists was acquired for £0.001m, both purchased from external funding. A Lionel Tertis Baby Grand Piano was donated to the Council valued at £0.035m.

The Council also holds collections relating to Hartlepool's maritime heritage and social history. These include ship models, photographs, company records, ephemera and equipment. This also contains around 35,000 plans for the building of approximately 300 ships including the Wingfield Castle.

Almost all of the plans relate to ships built by Gray's shipyard from 1927 to the yards closure in 1961. When the shipyard closed, the plans were still of importance and often bought by other ship builders. In the mid 1980s many of the plans were returned to Hartlepool and now feature in the collection.

Civic Collection

The Civic Collection includes the Civic Regalia, ceremonial silverware, and a number of decorative artefacts. The Books of Remembrance have been included within the Civic Collection and are held at Historic Cost. The collection was revalued in 2023/24.

Valuation of the Collections

Although there is no requirement to have Heritage Assets externally valued, an external valuation was completed during 2024/25. The External Valuers Anderson & Garland Ltd carried out an insurance based valuation of the assets. Museum exhibits and Works of Art were valued at £17.494m.

Sculptures, Monuments & War Memorials

The Council has recorded eleven Public Works of Art, nine Sculptures and six War Memorials which are considered to principally contribute towards this category of asset.

Policy and Management

The Council has an Acquisitions & Disposals Policy in place which sets out the acquisition, preservation, management and disposal of Heritage Assets. This is available on request.

SECTION 3 : Statement of Accounts

Note 19: Non-Current Assets - Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2024/25 £000s		2025/26 £000s
(754)	Rental income from investment property	(683)
193	Direct operating expenses arising from investment property	251
(561)	Net (gain)/loss	(432)

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

The Council leases a number of properties where it also acts as a lessor. These properties are classed as investment properties. The following table summarises the movement in the fair value of investment properties over the year:

2024/25 £000s		2025/26 £000s
9,515	Balance at the start of the year	9,625
-	Additions: Subsequent expenditure	-
(36)	Disposals	-
(368)	Net Gains/(Losses) from fair value adjustments	(929)
229	Transfers: (To)/from Property, Plant & Equipment	-
285	Transfer from assets under construction	-
9,625	Balance at the end of the year	8,697

SECTION 3 : Statement of Accounts

Note 19: Non-Current Assets - Investment Property

Investment Property - Fair Value Disclosures

Details of the Council's investment properties and information about the fair value hierarchy at 31 March 2026 are as follows:

<i>Recurring fair value measurements using:</i>	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March 2026
	£000s	£000s	£000s	£000s
Office Units	-	268	1,250	1,518
Commercial Units	-	6,472	707	7,179
Total	-	6,740	1,957	8,697

One property was transferred from Level 3 to Level 2 during the year. This occurred because a greater degree of valuer judgement was employed in this valuation, owing to an increase in the comparable properties. There were no other transfers between levels during the year.

Valuation Techniques used to determine level 2 and 3 Fair Values for Investment Properties.

Significant Observable Inputs - Level 2

The office and commercial units located in the local authority area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the authority's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy level, bad debt levels and maintenance costs. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy. In the remaining cases the properties are measured directly to capital values by reference to their potential development value.

Significant Unobservable Inputs - Level 3

The valuation for office and commercial units within this input level are measured as above. However, they are 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 all cases, the Council's investment properties have been valued on the basis of market value. In many cases the current value of the property is the 'highest and best', most valuable use of the site. However, in some cases such as development sites, the current use is not the 'highest and best' use but the valuations reflect the potential to realise the value through sale or development.

SECTION 3 : Statement of Accounts

Note 20: Non Current Assets - Intangible Assets

The Council accounts for its software as intangible assets and includes the purchase of software licences.

All software is given a finite useful life of 5 years. This is based on the assessment of the period that the software is expected to be of use to the Authority and is in line with the Authority's accounting policy.

The carrying amount of intangible assets is amortised on a straight line basis. No amortisation is recognised in the year of purchase.

The movement on intangible asset balances during the year is as follows:

2024/25 £000s		2025/26 £000s
	Balance at the start of the year	
706	Gross carrying amounts	706
(706)	Accumulated amortisation	(706)
-	Net carrying amount at end of year	-
-	Additions	67
-	Amortisation for the period	-
	Net carrying amount at end of year	67
	Comprising	
706	Gross carrying amounts	773
(706)	Accumulated amortisation	(706)
-	Net carrying amount at end of year	67

SECTION 3 : Statement of Accounts

Note 21: Long Term Debtors

This note sets out the value of Long Term Debtors held by the Council at 31 March 2026.

2024/25 £000s		2025/26 £000s
962	Northern School of Art	890
554	NDC Trust	547
77	Trincomalee Trust Loan and Advances	77
40	Car Loans to Employees	28
6	Housing Advances	6
27	Vivup H&E > 1 Year Debtor	24
1,171	Other	1,101
<u>2,837</u>		<u>2,673</u>

Note 22: Long Term Investments

The Council owns 1.1% of the shares in Teesside International Airport Ltd. The shares have been valued at nil for 2025/26 (nil 2024/25). Further details of the Council's long term investments are included in Note 31 Related Party Transactions.

Note 23: Short Term Debtors

This note sets out amounts owed to the Council as at the 31 March 2026.

2024/25 £000s		2025/26 £000s
4,033	Central Government Bodies	5,330
10,766	Other Local Authorities	6,632
172	NHS Bodies	405
	Bodies external to general government:	
5,820	General and Other Debtors	4,990
4,635	Payments in Advance	6,334
11,231	Council Tax Payers	11,834
597	NNDR Payers	756
2,637	Trade Debtors	3,196
<u>39,891</u>		<u>39,477</u>

The above debtor figures are net of an impairment allowance of £10.294m (£9.876m as at 31 March 2025).

SECTION 3 : Statement of Accounts

Note 24: Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

2024/25 £000s		2025/26 £000s
4,255	Less than 1 year	3,908
14,664	More than 1 year	16,059
<u>18,919</u>		<u>19,967</u>

The above analysis does not include impairment of expected credit losses of £7.377m (£7.090m in 2024/25).

Note 25: Cash and Cash Equivalents

This note sets out details of the Council's cash in hand and instant access investment accounts in addition to the overdraft included in the Liabilities section of the Balance Sheet.

2024/25 £000s		2025/26 £000s
	Assets	
65	Bank and Imprests	60
8,426	Liquidity Investment Accounts	6,941
<u>8,491</u>		<u>7,001</u>
	Liabilities	
(2,828)	Bank Overdraft	(9,833)
<u>5,663</u>		<u>(2,832)</u>

SECTION 3 : Statement of Accounts

Note 26: Provisions

Total provisions at 31 March 2026 were £2.404m (£3.728m in 2024/2025), as detailed below.

Current Liabilities		2025/26			Total
		Other	Rating	MMI	
		(Note 1)	Appeals	Insurance	
2024/25					
£000s		£000s	£000s	£000s	£000s
2,590	Balance at 1 April	343	2,238	16	2,597
2,438	Additional provisions made in	-	288	-	288
(2,358)	Amounts used in year	-	(1,541)	(16)	(1,557)
32	Transfer in Year	-	-	-	-
(105)	Unused amounts reversed in year	(55)	-	-	(55)
2,597	Balance at 31 March	288	985	-	1,273

Long Term Liabilities		2025/26		Total
		Contaminated	MMI	
		Land	Insurance	
2024/25		(Note 4)	(Note 3)	
£000s		£000s	£000s	£000s
1,163	Balance at 1 April	634	497	1,131
-	Additional provisions made in year	-	-	-
-	Amounts used in year	-	-	-
(32)	Transfers in Year	-	-	-
-	Unused amounts reversed in year	-	-	-
1,131	Balance at 31 March	634	497	1,131

Note 1 - Other - this provision has been created to cover planning appeals and other potential legal cost liabilities. The provision is based on a prudent estimate of the likely costs. However, the timing of these payments is uncertain.

Note 2 - Rating Appeals - following the implementation of the Business Rates Retention Scheme in 2013/14, this provision is earmarked to fund backdated appeals as a result of Rateable Value changes. These costs were previously met by Central Government.

Note 3 - In September 1992 Municipal Mutual Insurance (MMI), the Council's former insurers, ceased accepting new business. MMI and its policyholders, including local authorities, have established a Scheme of Arrangement for the orderly run down of the company. MMI do not have enough assets to meet the claims and liabilities currently outstanding. The Scheme of Arrangement provides that, if there is a likelihood of a shortfall, MMI can reclaim from the major policyholders part of the claims paid from 1 October 1992. The Scheme of Arrangement under section 899 of the Companies Act 2006 was triggered in November 2012. From April 2016, the Creditors Committee set a levy rate of 25% (previously 15%) based on a percentage share of the liabilities outstanding. Therefore the Council has recognised a £0.497m provision in the accounts for these liabilities.

Note 4 - Contaminated Land - in accordance with the Environmental Protection Act 1990, a provision for the Council's obligations arising from decontamination costs of areas of contaminated land where there is a significant possibility of causing significant harm to human health.

SECTION 3 : Statement of Accounts

Note 27: Short Term Creditors

This note sets out amounts owed by the Council as at 31 March 2026.

2024/25 £000s		2025/26 £000s
7,985	Central Government Bodies	5,608
3,219	Other Local Authorities	4,788
390	NHS Bodies	385
	Bodies external to General Government:	
12,617	General and Other Creditors	11,695
5,093	Trade Creditors	3,568
3,372	Employee Absences	3,822
578	Income in Advance	733
965	Council Tax Payers	897
765	NNDR Payers	374
<u>34,984</u>		<u>31,870</u>

Note 28: Grant Income & Taxation

Credited to Taxation and Non Specific Grant Income

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

2024/25 £000s		2025/26 £000s
51,593	Council Tax Income	55,385
15,122	Business Rates Income	16,602
12,587	NNDR - Top-Up Grant	12,681
9,855	Revenue Support Grant	10,152
7,375	Business Rates Relief	7,983
16,040	Capital - Tees Valley Combined Authority	4,937
-	Recovery Grant	3,610
-	Capital - Towns Fund	3,026
90	Capital - Levelling Up	1,631
1,224	New Homes Bonus Grant	1,067
1,671	Capital - Other Capital Grants & Contributions	1,012
498	Capital - Environment Agency	558
204	Capital - Section 106	511
946	Capital - Department for Education	422
-	Capital - Lottery	210
199	Local Services Support Grant	-
2,425	Capital - Sport England	-
<u>119,829</u>	Total	<u>119,787</u>

SECTION 3 : Statement of Accounts

Note 28: Grant Income & Taxation

Credited to Services

2024/25 £000s		2025/26 £000s
46,460	Dedicated Schools Grant	51,357
25,412	Housing Benefit Subsidy	22,262
11,696	Social Care Support Grant	13,808
9,482	Better Care Fund	10,740
9,796	Public Health Grant	10,355
11,227	Other Department for Education Grants	10,433
-	Local Authority Better Care Grant (formerly iBCF and ASC Discharge Gra	6,610
5,988	Other Grants	4,573
-	pERP Recycling Grant	2,515
2,791	Ministry of Housing, Communities and Local Government	2,403
2,940	Home Office	2,387
2,437	Pupil Premium	2,263
2,192	Adult Social Care - Market Sustainability and Improvement Fund	2,192
1,986	Household Support Fund	1,750
1,736	Department of Health Grants	1,699
-	Tees Valley Combined Authority	1,666
1,550	Disabled Facility Grant	1,469
-	Children's Social Care Prevention Grant	1,060
-	Employer National Insurance Contributions Grant	948
721	Supporting Families	721
434	Housing Benefit and Local Council Tax Support Administration Grants	396
135	Department for Work & Pensions	381
-	Tides of Change	366
-	Youth Transformation Fund	365
-	Section 106	190
-	Lottery	69
193	Other COVID-Related Grants	24
45	Education and Skills Funding Agency	11
333	Youth Employment Initiative	2
5,358	Improved Better Care Fund	-
1,252	Adult Social Care - Discharge Grant	-
144,164	Total	153,015

Current Liabilities

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned if the conditions are not met. The balances at the year-end are as follows:

Grant Receipts in Advance (Capital Grants)

2024/25 £000s		2025/26 £000s
2,838	Section 106/278	6,107
3,267	Other Department for Education Grants	2,578
2,104	Tees Valley Combined Authority	2,032
-	Department for Levelling Up, Housing and Communities	568
450	Environment Agency	381
-	Disabled Facilities Grant	183
245	Other Capital Grants & Contributions	145
806	Department for Environment, Food and Rural Affairs	45
9,710	Total	12,039

SECTION 3 : Statement of Accounts

Note 28: Grant Income & Taxation

Grant Receipts in Advance (Revenue Grants)

2024/25 £000s		2025/26 £000s
62	Other Grants	1,598
1,156	Other Department for Education	892
-	Youth Transformation Fund (DCMS)	192
913	Revenue Support Grant	-
90	Tees Valley Combined Authority	-
<u>2,221</u>	Total	<u>2,682</u>

Long-Term Liabilities

Grant Receipts in Advance (Capital Grants)

2024/25 £000s		2025/26 £000s
9,648	Section 106	6,612
-	Other Department for Education Grants	1,680
31	Other Capital Grants & Contributions	25
<u>9,679</u>	Total	<u>8,317</u>

Note 29: Other Long Term Liabilities

The note below shows the Council's other long term liabilities as at 31 March 2026:

- the outstanding principal on the Council's Right-of-Use Assets;
- Section 38 agreements with developers;
- net pensions liability.

2024/25 £000s		2025/26 £000s	Note
333	Lease liability	314	16
1,007	Section 38 Liability	1,078	
6,938	Net Pensions Liability	6,607	43
<u>8,278</u>		<u>7,999</u>	

SECTION 3 : Statement of Accounts

Note 30: Unusable Reserves

The Unusable Reserves are shown below.

2024/25 £000s		2025/26 £000s	Table
79,156	Revaluation Reserve	75,541	1
129,868	Capital Adjustment Account	126,854	2
(6,938)	Pensions Reserve	(6,607)	3
366	Deferred Capital Receipts Reserve	366	4
1,128	Collection Fund Adjustment Account	1,240	5
(3,372)	Accumulated Absences Account	(3,822)	6
(4,932)	Dedicated Schools Grant Adjustment Account	(8,793)	7
<u>195,276</u>		<u>184,779</u>	

Table 1 - Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation;
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2024/25 £000s		2025/26 £000s
76,436	Balance at 1 April	79,156
10,173	Upward revaluation of assets	1,981
(4,630)	Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	(3,710)
-	Indexation Adjustment	1,898
5,543	Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	169
(1,308)	Difference between fair value depreciation and historical cost depreciation	(1,471)
(54)	Write off of Revaluation Reserve following Category Transfer	-
(1,461)	Accumulated gains/(losses) on assets sold, scrapped or decommissioned	(2,313)
(2,823)	Amount written off to the Capital Adjustment Account	(3,784)
<u>79,156</u>	Balance at 31 March	<u>75,541</u>

SECTION 3 : Statement of Accounts

Table 2 -Capital Adjustment Account

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

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2024/25 £000s		2025/26 £000s
112,891	Balance at 1 April	129,868
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(9,036)	- Charges for depreciation and impairment of non-current assets	(9,952)
(1,051)	- Revaluation gains/(losses) on Property, Plant and Equipment	(1,931)
-	- Indexation Adjustment	254
(5,614)	- Revenue expenditure funded from capital under statute	(4,215)
(5,694)	- 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 Statement	(10,268)
-	- Reversal of Lease Liability	7
(21,395)		(26,105)
2,823	Adjusting amounts written out of the Revaluation Reserve	3,784
(18,572)	Net written out amount of the cost of non-current assets consumed in the year	(22,321)
	Capital financing applied in the year:	
124	- Use of the Capital Receipts Reserve to finance new capital expenditure	216
263	- Use of the Major Repairs Reserve to finance new capital expenditure	148
128	- Use of Corporate Reserves to finance new capital expenditure	216
23,875	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	11,554
4,622	- Application of grants to capital financing from the Capital Grants Unapplied Account	2,174
2,810	- Statutory provision for the financing of capital investment charged against the General Fund	2,569
4,095	- Direct revenue funding credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,358
35,917		20,235
(368)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(929)
129,868	Balance at 31 March	126,854

SECTION 3 : Statement of Accounts

Table 3 - Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<u>2024/25</u> <u>£000s</u>		<u>2025/26</u> <u>£000s</u>
(7,770)	Balance at 1 April	(6,938)
74,580	Remeasurement of defined liability on pensions assets and liabilities	79,578
	Net acquisition/(disposal) of pensions assets and liabilities	
(11,198)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(8,781)
8,868	Employer's pensions contributions and direct payments to pensioners payable in the year	9,870
(71,418)	Impact of Asset Ceiling	(80,336)
<u>(6,938)</u>	Balance at 31 March	<u>(6,607)</u>

Table 4 - Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

<u>2024/25</u> <u>£000s</u>		<u>2025/26</u> <u>£000s</u>
366	Balance at 1 April	366
-	Transfers in Year	-
<u>366</u>	Balance at 31 March	<u>366</u>

Table 5 - Collection Fund Adjustment Account

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

<u>2024/25</u> <u>£000s</u>		<u>2025/26</u> <u>£000s</u>
984	Balance at 1 April	1,128
144	Amount by which Council Tax and Non-Domestic Rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non-Domestic Rates income calculated for the year in accordance with statutory requirements	112
<u>1,128</u>	Balance at 31 March	<u>1,240</u>

SECTION 3 : Statement of Accounts

Table 6 - Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2026. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2024/25 £000s		2025/26 £000s
(4,901)	Balance at 1 April	(3,372)
4,901	Settlement or cancellation of accrual made at the end of the preceding year	3,372
<u>(3,372)</u>	Amounts accrued at the end of the current year	<u>(3,822)</u>
1,529	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(450)
<u><u>(3,372)</u></u>	Balance at 31 March	<u><u>(3,822)</u></u>

Table 7 - Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account is a statutory ringfenced unusable reserve required by the School and Early Years Finance Regulations. The regulations require that, where an authority has a deficit in respect of its Schools Budget, the authority:

- must not charge to a revenue account an amount in respect of that deficit;
- must charge the amount of that deficit to an account established, charged and used solely for the purpose of recognising deficits in respect of its Schools Budget.

The Council has recorded the deficit as an unusable reserve in line with the regulations.

2024/25 £000s		2025/26 £000s
(1,589)	Balance at 1 April	(4,932)
(3,343)	In year Dedicated Schools Grant Deficit	(3,861)
<u><u>(4,932)</u></u>	Balance at 31 March	<u><u>(8,793)</u></u>

Note 31: Related Party Transactions

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

Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments, including grant receipts outstanding at 31 March 2026, are shown in Note 28.

Members

Members of the Council have direct control over the Council's Financial and Operating Policies. The total of Members' allowances paid in 2025/26 is shown in Note 11. Members are required to keep their declarations of interest up-to-date. These have been reviewed and there are no disclosures to report.

The Council pays grants and/or makes contractual payments to voluntary organisations/charities where an individual Member(s) may sit on the management board.

These payments are either funded from the Council's own resources, or specific grants secured by the Council. In many cases funding is allocated by officers under delegated budget management responsibility. Where the final funding decision is made by Councillors, which would either be individual policy committees or Council, this decision would be made on the basis of an officer report at a formal Committee / Council meeting. These reports, meetings and minutes are open to the public.

Officers

Chief Officers are required to provide an annual declaration of interest and to keep this under review during the year. All declarations have been reviewed and there are no disclosures to report.

Other Public Bodies (subject to common control by Central Government)

In 2025/26 the Council provided services to Cleveland Fire Authority amounting to £0.240m. This included various support services, predominantly in relation to financial services, for which the Council received net income of £0.198m (£0.189m in 2024/2025).

The Council continues to provide a range of support services to Thirteen Group such as Legionella Management. The income from these services amounted to £0.066m (£0.087m in 2024/25) which represented the cost of the service provided.

The Council receives income from 'Right to Buy' receipts in relation to the sale of former Council dwellings under the terms of the Large Scale Voluntary Transfer (LSVT) of its council housing stock to Thirteen Group in 2004. Sales in 2025/26 amounted to £0.140m (£0.045m in 2024/25).

The Council provides a range of support services to Hartlepool Academies, including Property Services, Payroll Services, Building Cleaning and School Catering. The income from these services amounted to £5.186m (£4.899m in 2024/25).

The Council delivered 'The Children's Hub' on behalf of Stockton-On-Tees Borough Council. 'The Children's Hub' is an integrated single point of access across North Tees providing multi-agency triage and assessment of enquiries about children funded jointly by Hartlepool Borough Council and Stockton-on-Tees Borough Council with additional financial contributions from Cleveland Police and Crime Commissioner and Children and Adolescence Mental Health Services (CAMHS). The joint arrangement ended on 31 March 2026. Stockton-on-Tees Council contributed £0.941m, (£0.879m in 2024/25) towards the cost of this service.

The Hartlepool and Stockton Local Safeguarding Children Partnership (HSSCP) is a multi-agency partnership involving both local authorities, the Integrated Care Board (ICB) and Cleveland Police to co-ordinate their safeguarding services and act as a strategic leadership group. In 2025/26 Stockton-on-Tees Borough Council contributed £0.091m (£0.091m in 2024/25), the ICB £0.065m (£0.065m 2024/25) and the Cleveland Police and Crime Commissioner £0.065m (£0.065m in 2024/25).

The Council provides cyclical maintenance and other construction services to Middlesbrough Borough Council. The income from these services amounted to £0.018m (£0.062m in 2024/25).

As required by the Health and Social Care Act 2012, the Council has entered into a contract with Healthwatch Hartlepool for a value of £0.124m (£0.124m in 2024/25.)

SECTION 3 : Statement of Accounts

Note 31: Related Party Transactions

Other

The Council holds minority shares in Teesside International Airport Ltd.

The Council's shareholding in Teesside International Airport Ltd is 1.1%. The Council has assessed a number of factors in detail and determined the valuation of the shares at nil for 2025/26 (nil in 2024/25).

Issues of note include a surplus on the Profit and Loss Account of £1.179m (previous year deficit of £6.625m) and a net liability position of £19.142m (previous year net liability position of £21.121m). Further information and copies of their accounts are available from their Registered Office – Teesside International Airport Limited, Darlington, Durham, DL2 1LU.

The Council is a shareholder in Tees Valley Energy Recovery Limited (TVERL), a Special Purpose Vehicle (SPV) formed by Darlington, Durham, Hartlepool, Middlesbrough, Newcastle, Redcar & Cleveland, and Stockton-on-Tees councils to manage the development of the Tees Valley Energy Recovery Facility (TV ERF). The project is valued at approximately £2bn over a 29-year period and is expected to become operational in 2029.

The Council holds a £1 ordinary share in TVERL, alongside the six other partner authorities, and jointly exercises control over the entity.

TVERL was incorporated on 18 December 2025 and will prepare its first set of financial statements to 31 March 2027.

There were no transactions between the Council and TVERL during the financial year, and no balances were outstanding at the year-end. The Council may enter into transactions and commitments with TVERL in future periods in relation to the development and operation of the facility. TV ERL have entered into a number of contracts to support the company post-Financial Close, such as legal, technical and financial support. All costs incurred by TV ERL are allocated on a proportional basis between the 7 authorities, in accordance with the Waste Supply and Support Agreement.

The Council has not produced group accounts on the grounds of materiality.

Note 32: External Audit Costs

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

RESTATED 2024/25 £000s		2025/26 £000s
327	Fees payable in respect of external audit services carried out by the appointed auditor for the year	331
28	Fees payable for the certification of grant claims and returns for the year	28
<u>355</u>		<u>359</u>

The above shows fees payable in respect of external audit services. The 2024/25 figures have been updated to reflect the actual cost of the 2024/25 audit. The 2025/26 figures are based on an estimate. The Council received £0.041m from the Ministry of Housing, Communities, and Local Government (MHCLG) in relation to the Redmond Review for 2025/26. This is not reflected above.

SECTION 3 : Statement of Accounts

Note 33: Dedicated Schools Grant

The Council's expenditure on schools is primarily funded by grant monies provided by the Department for Education (DfE), 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 ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2025. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

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

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2025/26 before academy and high needs recoupment			124,627
Academy and high needs figure recouped for 2025/26			73,062
Total DSG after academy and high needs recoupment for 2025/26			51,565
Plus: Brought Forward from 2024/25			-
Less: Carry forward to 2026/27 agreed in advance			-
Agreed Initial Budget Distribution in 2025/26	33,614	17,951	51,565
In Year Adjustments	(164)	(5)	(169)
Final Budget Distribution for 2025/26	33,450	17,946	
Less: Actual Central Expenditure	(37,311)		(37,311)
Less Actual Individual Schools Budget Deployed to Schools	-	(17,946)	(17,946)
Plus Local authority contribution for 2025/26	-	-	-
In-year carry forward to 2026/27	-	-	(3,861)
Plus: Carry-Forward to 2026/27 agreed in advance	-	-	-
Carry forward to 2026/27	-	-	-
DSG unusable reserve at the end of 2024/25	-	-	(4,932)
Addition to DSG unusable reserve at the end of 2025/26	-	-	(3,861)
Total of DSG unusable reserve at the end of 2025/26	-	-	(8,793)
Net DSG position at the end of 2025/26	-	-	(8,793)

At 31 March 2026, the Authority has an overall deficit position on Dedicated School Grant reserves of £8.793m.

The total DSG for 2025/26 of £124.627m excludes the final adjusted allocation for the Early Years Block that is expected in June 2026. As per regulations, this amount is shown as an in-year adjustment for 2025/26.

Individual School Budgets were reduced by £0.005m in 2025/26 to reflect permanently excluded pupils and the clawback of pupil funding permitted in the regulations. The increase is included within the value of in-year adjustments.

Schools' Forum approved a transfer of £0.080m from the Central School Services Block to the High Needs Block in 2025/26 and a transfer of £0.436m from the Schools Block to the High Needs Block.

SECTION 3 : Statement of Accounts

Note 34: Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the recognition of Right-of-Use Assets), 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 £000s		2025/26 £000s
112,570	Opening Capital Financing Requirement	114,961
	Capital Investment	
32,225	Property, Plant and Equipment	28,589
542	Right of Use Assets	120
-	Intangible Assets	67
3	Heritage Assets	38
5,614	Revenue Expenditure Funded from Capital under Statute	4,215
(76)	Long Term Debtors	(79)
	Other Movements	
-	Writing out Lease Liability	(7)
	Sources of Finance	
(23,875)	Government Grants and Other Contributions	(11,554)
(4,622)	Application of Capital Grant from the Capital Grants Unapplied Account	(2,174)
(124)	Capital receipts	(216)
(128)	Corporate Reserves	(216)
(263)	Major Repairs Reserve	(148)
	<i>Sums set aside from revenue:</i>	
(4,095)	Direct Revenue Contributions	(3,358)
(2,810)	Minimum Revenue Provision (MRP)	(2,569)
114,961	Closing Capital Financing Requirement	127,669
	Explanation of movements in year	
(76)	Repayments by Long Term Debtors	(79)
557	Increase / (Decrease) in Lease Obligations	113
4,720	Increase / (Decrease) in borrowing unsupported by government financial assistance	15,243
(2,810)	Minimum Revenue Provision (MRP)	(2,569)
2,391	Increase/(decrease) in Capital Financing Requirement	12,708

SECTION 3 : Statement of Accounts

Note 35: Financial Instruments

Categories of Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

31 March 2025			31 March 2026	
Long Term	Current		Long Term	Current
£000s	£000s		£000s	£000s
Investments at Amortised Cost				
-	36,199	Loans and receivables at Amortised Cost	-	18,280
-	8,426	Liquidity Accounts included in Cash Equivalents	-	6,941
-	44,625	Total Investments at Amortised Cost	-	25,221
-	-	Assets at Fair Value through Other Comprehensive Income (Note 1)	-	-
-	44,625	Total Investments at Amortised Cost	-	25,221
Debtors				
2,837	8,457	Financial Assets (including Trade Debtors and General and Other Debtors and Long Term Debtors)	2,673	8,186
2,837	8,457	Total debtors	2,673	8,186
Borrowings at Amortised Cost				
81,464	1,639	Financial liabilities at amortised cost (Note 2)	80,260	1,692
81,464	1,639	Total Borrowings at Amortised Costs	80,260	1,692
Other Long Term Liabilities				
333	-	Lease liabilities	442	-
333	-	Total Other Long Term Liabilities	442	-
Creditors				
-	17,710	Financial liabilities carried at contract amount (Trade Creditors and General and Other Creditors)	-	15,263
-	17,710	Total Creditors	-	15,263

Note 1 - The Council holds minority shares in Teesside International Airport Ltd. These share holdings originated through policy initiatives with other Local Authorities and are not held for trading or income generation. Therefore the Council have elected to designate the equity as Fair Value through Other Comprehensive Income.

Note 2 - As required accrued interest relating to long term borrowing is disclosed within the short term borrowing figure on the balance sheet.

SECTION 3 : Statement of Accounts

Note 35: Financial Instruments

Income, Expense, Gains and Losses

This note comprises details of income, expenses and revaluation losses that relate specifically to financial instruments. Interest expense, interest income and gains or losses on revaluations are included along with other non financial instrument related income and expenditure within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

	2025/26			Total
	Financial Liabilities measured at amortised cost	Lease Payments	Financial Assets: Loans and receivables at amortised cost	
	£000s	£000s	£000s	
Interest expense	2,804	24	-	2,828
Interest income	-	-	(1,954)	(1,954)
Net (gain)/loss for the year	2,804	24	(1,954)	874

	2024/25			Total
	Financial Liabilities measured at amortised cost	Lease Payments	Financial Assets: Loans and receivables at amortised cost	
	£000s	£000s	£000s	
Interest expense	2,774	-	-	2,774
Interest income	-	-	(3,006)	(3,006)
Net (gain)/loss for the year	2,774	-	(3,006)	(232)

SECTION 3 : Statement of Accounts

Note 35: Financial Instruments

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Except for financial assets carried at fair value, all other financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. However disclosure of their value is required and is set out below.

Fair value is 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. Input to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the "fair value hierarchy" as follows:

- Level 1 - Unadjusted quoted market prices for identical assets or liabilities;
- Level 2 - Inputs other than quoted market prices that are either directly or indirectly observable;
- Level 3 - Unobservable inputs.

The fair value of the below assets and liabilities has been assessed by calculating the present value of the cash flows that will take place over the remaining life of the instruments (Level 2 in the fair value hierarchy), using the following assumptions:

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under the PWLB debt redemption procedures;
- For non-PWLB loans payable, premature market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

31 March 2025			31 March 2026	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000s	£000s		£000s	£000s
Financial Liabilities				
56,390	53,153	Market Loans	56,105	47,401
26,215	22,630	Public Works Loan Board	25,349	21,241
498	102	Non-Market Loans	498	128
17,710	17,710	Trade Creditors and General and Other Creditors	15,263	15,263
333	333	Long Term Lease Liability	442	442
<u>101,146</u>	<u>93,928</u>		<u>97,657</u>	<u>84,475</u>

31 March 2025			31 March 2026	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000s	£000s		£000s	£000s
Financial Assets				
44,625	44,625	Money market loans < 1 year	25,221	25,221
8,457	8,457	Short term debtors	8,186	8,186
2,837	2,837	Long term debtors	2,673	2,673
<u>55,919</u>	<u>55,919</u>		<u>36,080</u>	<u>36,080</u>

The fair value of Public Works Loan Board (PWLB) loans of £21.241m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value is calculated by applying the PWLB redemption interest rates, which are lower than the borrowing interest rates. The fair value therefore measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates, taken to be these lower redemption interest rates. However, it should be noted that the borrowing interest rates on the debt drawn equated to the prevailing borrowing, as opposed to redemption rates at the Balance Sheet date.

SECTION 3 : Statement of Accounts

Note 35: Financial Instruments

The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £25.349m would be valued at £19.360m. However, if the Council were to seek to realise the projected gain by repaying the loans to the PWLB, the PWLB would give a discount for the reduced interest income that will be avoided. The exit price for the PWLB loans would be the outstanding loan debt and accrued interest of £25.349m less a discount for the reduced interest income of £4.108m totalling £21.241m.

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional gain (based on economic conditions at 31 March 2026) arising from a commitment to pay interest to lenders below current market rates.

Short term trade debtors and trade creditors are carried at cost as this is a fair approximation of their value.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Some of the Authority's financial assets are measured in the Balance Sheet at fair value through Other Comprehensive Income. As these share holdings originated through policy initiatives with other Local Authorities and are not held for trading or income generation the Council have elected to designate the equity as Fair Value through Other Comprehensive Income. These assets are described in the following table which includes the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	Fair Value	
			31 March 2025	31 March 2026
			£000s	£000s
Equity shareholdings in Teesside International Airport Ltd	Level 3	Based on various factors including reviewing the Business Plan, passenger numbers and historic performance (see below)	-	-
			-	-

Equity shareholdings in Teesside International Airport Ltd

The Authority's shareholding in Teesside International Airport Ltd - the shares in this company are not traded in an active market and the fair value has been based on valuation techniques that are not based on observable current market transactions or available market data. The Council has assessed a number of factors in detail to determine the valuation of these shares. At present the Council has determined to value these shares at nil.

Changes in Valuation Technique

There has been no change in the valuation technique used during the year for the financial instruments.

Note 36: Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements;
- credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- re-financing risk - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - the Council's overall borrowing;
 - its maximum and minimum exposures to the maturity structure of its debt;
 - its maximum and minimum exposures to fixed and variable rates;
 - its management of interest rate exposure;
 - its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

The annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 28 January 2025 and is available on the Council website. The key issues within the strategy were:

- the Authorised Limit for 2025/26 was set at £156m (£158m in 2024/25). This is the maximum limit of external borrowings or other long term liabilities;
- the Operational Boundary was expected to be £146m (£148m in 2024/25). This is the expected level of debt and other long term liabilities during the year;
- the maximum amounts of gross fixed interest rate exposure for borrowing and investments was set at 100% and 100% respectively (100% and 100% respectively in 2024/25);
- the maximum amount of gross variable interest rate exposure for borrowing and investments was set at 75% and 100% respectively (75% and 100% respectively in 2024/25).

These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported quarterly to Members. The Audit and Governance Committee provide scrutiny of the Council's treasury activities.

Note 36: Nature and Extent of Risks Arising from Financial Instruments**Credit Risk**

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

Credit risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. The Council now operates a very restricted counterparty list which is actively managed to reflect continued developments in the banking and financial sector.

The Investment Strategy for 2025/26 was approved by Full Council on 28 January 2025 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £24.941m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, however there was no evidence at 31 March 2026 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

Amounts Arising from Expected Credit Losses

The following analysis summarises the Council's changes in loss allowances, i.e. bad debt provision for Debtors. The Council has made no loss allowance for other financial assets as the Council has assessed that any risk of default in relation to borrowers are not material.

	Asset Class: Debtors (Financial Assets) £000s
Opening balance	2,785
Amounts written off	(231)
Changes in Impairment of Financial Assets	362
Closing balance	2,916

SECTION 3 : Statement of Accounts

Note 36: Nature and Extent of Risks Arising from Financial Instruments

The Council does not generally allow credit for customers, such that £3.689m of the £10.859m Debtors (Financial Assets) balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31 March 2025 £000s		31 March 2026 £000s
803	Less than three months	1,436
985	Three to six months	321
514	Six months to one year	477
1,246	More than one year	1,455
<u>3,548</u>		<u>3,689</u>

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, 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 under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the maturity structure of its fixed rate borrowing during specified periods. The limits have been set to enable maximum flexibility as experience has shown it is possible to move from 100% long term borrowing to 100% short term borrowing and then back to 100% long term borrowing over a period of two years. Therefore the lower limit was set to nil and the upper limit to £136m, equal to the operational boundary.

The maturity structure of financial liabilities at the year end was as follows:

31 March 2025 £000s		31 March 2026 £000s
1,144	Less than one year	1,320
5,189	Between one and five years	5,410
5,835	Between five and ten years	5,723
4,368	Between ten and fifteen years	4,211
4,401	Between fifteen and twenty years	4,512
5,059	Between twenty and twenty-five years	5,208
9,727	Between twenty-five and thirty years	9,432
5,757	Between thirty and thirty-five years	5,499
977	Between thirty-five and forty years	467
151	Between forty and forty-five years	112
40,000	More than forty-five years	40,000
<u>82,608</u>		<u>81,894</u>

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

Market Risk

Interest Rate Risk

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

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall;
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- Investments at fixed rates – the fair value of the assets will fall.

SECTION 3 : Statement of Accounts

Note 36: Nature and Extent of Risks Arising from Financial Instruments

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

A proportion of the Council's long term borrowing (£15m) is held in the form of LOBO (Lender Option Borrower Option) loans from the money markets. These loans are subject to periodic "calls" from the lender. Where the lender decides to "call" a loan, they increase the interest rate of the loan and the Council then has the opportunity to accept the increased rate or to repay the loan. In accordance with the Code of Practice, the Council's LOBOs are included in the maturity analysis according to the end date of the loan rather than when the next call date falls. The Council manages this risk of call in by the lender through the Treasury Management Strategy.

The intention is to move to fixed rate borrowing when rates are at an appropriate level and may require the use of variable rate borrowing in the interim. The Council has maximised the use of its balances to defer borrowing and avoid the risk of default on investments.

According to this assessment strategy, at 31 March 2026, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000s
Increase in interest receivable on variable rate investments	(252)
Increase in interest payable on borrowings	819
Impact on Surplus or Deficit on the Provision of Services	567
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Comprehensive Income and Expenditure Statement)	(30,322)

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

Price Risk

The Council, excluding the pension fund, does not invest in equity shares but does have shareholdings in Teesside International Airport Limited. These shares are all classified as Assets at Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve.

Foreign Exchange Risk

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

Collateral Risk

During the reporting period the Council held no collateral as security and is therefore not exposed to losses arising from this risk.

SECTION 3 : Statement of Accounts

Note 37: Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2024/25 £000s		2025/26 £000s
2,939	Interest Received	1,954
(2,526)	Interest Paid	(2,917)

Note 38: Cash Flow Statement - Adjustments for non-cash movements

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

2024/25 £000s		2025/26 £000s
8,958	Depreciation	9,415
1,129	Impairment and Downward Valuations	2,214
3,476	Increase / (Decrease) in Creditors	(646)
3,041	(Increase) / Decrease in Debtors	(4,217)
(8)	(Increase) / Decrease in Inventories	50
2,330	Pension Liability	(1,089)
424	Other non-cash items	(394)
5,694	Carrying amount of Non-Current Assets Sold	10,261
25,044		15,594

Note 39: Cash Flow Statement - Adjustments for Investing and Financing Activities

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

2024/25 £000s		2025/26 £000s
(23,965)	Capital Grants credited to surplus or deficit on the provision of services	(16,029)
(436)	Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(162)
7,741	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	17,919
(16,660)		1,728

SECTION 3 : Statement of Accounts

Note 40: Cash Flow Statement - Investing Activities

2024/25 £000s		2025/26 £000s
<u>(29,979)</u>	Purchase of Property, Plant and Equipment and Investment Property	<u>(29,851)</u>
436	Proceeds from the sale of property, plant and equipment, investment property	162
<u>23,829</u>	Other Receipts from Investing Activities	<u>22,041</u>
<u>(5,714)</u>	Net cash flows from investing activities	<u>(7,648)</u>

Note 41: Cash Flow Statement - Financing Activities

2024/25 £000s		2025/26 £000s
78	Council Tax and NNDR adjustment	(1,191)
-	Other receipts from financing activities	70
(115)	Cash payments for the reduction of the outstanding liabilities relating to leases	(132)
<u>(1,400)</u>	Repayments of short and long-term borrowing	<u>(1,062)</u>
<u>(1,437)</u>	Net cash flows from financing activities	<u>(2,315)</u>

SECTION 3 : Statement of Accounts

Note 42: Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Business Services Ltd on behalf of the Department for Education. However, the current contract is in the process of transferring to TCS (Tata Consultancy Services). The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

This is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating employers' contribution rate paid by local authorities. The last valuation was effective from 1 April 2024.

The scheme has in excess of 12,900 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2026, the Council's own contributions equate to approximately 0.02%.

The Council's contribution to the Teacher's Pension Scheme in 2025/26 amounted to £2.862m (£3.063m in 2024/25) which represented 28.68% of pensionable pay (including a 0.08% administration levy). There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £2.862m, this is based on 28.68% of pensionable pay (including a 0.08% administration levy).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These benefits are fully accrued in the Pensions Liability relating to the Local Government Pension Scheme.

The Council is not liable to the scheme for any other entities obligations under the plan.

Public Health staff employed by the Council are members of the NHS Pensions Scheme, administered by the NHS Business Services Authority. The Scheme provides employees with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

This is a defined benefit scheme. Although the scheme is unfunded, it is subject to a full actuarial valuation. The latest valuation was undertaken as at 31 March 2020 and determined current contribution rates for employers and scheme members. The scheme has over 7,700 employing bodies and it is not possible for the Council to identify a share of underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the NHS Pension Scheme during the year ending 31 March 2026, the Council's own contributions equate to approximately 0.001%.

The Council's contribution to the NHS Pension Scheme in 2025/26 amounted to £0.271m (£0.240m in 2024/25). This represented 16.88% of pensionable pay (including a 0.08% administration levy). The actual contribution rate is 23.78% - the balance of 6.90% is funded directly by NHS England in line with national policy. The Council's contributions due to be paid in the next financial year are estimated to be £0.271m. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the NHS scheme. These benefits are fully accrued in the Pensions Liability relating to the Local Government Pension Scheme.

SECTION 3 : Statement of Accounts

Note 43: Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Teesside Pension Fund Local Government Pension Scheme, administered by Tyne and Wear Pension Fund. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Middlesbrough Borough Council remains the administering authority. The Pension Scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Teesside Pension Fund Committee.

This committee consists of representatives from the councils in the former Cleveland County area as well as representatives from the trade unions.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and HRA the amounts required by statute as described in the accounting policies note.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2024/25 £000s	2025/26 £000s	2024/25 £000s	2025/26 £000s	2024/25 £000s	2025/26 £000s
Comprehensive Income and Expenditure Statement						
Cost of Services:						
· Current Service cost	10,969	8,317	-	-	10,969	8,317
· Past Service Costs (inc. curtailments)	-	117	-	-	-	117
(Gain) / Loss from Settlements	(203)	(6)	-	-	(203)	(6)
Financing and Investment Income and Expenditure:						
· Net Interest Expense	(6,296)	(11,779)	357	379	(5,939)	(11,400)
· Interest on effect of the asset ceiling	6,371	11,753	-	-	6,371	11,753
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	10,841	8,402	357	379	11,198	8,781
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:						
Remeasurement of the net defined benefit liability:						
· Return on plan assets (excluding amount in net interest expense)	12,654	(43,395)	-	-	12,654	(43,395)
· Actuarial (gains) and losses arising from changes in financial assumptions	(74,657)	(10,227)	(655)	(58)	(75,312)	(10,285)
· Actuarial (gains) and losses arising from changes in demographic assumptions	(871)	4,273	(14)	(108)	(885)	4,165
· Actuarial (gains) and losses owing to liability experience	(4,973)	(18,592)	308	283	(4,665)	(18,309)
· Asset Ceiling Adjustment	65,046	68,583	-	-	65,046	68,583
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	8,040	9,044	(4)	496	8,036	9,540

SECTION 3 : Statement of Accounts

Note 43: Defined Benefit Pension Schemes

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2024/25 £000s	2025/26 £000s	2024/25 £000s	2025/26 £000s	2024/25 £000s	2025/26 £000s

Movement in Reserves Statement

Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(10,841)	(8,402)	(357)	(379)	(11,198)	(8,781)
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Actual amount charged against the General Fund Balance for pensions in the year:

· Employers' contribution payable to scheme	8,040	9,044	-	-	8,040	9,044
· Retirement Benefits payable to pensioners	-	-	828	826	828	826
Transfer from Pension Reserve	(2,801)	642	471	447	(2,330)	1,089

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2024/25 £000s	2025/26 £000s	2024/25 £000s	2025/26 £000s	2024/25 £000s	2025/26 £000s
Present value of the defined benefit obligation	434,826	444,381	6,938	6,607	441,764	450,988
Fair value of plan assets	(637,604)	(727,495)	-	-	(637,604)	(727,495)
Asset Ceiling Adjustment	202,778	283,114	-	-	202,778	283,114
Net liability arising from defined benefit obligation	-	-	6,938	6,607	6,938	6,607

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2024/25 £000s	2025/26 £000s	2024/25 £000s	2025/26 £000s	2024/25 £000s	2025/26 £000s
Opening fair value of assets	628,249	637,603	-	-	628,249	637,603
Interest Income on assets	30,251	36,854	-	-	30,251	36,854
Remeasurement gains/(losses):						
· Return on plan assets (excl amount in net interest)	(12,654)	43,395	-	-	(12,654)	43,395
· Other experience	-	14,080	-	-	-	14,080
Effect of Settlement	(521)	(14)	-	-	(521)	(14)
Contributions by the employer	8,040	9,044	828	826	8,868	9,870
Contributions by participants	3,975	4,128	-	-	3,975	4,128
Net benefits paid out	(19,737)	(17,596)	(828)	(826)	(20,565)	(18,422)
Closing fair value of assets	637,603	727,494	-	-	637,603	727,494

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme		Discretionary Benefit Arrangements		Total	
	2024/25 £000s	2025/26 £000s	2024/25 £000s	2025/26 £000s	2024/25 £000s	2025/26 £000s
Opening balance at 1 April	496,889	434,826	7,770	6,938	504,659	441,764
Current Service Cost	10,969	8,317	-	-	10,969	8,317
Interest Cost	23,955	25,075	357	379	24,312	25,454
Contributions from scheme participants	3,975	4,128	-	-	3,975	4,128
Remeasurement (gains)/losses:						
· Actuarial (gains) and losses on liabilities - financial assumptions	(74,657)	(10,227)	(655)	(58)	(75,312)	(10,285)
· Actuarial (gains) and losses on liabilities - demographic assumptions	(871)	4,273	(14)	(108)	(885)	4,165
· Actuarial (gains) and losses on liabilities - experience	(4,973)	(4,513)	308	283	(4,665)	(4,230)
Past Service Costs (inc. curtailments)	-	117	-	-	-	117
Liabilities extinguished on settlements	(724)	(20)	-	-	(724)	(20)
Benefits paid	(19,737)	(17,596)	(828)	(826)	(20,565)	(18,422)
Closing present value of assets	434,826	444,380	6,938	6,608	441,764	450,988

SECTION 3 : Statement of Accounts

Note 43: Defined Benefit Pension Schemes

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;
- 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. 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 the Comprehensive Income and Expenditure Statement under Other Comprehensive Income and Expenditure.

Therefore, based on the actuary's calculation the asset ceiling is negative the net pension asset has been limited to nil as the calculation indicates that no pension asset should be recognised. The adjustment taken through the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement to reflect the asset ceiling adjustment in the pension reserve is £283.114m.

High Court Ruling

In June 2023 the High Court ruled in the case of Virgin Media Limited v NTL Pension Trustees. The ruling was that certain pension scheme rule amendments were invalid if they were not accompanied by the correct actuarial confirmation. This ruling has potential implications for the local government pension scheme liabilities. Scheme actuaries are in the process of considering scheme rule amendments and locating actuarial confirmations. There remains uncertainty on the applicability of the case to the local government pension scheme schemes and the impact cannot be reliably estimated. There are also further legal actions that may be taken regarding the case. Management will continue to monitor this case and any potential impact on the local government pension scheme liabilities. No adjustments have been made to the accounts to reflect the ruling.

Local Government Pension Scheme Assets

The Local Government Pension Scheme's assets comprised:

	2024/25 £000s	2025/26 £000s
Equity investments	419,580	497,081
Property	69,849	69,278
Cash	52,052	53,990
Other Investments	96,122	107,145
	<u>637,603</u>	<u>727,494</u>

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2025.

SECTION 3 : Statement of Accounts

Note 43: Defined Benefit Pension Schemes

Principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2024/25	2025/26	2024/25	2025/26
Long-term expected rate of return on assets in the scheme:				
Equities	5.80%	6.20%	-	-
Property	5.80%	6.20%	-	-
Government Bonds	5.80%	6.20%	-	-
Corporate Bonds	5.80%	6.20%	-	-
Cash	5.80%	6.20%	-	-
Other	5.80%	6.20%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	20.4	21.0	20.4	21.0
Women	23.4	24.0	23.4	24.0
Longevity at 65 for future pensioners:				
Men	21.2	21.8	21.2	21.8
Women	24.9	25.3	24.9	25.3
Other assumptions:				
Rate of inflation - CPI	2.75%	3.00%	2.75%	3.00%
Rate of general increase in salaries	3.75%	4.00%	-	-
Rate of increase in pensions - deferred and pensions in payment	2.75%	3.00%	2.75%	3.00%
Rate for discounting scheme liabilities	5.80%	6.20%	5.80%	6.20%

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.

The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

LGPS Funded Benefits Only	Impact on Defined Benefit Obligation in the Scheme	
	Increase in Assumption £000s	Decrease in Assumption £000s
Adjustment to Discount rate (+/- 0.1%)	(6,879)	6,879
Adjustment to Salary increase rate (+/- 0.1%)	399	(399)
Adjustment to Pension increase rate (+/- 0.1%)	6,471	(6,471)
Adjustment to Longevity (decrease/increase 1 year)	18,040	(18,040)

Note 43: Defined Benefit Pension Schemes

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The current funding level of the scheme at the last triennial valuation is 141%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2028.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates to pay £8.057m expected contributions to the scheme in 2026/2027.

The weighted average duration of the defined benefit obligation for scheme members is 16 years in 2025/26 (18 years in 2024/25).

Note 44: Contingent Liabilities

These refer to 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 Council'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.

The Council is responsible for the Claxton Site which is a closed landfill. There is a possible obligation arising relating to de-contamination of the site; it is not possible at this stage to quantify the potential liability or when the works may be required. The site is regularly tested to ensure compliance with the Environment Protection Act 1990.

Note 45: 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 uncertain 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 £8.793m 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. Following the publication of the Schools White Paper, the DFE issued a further requirement for local authorities to produce a Local SEND Reform Plan, this is to be submitted for approval in June 2026.

The Government have announced that the statutory override will cease at the end of the 2027/28 financial year. Subject to the production of a compliant Local SEND Reform Plan, government are to provide 90% of the accrued DSG deficit balance to 31st 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 pressures on authorities from this deficit. Local authorities are required to fund the remaining 10% balance. A reserve has been created to cover Hartlepool's 10% requirement, including an estimate for the 2 further financial years 2026/27 and 2026/27 (£2m total earmarked reserve held as at 31st March 2026).

A Local SEND Reform Plan has been drafted and is currently subject to internal and peer review. The plan will be submitted to the Department for Education on or before the 19th 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 £7.914m.

Note 46: Financial Guarantees

In 1989 the Council gave a loan guarantee of £3m to North Housing Association (now Home Housing Association) for sums borrowed on the money markets that would come into operation should the housing association default on the loan terms. Provision is included in the agreement for any such payments to be secured on North Housing Association property. It is anticipated that this guarantee will exist until the loan is repaid in 2049. The likelihood of this guarantee being called upon is remote and therefore no amounts have been recognised in the Balance Sheet in respect of this guarantee.

A guarantee was given to the Teesside Pension Scheme for the staff transferred to Housing Hartlepool in 2004 in the event that Housing Hartlepool had financial difficulties. The likelihood of this guarantee being called upon is remote and therefore no amounts have been recognised in the Balance Sheet in respect of this guarantee.

SECTION 3 : Statement of Accounts

Note 47: Pooled Budgets

The Better Care Fund (BCF) was established by the Government in 2015 to support the introduction of a fully integrated health and social care system.

The Council entered into a pooled budget arrangement with NHS North East and North Cumbria Integrated Care Board (ICB) - the Better Care Fund - for the commissioning of health and social care services for the residents of the Borough of Hartlepool. The arrangement was with NHS Tees Valley Clinical Commissioning Group (CCG) until the establishment of the ICB from 1 July 2022.

The Council and the ICB have an agreement in place for funding these services with the partners contributing to the pooled fund. The pooled budget is hosted by the Council on behalf of both partners.

The pooled budget is made up of ICB funding as well as local government grants, including the Better Care Grant (which from April 2025 incorporates the former Adult Social Care Discharge and Improved Better Care Fund Grants) and the Disabled Facilities Grant.

Revenue Pooled Budget

2024/25 £000s		2025/26 £000s
	Revenue Funding provided to the Pooled Budget:	
(645)	Balance brought forward	(594)
-	Hartlepool Borough Council - Better Care Grant	(6,610)
(5,358)	Hartlepool Borough Council - Improved Better Care Fund (iBCF)	-
(1,252)	Adult Social Care Discharge Grant	-
(965)	ICB Discharge Grant (From April 2025 this is now included within the main BCF allocation below)	-
(9,482)	NHS North East and North Cumbria ICB (from April 2025 now includes the former ICB Discharge Grant)	(10,740)
-	NHS North East and North Cumbria ICB - Additional Contribution	(124)
-	Hartlepool Borough Council - Additional Contribution	(124)
<u>(17,702)</u>		<u>(18,192)</u>
	Expenditure met from the Pooled Budget:	
7,990	Hartlepool Borough Council	9,596
1,543	NHS North East and North Cumbria ICB	1,883
1,882	Hartlepool Borough Council - Discharge	-
335	NHS North East and North Cumbria ICB - Discharge	-
-	Hartlepool Borough Council - Better Care Grant	6,502
-	NHS North East and North Cumbria ICB (Better Care Grant)	108
5,250	Hartlepool Borough Council - Improved Better Care Fund (iBCF)	-
108	NHS North East and North Cumbria ICB (iBCF)	-
<u>17,108</u>		<u>18,089</u>
<u>(594)</u>	Balance carried forward	<u>(103)</u>

Capital Pooled Budget

2024/25 £000s		2025/26 £000s
	Capital Funding provided to the Pooled Budget:	
(22)	Balance brought forward	-
(1,580)	Hartlepool Borough Council	(1,623)
<u>(1,602)</u>		<u>(1,623)</u>
	Expenditure met from the Pooled Budget:	
1,602	Hartlepool Borough Council	1,440
<u>1,602</u>		<u>1,440</u>
<u>-</u>	Balance carried forward	<u>(183)</u>

SECTION 3 : Statement of Accounts

HOUSING REVENUE ACCOUNT (HRA)

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2024/25 £000s		2025/26 £000s
	Expenditure	
662	Repairs and maintenance	647
460	Supervision and management	478
19	Rents, rates, taxes and other charges	34
2	Discretionary Housing Payments	1
13	Debt Management Expenses	13
713	Depreciation, impairment and revaluation losses of non-current assets	165
1,869	Total Expenditure	1,338
	Income	
(1,914)	Dwelling Rents	(2,023)
(7)	Charges for services and facilities (net of voids)	(13)
(42)	Income from Insurance Claims	(59)
(24)	Other Income	(22)
-	Income from Revenue Grant	(35)
(1,987)	Total Income	(2,152)
(118)	Net Expenditure or (Income) of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(814)
458	Interest payable	458
(124)	Interest and investment income	(123)
(23)	Net interest on the net defined benefit liability	(19)
132	Loss on disposal of fixed assets	44
325	Deficit/(Surplus) for the year on HRA services	(454)

MOVEMENT ON THE HRA STATEMENT

2024/25 £000s		2025/26 £000s
(500)	Balance on the HRA at the end of the previous reporting period	(500)
325	(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	(454)
	Adjustments between accounting basis and funding basis under statute :	
(355)	Revaluations (losses) / gain	154
(48)	Impairment losses	(4)
(132)	Fixed Asset Disposal	(43)
17	IAS19 Pensions Adjustment	21
(311)	Depreciation	(316)
311	Transfer to Major Repairs Reserve	316
-	Transfer from Major Repairs Reserve	(20)
(193)	Net (increase) or decrease before transfers to or from reserves	(346)
193	Transfers to or (from) earmarked reserves	346
-	(Increase) or decrease in the year on the HRA	-
(500)	Closing balance on the HRA	(500)

SECTION 3 : Statement of Accounts

NOTES TO THE HRA

Note 1: Depreciation, Major Repairs Reserve and Revaluation

Included within The HRA is a total depreciation charge of £0.316m (2024/25 £0.311m) which transfers funding into the Major Repairs Reserve (MRR) to meet the cost of future major repairs. There was a gain on revaluation for the year of £0.154m (2024/25 loss of £0.099m). In previous years a "proxy" charge was applied however from 2017/18 a "true" depreciation charge was required to be calculated and transferred to the MRR. This represents an amount equivalent to the total depreciation charges for all the HRA assets. Under statute an adjustment between accounting basis and funding basis on the 'Movement on the HRA MRR' allows any difference between the depreciation credit on the reserve and the amount required for the major repairs for the year to be transferred back to the HRA.

Note 2: Capital Expenditure and Financing

2024/25 £000s	2025/26 £000s
12,898	12,898
Brought Forward Opening Capital Financing Requirement	
Capital Investment	
462	156
Acquisition and renovation of Council Dwellings	
110	49
Major Repairs	
-	20
- REFCUS	
Sources of Finance	
(211)	-
Direct Revenue Funding	
(39)	(77)
Social Housing Decarbonisation Fund	
(59)	-
S.106 contributions	
(263)	(148)
Major Repairs Reserve	
<u>12,898</u>	<u>12,898</u>
Closing Capital Financing Requirement	

Note 3: Number and Value of Council Dwellings

There were 355 Council Dwellings held as at 31 March 2026 (356 as at 31 March 2025); note there was one property disposed of through 'Right To Buy' sale. The number of empty properties included in the above figures is 13, of which some are undergoing repairs as part of the general housing stock and others are standard voids awaiting re-let.

31 March 2025 £000s	31 March 2026 £000s
14,165	14,255
Balance Sheet Value	
Reflects the council dwellings status as social housing	

The vacant possession value of HRA dwellings as at 1 April 2026 is £38.873m (1 April 2025 £32.773m) therefore recognising an economic cost to the government of providing Council Housing at less than open market rents. (£38.873m less £14.255m = £24.618m).

Note 4: Rent Arrears

The level of rent arrears as at 31 March 2026 was £0.126m (31 March 2025 £0.091m), these figures include rent, service charge and rechargeable repair arrears.

The Bad Debt provision required in respect of these uncollectable debts is £0.032m (2024/25 £0.032m)

**31 March
2026
£000s**

126

32

SECTION 3 : Statement of Accounts

COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non Domestic Rates.

2024/25			2025/26		
Council Tax	Non-Domestic Rates	Total	Council Tax	Non-Domestic Rates	Total
£000s	£000s	£000s	£000s	£000s	£000s
Income					
(62,922)	-	(62,922)	(67,568)	-	(67,568)
-	(32,435)	(32,435)	-	(31,857)	(31,857)
-	(170)	(170)		37	37
(62,922)	(32,605)	(95,527)	(67,568)	(31,820)	(99,388)
Expenditure					
Apportionment of Previous Years' Surplus					
125	-	125	254	500	754
-	-	-	-	510	510
19	-	19	39	-	39
6	-	6	11	10	21
Precepts and demands					
51,229	15,218	66,447	55,194	15,927	71,121
-	15,528	15,528	-	16,252	16,252
7,830	-	7,830	8,406	-	8,406
2,306	311	2,617	2,499	325	2,824
Business Rates					
-	112	112	-	113	113
-	49	49		40	40
-	773	773		721	721
Impairment of Bad/Doubtful Debts & Appeals					
287	221	508	423	375	798
833	366	1,199	818	(754)	64
-	221	221	-	(2,556)	(2,556)
62,635	32,799	95,434	67,644	31,463	99,107
(287)	194	(93)	76	(357)	(281)
(141)	(1,741)	(1,882)	(428)	(1,547)	(1,975)
(287)	194	(93)	76	(357)	(281)
(428)	(1,547)	(1,975)	(352)	(1,904)	(2,256)
Fund allocated to:					
(357)	(758)	(1,115)	(294)	(933)	(1,227)
-	(773)	(773)	-	(952)	(952)
(55)	-	(55)	(45)	-	(45)
(16)	(16)	(32)	(13)	(19)	(32)
(428)	(1,547)	(1,975)	(352)	(1,904)	(2,256)

SECTION 3 : Statement of Accounts

NOTES TO THE COLLECTION FUND

Note 1 - Council Tax

Council Tax income comes from a charge made on residential properties. The income is used to support the Council's General Fund revenue expenditure, as detailed in the Comprehensive Income and Expenditure Account. It is also used to finance Hartlepool's share of the Police and Crime Commissioner's and Cleveland Fire Authority's expenditure, through precepts made on the Council's Collection Fund. The level of Council Tax in any year is determined by estimating the income required by the Council and the Police and Fire Authorities, and dividing this by the Council Tax base, which comprises residential properties banded by value and charged accordingly.

To allow for comparison between years and authorities the tax base is expressed as the number of Band D properties in the borough, which is calculated by multiplying the number of properties in a band by an appropriate weighting, ranging from 5/9 to 18/9.

There were 35,997 Band D equivalents in 2025/26 (35,455 for 2024/25) and the basic amount of Council Tax for a Band D property was £2,495.63 (£2,377.61 in 2024/25).

Set out in the table below are the Band D weightings, property numbers and income from each band level.

Band	Weighting to Band D	No. of properties in each band	Equivalent no. of Band D Properties	Hartlepool BC demand per property (Ex Parishes) £	Police & Crime Commissioner demand per property £	Fire Authority demand per property £	Total demand per property £	Total Income per band £000s
(A)	5/9	133	74	1,157.47	176.52	52.48	1,386.47	184
A	6/9	23,303	15,535	1,388.96	211.82	62.97	1,663.75	38,770
B	7/9	7,606	5,916	1,620.45	247.12	73.47	1,941.04	14,764
C	8/9	6,637	5,900	1,851.95	282.43	83.96	2,218.34	14,723
D	9/9	3,518	3,518	2,083.44	317.73	94.46	2,495.63	8,780
E	11/9	1,981	2,421	2,546.43	388.34	115.45	3,050.22	6,042
F	13/9	909	1,313	3,009.41	458.94	136.44	3,604.79	3,277
G	15/9	683	1,138	3,472.40	529.55	157.43	4,159.38	2,841
H	18/9	91	182	4,166.88	635.46	188.92	4,991.26	454
TOTALS		44,861	35,997					89,835

The income of £67.568m for 2025/26 (£62.922m for 2024/25) is receivable from the following sources:

2024/25 £000s		2025/26 £000s
84,296	Opening Liability	89,827
3,581	Net increase/(decrease) in liability	3,558
(144)	Disabled Relief	(173)
(7,800)	Discounts	(7,771)
(2,246)	Exemptions	(2,143)
(14,765)	Council Tax Support Scheme	(15,730)
<u>62,922</u>		<u>67,568</u>

Note 2 - Non Domestic Rates

Non Domestic Rates (NDR) is organised on a national basis. The Government specifies two amounts, the Small Business Non Domestic Rate Multiplier which was 49.9p in 2025/26 (49.9p in 2024/25) and, the Non Domestic Rate Multiplier which was 55.5p in 2025/26 (54.6p in 2024/25). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The total non domestic rateable value at the year end was £79.112m.

The NDR income collectable from Ratepayers is shown below.

2024/25 £000s		2025/26 £000s
41,017	Gross Rates payable	40,593
(8,412)	Reliefs	(8,773)
(170)	Transitional Relief	37
<u>32,435</u>		<u>31,857</u>

SECTION 4 : Annual Governance Statement

Scope of Responsibility

Hartlepool Borough Council is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards,
- Public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these overall responsibilities, Hartlepool Borough Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, Part 2 6(1) (a), which requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with the statement of accounts. Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015, require that for a local authority that statement is an Annual Governance Statement (AGS).

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically. The governance framework has been in place at the Council for the year ended 31st March 2026 and up to the date of approval of the statement of accounts.

Significant Governance Issues Update from 2024/25 Statement

Progress has been made over the course of 2025/26 to actively manage and address issues identified as part of the 2024/25 process. This approach ensures the Council actively manages these issues. The table below identifies action that has been taken to mitigate the areas identified.

Issue Raised	Action Undertaken
Delivery of Council Plan, revised Performance Assurance Framework and Medium Term Financial Plan. The sustainability of services, level of performance and the continuing need to achieve housing growth. (Include transformation programme)	The MTFP approved in February 2026 forecast a year-on-year budget gap. The budget gap was also evident after an assumed maximum council tax increase in each of the three remaining years of the MTFP period. Given the confirmation of government funding until 2028/29, this provides a high level of certainty that this budget gap will remain. The new Council Plan 2030 was agreed by Finance and Policy Committee in April 2025 setting out the Council's priorities for the next 5 years. A new Performance Assurance Framework was established to clearly articulate how the various strategies and plans of the Council aligned and contributed toward the four pillars of the Council Plan. A new style of Council Plan progress report was developed with quarterly reports being taken to Finance and Corporate Affairs Committee throughout the year. Each progress report focused on one of the four pillars and included an update on the Council's Strategic Risk Register.
Delivery of Regeneration/Capital Programme on time and budget in line with key Council objectives.	Responsibility for delivery of schemes are allocated to senior officers. Project Management Boards for major projects are embedded and are providing strategic oversight of progress and budget position. Regular updates are provided to the Capital Programme Group which enables bi-monthly reporting to the Executive Leadership Team (ELT). Regular updates are provided to Members via quarterly update reports to Finance and Corporate Affairs Committee. A refreshed Capital Strategy and Capital Programme were approved at Council on the 20 February 2025.
Potential for Cyber Security attack/breach of IT defences leading to service disruption and potentially serious financial implications.	The Council uses the National Cyber Security Centre's Event Logging solution, which tracks a range of network events including staff who have clicked on links in suspicious emails. A new firewall that provides additional protection including blocking access to our network from outside the UK and 24/7 analysis of internet access with auto blocking where activity falls outside of normal working patterns, has been implemented. Multifactor authentication has been rolled out to all staff with network access during the year to further safeguard access. Mandatory annual training for all staff in respect of cyber security and regular all staff emails give instruction on what to do with suspicious emails.

SECTION 4 : Annual Governance Statement

<p>Changes to Senior Leadership Team and restructures.</p>	<p>The Council has seen significant change to its Executive Leadership Team in 2025/26 with two experienced Executive Directors and the Director of Public Health leaving to take up job opportunities elsewhere and the Chief Executive preparing for retirement in April 2026. This enabled a review of the organisations structure to ensure the officer leadership team are best placed to meet the on-going challenges facing local government and drive forward the Council's priorities in conjunction with our Members.</p> <p>A new structure was agreed by Council in August 2025, and a number of new senior appointments have been made (Chief Executive, Director of Neighbourhoods and Regulatory Services, Director of Housing, Growth and Communities, Director of Public Health, Assistant Director – Neighbourhoods, Assistant Director – Housing and Communities and Assistant Director – Inclusive Growth). While internal candidates have been successful for some of these roles, a number of officers have joined the Council from other organisations.</p>
<p>Impact of new government legislative requirements.</p>	<p>The Council has responded to new government legislation introduced across the year amending its policies and procedures as required. We have also continued to follow progress on others as they have developed including the English Devolution and Community Empowerment Bill.</p>

The Governance Framework

The key elements of the Council's Governance Framework are as follows:

Hartlepool Borough Council's Constitution sets out how the Council operates, how decisions are made and the procedures followed to ensure decision-making is efficient, transparent and accountable. The Constitution is maintained in line with legislative requirements, including the Local Government Act 2000, and sets out delegated responsibilities to Committee's and officers, including the statutory officers; the Head of Paid Service, the Monitoring Officer and the Section 151 Officer.

In accordance with Article 13 of the Constitution, the Monitoring Officer continues to keep the Constitution under review to ensure that its aims and principles are given full effect and that it remains fit for purpose. This conclusion is informed by the operation of the Council's constitutional processes in practice during the year, including the continued oversight of constitutional matters, the use of delegated decision making and publication arrangements, and the support and advice provided to Members and officers to help ensure decisions are taken lawfully, transparently and with proper accountability.

Reviews and amendments to the Council's Constitution continued to be overseen by the Constitution Committee during 2025/26, following the substantive programme of updates completed between May 2024 and May 2025. This included consideration of governance implications arising from the senior management restructure approved by Full Council, including the creation of the Housing, Growth and Communities Directorate. Any required changes were progressed in accordance with the Council's governance arrangements and approved by Full Council where appropriate, ensuring clarity, transparency and continued alignment with legislative and operational requirements.

Officer Decision Records (ODRs) continued to be published and made available online in accordance with constitutional requirements. The Council has embedded the use of its intranet based electronic process for the preparation and approval of officer delegated decisions, supporting improved consistency, transparency and timeliness. Member development and engagement continued through regular briefings and seminars, supporting Members to remain informed of key strategic, operational and governance matters.

Effective arrangements remain in place to identify, evaluate and respond to legislative and regulatory change. The Legal and Governance service continues to monitor legislation, case law and statutory guidance, providing timely advice and support to services and Members as appropriate. Arrangements are also in place to ensure that staff with governance and legal responsibilities are appropriately recruited, trained and supported.

The Council continues to deploy its workforce effectively through sound people management, compliance with employment legislation and adherence to best practice. A comprehensive suite of employment policies and procedures remains in place and is kept under regular review to ensure it remains current, accessible and effective in supporting managers and staff. The Council also monitors and prepares for significant changes in employment law, including the phased implementation of measures introduced through the Employment Rights Act 2025, and will update policies, procedures, guidance and training as required to support compliance and effective workforce management.

Committee terms of reference are set out within the Constitution and are subject to ongoing oversight by the Constitution Committee. Established procedures ensure that agendas, reports and minutes are published and accessible to Members, officers and the public via the Council's website, supporting openness and accountability in decision making. Where organisational changes occurred, including the senior management restructure and establishment of the Housing, Growth and Communities Directorate, consequential amendments to committee arrangements and officer delegations were appropriately reflected within the Constitution and supporting governance documentation.

During 2026/27 the Council will continue to strengthen its governance arrangements by keeping the Constitution, schemes of delegation and committee terms of reference under review to reflect any changes in legislation, guidance, organisational structures and ways of working. This will include maintaining focus on the quality and timeliness of decision making and reporting, the continued embedding of the delegated decision process and publication of Officer Decision Records, and ensuring Members and officers receive appropriate development and support. The Government has now enacted legislation to simplify local authority governance arrangements in England, including requiring councils operating the committee system (that are not 'protected') to transition to the Leader and Cabinet model. This is set out in the English Devolution and Community Empowerment Act 2026, which received Royal Assent on 29 April 2026.

SECTION 4 : Annual Governance Statement

Section 61 and Schedule 29 of the Act are due to come into force on 29 June 2026. From that date, the Council will have a period of 12 months to implement the required change in governance arrangements.

The Council will commence work on drafting a new Constitution to reflect the Leader and Cabinet model, while continuing to operate its existing governance arrangements in accordance with current legal requirements until the transition is complete.

The Constitution contains financial and contract procedure rules, and Code of Conduct for Members, which have been formally approved. Financial procedure rules have been updated and agreed by Council and contract procedure rules have also been updated to consider new procurement procedures and legislative requirements. The Constitution is available to all employees on the Intranet and to the public on the internet. A register of gifts and hospitality is maintained for Members and Officers.

The Council has a Treasury Management Strategy that was approved by Audit and Governance Committee on 28 January 2025 and referred to Council for approval on 20 February 2025 for the financial year 2025/26. The approved Treasury Management Strategy includes the Investment and Borrowing strategies in compliance with revised CIPFA Prudential Code, CIPFA Treasury Management Code of Practice and Ministry of Housing, Communities and Local Government (MHCLG) guidance. The Audit and Governance Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies before making any necessary recommendations to Council.

The full range of member committees regularly meet to review specific policy areas, to consider plans, reports and progress of the Council.

An updated Code of Conduct for Employees continues to be promoted to all employees. Health & Safety training continues to be a mandatory element of the induction process. All managers are required to undertake Health & Safety training on Skillgate and are automatically signed up for IOSH Managing Safety.

The Workforce Strategy (2023-2026) continues to be promoted. This includes through revised HR policies aimed to bring these into everyday workplace practices and encounters, such as the Annual Review and 1:1 policy, our Bullying and Harassment including Sexual Harassment Policy, our Workforce Equality, Diversity and Inclusion (EDI) Policy with 2 year action plan, our new Jobs and Careers Website, to ensure our employees are treated fairly, with respect and dignity, and our new mandatory induction training for new managers to shape our culture into the future.

Employee Wellbeing and Engagement has been a key focus in 2025/26 with the Council successfully retaining the North East Better Health at Work Award Maintaining Excellence and Ambassador status and engaging employees through surveys and focus groups. There is a strategic structure in place, and the Council approved the revised Employee Wellbeing Strategy to 2026. There is a health and wellbeing and an EDI campaign calendar in place to engage the workforce.

A workforce planning framework is in place to ensure we have the right people, with the right skills, in the right place, at the right time. This is a longer-term project to complete and a policy framework to ensure the work is continually updated will be agreed later in 2026. This is essential considering the demographic cliff-edge of older workers, the recruitment and retention difficulties in key services and the need to ensure we have effective talent pipelines for the future.

The Council has invested to improve its current Council wide and Manager Induction experiences. The Council continues to provide a comprehensive learning and development offer, and full utilisation of its Apprentice Levy in the recent years. A Council e-induction for all employees to undertake prior to starting their employment and a manager e-induction programme is in place. This has been strengthened with an investment for all new managers to go through a Managing People bespoke training that will help them to shape positive work environments and teams. Work Experience and Apprenticeship Policies both prioritise the Council's commitment to support care leavers into work. There is an ongoing commitment to develop a leadership and management development framework across the Council. This will further embed our values and behaviours and support our Equality, Diversity and Inclusion commitments.

The ResourceLink HR and Payroll Information System continues to be developed. Establishment control mechanisms are in place within the departments through the restructure process to enable staffing budgets to be closely monitored. This ensures that vacancies and employment changes are scrutinised with HR and Finance input before recruitment or contractual changes can be undertaken. The HR Dashboard provides managers with direct access to a comprehensive suite of staffing data reports when fully implemented. Data driven decisions are essential and the opportunity for a new reporting tool will enable the Council to review workforce monitoring data and information for operational and strategic decision making and improved performance.

The Council has an ongoing programme of monitoring and reviewing arrangements in place in respect of the operation of its key partnerships. A framework of reporting by exception to Executive Leadership Team operates and Internal Audit provides audit coverage of partnership arrangements.

A new Council Plan 2030 was agreed by Finance and Policy Committee on 7th April 2025 setting out a clear vision for Hartlepool and the Council's priorities for the next 5 years.

SECTION 4 : Annual Governance Statement

The Council's Performance Assurance Framework brings together all the strategies and plans that the Council has in place across the whole organisation. The Council Plan sits at the top of the Framework because it sets out the top strategic priorities for the Council. This is underpinned by the Strategic Framework. These are the other corporate-level strategies that provide greater detail for key themes such as transformation, economic growth, community safety, health and wellbeing or finance. It includes strategies that are shared with strategic partners and those that are only relevant to the Council. The Council's aim is to ensure that we have a streamlined process where performance information is shared in the right place, with the most appropriate audience. Progress reports on the Council Plan go to Finance and Corporate Affairs Committee but other performance information may be more appropriate to go to a different Policy Committee, a Partnership Board such as the Safer Hartlepool Partnership or the Health and Wellbeing Board, Audit and Governance Committee, or an officer group such as Departmental Management Teams. The Council ensures that the information presented to the identified audience is relevant and sufficient to enable oversight of our work whilst upholding the principle of openness and transparency. As a Council we monitor our performance through our Performance Assurance Framework using performance indicators (PIs), actions and risks.

Key policies such as the Corporate Complaints, Comments and Compliments Procedure, Proceeds of Crime (Money Laundering), Whistle Blowing Policy and Counter Fraud and Corruption Policy have been developed and approved for use across the whole Authority. The policies are available to employees via the intranet. The Council is a member of the National Anti-Fraud Network and takes part in regular National Fraud Initiative reviews and the North East Corporate Fraud Forum. The Council has updated its Fraud and Corruption Strategy in line with CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

The Council agreed an updated Risk Management Framework in November 2024 following a Limited Assurance finding by Internal Audit. There were no fundamental changes to the Framework however improvements were made to ensure that it was more robust including:

- An explanation of the Council's risk appetite.
- Updates to the section on roles and responsibilities to provide greater clarity.
- Reference to Departmental Management Teams considering departmental and operational risk registers at least annually.

- Changes to the Risk Capture Form so that officers are required to identify the risk category (type of risk), how they intend to deal with the identified risk (Transfer, Tolerate, Terminate or Treat) and the addition of a risk review section with a checklist and space to record the evidence from the review.

The updated Risk Management Framework and an updated Officer Toolkit are available to all staff via the intranet. As part of the roll out of the updated Framework all managers within the Council have completed mandatory risk management training. Going forward all new managers will be required to complete the training within their first three months in post and mandatory refresher training will be completed by all managers every two years.

The Finance and Corporate Affairs Committee is responsible for ensuring the consideration of risk across the Council and for reviewing the progress made in the management of strategic risks. The Audit and Governance Committee is responsible for reviewing the effectiveness of risk management arrangements and providing comment and challenge on risk management activity and progress. Risks and control measures relating to the Council Plan are analysed within performance reports to help ensure that risk and performance reporting are linked. The Council Plan and performance assurance framework are considered as part of the preparation of the AGS.

The Council's Corporate Strategy and Performance Team hold information on the Council's Strategic Risks. Risk registers are also maintained for significant projects. Officers that manage risks are notified that risks need to be reviewed, and progress is monitored on a regular basis through the service planning process. Work is underway to develop a new central repository for the storing of risks. This will ensure that risks across the Council can be easily accessed, updated, compared and escalated for consideration by Departmental Management Teams and the Executive Leadership Team as appropriate. This will include review schedules and where possible automated prompts for updates.

Data protection laws regulate the collection and use of personal data – information about identified or identifiable individuals. To ensure compliance the Council has completed information audits identifying all personal data held, including a lawful basis for processing the data. Privacy notices have been developed and are available on the Council's website. All policies and procedures have been updated to ensure General Data Protection Regulation (GDPR) compliance and staff have received specific GDPR training. The Information Governance Group meets regularly to discuss GDPR compliance.

The Council has long-standing, nationally and regionally recognised emergency planning arrangements through the Cleveland Emergency Planning Unit (CEPU). The Council's Emergency Management Response Team (EMRT) meets bi-monthly and contributes to the makeup of the Council's Major Incident Plan which is tested annually.

Responsibility for updating and implementing Corporate Business Continuity rests with the Assistant Director (Regulatory Services). Revised arrangements have been rolled out across each Council department to ensure that accurate up to date information is held to assist in the recovery of services, should it be necessary. Tests are undertaken to ensure that these plans are fit for purpose and any lessons learnt from these exercises will be incorporated into future plans.

The Equality Act 2010 came into force on 1 October 2010 and brought together over 116 separate pieces of legislation into one single Act. The Act provides a legal framework to protect the rights of individuals and advance equality of opportunity for all. The Act covers the 9 protected characteristics – age, disability, gender reassignment, marriage/civil partnership, pregnancy/maternity, race, religion/belief, gender and sexual orientation.

SECTION 4 : Annual Governance Statement

The Public Sector Equality Duty (PSED) is supported by "specific duties" to assist public bodies to achieve the aims of the general duty. Under the specific duties, the Council must:

- Publish equalities information to demonstrate its compliance with the Equality Duty by the 31 January each year; and
- Develop and publish equality objectives every four years.

In order to demonstrate our compliance with the above requirements, we have produced a 2024-2025 Equality Report to demonstrate the progress that the Council has made to date. We are aware that there are gaps in our data and are working to provide more information in an accessible format. On that basis the report is regularly updated. The EDI Policy was agreed by Finance and Policy Committee on 13 March 2023 to set out the Council's commitment to EDI. In a change to our previous approach the Council has developed more specific Equality Objectives. The Council's Equality, Diversity and Inclusion Officer Group used the findings from the Big Conversation and the scrutiny investigations into accessibility and poverty to develop interim equality objectives which were agreed by the Finance and Policy Committee on 7 April 2025.

Equality issues must influence the decisions reached by public bodies - in how they act as employers; how they develop, evaluate and review policy; how they design, deliver and evaluate services, and how they commission and procure from others. We do this by considering impacts on equality as an integral part of our decision-making process. In 2025 the Council rolled out a new approach through the introduction of Single Impact Assessments (SIAs) which brought together the Equality Impact Assessment and Child and Family Poverty Impact Assessment. To support officers and Members in understanding the SIA process an officer toolkit is available on the Council's intranet, a briefing was given to all managers through the HBC Managers Forum, mandatory training for all managers was delivered via the Council's digital training platform and a members briefing was held. All reports to Committee and Full Council now include a Single Impact Assessment section and completed SIAs are attached as appendices where required. Work is now underway to create a central repository for all SIAs which will enable the cumulative impact of the Council's decisions to be more fully understood and to ensure that regular reviews are conducted to assess the actual impact of decisions once they are implemented so that any unforeseen impacts can be considered and responded to.

Internal Audit reports on a regular basis to the Audit and Governance Committee on the effectiveness of the organisation's system of internal control. Recommendations for improvement are also made and reported on. Internal Audits performance is measured against standards agreed by management and Members. Internal Audit reporting arrangements have been formalised and strengthened as part of the review of financial procedure rules. Internal Audit were externally assessed in line with Public Sector Internal Audit Standards in December 2024 and given the highest level of conformance that can be achieved and is a positive outcome, reflecting the high standards that Internal Audit adhere to when carrying out their duties.

Ofsted has rated the overall effectiveness of the Council's Children's Services as 'Outstanding' in its most recent ILACS inspection which took place in March 2024. The Local Area Inspection of Services for Children with Special Educational Needs and Disabilities (SEND) took place in March 2023. The inspection judged that the local area partnerships arrangements typically lead to positive experiences and outcomes for children and young people with SEND. The Council runs five children's homes all of which are judged as good, with elements of outstanding, by Ofsted.

There is a strong focus on continuous improvement and assurance within Adult Social Care with a well-established Continuous Improvement Group, budget clinics, performance challenge meetings and an Annual Quality Assurance Report covering the safeguarding quality assurance framework, performance benchmarking, compliments and complaints, audit activity and continuous professional development. As part of the national Adult Social Care Outcomes Framework there is an annual survey of people who use adult social care services and a survey every two years of people who are carers. Feedback from both continues to be positive and the satisfaction rates of people in Hartlepool compare very favourably regionally and nationally. Over 95% of services commissioned by the Council for adults with care and support needs are rated good by the Care Quality Commission (CQC) with no services rated inadequate. The Council is actively engaged with Sector Led Improvement via the Association of Directors of Adult Social Services at a regional and national level. Adult Social Care services delivered by the Council were rated 'Good' by the Care Quality Commission (CQC) following an inspection in November 2024. The CQC described 'an organisation which had strong leaders, who were committed to making improvements' and found that there were governance, management and accountability arrangements at all levels in the local authority which provided visibility and assurance on quality, sustainability and risks.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Audit and Governance's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

SECTION 4 : Annual Governance Statement

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

- Executive Leadership Team agreed process for the review of the internal control environment. The risk inherent in meeting departmental objectives and the controls to mitigate those risks are recorded as part of the corporate service planning process at a departmental level. This has brought together risk management, control identification and the process for compiling the evidence needed to produce the AGS. This enables managers to provide documented evidence regarding the controls within their service units as part of the service planning process. The controls in place are designed to negate the identified and recorded risks of not achieving service, departmental or corporate objectives. In order to ensure adequate controls are in place the procedures, processes and management arrangements in place to mitigate identified risks and the officers responsible for them are also documented. Gaps in controls can be addressed as part of the regular reviews of departmental risks and control measures.
- Internal Audit – the Council has the responsibility for maintaining and reviewing the system of internal control and reviewing annually Internal Audit. In practice, the Council, and its External Auditors, takes assurance from the work of Internal Audit. In fulfilling this responsibility:
 - Internal Audit were externally assessed in line with Public Sector Internal Audit Standards in December 2024 and received the highest level of conformance that can be achieved.
 - Internal Audit reports to the Section 151 Officer and Audit and Governance Committee.
 - The Head of Audit and Governance reports to the Audit and Governance Committee how the Council’s financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019).
 - The Head of Audit and Governance provides an independent opinion on the adequacy and effectiveness of the system of internal control, quarterly update reports and an annual internal audit performance report to the Audit and Governance Committee.
 - Internal audit plans are formulated from an approved risk assessment package and Internal Audit continues to provide assurance across a broad range of Council activities and functions through the audits it completes.
 - External Audit – in their auditors’ annual report, comment on their overall assessment of the Council. It draws on the findings and conclusions from the audit of the Council.
 - Other review and assurance mechanisms: for example, Department of Education, Care Quality Commission, Ofsted, HMI Probation and Service Excellence.

Significant Governance Issues

The following significant governance issues have been identified:

No	Issue	Action	Timescale	Responsible Officer
1	Delivery of Council Plan, revised Performance Assurance Framework and Medium Term Financial Plan (MTFP). The sustainability of services, level of performance and the continuing need to achieve housing and business growth.	Whilst a transformation plan has previously been agreed and successfully delivered savings for the 2026/27 budget, a refresh will be required, together with a whole authority focus on balancing the budget position. On-going monitoring of the programme will be reported, together with any other budget changes, to Finance and Corporate Affairs Committee as part of the MTFP updates during 2026/27.	2026/27	ELT
2	Delivery of Regeneration/Capital Programme on time and budget in line with key Council objectives.	Arrangements previously adopted will continue to be followed as projects move from design to construction phase.	2026/27 Onwards	Capital Programme Board
3	Potential for Cyber Security attack/breach of IT defences leading to service disruption and potentially serious financial implications.	Cyberattacks against local government are a real and persistent threat, with increased sophistication of attacks and the greater reliance on technology making the threat more severe and impactful. In addition to existing measures, increased campaigns will be rolled out within the Council and work to migrate from local servers to the cloud will continue. Additional measures are also being considered such as 24/7 monitoring of the Council’s network.	2026 Onwards	ELT

SECTION 4 : Annual Governance Statement

4	Changes to Senior leadership team and restructures.	The Council has welcomed a new Chief Executive in post from April 2026. The Director of Housing, Growth and Communities will depart the Council in July 2026, taking up a job opportunity elsewhere. Changes to the Senior Leadership Team increases risks, but also provides opportunities and the officer leadership team will work with elected Members to meet the on-going challenges facing local government and drive forward the Council's priorities.	2026/27	ELT
5	Political uncertainty / change in political environment	Following the May 2026 local elections, the Council is now under 'no overall control', with no single political group holding a majority. It is anticipated that a minority administration will lead the Council, reliant on independent councillors for support. 10 of the 36 councillors, have not previously held a councillor position, thereby requiring additional support and training, whilst they familiarise themselves with local government governance.	2026/27	ELT
6	Preparing to change the Council's governance model from Committee based to Leader and Cabinet.	Section 61 and Schedule 29 of the English Devolution and Community Empowerment Act 2026 are due to come into force on 29 June 2026. From that date, the Council will have a period of 12 months to implement the required change in governance arrangements. Officers working with the Constitution Committee will work to prepare a new Constitution to reflect the Leader and Cabinet model. During this time the Council will continue to operate existing governance arrangements in accordance with current legal requirements until the transitions is complete.	2026/27	ELT

No other significant governance issues have been identified, however, in the interests of improving and developing governance arrangements we propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

The Head of Audit and Governance reported in their Annual Opinion Report that "based on the work undertaken during the year 2025/26, my opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is that reliance can be placed on the adequacy and effectiveness of internal controls operating across the Council in 2025/26."

It is our opinion that governance arrangements at the Council were fit for purpose in 2025/26. This includes core areas identified in the Council's Code of Corporate Governance and supports the achievement of the Council outcomes.

Signed on behalf of Hartlepool Borough Council:

Chief Executive

Chair of Audit and Governance Committee

SECTION 5 : Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARTLEPOOL BOROUGH COUNCIL

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Summary of Material Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. The Council is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2015 and to comply with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

The statements reflect the requirements of general accounting principals and concepts of:

Relevance - the financial statements provide information about the Council's performance and position that is useful to the users of the accounts to assess the stewardship of public funds and for making economic decisions.

Reliability - the financial information faithfully represents the substance of the transactions, the activities underlying them and other events that have taken place, are free from deliberate or systematic bias and material error and have been prudently prepared.

Comparability - the information has been prepared consistently and with adequate disclosures so that it can be compared with prior years and other Local Authorities.

Understandability - the statements have been prepared to ensure they are as easy to understand as possible.

Materiality - the statements disclose items of a certain size and nature such that they provide a fair presentation of the financial position and transactions of the Council.

Faithful Representation - the financial statements faithfully represent economic activity in words and numbers. They have been prepared on the basis that they are complete, neutral and free from error.

Accruals - other than the cash flow statement, the financial statements report transactions that have been recorded in the accounting period for which the goods and services were received or supplied rather than in which the cash was received or paid. No accrual has been made where the accounting period includes a representative number of transactions, i.e. four quarterly or twelve monthly payments or receipts.

Going Concern - the financial statements have been prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

Legality - where the accounting principles and specific legislation requirements are in conflict, the financial statements have been prepared to reflect legislative requirements.

The accounting policies are the principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the Council. Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed, this has been disclosed separately.

Where estimating techniques are required to enable the accounting practices adopted to be applied, then the techniques which have been used are, in the Council's view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, if practicable, the effect on the results for the current period is separately disclosed.

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.

SECTION 6 : Summary of Material Accounting Policies

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Employees' costs are charged to the accounts of the period in which the employees worked which includes 12 monthly payments.
- Supplies and services are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as Works in Progress on the Balance Sheet.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled the debtor balance is written down and a charge made to revenue for the income that might not be collected.
- Where payments are made or received in advance of a service being provided or received, a payment or receipt in advance is recognised as a debtor or creditor in the Balance Sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless it relates to capital receipts or capital expenditure.
- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- General revenue debtors and creditors of less than £5,000 have only been accrued at the discretion of individual departments. All amounts in excess of £5,000 have been accrued.

3. Cash and Cash Equivalents

Cash and cash equivalents is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

SECTION 6 : Summary of Material Accounting Policies

5. Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. Charges to Revenue for Non-current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service; and,
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

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

7. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, 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 benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Costs

Termination costs are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those costs or when the Council recognises costs for a restructuring.

Where termination costs 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 costs and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

SECTION 6 : Summary of Material Accounting Policies

Post Employment Benefits

Employees of the Council are members of three separate pension schemes:

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

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees whilst working for the Council.

The arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Joint Commissioning Department line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year and the employer's contributions payable to NHS Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme.

The liabilities of the Teesside Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projections of projected earnings for current employees.

The assets of the Teesside Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price,
- Unquoted securities – professional estimate,
- Unitised securities – current bid price,
- Property – market value.

The change in the net pensions liability is analysed into the following components:

Service cost, comprising:

- **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- **Past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement and apportioned based on direct departmental pension costs.
- **Net interest on the defined benefit liability/(asset) i.e. net interest expense for the Council** – the change during the period in the net defined benefit liability/(asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/(asset) at the beginning of the period, taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contribution and benefit payments.

Remeasurements, comprising:

- **The return on plan assets** – excluding amounts included in net interest on the net defined benefit liability/(asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

SECTION 6 : Summary of Material Accounting Policies

Contributions paid to the Teesside Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The positive balance that arises on the Pensions Reserve means that the resources set aside to fund pension benefits for post and current employees currently exceed the estimated cost.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. Events After the Balance Sheet Date

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

- 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; and,
- 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.

9. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as either Capital or Revenue Grant Receipts in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant department line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

SECTION 6 : Summary of Material Accounting Policies

10. Interests in Companies and Other Entities

Under Local Government Reorganisation the Council was allocated 2.47% of the shares in Teesside International Airport, which has reduced to 1% upon the sale of the airport to Goosepool 2019 Ltd (jointly owned by the Tees Valley Combined Authority (75%) and Stobart Holding Limited (25%)).

These share holdings originated through policy initiatives with other Local Authorities and are not held for trading or income generation. Therefore the Council have elected to designate the equity as Fair Value through other Comprehensive Income.

11. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using a weighted average costing formula.

Items with a residual value have been disposed of at maximum benefit to the Council. The Director of Finance, IT and Digital is advised of obsolete stock prior to disposal for items in excess of £500 in value. Items having no residual value have been disposed of by being either:

- Advertised internally,
- Donated to charitable organisations,
- Scrapped (within legislative parameters),
- Specialist removal.

Obsolete or damaged stock has been written off, otherwise an allowance has been made for obsolescence.

Work in Progress on uncompleted jobs is valued at cost, including an allocation of overheads.

12. Investment Property

Investment properties are those that are used solely to earn rental income and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value (i.e. market value), based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are reviewed annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13. Leases

Leases are classified as Right-of-Use Assets where the terms of the lease substantially transfer all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as Operating Leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

SECTION 6 : Summary of Material Accounting Policies

The Council as Lessee

Property, Plant and Equipment held under Right-of-Use Assets are recognised on the Balance Sheet at the commencement of the lease. The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and,
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under Right-of-Use Assets are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

Where leases are at nil consideration, or a peppercorn, then no lease liability is recorded and instead are treated as donated assets and included within Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement.

There are four properties that have previously been included on the Balance Sheet under the IAS 17 – Leases standard. Two properties are freehold subject to lease and the Council sub-lease part of the asset at nil rent. Two were considered finance leases under IAS17, one with peppercorn and the other below market rent. Leases previously classified as finance lease under IAS17 continue to be accounted for as such. The Council has applied the practical expedient to not reclassify these leases as Right-of-Use Assets.

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and,
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

SECTION 6 : Summary of Material Accounting Policies

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

14. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

15. Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

16. Property, Plant and Equipment

Property, Plant and Equipment are valued on a five-year rolling programme. From the 1 April 2025, those assets not subject to a formal revaluation as part of the five-year rolling programme will be subject to indexation in the four intervening years. The current asset values are based upon certificates and indexation based on indices issued by the Council's Estates and Asset Management Section. The valuations are prepared in accordance with the Statements and UK Practice Statements contained in the RICS Appraisal and Valuation Standards. From 1 April 2007, increases in asset valuations are credited to the Revaluation Reserve.

The asset valuations have been prepared using the following assumptions:

- The Council has good marketable title, free from any onerous or restrictive covenants.
- There are no hazardous substances or latent defects in the properties and there is no contamination present.
- Details of tenure, planning consents and other relevant information are assumed to be correct.
- That properties and their value are unaffected by any matters that would be revealed by a local search, replies to usual enquiries or by any statutory notice.
- It is assumed that the present use is lawful and that there are no adverse conditions attached. It is further assumed that there are no adverse planning proposals in existence that may affect the property in the future.
- No allowance has been made for any taxation, acquisition, realisation or disposal costs or other expenses.
- No soil surveys have been carried out or services tested.

SECTION 6 : Summary of Material Accounting Policies

Not all properties were specifically inspected for the purposes of asset valuations. This was neither practicable, nor considered by the Valuer to be necessary, for the purpose of the valuation. However, regular inspections are made by officers of the Property Section of all the Council's property assets. As allowable under the Code depreciated historical cost is used as a proxy for some non-property assets that have short useful lives and/or low values.

Where a non-current asset is included in the Balance Sheet at current value, the increase over the previous carrying amount at which that asset was included in the Balance Sheet immediately prior to the latest revaluation is credited to a revaluation account, except to the extent that it reverses a revaluation loss on the same asset previously recognised in the Comprehensive Income and Expenditure Statement, when the revaluation gain is recognised in the Comprehensive Income and Expenditure Statement.

Where an item of Property, Plant or Equipment is acquired under a Right-of-Use Asset, at the inception of the lease the amount to be recorded both as an asset and as a liability would be the present value of the minimum lease payments derived by discounting them at the interest rate implicit in the lease.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured, with a corresponding adjustment to the Right-of-Use Asset, when there is a change in future lease payments resulting from a rent review, change in an index or rate such as inflation, or change in the Council's assessment of whether it is reasonably certain to exercise a purchase, extension or break option.

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price; and,
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Community assets and assets under construction – historical cost.
- Infrastructure – the authority has decided not to disclose gross cost and accumulated depreciation of infrastructure in the financial statements and instead maintain this information as memorandum information. The basis and rationale for this decision is Note 14 together with the determination that the carrying amount of derecognised infrastructure is nil. Note 14 also sets out the useful lives of various classes of infrastructure that have been determined through discussion with the Authority's engineers.
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- Surplus and Investment assets - fair value, determined using the basis of market value (FV-MV).
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

SECTION 6 : Summary of Material Accounting Policies

Assets included in the Balance Sheet at current value are revalued sufficiently 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. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant department line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant department line(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation has been charged using the straight line method on the closing balances over the asset's estimated useful life.

The useful lives of assets are estimated on a realistic basis and are reviewed regularly and, where necessary, revised. Where the useful life of an item of Property, Plant or Equipment is revised, the carrying amount of the item is depreciated over the revised remaining useful life. Depreciation is not charged in the year of acquisition but is charged in the year of disposal.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, or has a significantly different useful life, the components are recognised separately and depreciated based on the components useful economic life.

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

Disposals and Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell. Where there is a subsequent decrease to current value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in current value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

SECTION 6 : Summary of Material Accounting Policies

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale but remain in Property, Plant and Equipment. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

17. Heritage Assets

Heritage Assets are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Council's history and local area. The items in the Museum Exhibit and Art Collection and the Civic Collection are held on the Balance Sheet at insurance value, and will be reviewed every five years. The assets within these collections are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions will be recognised at cost until the collection is revalued by the external valuer. Donations will only be recognised where the value is deemed to exceed £10,000, and will be valued by the external valuer.

The Council has an Acquisitions and Disposals Policy in place which sets out the acquisition, preservation, management and disposal of Heritage Assets. This is available to view on the Council's website.

The Council does not consider that reliable cost of valuation information can be obtained for many of the items held under the Sculptures, Monuments and War Memorial category. This is because of the diverse nature of the assets held and lack of comparable market values.

18. Intangible Assets

Expenditure on assets that do not have physical substance and are identifiable and controlled by the Council (e.g. Software Licences) is capitalised when it will bring benefits to the Council for more than one financial year. The cost is charged to the relevant expenditure category over the economic life to reflect the pattern of consumption of benefits.

19. Provisions and Contingent Liabilities

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate department line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

SECTION 6 : Summary of Material Accounting Policies

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

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

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

20. Financial Guarantees

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments and are disclosed in the Financial Guarantees note.

21. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained in the relevant policies.

22. Revenue Expenditure Funded from Capital under Statute

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

23. VAT

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.

SECTION 6 : Summary of Material Accounting Policies

24. Financial Instruments

Financial Liabilities

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

For Public Works Loans Board (PWLB) loans, the fair value of each loan has been determined by information supplied by the PWLB. For market loans, the redemption rules of the PWLB have been used to approximate the fair value of loans held. The comparator market rates prevailing have been taken from indicative investment rates at each Balance Sheet date.

Financial Assets

Financial assets are classified based on classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost,
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI).

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provision of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for the interest receivable are based on the carrying amount of the asset multiplied by the effective rate of the interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

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

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in the fair value through other comprehensive income. The Council will assess each investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

The Council currently holds no assets at FVPL.

SECTION 6 : Summary of Material Accounting Policies

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)

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

The Council has made an irrevocable election to designate one of its equity instruments as FVOCI on the basis that they are held for non-contractual benefits, they are not held for strategic purposes. The assets were transferred to the new asset category on 1 April 2018. The asset is initially measured and carried at fair value.

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

When the asset is de-recognised, the cumulative gain or loss previously recognised in the financial instruments revaluation reserve is credited/debited to the surplus or deficit on the provision of services.

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

Expected Credit Loss Model

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on a basis of 12-month expected losses.

25. Fair Value Measurements

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing an asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which the fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

SECTION 7 : Glossary of Terms

ACCOUNTING POLICIES

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

- recognising;
- selecting measurement bases for; and
- presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

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

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension 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.

ASSET CEILING

Maximum amount of surplus that can be recognised on a Authority's Balance Sheet from its share of LGPS assets.

CAPITAL EXPENDITURE

Expenditure on the acquisition of an asset or expenditure that adds to and not merely maintains the value of an existing asset.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

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

COMMUNITY ASSETS

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

CONSISTENCY

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

CONSTRUCTIVE OBLIGATION

An obligation that derives from an Authority's actions where:

- a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the Authority has indicated to other parties that it will accept certain responsibilities; and
- b) as a result, the Authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

CONTINGENT ASSET

A contingent asset is a potential economic benefit that may arise from past events, but whose existence will only be confirmed by the occurrence or non occurrence of uncertain future events that are not wholly within the entity's control. They are not recognised in the financial statements because doing so could result in recognising income that may never be realised. Instead, they are disclosed in the notes when the inflow of economic benefits is probable. Only when the realisation of the asset becomes virtually certain is it recognised as an actual asset in the statement of financial position.

SECTION 7 : Glossary of Terms

CONTINGENT LIABILITY

A contingent liability is either:

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

CREDITORS

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

CURRENT ASSETS

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

CURRENT LIABILITIES

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

CURRENT SERVICE COST (PENSIONS)

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

CURTAILMENT

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

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

DEBTORS

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

DEFINED BENEFIT SCHEME

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

DEFINED CONTRIBUTION SCHEME

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

DEPRECIATION

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

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

SECTION 7 : Glossary of Terms

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, such as The Local Government (Discretionary Payments) Regulations 1996.

ESTIMATION TECHNIQUES

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

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

- a) Methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of property, plant and equipment consumed in a period;
- b) Difference methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

Material items that derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RATE OF RETURN ON PENSION ASSETS

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FINANCE LEASE

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee.

FINANCIAL GUARANTEE

This is a legally binding commitment by a third party (the guarantor) to cover a borrower's debt or financial obligation if the borrower fails to meet their responsibilities.

FINANCIAL INSTRUMENT

A legally enforceable agreement between two or more parties, expressing a contractual right or a right to the payment of money. Typical examples include investments, loans, trade creditors and trade debtors.

GOING CONCERN

The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

SECTION 7 : Glossary of Terms

GOVERNMENT GRANTS

Assistance by Government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

HERITAGE ASSETS

Assets preserved in trust for future generations because of their cultural, environmental or historical associations. It applies to assets held and maintained by the Authority principally for the contribution of knowledge and culture.

HOUSING REVENUE ACCOUNT

Local Authorities are required to maintain a separate Housing Revenue Account - which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the General Fund.

IMPAIRMENT

A reduction in the value of Property, Plant and Equipment below its carrying amount on the Balance Sheet.

INCREMENTAL BORROWING RATE

The interest rate a council would pay to borrow funds over a similar term to lease an asset.

INDEXATION

Indexation is a tool used to apply an inflationary increase to assets in the years between professional valuations.

INFRASTRUCTURE ASSETS

These assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTANGIBLE ASSETS

Expenditure which may properly be capitalised, but which does not result in an asset with substance. Examples of this type of expenditure are software and other licences, patents and trademarks and artistic originals.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period is the present value of the scheme liabilities because the benefits are one period closer to settlement.

INTERNATIONAL ACCOUNTING STANDARDS (IAS)

These standards are developed by the International Accounting Standards Board and regulate the preparation and presentation of financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

These standards are developed by the International Accounting Standards Board and regulate the preparation and presentation of financial statements. The Companies Act 1985 requires compliance with these Standards or disclosures in the notes if there are any material departures from these Standards.

INVENTORIES

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Inventories comprises the following categories:

- 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.

SECTION 7 : Glossary of Terms

INVESTMENT PROPERTIES

Interest in land and/or buildings:

- a) in respect of which construction work and development have been completed; and
- b) which is held for its investment potential, any rental income being negotiated at arm's length.

INVESTMENTS (PENSIONS FUND)

The investments of the Pensions Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of Pension Scheme assets associated with their underlying obligations.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

LONG TERM CONTRACTS

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long term contracts if they are sufficiently material to the activity of the period.

MINIMUM REVENUE PROVISION (MRP)

The statutory minimum amount that authorities must set aside each year as provision for debt repayment based on the Capital Financing Requirement.

NET BOOK VALUE

The amount at which assets are included in the Balance Sheet, that is their historical cost of current value less the cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, that is the cost of its replacement or of the nearest equivalent asset adjusted to reflect the current condition of the existing asset.

NET DEBT

The Authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

NET REALISABLE VALUE

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NON-CURRENT ASSET

Assets that yield benefits to the Authority, and the services it provides, for a period of more than one year.

SECTION 7 : Glossary of Terms

NON-OPERATIONAL ASSETS

Assets held by a local authority but not used or consumed in the delivery of services or for the service or strategic objectives of the Authority. Examples of non-operational assets include investment properties and assets that are surplus to requirements, pending their sale. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the Authority and the rental income is negotiated at arm's length.

OPERATING LEASES

A lease other than a finance lease.

OPERATIONAL ASSETS

Assets held and occupied, used or consumed by the Local Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the Authority.

PAST SERVICE COST

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PRIOR PERIOD ADJUSTMENTS

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of material errors. A material error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROJECTED UNIT METHOD

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- b) the accrued benefits for members in service of the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

PROPERTY, PLANT & EQUIPMENT

This covers all assets with physical substance that are for use in the production or supply of goods and services, for rental to others, or for administrative purpose, and expected to be used during more than one period.

PROVISIONS

Funds set aside to cover potential liabilities or losses which are likely or certain to be incurred at a future date but where the exact amount and timing of the liability or loss is currently not known.

SECTION 7 : Glossary of Terms

RELATED PARTIES

Two or more parties are 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 source; 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 interests; 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 transaction has subordinated its own separate interests.

Examples of related parties of an authority include:

- Central Government;
- Local Authorities and other bodies precepting or levying demands on the Council Tax;
- its subsidiary and associated companies;
- its joint ventures and joint venture partners;
- its Councillors;
- its Chief Officers; and
- its Pension Fund.

Examples of related parties of a pension fund include its:

- administering Authority and its related parties;
- scheduled bodies and their related parties; and
- Trustees and Advisors.

These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

RELATED PARTY TRANSACTIONS

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the Pension Fund;
- the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- the provision of services to a related party, including the provision of pension fund administration services;
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payment of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the Authority, but also in relation to its related party.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

SECTION 7 : Glossary of Terms

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- an employer's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Revenue expenditure funded by capital under statute. This is expenditure that can be properly capitalised, but which does not result in an asset for the Authority. Expenditure is therefore written off to revenue.

RIGHT-OF-USE ASSET

An asset that represents a lessee's right to use an underlying asset for the lease term.

SCHEME LIABILITIES

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

SETTLEMENT

An irrecoverable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- the purchase of an irrecoverable annuity contract sufficient to cover vested benefits; and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

USEFUL LIFE

The period over which the Authority will derive benefits from the use of an asset.

FURTHER INFORMATION

Copies of this document can also be provided on audiotape or in large print, Braille and ethnic minority languages on request. We can also be contacted via Typetalk and enquiries in any language can be dealt with in person or on the telephone using Language Line instant translation service.